

Property Report :

1639 Douglas Ave, Racine, WI - 33 Units
1639 Douglas Ave, Racine, WI 53404



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Author: **Adam McCarthy**

Company: **Smart Asset Realty Inc**

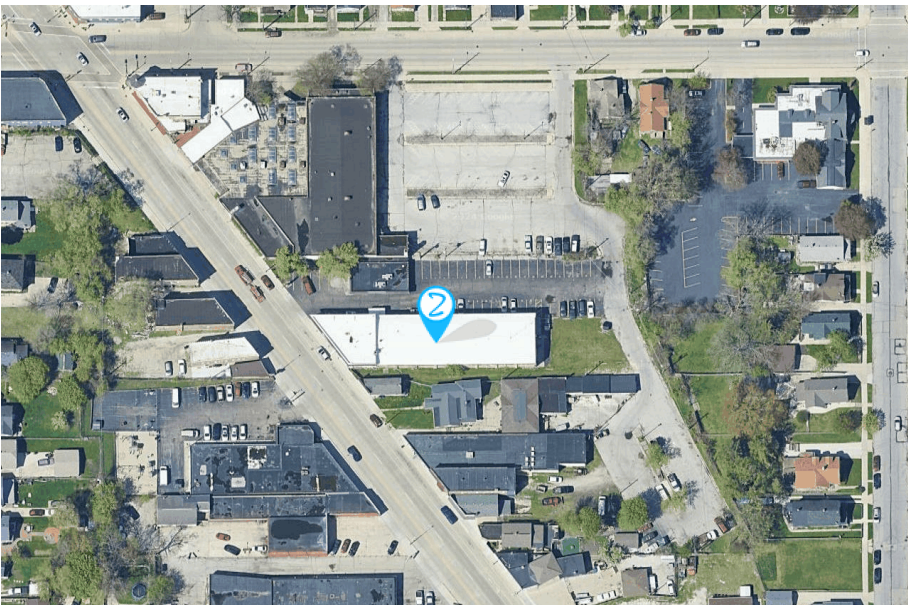
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Real Estate Analysis


Executive Summary

1639 Douglas Ave, Racine, WI 53404

Multifamily:


Investment strategy: Rental Property






Purchase Price

\$ 1,300,000




Rent

\$ 17,700/mo



Monthly Cash Flow

\$ 2,968



Cash on Cash Return

10.76 %

Financial Analysis

Cash on Cash Return	10.76 %
Internal Rate of Return (IRR)	18.20 %
Capitalization Rate	8.82 %
Gross Rent Multiplier (GRM)	6.12
Debt-coverage Ratio (DCR)	1.45
Operating Expense Ratio (OER)	42.59 %
After Repair Value	\$ 1,300,000

Financial Breakdown

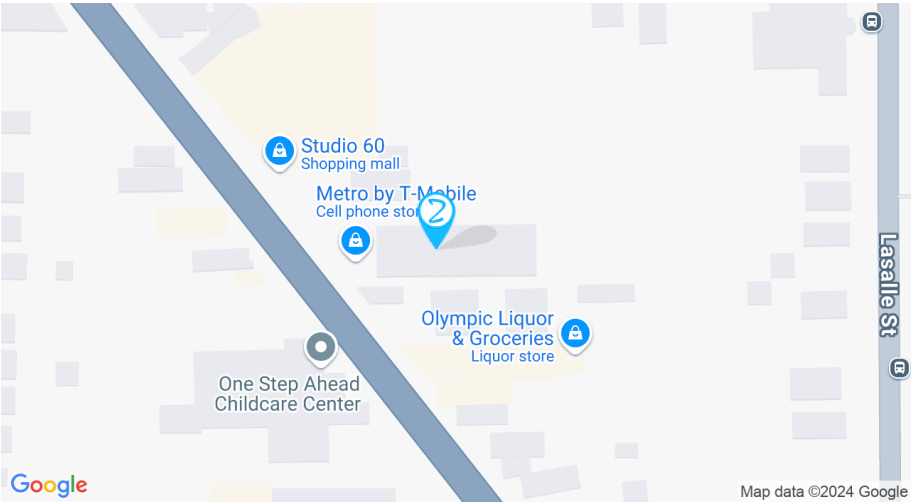
Purchase Price	\$ 1,300,000
Purchase Costs	\$ 6,000
Repair/Construction Costs	\$ 0
Total Capital Needed	\$ 1,306,000
Financing	\$ 975,000
Total Cash Needed	\$ 331,000
Cash at Closing	\$ 325,000
Cash During Rehab	\$ 6,000

Operating Analysis

Rent	\$ 17,700/mo
Gross Operating Income (GOI)	\$ 199,656
Total Expenses	\$ 85,038
Net Operating Income (NOI)	\$ 114,618
Annual Debt Service	\$ 78,999
Cash Flow Before Taxes (CFBT)	\$ 35,618
Income Tax Liability	\$ 3,475
Cash Flow After Taxes (CFAT)	\$ 32,144

Property Description

Purchase Price	\$ 1,300,000
Address	1639 Douglas Ave , Racine, 53404, WI
Type	Multifamily
Number of Units	



