

Cash Flow Analysis



Rental Activity Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Potential Rental Income	\$ 184,800	\$ 188,496	\$ 192,266	\$ 196,111	\$ 200,033
Other Income	1,800	1,836	1,873	1,910	1,948
Less: Vacancy & Credit Losses	(9,240)	(9,425)	(9,613)	(9,806)	(10,002)
Less: Operating Expenses	(21,250)	(21,463)	(21,677)	(21,894)	(22,113)
Net Operating Income (NOI)	\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867
Less: Annual Debt Service	(111,774)	(111,774)	(111,774)	(111,774)	(111,774)
Less: Funded Reserves	(5,000)	(5,050)	(5,101)	(5,152)	(5,203)
CASH FLOW Before Taxes	\$ 39,336	\$ 42,621	\$ 45,974	\$ 49,397	\$ 52,891
Income Taxes: Benefit (Expense)	(9,602)	(8,313)	(10,185)	(12,134)	(14,163)
CASH FLOW After Taxes	\$ 29,734	\$ 34,309	\$ 35,789	\$ 37,263	\$ 38,728

Property Resale Analysis					
Projected Sales Price	\$ 1,951,375	\$ 1,993,059	\$ 2,035,603	\$ 2,079,024	\$ 2,123,342
Less: Selling Expenses	(117,083)	(119,584)	(122,136)	(124,741)	(127,400)
Adjusted Projected Sales Price	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Less: Mortgage(s) Balance Payoff	(1,194,997)	(1,162,905)	(1,128,579)	(1,091,862)	(1,052,589)
SALE PROCEEDS Before Taxes	\$ 639,295	\$ 710,570	\$ 784,888	\$ 862,421	\$ 943,352
Income Taxes from Sale: Benefit (Expense)	(24,899)	(48,844)	(72,983)	(97,319)	(121,856)
SALE PROCEEDS After Taxes	\$ 614,397	\$ 661,726	\$ 711,905	\$ 765,102	\$ 821,496

Cash Position					
Cash Generated in Current Year	\$ 29,734	\$ 34,309	\$ 35,789	\$ 37,263	\$ 38,728
Cash Generated in Previous Years	n/a	29,734	64,043	99,831	137,094
Cash Generated from Property Sale	614,397	661,726	711,905	765,102	821,496
Original Initial Investment	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Total Potential CASH Generated	\$ 81,881	\$ 163,518	\$ 249,486	\$ 339,946	\$ 435,069

Financial Measures						
Debt Coverage Ratio (DCR)		1.40	1.43	1.46	1.49	1.52
Loan-to-Value Ratio (LVR)		61.2%	58.3%	55.4%	52.5%	49.6%
Capitalization Rate Based on Cost		8.79%	8.98%	9.17%	9.37%	9.57%
Value of Property Using this Cap Rate	7.75%	2,014,323	2,057,351	2,101,267	2,146,090	2,191,837
Net Present Value (NPV) - Before Taxes	13.50%	35,664	57,081	73,746	86,382	95,617
Net Present Value (NPV) - After Taxes	10.00%	23,324	40,016	54,888	68,050	79,606
Cash-on-Cash Return on Equity		14.56%	13.29%	12.99%	12.71%	12.43%
Cash-on-Cash Return - Before Taxes		7.00%	7.58%	8.18%	8.79%	9.41%
Cash-on-Cash Return - After Taxes		5.29%	6.10%	6.37%	6.63%	6.89%
Internal Rate-of-Return (IRR) - Before Taxes		20.70%	19.29%	18.55%	18.00%	17.55%
Internal Rate-of-Return (IRR) - After Taxes		14.56%	13.94%	13.64%	13.42%	13.24%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		20.70%	18.73%	17.53%	16.61%	15.86%
Modified Internal Rate-of-Return (MIRR) - After Taxes		14.56%	13.61%	13.02%	12.55%	12.15%

