

# Self Storage Acquisition Example

## Project Assumptions

### Property Information

Property Name	Self Storage Acquisition Example
Location	Texas
Property Use	Self Storage
Units	486
Analysis Year Begin	January 2023
Annual Inflation Rate	3.0%

### Acquisition Assumptions

Project Type	Acquisition
Acquisition Cost	\$3,200,000
Other Costs	\$100,000
-	\$0
<b>Acquisition Cost</b>	<b>\$3,300,000</b>
Due Diligence/Closing Costs	0.00% \$0
Initial Deposits to Reserve Accounts	
Operating Reserve Account	\$0
Cap Ex Reserve Account	\$0
Replacement Reserves Account	\$0
<b>Unleveraged Acquisition Cost</b>	<b>\$3,300,000</b>
Initial Loan Origination Fee	0.00% \$0
<b>Leveraged Acquisition Cost</b>	<b>\$3,300,000</b>

### Initial Capital Structure

Debt: (LTV)	75.0%	\$2,475,000
Equity		\$825,000
<b>Total</b>		<b>\$3,300,000</b>

<b>Desired Equity Return (Discount Rate)</b>		<b>10.0%</b>
Developer	10.0%	\$82,500
JV Partner	90.0%	\$742,500
<b>Total Equity</b>	<b>100.0%</b>	<b>\$825,000</b>

Please refer to the Equity Investor Returns worksheet for waterfall information.

### Tax Assumptions

Ordinary Income Marginal Tax Rate	35.0%
Capital Gains Tax Rate	20.0%
Cost Recovery Recapture Tax Rate	25.0%

### Cost Recovery Assumptions

Assessed Value of Land	97%
Assessed Value of Improvements	3%
Cost Recovery Method	Straight Line
Useful Life	27.5
C.R. 1st & Last Years (11.5 months)	3.485%
C.R. Interim Years (12 Months)	3.636%

### Debt Structure Assumptions

#### Interest Only Loan

Will there be an Interest Only Period?	No
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#### Amortizing Debt Service

Amortization Type	American
Amortizing Loan Amount	\$2,475,000
Term (Months)	120
Amortization (Months)	240
Start Rate	5.50%
Origination Fee	0.00%
Initial Interest Only Period	No
Exit Fee	0.00%
Rate Type	Floating
Grow Rate	2.00% every 5 years

### Sale Assumptions

Year of Sale	10
Terminal Value Calculation Method	Cap Rate
Cost of Sale	0.5%
Exit Cap Rate	8.00%

# Self Storage Acquisition Example

## Unit Mix

Unit Type	Length	Width	Number of		Unit SF	Total SF	Monthly Rental		Total Monthly Rent
			Units	%			Rate	\$ PSF	
Ambient	10	14	132	27%	140	18,480	\$100	\$0.71	\$13,200
Climate Controlled	10	13	354	73%	130	46,020	\$125	\$0.96	\$44,250
<b>Total</b>			<b>486</b>	<b>100%</b>	<b>133</b>	<b>64,500</b>	<b>\$118</b>	<b>\$0.89</b>	<b>\$57,450</b>



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## Lease-Up Schedule

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Total Units	486
Beginning Occupancy	80%
Stabilized Occupancy	95%
Stabilized Units	462
Begin Occupying in Month	1
Units Pre-Leased	0
Units Leased per Month	10

*Project leases in 8 months.  
Stabilization is achieved in month 8.*

### Annual Summary

Period	Dates	Leased Units (BOY)	Leased in Period	Leased Units (EOY)	Average Occupancy	Average Vacancy
1	Jan 23 - Dec 23	389	73	462	91%	9%
2	Jan 24 - Dec 24	462	0	462	95%	5%
3	Jan 25 - Dec 25	462	0	462	95%	5%
4	Jan 26 - Dec 26	462	0	462	95%	5%
5	Jan 27 - Dec 27	462	0	462	95%	5%
6	Jan 28 - Dec 28	462	0	462	95%	5%
7	Jan 29 - Dec 29	462	0	462	95%	5%
8	Jan 30 - Dec 30	462	0	462	95%	5%
9	Jan 31 - Dec 31	462	0	462	95%	5%
10	Jan 32 - Dec 32	462	0	462	95%	5%

