

# Real Estate Investment Analysis



4-plex  
200 Birch St (Multi-family)  
Any Town USA

Report Prepared By



**Nest Egg Real Estate**  
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**Clarity Sanderson**



## Annual Report, Year 1

200 Birch St (Multi-family), Any Town USA  
4-plex



### Amenities and Features

This sample property uses itemized income and expenses. The future value of this property is controlled by a 9% cap rate and increases each year due to a 2% annual escalation of income and expenses.

### Physical Data

Number of Units	4
Number Occupied	4
Price Per Unit	\$100,000.00
Price Per Sq Ft	\$95.24
Rentable Sq Ft	4200
Year Built	1980
Land Area	70 x 150
Stories	2
Electric Meters	5
Gas Meters	4
Parking Spaces	6
Roof	Comp
Zoning	Multi-Res

### Proposed Financing

Purchase Price	\$400,000.00
Down Payment	\$80,000.00
Loan Balance	\$320,000.00
Annual Loan Payment	\$27,510.23
Monthly Loan Payment	\$2,292.52

### Initial Investment

Down Payment	\$80,000.00
+ Closing Costs	\$2,400.00
+ Loan Points	\$3,200.00
+ Other Costs	\$5,000.00
= Initial Investment	\$90,600.00

### Income

Gross Scheduled Income	\$28,560.00
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### Income Cont.

- Vacancy	\$1,428.00
= Effective Rental Income	\$27,132.00
+ Laundry	\$418.00
= Annual Gross Operating Income	\$27,550.00
= Monthly Gross Operating Income	\$2,295.83

### Expenses

Taxes	\$4,000.00
+ Insurance	\$1,000.00
+ Property Management	\$2,204.00
+ Maintenance & Repair	\$1,200.00
+ Electric	\$600.00
+ Sewer and Water	\$800.00
+ Garbage	\$550.00
+ Landscaping	\$800.00
= Annual Operating Expenses	\$11,154.00
= Monthly Operating Expenses	\$929.50

### Net Operating Income

Annual Gross Operating Income	\$27,550.00
- Annual Operating Expenses	\$11,154.00
= Annual Net Operating Income	\$16,396.00
= Monthly Net Operating Income	\$1,366.33

### Cash Flow

Net Operating Income	\$16,396.00
- Annual Debt Service	\$27,510.23
- Annual Funded Reserves	\$1,000.00
= Annual Cash Flow Before Tax	(\$12,114.23)
= Monthly Flow Before Tax	(\$1,009.52)
- Tax Liability (Savings) @ 28 %	(\$5,496.60)
= Annual Cash Flow After Tax	(\$6,617.63)
= Monthly Cash Flow After Tax	(\$551.47)

### Common Indicators

Cap Rate	4.10%
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## ***Annual Report, Year 1 Cont.***

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200 Birch St (Multi-family), Any Town USA  
4-plex



### ***Common Indicators Cont.***

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Gross Rent Multiplier	14.01
Cash on Cash	(13.37%)
Debt Coverage Ratio	0.60
Default Ratio (Break Even)	140.34

### ***Proceeds from Sale***

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End of Year Property Value	\$420,000.00
Gross Equity Before Tax	\$102,808.60
- 7.00 % Cost of Sale	\$29,400.00
= Proceeds from Sale Before Tax	\$73,408.60

### ***Return on Initial Investment***

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Initial Investment	\$90,600.00	Return %
Cash Flow Before Tax	(\$12,114.23)	(13.37%)
+ Appreciation @ 5.0%	\$20,000.00	22.08%
+ Principal Reduction	\$2,808.60	3.10%
+ Tax Savings @ 28.00%	(\$5,496.60)	(6.07%)
= Total Return	\$16,190.97	17.87%

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## **Rent Roll at Month 1**

200 Birch St (Multi-family), Any Town USA  
4-plex



### **Rent Roll Summary (Actual)**

Possible Rent	\$2,380.00	Total Units	4
- Vacancy Rent	\$1,428.00	Vacant	5.0%
= Occupied Rent	\$27,132.00	Occupied	95.0%

Row	Unit #	Unit Type	# of Type	Beds	Baths	Sq Ft	Rent/Unit	Rent/SqFt
1	101	1BD, 1BA	2	1	1.00	900	\$550.00	\$0.61
2	102	2BD, 2BA	2	2	2.00	1,200	\$640.00	\$0.53

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## Property Details, Year 1

200 Birch St (Multi-family), Any Town USA  
4-plex



### Future Value Escalator

Appreciation 5.00%

### Vacancy Percent -- C:Calculate or U:Use data until next month

Description Month 1  
Vacant 5.0% U

### Other Income -- Future years use year 5 data with a 2.00% annual escalator

	Year 1	Year 2	Year 3	Year 4	Year 5
Laundry	\$418.00	\$426.36	\$434.89	\$443.58	\$452.46

