

SCENARIO I



PURCHASE SCENARIO I

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SCENARIO I



Annual Operating Expenses First Year	First Year Month	Annual	Notes
Advertising	0	0	
Home Owners Association	300	3,600	
Insurance	0	0	
Maintenance	0	0	New building
Property Management	0	0	
Property Taxes	305	3,660	
Supplies	0	0	
Utilities	Power	15	180
	Water / Sewer		0 By HOA
	Solid Waste		0 By HOA
Total Annual Operating Expenses First Year		7,440	
Deposit to Capital Improvement savings	50	600	Optional
Gross Annual Income First Year	First Year Month	Annual	Notes
Rents	per Apartment 1,050		
	4 Apartments	4,200	50,400
Laundry Equipment Rental per Apartment 50			
	4 Apartments	200	2,400

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SCENARIO I



Income Statement	Year	Purchase	1	2	3	4	5	6	7	8	9	10
Income Growth Rate	3.00%											
Gross Rents		50,400	51,912	53,469	55,073	56,726	58,427	60,180	61,986	63,845	65,761	67,733
Other Income		2,400	2,472	2,546	2,622	2,701	2,782	2,865	2,951	3,040	3,131	3,225
Potential Gross Income		52,800	54,384	56,015	57,695	59,427	61,209	63,045	64,937	66,885	68,892	70,958
less Vacancy	3.00%	(1,584)	(1,632)	(1,680)	(1,731)	(1,783)	(1,836)	(1,891)	(1,948)	(2,007)	(2,067)	(2,129)
Effective Gross Income		51,216	52,752	54,335	55,964	57,644	59,373	61,154	62,989	64,878	66,825	68,829
less Operating Expenses	5.00%	(7,440)	(7,812)	(8,203)	(8,613)	(9,044)	(9,496)	(9,971)	(10,470)	(10,994)	(11,544)	(12,121)
Net Operating Income		43,776	44,940	46,132	47,351	48,600	49,877	51,183	52,519	53,884	55,281	56,708
less Interest Expense		(34,560)	(34,196)	(33,806)	(33,387)	(32,938)	(32,456)	(31,940)	(31,386)	(30,793)	(30,156)	(29,473)
Misc Closing Costs		(1,000)										
Depreciation												
Building		(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)	(22,327)
Personal Property 1		(571)	(571)	(571)	(571)	(571)	(571)	(571)	0	0	0	0
Personal Property 2		(286)	(286)	(286)	(286)	(286)	(286)	(286)	0	0	0	0
Improvements	5	0	0	0	0	0	(364)	(364)	(364)	(364)	(364)	(364)
Amortized Points	30	(248)	(248)	(248)	(248)	(248)	(248)	(248)	(248)	(248)	(248)	(248)
Taxable Income (Loss) Basis		(15,217)	(12,689)	(11,106)	(9,468)	(7,771)	(6,375)	(4,553)	(1,806)	153	2,186	4,296
Taxable Income (Loss)												
Active		(15,217)	(12,689)	(11,106)	(9,468)	(7,771)	(6,375)	(4,553)	(1,806)	153	2,186	4,296
Passive (Loss Carryover)		(15,217)	(27,905)	(39,011)	(48,479)	(56,249)	(62,624)	(67,177)	(68,983)	(68,831)	(66,645)	(62,349)
Ratios Operating Expense		14.53	14.81	15.10	15.39	15.69	15.99	16.30	16.62	16.95	17.28	17.61
Income		85.47	85.19	84.90	84.61	84.31	84.01	83.70	83.38	83.05	82.72	82.39
Cash Flow												
Net Operating Income		43,776	44,940	46,132	47,351	48,600	49,877	51,183	52,519	53,884	55,281	56,708
less Debt service		(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)	(39,599)
Before Tax Cash Flow		4,177	5,341	6,534	7,753	9,001	10,279	11,584	12,920	14,285	15,682	17,110