**Schedule of Prospective Cash Flows**

Period	11											
	1	2	3	4	5	6	7	8	9	10	11	
	Jan 23 - Dec 23	Jan 24 - Dec 24	Jan 25 - Dec 25	Jan 26 - Dec 26	Jan 27 - Dec 27	Jan 28 - Dec 28	Jan 29 - Dec 29	Jan 30 - Dec 30	Jan 31 - Dec 31	Jan 32 - Dec 32	Jan 33 - Dec 33	
<b>Operating Income</b>	<b>Inflation</b>	3.0%										
<b>Base Rental Revenue</b>		689,400	710,082	731,384	753,326	775,926	799,204	823,180	847,875	873,311	899,511	926,496
<b>Other Potential Gross Revenue</b>												
Less: Concessions		(58,000)	(59,740)	(61,532)	(63,378)	(65,280)	(67,238)	(69,255)	(71,333)	(73,473)	(75,677)	(77,947)
Retail Income		85,000	87,550	90,177	92,882	95,668	98,538	101,494	104,539	107,675	110,906	114,233
Other Income		0	0	0	0	0	0	0	0	0	0	0
Miscellaneous (1)		0	0	0	0	0	0	0	0	0	0	0
Miscellaneous (2)		0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Potential Gross Revenue</b>		<b>27,000</b>	<b>27,810</b>	<b>28,644</b>	<b>29,504</b>	<b>30,389</b>	<b>31,300</b>	<b>32,239</b>	<b>33,207</b>	<b>34,203</b>	<b>35,229</b>	<b>36,286</b>
<b>Total Potential Gross Revenue</b>		<b>716,400</b>	<b>737,892</b>	<b>760,029</b>	<b>782,830</b>	<b>806,315</b>	<b>830,504</b>	<b>855,419</b>	<b>881,082</b>	<b>907,514</b>	<b>934,740</b>	<b>962,782</b>
General Vacancy Rate		8.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Vacancy & Collection Loss		(63,754)	(36,439)	(37,532)	(38,658)	(39,818)	(41,013)	(42,243)	(43,510)	(44,816)	(46,160)	(47,545)
<b>Other Income</b>												
Miscellaneous		0	0	0	0	0	0	0	0	0	0	0
User Defined Income		0	0	0	0	0	0	0	0	0	0	0
User Defined Income		0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Effective Gross Income</b>		<b>652,646</b>	<b>701,453</b>	<b>722,496</b>	<b>744,171</b>	<b>766,497</b>	<b>789,491</b>	<b>813,176</b>	<b>837,571</b>	<b>862,699</b>	<b>888,580</b>	<b>915,237</b>
<b>Operating Expenses</b>	<b>Inflation</b>	3.0%										
Property Management Fee	3.0%	19,579	21,044	21,675	22,325	22,995	23,685	24,395	25,127	25,881	26,657	27,457
Ad Valorem Taxes		120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012	156,573	161,270
Insurance		50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239	67,196
Utilities		22,000	22,660	23,340	24,040	24,761	25,504	26,269	27,057	27,869	28,705	29,566
Repairs & Maintenance		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598
Cleaning & Garbage Removal		0	0	0	0	0	0	0	0	0	0	0
Contract Services		0	0	0	0	0	0	0	0	0	0	0
General & Administrative		0	0	0	0	0	0	0	0	0	0	0
Marketing		15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159
Payroll		120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012	156,573	161,270
Other		0	0	0	0	0	0	0	0	0	0	0
User Defined		0	0	0	0	0	0	0	0	0	0	0
User Defined		0	0	0	0	0	0	0	0	0	0	0
User Defined		0	0	0	0	0	0	0	0	0	0	0
<b>Total Operating Expenses</b>		<b>371,579</b>	<b>383,604</b>	<b>395,112</b>	<b>406,965</b>	<b>419,174</b>	<b>431,749</b>	<b>444,702</b>	<b>458,043</b>	<b>471,784</b>	<b>485,938</b>	<b>500,516</b>
<b>NOI Before Reserves</b>		<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>402,642</b>	<b>414,721</b>
<b>Annual Reserves Contributions</b>												
Operating Reserve Account		0	0	0	0	0	0	0	0	0	0	0
Cap Ex Reserve Account		0	0	0	0	0	0	0	0	0	0	0
Replacement Reserves Account		0	0	0	0	0	0	0	0	0	0	0
<b>Total Reserves</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Income</b>		<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>402,642</b>	<b>414,721</b>

**Schedule of Prospective Cash Flows**

Period	1	2	3	4	5	6	7	8	9	10
	Jan 23 - Dec 23	Jan 24 - Dec 24	Jan 25 - Dec 25	Jan 26 - Dec 26	Jan 27 - Dec 27	Jan 28 - Dec 28	Jan 29 - Dec 29	Jan 30 - Dec 30	Jan 31 - Dec 31	Jan 32 - Dec 32
<b>Net Operating Income</b>	<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>402,642</b>
<b>Debt Service</b>										
Interest	134,380	130,436	126,269	121,867	117,217	153,624	147,555	141,016	133,969	126,375
Principal	69,923	73,867	78,034	82,435	87,085	78,165	84,234	90,773	97,820	105,414
Less: Interest in Development Budget	0	0	0	0	0	0	0	0	0	0
<b>Total Debt Service</b>	<b>204,303</b>	<b>204,303</b>	<b>204,303</b>	<b>204,303</b>	<b>204,303</b>	<b>231,789</b>	<b>231,789</b>	<b>231,789</b>	<b>231,789</b>	<b>231,789</b>
Refinance Proceeds	0	0	0	0	0	0	0	0	0	0
Less: Mortgage Origination Fee	0	0	0	0	0	0	0	0	0	0
<b>Cash Flow After Debt Service</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>
<b>Reserve Account Expenses</b>										
Capital Expenditures	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Expenses	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses Paid from Reserves</b>										
Less: Cap Ex Paid from Reserves	0	0	0	0	0	0	0	0	0	0
Less: User Defined Paid from Reserves	0	0	0	0	0	0	0	0	0	0
<b>Net Capital Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Non-Regular Income</b>										
Other Non-Regular Income	0	0	0	0	0	0	0	0	0	0
Other Non-Regular Expenses	0	0	0	0	0	0	0	0	0	0
Operating Deficit Reserve Draw	0	0	0	0	0	0	0	0	0	0
Return of Reserve Funds	0	0	0	0	0	0	0	0	0	0
<b>Total Non-Regular Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flow Before Taxes</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>

*\*Does not include Capital Expenses as they are often subject to separate tax treatment.  
This pro forma does not constitute tax advice. Please consult a professional tax advisor*

**Reserve Account Balances**

Period	1	2	3	4	5	6	7	8	9	10
	Jan 23 - Dec 23	Jan 24 - Dec 24	Jan 25 - Dec 25	Jan 26 - Dec 26	Jan 27 - Dec 27	Jan 28 - Dec 28	Jan 29 - Dec 29	Jan 30 - Dec 30	Jan 31 - Dec 31	Jan 32 - Dec 32
<b>Operating Reserve Account</b>										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	0	0	0	0	0	0
Expenses Paid	0	0	0	0	0	0	0	0	0	0
Taxes Paid	0	0	0	0	0	0	0	0	0	0
Withdrawal	0	0	0	0	0	0	0	0	0	0
<b>Ending Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cap Ex Reserve Account</b>										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	0	0	0	0	0	0
Expenses Paid	0	0	0	0	0	0	0	0	0	0
Withdrawal	0	0	0	0	0	0	0	0	0	0
<b>Ending Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replacement Reserves Account</b>										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	0	0	0	0	0	0
Expenses Paid	0	0	0	0	0	0	0	0	0	0
Withdrawal	0	0	0	0	0	0	0	0	0	0
<b>Ending Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Reserve Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Self Storage Acquisition Example