### Income Escalators

Gross Scheduled Income 2.00%  
Other Income 2.00%

### Expenses: Utilities -- Future years use year 5 data with a 2.00% annual escalator

	Year 1	Year 2	Year 3	Year 4	Year 5
Electric	\$600.00	\$612.00	\$624.24	\$636.72	\$649.46
Sewer and Water	\$800.00	\$816.00	\$832.32	\$848.97	\$865.95

### Expenses: Services -- Future years use year 5 data with a 2.00% annual escalator

	Year 1	Year 2	Year 3	Year 4	Year 5
Garbage	\$550.00	\$561.00	\$572.22	\$583.66	\$595.34
Landscaping	\$800.00	\$816.00	\$832.32	\$848.97	\$865.95

### Expenses: Other -- Future years use year 5 data with a 2.00% annual escalator

	Year 1	Year 2	Year 3	Year 4	Year 5

### Expense Escalators

Expenses 2.00%

### Cost Recovery Period

Improvements Years 27.5  
Personal Property Years 5.0

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## ***Property Details, Year 1***

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200 Birch St (Multi-family), Any Town USA  
4-plex



### **Other Assumptions**

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Tax Bracket	28.00%
Cost to Sell Property	7.00%
NPV Discount Rate	7.00%

### **Investment Comparisons**

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Bank CD Rate	1.00%
Mutual Fund	5.00%

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## Amortization Schedule

200 Birch St (Multi-family), Any Town USA  
4-plex



### 1st MTG - Fxd, Fully Amortized (Actual)

Loan Amount	\$320,000.00	Points	1.0%
Loan to Value (LTV)	80.00%	Interest Rate	7.750%
Amortization Period	30.0 Years		
Term (Due Date)	30.0 Years		

### Monthly Amortization Table with Yearly Total Paid and Loan Balance

Year	Payment	Principal	Interest	Total Paid	Loan Balance
1	\$2,292.52	\$234.05	\$2,058.47	\$27,510.23	\$317,191.40
2	\$2,292.52	\$252.85	\$2,039.67	\$55,020.46	\$314,157.23
3	\$2,292.52	\$273.15	\$2,019.37	\$82,530.69	\$310,879.37
4	\$2,292.52	\$295.09	\$1,997.43	\$110,040.92	\$307,338.27
5	\$2,292.52	\$318.79	\$1,973.73	\$137,551.15	\$303,512.76
6	\$2,292.52	\$344.39	\$1,948.12	\$165,061.38	\$299,380.02
7	\$2,292.52	\$372.06	\$1,920.47	\$192,571.61	\$294,915.36
8	\$2,292.52	\$401.94	\$1,890.58	\$220,081.84	\$290,092.14
9	\$2,292.52	\$434.22	\$1,858.30	\$247,592.07	\$284,881.55
10	\$2,292.52	\$469.09	\$1,823.43	\$275,102.30	\$279,252.48
11	\$2,292.52	\$506.76	\$1,785.76	\$302,612.53	\$273,171.32
12	\$2,292.52	\$547.46	\$1,745.06	\$330,122.76	\$266,601.76
13	\$2,292.52	\$591.43	\$1,701.09	\$357,632.99	\$259,504.59
14	\$2,292.52	\$638.93	\$1,653.59	\$385,143.22	\$251,837.42
15	\$2,292.52	\$690.25	\$1,602.27	\$412,653.45	\$243,554.47
16	\$2,292.52	\$745.68	\$1,546.84	\$440,163.68	\$234,606.30
17	\$2,292.52	\$805.57	\$1,486.95	\$467,673.91	\$224,939.47
18	\$2,292.52	\$870.27	\$1,422.25	\$495,184.14	\$214,496.27
19	\$2,292.52	\$940.16	\$1,352.36	\$522,694.37	\$203,214.35
20	\$2,292.52	\$1,015.67	\$1,276.85	\$550,204.60	\$191,026.34
21	\$2,292.52	\$1,097.24	\$1,195.28	\$577,714.83	\$177,859.48
22	\$2,292.52	\$1,185.36	\$1,107.16	\$605,225.06	\$163,635.14
23	\$2,292.52	\$1,280.56	\$1,011.96	\$632,735.29	\$148,268.41
24	\$2,292.52	\$1,383.41	\$909.11	\$660,245.52	\$131,667.53
25	\$2,292.52	\$1,494.51	\$798.01	\$687,755.75	\$113,733.38
26	\$2,292.52	\$1,614.54	\$677.98	\$715,265.98	\$94,358.89
27	\$2,292.52	\$1,744.21	\$548.31	\$742,776.21	\$73,428.37
28	\$2,292.52	\$1,884.29	\$408.23	\$770,286.44	\$50,816.86
29	\$2,292.52	\$2,035.63	\$256.89	\$797,796.67	\$26,389.35
30	\$2,292.52	\$2,199.11	\$93.41	\$825,306.90	\$0.00