Cash Flow Analysis



Rental Activity Analysis	Year 6	Year 7	Year 8	Year 9	Year 10
Potential Rental Income	\$ 204,034	\$ 208,115	\$ 212,277	\$ 216,523	\$ 220,853
Other Income	1,987	2,027	2,068	2,109	2,151
Less: Vacancy & Credit Losses	(10,202)	(10,406)	(10,614)	(10,826)	(11,043)
Less: Operating Expenses	(22,334)	(22,557)	(22,783)	(23,011)	(23,241)
Net Operating Income (NOI)	\$ 173,486	\$ 177,179	\$ 180,948	\$ 184,795	\$ 188,721
Less: Annual Debt Service	(111,774)	(111,774)	(111,774)	(111,774)	(111,774)
Less: Funded Reserves	(5,255)	(5,308)	(5,361)	(5,414)	(5,468)
CASH FLOW Before Taxes	\$ 56,457	\$ 60,098	\$ 63,814	\$ 67,607	\$ 71,479
Income Taxes: Benefit (Expense)	(16,276)	(18,479)	(20,776)	(23,173)	(25,675)
CASH FLOW After Taxes	\$ 40,181	\$ 41,619	\$ 43,038	\$ 44,434	\$ 45,804

Property Resale Analysis	Year 6	Year 7	Year 8	Year 9	Year 10
Projected Sales Price	\$ 2,168,573	\$ 2,214,736	\$ 2,261,850	\$ 2,309,935	\$ 2,359,010
Less: Selling Expenses	(130,114)	(132,884)	(135,711)	(138,596)	(141,541)
Adjusted Projected Sales Price	\$ 2,038,458	\$ 2,081,852	\$ 2,126,139	\$ 2,171,339	\$ 2,217,469
Less: Mortgage(s) Balance Payoff	(1,010,581)	(965,649)	(917,588)	(866,180)	(811,193)
SALE PROCEEDS Before Taxes	\$ 1,027,877	\$ 1,116,203	\$ 1,208,551	\$ 1,305,159	\$ 1,406,276
Income Taxes from Sale: Benefit (Expense)	(146,597)	(171,547)	(196,709)	(222,087)	(247,687)
SALE PROCEEDS After Taxes	\$ 881,280	\$ 944,656	\$ 1,011,842	\$ 1,083,071	\$ 1,158,589

Cash Position	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Generated in Current Year	\$ 40,181	\$ 41,619	\$ 43,038	\$ 44,434	\$ 45,804
Cash Generated in Previous Years	175,823	216,003	257,622	300,660	345,094
Cash Generated from Property Sale	881,280	944,656	1,011,842	1,083,071	1,158,589
Original Initial Investment	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Total Potential CASH Generated	\$ 535,033	\$ 640,028	\$ 750,252	\$ 865,915	\$ 987,237

Financial Measures	Year 6	Year 7	Year 8	Year 9	Year 10
Debt Coverage Ratio (DCR)	1.55	1.59	1.62	1.65	1.69
Loan-to-Value Ratio (LVR)	46.6%	43.6%	40.6%	37.5%	34.4%
Capitalization Rate Based on Cost	9.77%	9.98%	10.19%	10.41%	10.63%
Value of Property Using this Cap Rate	7.75%	2,238,527	2,286,179	2,334,813	2,384,449
Net Present Value (NPV) - Before Taxes	13.50%	101,992	105,974	107,962	108,301
Net Present Value (NPV) - After Taxes	10.00%	89,662	98,318	105,669	111,810
Cash-on-Cash Return on Equity	12.17%	11.91%	11.67%	11.43%	11.20%
Cash-on-Cash Return - Before Taxes	10.04%	10.69%	11.35%	12.02%	12.71%
Cash-on-Cash Return - After Taxes	7.15%	7.40%	7.65%	7.90%	8.15%
Internal Rate-of-Return (IRR) - Before Taxes	17.18%	16.85%	16.55%	16.29%	16.05%
Internal Rate-of-Return (IRR) - After Taxes	13.08%	12.94%	12.80%	12.68%	12.56%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	15.21%	14.64%	14.14%	13.68%	13.28%
Modified Internal Rate-of-Return (MIRR) - After Taxes	11.79%	11.47%	11.18%	10.91%	10.67%

