

# 10-Year Cash Flow Analysis

**63 Room Facility**  
8479 State Highway 31 E  
Fiscal Year Beginning June 2023



### INITIAL INVESTMENT

Purchase Price	\$3,800,000
+ Acquisition Costs	\$76,000
- Mortgage(s)	\$3,230,000
+ Loan Fees Points	\$32,300
Initial Investment	\$678,300

### MORTGAGE DATA

### 1ST LIEN

Loan Amount	\$3,230,000
Interest Rate (365/360)	8.250%
Amortization Period	25 Years
Loan Term	10 Years
Loan Fees Points	1.00%
Periodic Payment	\$25,727.16
Annual Debt Service	\$308,726

### CASH FLOW

For the Year Ending	Year 1 May-2024	Year 2 May-2025	Year 3 May-2026	Year 4 May-2027	Year 5 May-2028	Year 6 May-2029	Year 7 May-2030	Year 8 May-2031	Year 9 May-2032	Year 10 May-2033
<b>POTENTIAL RENTAL INCOME (PRI)</b>	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253
- Vacancy / Credit Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>EFFECTIVE RENTAL INCOME</b>	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253
+ Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>GROSS OPERATING INCOME (GOI)</b>	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253
- Operating Expenses	\$7,338	\$7,558	\$7,784	\$8,018	\$8,258	\$8,506	\$8,761	\$9,024	\$9,295	\$9,574
<b>NET OPERATING INCOME (NOI)</b>	\$481,830	\$496,285	\$511,174	\$526,509	\$542,305	\$558,574	\$575,331	\$592,591	\$610,368	\$628,679
Net Operating Income (NOI)	\$481,830	\$496,285	\$511,174	\$526,509	\$542,305	\$558,574	\$575,331	\$592,591	\$610,368	\$628,679
- Capital Expenses / Replacement Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Annual Debt Service 1st Lien	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726	\$308,726
<b>CASH FLOW BEFORE TAXES</b>	\$173,104	\$187,559	\$202,448	\$217,783	\$233,579	\$249,848	\$266,605	\$283,865	\$301,642	\$319,953
Sales Proceeds	1	2	3	4	5	6	7	8	9	10
Sale Price Per Square Foot	\$166.91	\$171.95	\$177.10	\$182.40	\$187.89	\$193.52	\$199.33	\$205.29	\$211.47	\$217.80
Sales Price	\$4,536,000	\$4,673,000	\$4,813,000	\$4,957,000	\$5,106,000	\$5,259,000	\$5,417,000	\$5,579,000	\$5,747,000	\$5,919,000
- Sales Expenses	\$226,800	\$233,650	\$240,650	\$247,850	\$255,300	\$262,950	\$270,850	\$278,950	\$287,350	\$295,950
- Mortgage Balance 1st Lien	\$3,190,129	\$3,146,789	\$3,099,679	\$3,048,471	\$2,992,808	\$2,932,304	\$2,866,536	\$2,795,046	\$2,717,338	\$2,632,870
<b>Sales Proceeds Before Tax</b>	\$1,119,071	\$1,292,561	\$1,472,671	\$1,660,679	\$1,857,892	\$2,063,746	\$2,279,614	\$2,505,004	\$2,742,312	\$2,990,180

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Measures of Investment Performance  
Analysis

63 Room Facility  
8479 State Highway 31 E  
Fiscal Year Beginning June 2023



Acquisition CAP Rate	12.68%
Cost of Sale upon Disposition	5.00%
Purchase Price per Square Foot	\$139.83

