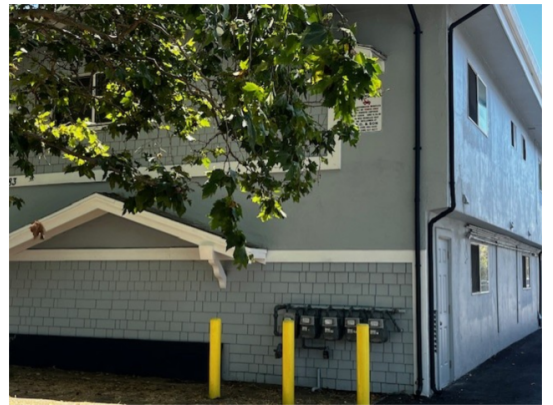


REAL ESTATE INVESTMENT ANALYSIS

SEPTEMBER 5 2024

PREPARED FOR :

Proforma



PREPARED BY :

David K Ormonde

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4983 Kentfield Stockton CA 95207
Stockton, California 95207



Executive Summary

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Income and Expenses

Gross Op. Income	\$66,360.00
Increase of incomes: Year 1	\$3,096.80
Vacancy and Credits	- \$2,083.70
Effective Gross Income (EGI)	\$67,373.10
Expenses	\$34,910.00

Cash Flow

Net Operating Income	\$32,463.10
Debt Service	\$34,540.20
Cash Flow (Before Taxes)	(\$2,077.10)
Total of Equity (Principal Payment)	\$5,933.50
Cash Flow + Equity	\$3,856.40
Appreciation	\$39,999.95
Cash Flow + Eq. + Appreciation	\$43,856.35

Down Payment and Financing

Down Payment	\$399,999.50
Mortgage # 1	\$399,999.50
Length	300 months
Interest Rate	7.20 %
Term	60 months
Payment	\$2,878.35

Acquisition Costs

Total	\$799,999.00
Acquisition Fees	
Total	

Financial Ratios (according to Acquisition Cost)* (after 1 year)

Gross Rent Multiplier (GRM)	12.09
Net Rent Multiplier (NRM)	25.88
Average Unit Price	\$209,999.74
Operating Expense Ratio (OER)	51.82 %
Loan to Value Ratio (LVR)	46.91 %
Debt Coverage Ratio (DCR)	0.94
Break Even Ratio	99.99 %
Capitalization Rate	3.86 %
Internal Rate of Return (year 5)	22.36 %
Annual Appreciation	5.00 %

Cash on Cash Return*

Before Equity	-0.52 %
After Equity (Principal Payment)	0.96 %
After Equity and Appreciation	10.96 %

Scenario for an owner's occupancy*

Market value of the landlord's rent	\$0.00 / month
Actual landlord's occupancy cost	\$173.09
Owner's profit (capital included)	\$321.37
Owner's estimated profit (resale profit)	\$3,654.70

Descriptive Card

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Pot. Gr. Income	Oper. Expenses	Net Op. Income
\$66,360.00	\$34,910.00	\$31,450.00

List Price	Payment Type	Balance
\$799,999.00		No

Property information

Year Built	
Property Type	
Total Units	4
Nb of Levels Above Ground	0
Nb of Basement Levels	0
Zoning Type	Residential

Nominal Roll	
Registration Division	
Lot	
Certificate of Localisation	

Building Dimensions	0.00 x 0.00
Building Area	
Lot Dimensions	0.00 x 0.00
Lot Area	

Municipal Assessment	
Land	\$0.00
Building	\$0.00
Total	\$0.00
Owner	

Property Details

Water	Public
Laundry Hookup	No
Fire Protection	No
Laundry	No
Parking	0 Int. 0 Ext.
Outdoor outlets	No

Homeowner (5)

Monthly rent	\$0.00
Nb of rooms	3
Nb of bathrooms	3
Bedroom 1	0.00 x 0.00
Bedroom 2	0.00 x 0.00
Kitchen	0.00 x 0.00
Dining Room	0.00 x 0.00
Living Room	0.00 x 0.00
Square Footage	1,225.00 x 0.00

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Contact Broker
209 914-4100

Information and Appointment
David K Ormonde

Pictures

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Front and Side View



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Rear Patio View



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Street View 4983 Kentfield Rd.