## Project Return Summary

### Summary

Units	486
Acquisition Price	\$3,300,000
Other Costs	\$0
Equity	\$825,000
Debt	\$2,475,000
LTV	75%

### Sale Analysis

Acquisition Price	\$3,300,000
Per Unit	\$6,790
Sale Price	\$5,184,016
Per Unit	\$10,667
Appreciation	57.1%
Avg. App/Year	5.7%

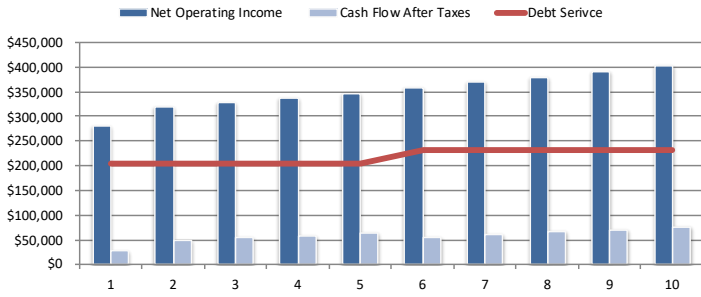
### Cash Flows

	Before Tax	After Tax
Operating Cash Flows	\$1,329,674	\$580,196
Net Sale Proceeds	\$3,530,845	\$3,150,211
Total Cash Flow	\$4,860,519	\$3,730,407
Profit	\$4,035,519	\$2,905,407
Equity Multiple	4.89x	3.52x

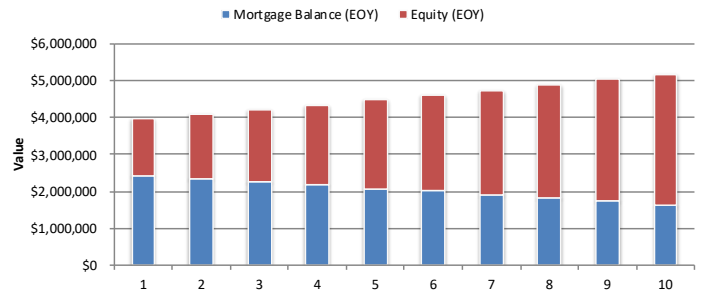
### IRR & Present Value

Unleveraged IRR	13.3%
Unleveraged PV at 10%	\$4,090,000
Leveraged IRR	24.5%
Leveraged PV at 10%	\$4,620,000
After Tax IRR (Leveraged)	18.2%
After Tax PV at 10%	\$4,030,000