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## Financing (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>PRICE</b>					
Purchase Price	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00
Escalated Price (BOY)	\$400,000.00	\$420,000.00	\$441,000.00	\$463,050.00	\$486,202.50
Escalated Price (EOY)	\$420,000.00	\$441,000.00	\$463,050.00	\$486,202.50	\$510,512.63
Price Escalator: Appreciation	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %
<b>INITIAL INVESTMENT</b>					
Down Payment	\$80,000.00	\$80,000.00	\$80,000.00	\$80,000.00	\$80,000.00
+ Closing Costs	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00
+ Loan Points	+ \$3,200.00	+ \$3,200.00	+ \$3,200.00	+ \$3,200.00	+ \$3,200.00
+ Other Costs	+ \$5,000.00	+ \$5,000.00	+ \$5,000.00	+ \$5,000.00	+ \$5,000.00
+ Rehab Costs	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Total Investment	= \$90,600.00	= \$90,600.00	= \$90,600.00	= \$90,600.00	= \$90,600.00
<b>1st MTG - Fxd, Fully Amortized</b>					
Loan Amount	\$320,000.00	\$320,000.00	\$320,000.00	\$320,000.00	\$320,000.00
Loan to Value (LTV)	80.00 %	80.00 %	80.00 %	80.00 %	80.00 %
Interest Rate	7.750 %	7.750 %	7.750 %	7.750 %	7.750 %
Amortization Period	30.0 Yrs	30.0 Yrs	30.0 Yrs	30.0 Yrs	30.0 Yrs
Term (Due Date)	30.0 Yrs	30.0 Yrs	30.0 Yrs	30.0 Yrs	30.0 Yrs
Points	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
Annual Principal	\$2,808.60	\$3,034.17	\$3,277.85	\$3,541.11	\$3,825.50
+ Annual Interest	+ \$24,701.63	+ \$24,476.06	+ \$24,232.38	+ \$23,969.12	+ \$23,684.73
= Annual Debt Service	= \$27,510.23	= \$27,510.23	= \$27,510.23	= \$27,510.23	= \$27,510.23
Loan Balance (BOY)	\$320,000.00	\$317,191.40	\$314,157.23	\$310,879.37	\$307,338.27
- Annual Principal	+ \$2,808.60	+ \$3,034.17	+ \$3,277.85	+ \$3,541.11	+ \$3,825.50
= Loan Balance (EOY)	= \$317,191.40	= \$314,157.23	= \$310,879.37	= \$307,338.27	= \$303,512.76
<b>PRINCIPAL TRACKING</b>					
1st Mortgage Loan Amount	\$320,000.00	\$320,000.00	\$320,000.00	\$320,000.00	\$320,000.00
- 1st Mortgage Loan Balance (EOY)	+ \$317,191.40	+ \$314,157.23	+ \$310,879.37	+ \$307,338.27	+ \$303,512.76
= Principal Paid (Interest Deferred)	= \$2,808.60	= \$5,842.77	= \$9,120.63	= \$12,661.73	= \$16,487.24

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## Before-Tax Cash Flow (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ANNUAL INCOME</b>					
Gross Scheduled Income	\$28,560.00	\$29,131.20	\$29,713.82	\$30,308.10	\$30,914.26
- Vacancy	+ \$1,428.00	+ \$1,456.56	+ \$1,485.69	+ \$1,515.41	+ \$1,545.71
= Effective Rental Income	= \$27,132.00	= \$27,674.64	= \$28,228.13	= \$28,792.69	= \$29,368.55
+ Other Income	+ \$418.00	+ \$426.36	+ \$434.89	+ \$443.58	+ \$452.46
= Gross Operating Income	= \$27,550.00	= \$28,101.00	= \$28,663.02	= \$29,236.27	= \$29,821.01
<b>ANNUAL OPERATING EXPENSES</b>					
Taxes	\$4,000.00	\$4,080.00	\$4,161.60	\$4,244.83	\$4,329.73
+ Insurance	+ \$1,000.00	+ \$1,020.00	+ \$1,040.40	+ \$1,061.21	+ \$1,082.43
+ Property Management	+ \$2,204.00	+ \$2,248.08	+ \$2,293.04	+ \$2,338.90	+ \$2,385.68
+ Maintenance & Repair	+ \$1,200.00	+ \$1,224.00	+ \$1,248.48	+ \$1,273.45	+ \$1,298.92
+ Utilities	+ \$1,400.00	+ \$1,428.00	+ \$1,456.56	+ \$1,485.69	+ \$1,515.41
+ Services	+ \$1,350.00	+ \$1,377.00	+ \$1,404.54	+ \$1,432.63	+ \$1,461.28
+ Other Expenses	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Annual Operating Expenses	= \$11,154.00	= \$11,377.08	= \$11,604.62	= \$11,836.71	= \$12,073.45
<b>NET OPERATING INCOME</b>					
Gross Operating Income	\$27,550.00	\$28,101.00	\$28,663.02	\$29,236.27	\$29,821.01
- Annual Operating Expenses	+ \$11,154.00	+ \$11,377.08	+ \$11,604.62	+ \$11,836.71	+ \$12,073.45
= Net Operating Income	= \$16,396.00	= \$16,723.92	= \$17,058.40	= \$17,399.56	= \$17,747.56
<b>ANNUAL DEBT SERVICE</b>					
Principal and Int. 1st Mortgage	\$27,510.23	\$27,510.23	\$27,510.23	\$27,510.23	\$27,510.23
<b>FUNDED RESERVES</b>					
At Beginning of Year	\$0.00	\$6,000.00	\$7,000.00	\$0.00	\$1,000.00
+ Buyer Funded Up-front	+ \$5,000.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
+ Annual Funded	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00
= Subtotal	= \$6,000.00	= \$7,000.00	= \$8,000.00	= \$1,000.00	= \$2,000.00
- Capital Additions	+ \$0.00	+ \$0.00	+ \$15,000.00	+ \$0.00	+ \$0.00
= Funded Reserves Balance	= \$6,000.00	= \$7,000.00	= \$0.00	= \$1,000.00	= \$2,000.00
= Funded Reserves Shortfall	= \$0.00	= \$0.00	= \$7,000.00	= \$0.00	= \$0.00
<b>ANNUAL CASH FLOW BEFORE TAX</b>					
Net Operating Income	\$16,396.00	\$16,723.92	\$17,058.40	\$17,399.56	\$17,747.56
- Annual Debt Service	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23
- Annual Funded Reserves	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00
- Funded Reserves Shortfall	+ \$0.00	+ \$0.00	+ \$7,000.00	+ \$0.00	+ \$0.00
= Annual Cash Flow Before Tax	= (\$12,114.23)	= (\$11,786.31)	= (\$18,451.83)	= (\$11,110.67)	= (\$10,762.67)