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Input Data

Investment	Purchase Price		620,000	
	Initial Investment	LTV	20%	
	Equity		124,000	
	less Seller Incentive		(25,000)	
	Net Equity			99,000
	Mortgage Principle		496,000	
		Points	1.50%	7,440
	Closing Costs	1,000		
	Total Initial Investment		107,440	
Depreciation	Non Depreciable	Land	0	
	Personal Property 1		4,000	
	Recovery Period (1,5,7,10)Years		0.0	
	Personal Property 2		2,000	
	Recovery Period (1,5,7,10)Years		7.0	
	Building Basis	100%	614,000	
	Recovery Period Years 2		7.5	
Revenue	Gross Income			
	Rents		50,400	
	Other		2,400	
	Vacancy Factor		3%	
	Operating Expenses		7,440	

Growth Rates	Expenses	5.00%
	Income	3.00%
	Appreciation	5.00%
	Reinvestment Rate of Return	5.00%
	Reserve Fund	5.00%
	Reserve Fund Rate of Return	4.00%
Mortgage Loan 1	Amount	496,000
	Balloon Year	0
	Interest Rate	7.00%
	Term Years	30
	Points	1.50%
	Payment	3,300
Loan 2	Amount	0
	Balloon Year	0
	Interest Rate	0.00%
	Term Years	0
	Points	1.50%
	Payment	0
Improvements	Improvement	Amount
		10,000
		Year
		5

Executive Summary

Initial Investment	Acquisition Costs				Investment						
		Purchase	Points	Closing	Total				Amount	Percentage	
		620,000	7,440	1,000	628,440				107,440	17.10%	

Year	Purchase	1	2	3	4	5	6	7	8	9	10
Projected Sales Price	620,000	651,000	683,550	717,728	753,614	791,295	830,860	872,403	916,023	961,824	1,009,915
EOY Loan Balance	(490,962)	(485,559)	(479,766)	(473,554)	(466,893)	(459,750)	(452,091)	(443,879)	(435,072)	(425,629)	(415,504)
EOY Investor Equity	(129,038)	(165,441)	(203,784)	(244,174)	(286,721)	(331,545)	(378,769)	(428,524)	(480,951)	(536,195)	(594,411)
Loan-to-Value Ratio	79.19%	74.59%	70.19%	65.98%	61.95%	58.10%	54.41%	50.88%	47.50%	44.25%	41.14%
Before Tax Cash Flows	4,177	5,341	6,534	7,753	9,001	10,279	11,584	12,920	14,285	15,682	17,110
Cash on Cash Return	3.89%	4.97%	6.08%	7.22%	8.38%	9.57%	10.78%	12.03%	13.30%	14.60%	15.92%
Cummulative	4,177	9,518	16,052	23,805	32,805	43,084	54,668	67,588	81,874	97,555	114,665

Growth Ratios

Debt Coverage Ratio	111%	113%	116%	120%	123%	126%	129%	133%	136%	140%	143%
Break Even Point	89.1%	87.2%	85.3%	83.6%	81.9%	80.2%	78.6%	77.1%	75.6%	74.2%	72.9%
Percent of Ownership	20.8%	25.4%	29.8%	34.0%	38.0%	41.9%	45.6%	49.1%	52.5%	55.7%	58.9%

Percent of Ownership = (Sales Price - Loan Balance) / Projected Sales Price

First Year Ratios

Debt / Equity Ratio	4.62 (Debt / Initial Investment)	Gross Income Multiplier (Purchase Price / Max Income Possible)
Capitalization Rate	7.06 (Net Operating Income / Purchase Price) X 100	Monthly
Mortgage Constant		Annual
Loan 1	7.98 (Annual Mortgage Payments / Debt) X 100	11.74
Loan 2	0.00 (Annual Mortgage Payments / Debt) X 100	

