

Rental Tips.
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Project Name: Rental Tutorial
Project Description: 3 Duplexes and 2 Fourplexes (14 units total)

Date: 10/17/2008
By: tkg

Workspace: costs and incomes									
	Item	Mul 1	Mul 2	Mul 3, \$	Units	Notes	Extension	Add'l workspace 1	Add'l workspace 2
Costs or Incomes Workspace	Duplex construction costs						\$0		
							\$0		
	Living unit construction	1,150.00	2.00	\$75.00	sf		\$172,500		
	Garage construction	500.00	2.00	\$40.00	sf		\$40,000	\$212,500.00	
							\$0		
	Fourplex construction costs						\$0		
							\$0		
	Living unit construction	950.00	4.00	\$70.00	sf		\$266,000		
	Garage construction	500.00	2.00	\$40.00	sf		\$40,000	\$306,000.00	
							\$0		
	Site improvements						\$0		
							\$0		
	Driveways	20.00	150.00	\$4.00	sf		\$12,000		
	times 4	4.00		\$12,000.00			\$48,000		
	Landscaping, fencing, irrigation	5.00		\$15,000.00	ea		\$75,000		
	Water hookup	14.00		\$1,500.00	ea		\$21,000		
	Sewer hookup	14.00		\$1,300.00	ea		\$18,200		
	Storm drain hookup	5.00		\$350.00	ea		\$1,750	\$175,950.00	
							\$0		
	Public frontage improvements						\$0		
						\$0			
Road widening	8.00	120.00	\$3.00	sf		\$2,880			
curb and gutter	120.00		\$10.00	lf		\$1,200			
sidewalk	5.00	120.00	\$4.00	sf		\$2,400			
Drainage reroute			\$10,000.00	ls		\$10,000	\$16,480.00		
						\$0			
						\$0			

Rental Analysis

GENERAL INFORMATION			RENTAL (RECURRING) INCOME		Year 1	Year 2, on	Notes
Income tax bracket, %	30.00%		Rental income 1, monthly rent per unit		\$	950	Duplex units
Rate of net appreciation, %	1.00%		Rental income 1, no. of units			6 units	
Property tax rate, %	1.50%		Less vacancy %			5%	
			Rental income 1, annual income		\$0	\$64,980	
			Rental income 2, monthly rent per unit		\$	850	Fourplex units
			Rental income 2, no. of units			8 units	
			Less vacancy %			5%	
ORIGINAL PURCHASE							
Cost of land and existing improvements \$	225,000						
Purchased how many years ago?	0.0 yrs	10/20/2008					

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Value of existing improvements for depreciation Not inld'g land
 Depreciable life of existing improvements, yrs 10/20/2008
 Depreciation amt per year, exist'g impvmt's \$ -
 Years left to depreciate 0.0 yrs

Following year

\$0 \$0
 \$0 \$0
 \$0 \$0
 \$0 \$0

CURRENT VALUES

Current appraised value of land only \$ 200,000
 Current appraised value of improvements \$ 100,000
 Total current value for property taxes \$300,000
 Resale value (based on comparibles) \$ 250,000

PROPOSED IMPROVEMENTS - COSTS

Cost, new building product 1 \$ 212,500
 Number of new product 1 3 ea
 Extended cost, new building product 1 \$637,500
 Cost, new building product 2 \$ 306,000
 Number of new product 2 2 ea
 Extended cost, new building product 2 \$612,000
 Cost, new building product 3
 Number of new product 3
 Extended cost, new building product 3 \$ -
 Cost, new building product 4
 Number of new product 4
 Extended cost, new building product 4 \$ -
 Total cost of new buildings \$ 1,249,500
 Remodel / upgrade existing building costs
 Proposed new site improvement costs, PRIVATE \$ 175,950
 Proposed new site improvement costs, PUBLIC \$ 16,480
 Tot costs subject to prop tax and deprcn \$ 1,425,450
 Total proposed costs \$ 1,441,930

DEPRECIATION

New buildings, costs from above \$ 1,249,500
 Depreciable life of new buildings 27.5 yrs
 Depreciation per year for new buildings \$45,436
 Private site improvements, costs from above \$ 175,950

Rental income 2, annual income \$0 \$77,520
 Rental income 3, monthly rent per unit
 Rental income 3, no. of units
 Less vacancy %
 Rental income 3, annual income \$0 \$0
 Rental income 4, monthly rent per unit
 Rental income 4, no. of units
 Less vacancy %
 Rental income 4, annual income \$0 \$0
 Other monthly recurring income per 'unit'
 Other recurring income, no. of 'units'
 Less fees, licenses, taxes, etc, %
 Other income, annual income \$0 \$0
 Total rental / recurring income \$0 \$142,500

RECURRING EXPENSES

	<u>Year 1</u>	<u>Year 2, on</u>
Annual prop'ty tax rate from Gen Info, %	1.50%	1.50%
Taxable amount from Values and Costs \$	300,000	\$ 1,725,450
Or enter your own taxable amount(s)		
Annual property taxes	(\$4,500)	(\$25,882)
Advertising cost		
Mul by no. of Units (optional)		
Mul by intervals per year		
Equals annual advertising cost	\$0	\$0
Association dues cost		
Mul by no. of Units (optional)		
Mul by intervals per year		
Equals annual assoc dues cost	\$0	\$0
Cleaning cost		
Mul by no. of Units (optional)		
Mul by intervals per year		
Equals annual cleaning cost	\$0	\$0
Insurance cost		\$ 150
Mul by no. of Units (optional)		14 units
Mul by intervals per year		1 per yr
Equals annual insurance cost	\$0	(\$2,100)
Maint and repair cost		\$ 50
Mul by no. of Units (optional)		14 units
Mul by intervals per year		12 per yr
Equals annual maint and repair cost	\$0	(\$8,400)
Management cost		\$ 6,000
Mul by no. of Units (optional)		
Mul by intervals per year		1 per yr
Equals annual management cost	\$0	(\$6,000)

