

KEY DATA SUMMARY | BASELINE SCENARIO: MULTI-FAMILY UNIT

Development Summary

Property Cost

Property Purchase Price	\$450,000
Initial Renovations (t=0)	\$0
	\$450,000

Initial Cash Contributions

Start Up Costs	\$4,500
Working Capital	\$1,575
Loan Payment Reserves	\$2,182
	\$8,257

2 Months
2 Months

Initial Development Capital	\$458,257
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	<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
REAL @ 2.5%	2022	2024	2025	2026	2028	2031
Tot Development Capital	\$458,257	\$467,775	\$467,775	\$467,775	\$467,775	\$467,775

Initial Financing	\$360,000
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	Property		Development	
Down Payment	20%	\$90,000	21%	\$98,257

Initial Capital Investment	(\$98,257)
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REAL @ 2.5%	<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
NET Capital Investment	2022	2024	2025	2026	2028	2031
	(\$98,257)	(\$102,263)	(\$102,263)	(\$102,263)	(\$102,263)	(\$102,263)

Rates of Return

REAL @ 2.5%	Year 3
IRR (Internal Rate of Ret)	29.0%
Return on Investment (Ann)	25.0%
Cash on Cash Return	13.1%
Cash Multiple	2.0
Yield Ex-Leverage	8.1%
Cash Flow Breakeven	7

<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
2022	2024	2025	2026	2028	2031
33.4%	29.0%	31.1%	28.4%	25.0%	22.1%
33.4%	25.0%	26.5%	23.6%	19.8%	16.3%
13.0%	13.1%	13.7%	14.3%	15.4%	16.9%
1.3	2.0	2.6	2.9	3.5	4.5
8.9%	8.1%	8.1%	8.1%	8.1%	8.1%

Cash Flow (Annual)

REAL Annual @ 2.5%	Year 3
PRE-TAX Net Cash Flow	\$13,443

<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
2022	2024	2025	2026	2028	2031
\$12,735	\$13,443	\$14,036	\$14,615	\$15,730	\$17,302

Operating Cash Flow	\$37,753
Rental Revenue	\$50,575

\$40,537	\$37,753	\$37,753	\$37,753	\$37,753	\$37,753
\$50,171	\$50,575	\$52,746	\$52,746	\$52,746	\$52,746

Mandatory Op Cash Flow	(\$39,953)	<i>(\$3,329) per Month</i>
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(\$32,631)	(\$39,953)	(\$39,361)	(\$38,782)	(\$37,667)	(\$36,095)
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NOMINAL Sch Loan Payments	(\$26,178)	<i>(\$2,182) per Month</i>
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(\$23,997)	(\$26,178)	(\$26,178)	(\$26,178)	(\$26,178)	(\$26,178)
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Property Value

	Year 3
REAL @ 2.5%	
Total NET Value	\$199,979
Total Gain Loss	\$104,830
Gross Property Value	\$468,287
Net Equity Property Value	\$163,179
Net Equity Property %	36%
Free Cash Flow Value	\$36,800

Cap Rt 7.5% / Gr Rt 2.5%

Ann Growth @ 1.5%

<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
<u>2022</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2028</u>	<u>2031</u>
\$131,121	\$199,979	\$262,138	\$295,512	\$362,694	\$464,434
\$35,261	\$104,830	\$169,310	\$204,948	\$276,493	\$384,388
\$455,138	\$468,287	\$497,228	\$497,228	\$497,228	\$497,228
\$110,139	\$163,179	\$211,661	\$230,913	\$268,589	\$323,176
25%	36%	43%	47%	55%	66%
\$20,983	\$36,800	\$50,477	\$64,599	\$94,105	\$141,258

Profit Margins

	Year 3
EBITDA Margin	70.7%
Operating Margin	70.7%
Net Margin	21.8%

<u>1</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>10</u>
<u>2022</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2028</u>	<u>2031</u>
72.6%	70.7%	70.7%	70.7%	70.7%	70.7%
81.5%	70.7%	70.7%	70.7%	70.7%	70.7%
13.0%	21.8%	23.9%	25.9%	29.8%	35.5%

Debt Ratios

Debt Coverage Ratio	1.6
Loan to Property Value	1.6
Loan to Total Value	1.7

1.5	1.6	1.6	1.6	1.7	1.8
1.3	1.6	1.8	1.9	2.2	2.9
1.4	1.7	1.9	2.1	2.6	3.8

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Property Valuation

Property Development

Property Purchase Price	\$450,000
Initial Renovations (t=0)	\$0
Start Up Costs	\$4,500
Future REAL Renovations	\$9,518
	\$464,018

