

Adrian Apartments II

1212 Main St
Atlanta GA 30304

Cash Flow Analysis

Self-Directed vs Personal Ownership

Jeffrey Sandford
404-555-1212



Rental Activity Analysis	Year 1		Year 2		Year 3		Year 4		Year 5	
	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed
Potential Rental Income	\$ 184,800	\$ 184,800	\$ 188,496	\$ 188,496	\$ 192,266	\$ 192,266	\$ 196,111	\$ 196,111	\$ 200,033	\$ 200,033
Other Income	1,800	1,800	1,836	1,836	1,873	1,873	1,910	1,910	1,948	1,948
Less: Vacancy & Credit Losses	(9,240)	(9,240)	(9,425)	(9,425)	(9,613)	(9,613)	(9,806)	(9,806)	(10,002)	(10,002)
Less: Operating Expenses	(21,250)	(21,250)	(21,463)	(21,463)	(21,677)	(21,677)	(21,894)	(21,894)	(22,113)	(22,113)
Net Operating Income (NOI)	<u>\$ 156,110</u>	<u>\$ 156,110</u>	<u>\$ 159,445</u>	<u>\$ 159,445</u>	<u>\$ 162,848</u>	<u>\$ 162,848</u>	<u>\$ 166,322</u>	<u>\$ 166,322</u>	<u>\$ 169,867</u>	<u>\$ 169,867</u>
Less: Annual Debt Service	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)
Less: Funded Reserves	(5,000)	(5,000)	(5,050)	(5,050)	(5,101)	(5,101)	(5,152)	(5,152)	(5,203)	(5,203)
CASH FLOW Before Taxes	<u>\$ 21,028</u>	<u>\$ 21,028</u>	<u>\$ 24,313</u>	<u>\$ 24,313</u>	<u>\$ 27,666</u>	<u>\$ 27,666</u>	<u>\$ 31,089</u>	<u>\$ 31,089</u>	<u>\$ 34,583</u>	<u>\$ 34,583</u>
Income Taxes: Benefit / (Expense)	(12,017)	(6,798)	(11,005)	(6,002)	(13,836)	(7,755)	(16,799)	(9,476)	(19,902)	(11,128)
CASH FLOW After Taxes	<u>\$ 9,011</u>	<u>\$ 14,230</u>	<u>\$ 13,308</u>	<u>\$ 18,311</u>	<u>\$ 13,830</u>	<u>\$ 19,911</u>	<u>\$ 14,289</u>	<u>\$ 21,612</u>	<u>\$ 14,681</u>	<u>\$ 23,455</u>

Property Resale Analysis	Year 1		Year 2		Year 3		Year 4		Year 5	
Projected Sale Price - Original Cost	\$ 1,951,375	\$ 1,951,375	\$ 1,993,059	\$ 1,993,059	\$ 2,035,603	\$ 2,035,603	\$ 2,079,024	\$ 2,079,024	\$ 2,123,342	\$ 2,123,342
Less: Selling Expenses	(117,083)	(117,083)	(119,584)	(119,584)	(122,136)	(122,136)	(124,741)	(124,741)	(127,400)	(127,400)
Adjusted Projected Sales Price	<u>1,834,293</u>	<u>1,834,293</u>	<u>1,873,475</u>	<u>1,873,475</u>	<u>1,913,467</u>	<u>1,913,467</u>	<u>1,954,283</u>	<u>1,954,283</u>	<u>1,995,941</u>	<u>1,995,941</u>
Less: Mortgage(s) Balance Payoff	(1,176,112)	(1,176,112)	(1,123,819)	(1,123,819)	(1,067,886)	(1,067,886)	(1,008,058)	(1,008,058)	(944,065)	(944,065)
SALE PROCEEDS Before Taxes	<u>\$ 658,181</u>	<u>\$ 658,181</u>	<u>\$ 749,656</u>	<u>\$ 749,656</u>	<u>\$ 845,580</u>	<u>\$ 845,580</u>	<u>\$ 946,225</u>	<u>\$ 946,225</u>	<u>\$ 1,051,876</u>	<u>\$ 1,051,876</u>
Income Taxes From Sale: Benefit / (Expense)	(27,348)	(19,114)	(51,165)	(35,357)	(75,175)	(51,199)	(99,383)	(66,402)	(123,791)	(80,692)
SALE PROCEEDS After Taxes	<u>\$ 630,833</u>	<u>\$ 639,067</u>	<u>\$ 698,491</u>	<u>\$ 714,298</u>	<u>\$ 770,405</u>	<u>\$ 794,382</u>	<u>\$ 846,842</u>	<u>\$ 879,823</u>	<u>\$ 928,085</u>	<u>\$ 971,184</u>