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Neighborhood View



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Frontal Elevation



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4983 Kentfield Parking Lot



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Entry



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Frontal Elevation 2



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Bathroom



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Kitchen Interior

Leases Terms and Conditions

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Apt	Size	Included Services											End of Lease	Vacant	Renewed Lease	Occ. Owner	Tenant / Comment	Rent	
		Other 1	Heating	Electricity	Hot Water	Water Tax	Laundry	Parking	Furnished	Half Furnished	Garage	Other 2						Monthly	Yearly
Unit A	5	-	-	-	-	-	-	x	-	-	-	-	-	-	-	-	Tenant to follow	\$1,240.00	\$14,880.00
Unit B	5	-	-	-	-	-	-	x	-	-	-	-	-	-	-	-	Tenant to follow	\$1,450.00	\$17,400.00
Unit C	5	-	-	-	-	-	-	x	-	-	-	-	-	1/30/2025	-	-	Tenant to follow	\$1,600.00	\$19,200.00
Unit D	5	-	-	-	-	-	-	x	-	-	-	-	-	-	-	-	Tenant to follow	\$1,240.00	\$14,880.00
																		\$5,530.00	\$66,360.00

Financial Analysis

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Income		Monthly	Annually	
4 x 5		\$5,530.00	\$66,360.00	
Potential Gross Income (PGI)		<u>\$5,530.00</u>	<u>\$66,360.00</u>	
Vacancy and Credits		% of PGI	Monthly	Annually
Vacancy Rate	2.00 %	\$110.60	\$1,327.20	
Bad Debt	1.00 %	\$55.30	\$663.60	
Effective Gross Income (EGI)		<u>\$5,364.10</u>	<u>\$64,369.20</u>	
Expenses		% of EGI	Monthly	Annually
Taxes	14.91 %	\$800.00	\$9,600.00	
Insurance	9.32 %	\$500.00	\$6,000.00	
Utilities	14.51 %	\$778.33	\$9,340.00	
Maintenance	7.24 %	\$388.42	\$4,661.00	
Property Management	8.25 %	\$442.42	\$5,309.00	
Total of Expenses	<u>54.23 %</u>	<u>\$2,909.17</u>	<u>\$34,910.00</u>	
Cash Flow			Annually	
Net Operating Income			\$29,459.20	
Debt Service		-	\$34,540.20	
Cash Flow (Before Taxes)			<u>(\$5,081.00)</u>	
Total of Equity (Principal Payment)		+	\$5,933.50	
Cash Flow + Equity			<u>\$852.50</u>	
Appreciation		+	\$39,999.95	
Cash Flow + Eq. + Appreciation			<u>\$40,852.45</u>	

