

Sheet1

REAL ESTATE INVESTMENT VS ALTERNATIVE USE OF FUNDS

PARAMETERS:

Interest rate	11.7%
Sale commission	6.0%
Loan points	2.5%
Closing costs	\$500.00
Appreciation rate	2.5%
Rent increase/yr	2.5%
General cost inc/yr	2.5%
Improvement percent	70.0%
Depreciation period (yrs)	27
Sale price	\$725000.00
Vacancy rate	3.0%
Maintenance rate	4.0%
Down payment rate	30.0%
Tax bracket	28.0%
Alternate interest rate	8.0%
Property tax rate	1.2%

INTERMEDIATE RESULTS:

Loan amount	\$507500.00
Down payment:	\$217500.00
Purchase charges	\$13187.50
Annual depreciation	\$18,796.30

INCOME AND EXPENSES:

Year	1	2	3
Gross income	\$100827.00	\$103347.68	\$105931.37
Operating expense:			
Property Tax	\$8917.50	\$9140.44	\$9368.95
Insurance	\$1700.00	\$1742.50	\$1786.06
Utilities	\$7600.00	\$7790.00	\$7984.75
On site manager	\$3000.00	\$3075.00	\$3151.88
Accounting/mgt	\$4000.00	\$4100.00	\$4000.00
Trash	\$640.00	\$656.00	\$672.40
Pool	\$840.00	\$861.00	\$882.53
License	\$96.00	\$98.40	\$100.86
Workman's Comp	\$228.00	\$233.70	\$239.54
Vacancy	\$3024.81	\$3100.43	\$3177.94
Maintenance	\$4033.08	\$4133.91	\$4237.25
Total operating expense	\$34079.39	\$34931.37	\$35602.16
Annual loan payment	\$61,606.08	\$61,606.08	\$61,606.08
Interest portion	\$59377.50	\$59116.76	\$58825.51
Principle portion	\$2,228.58	\$2,489.32	\$2,780.58
Loan balance	\$505271.42	\$502782.09	\$500001.52

Sheet1

Depreciation	\$18,796.30	\$18,796.30	\$18,796.30
Taxable income	-\$11,426.19	-\$9,496.75	-\$7,292.59
Writeoff	\$3,199.33	\$2,659.09	\$2,041.93
CASH FLOW:			
Cash flow	-\$8,045.97	\$6,810.22	\$8,723.13
Writeoff+cash flow	-\$4,846.64	\$9,469.31	\$10,765.05
interest on c.f + w.o.	-\$387.73	-\$418.75	\$305.30
"savings account"	-\$5,234.37	\$3,816.19	\$14,886.54
CAPITAL:			
Market value	\$743125.00	\$761703.13	\$780745.70
Gross if sold	\$698537.50	\$716000.94	\$733900.96
Net if sold	\$193266.08	\$213218.84	\$233899.44
Cumulative depreciation	\$18,796.30	\$37,592.59	\$56,388.89
Book value	\$706203.70	\$687407.41	\$668611.11
Capital gain if sold	-\$20,853.70	\$15,406.03	\$52,102.35
Capital gain tax if sold	-\$5,839.04	\$4,313.69	\$14,588.66
ALTERNATIVE USE OF CAPITAL:			
Cash outlay	\$230687.50		
Interest income	\$18455.00	\$19518.01	\$20642.25
Tax liability	\$5167.40	\$5465.04	\$5779.83
Net income	\$13287.60	\$14052.97	\$14862.42
Principle	\$243975.10	\$258028.07	\$272890.48
Net	-\$33,536.64	-\$12,432.03	\$10,197.25
Cumulative net	-\$33,536.64	-\$45,968.67	-\$35,771.42
Year	1	2	3
Breakeven year	5		

Sheet1

4	5	6	7	8	9	10
\$108579.65	\$111294.14	\$114076.50	\$116928.41	\$119851.62	\$122847.91	\$125919.11
\$9603.17	\$9843.25	\$10089.33	\$10341.57	\$10600.11	\$10865.11	\$11136.74
\$1830.71	\$1876.48	\$1923.39	\$1971.48	\$2020.77	\$2071.28	\$2123.07
\$8184.37	\$8388.98	\$8598.70	\$8813.67	\$9034.01	\$9259.86	\$9491.36
\$3230.67	\$3311.44	\$3394.22	\$3479.08	\$3566.06	\$3655.21	\$3746.59
\$4000.00	\$4000.00	\$4000.00	\$4000.00	\$4000.00	\$4000.00	\$4000.00
\$689.21	\$706.44	\$724.10	\$742.20	\$760.76	\$779.78	\$799.27
\$904.59	\$927.20	\$950.38	\$974.14	\$998.50	\$1023.46	\$1049.04
\$103.38	\$105.97	\$108.62	\$111.33	\$114.11	\$116.97	\$119.89
\$245.53	\$251.67	\$257.96	\$264.41	\$271.02	\$277.80	\$284.74
\$3257.39	\$3338.82	\$3422.29	\$3507.85	\$3595.55	\$3685.44	\$3777.57
\$4343.19	\$4451.77	\$4563.06	\$4677.14	\$4794.06	\$4913.92	\$5036.76
\$36392.21	\$37202.02	\$38032.07	\$38882.87	\$39754.94	\$40648.82	\$41565.04
\$61,606.08	\$61,606.08	\$61,606.08	\$61,606.08	\$61,606.08	\$61,606.08	\$61,606.08
\$58500.18	\$58136.79	\$57730.88	\$57277.48	\$56771.03	\$56205.33	\$55573.45
\$3,105.90	\$3,469.29	\$3,875.20	\$4,328.60	\$4,835.05	\$5,400.75	\$6,032.63
\$496895.62	\$493426.32	\$489551.12	\$485222.52	\$480387.47	\$474986.73	\$468954.10