Cash Position	Year 1		Year 2		Year 3		Year 4		Year 5	
Cash Generated in Current Year	\$ 9,011	\$ 14,230	\$ 13,308	\$ 18,311	\$ 13,830	\$ 19,911	\$ 14,289	\$ 21,612	\$ 14,681	\$ 23,455
Cash Generated in Previous Years	n/a	n/a	9,011	14,230	22,320	32,541	36,149	52,452	50,439	74,064
Cash Generated from Property Sale	630,833	639,067	698,491	714,298	770,405	794,382	846,842	879,823	928,085	971,184
Original Initial Investment	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)
Total Potential CASH Generated	<u>\$ 89,844</u>	<u>\$ 103,297</u>	<u>\$ 170,810</u>	<u>\$ 196,840</u>	<u>\$ 256,554</u>	<u>\$ 296,834</u>	<u>\$ 347,281</u>	<u>\$ 403,887</u>	<u>\$ 443,205</u>	<u>\$ 518,703</u>

Financial Measures	Year 1		Year 2		Year 3		Year 4		Year 5	
Net Present Value (NPV) 10.00%	31,677	43,906	46,456	68,399	58,398	89,860	67,745	108,721	74,725	125,383
Cash on Cash Return After Taxes	1.64%	2.59%	2.42%	3.33%	2.51%	3.62%	2.60%	3.93%	2.67%	4.26%
Internal Rate of Return (IRR) After Taxes	16.34%	18.78%	14.58%	16.71%	13.82%	15.82%	13.32%	15.25%	12.93%	14.83%
Modified Internal Rate of Return (MIRR) After Taxes	16.34%	18.78%	14.48%	16.53%	13.61%	15.47%	13.02%	14.76%	12.55%	14.21%

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Rental Activity Analysis	Year 6		Year 7		Year 8		Year 9		Year 10	
	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed
Potential Rental Income	\$ 204,034	\$ 204,034	\$ 208,115	\$ 208,115	\$ 212,277	\$ 212,277	\$ 216,523	\$ 216,523	\$ 220,853	\$ 220,853
Other Income	1,987	1,987	2,027	2,027	2,068	2,068	2,109	2,109	2,151	2,151
Less: Vacancy & Credit Losses	(10,202)	(10,202)	(10,406)	(10,406)	(10,614)	(10,614)	(10,826)	(10,826)	(11,043)	(11,043)
Less: Operating Expenses	(22,334)	(22,334)	(22,557)	(22,557)	(22,783)	(22,783)	(23,011)	(23,011)	(23,241)	(23,241)
Net Operating Income (NOI)	<u>\$ 173,486</u>	<u>\$ 173,486</u>	<u>\$ 177,179</u>	<u>\$ 177,179</u>	<u>\$ 180,948</u>	<u>\$ 180,948</u>	<u>\$ 184,795</u>	<u>\$ 184,795</u>	<u>\$ 188,721</u>	<u>\$ 188,721</u>
Less: Annual Debt Service	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)	(130,082)
Less: Funded Reserves	(5,255)	(5,255)	(5,308)	(5,308)	(5,361)	(5,361)	(5,414)	(5,414)	(5,468)	(5,468)
CASH FLOW Before Taxes	<u>\$ 38,149</u>	<u>\$ 38,149</u>	<u>\$ 41,790</u>	<u>\$ 41,790</u>	<u>\$ 45,506</u>	<u>\$ 45,506</u>	<u>\$ 49,299</u>	<u>\$ 49,299</u>	<u>\$ 53,171</u>	<u>\$ 53,171</u>
Income Taxes: Benefit / (Expense)	(23,152)	(12,660)	(26,559)	(14,011)	(30,132)	(15,100)	(33,881)	(15,826)	(37,817)	(16,060)
CASH FLOW After Taxes	<u>\$ 14,997</u>	<u>\$ 25,489</u>	<u>\$ 15,230</u>	<u>\$ 27,779</u>	<u>\$ 15,373</u>	<u>\$ 30,406</u>	<u>\$ 15,417</u>	<u>\$ 33,473</u>	<u>\$ 15,354</u>	<u>\$ 37,111</u>

