
ASH&KO Boutique

Financials and Pro-Forma



The properties located at **1534 and 1538 W Osborn Road** present an outstanding investment opportunity in the short-term rental market. With robust historical financial performance, significant additional revenue potential, and strategic growth initiatives, these properties are poised to deliver strong returns for investors.

This report outlines the historical financial data, future projections, and additional revenue streams that collectively make these properties an attractive investment. We will delve into detailed financial analysis, projected growth, and potential value enhancements



Summary of Income and Expenses

2022

- **Income:** \$137,701.28
- **Units Booked:** 5 out of 8
- **Platforms:** Airbnb, VRBO
- **Expenses:**
 - Streaming Service: \$3,890.53
 - Gas: \$2,652.03
 - Electric: \$10,821.57
 - Water: \$2,561.79
 - Insurance: \$3,786.00
- **Total Expenses:** \$23,712.92
- **Net Income:** \$113,988.36

2023

- **Income:** \$365,061.50
- **Units Booked:** 8 out of 8
- **Platforms:** Airbnb, VRBO, Booking.com, Zelle, Direct Website
- **Expenses:**
 - Advertising: \$960.38

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- Streaming Service: \$3,890.53
 - Gas: \$4,116.56
 - Electric: \$10,249.82
 - Water: \$2,319.41
 - Insurance: \$3,786.00
 - Landscaping Maintenance: \$3,720.00
 - **Total Expenses:** \$29,042.70
 - **Net Income:** \$336,018.80

2024 (Up to August 10)

- **Income:** \$186,688.46
- **Units Booked:** 8 out of 8
- **Platforms:** All platforms used in 2023
- **Expenses:**
 - Streaming Service: \$2,410.21
 - Gas: \$2,478.93
 - Electric: \$3,376.48
 - Water: \$2,047.37
 - Landscaping Maintenance: \$2,170.00
- **Total Expenses:** \$12,482.99
- **Net Income (to date):** \$174,205.47

Key Financial Metrics

1 Gross Operating Income (GOI):

GOI represents the total income generated by the property before deducting any operating expenses.

- 2022: \$137,701.28
- 2023: \$365,061.50
- 2024 (YTD): \$186,688.46

2 Net Operating Income (NOI):

NOI is the income generated after all operating expenses have been deducted.

- 2022: \$113,988.36
- 2023: \$336,018.80
- 2024 (YTD): \$174,205.47 This metric measures the proportion of income used to cover operating expenses.

3. Operating Expense Ratio (OER)

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- 2022- 17.23%
 - 2023- 7.96%
 - 2024- 6.68%

Pro-Forma Projections

Based on the historical data provided, projected income and expenses for the full year of 2024 and for the next two years (2025 and 2026). I'll assume that the income and expenses for 2024 will continue at the same rate for the remainder of the year.

2024 Full-Year Projection

- **Income:**

Assuming the remaining months (approx. 4.5 months) continue at the same pace:
 $186,688.46 / 8.5 \times 12 = \$263,897.91$

- **Total Expenses:**

Assuming similar expense growth as previous months:

$$12,482.99 / 8.5 \times 12 = \$17,610.57 = 246,287.34$$

- **Projected NOI:**

$$\$263,897.91 - \$17,610.57 = \$246,287.34$$

2025 Projection (Assuming a 10% increase in revenue due to inflation and demand, and a 5% increase in expenses)

- **Income:**

$$\$263,897.91 \times 1.10 = \$290,287.70$$

- **Total Expenses**

$$\$17,610.57 \times 1.05 = \$18,491.10$$

- **Projected NOI**

$$\$290,287.70 - \$18,491.10 = \$271,796.60$$

2026 Projection (Another 10% increase in revenue and 5% increase in expenses)

- **Income**

$$\$290,287.70 \times 1.10 = \$319,316.47$$

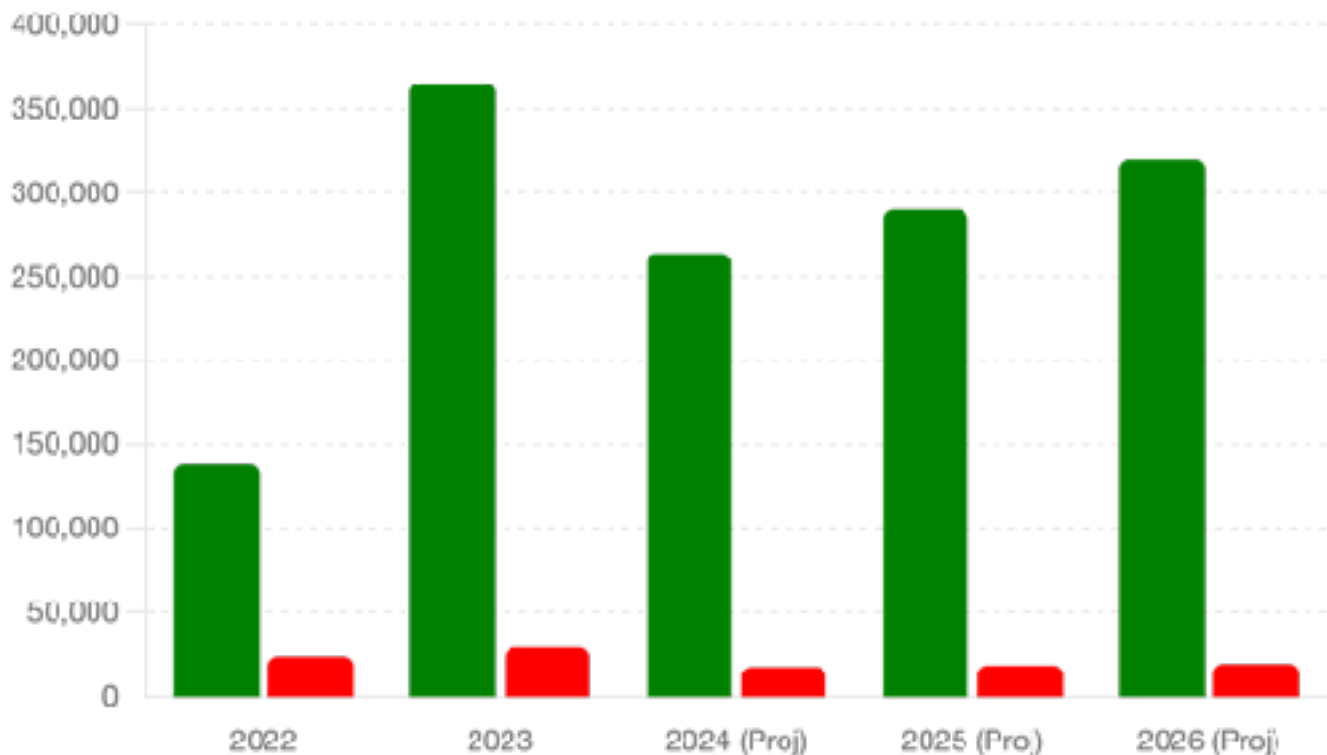
- **Total Expenses**

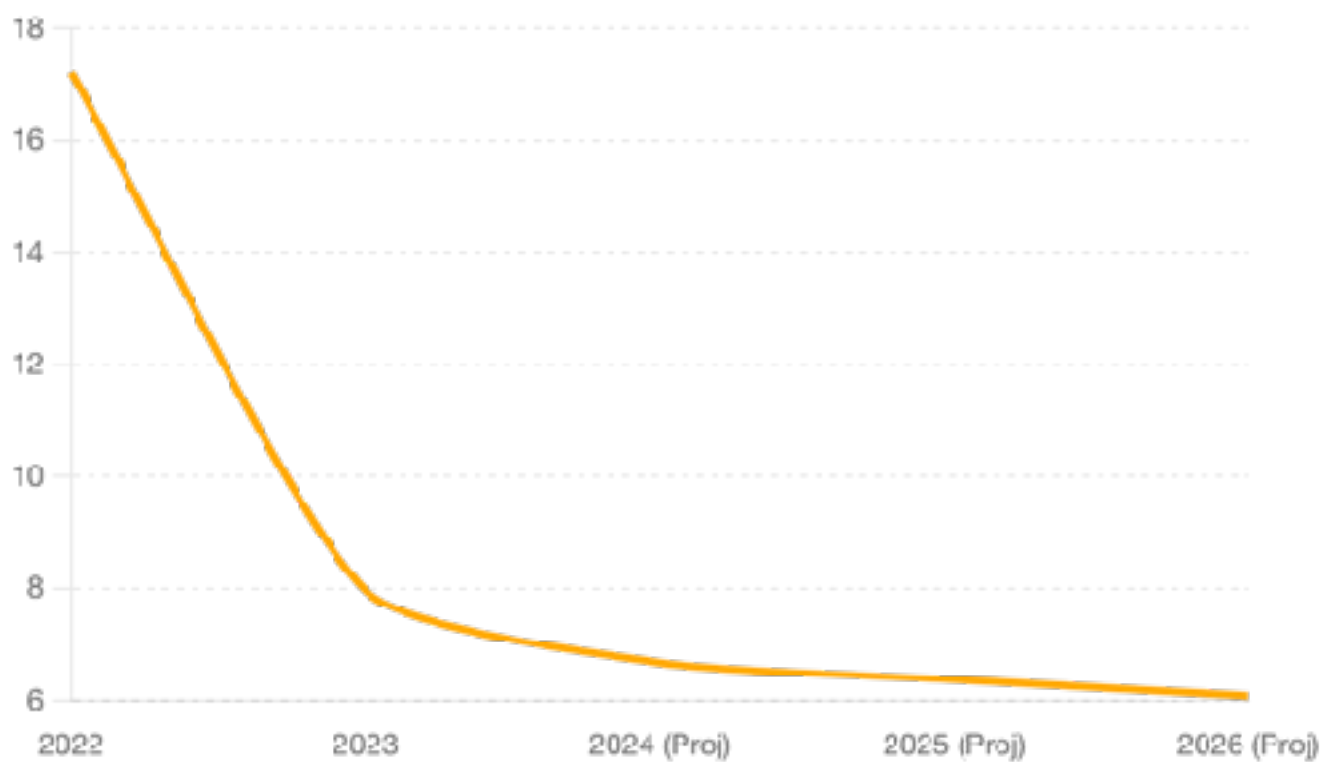
$$\$18,491.10 \times 1.105 = \$19,415.66$$