Financial Analysis

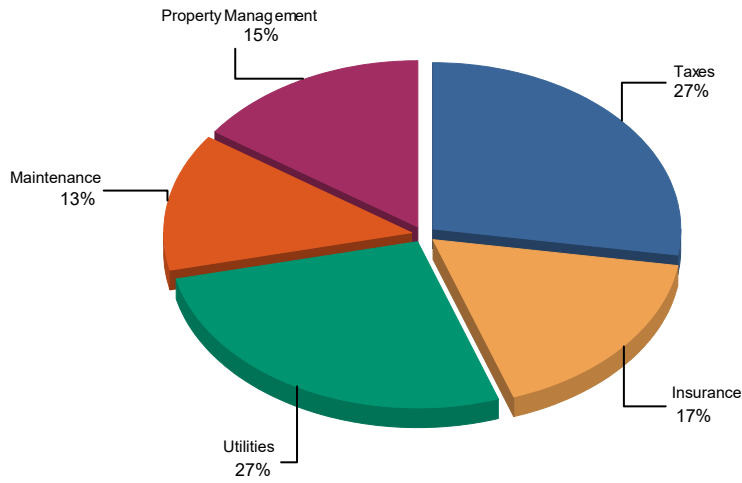
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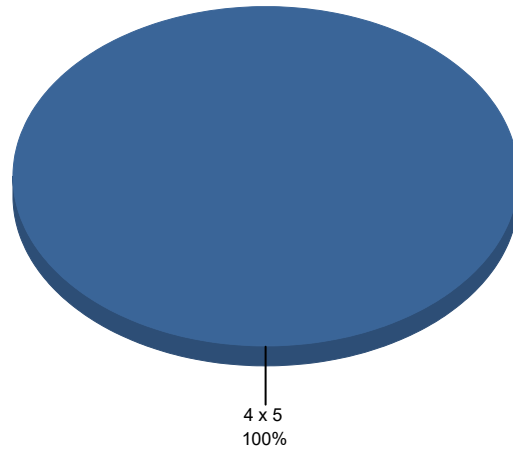
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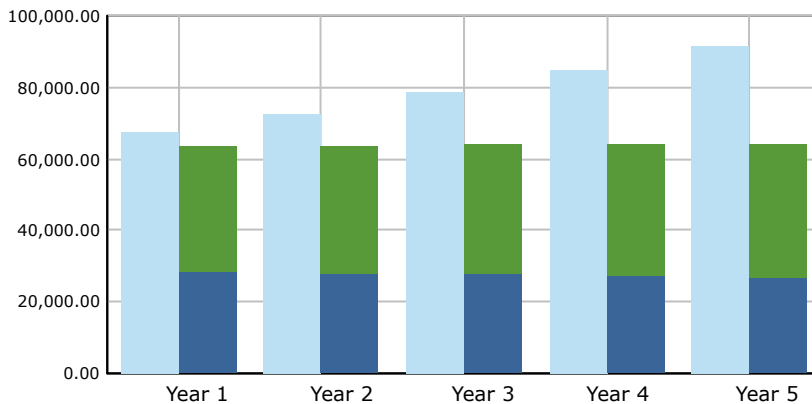
Expenses Distribution



Income Distribution



Incomes, expenses and mortgage interests



This diagram helps to illustrate the available incomes following the payment of the operating expenses and the mortgage interests. These incomes are considered as profit and will serve in part to pay the income taxes.

- Effective Gross Income
- Operating Expenses
- Mortgage Interest

Financing

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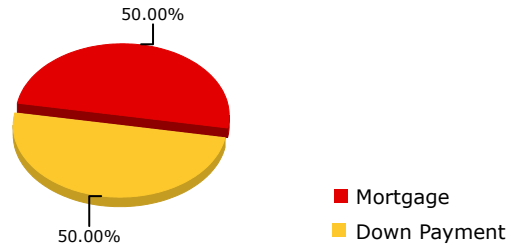
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Acquisition Cost

Total **\$799,999.00**

Detailed Acquisition



Down Payment

\$399,999.50 (50.00 %) of Acquisition Cost

Mortgage # 1

\$399,999.50 (50.00 %) of Acquisition Cost

Length	300 months
Interest Rate	7.20 %
Term	60 months
Payment Frequency	Monthly
Compound Interest	Monthly
Payment	\$2,878.35

Profitability Analysis

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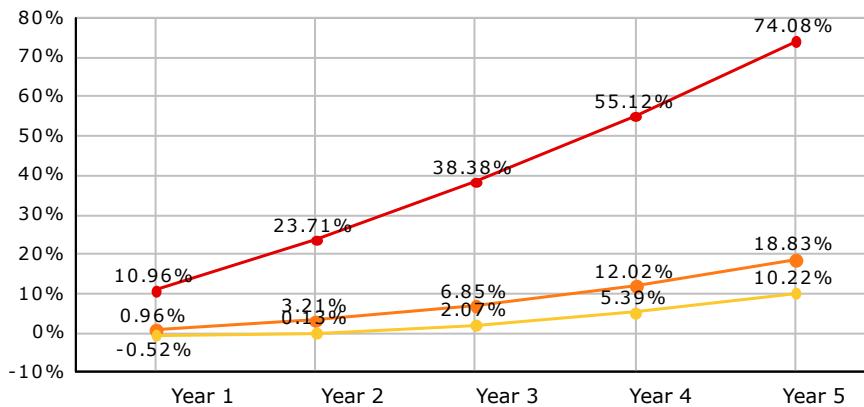


