

## Property Information

### DESCRIPTION

Purchase Price:	\$ 1,210,727
Property Type:	Townhome
Bedrooms / Bathrooms:	3 / 3
Square Footage:	2,358
Year Build:	2002
Parking:	2 Car Garage
Lot Size:	N/A
Zoning:	N/A

### FINANCIAL

Gross Monthly Income:	\$ 4,000
Vacancy:	\$ (168)
Operating Expenses:	\$ (2,005)
Net Operating Income (NOI):	<u>\$ 1,827</u>
Down Payment or Equity:	\$ 781,112
Rehab, Closing, Other:	\$ -
Cash Needed or Equity:	<u>\$ 781,112</u>



## Analysis

### General Information

Investors who want a more detailed analysis should review the Detailed Report which is available upon request for free. The Detailed Report is 30+ pages, and it shows detailed cash flows and provides detailed descriptions of all information in both the Standard Report and the Detailed Report.

### Property Information - Page 1

The description of the property came from multiple sources including the client. The financial analysis contains two sections. The top section examines the property cash flow projections and includes all cash-flows except loan payments. The bottom section of the financial analysis shows the existing equity in the property or the down payment that the analysis is based upon. It also contains a section for rehabilitation or remodeling costs if those were provided by the client, and it concludes with the total equity included in the property analysis.

### Executive Summary - Page 3

The top half of the Executive Summary shows a color coded chart of the financial and subjective analysis of the property. The top 10 line items contain the financial analysis, and the bottom six line items show the subjective analysis. When the values are Green, this is a good result, and when they are red, this is a bad result.

The 15 Year Average Annual Pre-Tax Yield is -1.09%. The 15 Year Average Return on Equity is 5.33%. The 15 Year Average Return on Investment is 8.28%. The 15 Year Internal Rate of Return is 4.93%. These are the primary financial returns used in real estate investment analysis.

The bottom third of the Executive Summary examines the Market Value and Equity growth projections of the property.

### Operating and Pre-Tax Cash Flow Analysis - Page 4

This paragraph will only look at the first year of the analysis. The Operating Cash Flow Analysis shows that the rental income is expected to be \$48,000, there is expected to be a Vacancy and Credit Loss of -\$2,016, and the Effective Gross Income should be \$45,984.

The next section calculates the Net Operating Income (NOI). Begin with the Effective Gross Income of \$45,984 and subtract the property operating expenses of -\$24,064. This leaves the investor with a Net Operating Income of \$21,920. The next section of the analysis is the Pre-Tax Cash Flow, and it examines the cash flows after loan(s) are paid.

The Pre-Tax Cash Flow Analysis starts with the Net Operating income of \$21,920 and subtracts the total loan payments of -\$47,912. This calculates the first year Pre-Tax Cash Flow of -\$25,992.

The Annual Operating Income and Cash Flow graph at the bottom of the page shows the annual Scheduled Gross Income, the Net Operating Income, and the Pre-Tax Cash Flow of the projection.

### First Year Expense Analysis & Projected Annual Growth Rates - Page 5

This graph shows the first year annual operating expense analysis, and it shows the annual growth rates that were used in the analysis.

### Comparative Investment Summary - Page 6

This graph shows how this investment property compares against several different benchmark securities portfolios.

## Executive Summary

### Pre-Tax Return Calculations

15 Year Average Pre-Tax Annual Yield	-1.09%
Cash-on-Cash Return (Year 1)	-3.33%

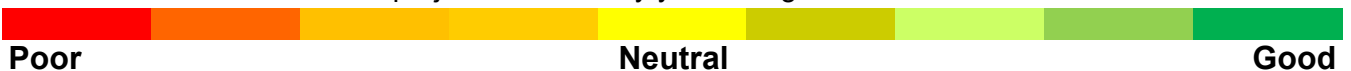
### After-Tax Return Calculations

15 Year Average Return on Investment (ROI)	8.28%
15 Year Average Return on Equity (ROE)	5.33%
Internal Rate of Return (IRR)	4.93%
Advanced Analysis Return	4.05%