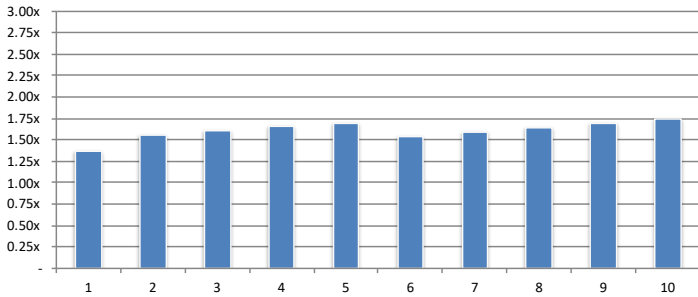
Annual Income Projections



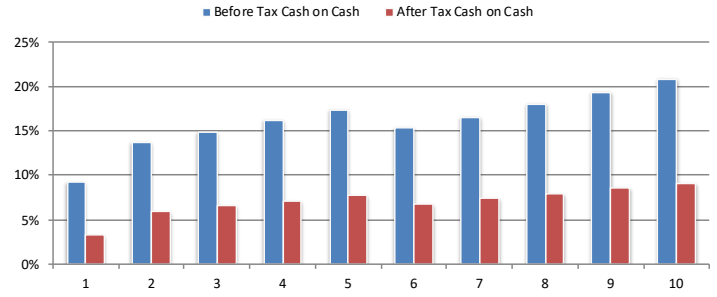
Debt vs. Equity



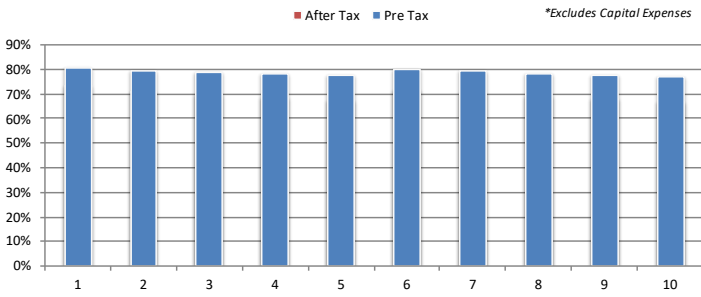
Debt Service Coverage Ratio



Annual Cash on Cash Return



Break Even Occupancy



Value Sensitivity



## Summary & Ratios

	1	2	3	4	5	6	7	8	9	10
	Jan 23 - Dec 23	Jan 24 - Dec 24	Jan 25 - Dec 25	Jan 26 - Dec 26	Jan 27 - Dec 27	Jan 28 - Dec 28	Jan 29 - Dec 29	Jan 30 - Dec 30	Jan 31 - Dec 31	Jan 32 - Dec 32
<b>Operating Summary</b>										
Effective Gross Income	652,646	701,453	722,496	744,171	766,497	789,491	813,176	837,571	862,699	888,580
Operating Expenses	(371,579)	(383,604)	(395,112)	(406,965)	(419,174)	(431,749)	(444,702)	(458,043)	(471,784)	(485,938)
Operating Reserves										
Net Operating Income	281,067	317,849	327,385	337,206	347,323	357,742	368,474	379,529	390,915	402,642
Less: Debt Service	(204,303)	(204,303)	(204,303)	(204,303)	(204,303)	(231,789)	(231,789)	(231,789)	(231,789)	(231,789)
Less: Fees										
Refinance Proceeds										
Cash Flow After Debt Service	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	159,126	170,853
Capital Expenses										
Other Non-Regular Income										
Sale Price Based on 8% Exit Cap Rate										5,184,016
Less: Mortgage Balance										(1,627,251)
Less: Cost of Sale										(25,920)
Cash Flow Before Taxes	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	159,126	3,701,698
Less: Taxes	(50,121)	(64,322)	(69,118)	(74,096)	(79,264)	(70,169)	(76,049)	(82,207)	(88,658)	(476,107)
Cash Flow After Taxes	26,644	49,225	53,964	58,808	63,756	55,784	60,636	65,533	70,467	3,225,591

## Value Summary

Cap Rate Based on Acquisition Cost	8.52%	9.63%	9.92%	10.22%	10.52%	10.84%	11.17%	11.50%	11.85%	12.20%
Value Based on 8% Exit Cap Rate	3,973,116	4,092,310	4,215,079	4,341,531	4,471,777	4,605,931	4,744,109	4,886,432	5,033,025	5,184,016
Mortgage Balance (EOY)	2,405,077	2,331,210	2,253,177	2,170,742	2,083,656	2,005,491	1,921,257	1,830,484	1,732,664	1,627,251
Equity (EOY)	1,568,039	1,761,099	1,961,902	2,170,790	2,388,121	2,600,440	2,822,851	3,055,948	3,300,360	3,556,765

## Operating Ratios

Net Income Multiplier*	11.74	10.38	10.08	9.79	9.50	9.22	8.96	8.69	8.44	8.20
Operating Expense Ratio	57%	55%	55%	55%	55%	55%	55%	55%	55%	55%
Cash on Cash Return (Pre Tax)	9.3%	13.8%	14.9%	16.1%	17.3%	15.3%	16.6%	17.9%	19.3%	20.7%
Cash on Cash Return (Post Tax)	3.2%	6.0%	6.5%	7.1%	7.7%	6.8%	7.3%	7.9%	8.5%	9.1%

\*Based on Acquisition Cost

## Lender Ratios

Loan to Value Ratio	61%	57%	53%	50%	47%	44%	40%	37%	34%	31%
Debt to Equity Ratio	1.53	1.32	1.15	1.00	0.87	0.77	0.68	0.60	0.52	0.46
Debt Service Coverage Ratio	1.38x	1.56x	1.60x	1.65x	1.70x	1.54x	1.59x	1.64x	1.69x	1.74x
Break Even Occupancy (Pre Tax)	80%	80%	79%	78%	77%	80%	79%	78%	78%	77%
Break Even Occupancy (Post Tax)	73%	71%	70%	69%	67%	71%	70%	69%	68%	67%
Debt Yield	11.7%	13.6%	14.5%	15.5%	16.7%	17.8%	19.2%	20.7%	22.6%	24.7%

## Performance Summary over 10 Years

	Pre Tax	Post Tax
Initial Equity	(825,000)	(825,000)
Operating Cash Flows	1,329,674	580,196
Net Reversion Proceeds	3,530,845	3,150,211
Net Cash Flow	4,035,519	2,905,407
Net Present Value at 10%	1,315,489	726,867
Leveraged IRR	24.5%	18.2%



Real Property Metrics, Inc.  
[www.realpropmetrics.com](http://www.realpropmetrics.com)

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Date: February 26, 2023

This pro forma does not constitute tax advice. Please consult a professional tax advisor.

**Project Return Details**

**Unlevered Returns**

	1	2	3	4	5	6	7	8	9	10	
Net Operating Income	281,067	317,849	327,385	337,206	347,323	357,742	368,474	379,529	390,915	402,642	
Less: Capital Expenses	-	-	-	-	-	-	-	-	-	-	
Non-Regular Income	-	-	-	-	-	-	-	-	-	-	
<b>Operating Cash Flow</b>	<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>402,642</b>	
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	5,184,016	
Less: Cost of Sale	-	-	-	-	-	-	-	-	-	(25,920)	
<b>Net Cash Flow</b>	<b>(3,300,000)</b>	<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>5,560,737</b>
<i>Cash on Cash Return</i>		8.5%	9.6%	9.9%	10.2%	10.5%	10.8%	11.2%	11.5%	11.8%	12.2%

<b>Net Cash Flow</b>	<b>\$5,368,227</b>
<b>Net Present Value at 10%</b>	<b>\$787,912</b>
<b>Unleveraged IRR</b>	<b>13.3%</b>
<b>Avg. Operating Cash on Cash</b>	<b>10.6%</b>
<b>Avg. Cash on Cash</b>	<b>26.3%</b>
<b>Unleveraged PV at 10% Rounded (\$10,000's)</b>	<b>\$4,090,000</b>
<b>Per Unit</b>	<b>\$8,416</b>

