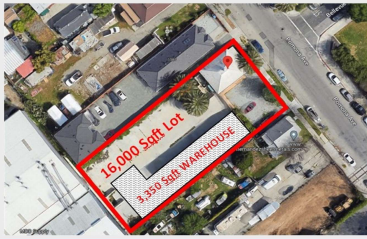




TWO RESIDENTIAL UNITS
Unit 1 | 3 Bed | 1 Bath
Unit 2 | 2 Bed | 1 Bath



WAREHOUSE
± 3,350 sqft
Large Parking space



WAREHOUSE
± 3,350 sqft
Large Parking space



Two Continues Lots

16,000 sqft combined

Lot 1 | Two Residential Units

Lot 2 | Metal Shell Warehouse

Great Location with EZ Access to Highway 87 /85/ 280 / 680 /101

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Investment Acquisitions | Dispositions | Cash Flow & Equity Mgmt



Executive Summary



Income, Expenses & Cash Flow Property Overview

Potential Rental Income	\$ 132,000
Other Income	
Total Vacancy and Credits	(3,960)
Operating Expenses	\$ (27,836)
Net Operating Income (NOI)	<u>\$ 100,205</u>
Debt Service:	
Cash Flow Before Taxes	\$ 100,205

Purchase/Asking Price	\$ 2,300,000
Improvements	35,000
Other	
Closing Costs	35,000
Finance Points	
Total Acquisition Cost	<u>\$ 2,370,000</u>
Mortgage (s)	
	\$
Down Payment / Investment	
	\$2,370,000

Property Type	Apartments
No. of Units	3
Price Per Unit	\$ 790,000
Total Sq Ft	
Price Per Sq Ft	
Income per Unit	\$ 44,000
Expenses per Unit	\$ (9,279)

Assumptions Loan Information

Rental Growth Rate:	2.55%
Expense Growth Rate:	1.00%
Appreciation Rate	3.00%

		<u>% of Asking</u>	<u>% of Cost</u>
Down Payment:	\$ 2,370,000	103.04%	100.00%
Initial Loan Balance:	\$	0.00%	0.00%
		<u>Loan Amount</u>	<u>Interest Rate</u>
		\$	0.00%
		<u>Term</u>	<u>Payment</u>
		30	\$0

Financial Measurements Notes / Discussion

Financial Measurements	Year 1	Year 5	Year 10	Notes / Discussion
Debt Coverage Ratio (DCR)				
Loan-to-Value Ratio (LVR)				
Capitalization Rate Based on Cost	4.23%	4.75%	5.50%	
Capitalization Rate Based on Resale Price	3.97%	3.97%	3.96%	
Gross Rent Multiplier	17.42	19.46	19.88	
Net Present Value (NPV) - B/ Taxes	0.00%	109,865	840,005	
		1,881,607		
Cash on Cash Return - Before Taxes	4.23%	4.75%	5.50%	
Internal Rate of Return - Before Taxes		6.74%	7.00%	
Modified Internal Rate of Return - Before Taxes		6.61%	6.69%	

Disclaimer: All information presented is believed to be accurate.

The information, calculations and data presented in this report are believed to be accurate but are not guaranteed. The information contained in this report shall not be considered as a substitution for legal, accounting or other professional advice. Please seek proper legal and tax advice as appropriate before making investments.

Cash Flow Analysis

Rental Activity Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Potential Rental Income	\$ 132,000	\$ 135,360	\$ 138,809	\$ 142,349	\$ 145,983
Less: Vacancy & Credit Losses	(3,960)	(4,061)	(4,164)	(4,270)	(4,379)
Effective Gross Income	\$ 128,040	\$ 131,299	\$ 134,645	\$ 138,078	\$ 141,603
Less: Operating Expenses	(27,836)	(28,114)	(28,395)	(28,679)	(28,966)
Net Operating Income (NOI)	\$ 100,205	\$ 103,185	\$ 106,250	\$ 109,399	\$ 112,637
Less: Annual Debt Service					
CASH FLOW Before Taxes	\$ 100,205	\$ 103,185	\$ 106,250	\$ 109,399	\$ 112,637

Property Resale Analysis					
Projected Sales Price	\$ 2,523,500	\$ 2,599,205	\$ 2,677,181	\$ 2,757,497	\$ 2,840,221
Less: Selling Expenses	(143,840)	(148,155)	(152,599)	(157,177)	(161,893)
Adjusted Projected Sales Price	\$ 2,379,661	\$ 2,451,050	\$ 2,524,582	\$ 2,600,319	\$ 2,678,329
Less: Mortgage(s) Balance Payoff					
SALE PROCEEDS Before Taxes	\$ 2,379,661	\$ 2,451,050	\$ 2,524,582	\$ 2,600,319	\$ 2,678,329