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## After-Tax Cash Flow (Actual)

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4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ANNUAL CASH FLOW BEFORE TAX</b>					
Gross Scheduled Income	\$28,560.00	\$29,131.20	\$29,713.82	\$30,308.10	\$30,914.26
- Vacancy	+ \$1,428.00	+ \$1,456.56	+ \$1,485.69	+ \$1,515.41	+ \$1,545.71
= Effective Rental Income	= \$27,132.00	= \$27,674.64	= \$28,228.13	= \$28,792.69	= \$29,368.55
+ Other Income	+ \$418.00	+ \$426.36	+ \$434.89	+ \$443.58	+ \$452.46
= Gross Operating Income	= \$27,550.00	= \$28,101.00	= \$28,663.02	= \$29,236.27	= \$29,821.01
- Annual Operating Expenses	+ \$11,154.00	+ \$11,377.08	+ \$11,604.62	+ \$11,836.71	+ \$12,073.45
= Net Operating Income	= \$16,396.00	= \$16,723.92	= \$17,058.40	= \$17,399.56	= \$17,747.56
- Annual Debt Service	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23	+ \$27,510.23
- Annual Funded Reserves	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00	+ \$1,000.00
- Funded Reserves Shortfall	+ \$0.00	+ \$0.00	+ \$7,000.00	+ \$0.00	+ \$0.00
= Annual Cash Flow Before Tax	= (\$12,114.23)	= (\$11,786.31)	= (\$18,451.83)	= (\$11,110.67)	= (\$10,762.67)
<b>REAL ESTATE TAXABLE INCOME</b>					
Net Operating Income	\$16,396.00	\$16,723.92	\$17,058.40	\$17,399.56	\$17,747.56
- Interest 1st Mortgage	+ \$24,701.63	+ \$24,476.06	+ \$24,232.38	+ \$23,969.12	+ \$23,684.73
- Points Amortization	+ \$106.67	+ \$106.67	+ \$106.67	+ \$106.67	+ \$106.67
- Cost Recovery (Improvements)	+ \$11,218.42	+ \$11,706.18	+ \$11,706.18	+ \$11,706.18	+ \$11,706.18
- Cost Recovery (Personal)	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
- Cost Recovery (Cap. Add.)	+ \$0.00	+ \$0.00	+ \$83.33	+ \$1,000.00	+ \$1,000.00
= R.E. Taxable Income (Loss)	= (\$19,630.72)	= (\$19,564.99)	= (\$19,070.16)	= (\$19,382.41)	= (\$18,750.02)
<b>PASSIVE LOSS EXEMPTION</b>					
Passive Loss Exemption Available	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Passive Losses Allowed	\$19,630.72	\$19,564.99	\$19,070.16	\$19,382.41	\$18,750.02
<b>ANNUAL SUSPENDED LOSSES</b>					
R.E. Taxable Income (Loss)	(\$19,630.72)	(\$19,564.99)	(\$19,070.16)	(\$19,382.41)	(\$18,750.02)
Passive Losses Allowed	\$19,630.72	\$19,564.99	\$19,070.16	\$19,382.41	\$18,750.02
Annual Suspended Losses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TAX LIABILITY (SAVINGS)</b>					
R.E. Taxable Income (Min 0)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
- Passive Losses Allowed	+ \$19,630.72	+ \$19,564.99	+ \$19,070.16	+ \$19,382.41	+ \$18,750.02
- Suspended Losses Allowed	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Adjusted R.E. Taxable Income	= (\$19,630.72)	= (\$19,564.99)	= (\$19,070.16)	= (\$19,382.41)	= (\$18,750.02)
Tax Liability (Savings) @ 28.00%	(\$5,496.60)	(\$5,478.20)	(\$5,339.64)	(\$5,427.07)	(\$5,250.01)
<b>ANNUAL CASH FLOW AFTER TAX</b>					
Annual Cash Flow Before Tax	(\$12,114.23)	(\$11,786.31)	(\$18,451.83)	(\$11,110.67)	(\$10,762.67)
- Tax Liability (Savings) @ 28 %	- \$5,496.60	- \$5,478.20	- \$5,339.64	- \$5,427.07	- \$5,250.01
= Cash Flow After Tax	= (\$6,617.63)	= (\$6,308.11)	= (\$13,112.19)	= (\$5,683.60)	= (\$5,512.66)

