

## Stabilized Market Income Schedule

REFERENCE NO: SampleApt  
PROPERTY: Small Apartment Building  
ANALYSIS DATE: 9/1/2011

Income Item	Gross Units	Income Per Year	Income Per Unit	Unit of Measure
7 One Bedroom Apts.	7	79,800	11,400.00	Unit
8 Two Bedroom Apts.	8	105,600	13,200.00	Unit
1 Three Bedroom Apt.	<u>1</u>	14,400	14,400.00	Unit
Total Units	16			
Total Income		\$199,800		
Vacancy/Credit Loss		<u>-9,990</u>		
Effective Gross Income		\$189,810		

## Stabilized Market Income Statement

REFERENCE NO: SampleApt  
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	Amount	% of Gross
<b><u>Gross Income</u></b>		
Total Income	\$199,800	100.00%
Vacancy / Credit Loss	-9,990	-5.00%
Effective Gross Income	\$189,810	95.00%
<b><u>Fixed</u></b>		
Real Estate Taxes	26,573	13.30%
Insurance	3,796	1.90%
<b><u>Operating</u></b>		
Water and Sewage	3,996	2.00%
Electric	800	0.40%
Gas	320	0.16%
Maintenance/Repair	5,694	2.85%
Management	5,694	2.85%
Advertising	<u>1,998</u>	<u>1.00%</u>
 Total Expenses	 \$48,872	 24.46%
 NET INCOME	 \$140,938	 70.54%

### CAPITALIZATION

Stable Net Income Divided by Capitalization Rate = Value  
\$140,938                      0.100000    \$1,409,378

## Advanced Mortgage Equity Calculation

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### Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	65.00%
Interest Rate	6.50%
Loan Term	25 Years
Investor Equity Portion	35.00%
Required Investor Yield (IRR)	13.959%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	1.000%
Soft Costs in Addition to Equity	4.000%
Selling Expenses: Terminal Year	7.000%

### CALCULATION

Loan 1 x Constant ( .65000 x 0.081025)	0.0526662
Equity x Required Yield ( .35000 x 0.139586)	<u>0.0488552</u>
	0.1015214
LESS Credit for Equity Build-up	
RATIO x %PAID OFF x SINKING FUND	
Loan 1 65.00 0.1416 0.093311	<u>-0.0085866</u>
BASIC RATE	0.0929348
ADD Amortization of Soft Costs (4.00 x 0.23290)	<u>0.0093159</u>
	0.1022507
ADD Depreciation Factor	0.0002719
LESS Income Growth Factor	<u>-0.0025226</u>
CAP RATE AT STABLE OPERATION	0.1000000
<b>OVERALL RATE - ROUNDED TO</b>	<b>10.00%</b>

## Projected Cash Flow Analysis

REFERENCE NO: SampleApt  
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Indicated Value	\$1,409,378
Less Loans 65.00%	<u>916,096</u>
Equity	493,282
Soft Costs: 4.00%	<u>56,375</u>
Total Investment	\$549,657

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>
	09-2011	09-2012	09-2013	09-2014	09-2015	09-2016	09-2017
<b><u>Cash Flows</u></b>							
Total Income	199,800	201,798	203,816	205,854	207,913	209,992	212,092
Vac / Credit Loss	<u>-9,990</u>	<u>-10,090</u>	<u>-10,191</u>	<u>-10,293</u>	<u>-10,396</u>	<u>-10,500</u>	<u>-10,605</u>
Effective Gross	189,810	191,708	193,625	195,561	197,517	199,492	201,487
Total Expenses	<u>48,872</u>	<u>49,361</u>	<u>49,855</u>	<u>50,353</u>	<u>50,857</u>	<u>51,365</u>	<u>51,879</u>
Net Income	140,938	142,347	143,771	145,208	146,660	148,127	149,608
Interest Expense	<u>-59,101</u>	<u>-58,088</u>	<u>-57,007</u>	<u>-55,854</u>	<u>-54,624</u>	<u>-53,311</u>	<u>-51,910</u>
Loan Amortization	<u>-15,126</u>	<u>-16,139</u>	<u>-17,219</u>	<u>-18,373</u>	<u>-19,603</u>	<u>-20,916</u>	<u>-22,317</u>
Cash Flow	66,711	68,121	69,544	70,982	72,434	73,901	75,382
Cash on Cash Yield	12.14%	12.39%	12.65%	12.91%	13.18%	13.44%	13.71%
Debt Coverage Ratio	1.90	1.92	1.94	1.96	1.98	2.00	2.02