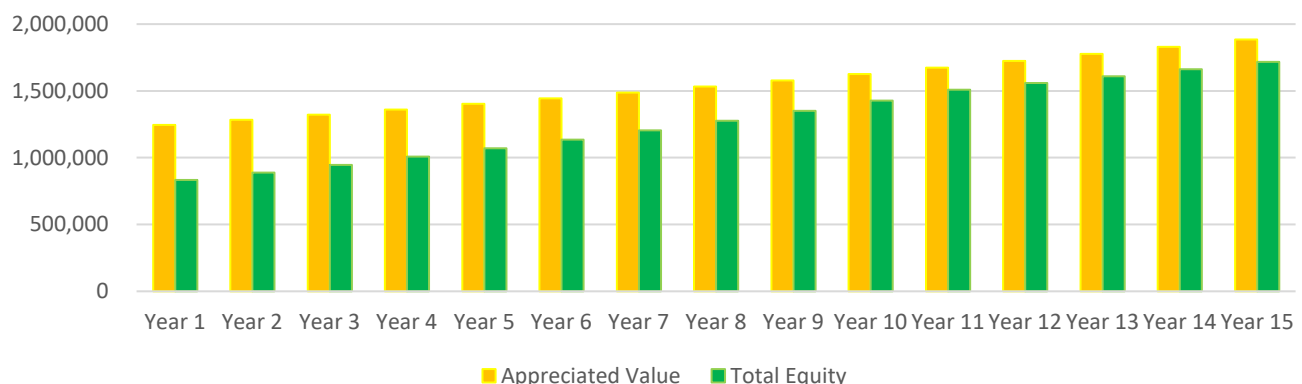
### Other Metrics

Debt Coverage Ratio (Goal = 125%)	45.75%
Capitalization (Cap) Rate	1.81%
Expense Ratio (< 50%)	50%
Gross Rent Multiplier	25.22
Weather Risk (Low: 1 to High: 100)	10.00
Crime (National Average = 1)	0.57
Vacancy Rate	4%
Annual Residential Turnover	5%
Rent / Income Ratio (<30% up to 35%)	39%
Educational Index	5

The color rating scale above is designed to provide a quick visual reference for the quality of the proposed investment. With green representing good and red representing poor, this color scale ranks the proposed investment against various metrics explained on the Executive Summary Details page which is found in the Detail Report and our website. Projects with mostly red or orange showing should be avoided in favor of projects with mainly yellow or green.