Financial Ratios (After 1 year)*	Acquisition Cost	
Gross Rent Multiplier (GRM)	12.09	12.09
Net Rent Multiplier (NRM)	25.88	
Average Unit Price	\$209,999.74	
Operating Expense Ratio (OER)	51.82 %	
Loan to Value Ratio (LVR)	46.91 %	
Debt Coverage Ratio (DCR)	0.94	
Break Even Ratio	99.99 %	
Capitalization Rate	3.86 %	
Internal Rate of Return (year 5)	22.36 %	
Cash on Cash Return		
Before Equity	-0.52 %	
After Equity (Principal Payment)	0.96 %	
After Equity and Appreciation	10.96 %	

Financial Ratios (At Year 0)*	Acquisition Cost	
Gross Rent Multiplier (GRM)	12.43	
Net Rent Multiplier (NRM)	27.16	
Average Unit Price	\$199,999.75	
Capitalization Rate	3.68 %	

Scenario for an owner's occupancy	
Rent Value	\$0.00 per month
Actual cost of the owner's occupancy	\$173.09
Owner's profit (contributed capital)	\$321.37
Estimated owner's profit (after resale profit)	\$3,654.70

Cash on Cash Return**



This diagram represents the portion of the initial down payment that goes back in the investor's pockets throughout the years. In other words, with this diagram it is possible to identify the moment when the investor will have entirely recovered his down payment by observing the moment when 100% is reached.

- Cash on Cash Return (Appreciation)
- Cash on Cash Return (after Equity)
- Cash on Cash Return (before Equity)

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*Not considering non-financed acq. fees nor fixed expenses

**Considering non-financed acquisition fees and fixed expenses.

Ratios Definition

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Definitions and Formulas

Gross Rent Multiplier (GRM):

This ratio shows how many times the gross income represents the value of the property.

$$\frac{\text{Value of the property}}{\text{Gross Income}}$$

Net Rent Multiplier (NRM):

This ratio shows how many times the net operating income represents the value of the property.

$$\frac{\text{Value of the property}}{\text{Net Operating Income}}$$

Unit Price

Average unit price.

$$\frac{\text{Value of the property}}{\text{Number of units}}$$

Operating Expense Ratio (OER)

This ratio gives the gross effective income that is used by operating expenses.

$$\frac{\text{Operating Expenses}}{\text{Gross Effective Income}}$$

Loan to Value Ratio (LVR)

This ratio gives the value of the property proportion that comes from external creditors.

$$\frac{\text{Mortgage Balance}}{\text{Value of the property}}$$

Debt Coverage Ratio (DCR)

Measures the extent to which net operating income can cover the debt service.

$$\frac{\text{Net Operating Income}}{\text{Financing Cost}}$$

Break Even Ratio

This ratio gives the minimal occupancy rate for which expenses are covered by gross income.

$$\frac{\text{Expenses} + \text{Financing Cost}}{\text{Gross Potential Income}}$$

Capitalization Rate (Cap. Rate)

It's a measure of the ratio between the cash flow produced by a property and its capital cost (the original price paid) or alternatively its current market value. (Net operating income / value (or selling price) = Capitalization Rate).

$$\frac{\text{Net Operating Income}}{\text{Value of the property}}$$

Cash return on Cash (ConC):

This ratio represents the equity return rate of the owner based on his personal tax rate if a tax rate has been specified. The mentioned equity return illustrates the return rate before and after capitalization following the first year of acquisition. (See financial Forecasts for the following years).

$$\frac{\text{Cash Flow before and after Capitalization}}{\text{Down Payment}}$$

Internal Rate of Return

Discount rate for which the actualized liquidity values generated by the property are equal to the actualized withdrawal values necessary to carry out this investment.