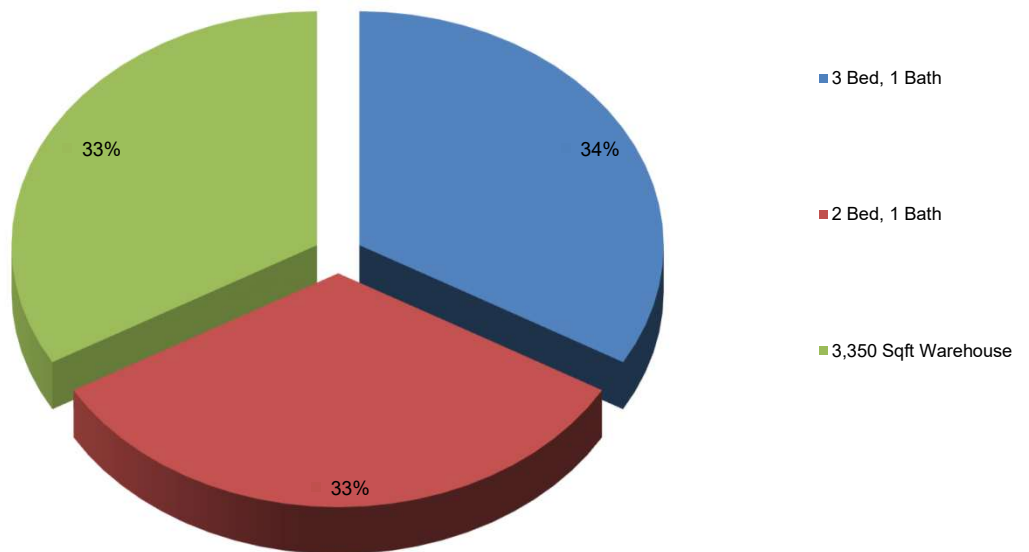
Cash Position					
Cash Generated in Current Year	\$ 93,139	\$ 96,102	\$ 98,523	\$ 101,011	\$ 103,569
Cash Generated in Previous Years	n/a	93,139	189,241	287,764	388,775
Cash Generated from Property Sale	2,379,661	2,451,050	2,524,582	2,600,319	2,678,329
Original Initial Investment	(2,370,000)	(2,370,000)	(2,370,000)	(2,370,000)	(2,370,000)
Total Potential CASH Generated	\$ 102,800	\$ 270,291	\$ 442,346	\$ 619,094	\$ 800,673

Financial Measurements						
Capitalization Rate Based on Cost		4.23%	4.35%	4.48%	4.62%	4.75%
Capitalization Rate Based on Resale Price		3.97%	3.97%	3.97%	3.97%	3.97%
Break-Even Ratio		21.09%	20.77%	20.46%	20.15%	19.84%
Operating Expense Ratio		21.74%	21.41%	21.09%	20.77%	20.46%
Net Present Value (NPV) - Before Taxes	0.00%	109,865	284,440	464,221	649,358	840,005
Return on Equity (ROE)		4.34%	7.04%	7.02%	7.00%	6.98%
Cash-on-Cash Return - Before Taxes		4.23%	4.35%	4.48%	4.62%	4.75%
Internal Rate-of-Return (IRR) - Before Taxes		4.64%	5.95%	6.39%	6.61%	6.74%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		4.64%	5.93%	6.34%	6.52%	6.61%

Rent Roll Summary

Unit Description	Number of Units	Per unit Sq Ft	Total Sq Ft	Percent of Total	Monthly Rev/ Sq Ft	Rent Per Unit	Monthly Rent	Annual Rent
3 Bed, 1 Bath	1					\$ 3,500	\$ 3,500	\$ 42,000
2 Bed, 1 Bath	1					\$ 2,500	\$ 2,500	\$ 30,000
3,350 Sqft Warehouse	1					\$ 5,000	\$ 5,000	\$ 60,000
Totals	3	1				11,000	\$ 11,000	\$ 132,000

