

Analysis for:

Citadel Apartments

		Year						Calculated for 1st year of next owners, ownership
		1	2	3	4	5	6	
1 Total Potential Market Income	2.00% Increases	\$1,540,008	\$1,570,808	\$1,602,224	\$1,634,269	\$1,666,954	\$1,700,293	
2 Less: loss to market lease	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	
3 Total Potential Income (Max Rent)		\$1,540,008	\$1,570,808	\$1,602,224	\$1,634,269	\$1,666,954	\$1,700,293	
4 Less: Loss to lease	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	
5 Total Income		\$1,540,008	\$1,570,808	\$1,602,224	\$1,634,269	\$1,666,954	\$1,700,293	
6 Less: vacancy	5.60%	\$86,240	\$87,965	\$89,725	\$91,519	\$93,349	\$95,216	
7 Effective Rental Income		\$1,453,768	\$1,482,843	\$1,512,500	\$1,542,750	\$1,573,605	\$1,605,077	
8 Plus: Other Income	2.00% Increases	\$50,104	\$51,106	\$52,128	\$53,171	\$54,234	\$55,319	
9 Gross Operating Income		\$1,503,872	\$1,533,949	\$1,564,628	\$1,595,921	\$1,627,839	\$1,660,396	
Total Operating Expenses	1.00% Increases	\$833,879	\$842,218	\$850,640	\$859,146	\$867,738	\$876,415	
Net Operating Income		\$669,993	\$691,731	\$713,988	\$736,774	\$760,101	\$783,981	
	original loan balance	\$6,450,000						
Mortgage Balance		\$6,348,681	\$6,242,549	\$6,131,375	\$6,014,920	\$5,892,932		
ADS		\$399,103	\$399,103	\$399,103	\$399,103	\$399,103		
- Principal Reduction		\$101,319	\$106,132	\$111,174	\$116,455	\$121,987		
= Mortgage interest		\$297,784	\$292,971	\$287,929	\$282,648	\$277,116		
- cost recovery (annual)	27.5 yrs @ 80%	\$250,182	\$250,182	\$250,182	\$250,182	\$250,182	excludes mid month	
= Taxable Income		\$122,027	\$148,579	\$175,877	\$203,945	\$232,804		
Tax on income at ordinary income rate of	35%	\$42,709	\$52,003	\$61,557	\$71,381	\$81,481		
NOI		\$669,993	\$691,731	\$713,988	\$736,774	\$760,101		
- Annual Debt Service		\$399,103	\$399,103	\$399,103	\$399,103	\$399,103		
= Cash Flow Before Tax		\$270,890	\$292,628	\$314,885	\$337,671	\$360,998		
- Less Ordinary Income Tax		\$42,709	\$52,003	\$61,557	\$71,381	\$81,481		
= Cash Flow After Tax		\$228,180	\$240,626	\$253,328	\$266,291	\$279,517		

Inputs

Purchase Price	\$ 8,600,000		
LTV	75.0%		
Interest Rate	4.65% rate	Payment	\$33,259
Amortz	30 years	ADS	\$ 399,103

MIP (Measures of Investment Performance)

GRM =	5.72	Purchase Price / GOI
Going in CAP Rate	7.79%	1st year NOI / Purchase Price
Going in Cash on Cash	12.60%	1st year CFBT / Down Payment

Sales Worksheet

Calculation of Adjusted Basis

1 Basis at Acquisition	\$8,600,000
2 + Capital Additions	
3 -Cost Recovery (Depreciation) Taken	\$1,250,909
4 =Adjusted Basis at Sale	\$7,349,091

Calculation of Capital Gain

Disposition CAP Rate	7.79%
5 Sale Price	\$10,063,935
6 -Costs of Sale	\$352,238
7 -Adjusted Basis at Sale	\$7,349,091
8 =Gain or (Loss)	\$2,362,606
9 -Straight Line Cost Recovery (limited to gain)	\$1,250,909
=Capital Gain from Appreciation	\$1,111,697