Homeowner

Rent of Homeowner before Equity:

Occupying owner's rent, considering the cash flow (positive or negative) generated by the property, before tax.

$$\text{Rent} - \frac{\text{Cash Flow Before Equity}}{12 \text{ months}}$$

Rent of Homeowner after Equity:

Occupying owner rent, considering the capitalization and the cash flow generated by the property (rent before equity, principal payment).

$$\text{Rent Bef. Eq.} - \frac{\text{Total of Equity}}{12 \text{ months}}$$

Financial Forecast

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	From Aug 1, 2024 To Jul 31, 2025	From Aug 1, 2025 To Jul 31, 2026	From Aug 1, 2026 To Jul 31, 2027	From Aug 1, 2027 To Jul 31, 2028	From Aug 1, 2028 To Jul 31, 2029
Incomes and Expenses					
Potential Gross Income	\$69,456.80	\$75,013.34	\$81,014.41	\$87,495.56	\$94,495.21
Effective Gross Income	\$67,373.10	\$72,762.94	\$78,583.98	\$84,870.69	\$91,660.35
Operating Expenses	\$34,910.00	\$35,608.20	\$36,320.36	\$37,046.77	\$37,787.71
Net Operating Income	\$32,463.10	\$37,154.74	\$42,263.61	\$47,823.92	\$53,872.65
Debt Service	\$34,540.20	\$34,540.20	\$34,540.20	\$34,540.20	\$34,540.20
Cash Flow (before Taxes)	(\$2,077.10)	\$2,614.54	\$7,723.41	\$13,283.72	\$19,332.45
Financing					
Principal Payment	\$5,933.50	\$6,375.10	\$6,849.55	\$7,359.34	\$7,907.05
Mortgage Interest	\$28,606.70	\$28,165.10	\$27,690.65	\$27,180.86	\$26,633.15
Mortgage Balance	\$394,066.00	\$387,690.90	\$380,841.35	\$373,482.01	\$365,574.96
Profitability (Accord. to Market Value)					
Gross Rent Multiplier (GRM)	12.09	11.76	11.43	11.11	10.81
Net Rent Multiplier (NRM)	25.88	23.74	21.91	20.33	18.95
Operating Expenses Ratio (OER)	51.82 %	48.94 %	46.22 %	43.65 %	41.23 %
Loan to Value Ratio (LVR)	46.91 %	43.96 %	41.12 %	38.41 %	35.80 %
Debt Coverage Ratio (DCR)	0.94	1.08	1.22	1.38	1.56
Break Even Ratio (BER)	99.99 %	93.51 %	87.47 %	81.82 %	76.54 %
Capitalization Rate (Cap. Rate)	3.86 %	4.21 %	4.56 %	4.92 %	5.28 %
Market Value of Property per apartment	\$209,999.74	\$220,499.72	\$231,524.71	\$243,100.95	\$255,255.99
Net current Value of the Cash Flow	(\$1,997.22)	\$2,417.29	\$6,866.09	\$11,354.98	\$15,889.86
Cash on Cash Return (Before Equity)	-0.52 %	0.65 %	1.93 %	3.32 %	4.83 %
Cash on Cash Return (After Equity)	0.96 %	2.25 %	3.64 %	5.16 %	6.81 %
Cash on Cash Return (Appreciation)	10.96 %	12.75 %	14.67 %	16.74 %	18.96 %
Homeowner					
Market value of the owner's rent	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Owner's profit	(\$173.09)	\$217.88	\$643.62	\$1,106.98	\$1,611.04
Owner's profit (capital included)	\$321.37	\$749.14	\$1,214.42	\$1,720.26	\$2,269.96
Owner's estimated profit (resale profit)	\$3,654.70	\$4,249.14	\$4,889.42	\$5,579.01	\$6,321.64
Equity (cumulative)					
Cash on Cash Return (Appreciation)	10.96 %	23.71 %	38.38 %	55.12 %	74.08 %
Property Value (Annual Appreciation 5.00%)	\$839,998.95	\$881,998.90	\$926,098.84	\$972,403.78	\$1,021,023.97

