## Problem Description

**FIN 3433: Example Rental Proforma**

### Input Data

- Gross Monthly Rent: $1300
- Term (Years): 30
- Vacancy Rate: 10.0%
- Rate: 5.875%
- Property Taxes: $3860
- Points: 2.0%
- Prepay Penalty (%): 0.0%
- Mortgage Amount: $112,500
- Balance 60 Mo: $104,523.12

### Sales Data

- Estimated Sales Price: $167,146
- Net Sales Price: $155,446
- Adjusted Basis: $129,367
- Depn Recapture: $21,633
- Capital Gain: $4,446

### Proforma Calculations

### Before Tax Cash Flows by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Operations</th>
<th>Capital</th>
<th>Total CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-56</td>
<td>182</td>
<td>427</td>
</tr>
<tr>
<td>1</td>
<td>182</td>
<td>427</td>
<td>680</td>
</tr>
<tr>
<td>2</td>
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<td>1107</td>
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<tr>
<td>3</td>
<td>680</td>
<td>427</td>
<td>1207</td>
</tr>
<tr>
<td>4</td>
<td>680</td>
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<td>1207</td>
</tr>
<tr>
<td>5</td>
<td>680</td>
<td>427</td>
<td>1207</td>
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</tbody>
</table>

Before Tax IRR = 5.5%

Before Tax NPV = -4,510

Debt Coverage Ratio = 0.99 1.02 1.05 1.09 1.12

Cash on Cash Return = -0.14% 0.45% 1.05% 1.67% 2.31%

### After Tax Cash Flows by Year

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<tr>
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<td>2,127</td>
<td>3,242</td>
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<tr>
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<td>2,127</td>
<td>3,242</td>
<td>5,369</td>
</tr>
<tr>
<td>4</td>
<td>3,242</td>
<td>5,369</td>
<td>8,611</td>
</tr>
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<td>5</td>
<td>5,369</td>
<td>8,611</td>
<td>14,000</td>
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</table>

After Tax IRR = 4.7%

After Tax NPV = -5,578

### Income Taxes From Operations

<table>
<thead>
<tr>
<th>End of Year Loan Balance</th>
<th>NOI</th>
<th>- Interest Paid</th>
<th>- Amortized Finance Costs</th>
<th>- Depreciation</th>
<th>- Taxable Income</th>
<th>Taxes Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>112,500</td>
<td>7,930</td>
<td>6,572</td>
<td>161</td>
<td>4,217</td>
<td>-2,933</td>
<td>-821</td>
</tr>
</tbody>
</table>

### Cash Flow From Resale

- Gain on Sale = 6,075
- Depn Recapture = 21,633
- Capital Gain = 4,446
- Total Tax on Sale = 6,075

### Summary

- **Going In Cap Rate**: 5.29%
- **Going Out Cap Rate**: 5.50%

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### Cash Flow From Operations

- **Net Operating Income**: $7,930
- **Mortgage Payment**: $7,986
- **Effective Gross Income**: $14,040
- **Operating Expense**: $6,110
- **Net Operating Income**: $7,930
- **Depreciation**: $4,217
- **Taxable Income**: $-2,933
- **Taxes**: $-821

### Income Taxes From Operations

- **End of Year Loan Balance**: $112,500
- **NOI**: $7,930
- **Interest Paid**: $6,572
- **Amortized Finance Costs**: $161
- **Depreciation**: $4,217
- **Taxable Income**: $-2,933
- **Taxes**: $-821

### Cash Flow From Resale

- **Estimated Sales Price**: $167,146
- **Net Sales Price**: $155,446
- **Depn Recapture**: $21,633
- **Capital Gain**: $4,446
- **Total Tax on Sale**: $6,075

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