Unit Mix



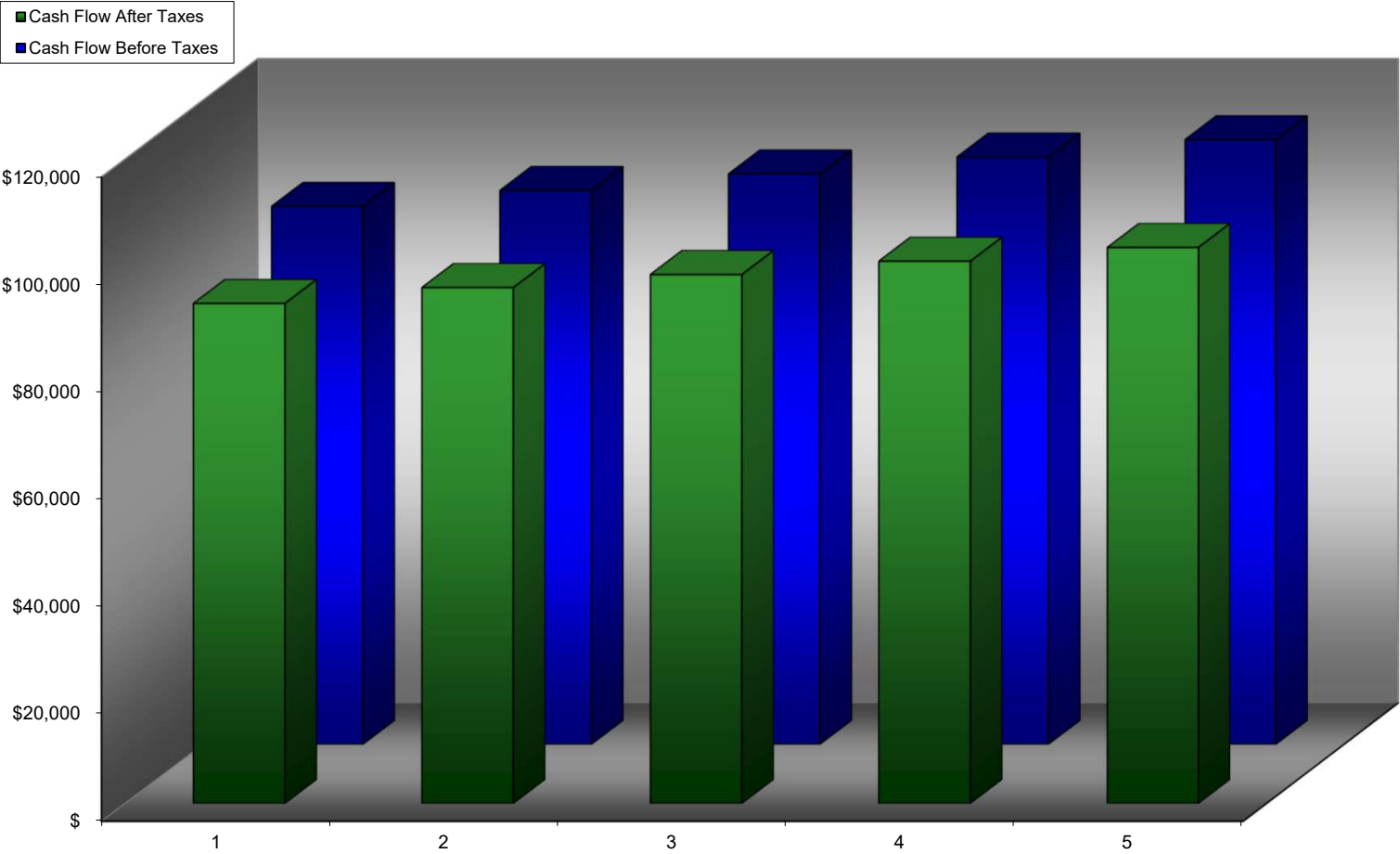
Annual Expenses

Expense Description	Annual Amount	Annual Increase	Per Unit	Per Sq Ft	% of Expenses	% of Revenue
Insurance	3,000	1.0%	1,000.00		10.8%	2.3%
Repairs	1,500	1.0%	500.00		5.4%	1.2%
Property Taxes	7,736	1.0%	2,578.50		27.8%	6.0%
Electricity	12,000	1.0%	4,000.00		43.1%	9.4%
Trash Removal	1,200	1.0%	400.00		4.3%	0.9%
Water	2,400	1.0%	800.00		8.6%	1.9%
Total Annual Operating Expenses	\$ 27,836		\$ 9,279	-	100.0%	21.7%

Annual Property Operating Data

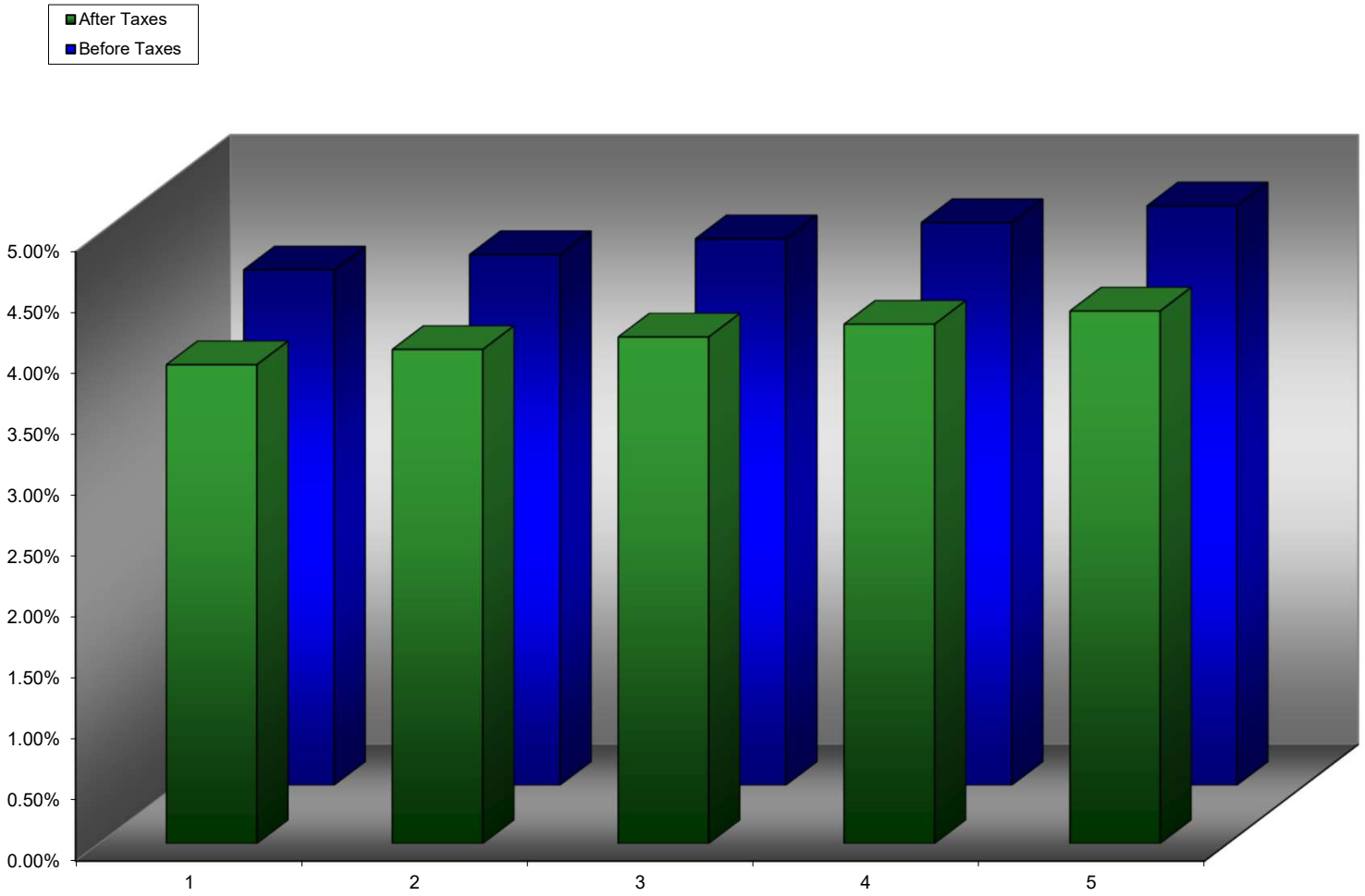
	Year 1			Year 2			Year 3			Year 4			Year 5		
	\$	%	Per Unit	\$	%	Per Unit	\$	%	Per Unit	\$	%	Per Unit	\$	%	Per Unit
Potential Rental Income	\$ 132,000	103.09%	44,000.00	\$ 135,360	103.09%	45,120.00	\$ 138,809	103.09%	46,269.60	\$ 142,349	103.09%	47,449.61	\$ 145,983	103.09%	48,660.85
Less: Vacancy & Credit Losses	(3,960)	-3.09%	-1,320.00	(4,061)	-3.09%	-1,353.60	(4,164)	-3.09%	-1,388.09	(4,270)	-3.09%	-1,423.49	(4,379)	-3.09%	-1,459.83
Effective Gross Income	<u>\$ 128,040</u>	100.00%	42,680.00	<u>\$ 131,299</u>	100.00%	43,766.40	<u>\$ 134,645</u>	100.00%	44,881.51	<u>\$ 138,078</u>	100.00%	46,026.12	<u>\$ 141,603</u>	100.00%	47,201.03
Operating Expenses															
Insurance	3,000	2.34%	1,000.00	3,030	2.31%	1,010.00	3,060	2.27%	1,020.10	3,091	2.24%	1,030.30	3,122	2.20%	1,040.60
Repairs	1,500	1.17%	500.00	1,515	1.15%	505.00	1,530	1.14%	510.05	1,545	1.12%	515.15	1,561	1.10%	520.30
Property Taxes	7,736	6.04%	2,578.50	7,813	5.95%	2,604.29	7,891	5.86%	2,630.33	7,970	5.77%	2,656.63	8,050	5.68%	2,683.20
Electricity	12,000	9.37%	4,000.00	12,120	9.23%	4,040.00	12,241	9.09%	4,080.40	12,364	8.95%	4,121.20	12,487	8.82%	4,162.42
Trash Removal	1,200	0.94%	400.00	1,212	0.92%	404.00	1,224	0.91%	408.04	1,236	0.90%	412.12	1,249	0.88%	416.24
Water	2,400	1.87%	800.00	2,424	1.85%	808.00	2,448	1.82%	816.08	2,473	1.79%	824.24	2,497	1.76%	832.48
Total Operating Expenses	<u>\$ 27,836</u>	21.74%	9,278.50	<u>\$ 28,114</u>	21.41%	9,371.29	<u>\$ 28,395</u>	21.09%	9,465.00	<u>\$ 28,679</u>	20.77%	9,559.65	<u>\$ 28,966</u>	20.46%	9,655.24
Net Operating Income (NOI)	<u>\$ 100,205</u>	78.26%	33,401.50	<u>\$ 103,185</u>	78.59%	34,395.12	<u>\$ 106,250</u>	78.91%	35,416.51	<u>\$ 109,399</u>	79.23%	36,466.47	<u>\$ 112,637</u>	79.54%	37,545.78
Cash Flow Before Taxes	<u>\$ 100,205</u>	78.26%	33,401.50	<u>\$ 103,185</u>	78.59%	34,395.12	<u>\$ 106,250</u>	78.91%	35,416.51	<u>\$ 109,399</u>	79.23%	36,466.47	<u>\$ 112,637</u>	79.54%	37,545.78