Appreciation (Accord. to Market Value)	\$39,999.95	\$81,999.90	\$126,099.84	\$172,404.78	\$221,024.97
Principal Payment	\$5,933.50	\$12,308.60	\$19,158.15	\$26,517.49	\$34,424.54
Cash Flow (after Taxes)	(\$2,077.10)	\$537.44	\$8,260.85	\$21,544.57	\$40,877.02
Total Equity	\$43,856.35	\$94,845.93	\$153,518.84	\$220,466.85	\$296,326.53

Financial Forecast

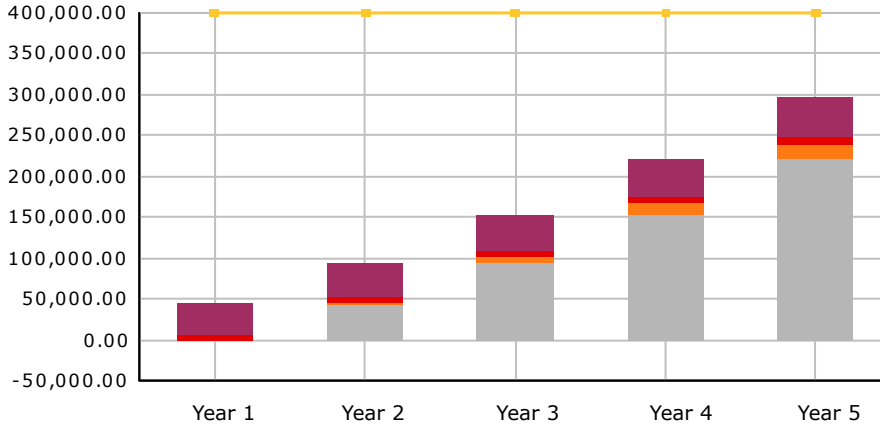
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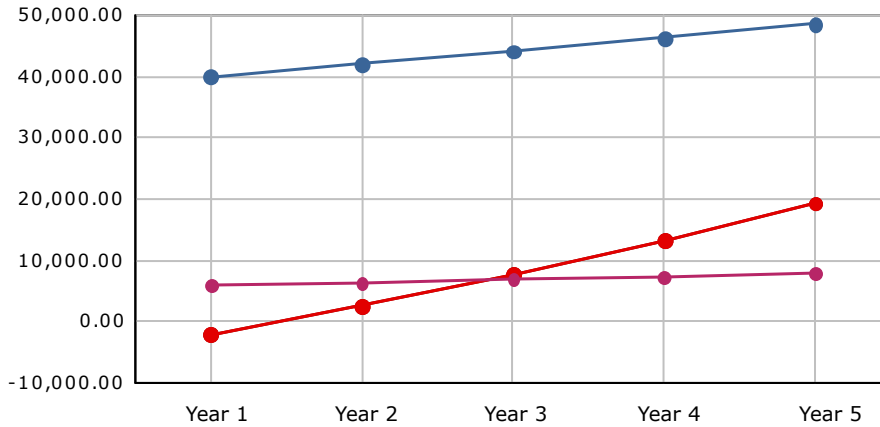
Cumulative Equity



This diagram represents the accumulated amount throughout the years thanks to the profit generated by the building, the assets accumulated by the mortgage reimbursement and to the increase of the building's value. In other words, it is possible to identify the moment when the investor will have entirely recovered his initial down payment by observing the moment when the line, representing the down payment, is reached.