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## After-Tax Proceeds from Sale (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>SALES PROCEEDS BEFORE TAX</b>					
Sale Price (EOY)	\$420,000.00	\$441,000.00	\$463,050.00	\$486,202.50	\$510,512.63
- Cost of Sale @ 7.00%	+ \$29,400.00	+ \$30,870.00	+ \$32,413.50	+ \$34,034.18	+ \$35,735.88
- 1st Mortgage Loan Balance	+ \$317,191.40	+ \$314,157.23	+ \$310,879.37	+ \$307,338.27	+ \$303,512.76
= Sale Proceeds before Tax	= \$73,408.60	= \$95,972.77	= \$119,757.13	= \$144,830.06	= \$171,263.98
+ Balance of Funded Reserves	+ \$6,000.00	+ \$7,000.00	+ \$0.00	+ \$1,000.00	+ \$2,000.00
= Total Proceeds before Tax	= \$79,408.60	= \$102,972.77	= \$119,757.13	= \$145,830.06	= \$173,263.98
<b>BASIS AT ACQUISITION</b>					
Purchase Price	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00
+ Capitalized Closing Costs	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00	+ \$2,400.00
+ Rehab Costs	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
+ Basis Adjustments	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Basis at Acquisition	= \$402,400.00	= \$402,400.00	= \$402,400.00	= \$402,400.00	= \$402,400.00
<b>COST RECOVERY (CR)</b>					
Annual CR (Improvements)	\$11,218.42	\$11,706.18	\$11,706.18	\$11,706.18	\$11,706.18
+ Annual CR (Personal)	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
+ Annual CR (Cap. Add.)	+ \$0.00	+ \$0.00	+ \$83.33	+ \$1,000.00	+ \$1,000.00
= Annual Cost Recovery Taken	= \$11,218.42	= \$11,706.18	= \$11,789.51	= \$12,706.18	= \$12,706.18
Total Cost Recovery Taken	\$11,218.42	\$22,924.61	\$34,714.12	\$47,420.30	\$60,126.48
<b>ADJUSTED BASIS AT SALE</b>					
Basis at Beginning of Year	\$402,400.00	\$391,181.58	\$379,475.40	\$382,685.89	\$369,979.71
+ Annual Capital Additions	+ \$0.00	+ \$0.00	+ \$15,000.00	+ \$0.00	+ \$0.00
- Annual Cost Recovery Taken	+ \$11,218.42	+ \$11,706.18	+ \$11,789.51	+ \$12,706.18	+ \$12,706.18
= Adjusted Basis at Sale	= \$391,181.58	= \$379,475.40	= \$382,685.89	= \$369,979.71	= \$357,273.53
<b>GAIN (LOSS) ON SALE</b>					
Sale Price (EOY)	\$420,000.00	\$441,000.00	\$463,050.00	\$486,202.50	\$510,512.63
- Cost of Sale @ 7.00%	+ \$29,400.00	+ \$30,870.00	+ \$32,413.50	+ \$34,034.18	+ \$35,735.88
- Adjusted Basis at Sale	+ \$391,181.58	+ \$379,475.40	+ \$382,685.89	+ \$369,979.71	+ \$357,273.53
= Total Gain (Loss)	= (\$581.58)	= \$30,654.60	= \$47,950.61	= \$82,188.62	= \$117,503.21
- Total Cost Recovery Taken (LTG)	+ \$0.00	+ \$22,924.61	+ \$34,714.12	+ \$47,420.30	+ \$60,126.48
= Capital Gain from Apprec. (Min 0)	= \$0.00	= \$7,729.99	= \$13,236.49	= \$34,768.31	= \$57,376.73
<b>TAXED AS ORDINARY INCOME</b>					
Unamortized Loan Points	(\$3,093.33)	(\$2,986.67)	(\$2,880.00)	(\$2,773.33)	(\$2,666.67)
+ Suspended Losses (from ATCF)	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
+ Loss at Disposition	- \$581.58	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Taxed as Ordinary Income	= (\$3,674.91)	= (\$2,986.67)	= (\$2,880.00)	= (\$2,773.33)	= (\$2,666.67)

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## ***After-Tax Proceeds from Sale (Actual)***