Cash Flow Projections



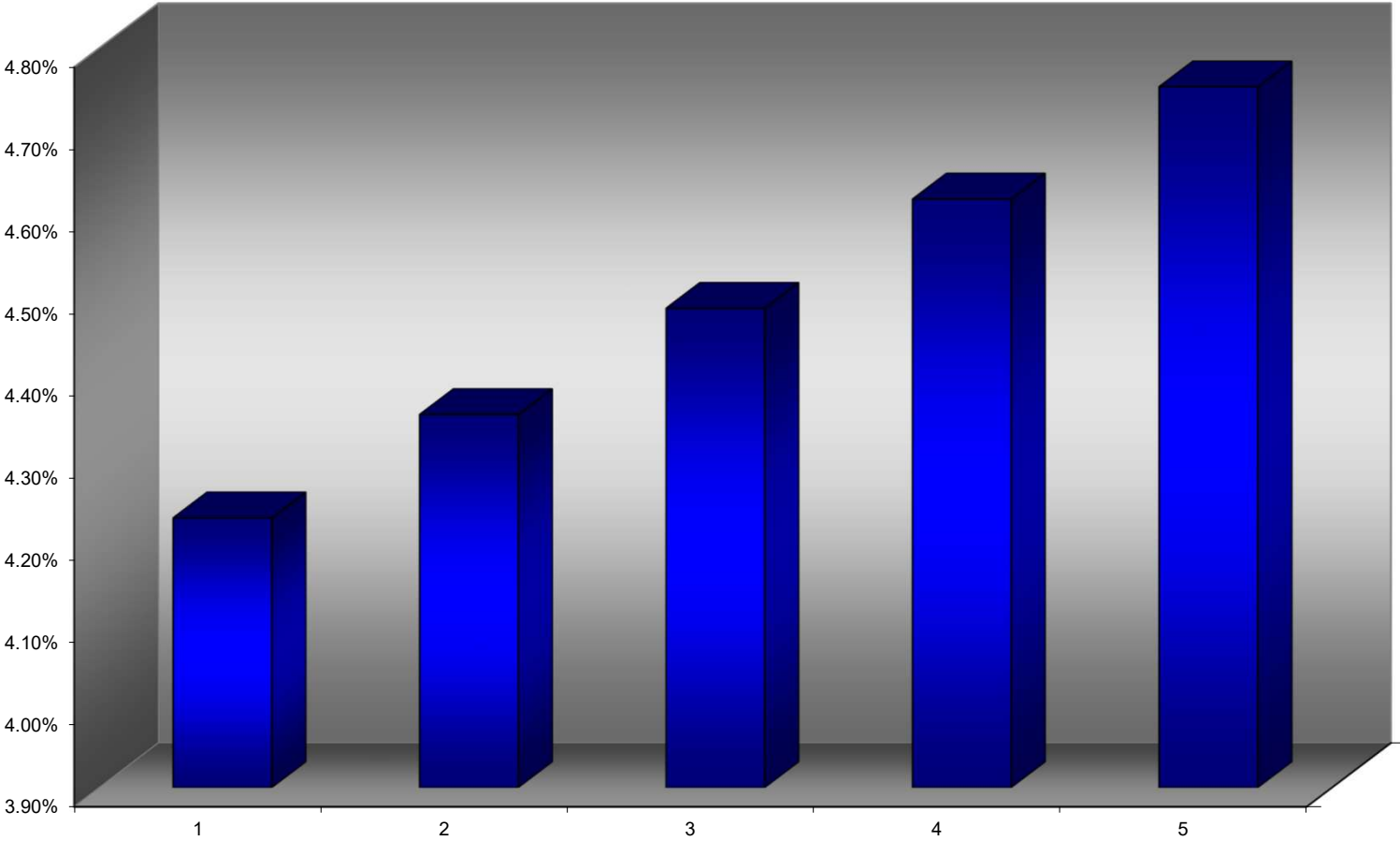
<i>Time Period</i>	<i>Net Operating Income</i>	<i>MIP Payments</i>	<i>Debt Service</i>	<i>Cash Flow Before Tax</i>	<i>Incomes Taxes</i>	<i>Cash Flow After Tax</i>
Int Investment				\$ (2,370,000)		\$ (2,370,000)
Year 1	100,205	-	-	100,205	(7,065)	93,139
Year 2	103,185	-	-	103,185	(7,083)	96,102
Year 3	106,250	-	-	106,250	(7,727)	98,523
Year 4	109,399	-	-	109,399	(8,388)	101,011
Year 5	112,637	-	-	112,637	(9,068)	103,569