### Appreciated Market Value & Equity Analysis

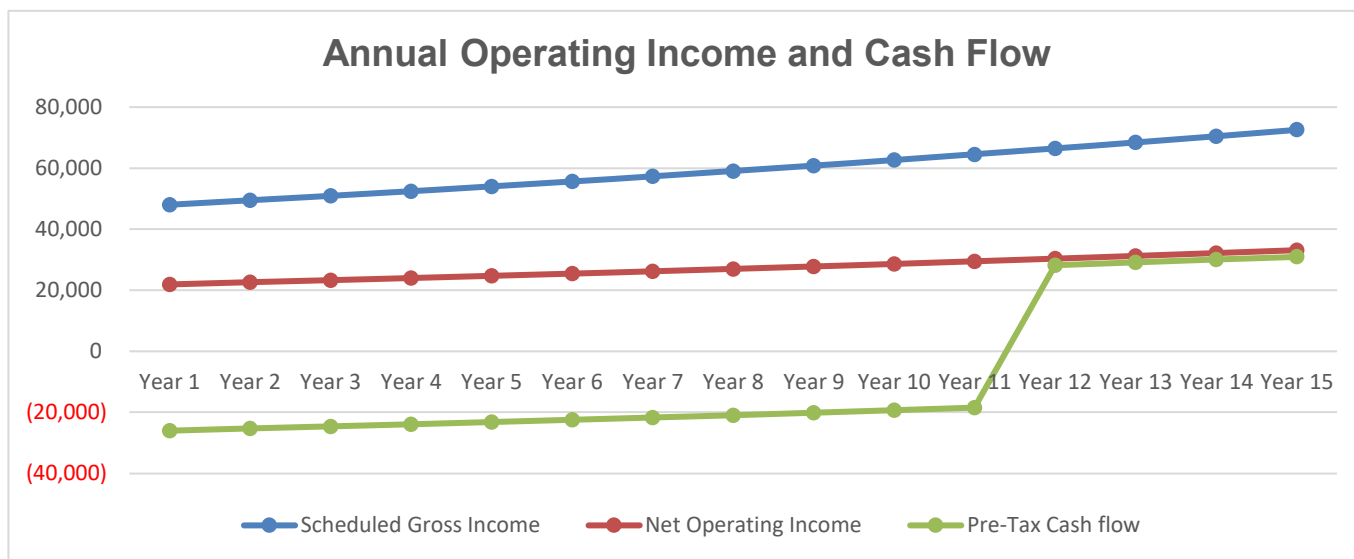


## Operating and Pre-Tax Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
<b>Operating Cash Flow Analysis</b>							
Scheduled Rent Income	48,000	49,440	50,923	52,451	54,024	62,629	72,604
+ Other income	0	0	0	0	0	0	0
Scheduled Gross Income	48,000	49,440	50,923	52,451	54,024	62,629	72,604
- Vacancy & Credit Loss	(2,016)	(2,076)	(2,139)	(2,203)	(2,269)	(2,630)	(3,049)
Effective Gross Income	45,984	47,364	48,784	50,248	51,755	59,999	69,555
<b>Operating Expenses</b>							
- Total Operating Expenses	(24,064)	(24,786)	(25,529)	(26,295)	(27,084)	(31,398)	(36,399)
<b>Net Operating Income</b>	<b>21,920</b>	<b>22,578</b>	<b>23,255</b>	<b>23,953</b>	<b>24,671</b>	<b>28,601</b>	<b>33,156</b>