**Levered Cash Flow**

	1	2	3	4	5	6	7	8	9	10	
Net Operating Income	281,067	317,849	327,385	337,206	347,323	357,742	368,474	379,529	390,915	402,642	
Refinance Proceeds	-	-	-	-	-	-	-	-	-	-	
Less: Debt Service	(204,303)	(204,303)	(204,303)	(204,303)	(204,303)	(231,789)	(231,789)	(231,789)	(231,789)	(231,789)	
Less: Mortgage Origination Fee	-	-	-	-	-	-	-	-	-	-	
<b>Cash Flow After Debt Service</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>	
Less: Capital Expenses	-	-	-	-	-	-	-	-	-	-	
Non-Regular Income	-	-	-	-	-	-	-	-	-	-	
<b>Distributable Cash Flow</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>	
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	5,184,016	
Less: Cost of Sale	-	-	-	-	-	-	-	-	-	(25,920)	
Less: Mortgage Balance	-	-	-	-	-	-	-	-	-	(1,627,251)	
Less: Mortgage Exit Fee	-	-	-	-	-	-	-	-	-	-	
<b>Net Cash Flow</b>	<b>(825,000)</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>3,701,698</b>
<i>Cash on Cash Return</i>		9.3%	13.8%	14.9%	16.1%	17.3%	15.3%	16.6%	17.9%	19.3%	20.7%

<b>Net Leveraged Cash Flow</b>	<b>\$4,035,519</b>
<b>Net Present Value at 10%</b>	<b>\$1,315,489</b>
<b>Leveraged IRR</b>	<b>24.5%</b>
<b>Avg. Operating Cash on Cash</b>	<b>16.1%</b>
<b>Avg. Cash on Cash</b>	<b>58.9%</b>
Present Value of Cash Flows at 10%	\$2,140,489
Plus: Original Loan Amount	\$2,475,000
<b>Total Leveraged Present Value</b>	<b>\$4,615,489</b>
<b>Rounded (\$10,000's)</b>	<b>\$4,620,000</b>
<b>Per Unit</b>	<b>\$9,506</b>

**After Tax Returns**

	1	2	3	4	5	6	7	8	9	10
<b>Basis Calculation</b>										
Basis at Acquisition	-	-	-	-	-	-	-	-	-	3,300,000
+ Capital Additions	-	-	-	-	-	-	-	-	-	-
Cost Recovery (Depreciation) Taken	-	-	-	-	-	-	-	-	-	(36,058)
<b>Adjusted Basis at Sale</b>										<b>3,263,942</b>

**Capital Gain Calculation**

Sale Price	-	-	-	-	-	-	-	-	-	5,184,016
Less Cost of Sale	-	-	-	-	-	-	-	-	-	(25,920)
Less Adjusted Basis at Sale	-	-	-	-	-	-	-	-	-	(3,263,942)
<b>Gain (Loss)</b>										<b>1,894,153</b>
Straight Line Cost Recovery (Limited to Gain)	-	-	-	-	-	-	-	-	-	36,058
Capital Gain from Appreciation	-	-	-	-	-	-	-	-	-	1,858,095
Unamortized Loan Fees (Costs)	-	-	-	-	-	-	-	-	-	-

**Sale Proceeds Calculation**

Sale Price	-	-	-	-	-	-	-	-	-	5,184,016
Less Cost of Sale	-	-	-	-	-	-	-	-	-	(25,920)
Less Mortgage Exit Fee	-	-	-	-	-	-	-	-	-	-
Less Mortgage Balance	-	-	-	-	-	-	-	-	-	(1,627,251)
<b>Sale Proceeds Before Tax</b>										<b>3,530,845</b>
Less Tax on Ordinary Income at 35%	-	-	-	-	-	-	-	-	-	-
Less Tax on Cost Recovery Recapture at 25%	-	-	-	-	-	-	-	-	-	(9,014)
Less Tax on Capital Gain at 20%	-	-	-	-	-	-	-	-	-	(371,619)
<b>Sale Proceeds After Tax</b>										<b>3,150,211</b>

**Proceeds After Taxes**

Cash Flow Before Taxes	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	159,126	170,853	
Less: Annual Operating Tax Liability	(50,121)	(64,322)	(69,118)	(74,096)	(79,264)	(70,169)	(76,049)	(82,207)	(88,658)	(95,474)	
Draw from Operating Reserve	-	-	-	-	-	-	-	-	-	-	
Cash Flow After Taxes	26,644	49,225	53,964	58,808	63,756	55,784	60,636	65,533	70,467	75,379	
Sale Proceeds After Taxes	-	-	-	-	-	-	-	-	-	3,150,211	
<b>Annual Proceeds After Taxes</b>	<b>(825,000)</b>	<b>26,644</b>	<b>49,225</b>	<b>58,808</b>	<b>63,756</b>	<b>55,784</b>	<b>60,636</b>	<b>65,533</b>	<b>70,467</b>	<b>3,225,591</b>	
<i>Cash on Cash Return</i>		3.2%	6.0%	6.5%	7.1%	7.7%	6.8%	7.3%	7.9%	8.5%	9.1%

<b>Net Cash Flows</b>	<b>\$2,905,407</b>
<b>Net Present Value at 10%</b>	<b>\$726,867</b>
<b>Effective Tax Rate</b>	<b>25.7%</b>
<b>After Tax Leveraged IRR</b>	<b>18.2%</b>
<b>Avg. Operating Cash on Cash</b>	<b>7.0%</b>
<b>Avg. Cash on Cash</b>	<b>45.2%</b>
Present Value of Cash Flows at 10%	\$1,551,867
Plus: Original Loan Amount	\$2,475,000
<b>Total After Tax Leveraged Present Value</b>	<b>\$4,026,867</b>
<b>Rounded (\$10,000's)</b>	<b>\$4,030,000</b>
<b>Per Unit</b>	<b>\$8,292</b>