Sheet1

\$18,796.30	\$18,796.30	\$18,796.30	\$18,796.30	\$18,796.30	\$18,796.30	\$18,796.30
-\$5,109.04	-\$2,840.96	-\$482.75	\$1,971.76	\$4,529.34	\$7,197.46	\$9,984.33
\$1,430.53	\$795.47	\$135.17	-\$552.09	-\$1,268.22	-\$2,015.29	-\$2,795.61
\$10,581.36	\$12,486.04	\$14,438.35	\$16,439.46	\$18,490.60	\$20,593.01	\$22,747.99
\$12,011.89	\$13,281.51	\$14,573.52	\$15,887.36	\$17,222.38	\$18,577.72	\$19,952.38
\$1,190.92	\$2,247.15	\$3,489.44	\$4,934.48	\$6,600.22	\$8,506.03	\$10,672.73
\$28,089.35	\$43,618.01	\$61,680.97	\$82,502.81	\$106,325.41	\$133,409.17	\$164,034.28
\$800264.35	\$820270.95	\$840777.73	\$861797.17	\$883342.10	\$905425.65	\$928061.29
\$752248.48	\$771054.70	\$790331.06	\$810089.34	\$830341.57	\$851100.11	\$872377.62
\$255352.87	\$277628.38	\$300779.94	\$324866.82	\$349954.10	\$376113.39	\$403423.52
\$75,185.19	\$93,981.48	\$112,777.78	\$131,574.07	\$150,370.37	\$169,166.67	\$187,962.96
\$649814.81	\$631018.52	\$612222.22	\$593425.93	\$574629.63	\$555833.33	\$537037.04
\$89,246.17	\$126,848.68	\$164,921.34	\$203,475.92	\$242,524.45	\$282,079.28	\$322,153.08
\$24,988.93	\$35,517.63	\$46,177.98	\$56,973.26	\$67,906.84	\$78,982.20	\$90,202.86
\$21831.24	\$23088.72	\$24418.63	\$25825.14	\$27312.67	\$28885.88	\$30549.71
\$6112.75	\$6464.84	\$6837.22	\$7231.04	\$7647.55	\$8088.05	\$8553.92
\$15718.49	\$16623.88	\$17581.41	\$18594.10	\$19665.12	\$20797.83	\$21995.79
\$288608.97	\$305232.85	\$322814.26	\$341408.36	\$361073.49	\$381871.32	\$403867.11
\$34,425.12	\$60,403.71	\$88,297.57	\$118,284.60	\$150,557.02	\$185,322.43	\$222,804.89
-\$1,346.30	\$59,057.40	\$147,354.97	\$265,639.57	\$416,196.60	\$601,519.03	\$824,323.91
4	5	6	7	8	9	10

Sheet1

11	13	14	15
\$129067.08	\$132293.76	\$135601.11	\$138991.13
\$11415.15	\$11700.53	\$11993.05	\$12292.87
\$2176.14	\$2230.55	\$2286.31	\$2343.47
\$9728.64	\$9971.86	\$10221.16	\$10476.68
\$3840.25	\$3936.26	\$4034.67	\$4135.53
\$4000.00	\$4000.00	\$4000.00	\$4100.00
\$819.25	\$839.74	\$860.73	\$882.25
\$1075.27	\$1102.15	\$1129.71	\$1157.95
\$122.89	\$125.96	\$129.11	\$132.34
\$291.86	\$299.16	\$306.63	\$314.30
\$3872.01	\$3968.81	\$4068.03	\$4169.73
\$5162.68	\$5291.75	\$5424.04	\$5559.65
\$42504.16	\$43466.77	\$44453.44	\$45564.77
\$61,606.08	\$61,606.08	\$61,606.08	\$61,606.08
\$54867.63	\$54079.23	\$53198.59	\$52214.91
\$6,738.45	\$7,526.85	\$8,407.49	\$9,391.17
\$462215.64	\$454688.79	\$446281.30	\$436890.13

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\$18,796.30	\$18,796.30	\$18,796.30	\$18,796.30
\$12,899.00	\$15,951.47	\$19,152.78	\$22,415.15
-\$3,611.72	-\$4,466.41	-\$5,362.78	-\$6,276.24
\$24,956.84	\$27,220.91	\$29,541.59	\$31,820.28
\$21,345.12	\$22,754.50	\$24,178.81	\$25,544.04
\$13,122.74	\$15,880.17	\$18,970.95	\$22,422.93
\$198,502.14	\$237,136.82	\$280,286.57	\$328,253.53
\$951262.83	\$975044.40	\$999420.51	\$1024406.02
\$894187.06	\$916541.73	\$939455.28	\$962941.66
\$431971.41	\$461852.94	\$493173.98	\$526051.53
\$206,759.26	\$225,555.56	\$244,351.85	\$263,148.15
\$518240.74	\$499444.44	\$480648.15	\$461851.85
\$362,758.82	\$403,909.79	\$445,619.63	\$487,902.31
\$101,572.47	\$113,094.74	\$124,773.50	\$136,612.65
\$32309.37	\$34170.39	\$36138.60	\$38220.19
\$9046.62	\$9567.71	\$10118.81	\$10701.65
\$23262.75	\$24602.68	\$26019.79	\$27518.53
\$427129.85	\$451732.53	\$477752.33	\$505270.86
\$263,246.14	\$306,906.83	\$354,067.88	\$404,959.84
\$1,087,570.05	\$1,394,476.88	\$1,748,544.76	\$2,153,504.59
11	13	14	15