Cash Flow Analysis



Rental Activity Analysis	Year 11	Year 12	Year 13	Year 14	Year 15
Potential Rental Income	\$ 225,270	\$ 229,776	\$ 234,371	\$ 239,059	\$ 243,840
Other Income	2,194	2,238	2,283	2,328	2,375
Less: Vacancy & Credit Losses	(11,264)	(11,489)	(11,719)	(11,953)	(12,192)
Less: Operating Expenses	(23,473)	(23,708)	(23,945)	(24,184)	(24,426)
Net Operating Income (NOI)	\$ 192,728	\$ 196,817	\$ 200,990	\$ 205,250	\$ 209,596
Less: Annual Debt Service	(111,774)	(111,774)	(111,774)	(111,774)	(111,774)
Less: Funded Reserves	(5,523)	(5,578)	(5,634)	(5,690)	(5,747)
CASH FLOW Before Taxes	\$ 75,431	\$ 79,465	\$ 83,583	\$ 87,786	\$ 92,076
Income Taxes: Benefit (Expense)	(28,288)	(31,019)	(33,875)	(36,863)	(39,990)
CASH FLOW After Taxes	\$ 47,143	\$ 48,446	\$ 49,708	\$ 50,923	\$ 52,086

Property Resale Analysis					
Projected Sales Price	\$ 2,409,095	\$ 2,460,211	\$ 2,512,379	\$ 2,565,620	\$ 2,619,955
Less: Selling Expenses	(144,546)	(147,613)	(150,743)	(153,937)	(157,197)
Adjusted Projected Sales Price	\$ 2,264,550	\$ 2,312,599	\$ 2,361,636	\$ 2,411,683	\$ 2,462,758
Less: Mortgage(s) Balance Payoff	(752,378)	(689,467)	(622,176)	(550,200)	(473,212)
SALE PROCEEDS Before Taxes	\$ 1,512,172	\$ 1,623,131	\$ 1,739,460	\$ 1,861,483	\$ 1,989,546
Income Taxes from Sale: Benefit (Expense)	(273,510)	(299,563)	(325,850)	(352,374)	(379,141)
SALE PROCEEDS After Taxes	\$ 1,238,661	\$ 1,323,568	\$ 1,413,610	\$ 1,509,108	\$ 1,610,405

Cash Position					
Cash Generated in Current Year	\$ 47,143	\$ 48,446	\$ 49,708	\$ 50,923	\$ 52,086
Cash Generated in Previous Years	390,898	438,040	486,486	536,194	587,117
Cash Generated from Property Sale	1,238,661	1,323,568	1,413,610	1,509,108	1,610,405
Original Initial Investment	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Total Potential CASH Generated	\$ 1,114,452	\$ 1,247,804	\$ 1,387,554	\$ 1,533,975	\$ 1,687,357

Financial Measures						
Debt Coverage Ratio (DCR)		1.72	1.76	1.80	1.84	1.88
Loan-to-Value Ratio (LVR)		31.2%	28.0%	24.8%	21.4%	18.1%
Capitalization Rate Based on Cost		10.86%	11.09%	11.32%	11.56%	11.81%
Value of Property Using this Cap Rate	7.75%	2,486,808	2,539,573	2,593,424	2,648,382	2,704,470
Net Present Value (NPV) - Before Taxes	13.50%	105,170	102,168	98,465	94,215	89,552
Net Present Value (NPV) - After Taxes	10.00%	120,808	123,830	125,972	127,304	127,896
Cash-on-Cash Return on Equity		10.98%	10.77%	10.56%	10.36%	10.16%
Cash-on-Cash Return - Before Taxes		13.42%	14.13%	14.87%	15.61%	16.38%
Cash-on-Cash Return - After Taxes		8.38%	8.62%	8.84%	9.06%	9.26%
Internal Rate-of-Return (IRR) - Before Taxes		15.83%	15.64%	15.45%	15.29%	15.13%
Internal Rate-of-Return (IRR) - After Taxes		12.44%	12.33%	12.23%	12.13%	12.03%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		12.91%	12.57%	12.26%	11.97%	11.70%
Modified Internal Rate-of-Return (MIRR) - After Taxes		10.44%	10.23%	10.04%	9.86%	9.68%