## Loan Amortization Schedule

### Interest Only Loan

Loan Amount	-
Term	-
Rate	-
Funding Status	-

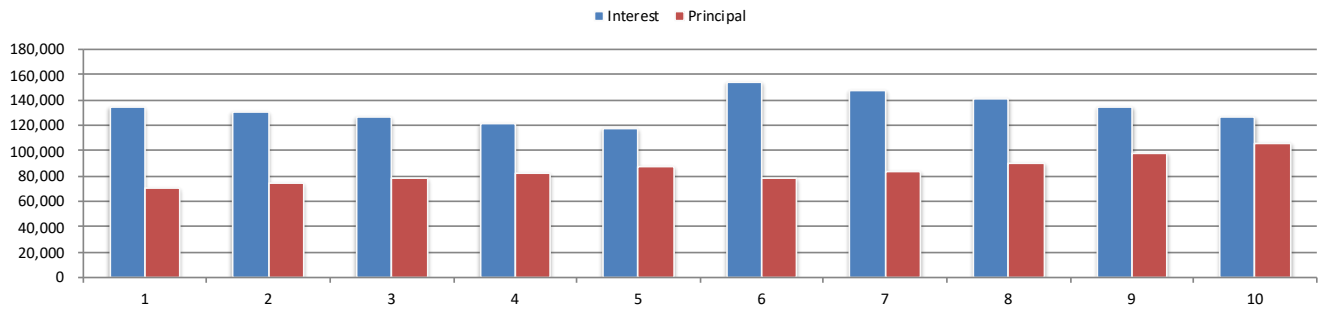
### Amortizing Loan

Loan Amount	\$2,475,000
Term	120
Amortization	240
Rate	5.50%
Rate Type	Floating

### Annual Summary

Period	Dates	Loan Type	Effective Rate	Beginning Balance	Interest	Principal	Total Payments	Ending Balance
1	Jan 23 - Dec 23	Amortizing	5.50%	2,475,000	134,380	69,923	204,303	2,405,077
2	Jan 24 - Dec 24	Amortizing	5.50%	2,405,077	130,436	73,867	204,303	2,331,210
3	Jan 25 - Dec 25	Amortizing	5.50%	2,331,210	126,269	78,034	204,303	2,253,177
4	Jan 26 - Dec 26	Amortizing	5.50%	2,253,177	121,867	82,435	204,303	2,170,742
5	Jan 27 - Dec 27	Amortizing	5.50%	2,170,742	117,217	87,085	204,303	2,083,656
6	Jan 28 - Dec 28	Amortizing	7.50%	2,083,656	153,624	78,165	231,789	2,005,491
7	Jan 29 - Dec 29	Amortizing	7.50%	2,005,491	147,555	84,234	231,789	1,921,257
8	Jan 30 - Dec 30	Amortizing	7.50%	1,921,257	141,016	90,773	231,789	1,830,484
9	Jan 31 - Dec 31	Amortizing	7.50%	1,830,484	133,969	97,820	231,789	1,732,664
10	Jan 32 - Dec 32	Amortizing	7.50%	1,732,664	126,375	105,414	231,789	1,627,251
<b>Total</b>			<b>6.35%</b>	-	<b>1,332,708</b>	<b>847,749</b>	<b>2,180,458</b>	-

### Annual Interest vs. Principal

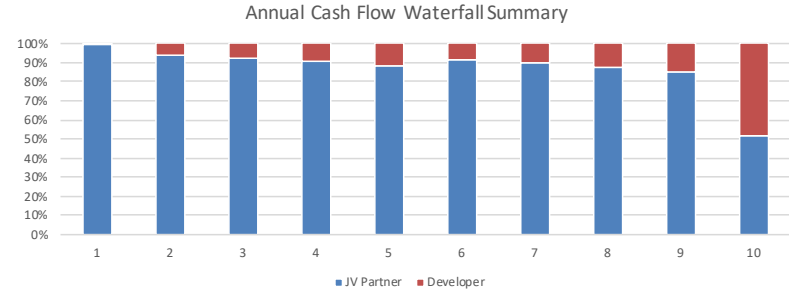


## Sources & Uses

Period	-	1	2	3	4	5	6	7	8	9	10	Total
		Jan 23 - Dec 23	Jan 24 - Dec 24	Jan 25 - Dec 25	Jan 26 - Dec 26	Jan 27 - Dec 27	Jan 28 - Dec 28	Jan 29 - Dec 29	Jan 30 - Dec 30	Jan 31 - Dec 31	Jan 32 - Dec 32	
<b>Sources Of Capital</b>												
Debt Proceeds	2,475,000	-	-	-	-	-	-	-	-	-	-	2,475,000
Refinance Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Equity Contributions	825,000	-	-	-	-	-	-	-	-	-	-	825,000
Net Operating Income	-	281,067	317,849	327,385	337,206	347,323	357,742	368,474	379,529	390,915	402,642	3,510,132
Non-Regular Income	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Draw for Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Gross Proceeds from Sale	-	-	-	-	-	-	-	-	-	-	5,184,016	5,184,016
<b>Total Sources Of Capital</b>	<b>3,300,000</b>	<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>5,586,658</b>	<b>11,994,147</b>
<b>Uses Of Capital</b>												
Acquisition Price	3,300,000	-	-	-	-	-	-	-	-	-	-	3,300,000
Costs and Fees	-	-	-	-	-	-	-	-	-	-	25,920	25,920
Initial Reserve Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Operating Requirements	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage Balance	-	-	-	-	-	-	-	-	-	-	1,627,251	1,627,251
Mortgage Exit Fee	-	-	-	-	-	-	-	-	-	-	-	-
Annual Interest Expense	-	134,380	130,436	126,269	121,867	117,217	153,624	147,555	141,016	133,969	126,375	1,332,708
Less: Budgeted Interest	-	-	-	-	-	-	-	-	-	-	-	-
Annual Principal Paydown	-	69,923	73,867	78,034	82,435	87,085	78,165	84,234	90,773	97,820	105,414	847,749
Capital Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operating Tax Liability	-	50,121	64,322	69,118	74,096	79,264	70,169	76,049	82,207	88,658	95,474	749,478
Ordinary Income Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-
Cost Recovery Tax Liability	-	-	-	-	-	-	-	-	-	-	9,014	9,014
Capital Gains Tax Liability	-	-	-	-	-	-	-	-	-	-	371,619	371,619
Operating Reserve Draw for Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Equity Returns	-	26,644	49,225	53,964	58,808	63,756	55,784	60,636	65,533	70,467	3,225,591	3,730,407
<b>Total Uses Of Capital</b>	<b>3,300,000</b>	<b>281,067</b>	<b>317,849</b>	<b>327,385</b>	<b>337,206</b>	<b>347,323</b>	<b>357,742</b>	<b>368,474</b>	<b>379,529</b>	<b>390,915</b>	<b>5,586,658</b>	<b>11,994,147</b>