Cash on Cash Return



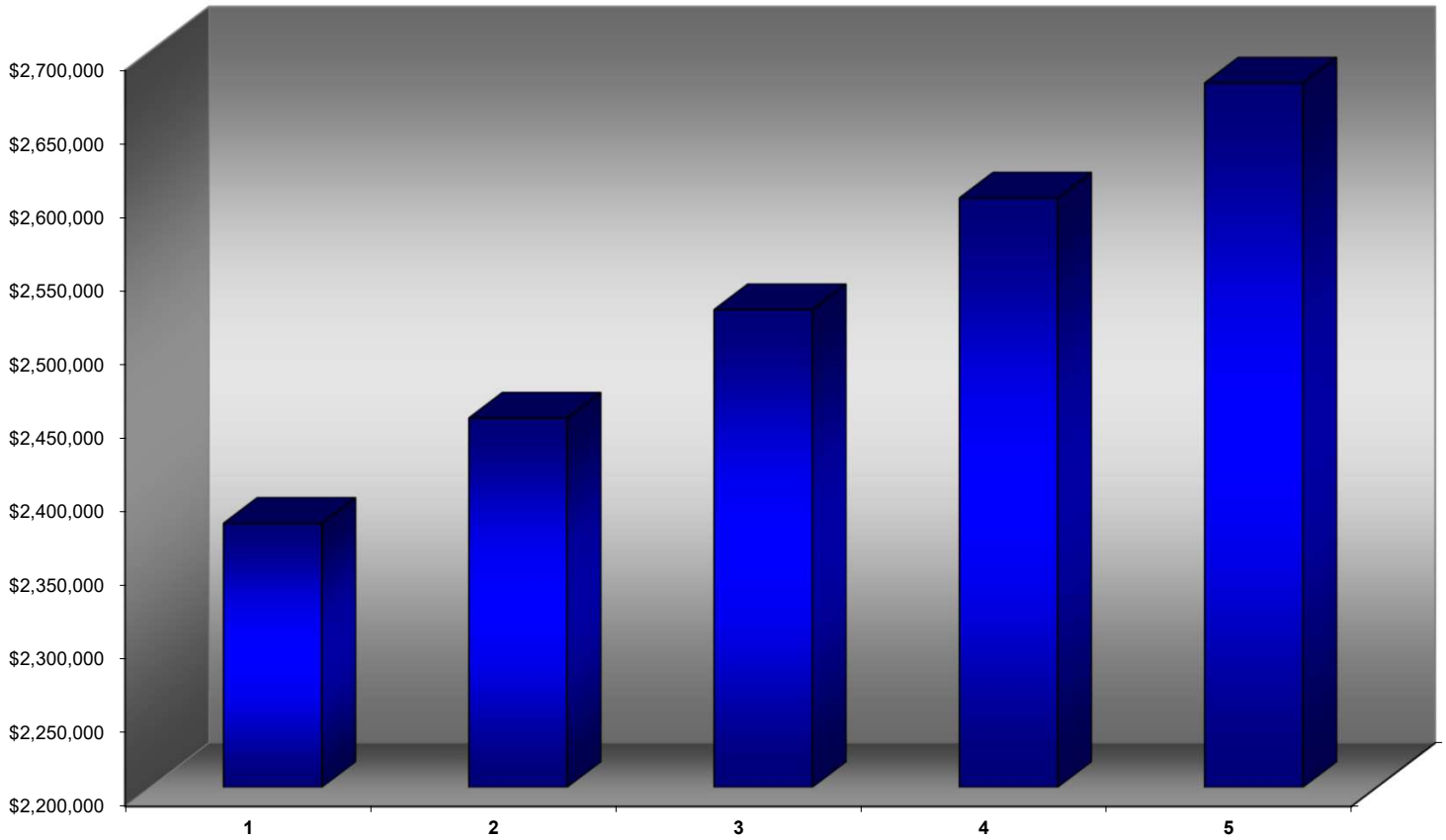
<i>Time</i>	<i>Initial Investment</i>	<i>Cash Flow</i>	<i>Cash on Cash</i>	<i>Income</i>	<i>Cash Flow</i>	<i>Cash on Cash</i>
<i>Period</i>	<i>Adj for Refinance</i>	<i>Before Taxes</i>	<i>Before Taxes</i>	<i>Taxes</i>	<i>After Taxes</i>	<i>After Taxes</i>
Year 1	\$ 2,370,000	\$ 100,205	4.23%	\$ (7,065)	\$ 93,139	3.93%
Year 2	2,370,000	103,185	4.35%	(7,083)	96,102	4.05%
Year 3	2,370,000	106,250	4.48%	(7,727)	98,523	4.16%
Year 4	2,370,000	109,399	4.62%	(8,388)	101,011	4.26%
Year 5	2,370,000	112,637	4.75%	(9,068)	103,569	4.37%

