

Summary of Property

Rental Income: Total 3831 sqft of entire purchase

- **217 & 219 Cedar (Lease): 1197 sqft and 1317 sqft**
 - Monthly rent: \$10,550
 - Annual rent: $\$10,550 \times 12 = \$126,600$
 - The lease has a 3% annual increase, which will boost income in future years, but for the first year, the income is \$126,600.

Airbnb Income: 1317 sqft with option to build roof top patio (support beams in place)

- 219 Cedar (Airbnb) generates approximately \$5,000/month.
 - Monthly Airbnb income: \$5,000
 - Annual Airbnb income: $\$5,000 \times 12 = \$60,000$

Total Annual Income:

- Total monthly income: $\$10,550 + \$5,000 = \$15,550$
- Total annual income: $\$126,600 + \$60,000 = \mathbf{\$186,600}$

Expenses

Fixed expenses provided:

- **Annual tax bill:** \$33,573.29
- **Water bill (219 Cedar):** \$69.17/month
 - Annual water bill: $\$69.17 \times 12 = \830.04
- **Annual Insurance:**
 - Buildings: \$15,674.22
 - General Liability: \$873.44

Other expenses:

- Since this is an NNN (triple net) lease, the tenant covers property taxes, insurance, and maintenance costs for the commercial units. Therefore, additional expenses are primarily associated with the Airbnb units and other potential maintenance costs.

Profit and Loss Analysis

Potential Profit:

The Airbnb income adds a significant boost to overall profitability, and with the NNN lease covering taxes, insurance, and maintenance, the owner's out-of-pocket expenses should be minimal.

- **Income growth potential:** The 3% annual rent increase in the 10-year lease provides a predictable growth in rental income.

- **Location advantage:** The development across from the property (Bonaire Park) may increase demand and potentially boost the value of the property, making it a more lucrative long-term investment.

Risk Factors:

- **Airbnb variability:** The income from Airbnb can be variable depending on occupancy rates and local tourism. However, an average of \$5,000/month provides a strong base.
- **Market risks:** While the area may appreciate with the new development, real estate markets are subject to broader economic conditions that could affect long-term property values and rents.

Looking at the Deal:

- **Long-Term Security:** A 10-year NNN lease with guaranteed rent increases and personal guarantees for 3 years offers strong security. This makes the property appealing for investors seeking steady cash flow with low management requirements.
- **Upside Potential:** The proximity to a large development like Bonaire Park can increase the property's value and make the Airbnb units more attractive, potentially boosting income.
- **\$2,995,000 listing price**
- **Net Operating Income (NOI): \$135,645.01**
- **Cap Rate: 4.53%**

Analysis of the Deal:

- **Cap Rate:** At 5.63%, is not an unusually low cap rate for a property in a potentially appreciating area, especially near a large development like Bonaire Park.
- **Potential:** Given the NNN lease with built-in rent increases and the added Airbnb income, there is room for the cap rate to improve over time as income increases. Additionally, the value of the property could rise due to the new development nearby, offering long-term upside potential.
- **Risk Consideration:** The slightly lower cap rate suggests the return is more conservative, but with the security of a 10-year NNN lease and personal guarantees, the investment offers stable and predictable income.

This deal is a stable, low-maintenance investment with growth potential in the long term.