

BASIC INFORMATION

PROPERTY & INVESTOR

| Property Information |                 |
|----------------------|-----------------|
| Property Address     | Sample Property |
| Locality             | Harrisonburg    |
| Purchase Cost        | \$150,000       |
| Appreciation         | 2%              |

| Initial Investment      |                 |
|-------------------------|-----------------|
| Percentage Down Payment | 20%             |
| Down Payment            | \$30,000        |
| Closing Costs           | \$5,000         |
| <b>Required Cash</b>    | <b>\$35,000</b> |

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

| Financing                                     |              |
|---|--------------|
| Amount Financed                               | \$120,000    |
| Interest Rate                                 | 4.50%        |
| Loan Term                                     | 30           |
| Principal & Interest                          | \$608        |
| <b>Total Monthly Principal &amp; Interest</b> | <b>\$608</b> |

| Depreciation                      |               |                     |                |
|-----------------------------------|---------------|---------------------|----------------|
| Item                              | Current Value | Annual Depreciation | Depreciation   |
| Land Value                        | \$30,000      | 0.00%               | \$0            |
| Personal Property Value (5 years) | \$7,500       | 20.00%              | \$1,500        |
| Building Value (27.5 years)       | \$107,500     | 3.64%               | \$3,909        |
| Land Improvement Value (15 years) | \$5,000       | 6.67%               | \$333          |
| <b>Total Depreciation</b>         |               |                     | <b>\$5,742</b> |

ANALYSIS :: YEAR 1

CASH FLOW

| Gross Operating Income        |                 |
|-------------------------------|-----------------|
| Monthly Rent                  | \$1,050         |
| Annual Rent                   | \$12,600        |
| Months Vacant / Year          | 0.50            |
| - Vacancy                     | 4%              |
| <b>Gross Operating Income</b> | <b>\$12,075</b> |

| Annual Operating Expenses       |                |
|---------------------------------|----------------|
| Real Estate Taxes               | \$1,275        |
| Repairs                         | \$500          |
| Association Dues                | \$600          |
| Management                      | \$1,208        |
| Insurance                       | \$378          |
| Utilities                       | \$0            |
| Advertising                     | \$0            |
| Supplies                        | \$0            |
| <b>Total Operating Expenses</b> | <b>\$3,961</b> |

INVESTMENT BENEFITS

| Cash Flow Before Tax        |              |
|-----------------------------|--------------|
| Gross Operating Income      | \$12,075     |
| - Operating Expenses        | -\$3,961     |
| Net Operating Income (NOI)  | \$8,115      |
| - Annual Debt Service       | -\$7,296     |
| <b>Cash Flow Before Tax</b> | <b>\$818</b> |

| Principal Reduction        |                |
|----------------------------|----------------|
| Annual Debt Service        | \$7,296        |
| - Interest                 | -\$5,360       |
| <b>Principal Reduction</b> | <b>\$1,936</b> |

INVESTMENT MEASURES

| Taxes Paid or Saved             |              |
|---------------------------------|--------------|
| Net Operating Income            | \$8,115      |
| - Interest                      | -\$5,360     |
| - Total Depreciation            | -\$5,742     |
| Taxable Income                  | -\$2,988     |
| * Tax Bracket (federal + state) | 25%          |
| <b>Taxes Paid Or Saved</b>      | <b>\$747</b> |

| Appreciation           |                |
|------------------------|----------------|
| Current Property Value | \$150,000      |
| * Appreciation Rate    | 2%             |
| <b>Appreciation</b>    | <b>\$3,000</b> |

| ROI with Appreciation        |              |
|------------------------------|--------------|
| Cash Flow Before Tax         | \$818        |
| + Principal Reduction        | \$1,936      |
| + Tax Saved                  | \$747        |
| + Appreciation               | \$3,000      |
| Total Return                 | \$6,501      |
| / Cash Invested              | \$35,000     |
| <b>ROI with Appreciation</b> | <b>18.6%</b> |

| ROI without Appreciation        |              |
|---------------------------------|--------------|
| Cash Flow Before Tax            | \$818        |
| + Principal Reduction           | \$1,936      |
| + Tax Saved                     | \$747        |
| Total Return                    | \$3,501      |
| / Cash Invested                 | \$35,000     |
| <b>ROI without Appreciation</b> | <b>10.0%</b> |

| Capitalization Rate        |             |
|----------------------------|-------------|
| Net Operating Income       | \$8,115     |
| / Purchase Cost            | \$150,000   |
| <b>Capitalization Rate</b> | <b>5.4%</b> |

| Cash on Cash         |             |
|----------------------|-------------|
| Cash Flow Before Tax | \$818       |
| / Cash Invested      | \$35,000    |
| <b>Cash on Cash</b>  | <b>2.3%</b> |

CUMMULATIVE ANALYSIS :: YEARS 1 - 5

CASH FLOW

| Gross Operating Income             |                 |
|------------------------------------|-----------------|
| Annual Increase in Income/Expenses | 3%              |
| Total Rent                         | \$66,895        |
| - Vacancy                          | 4%              |
| <b>Gross Operating Income</b>      | <b>\$64,108</b> |

| Annual Operating Expenses       |                 |
|---------------------------------|-----------------|
| Real Estate Taxes               | \$6,769         |
| Repairs                         | \$2,655         |
| Association Dues                | \$3,185         |
| Management                      | \$6,411         |
| Insurance                       | \$2,007         |
| Utilities                       | \$0             |
| Advertising                     | \$0             |
| Supplies                        | \$0             |
| <b>Total Operating Expenses</b> | <b>\$21,027</b> |

INVESTMENT BENEFITS

| Cash Flow Before Tax        |                |
|-----------------------------|----------------|
| Gross Operating Income      | \$64,108       |
| - Operating Expenses        | -\$21,027      |
| Net Operating Income (NOI)  | \$43,081       |
| - Annual Debt Service       | -\$36,481      |
| <b>Cash Flow Before Tax</b> | <b>\$6,600</b> |

| Principal Reduction        |                 |
|----------------------------|-----------------|
| Annual Debt Service        | \$36,481        |
| - Interest                 | -\$25,871       |
| <b>Principal Reduction</b> | <b>\$10,610</b> |

| Taxes Paid or Saved             |                |
|---------------------------------|----------------|
| Net Operating Income            | \$43,081       |
| - Interest                      | -\$25,871      |
| - Total Depreciation            | -\$28,712      |
| Taxable Income                  | -\$11,502      |
| * Tax Bracket (federal + state) | 25%            |
| <b>Taxes Paid Or Saved</b>      | <b>\$2,875</b> |

| Appreciation           |                 |
|------------------------|-----------------|
| Current Property Value | \$150,000       |
| * Appreciation Rate    | 2%              |
| <b>Appreciation</b>    | <b>\$15,612</b> |

|   |                 |
|---|-----------------|
| <b>Unrealized Return After Five Years</b> | <b>\$35,698</b> |
|---|-----------------|

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.  
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