<i>Operating Expense Ratio</i>	<i>50.13%</i>	<i>50.13%</i>	<i>50.13%</i>	<i>50.13%</i>	<i>50.13%</i>	<i>50.13%</i>	<i>50.13%</i>

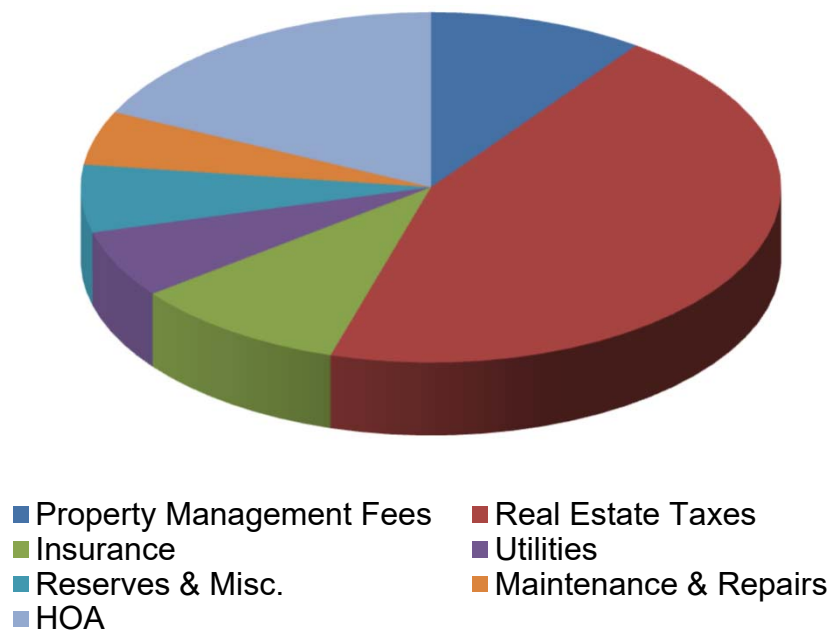
<b>Pre-Tax Cash Flow Analysis</b>							
Net Operating Income	21,920	22,578	23,255	23,953	24,671	28,601	33,156
Total Loan Payments	(47,912)	(47,912)	(47,912)	(47,912)	(47,912)	(47,912)	(2,156)
Pre-Tax Cash Flow	(25,992)	(25,334)	(24,657)	(23,959)	(23,241)	(19,311)	31,000
<b>Pre-Tax Cash-on-cash Return</b>	<b>-3.33%</b>	<b>-3.24%</b>	<b>-3.16%</b>	<b>-3.07%</b>	<b>-2.98%</b>	<b>-2.47%</b>	<b>3.97%</b>
<i>Debt Coverage Ratio</i>	<i>45.75%</i>	<i>47.12%</i>	<i>48.54%</i>	<i>49.99%</i>	<i>51.49%</i>	<i>59.69%</i>	<i>1537.88%</i>
<i>Preferred Debt Coverage Ratio</i>	<i>125%</i>	<i>125%</i>	<i>125%</i>	<i>125%</i>	<i>125%</i>	<i>125%</i>	<i>125%</i>