Combined LTV at Acquisition	85.00%
Combined DSCR at Acquisition	1.56

Summary of Investment Measures

For the Year Ending	Year 1 May-2024	Year 2 May-2025	Year 3 May-2026	Year 4 May-2027	Year 5 May-2028	Year 6 May-2029	Year 7 May-2030	Year 8 May-2031	Year 9 May-2032	Year 10 May-2033
Loan-to-Value (LTV) - 1st Lien	70.33%	67.34%	64.4%	61.5%	58.61%	55.76%	52.92%	50.1%	47.28%	44.48%
Combined Lien Loan-to-Value (LTV)	70.33%	67.34%	64.4%	61.5%	58.61%	55.76%	52.92%	50.1%	47.28%	44.48%
DSCR - 1st Lien	1.56	1.61	1.66	1.71	1.76	1.81	1.86	1.92	1.98	2.04
Combined DSCR	1.56	1.61	1.66	1.71	1.76	1.81	1.86	1.92	1.98	2.04
Return on Equity	15.47%	14.51%	13.75%	13.11%	12.57%	12.11%	11.70%	11.33%	11.00%	10.70%
Before Tax Cash on Cash	25.52%	27.65%	29.85%	32.11%	34.44%	36.83%	39.30%	41.85%	44.47%	47.17%

Year Property Sold	1	2	3	4	5	6	7	8	9	10
Before Tax Unleveraged Property Yield (IRR)	23.61%	19.23%	17.80%	17.10%	16.69%	16.41%	16.22%	16.08%	15.97%	15.89%

Effective Annual Cost of Borrowed Funds	9.42%	8.89%	8.72%	8.63%	8.57%	8.54%	8.51%	8.49%	8.48%	8.46%
Before Tax Impact of Leverage	↑ 66.89%	↑ 41.80%	↑ 33.65%	↑ 29.36%	↑ 26.63%	↑ 24.72%	↑ 23.28%	↑ 22.17%	↑ 21.29%	↑ 20.57%

Equity Multiple	1.91	2.44	3.00	3.60	4.23	4.91	5.62	6.37	7.16	8.00
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Before Tax EQUITY Yield (IRR)	90.50%	61.03%	51.45%	46.46%	43.32%	41.13%	39.50%	38.25%	37.26%	36.46%
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**INCOME**

For the Year Ending	Year 1 May-2024	Year 2 May-2025	Year 3 May-2026	Year 4 May-2027	Year 5 May-2028	Year 6 May-2029	Year 7 May-2030	Year 8 May-2031	Year 9 May-2032	Year 10 May-2033
POTENTIAL RENTAL INCOME (PRI)	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253
- Vacancy / Credit Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EFFECTIVE RENTAL INCOME (ERI)	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253
+ Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OTHER INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GROSS OPERATING INCOME (GOI)	\$489,168	\$503,843	\$518,958	\$534,527	\$550,563	\$567,080	\$584,092	\$601,615	\$619,663	\$638,253

**EXPENSE DETAIL**

TOTAL OPERATING EXPENSES	\$7,338	\$7,558	\$7,784	\$8,018	\$8,258	\$8,506	\$8,761	\$9,024	\$9,295	\$9,574
NET OPERATING INCOME (NOI)	\$481,830	\$496,285	\$511,174	\$526,509	\$542,305	\$558,574	\$575,331	\$592,591	\$610,368	\$628,679

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ASSUMPTION / INPUTS

Purchase Price	\$3,800,000
Year 1 Potential Income	\$489,168
Vacancy & Credit Loss	0.00%
Year 1 Expenses	1.50%
Acquisition CAP Rate	12.68%
Sale Price - CAP Rate	10.94%

Acquisition Costs (% of Purchase Price)	2.00%
Annual Income Increase	3.00%
Other Income Increase	0.00%
Annual Expense Increase	N/A
Loan Fees Points	1.00%
Cost of Sale upon Disposition	5.00%

10-YEAR EQUITY YIELD & EFFECTIVE LOAN RATE

Unleveraged Investment			Financing Cash Flow			Equity Investment	
Cash Flow & 10-year Yield			& Effective Rate			Cash Flow & 10-year Yield	
N	\$		N	\$		N	\$
0	(\$3,876,000)	+	0	\$3,197,700	=	0	(\$678,300)
1	\$481,830		1	(\$308,726)		1	\$173,104
2	\$496,285		2	(\$308,726)		2	\$187,559
3	\$511,174		3	(\$308,726)		3	\$202,448
4	\$526,509		4	(\$308,726)		4	\$217,783
5	\$542,305		5	(\$308,726)		5	\$233,579
6	\$558,574		6	(\$308,726)		6	\$249,848
7	\$575,331		7	(\$308,726)		7	\$266,605
8	\$592,591		8	(\$308,726)		8	\$283,865
9	\$610,368		9	(\$308,726)		9	\$301,642
10	\$6,251,729		10	(\$2,941,596)		10	\$3,310,133