Capitalization Rate



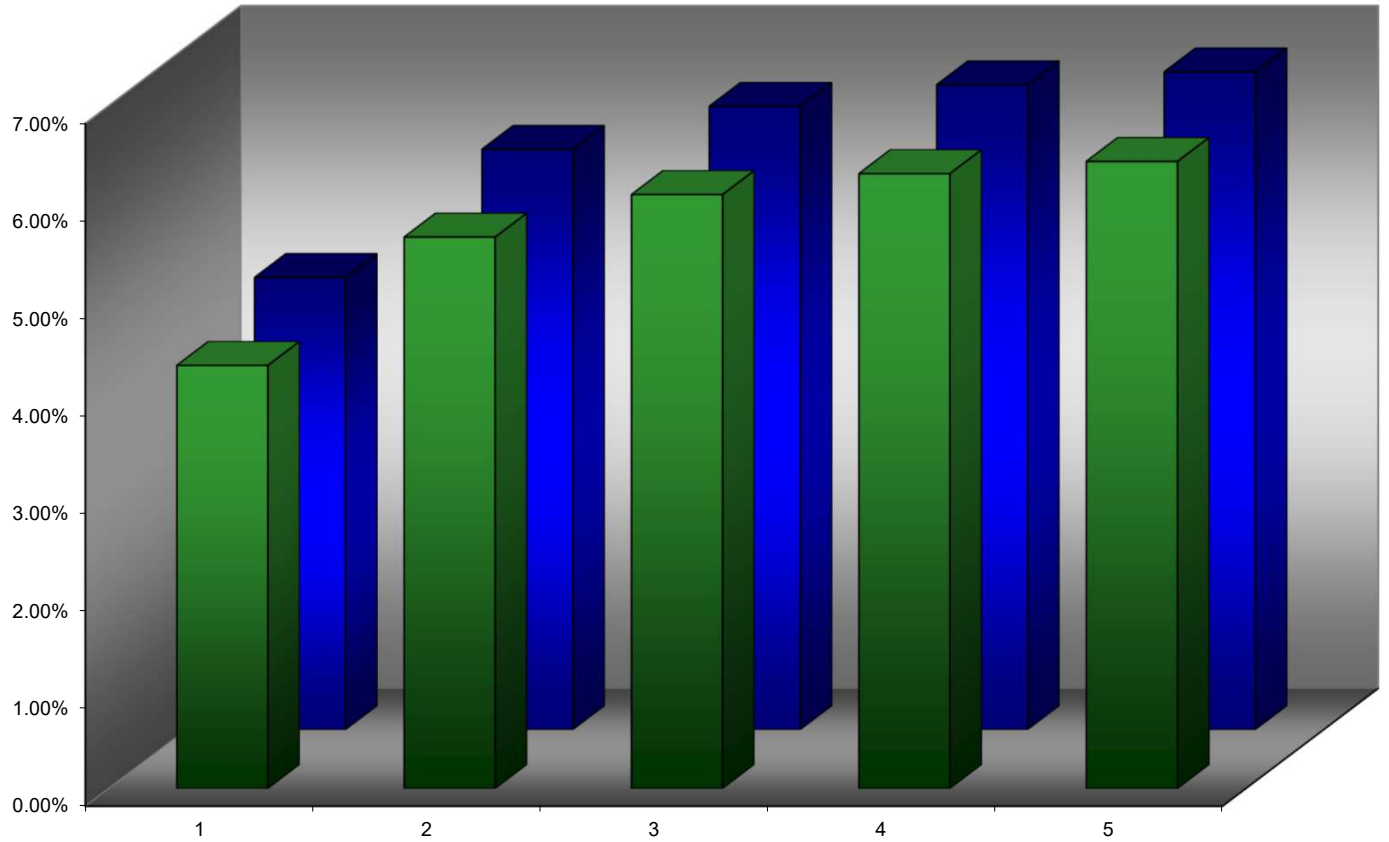
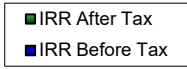
<i>Time Period</i>	<i>Net Operating Income (NOI)</i>	<i>Cap Rate on Cost</i>	<i>Resale Value</i>
		\$ 2,370,000	
Year 1	\$ 100,205	4.23%	\$ 2,523,500
Year 2	103,185	4.35%	2,599,205
Year 3	106,250	4.48%	2,677,181
Year 4	109,399	4.62%	2,757,497
Year 5	112,637	4.75%	2,840,221