- **Projected NOI**

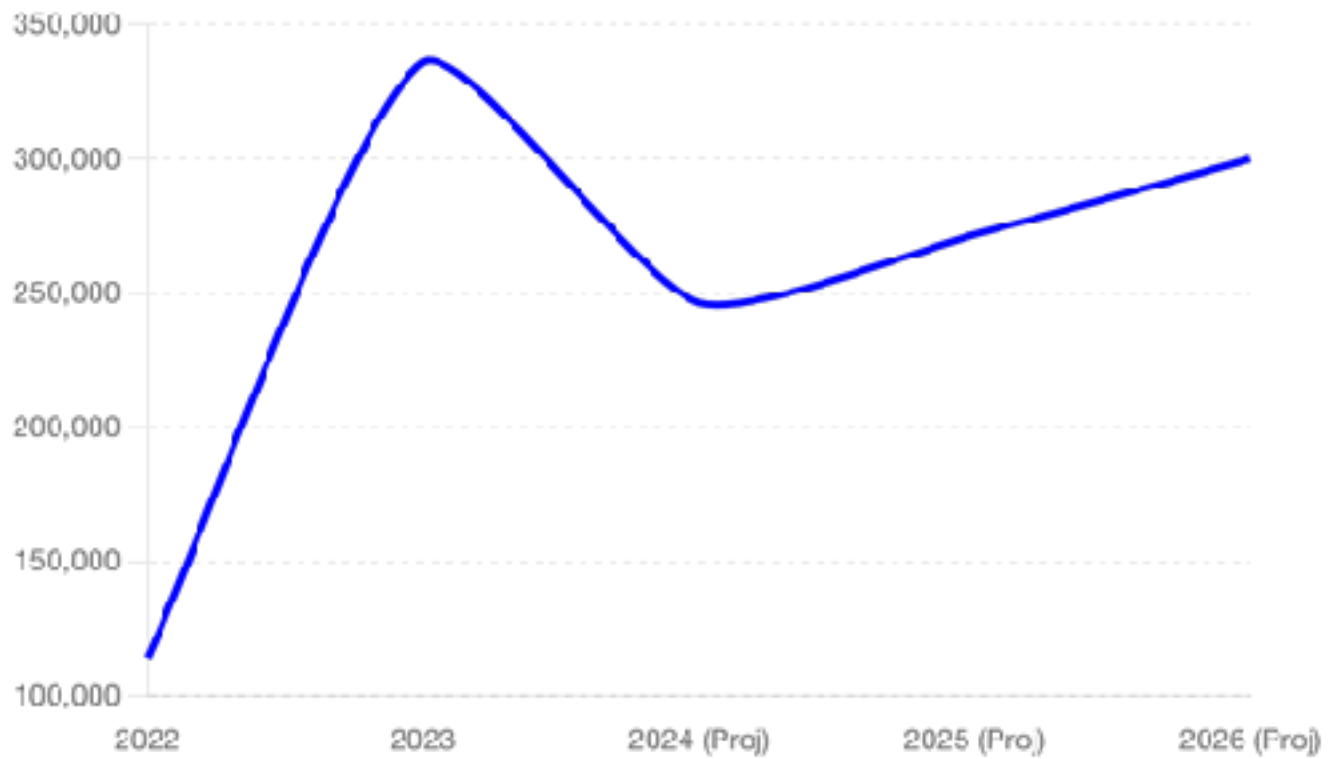
- $\$319,316.47 - \$19,415.66 = 299,900.81$