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Mortgage and Equity												
Year		Purchase	1	2	3	4	5	6	7	8	9	10
Debt Service	Loan 1	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599
	Loan 2	0	0	0	0	0	0	0	0	0	0	0
	Total	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599	39,599
Interest	Loan 1	34,560	34,196	33,806	33,387	32,938	32,456	31,940	31,386	30,793	30,156	29,473
	Loan 2	0	0	0	0	0	0	0	0	0	0	0
	Total	34,560	34,196	33,806	33,387	32,938	32,456	31,940	31,386	30,793	30,156	29,473
Principal	Loan 1	5,038	5,403	5,793	6,212	6,661	7,143	7,659	8,213	8,806	9,443	10,126
	Loan 2	0	0	0	0	0	0	0	0	0	0	0
	Total	5,038	5,403	5,793	6,212	6,661	7,143	7,659	8,213	8,806	9,443	10,126
EOY Loan Balance	Loan 1	490,962	485,559	479,766	473,554	466,893	459,750	452,091	443,879	435,072	425,629	415,504
	Loan 2	0	0	0	0	0	0	0	0	0	0	0
	Total	490,962	485,559	479,766	473,554	466,893	459,750	452,091	443,879	435,072	425,629	415,504
Projected Sales Price		5.00%	651,000	683,550	717,728	753,614	791,295	830,859	872,402	916,022	961,823	1,009,915
Investor Equity			165,441	203,784	244,174	286,721	331,545	378,768	428,523	480,950	536,194	594,411
Annual ROI (Cash on Cash)		107.440	153.98%	94.84%	75.76%	66.72%	61.72%	58.76%	56.98%	55.96%	55.45%	55.32%

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SCENARIO I



Sale of Property			Purchase	1	2	3	4	5	6	7	8	9	10
Year													
Projected Sales Price	Growth 5.0%		620,000	651,000	683,550	717,728	753,614	791,295	830,860	872,403	916,023	961,824	1,009,915
Costs	Basis Unadjusted Basis		620,000	620,000	620,000	620,000	620,000	620,000	620,000	620,000	620,000	620,000	620,000
	add Improvements		0	0	0	0	0	10,000	10,000	10,000	10,000	10,000	10,000
	less Depreciation		(22,613)	(45,226)	(67,839)	(90,452)	(113,065)	(136,042)	(159,018)	(181,709)	(204,400)	(227,091)	(249,782)
	Adjusted Basis		597,387	574,774	552,161	529,548	506,935	493,958	470,982	448,291	425,600	402,909	380,218
	Cost of Sales add Commissions	6.00%	39,060	41,013	43,064	45,217	47,478	49,852	52,344	54,961	57,709	60,595	
	add Title / Escrow	0.25%	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500	
Total Costs			597,387	615,434	594,874	574,412	554,052	543,436	522,934	502,835	482,861	463,018	443,313
Gain or Loss				35,566	88,676	143,316	199,562	247,859	307,926	369,568	433,162	498,806	566,602
Taxable Gain (Loss)	Active Net Taxable Gain (Loss)			35,566	88,676	143,316	199,562	247,859	307,926	369,568	433,162	498,806	566,602
	Passive Loss Carryover			(14,645)	(26,763)	(37,297)	(46,193)	(53,392)	(59,196)	(63,177)	(64,983)	(64,831)	(62,645)
	Net Taxable Gain (Loss)			20,921	61,913	106,019	153,369	194,466	248,731	306,391	368,179	433,975	503,957
	Note: Investor to determine their personal Tax Liability												
Proceeds Before Tax Liability	Projected Sales Price		651,000	683,550	717,728	753,614	791,295	830,860	872,403	916,023	961,824	1,009,915	
	less Cost of Sales		(40,660)	(42,713)	(44,864)	(47,117)	(49,478)	(51,952)	(54,544)	(57,261)	(60,109)	(63,095)	
	less Balance of Loans		(485,559)	(479,766)	(473,554)	(466,893)	(459,750)	(452,091)	(443,879)	(435,072)	(425,629)	(415,504)	
	add Personal Property		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
Total Proceeds Before Tax Liability			130,781	167,071	205,310	245,604	288,067	332,817	379,980	429,690	482,086	537,316	

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