Property IRR/Yield = 15.89%

Effective Loan Rate = 8.46%

Equity IRR / Yield = 36.46%

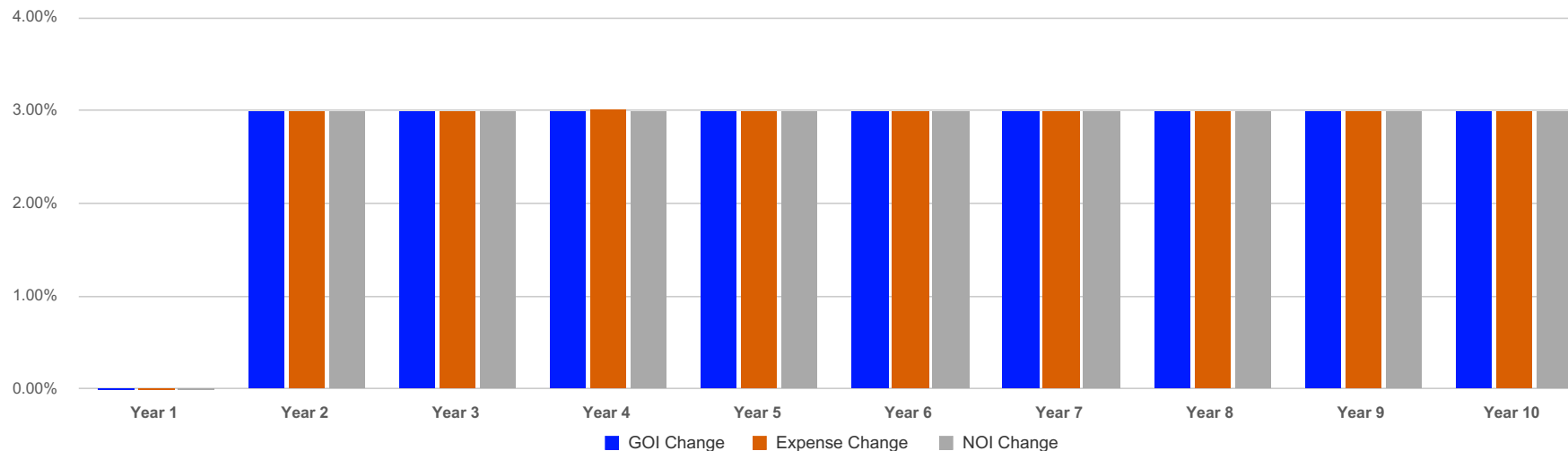
Positive Leverage! Leverage INCREASED the Yield by 20.57%

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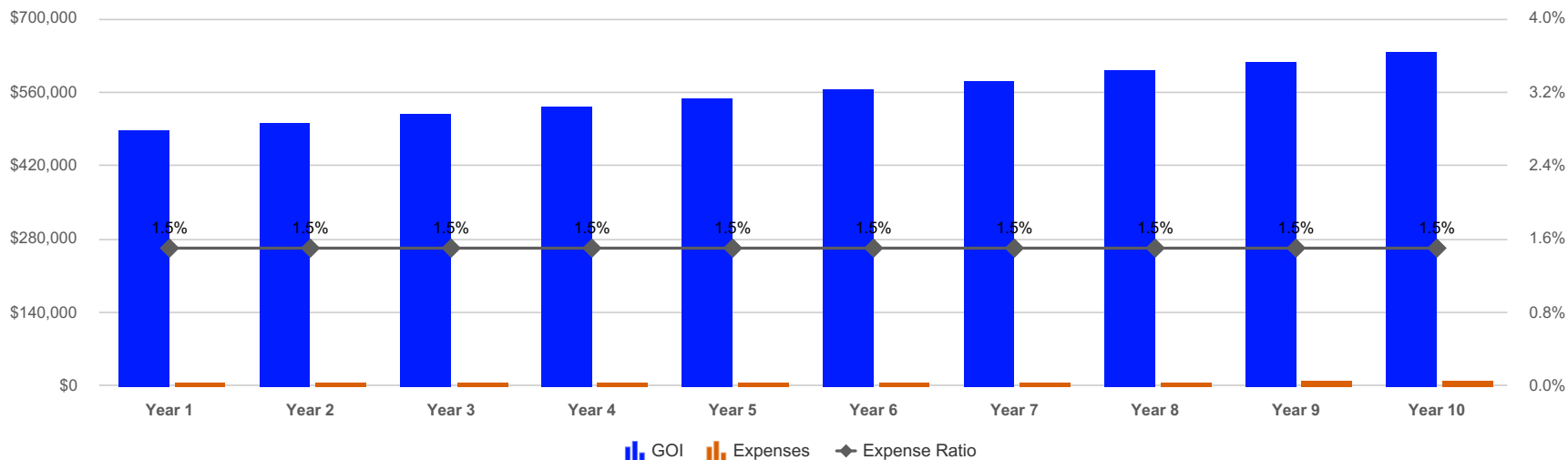
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### Annual GOI, Expense and NOI Percent Change