Calculation of Sales Proceeds after tax

Sale Price	\$10,063,935
-Cost of Sale	\$352,238
-Mortgage Balance(s)	\$5,892,932
= Sale Proceeds Before Tax	\$3,818,764
-Tax: Straight Line Recapture at 25.00%	\$312,727
-Tax on Capital Gains at 20.00%	\$222,339
= SALE PROCEEDS AFTER TAX:	\$3,283,698

No Financing, no tax

IRR Before tax = 10.4%	
n	\$
0	\$ (8,600,000)
1	\$669,993
2	\$691,731
3	\$713,988
4	\$736,774
5	\$760,101 + \$9,711,697

With financing, no tax

IRR Before tax = 23.9%	
n	\$
0	\$ (2,150,000)
1	\$270,890
2	\$292,628
3	\$314,885
4	\$337,671
5	\$360,998 + \$3,818,764

With financing, with tax

IRR After tax = 18.8%	
n	\$
0	\$ (2,150,000)
1	\$228,180
2	\$240,626
3	\$253,328
4	\$266,291
5	\$279,517 + \$3,283,698

Investor's Effective Tax Rate =

21%

FACTS AND FIGURES

Property Name	CITADEL APARTMENTS	
Location	Albuquerque, New Mexico	
Type of Property	Multi-Family Investment	
Size of Property	232	(Units)
Purpose of analysis	2014 PROJECTION	

Assessed/Appraised Values		
Land	1,408,900	30%
Improvements	3,229,800	70%
Personal Property	0	0%
Total	4,638,700	100%

Adjusted Basis as of 2014 Valuation **\$8,607,500**

Annual Property Operating Data

Purchase Price	8,600,000
Plus Acquisition Costs	7,500
Plus Loan Fees/Costs	64,500
Less Mortgages	6,450,000
Equals Initial Investment	2,222,000

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	\$6,450,000	\$35,617	12	5.25%	30	30
2nd			12			

	\$/SQ FT or \$/Unit	% of GOI		COMMENTS/FOOTNOTES
1 POTENTIAL RENTAL INCOME			1,540,008	Annualized Actual Rent Roll + Asking Price Vacancies
2 Less: Vacancy & Cr. Losses		(5.6% of PRI)	86,240	Based on Sept. 2013 Apartment Market Survey
3 EFFECTIVE RENTAL INCOME			1,453,768	
4 Plus: Other Income (collectable)			50,104	3 year average - Laundry Income + Water Reimbursement
5 GROSS OPERATING INCOME			1,503,872	
OPERATING EXPENSES:				
7 Real Estate Taxes			65,817	2013 Actual
8 Personal Property Taxes			1,292	2013 Actual
9 Property Insurance			36,880	Actual 2013 2nd half 2013 annualized
10 Off Site Management			80,457	5% of gross revenue plus NMGR
11 Payroll			82,652	2013 - 8 month annualized
12 Expenses/Benefits				
13 Taxes/Worker's Compensation			28,044	2013 - 8 month annualized
14 Repairs and Maintenance			170,695	\$1.30/SF/YR industry average
Utilities:				
15 Gas/Electric/Water/Sewer			181,642	3 year average
16 Garbage/Trash Removal			16,103	3 year average
17				
18 Telephone/Cable/Internet			7,547	2013 - 8 month annualized
19 Accounting and Legal			17,538	2013 - 8 month annualized
20 Licenses/Permits				
21 Advertising			21,053	2013 - 8 month annualized
22 Supplies			6,648	2013 - 8 month annualized
23 Miscellaneous Contract Services:				
24 Extermination			5,105	2013 - 8 month annualized
25 Courtesy/Grounds Patrol			42,959	2013 - 8 month annualized
26 Grounds Maintenance			36,354	2013 - 8 month annualized
27 Janitorial			23,735	2013 - 8 month annualized
28 Miscellaneous Expenses			9,358	2013 - 8 month annualized
29 TOTAL OPERATING EXPENSES			833,879	
30 NET OPERATING INCOME			669,993	7.8% Capitalization Rate
31 Less: Annual Debt Service			427,406	
32 Less: Participation Payments				
33 Less: Leasing Commissions				
34 Less: Funded Reserves				
35 CASH FLOW BEFORE TAXES			\$242,587	10.9% Cash on Cash Return

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