

CRE Proforma

Development Project

Input Data

Going Out Cap Rate	7.5%
Selling Expense	7.0%
7-yr Building Improvement %	12%
15-yr Land Improvements	475,000
Purchase Price	13,509,939
Acquisition Costs	-
Land Value	2,650,000

Marginal Tax Bracket	39.6%
Depn Recapture Rate	39.6%
Capital Gain Rate	20.0%
Equity Hurdle Rate	15.0%
Depreciation Period	39
Initial Long term Bldg Basis	9,138,746
Initial 7 yr Bldg Basis	1,246,193
Initial Land Improve Basis	475,000

Mortgage LTV	75.0%
Amort Term (Years)	30
Maturity (Years)	10
Rate	6.000%
Points	2.25%
Prepay Penalty (%)	0.00%
Mortgage Amount	10,132,454
Monthly Pmt	60,749
Balance 120 Mo	8,479,418

Summary of Before Tax Cash Flows by Year

	0	1	2	3	4	5	6	7	8	9	10
Operations		291,760	493,459	603,087	612,226	621,697	332,511	630,180	640,715	651,630	662,938
Capital	-3,605,465										8,925,729
Total CF	-3,605,465	291,760	493,459	603,087	612,226	621,697	332,511	630,180	640,715	651,630	9,588,666

Before Tax IRR =	19.9%
Before Tax NPV =	1,222,559

Ratio Analysis

	0	1	2	3	4	5	6	7	8	9	10
Unlevered Return		8%	9%	10%	10%	10%	8%	10%	10%	10%	10%
Cash on Cash Return		8%	14%	17%	17%	17%	9%	17%	18%	18%	18%
Debt Coverage Ratio		1.40	1.68	1.83	1.84	1.85	1.46	1.86	1.88	1.89	1.91
Vacancy Collection Loss		20.6%	11.5%	6.8%	6.9%	6.9%	20.1%	7.5%	7.5%	7.6%	7.6%
Operating Expense Ratio		39.7%	36.0%	34.6%	35.0%	35.4%	41.7%	36.4%	36.8%	37.2%	37.6%
Breakeven Occupancy		65.7%	65.7%	65.6%	65.5%	65.4%	65.3%	65.2%	65.1%	65.0%	64.9%

Summary of After Tax Cash Flows by Year

	0	1	2	3	4	5	6	7	8	9	10
Operations		256,964	381,889	443,660	444,507	445,311	265,470	439,819	372,891	370,513	366,601
Capital	-3,605,465										6,877,520
Total CF	-3,605,465	256,964	381,889	443,660	444,507	445,311	265,470	439,819	372,891	370,513	7,244,121

After Tax IRR =	14.9%
After Tax NPV =	-28,023

Cash Flow From Operations

	0	1	2	3	4	5	6	7	8	9	10	11
Gross Potential Income	2,130,000	2,158,100	2,187,011	2,216,755	2,247,358	2,278,843	2,311,238	2,344,567	2,378,859	2,414,141	2,450,442	
- Vacancy & Collection	438,000	247,620	149,701	152,676	155,736	457,884	173,624	176,957	180,386	183,914	187,544	
= Effective Gross Income	1,692,000	1,910,480	2,037,309	2,064,080	2,091,622	1,820,959	2,137,614	2,167,611	2,198,473	2,230,227	2,262,898	
- Operating Expense	671,250	688,031	705,232	722,863	740,934	759,458	778,444	797,905	817,853	838,299	859,257	
= Net Operating Income	1,020,750	1,222,449	1,332,077	1,341,217	1,350,688	1,061,501	1,359,170	1,369,705	1,380,620	1,391,928	1,403,641	
- Mortgage Payment	728,990	728,990	728,990	728,990	728,990	728,990	728,990	728,990	728,990	728,990	728,990	
= Before Tax Cash Flow	291,760	493,459	603,087	612,226	621,697	332,511	630,180	640,715	651,630	662,938		
- Taxes	34,796	111,570	159,427	167,720	176,386	67,041	190,361	267,824	281,117	296,336		
= After Tax Cash Flow	256,964	381,889	443,660	444,507	445,311	265,470	439,819	372,891	370,513	366,601		

Income Taxes From Operations

	0	1	2	3	4	5	6	7	8	9	10
End of Year Loan Balance	10,132,454	10,008,026	9,875,924	9,735,674	9,586,774	9,428,690	9,260,856	9,082,670	8,893,493	8,692,649	8,479,418
NOI		1,020,750	1,222,449	1,332,077	1,341,217	1,350,688	1,061,501	1,359,170	1,369,705	1,380,620	1,391,928
+ Capital Reserves		120,000	123,000	126,075	129,227	132,458	135,769	139,163	142,642	146,208	149,864
- Interest Paid		604,562	596,888	588,740	580,090	570,906	561,156	550,804	539,814	528,146	515,758
- Amortized Finance Costs		22,798	22,798	22,798	22,798	22,798	22,798	22,798	22,798	22,798	22,798
- Amortized Leasing Costs											
- Depreciation (Building)		224,563	234,327	234,327	234,327	234,327	234,327	234,327	234,327	234,327	224,563
- Depreciation (Bldg Impr 7-yr)		170,610	178,028	178,028	178,028	178,028	178,028	178,028	7,418		
- Depreciation (Land Impr 15-yr)		30,347	31,667	31,667	31,667	31,667	31,667	31,667	31,667	31,667	30,347
= Taxable Income		87,869	281,742	402,593	423,535	445,420	169,295	480,710	676,324	709,891	748,324
Taxes Due		34,796	111,570	159,427	167,720	176,386	67,041	190,361	267,824	281,117	296,336

Cash flow From Resale

	EOY 10	Gain on Sale	
Estimated Sales Price	18,715,211	Net Sales Price	17,405,147
- Sales Expense	1,310,065	- Adjusted Basis	10,970,383
= Net Sales Price	17,405,147	= Gain on Sale	6,434,763
- Mortgage Payoff	8,479,418	Depreciation Recapture	3,883,961
= Before Tax Equity Reversion	8,925,729	Capital Gain	2,550,802
- Taxes on Sale	2,048,209	Depreciation Recapture Tax	1,538,049
= After Tax Equity Reversion	6,877,520	Cap Gain Tax	510,160
		Total Tax on Sale	2,048,209

Question 3: LTV can rise 10.84% and still meet a DCR of 1.3 at the lowest year
 Question 4: If CG tax rate increase to 23.8%, then ATIRR falls to 14.9%, which is a decrease of about 2/3 percent