- Annual Appreciation of the Property
- Principal Payment
- Cash Flow (after Taxes)
- Down Payment
- Cumulative for the previous years

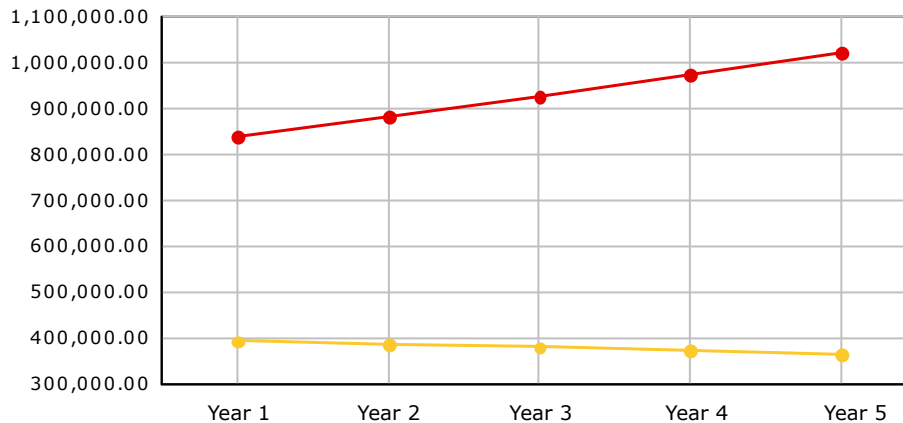
Equity Progression



In this diagram, the evolution of the profit generated by the building by considering the taxes is illustrated. If the acquisition cost is inferior to the market value, an amount higher can be observed for the appreciation the first year because a profit is earned from the purchase.

- Cash Flow (before Taxes)
- Cash Flow (after Taxes)
- Annual Appreciation of the Property
- Principal Payment

Increase of the building value and the mortgage balance.



The space between two lines represents the amount that truly belongs to the investor since it is not detained by mortgage creditors. The building increases in value each year without additional financing being necessary.

- Property Value
- Mortgage Balance

Resale Yield (year 5)

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Net Assets (Before Taxes)

Resale Price	\$1,489,682.66	
Resale Fees	- \$74,484.13	Brokerage Fees of 5.00 %
Net Resale Price	\$1,415,198.53	
Mortgage Balance	- \$365,574.96	
Net Assets at Resale	\$1,049,623.57	
Down Payment	- \$399,999.50	
Increase of Assets (Before Taxes)	\$649,624.07	

Capital Gain

Net Resale Price	\$1,415,198.53	
Acquisition Cost	- \$799,999.00	
Capital Gain	\$615,199.53	
Capital Gain Exemption	- \$0.00	
Capital Gain Balance	\$615,199.53	
Taxable Capital Gain	\$615,199.53	Taxable portion of Capital Gain of 100.00 %

Tax

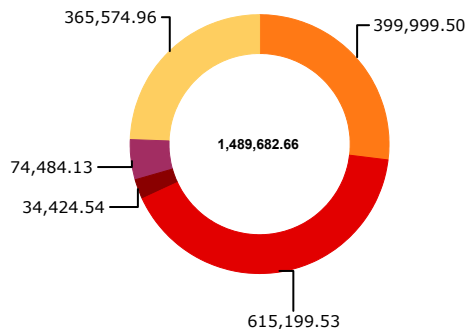
Recovered Annual Depreciation	+ \$108,181.68	
Taxable Total	\$723,381.21	
Income Taxes	\$0.00	Income Tax rate of 0.00 %

Net Assets (After Taxes)

Assets on Annual Basis	\$649,624.07
Income Taxes	- \$0.00
Increase of Assets (After Taxes)	\$649,624.07

Yield

Assets on Annual Basis	\$99,769.59
Average of Cash Flow (After Taxes)	+ \$8,175.40
Annual Yield	\$107,944.99
Annual Rate Yield	26.99 %



This diagram illustrates what the estimated resale price will help to pay. The orange tinted sections (down payment, capital gain and recaptured capital cost) represent the amount belonging to the investor if the building is sold after 5 years of possession.

- Recovered Principal
- Capital Gain (After Taxes)
- Down Payment
- Mortgage Balance
- Resale Fees
- Income Tax