Annual Income vs. Expense

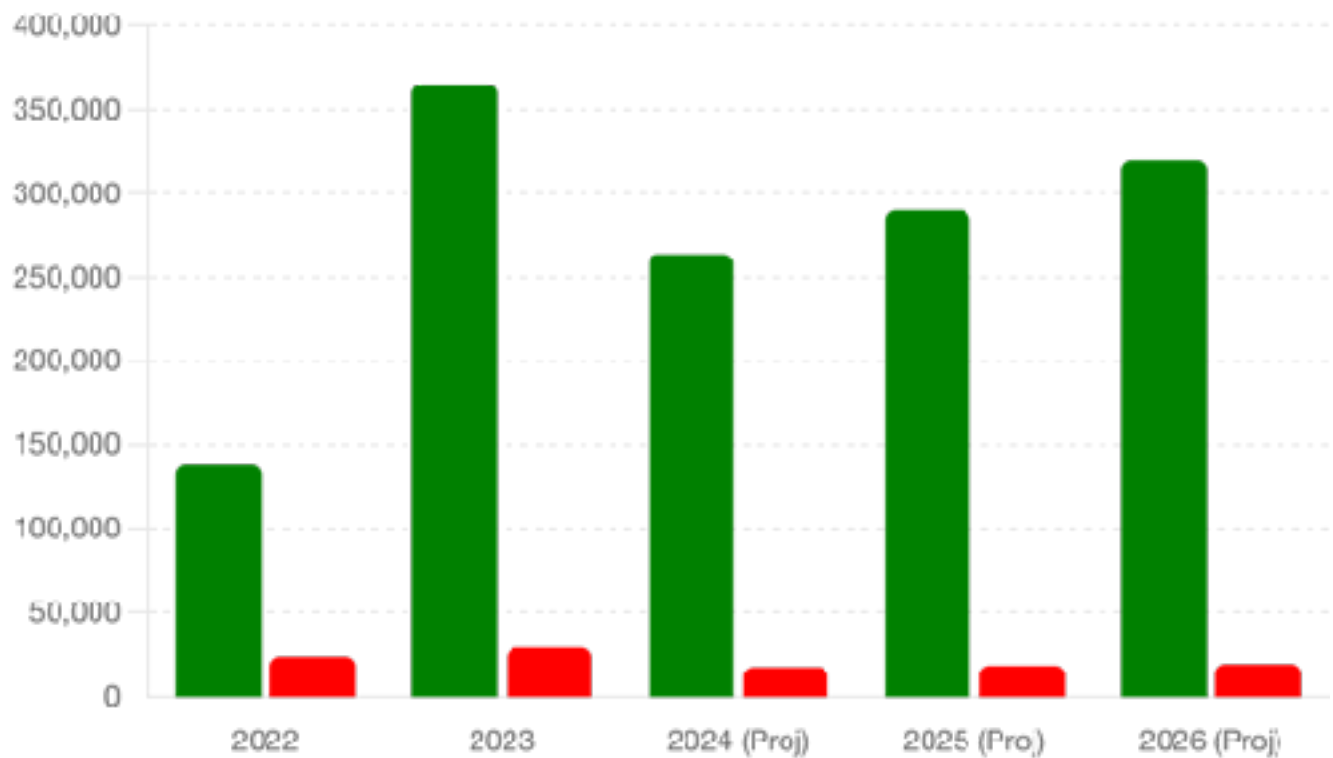




Net Operating Income (NOI) Over Time



Projected Income and Expenses



Annual Income vs. Expenses: This bar chart shows the income and expenses for each year. It highlights how the income has significantly increased from 2022 to 2023, with a clear projection of continued growth. Expenses are shown alongside income to provide a clear comparison.