### Expense Ratio % of GOI

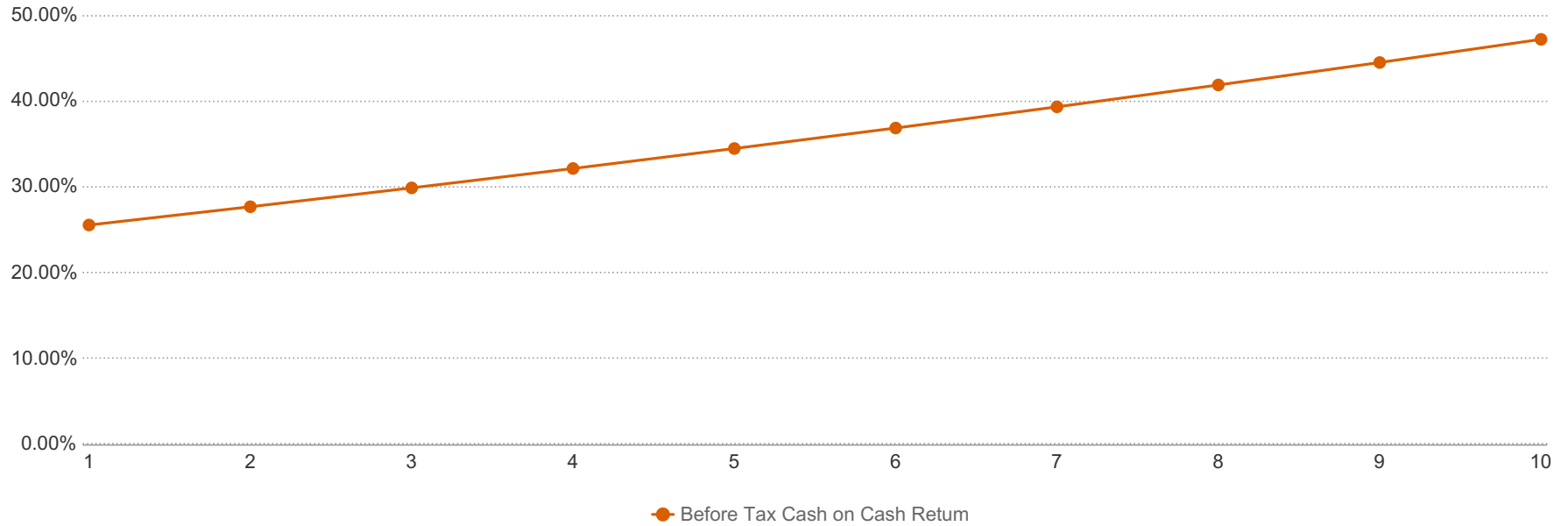


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### Annual Cash-on-Cash Dividend Return