## Pre-Tax Equity Investor Returns

Cash Flow Distribution					
	Method	Basis	Rate	JV Partner Split	Developer Split
Initial Equity Contribution				90.0%	10.0%
Preferred Return	Cumulative	Cash on Cash	10.0%	100.0%	0.0%
Hurdle 1		Cash on Cash	12.0%	90.0%	10.0%
Hurdle 2		Cash on Cash	14.0%	80.0%	20.0%
Hurdle 3		Cash on Cash	16.0%	70.0%	30.0%
Final Split				60.0%	40.0%
Reversion (Sale) Proceeds	Independent			50.0%	50.0%



### Cash Flow Waterfall Summary

Period	0	1	2	3	4	5	6	7	8	9	10
Pre-Tax Net Cash Flow	(825,000)	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	159,126	170,853
Pre-Tax Sale Proceeds	-	-	-	-	-	-	-	-	-	-	3,530,845
<b>Total Cash Flow</b>	<b>(825,000)</b>	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>3,701,698</b>

#### JV Partner

Cash Flow Paid at Preferred Return	(742,500)	74,250	74,250	74,250	74,250	74,250	74,250	74,250	74,250	74,250	74,250
Cash Flow Paid at Hurdle 1	-	2,263	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850
Cash Flow Paid at Hurdle 2	-	-	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850
Cash Flow Paid at Hurdle 3	-	-	2,964	9,639	14,850	14,850	11,648	14,850	14,850	14,850	14,850
Cash Flow Paid at Final Split	-	-	-	-	1,426	7,496	-	3,695	10,328	17,159	24,196
Cash Flow Paid at Reversion (Sale)	-	-	-	-	-	-	-	-	-	-	1,765,422
<b>Total Cash Flow to JV Partner</b>	<b>(742,500)</b>	<b>76,513</b>	<b>106,914</b>	<b>113,589</b>	<b>120,226</b>	<b>126,296</b>	<b>115,598</b>	<b>122,495</b>	<b>129,128</b>	<b>135,959</b>	<b>1,908,418</b>
<i>Annual Cash on Cash</i>		10.3%	14.4%	15.3%	16.2%	17.0%	15.6%	16.5%	17.4%	18.3%	257.0%

<b>Net Cash Flow</b>	<b>2,212,637</b>
<b>IRR</b>	<b>20.2%</b>
<b>Equity Multiple</b>	<b>3.98x</b>
<b>Average Annual Cash on Cash Return</b>	<b>39.8%</b>

#### Developer

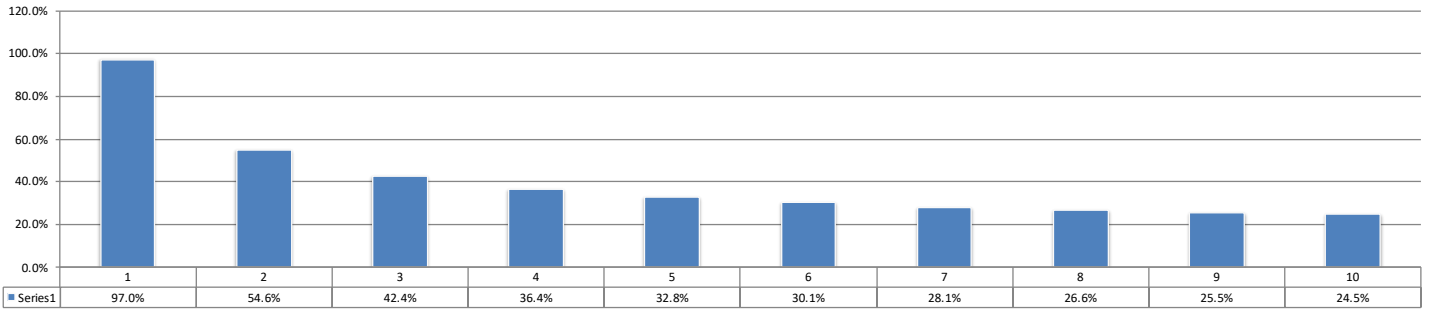
Cash Flow Paid at Preferred Return	(82,500)	-	-	-	-	-	-	-	-	-	-
Cash Flow Paid at Hurdle 1	-	251	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Cash Flow Paid at Hurdle 2	-	-	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713	3,713
Cash Flow Paid at Hurdle 3	-	-	1,270	4,131	6,364	6,364	4,992	6,364	6,364	6,364	6,364
Cash Flow Paid at Final Split	-	-	-	-	951	4,997	-	2,463	6,885	11,439	16,130
Cash Flow Paid at Reversion (Sale)	-	-	-	-	-	-	-	-	-	-	1,765,422
<b>Total Cash Flow to Developer</b>	<b>(82,500)</b>	<b>251</b>	<b>6,633</b>	<b>9,493</b>	<b>12,678</b>	<b>16,724</b>	<b>10,355</b>	<b>14,190</b>	<b>18,612</b>	<b>23,166</b>	<b>1,793,280</b>
<i>Annual Cash on Cash</i>		0.3%	8.0%	11.5%	15.4%	20.3%	12.6%	17.2%	22.6%	28.1%	2173.7%