Net Operating Income (NOI) Over Time: This line chart illustrates the Net Operating Income over the years, including projections for 2024, 2025, and 2026. The upward trend in NOI is a strong indicator of the property's profitability.

Operating Expense Ratio (OER) Trend: This chart tracks the Operating Expense Ratio over time. A decreasing trend in OER signifies improving efficiency, which is appealing to investors as it shows a greater proportion of income being retained as profit.

Projected Income and Expenses: This bar chart focuses on the projections for income and expenses over the next few years. It shows expected growth in income outpacing the growth in expenses, leading to increased profitability.

Additional Revenue Streams (very modest number used)

1. Laundry Services

Given that each of the 4 units is booked for a total of 480 stays per year, here's how we'll calculate the potential revenue:

Assumptions:

- **Total Stays per Year per Unit:** 480 stays (120 stays per unit * 4 units)
- **Laundry Usage per Stay:** 1 load of laundry (wash and dry) per stay

Calculation:

- **Revenue per Load:**
 - Washing: \$2 (room for \$1-\$2 price increase)
 - Drying: \$1.75 (room to increase .50-.75)
 - **Total per load:** \$3.75

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- **Total Revenue from Laundry per Stay (for 4 units):**
 $480 \text{ status} \times 1 \text{ load} \times \$3.75 = \$1,800 \text{ per unit}$

Total Annual Revenue from Laundry (for all 4 units)

$$\$1,800 \times 4 = \$7,200$$

2. Courtyard Rentals

Assumptions:

- **Event types:** Small events, photo shoots, commercials, yoga classes
- **Event frequency:** Estimate a moderate usage rate to be realistic.

Updated Rates per Event:

- **Small Events (under 50 people):** \$1,200 per event
- **Photo Shoots:** \$150 per session (half-day)
- **Commercials:** \$500 per day
- **Yoga Classes:** \$75 per class

Calculation:

- **Frequency Estimate:**
 - Small Events: 1 per month = 12 per year
 - Photo Shoots: 2 per month = 24 per year
 - Commercials: 2 per year
 - Yoga Classes: 4 per month = 48 per year

Annual Revenue Estimates:

Small Events:

$$12 \text{ events} \times \$1,200 = \$14,400$$

Photo Shoots:

$$24 \text{ sessions} \times \$150 = \$3,600$$

Commercials:

$$2 \text{ commercials} \times \$500 = \$1,000$$

Yoga Classes:

48 classes x \$75 = \$3,600

Total Annual Courtyard Revenue

\$14,400 + \$3,600 + \$1,000 + \$3,600 = \$22, 600

Total Additional Revenue Potential

- **Laundry Services:** \$7,200 per year
- **Courtyard Rentals:** \$22,600 per year
- **Total Potential Additional Revenue:** \$7,200 + \$22,600 +\$29,800 per year

More Potential Options To Increase Annual Revenue

- - Increase pet fee per stay
- - Charge for parking
- - Offer mini bar in the units
- - Affiliate marketing and partnerships with fitness centers, restaurants, tour operators ect.
- - Earning a commission or referral fee per booking
- - Offer in-house catering services by partnering with local caterers when the courtyard is rented out to earn a commission.
- - Offer service to stock the fridge with the guest preferred food
- - Increase direct bookings through SEO optimization and targeted advertising, reducing reliance on third-party platforms

Midtown Phoenix Market Analysis: Encanto Neighborhood (2024)

Current Market Overview

1. Prime Location and Accessibility:

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- **Central Location:** Encanto is situated in the heart of Midtown Phoenix, offering easy access to major employment hubs, cultural institutions, and transportation corridors. Its central location makes it a highly desirable area for both residents and short-term visitors.
 - **Transportation Connectivity:** The neighborhood benefits from excellent public transportation options, including proximity to the Valley Metro Rail, which connects Midtown to Downtown Phoenix, Tempe, and Mesa. Major highways such as I-10 and SR-51 are also easily accessible, enhancing the area's connectivity.

2. Demographics and Population Trends:

- **Diverse Population:** Encanto is known for its diverse and dynamic community, attracting a mix of young professionals, families, and retirees. The area's population has been steadily growing, reflecting the broader trends in Phoenix, with a notable influx of younger residents drawn by the neighborhood's urban amenities and proximity to downtown.
- **Educational Attainment:** The area boasts a higher-than-average educational attainment level, with many residents holding college degrees. This educated demographic is likely to support demand for quality housing options, including upscale multifamily properties.