Property Equity Analysis



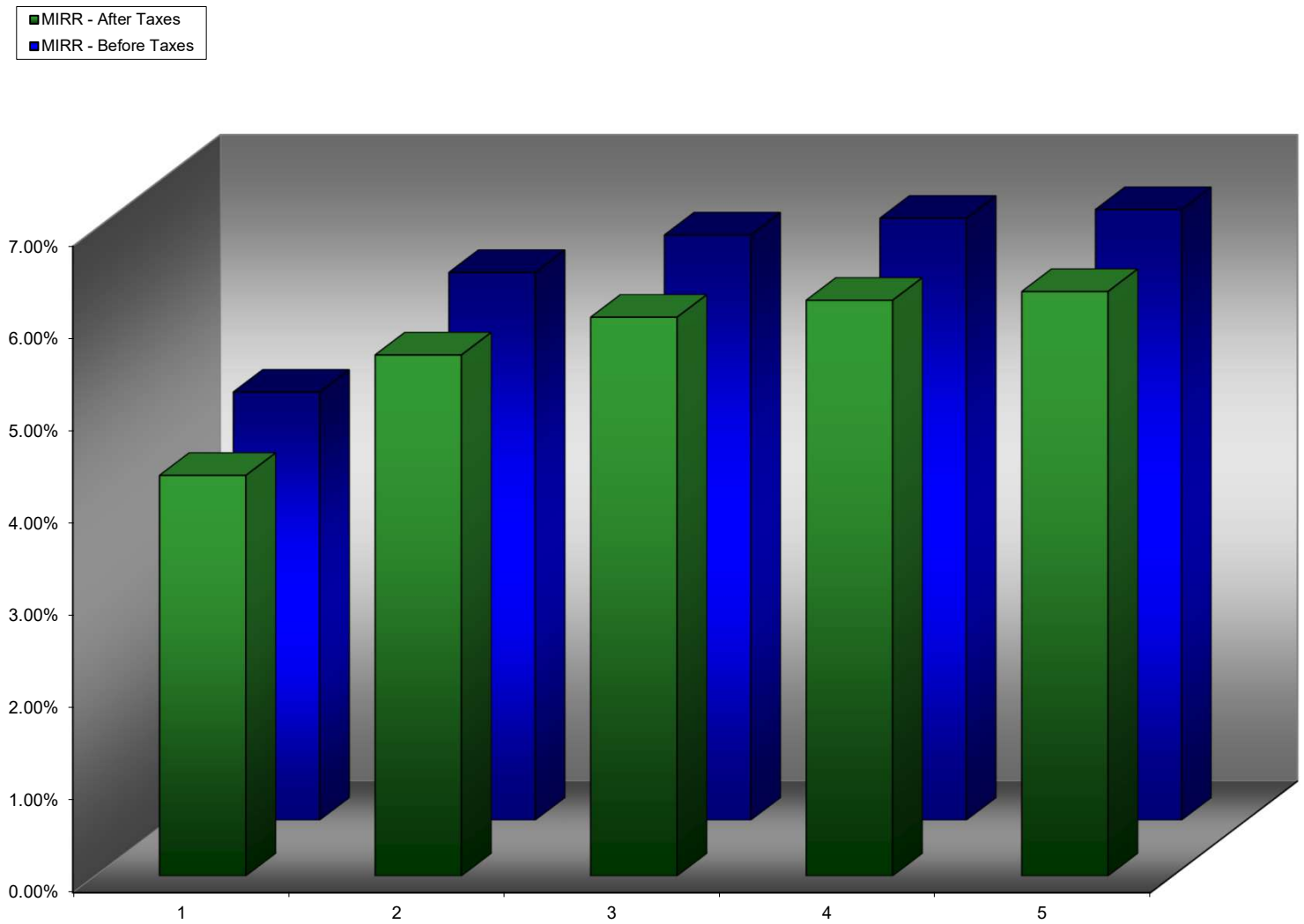
<i>Time</i> <i>Period</i>	<i>Projected Adj</i> <i>Resale Value</i>	<i>Projected</i> <i>Increase</i>	<i>Refi Proceeds</i> <i>(if any)</i>	<i>Mortgage(s)</i> <i>Balance Payoff</i>	<i>Sale Proceeds</i> <i>Before Taxes</i>	<i>Income Taxes</i> <i>From Sale</i>	<i>Sale Proceeds</i> <i>After Taxes</i>	<i>Property</i> <i>Equity</i>	<i>Year / Year</i> <i>Equity Increase</i>
Year 1	\$ 2,379,661	3.46%	\$ -	\$ -	\$ 2,379,661	\$ -	\$ 2,379,661	\$ 2,379,661	\$ 9,661
Year 2	2,451,050	3.00%	-	-	2,451,050	-	2,451,050	2,451,050	71,390
Year 3	2,524,582	3.00%	-	-	2,524,582	-	2,524,582	2,524,582	73,532
Year 4	2,600,319	3.00%	-	-	2,600,319	-	2,600,319	2,600,319	75,737
Year 5	2,678,329	3.00%	-	-	2,678,329	-	2,678,329	2,678,329	78,010