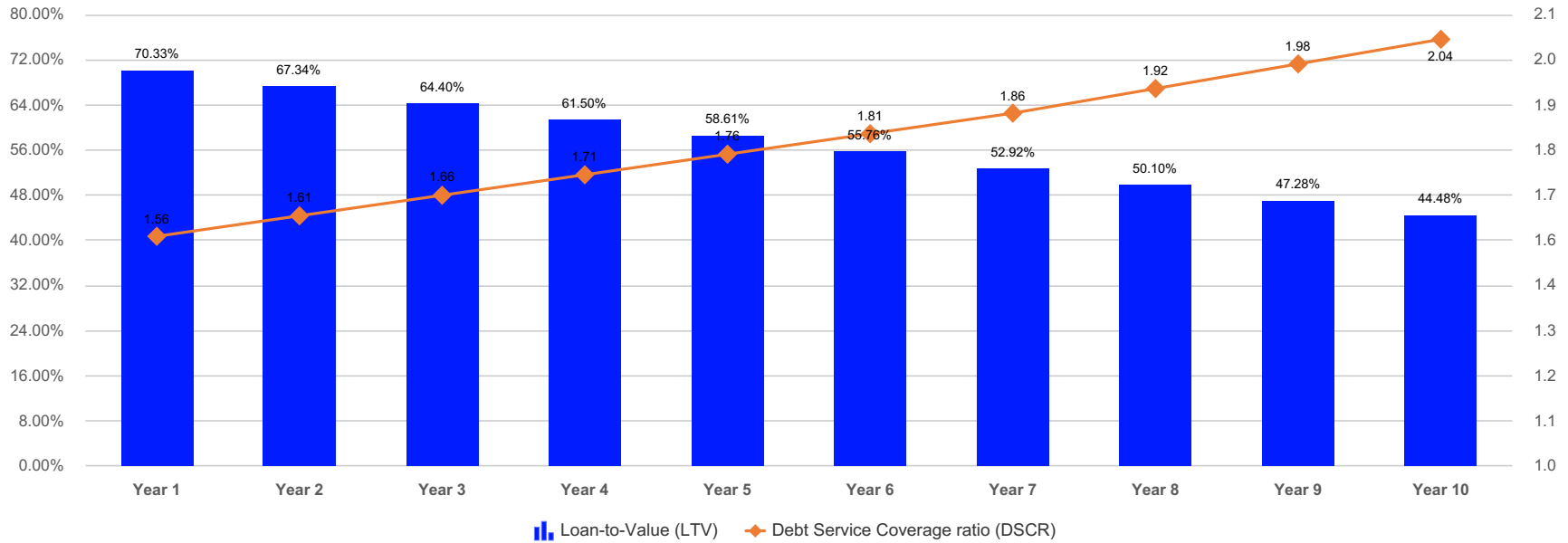
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Before Tax Cash on Cash Return	25.52%	27.65%	29.85%	32.11%	34.44%	36.83%	39.30%	41.85%	44.47%	47.17%

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### 1st Lien Loan-to-Value (LTV) & Debt Service Coverage Ratio (DSCR)