<b>Net Cash Flow</b>	<b>1,822,882</b>
<b>IRR</b>	<b>39.6%</b>
<b>Equity Multiple</b>	<b>23.10x</b>
<b>Average Annual Cash on Cash Return</b>	<b>231.0%</b>

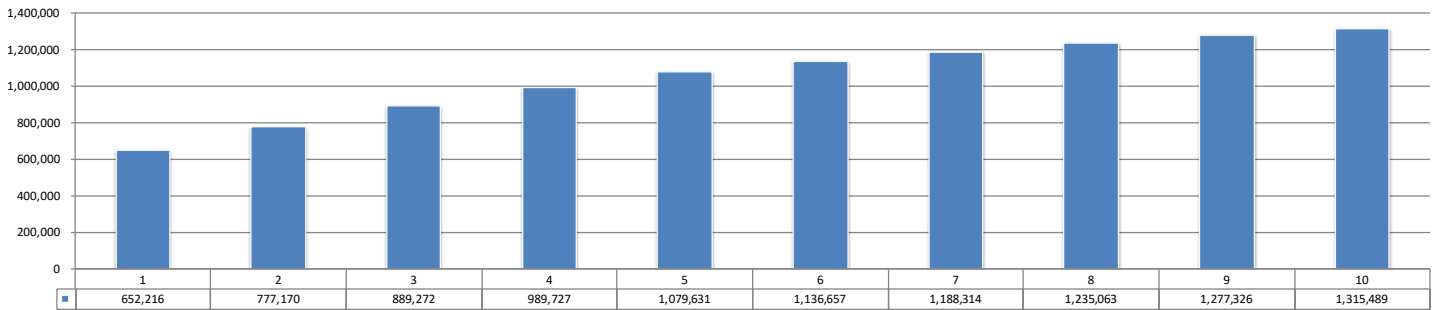
### Holding Period Sensitivity Analysis

These charts show the project's performance based on Disposition year. They assume continued financing regardless of term.

**IRR Based on Hold Period**



**NPV Based on Hold Period**



**Project Level IRR Sensitivity**

Period	1	2	3	4	5	6	7	8	9	10	11
NOI (excluding Reserves)	281,067	317,849	327,385	337,206	347,323	357,742	368,474	379,529	390,915	402,642	414,721
Refinance Proceeds	0	0	0	0	0	0	0	0	0	0	0
Less: Reserves	0	0	0	0	0	0	0	0	0	0	0
Less: Debt Service	(204,303)	(204,303)	(204,303)	(204,303)	(204,303)	(231,789)	(231,789)	(231,789)	(231,789)	(231,789)	(231,789)
Cash Flow After Debt Service	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>	<b>414,721</b>
Less: Mortgage Origination Fee	0	0	0	0	0	0	0	0	0	0	0
Less: Capital Expenses	0	0	0	0	0	0	0	0	0	0	0
Other Non-Regular Income	0	0	0	0	0	0	0	0	0	0	0
Distributable Cash Flow	<b>76,764</b>	<b>113,547</b>	<b>123,082</b>	<b>132,904</b>	<b>143,020</b>	<b>125,953</b>	<b>136,685</b>	<b>147,740</b>	<b>159,126</b>	<b>170,853</b>	<b>414,721</b>
Reversion Analysis (if sold in this year)											
Reversion Cash Flow	3,973,116	4,092,310	4,215,079	4,341,531	4,471,777	4,605,931	4,744,109	4,886,432	5,033,025	5,184,016	
Less: Cost of Sale	(19,866)	(20,462)	(21,075)	(21,708)	(22,359)	(23,030)	(23,721)	(24,432)	(25,165)	(25,920)	
Less: Mortgage Exit Fee	0	0	0	0	0	0	0	0	0	0	
Less: Mortgage Balance	(2,405,077)	(2,331,210)	(2,253,177)	(2,170,742)	(2,083,656)	(2,005,491)	(1,921,257)	(1,830,484)	(1,732,664)	(1,627,251)	
Return of Reserve Funds	0	0	0	0	0	0	0	0	0	0	
Reversion Balance	<b>1,548,173</b>	<b>1,740,638</b>	<b>1,940,827</b>	<b>2,149,082</b>	<b>2,365,762</b>	<b>2,577,410</b>	<b>2,799,131</b>	<b>3,031,515</b>	<b>3,275,195</b>	<b>3,530,845</b>	

Periods	0	1	2	3	4	5	6	7	8	9	10	IRR	NPV
1	(825,000)	1,624,938	-	-	-	-	-	-	-	-	-	97.0%	652,216
2	(825,000)	76,764	1,854,185	-	-	-	-	-	-	-	-	54.6%	777,170
3	(825,000)	76,764	113,547	2,063,909	-	-	-	-	-	-	-	42.4%	889,272
4	(825,000)	76,764	113,547	123,082	2,281,986	-	-	-	-	-	-	36.4%	989,727
5	(825,000)	76,764	113,547	123,082	132,904	2,508,782	-	-	-	-	-	32.8%	1,079,631
6	(825,000)	76,764	113,547	123,082	132,904	143,020	2,703,363	-	-	-	-	30.1%	1,136,657
7	(825,000)	76,764	113,547	123,082	132,904	143,020	125,953	2,935,816	-	-	-	28.1%	1,188,314
8	(825,000)	76,764	113,547	123,082	132,904	143,020	125,953	136,685	3,179,255	-	-	26.6%	1,235,063
9	(825,000)	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	3,434,321	-	25.5%	1,277,326
10	(825,000)	76,764	113,547	123,082	132,904	143,020	125,953	136,685	147,740	159,126	3,701,698	24.5%	1,315,489