200 Birch St (Multi-family), Any Town USA  
4-plex



<b>Year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>SALES PROCEEDS AFTER TAX</b>					
Sale Proceeds before Tax	\$73,408.60	\$95,972.77	\$119,757.13	\$144,830.06	\$171,263.98
- Tax (Savings) Ord. Inc. @ 28.00%	- \$1,028.98	- \$836.27	- \$806.40	- \$776.53	- \$746.67
- Cost Recovery Recapture @ 25.00%	+ \$0.00	+ \$5,731.15	+ \$8,678.53	+ \$11,855.08	+ \$15,031.62
- Federal Tax on Gain @ 15.00%	+ \$0.00	+ \$1,159.50	+ \$1,985.47	+ \$5,215.25	+ \$8,606.51
- State Tax on Gain @ %	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00	+ \$0.00
= Sale Proceeds after Tax	= \$74,437.58	= \$89,918.39	= \$109,899.52	= \$128,536.27	= \$148,372.52
+ Balance of Funded Reserves	+ \$6,000.00	+ \$7,000.00	+ \$0.00	+ \$1,000.00	+ \$2,000.00
= Total Proceeds after Tax	= \$80,437.58	= \$96,918.39	= \$109,899.52	= \$129,536.27	= \$150,372.52

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## Equity (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>SALES PROCEEDS BEFORE TAX</b>					
Sale Price (EOY)	\$420,000.00	\$441,000.00	\$463,050.00	\$486,202.50	\$510,512.63
- Cost of Sale @ 7.00%	+ \$29,400.00	+ \$30,870.00	+ \$32,413.50	+ \$34,034.18	+ \$35,735.88
- 1st Mortgage Loan Balance	+ \$317,191.40	+ \$314,157.23	+ \$310,879.37	+ \$307,338.27	+ \$303,512.76
= Sale Proceeds before Tax	= \$73,408.60	= \$95,972.77	= \$119,757.13	= \$144,830.06	= \$171,263.98
+ Balance of Funded Reserves	+ \$6,000.00	+ \$7,000.00	+ \$0.00	+ \$1,000.00	+ \$2,000.00
= Total Proceeds before Tax	= \$79,408.60	= \$102,972.77	= \$119,757.13	= \$145,830.06	= \$173,263.98
<b>GROSS EQUITY AT PURCHASE</b>					
Purchase Price	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00	\$400,000.00
- Loan Amount	+ \$320,000.00	+ \$320,000.00	+ \$320,000.00	+ \$320,000.00	+ \$320,000.00
= Gross Equity at Purchase	= \$80,000.00	= \$80,000.00	= \$80,000.00	= \$80,000.00	= \$80,000.00
<b>GROSS EQUITY (EOY)</b>					
Gross Equity (BOY)	\$80,000.00	\$102,808.60	\$126,759.44	\$151,999.79	\$178,601.53
+ Appreciation Equity	+ \$20,000.00	+ \$20,916.67	+ \$21,962.50	+ \$23,060.62	+ \$24,213.66
+ Principal Paydown Equity	+ \$2,808.60	+ \$3,034.17	+ \$3,277.85	+ \$3,541.11	+ \$3,825.50
= Gross Equity (EOY)	= \$102,808.60	= \$126,759.44	= \$151,999.79	= \$178,601.53	= \$206,640.69
<b>GROSS EQUITY PLUS RESERVES</b>					
Gross Equity (EOY)	\$102,808.60	\$126,759.44	\$151,999.79	\$178,601.53	\$206,640.69
+ Reserve Balance	+ \$6,000.00	+ \$7,000.00	+ \$0.00	+ \$1,000.00	+ \$2,000.00
= Total Gross Equity	= \$108,808.60	= \$132,759.44	= \$157,999.79	= \$184,601.53	= \$212,640.69
<b>RETURN ON GROSS EQUITY (EOY)</b>					
Annual Cash Flow Before Tax	(\$12,114.23)	(\$11,786.31)	(\$18,451.83)	(\$11,110.67)	(\$10,762.67)
div Gross Equity (EOY)	\$108,808.60	\$132,759.44	\$157,999.79	\$184,601.53	\$212,640.69
= Return on Gross Equity	= (11.78 %)	= (9.30 %)	= (12.14 %)	= (6.22 %)	= (5.21 %)
<b>NET EQUITY (EOY)</b>					
Gross Equity (EOY)	\$108,808.60	\$132,759.44	\$157,999.79	\$184,601.53	\$212,640.69
- Cost of Sale @ 7.00%	+ \$29,400.00	+ \$30,870.00	+ \$32,413.50	+ \$34,034.18	+ \$35,735.88
= Net Equity (EOY)	= \$73,408.60	= \$95,889.44	= \$119,586.29	= \$144,567.35	= \$170,904.80