Property Resale Analysis	Year 6		Year 7		Year 8		Year 9		Year 10	
Projected Sale Price - Original Cost	\$ 2,168,573	\$ 2,168,573	\$ 2,214,736	\$ 2,214,736	\$ 2,261,850	\$ 2,261,850	\$ 2,309,935	\$ 2,309,935	\$ 2,359,010	\$ 2,359,010
Less: Selling Expenses	(130,114)	(130,114)	(132,884)	(132,884)	(135,711)	(135,711)	(138,596)	(138,596)	(141,541)	(141,541)
Adjusted Projected Sales Price	<u>2,038,458</u>	<u>2,038,458</u>	<u>2,081,852</u>	<u>2,081,852</u>	<u>2,126,139</u>	<u>2,126,139</u>	<u>2,171,339</u>	<u>2,171,339</u>	<u>2,217,469</u>	<u>2,217,469</u>
Less: Mortgage(s) Balance Payoff	(875,616)	(875,616)	(802,401)	(802,401)	(724,088)	(724,088)	(640,322)	(640,322)	(550,724)	(550,724)
SALE PROCEEDS Before Taxes	<u>\$ 1,162,843</u>	<u>\$ 1,162,843</u>	<u>\$ 1,279,451</u>	<u>\$ 1,279,451</u>	<u>\$ 1,402,052</u>	<u>\$ 1,402,052</u>	<u>\$ 1,531,017</u>	<u>\$ 1,531,017</u>	<u>\$ 1,666,746</u>	<u>\$ 1,666,746</u>
Income Taxes From Sale: Benefit / (Expense)	(148,403)	(93,735)	(173,224)	(105,125)	(198,258)	(114,363)	(223,508)	(120,847)	(248,978)	(123,837)
SALE PROCEEDS After Taxes	<u>\$ 1,014,439</u>	<u>\$ 1,069,107</u>	<u>\$ 1,106,227</u>	<u>\$ 1,174,327</u>	<u>\$ 1,203,794</u>	<u>\$ 1,287,688</u>	<u>\$ 1,307,509</u>	<u>\$ 1,410,170</u>	<u>\$ 1,417,768</u>	<u>\$ 1,542,909</u>

Cash Position	Year 6		Year 7		Year 8		Year 9		Year 10	
Cash Generated in Current Year	\$ 14,997	\$ 25,489	\$ 15,230	\$ 27,779	\$ 15,373	\$ 30,406	\$ 15,417	\$ 33,473	\$ 15,354	\$ 37,111
Cash Generated in Previous Years	65,119	97,519	80,116	123,008	95,346	150,787	110,719	181,193	126,137	214,666
Cash Generated from Property Sale	1,014,439	1,069,107	1,106,227	1,174,327	1,203,794	1,287,688	1,307,509	1,410,170	1,417,768	1,542,909
Original Initial Investment	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)
Total Potential CASH Generated	<u>\$ 544,555</u>	<u>\$ 642,115</u>	<u>\$ 651,573</u>	<u>\$ 775,114</u>	<u>\$ 764,513</u>	<u>\$ 918,881</u>	<u>\$ 883,646</u>	<u>\$ 1,074,836</u>	<u>\$ 1,009,258</u>	<u>\$ 1,244,685</u>

Financial Measures	Year 6		Year 7		Year 8		Year 9		Year 10	
Net Present Value (NPV) 10.00%	79,546	140,225	82,406	153,612	83,488	165,897	82,959	177,427	80,978	188,543
Cash on Cash Return After Taxes	2.73%	4.63%	2.77%	5.05%	2.80%	5.53%	2.80%	6.09%	2.79%	6.75%
Internal Rate of Return (IRR) After Taxes	12.61%	14.50%	12.33%	14.22%	12.08%	13.99%	11.85%	13.80%	11.63%	13.64%
Modified Internal Rate of Return (MIRR) After Taxes	12.15%	13.76%	11.81%	13.39%	11.51%	13.06%	11.23%	12.79%	10.98%	12.55%