REAL @ 2.5%

Year 3

Ann Operating Cash Flow	\$37,753
Annual Rental Revenue	\$50,575
Monthly Rental Revenue	\$4,215

Opportunity Cost Investment @ 7.0%

REAL @ 2.5%

Year 3

Opp Cost Inv @ 7.0%	
Total NET Value	\$116,249
Total Gain Loss	\$21,099

Multi-Family Unit LESS Opp Cost Inv

Total Value	\$83,730
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Multi-Family Unit DIVIDED BY Opp Cost Inv

Total Value	1.7
Gain Loss	5.0

Cap Rate: Ann Operating Cash Flow / Property Development

Cap Rate	5.0%	6.0%	7.0%	8.0%	9.0%
8.1%	\$755,051	\$629,209	\$539,322	\$471,907	\$419,473

Price to Earnings: Property Development / Ann Operating Cash Flow

P/E	20.0	17.5	15.0	12.5	10.0
12.3	\$755,051	\$660,669	\$566,288	\$471,907	\$377,525

Annual Rental Revenue Value: Annual Rental Revenue / Property Development

Ann Rent Rev	7.0%	9.5%	12.0%	14.5%	17.0%
10.9%	\$722,500	\$532,368	\$421,458	\$348,793	\$297,500

Monthly Rental Revenue Value: Monthly Rental Revenue / Property Development

Mo Rent Rev	0.6%	0.8%	1.0%	1.2%	1.4%
0.9%	\$702,431	\$526,823	\$421,458	\$351,215	\$301,042

Discounted Cash Flow (NPV): 10 Year

DCF @ 21.0%	11%	16%	21%	26%	31%
\$26,645	\$144,416	\$72,957	\$26,645	(\$4,153)	(\$25,147)

1	3	4	5	7	10
2022	2024	2025	2026	2028	2031
\$102,570	\$116,249	\$121,353	\$126,680	\$138,048	\$157,039
\$6,710	\$21,099	\$28,524	\$36,116	\$51,847	\$76,993

\$28,551	\$83,730	\$140,786	\$168,832	\$224,646	\$307,394
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1.3	1.7	2.2	2.3	2.6	3.0
5.3	5.0	5.9	5.7	5.3	5.0

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Property: Buy and Sell

Model Start Date	January-22
Purchase Date	January-22
Sale Date	None
Working Capital Months	0
Loan Reserve Months	2

Property Growth

Property Value: Cap Rate	7.5%
Property Sale Cost	3.0%
Inflation Rate (Ann)	2.5%
Free Cash Flow Gr Rt (Ann)	1.5%
Cash Flow Type	Pre-Tax

Key Tax Assumptions

Ordinary Rates	30%
Capital Gains Rates	15%
Depreciation Years	27.5
Purchase Price Depreciated	\$396,000

Key Loan Terms

Title	Amount	Rate	Period (Yrs)	Start Date	Extra Mo Princ	Payoff Date	Mo Payment
Loan 1: Lender 1 Fixed Mortgage	\$360,000	4.00%	20.0	January-22	\$0	None	(\$2,182)

Cash Inflows

Title	Amount	Pay Freq	% Incrs (Ann)	Date Start	Date End	Pay Every	% Taxable	Rental Revenue
Unit 1 Revenue	\$2,250	Monthly	2.50%	January-22	Sale Date	Every Year	100%	Yes *
Unit 2 Revenue	\$2,000	Monthly	2.50%	January-22	Sale Date	Every Year	100%	Yes *

Expenses and Cash Outflows

Title	Payment	Pay Freq	% Incrs (Ann)	Date Start	Date End	Pay Every	% Tax Deduc	Operating	% Op Mandatory
Closing Cost (1.0%)	\$4,500	Annually	2.50%	January-22	January-22		0%	No	0%
Property Tax	\$400	Monthly	2.50%	January-22	Sale Date	Every Year	100%	Yes	100%
Insurance (0.5%)	\$188	Monthly	2.50%	January-22	Sale Date	Every Year	100%	Yes	100%
Overhead	\$200	Monthly	2.50%	January-22	Sale Date	Every Year	100%	Yes	100%
Maintenance (1.5%)	\$6,750	Annually	2.50%	January-23	Sale Date	Every Year	100%	Yes	100%

Renovations and Capital Improvements

100% of Renovations and Capital Improvements are added to Property Value

Title	Payment	Pay Freq	% Incrs (Ann)	Date Start	Date End	LOC %	Deprectn Yrs
Renovation	\$10,000	Annually	2.50%	January-23	January-23	0%	27.5

* Denotes that value has been customized from the linear assumptions listed.

Model Notes

We assume rents are undervalued and will jump by 10%.
 In order to increase rents, we need small renovations ~ \$10,000 in one year, when existing tenants lease expire.