Investment Analysis……. Two-Story Townhome

July 26, 2010

BASIC INFORMATION

PROPERTY & INVESTOR

Property Information	
Property Address	184 Emerson Lane
Locality	Harrisonburg
Purchase Cost	$129,900
Appreciation	2%

Initial Investment	
Percentage Down Payment	20%
Down Payment	$25,980
Closing Costs	$4,000
Required Cash	**$29,980**

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

Financing	
1st - Amount Financed	$103,920
1st - Interest Rate	5.00%
1st - Loan Term	30
1st - Principal & Interest	$558
2nd - Amount Financed	$0
2nd - Interest Rate	6.00%
2nd - Loan Term	30
2nd - Principal & Interest	$0
Total Monthly Principal & Interest	**$558**

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)	$87,400	3.64%	$3,178
Land Improvement Value (15 years)	$5,000	6.67%	$333
Total Depreciation			**$5,012**

ANALYSIS :: YEAR 1

CASH FLOW

Gross Operating Income	
Annual Rent	$10,200
- Vacancy	4%
Gross Operating Income	**$9,775**

Annual Operating Expenses	
Real Estate Taxes	$766
Repairs	$400
Association Dues	$185
Management	$425
Insurance	$327
Utilities	$0
Advertising	$50
Supplies	$0
Total Operating Expenses	**$2,154**

INVESTMENT BENEFITS

Cash Flow Before Tax	
Gross Operating Income	$9,775
- Operating Expenses	-$2,154
Net Operating Income (NOI)	$7,621
- Annual Debt Service	-$6,694
Cash Flow Before Tax	**$927**

Principal Reduction	
Annual Debt Service	$6,694
- Interest	-$5,161
Principal Reduction	**$1,533**

Taxes Paid or Saved	
Net Operating Income	$7,621
- Interest	-$5,161
- Total Depreciation	-$5,012
Taxable Income	-$2,551
* Tax Bracket (federal + state)	25%
Taxes Paid Or Saved	**$638**

Appreciation	
Current Property Value	$129,900
* Appreciation Rate	2%
Appreciation	**$2,598**

INVESTMENT MEASURES

ROI with Appreciation	
Cash Flow Before Tax	$927
+ Principal Reduction	$1,533
+ Tax Saved	$638
+ Appreciation	$2,598
Total Return	$5,696
/ Cash Invested	$29,980
ROI with Appreciation	**19.0%**

ROI without Appreciation	
Cash Flow Before Tax	$927
+ Principal Reduction	$1,533
+ Tax Saved	$638
Total Return	$3,098
/ Cash Invested	$29,980
ROI without Appreciation	**10.3%**

Capitalization Rate	
Net Operating Income	$7,621
/ Purchase Cost	$129,900
Capitalization Rate	**5.9%**

Cash on Cash	
Cash Flow Before Tax	$927
/ Cash Invested	$29,980
Cash on Cash	**3.1%**

CUMMULATIVE ANALYSIS :: YEARS 1 - 5

CASH FLOW

Gross Operating Income	
Annual Increase in Income/Expenses	3%
Total Rent	$54,153
- Vacancy	4%
Gross Operating Income	**$51,897**

Annual Operating Expenses	
Real Estate Taxes	$4,069
Repairs	$2,124
Association Dues	$982
Management	$2,256
Insurance	$1,738
Utilities	$0
Advertising	$265
Supplies	$0
Total Operating Expenses	**$11,435**

INVESTMENT BENEFITS

Cash Flow Before Tax	
Gross Operating Income	$51,897
- Operating Expenses	-$11,435
Net Operating Income (NOI)	$40,462
- Annual Debt Service	-$33,472
Cash Flow Before Tax	**$6,990**

Principal Reduction	
Annual Debt Service	$33,472
- Interest	-$24,980
Principal Reduction	**$8,492**

Taxes Paid or Saved	
Net Operating Income	$40,462
- Interest	-$24,980
- Total Depreciation	-$25,058
Taxable Income	-$9,576
* Tax Bracket (federal + state)	25%
Taxes Paid Or Saved	**$2,394**

Appreciation	
Current Property Value	$129,900
* Appreciation Rate	2%
Appreciation	**$13,520**

Unrealized Return After Five Years	**$31,396**

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.