

BASIC INFORMATION

PROPERTY & INVESTOR

Property Information	
Property Address	Sample Townhome
Locality	Harrisonburg
Purchase Cost	\$148,000
Appreciation	3%

Initial Investment	
Percentage Down Payment	20%
Down Payment	\$29,600
Closing Costs	\$4,000
<b>Required Cash</b>	<b>\$33,600</b>

Investor Information	
Federal + State Tax Bracket	25%
Approximate AGI	\$100,000

Financing	
1st - Amount Financed	\$118,400
1st - Interest Rate	6.25%
1st - Loan Term	30
1st - Principal & Interest	\$729
2nd - Amount Financed	\$0
2nd - Interest Rate	6.75%
2nd - Loan Term	30
2nd - Principal & Interest	\$0
<b>Total Monthly Principal &amp; Interest</b>	<b>\$729</b>

Depreciation			
Item	Current Value	Annual Depreciation	Depreciation
Land Value	\$40,000	0.00%	\$0
Personal Property Value (5 years)	\$37,500	20.00%	\$7,500
Building Value (27.5 years)	\$45,500	3.64%	\$1,655
Land Improvement Value (15 years)	\$25,000	6.67%	\$1,667
<b>Total Depreciation</b>			<b>\$10,821</b>

ANALYSIS :: YEAR 1

CASH FLOW

Gross Operating Income	
Annual Rent	\$10,800
- Vacancy	4%
<b>Gross Operating Income</b>	<b>\$10,350</b>

Annual Operating Expenses	
Real Estate Taxes	\$885
Repairs	\$200
Association Dues	\$125
Management	\$0
Insurance	\$373
Utilities	\$0
Advertising	\$0
Supplies	\$0
<b>Total Operating Expenses</b>	<b>\$1,583</b>

INVESTMENT BENEFITS

Cash Flow Before Tax	
Gross Operating Income	\$10,350
- Operating Expenses	-\$1,583
Net Operating Income (NOI)	\$8,767
- Annual Debt Service	-\$8,748
<b>Cash Flow Before Tax</b>	<b>\$19</b>

Principal Reduction	
Annual Debt Service	\$8,748
- Interest	-\$7,361
<b>Principal Reduction</b>	<b>\$1,387</b>

INVESTMENT MEASURES

Taxes Paid or Saved	
Net Operating Income	\$8,767
- Interest	-\$7,361
- Total Depreciation	-\$10,821
Taxable Income	-\$9,415
* Tax Bracket (federal + state)	25%
<b>Taxes Paid Or Saved</b>	<b>\$2,354</b>

Appreciation	
Current Property Value	\$148,000
* Appreciation Rate	3%
<b>Appreciation</b>	<b>\$4,440</b>

ROI with Appreciation	
Cash Flow Before Tax	\$19
+ Principal Reduction	\$1,387
+ Tax Saved	\$2,354
+ Appreciation	\$4,440
Total Return	\$8,200
/ Cash Invested	\$33,600
<b>ROI with Appreciation</b>	<b>24.4%</b>

ROI without Appreciation	
Cash Flow Before Tax	\$19
+ Principal Reduction	\$1,387
+ Tax Saved	\$2,354
Total Return	\$3,760
/ Cash Invested	\$33,600
<b>ROI without Appreciation</b>	<b>11.2%</b>

Capitalization Rate	
Net Operating Income	\$8,767
/ Purchase Cost	\$148,000
<b>Capitalization Rate</b>	<b>5.9%</b>

Cash on Cash	
Cash Flow Before Tax	\$19
/ Cash Invested	\$33,600
<b>Cash on Cash</b>	<b>0.1%</b>

CUMMULATIVE ANALYSIS :: YEARS 1 - 5

CASH FLOW

Gross Operating Income	
Annual Increase in Income/Expenses	3%
Total Rent	\$57,339
- Vacancy	4%
<b>Gross Operating Income</b>	<b>\$54,950</b>

Annual Operating Expenses	
Real Estate Taxes	\$4,699
Repairs	\$1,062
Association Dues	\$664
Management	\$0
Insurance	\$1,980
Utilities	\$0
Advertising	\$0
Supplies	\$0
<b>Total Operating Expenses</b>	<b>\$8,404</b>

INVESTMENT BENEFITS

Cash Flow Before Tax	
Gross Operating Income	\$54,950
- Operating Expenses	-\$8,404
Net Operating Income (NOI)	\$46,545
- Annual Debt Service	-\$43,741
<b>Cash Flow Before Tax</b>	<b>\$2,805</b>

Principal Reduction	
Annual Debt Service	\$43,741
- Interest	-\$35,852
<b>Principal Reduction</b>	<b>\$7,889</b>

Taxes Paid or Saved	
Net Operating Income	\$46,545
- Interest	-\$35,852
- Total Depreciation	-\$54,106
Taxable Income	-\$43,412
* Tax Bracket (federal + state)	25%
<b>Taxes Paid Or Saved</b>	<b>\$10,853</b>

Appreciation	
Current Property Value	\$148,000
* Appreciation Rate	3%
<b>Appreciation</b>	<b>\$23,573</b>

<b>Unrealized Return After Five Years</b>	<b>\$45,119</b>
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When AGI < \$100,000 the amount of income that can be sheltered by investment property losses is limited to \$25,000. When AGI > \$100,000 the limit is as follows: \$25,000 - ((AGI - \$100,000) / 2). When AGI > \$150,000 investment property losses cannot be used to shelter other income.