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## Equity (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>INDICATORS</b>					
Cap Rate	4.10 %	3.98 %	3.87 %	3.76 %	3.65 %
Gross Rent Multiplier	14.01	14.42	14.84	15.28	15.73
Cash on Cash	(13.37 %)	(13.01 %)	(20.37 %)	(12.26 %)	(11.88 %)
Debt Coverage Ratio	0.60	0.61	0.62	0.63	0.65
Modified DCR	0.56	0.57	0.58	0.60	0.61
Default Ratio (Break Even)	140.34 %	138.38 %	136.46 %	134.58 %	132.74 %
IRR Before Tax	(32.35 %)	(10.11 %)	(4.53 %)	0.11 %	2.62 %
IRR After Tax	(25.14 %)	(7.52 %)	(2.37 %)	1.49 %	3.62 %
NPV After Tax	(\$27,216.87)	(\$23,756.25)	(\$23,287.15)	(\$19,274.18)	(\$15,476.79)
<b>\$ RETURN ON INVESTMENT</b>					
Cash Flow Before Tax	(\$12,114.23)	(\$11,786.31)	(\$18,451.83)	(\$11,110.67)	(\$10,762.67)
+ Appreciation	+ \$20,000.00	+ \$20,916.67	+ \$21,962.50	+ \$23,060.62	+ \$24,213.66
+ Principal Paydown	+ \$2,808.60	+ \$3,034.17	+ \$3,277.85	+ \$3,541.11	+ \$3,825.50
+ Tax Liability/Savings	+ \$5,496.60	+ \$5,478.20	+ \$5,339.64	+ \$5,427.07	+ \$5,250.01
= Total Investment Return	= \$16,190.97	= \$17,642.73	= \$12,128.16	= \$20,918.13	= \$22,526.50
INITIAL INVESTMENT	\$90,600.00	\$90,600.00	\$90,600.00	\$90,600.00	\$90,600.00
Return on Cash Flow Before Tax	(13.37 %)	(13.01 %)	(20.37 %)	(12.26 %)	(11.88 %)
+ Return on Appreciation	+ 22.08 %	+ 23.09 %	+ 24.24 %	+ 25.45 %	+ 26.73 %
+ Return on Principal Paydown	+ 3.10 %	+ 3.35 %	+ 3.62 %	+ 3.91 %	+ 4.22 %
+ Return Tax Liability/Savings	+ 6.07 %	+ 6.05 %	+ 5.89 %	+ 5.99 %	+ 5.79 %
= Return on Initial Investment	= 17.87 %	= 19.47 %	= 13.39 %	= 23.09 %	= 24.86 %
Accumulated Investment	\$90,600.00	\$114,550.84	\$139,791.19	\$166,392.92	\$194,432.08
Return on Cash Flow Before Tax	(13.37 %)	(10.29 %)	(13.20 %)	(6.68 %)	(5.54 %)
+ Return on Appreciation	+ 22.08 %	+ 18.26 %	+ 15.71 %	+ 13.86 %	+ 12.45 %
+ Return on Principal Paydown	+ 3.10 %	+ 2.65 %	+ 2.34 %	+ 2.13 %	+ 1.97 %
+ Return Tax Liability/Savings	+ 6.07 %	+ 4.78 %	+ 3.82 %	+ 3.26 %	+ 2.70 %
= Return on Accumulated Investment	= 17.87 %	= 15.40 %	= 8.68 %	= 12.57 %	= 11.59 %

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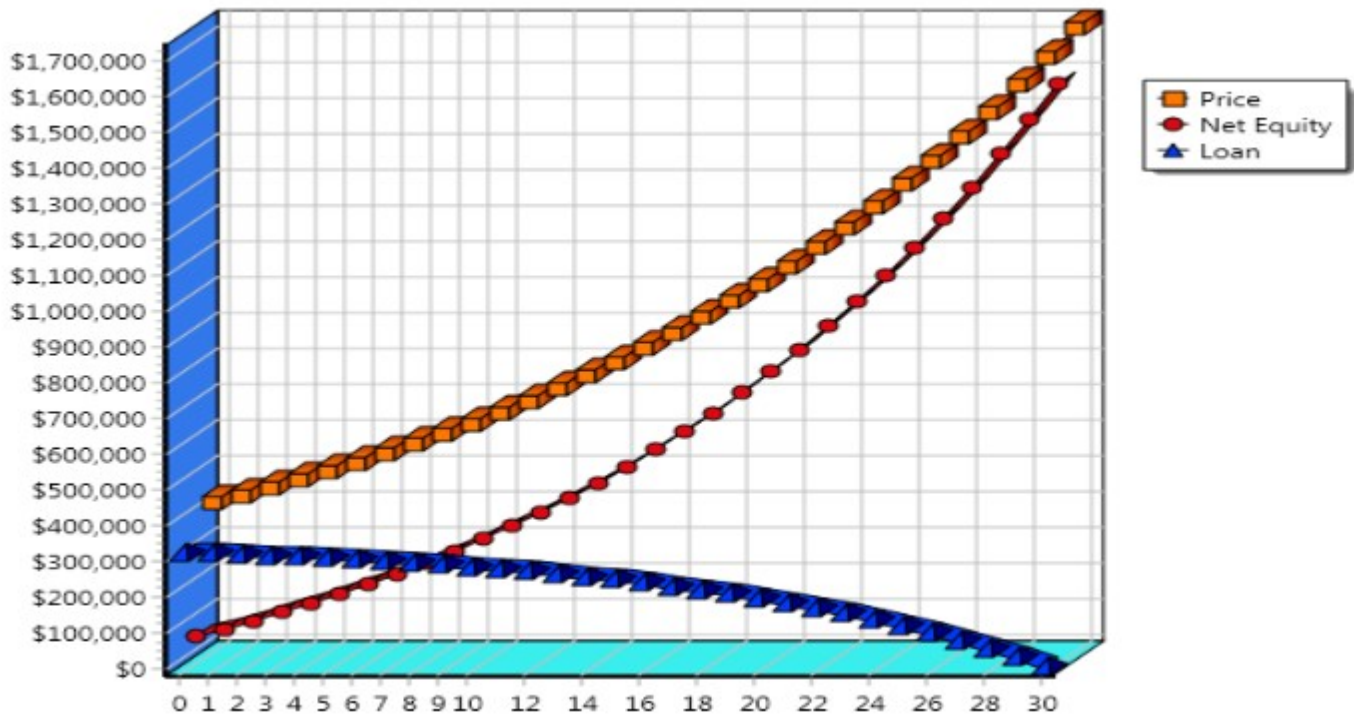