3. Real Estate Market Performance:

- **Multifamily Market:** The Encanto neighborhood has a strong multifamily market characterized by high occupancy rates, currently averaging around 96%. The demand for rental housing remains robust, driven by the area's central location and the influx of new residents. The average rent for a one-bedroom apartment in Midtown Phoenix is approximately \$1,650, slightly above the citywide average.
- **Short-Term Rental Market:** Encanto has become a popular location for short-term rentals due to its proximity to downtown, cultural venues, and medical centers like Banner – University Medical Center Phoenix. Short-term rental properties in Encanto typically command premium rates, with average daily rates (ADR) ranging from \$160 to \$280 depending on the property type and amenities.

4. Neighborhood Amenities and Attractions:

- **Encanto Park:** One of the major attractions in the area, Encanto Park, is a large urban park that features a golf course, boating lagoons, sports facilities, and picnic areas. It is a significant draw for both residents and visitors, enhancing the neighborhood's appeal.
- **Cultural and Educational Institutions:** The neighborhood is home to several cultural landmarks, including the Heard Museum and the Phoenix Art Museum. It

also has proximity to major educational institutions, such as Phoenix College, which contributes to the area's vibrant atmosphere.

Future Market Outlook (2024-2030)

Continued Residential Demand:

- **Population Growth:** Encanto is expected to continue attracting new residents, particularly young professionals and families seeking a central location with urban amenities. The ongoing population growth in Midtown Phoenix will support sustained demand for multifamily housing in Encanto.
- **Shift Toward Urban Living:** There is a growing trend among younger demographics toward urban living, preferring the convenience and lifestyle offered by neighborhoods like Encanto. This trend is likely to maintain strong occupancy rates and drive rental growth in the area.

Key Takeaways:

1. **Strategic Location:** Encanto's central location within Midtown Phoenix makes it a highly desirable area for both long-term residents and short-term visitors. Its proximity to transportation, cultural amenities, and employment centers drives strong demand for housing.
2. **Robust Multifamily Market:** The neighborhood's multifamily market is characterized by high occupancy rates and steadily increasing rents.
3. **Strong Short-Term Rental Potential:** Encanto's popularity with tourists and business travelers supports a thriving short-term rental market. Properties that offer unique features or proximity to local attractions can command premium rates and achieve high occupancy.
4. **Future Growth Prospects:** The neighborhood is well-positioned for continued growth, supported by ongoing population increases and a shift toward urban living. New developments and renovations will likely enhance the area's appeal, contributing to long-term property appreciation.

Common Exit Strategies for Real Estate Investors

1. Sale of the Property

- **Timeline:** Typically within 3-7 years.
- **Rationale:** The property can be sold once it has appreciated in value or once the NOI has increased sufficiently to command a higher sale price. The sale can be timed with favorable market conditions, such as low interest rates or high demand for income-producing properties.
- **Investor Benefit:** Investors realize a capital gain from the appreciation in property value and from the increased NOI.

2. Refinancing

- **Timeline:** Typically after 3-5 years, once the property has stabilized and increased in value.
- **Rationale:** Investors can refinance the property to pull out equity, which can be distributed to investors as a return on their investment, while still holding onto the property for further appreciation or cash flow.
- **Investor Benefit:** Provides liquidity to investors without needing to sell the property, allowing them to continue earning from the property's cash flow.

3. Conversion to Long-Term Hold with Dividends

- **Timeline:** Typically considered after 5+ years.
- **Rationale:** If the property generates strong and consistent cash flow, it could be held as a long-term income-generating asset. Investors would receive regular distributions (dividends) from the property's income.
- **Investor Benefit:** Provides a steady income stream and potential for further appreciation over a longer period.

4. Partial Sale or Joint Venture

- **Timeline:** Typically within 3-7 years.
- **Rationale:** The property could be partially sold or a joint venture could be formed to bring in additional capital for expansion or improvement, which could increase the property's value further.
- **Investor Benefit:** Investors can cash out partially while still maintaining an interest in the property for future gains.

5. Portfolio Sale or Aggregation

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- **Timeline:** Typically within 5-10 years.
 - **Rationale:** If multiple properties are held, they could be bundled together and sold as a portfolio, which may command a premium from institutional investors or REITs (Real Estate Investment Trusts).
 - **Investor Benefit:** A portfolio sale can lead to a higher overall valuation compared to selling properties individually.