Cash Flow Analysis



Rental Activity Analysis	Year 16	Year 17	Year 18	Year 19	Year 20
Potential Rental Income	\$ 248,716	\$ 253,691	\$ 258,765	\$ 263,940	\$ 269,219
Other Income	2,423	2,471	2,520	2,571	2,622
Less: Vacancy & Credit Losses	(12,436)	(12,685)	(12,938)	(13,197)	(13,461)
Less: Operating Expenses	(24,671)	(24,917)	(25,166)	(25,418)	(25,672)
Net Operating Income (NOI)	\$ 214,033	\$ 218,560	\$ 223,180	\$ 227,896	\$ 232,708
Less: Annual Debt Service	(111,774)	(111,774)	(111,774)	(111,774)	(111,774)
Less: Funded Reserves	(5,805)	(5,863)	(5,922)	(5,981)	(6,041)
CASH FLOW Before Taxes	\$ 96,454	\$ 100,924	\$ 105,485	\$ 110,141	\$ 114,894
Income Taxes: Benefit (Expense)	(43,265)	(46,697)	(50,294)	(54,069)	(58,030)
CASH FLOW After Taxes	\$ 53,190	\$ 54,227	\$ 55,191	\$ 56,073	\$ 56,864

Property Resale Analysis					
Projected Sales Price	\$ 2,675,408	\$ 2,732,000	\$ 2,789,754	\$ 2,848,695	\$ 2,908,846
Less: Selling Expenses	(160,524)	(163,920)	(167,385)	(170,922)	(174,531)
Adjusted Projected Sales Price	\$ 2,514,883	\$ 2,568,080	\$ 2,622,369	\$ 2,677,774	\$ 2,734,316
Less: Mortgage(s) Balance Payoff	(390,864)	(302,782)	(208,567)	(107,791)	
SALE PROCEEDS Before Taxes	\$ 2,124,019	\$ 2,265,298	\$ 2,413,803	\$ 2,569,982	\$ 2,734,316
Income Taxes from Sale: Benefit (Expense)	(406,155)	(433,421)	(460,944)	(488,728)	(516,779)
SALE PROCEEDS After Taxes	\$ 1,717,864	\$ 1,831,877	\$ 1,952,859	\$ 2,081,254	\$ 2,217,537

Cash Position					
Cash Generated in Current Year	\$ 53,190	\$ 54,227	\$ 55,191	\$ 56,073	\$ 56,864
Cash Generated in Previous Years	639,202	692,392	746,619	801,810	857,883
Cash Generated from Property Sale	1,717,864	1,831,877	1,952,859	2,081,254	2,217,537
Original Initial Investment	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Total Potential CASH Generated	\$ 1,848,006	\$ 2,016,246	\$ 2,192,419	\$ 2,376,887	\$ 2,570,034

Financial Measures						
Debt Coverage Ratio (DCR)		1.91	1.96	2.00	2.04	2.08
Loan-to-Value Ratio (LVR)		14.6%	11.1%	7.5%	3.8%	0.0%
Capitalization Rate Based on Cost		12.06%	12.31%	12.57%	12.84%	13.11%
Value of Property Using this Cap Rate	7.75%	2,761,711	2,820,129	2,879,746	2,940,589	3,002,680
Net Present Value (NPV) - Before Taxes	13.50%	84,587	79,413	74,109	68,739	63,359
Net Present Value (NPV) - After Taxes	10.00%	127,811	127,109	125,847	124,079	121,852
Cash-on-Cash Return on Equity		9.98%	9.79%	9.62%	9.45%	9.28%
Cash-on-Cash Return - Before Taxes		17.16%	17.95%	18.76%	19.59%	20.43%
Cash-on-Cash Return - After Taxes		9.46%	9.64%	9.82%	9.97%	10.11%
Internal Rate-of-Return (IRR) - Before Taxes		14.99%	14.85%	14.73%	14.61%	14.50%
Internal Rate-of-Return (IRR) - After Taxes		11.94%	11.85%	11.76%	11.67%	11.59%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		11.46%	11.23%	11.01%	10.81%	10.62%
Modified Internal Rate-of-Return (MIRR) - After Taxes		9.52%	9.37%	9.23%	9.09%	8.97%