Operating Analysis

Annual Property Operating Data

Incomes	% of GOI	
Gross Scheduled Income	\$ 212,400	
Total Gross Income	\$ 212,400	
Vacancy loss	\$ 12,744	
Gross Operating Income	\$ 199,656	100.00 %
Expenses		
+ Property manager	\$ 15,972	8.00 %
+ Utilities	\$ 26,400	13.22 %
+ Insurance	\$ 15,679	7.85 %
+ Repairs	\$ 9,983	5.00 %
+ Property tax	\$ 17,004	8.52 %
Total Expenses	\$ 85,038	42.59 %
Net Operating Income	\$ 114,618	57.41 %

Cash Flow (Year 1)

Net Operating Income	\$ 114,618	57.41 %
Annual Debt Service	\$ 78,999	39.57 %
Cash Flow Before Taxes (CFBT)	\$ 35,618	17.84 %
Income Tax Liability	\$ 3,475	1.74 %
Cash Flow After Taxes (CFAT)	\$ 32,144	16.10 %

Operating Ratios

Operating Expense Ratio	42.59 %
Break-Even Ratio	82.16 %

Financial Analysis

Financial Measures

Net Present Value (NPV)	\$ 508,578
Internal Rate of Return	18.20 %
Profitability Index	2.54
Annual Depreciation	\$ 37,818

Holding period of 10 years and discount rate of 5.00% were used for calculation of NPV and IRR. The rest of the financial measures are for the **1st year only** and therefore don't provide such an exact information.

Investment Return Ratios

Cash on Cash Return	10.76 %
Return on Investment	22.54 %
Capitalization Rate	8.82 %
Gross Rental Yield	16.34 %
Gross Rent Multiplier	6.12

Financing Overview

Financing		% of ARV
Down Payment	\$ 325,000	25.00 %
Loan	\$ 975,000	75.00 %
Loan to Value Ratio		75.00 %
Loan to Cost Ratio		75.00 %
Debt Coverage Ratio		1.45

Loan	
Financing of: Purchase price (\$ 1,300,000)	
Type	Amortized
Loan Amount	\$ 975,000
Down payment (25%)	\$ 325,000
Amortization	25 years
Interest Rate	6.50 %
Monthly Payment	\$ 6,583.27

This chart shows the process of accumulation of investor's equity. There is some equity created right at the beginning with the rehab/construction and later investor's equity is rising by paying off the principal of the loan and also by appreciation over the years. All the green parts is the cummulative equity belonging to the investor and the red part belongs to the lender.

Long-term Cash Flow Forecast

Year	0	1	2	3	4	5	10
Operational Analysis							
Gross Scheduled Income	0	212,400	216,648	220,981	225,401	229,909	253,838
Vacancy Loss	0	12,744	12,999	13,259	13,524	13,795	15,230
Gross Operating Income	0	199,656	203,649	207,722	211,877	216,114	238,607
Expenses	0	85,038	86,739	88,474	90,243	92,048	101,629
Net Operating Income	0	114,618	116,910	119,248	121,633	124,066	136,979
Loan Payment	0	78,999	78,999	78,999	78,999	78,999	78,999
Payment Interest Part	0	62,901	61,823	60,673	59,445	58,136	50,149
Payment Principal Part	0	16,098	17,176	18,327	19,554	20,864	28,851
Cash Flow							
Repairs/Construction	0	0	0	0	0	0	0
Cash Flow Before Taxes	-331,000	35,618	37,911	40,249	42,634	45,067	57,980
Depreciation	0	37,818	37,818	37,818	37,818	37,818	37,818
Taxes	0	3,475	4,317	5,189	6,093	7,028	12,253
Cash Flow After Taxes	-331,000	32,144	33,594	35,060	36,541	38,039	45,727

Note: All amounts in the table above are in \$

Resale Analysis

Resale Price Evaluation Methods

The property is sold after 10 years. Below is the resale price calculated using different methods.

Appreciation (3.00%)	\$ 1,747,091
Cap Rate (8.82%) & NOI	\$ 1,553,047
Gross Rent Multiplier	\$ 1,553,487

Sale Proceeds

Projected Selling Price	\$ 1,747,091
Costs of Sale (6.00%)	\$ 104,825
1. Loan Balance Payoff	\$ 755,736
Net Sale Proceeds Before Tax	\$ 886,530

In the resale analysis we do not include any calculation for taxes that might be owed on sale of the property. The tax laws for the resale are rather complex and subjected to frequent changes.

Net Assets and Yield

Net Assets	
Sale Proceeds Before Tax	\$ 886,530
Investor Cash Outlay	\$ 331,000
Net Assets	\$ 555,530
Average Yield	
Annual Net Assets	\$ 55,553
Average Cash Flow (After Taxes)	\$ 34,278
Average Annual Gain (After Taxes)	\$ 89,831
Average Annual Yield (After Taxes)	6.91 %

This charts shows Net Present Value (NPV) when property is sold in various years, i.e. when sold in 5th year, the NPV is calculated from 5 years of Cash Flow (including the selling price) and this NPV is displayed in year 5. Optimal holding period can be estimated, using this method - when NPV is the highest. Please note that appreciation growth can change these numbers greatly. It sometimes makes sense to sell the property even before the end of the mortgage term.

Photos