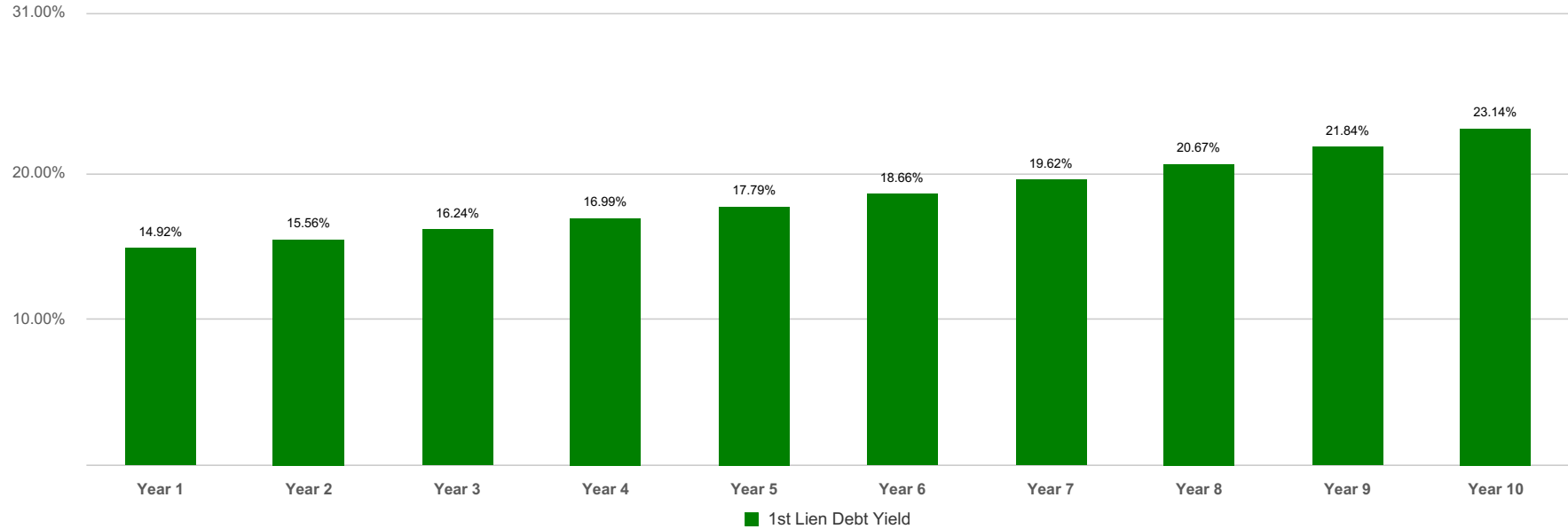
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Loan-to-Value (LTV) - 1st Lien	70.33%	67.34%	64.40%	61.50%	58.61%	55.76%	52.92%	50.10%	47.28%	44.48%
DSCR - 1st Lien	1.56	1.61	1.66	1.71	1.76	1.81	1.86	1.92	1.98	2.04

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### Debt Yield Ratio (DYR)



For the Year Ending	Year 1 May-2024	Year 2 May-2025	Year 3 May-2026	Year 4 May-2027	Year 5 May-2028	Year 6 May-2029	Year 7 May-2030	Year 8 May-2031	Year 9 May-2032	Year 10 May-2033
Debt Yield Ratio (DYR) - 1st Lien	14.92%	15.56%	16.24%	16.99%	17.79%	18.66%	19.62%	20.67%	21.84%	23.14%

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**PROPERTY**

Purchase Price	\$3,800,000.00
Property Size	27,176 Square Feet
Purchase Date	06/2023

**INCOME**

<b>Potential Income</b>	
Year 1 Potential Income	\$489,168.00
Annual Income Increase	3.00 %

<b>Other Income</b>	
Other Income	\$0.00
Other Income Increase	0.00%

**VACANCY & EXPENSES**

<b>Vacancy</b>	
Vacancy/credit Loss	0.00 %
<b>Expenses</b>	
Year 1 Expenses	1.50 % of Gross Operating IncomeGOI
Annual Expense Increase	Custom

**MORTGAGE**

<u>1st Mortgage</u>	
Assume Existing Loan	NO
Loan Amount	85.00%
Loan Rate	8.25%
Interest Only	NO
Loan Amortization	25 Years
Loan Term	10 Years
Loan Fees Points	1.00%
Interest Calculation	365/360
Refinance / Future Loan	NO

**DISPOSITION/SALE**

Cap Or Price	10.94 %
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**■ DEFAULT ASSUMPTIONS**

Acquisition Cost (% Of Purchase Or \$)	2.00 %
Cost Of Sale Disposition	5.00 %
Federal Income Tax Rate	37.00%
State / Local Income Tax Rate	0.00%
Medicare Surtax	3.80%
Tax On Gain From Appreciation	20.00%
Tax On Recaptured Depreciation	25.00%
State / Provincial / Local Capital Gain Rate	0.00%
Medicare Capital Gain Rate	3.80%
Percent Improvements	70.00%
Depreciation Life	Commercial
Interest Deduction	Yes
Loan Costs Deduction	Yes
USA Mid Month Convention	Yes
Mortgage Calculation	USA

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