## Equity Values Chart (Actual)

200 Birch St (Multi-family), Any Town USA  
4-plex



This chart shows the Price, Net Equity, and Loan values for the property at 200 Birch St (Multi-family) over a period of 30 years.



The lower chart axis is years.  
Future assumptions have been factored in.  
See the spreadsheet for raw data.

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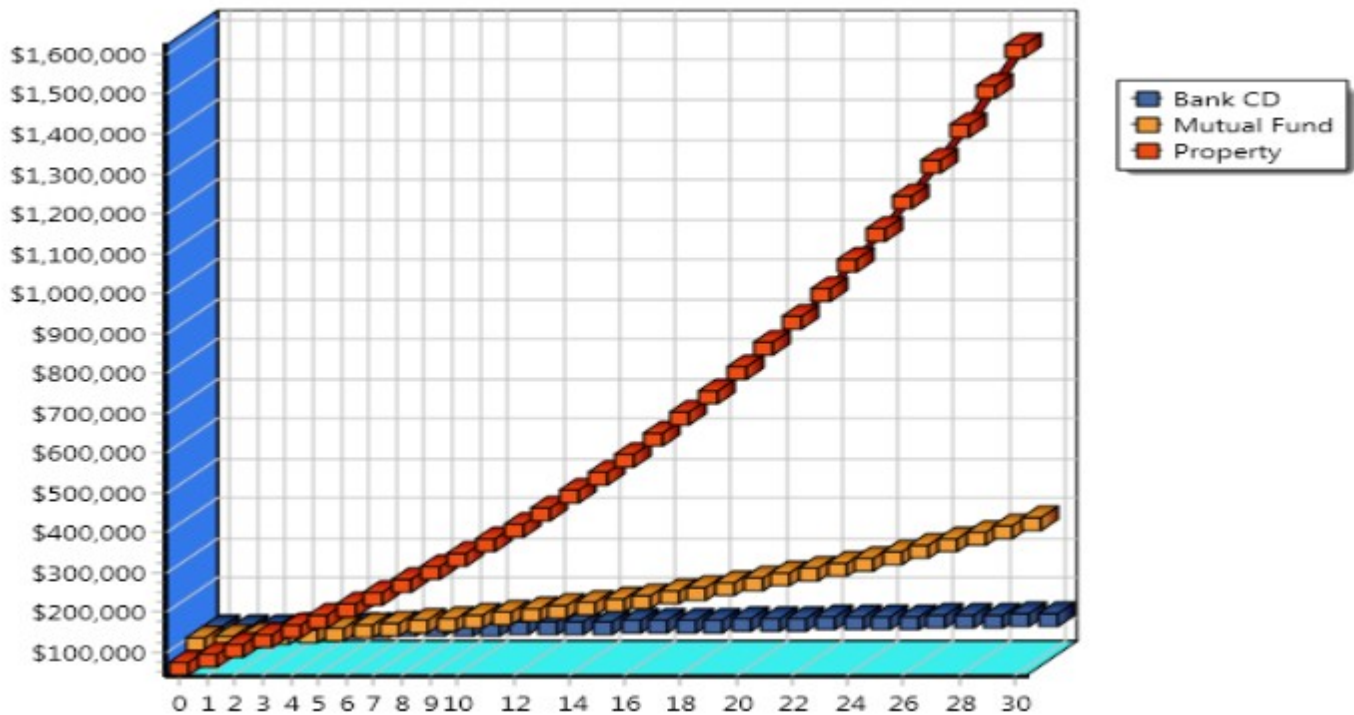


## ***Investment Comparison (Actual)***

200 Birch St (Multi-family), Any Town USA  
4-plex



This chart compares the return on a \$90,600 investment in the property at 200 Birch St (Multi-family) with a Bank CD at 1.0% and a Mutual Fund at 5.0% over a period of 30 years.



The lower chart axis is years.  
Future assumptions have been factored in.  
See the spreadsheet for raw data.

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