Internal Rate of Return



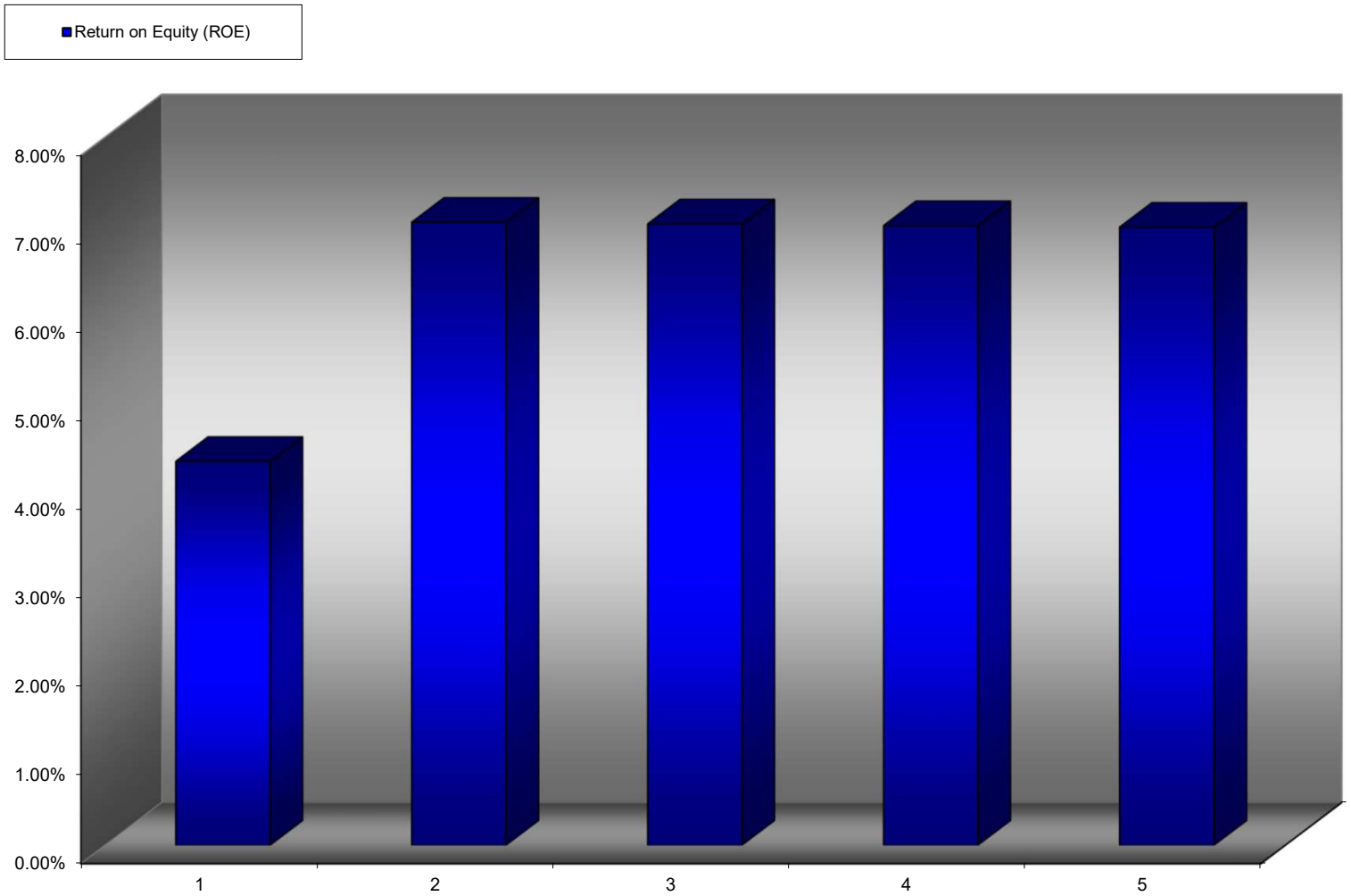
<i>Time Period</i>	<i>Internal Rate of Return (IRR)</i>	
	<i>Before Taxes</i>	<i>After Taxes</i>
Year 1	4.64%	4.34%
Year 2	5.95%	5.65%
Year 3	6.39%	6.09%
Year 4	6.61%	6.30%
Year 5	6.74%	6.43%

Modified Internal Rate of Return



<i>Time</i>	<i>Modified Internal Rate of Return</i>	
<i>Period</i>	<i>Before Taxes</i>	<i>After Taxes</i>
Year 1	4.64%	4.34%
Year 2	5.93%	5.64%
Year 3	6.34%	6.05%
Year 4	6.52%	6.23%
Year 5	6.61%	6.33%

Hold/Sell Analysis



Required Return on Equity	Time Period	Rental Cash Flow	Annual Change in Equity	Annual Change in Net Worth	Trapped Equity	Return on Equity (ROE)	Hold Sell
6.00%		A	B	(A + B)			
	Year 1	93,139	9,661	102,800	2,370,000	4.34%	Hold
After Year	Year 2	96,102	71,390	167,492	2,379,661	7.04%	Hold
5	Year 3	98,523	73,532	172,054	2,451,050	7.02%	Hold
	Year 4	101,011	75,737	176,748	2,524,582	7.00%	Hold
	Year 5	103,569	78,010	181,579	2,600,319	6.98%	Hold

Terms & Definitions

Net Operating Income (NOI) is a property's gross rental income reduced by all expenses except for loan payments, income taxes, mortgage insurance premium (MIP) payments and sometimes funded reserves.

Debt Coverage Ratio (DCR) is a property's net operating income divided by the amount of debt payments. Lenders use this calculation to determine the remaining operating cash flow after the debt payments.

Loan-to-Value Ratio (LTV) is the outstanding debt divided by the value of the property. This ratio is used to determine the amount of leverage and property equity. The debt balance can be the beginning or end-of-year balance. The property value used can be the contract price or the fair market value at the end of the year.

Capitalization Rate (Cap Rate) is the net operating income (NOI) divided by either the property's contract purchase price or its fair market value.

Cash-on-Cash Return is the net cash flow divided by the initial investment (down payment). The calculation does not take into account the time value of money or change in the property's equity.

Cash-on-Cash Return with Equity Build-up modifies the cash-on-cash return calculation by adding the property's net change in equity for that year to the numerator and adding all previously generated equity to the denominator of the cash-on-cash return ratio. The calculation calculates the return on the property equity, i.e. the return on the cash that is "tied up" in the property.

Net Present Value (NPV) converts future dollars into present-day dollars by discounting (reducing) the future cash flow of a property by a given rate or percentage. The initial investment (down payment) is subtracted from the discounted dollars to derive the NPV. A positive NPV means that the property will generate a higher return than the given rate or percentage used to calculate the NPV amount.

Gross Rent Multiplier (GRM) is a property's fair market value divided by its gross rental income.

Mortgage Insurance Premium (MIP) Payments are insurance premiums charged by a lender to protect that lender against loss from a mortgagor's default. The rates are charged on the balance of the loan and may be paid annually, monthly, or in some combination of the two (split premiums).

Internal Rate-of-Return (IRR) is the most widely used method of valuing a property's annual cash flow stream. Since a property's cash flow is earned in the future, those future dollars must be converted to present-day dollars. The IRR calculation discounts (reduces) the property's future cash flow at a rate (i.e. percentage) so that the sum of all cash flow for a specified time period is equal to the initial investment. The rate or percentage needed to do that is the IRR. In other words, IRR is the discount rate at which Net Present Value (NPV) is zero.

Modified Internal Rate-of-Return (MIRR) modifies the IRR to avoid the drawbacks of the traditional IRR. The IRR implicitly assumes that all cash flow is either reinvested or discounted at the computed IRR rate. In reality, a property's cash flow probably will not be reinvested at the computed IRR rate, but rather earn zero or a small amount of interest. The MIRR eliminates the reinvestment assumption by utilizing user stipulated reinvestment and borrowing rates.

J. ADAME

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