<b>Pre-Tax Return Analysis</b>							
Pre-Tax Cash flow	(25,992)	(25,334)	(24,657)	(23,959)	(23,241)	(19,311)	31,000
Principal Reduction of All Loans	32,160	33,285	34,450	35,656	36,904	43,830	0
Return Before Taxes (PTCF+LPR)	6,168	7,951	9,793	11,696	13,663	24,519	31,000
<b>Pre-Tax Return</b>	<b>0.79%</b>	<b>1.02%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>3.14%</b>	<b>3.97%</b>



## First Year Expense Details

Expenses		
Property Management Fees	\$	2,400
Real Estate Taxes	\$	10,744
Insurance	\$	2,400
Utilities	\$	1,500
Reserves & Misc.	\$	1,500
Maintenance & Repairs	\$	1,200
HOA	\$	4,320
Total Expenses	\$	24,064



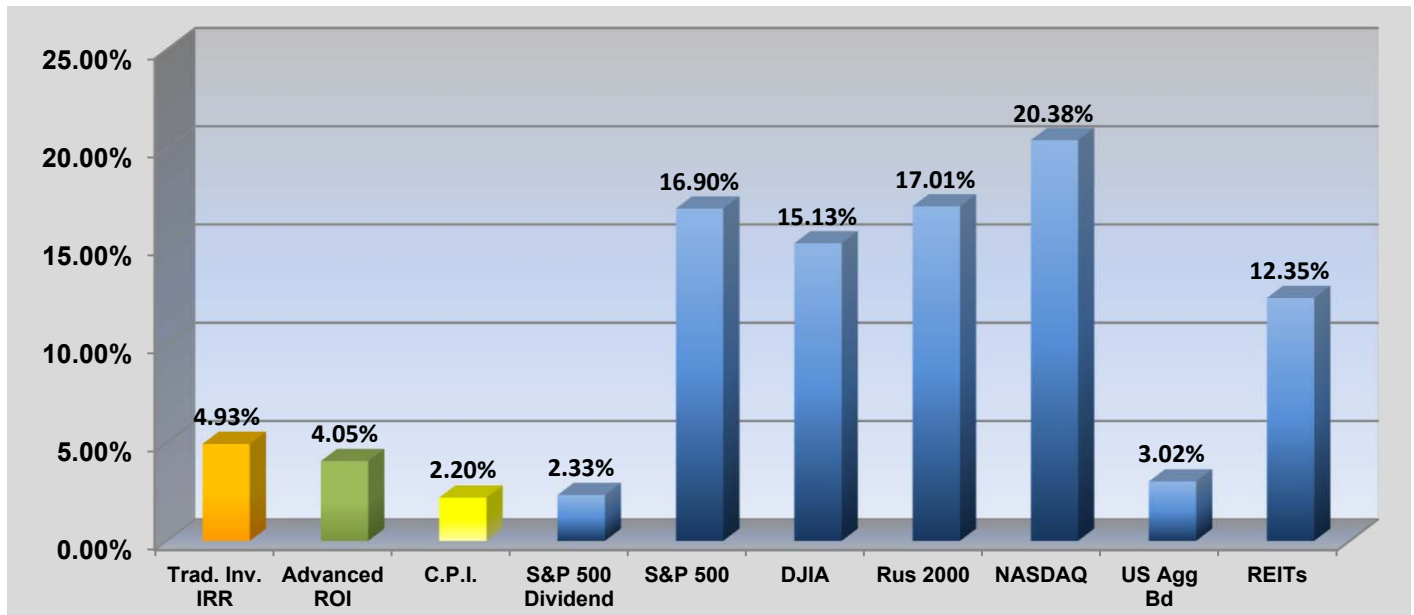
## Projected Annual Growth Rates

**Expenses**  
3%

**Rent**  
3%

**Appreciation**  
3%

## Comparative Investment Summary



- Traditional Analysis-Internal Rate of Return
- Advanced Analysis-Return on Investment
- Consumer Price Index (Seasonally Adjusted)
- Benchmark Returns

This chart shows the Traditional Investment Analysis (Orange), Advanced Analysis (Green), Consumer Price Index [Seasonally Adjusted] (Yellow), and Benchmark Returns (Blue).

The Traditional Analysis and the Advanced Analysis spanned 15 years. The CPI and Benchmarks are annualized historical values for the 10 year period ending 09/23/2012.

If the Orange and Green bars show returns higher than the Blue bars, then this property may outperform a benchmark securities portfolio. If the Orange and Green bars show that this investment may provide higher returns, then the property should be kept in the portfolio or the property should be given serious consideration as a new investment.

Alternatively, if the Blue bars show higher returns than the Orange and Green bars, then this property may underperform a benchmark securities portfolio. The benchmark securities (Blue bars) provide the investor with faster access to cash, lower selling costs, more liquidity, and less management involvement than real estate investments. If the Blue bars show that a benchmark securities portfolio may provide higher returns, then the property should be sold, income & expenses re-evaluated, another property found, or a securities portfolio should be given serious consideration as a new investment.

## Disclaimers

### General Disclaimers

While the information contained in this report is believed to be accurate, it is not guaranteed. The assumptions used in this analysis were provided by the client or by the client's other advisors, and the assumptions have been approved by the client for use in this report.. We provide investment analysis, we do not claim local market knowledge. An active local real estate professional should be used for local market assumptions. Real estate investing is inherently risky and unpredictable. Some of the risks include interest rate, foreclosure, political, tenancy, vacancy, liability, pest, environmental, weather, and other risks. No investment illustration can consider or account for all risks. When hypothetical illustrations of 5 to 30 years are made, small errors in assumptions result in large errors in the results which will cause the results to vary significantly from the actual investment performance. Though a specific project name and/or addresses is shown in the report, no illustration can predict how a property will perform or what its investment performance will be. There are far too many uncontrollable factors which will influence the investment's actual performance.

This report is provided for informational purposes only and should not be relied upon for tax, legal, investment, or transactional purposes. This report does not provide tax, accounting, securities, or legal advice; and investors should discuss all matters with an appropriate professional. Additionally, return calculation methods vary greatly between investment types and investment analysis programs. It is critical to read the calculation methodology and definitions before comparing hypothetical investment returns.

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### General Information

This seven page report is backed up by 20+ pages of detailed investment analysis. Most clients do not want that level of detail so it was not provided here. This information is available upon request. If you have any questions regarding this report, please contact your consultant.