### **Reversion - Proceeds of Sale at the end of 7 Years**

Future Sale	\$1,511,044
Sale Costs: 7.00%	<u>-105,773</u>
Less Loans	<u>786,404</u>
Reversion	\$618,867

### **Internal Rate of Return: 7 Year Holding Period**

Initial Investment	<u>-549,657</u>						
Cash Flow	66,711	68,121	69,544	70,982	72,434	73,901	75,382
Reversion							618,867
INTERNAL RATE OF RETURN	13.959%						

### **Present Value of Cash Flows using a Discount Rate of 13.959%**

Cash Flow	66,711	68,121	69,544	70,982	72,434	73,901	75,382
Reversion							<u>618,867</u>
							694,248
Present Value							
Discount Factor	<u>0.877512</u>	<u>0.770026</u>	<u>0.675707</u>	<u>0.592941</u>	<u>0.520312</u>	<u>0.456580</u>	<u>0.400654</u>
Present Value	58,540	52,455	46,991	42,088	37,688	33,741	278,154

P V of CASH FLOWS \$549,657 approximates Initial Investment of \$549,657,  
 based upon a value of \$1,409,378

## Yield Range Analysis

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### Input Variables

Projected Holding Period	7 Years
Loan Ratio 1	65.00%
Interest Rate	6.50%
Loan Term	25 Years
Investor Equity Portion	35.00%
Yield Range Analyzed (IRR)	10.959% to 16.959%
Growth Rate in Value per Year	1.000%
Growth Rate in Net Income per Year	1.000%
Soft Costs in Addition to Equity	4.000%
Selling Expenses: Terminal Year	7.000%

Selected IRR	Indicated Value	Required Equity	D.C.R.
10.96%	1,600,393	624,153	1.67
11.46%	1,565,019	610,357	1.71
11.96%	1,531,184	597,162	1.75
12.46%	1,498,788	584,527	1.79
12.96%	1,467,743	572,420	1.82
13.46%	1,437,965	560,806	1.86
<b>13.96%</b>	<b>1,409,378</b>	<b>549,657</b>	<b>1.90</b>
14.46%	1,381,911	538,945	1.94
14.96%	1,355,502	528,646	1.97
15.46%	1,330,091	518,736	2.01
15.96%	1,305,619	509,191	2.05
16.46%	1,282,037	499,994	2.09
16.96%	1,259,295	491,125	2.13

## Proof of Yield on Equity

REFERENCE NO: SampleApt  
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Required Rate of Return      13.959%  
 Holding Period                      7 Years

<b>Original Equity</b>			
	Ratio	Value	
Equity	0.35000	\$1,409,378	\$493,282
Soft Costs	0.04000	\$1,409,378	<u>56,375</u>
		Initial Cash Investment	\$549,657

<b>Terminal Equity</b>			
		Resale Value	\$1,511,044
		Loan Balance	<del>-786,404</del>
		Sale Expenses	<del>-105,773</del>
		Net Reversion	\$618,867

<b>PROOF</b>			
Year	Cash Flow	Present Value Factor @ 13.959%	Present Value
1	66,711.27	0.8775115	58,539.91
2	68,120.65	0.7700265	52,454.71
3	69,544.13	0.6757071	46,991.46
4	70,981.82	0.5929408	42,088.02
5	72,433.91	0.5203124	37,688.26
6	73,900.51	0.4565801	33,741.50
7	75,381.77	0.4006543	30,202.03
Net Reversion	618,866.63	0.4006543	<u>247,951.60</u>
		Present Value of Cash Flows	549,657.45
		Initial Cash Investment	<del>-549,657.44</del>
		Net Present Value	0.02