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Depreciable life of private site improvements	27.5 yrs
Depreciation per year for priv site impvmt's	\$6,398
Remodels, cost from above	\$ -
Depreciable life of remodel / upgrades	
Depreciation per year for upgrades / remodels	\$0
Total annual depreciation for new construction	\$ 51,835
Annual depreciation from original purchase	\$ -
Total annual depreciation	\$ 51,835

Utilities cost per interval	\$	35
Mul by no. of Units (optional)		14 units
Mul by intervals per year		12 per yr
Equals annual utilities cost	\$0	(\$5,880)
Other cost per interval		
Mul by no. of Units (optional)		
Mul by intervals per year		
Equals annual "other" cost	\$0	\$0
Total annual recurring costs	(\$4,500)	(\$48,262)

NON-RECURRING INCOME / EXPENSES

Non-recurring income 1		
Less fees / costs for income 1, %	\$0.00	
Net income 1	\$0	
Non-recurring income 2		
Less fees / costs for income 2, %	\$0.00	
Net income 2	\$0	
Expenses / liabilities	\$ 15,000	demo existing house
Total non-recurring income / expenses	(\$15,000)	

NEW LAND LOAN - IF ANY

Resale value from above	\$250,000	
Value from non-recurring income, above	\$0	
Total existing value	\$250,000	
Loan to Value expected, %	67%	Sggst'd Down:
Approx maximum amount bank will lend	\$167,500	\$82,500.00
Cash invested / down payment	\$ 82,500	
Financed amount	\$ 167,500	
Loan interest rate	7%	
Length of loan, years	30.0 yrs	<u>2nd year</u>
Interest only paid 1st year	\$11,671	\$11,548
Principal only paid 1st year	\$1,701	\$1,824
Principal and interest paid	\$13,373	\$13,373

NEW CONSTRUCTION LOAN - IF ANY

Proposed cost of construction from above	\$ 1,456,930	
Loan to value expected, %	75%	Sggst'd Down:
Approx maximum amount bank will lend	\$1,092,698	\$364,232.50
Cash invested / down payment	\$ 365,000	
Financed amount	\$ 1,093,000	
Loan interest rate	7%	
Length of loan, years	30.0 yrs	<u>2nd year</u>
Interest only paid 1st year	\$76,158	\$75,356
Principal only paid 1st year	\$11,103	\$11,905
Principal and interest paid	\$87,261	\$87,261

FINAL VALUES TO USE IN CALCS

GROSS ANNUAL INCOME	Year 1	Year 2, on
Default income	(\$15,000)	\$142,500
Or use different values		
Gross annual income	(\$15,000)	\$142,500
APPRECIATION	Year 1	Year 2, on
Default value of land and improvements	\$250,000	\$1,675,450
Or use different values		
Amount subject to appreciation	\$250,000	\$1,675,450
DEPRECIATION	Year 1	Year 2, on
Default value of depreciation	\$0	(\$51,835)
Or use different values		
Annual depreciation	\$0	(\$51,835)
LOAN VALUES	Year 1	Year 2, on
Default interest only	(\$11,671)	(\$86,904)
Or use different values		
Default principal only	(\$1,701)	(\$13,730)
Or use different values		
Annual interest due	(\$11,671)	(\$86,904)
Annual principal due	(\$1,701)	(\$13,730)
Total annual debt service	(\$13,373)	(\$100,634)

RESULTS AND SUMMARY

ANNUAL APPRECIATION	Year 1	Year 2, on
Rate of appreciation, from Gen Info	1%	1%
Appreciation amount from above	\$250,000	\$1,675,450
Annual appreciation	\$2,500	\$16,755
CASH FLOW BEFORE TAX	Year 1	Year 2, on
Gross annual income from above	(\$15,000)	\$142,500
Less recurring expenses	(\$4,500)	(\$48,262)

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<i>Equals net operating income</i>	(\$19,500)	\$94,238
Less annual debt service (prin + int)	(\$13,373)	(\$100,634)
<i>Equals cash flow before tax</i>	(\$32,873)	(\$6,395)
REDUCTION IN LOAN PRINCIPAL	Year 1	Year 2, on
Annual debt service (prin + int)	(\$13,373)	(\$100,634)
Annual interest only	(\$11,671)	(\$86,904)
<i>Annual reduction in loan principal</i>	\$1,701	\$13,730
TAX CONSEQUENCE	Year 1	Year 2, on
Net operating income	(\$19,500)	\$94,238
Less interest expense	(\$11,671)	(\$86,904)
Less depreciation	\$0	(\$51,835)
<i>Equals annual taxable income</i>	(\$31,171)	(\$44,500)
Mul by tax bracket from Gen Info	30%	30%
<i>Equals tax paid or saved</i>	\$9,351	\$13,350
SUMMARY	Year 1	Year 2, on
<i>Cashflow before taxes and appreciation</i>	(\$32,873)	(\$6,395)
<i>Total annual benefit or loss</i>	(\$19,320)	\$37,439
<i>Annual return on investment</i>	-4.3%	8.4%
<hr/>		
<i>Equity from cash in</i>	\$447,500	
<i>Years to recapture cash invested</i>	12.5 yrs	
<i>Cash deficit or surplus at proj. start.</i>	\$	26,070