



Investment Property Analysis (IPA)

The purpose of Investment Property Analysis (IPA) is first to analyze and summarize the performance of your current real estate holding-s from a return on invested capital/equity standpoint. From there "options" will be evaluated to see where improvements (higher returns) can be attained. The Investment Property Analysis (IPA) will provide a starting point and road map. Let us help you improve your returns with our proven real estate investment strategies.

~ **Equity Growth** ~

~ **Cash Flow** ~

~ **Tax Benefits** ~

~ **Debt Analysis** ~

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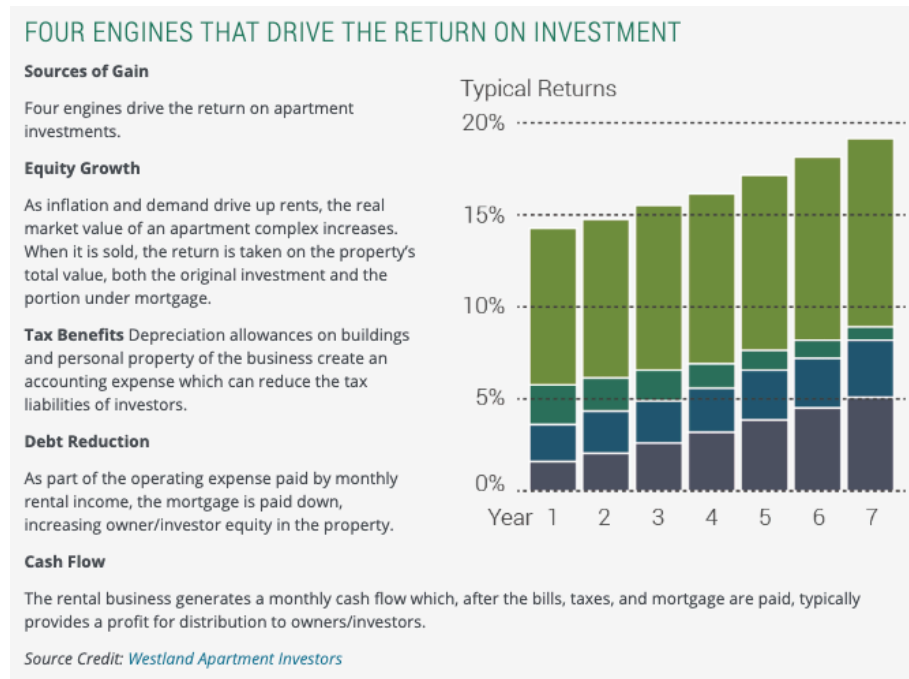
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Bio of Realty Yield's Founder & President

Investment Property Analysis (IPA)

To start, Realty Yield will analyze and summarize the current performance of your real estate holdings from a return on invested capital (equity) standpoint. **A one- (1) and five- (5) year projection is made detailing pre-tax cash flow, income tax implication, debt (loan) impact on yield, and any projected appreciation.** If your current holdings include multiple properties each property will be analyzed individually. A cumulative summary will also be prepared.

Next, two fundamental strategic approaches are evaluated; the first is cash-out refinancing with the reinvestment of “pulled” net proceeds; and the second is the selling of current properties and reinvesting the net sale proceeds. A combination of both approaches will also be evaluated. The investment returns from each strategy (and a combination of these options) are then compared to the current returns being generated to determine if there is an opportunity to improve the financial performance (increase investment returns) of invested capital (equity).



► **STEP 1:** The operating data (income and expenses) for each property, any debt (mortgage) information, as well as property acquisition data is to be provided by the owner/investor.

► **STEP 2:** This data will be used by Realty Yield to generate a “Quick View” Investment Property Analysis (IPA) of the investment return on invested capital (equity) for each property in the investor’s portfolio. Then, the cumulative investment returns of all owned properties are conveniently illustrated in our Real Estate Wealth Building Analysis Summary report.

The analysis will cover the four- (4) primary engines impacting investment real estate returns (pre-tax cash flow, income tax implication, debt/loan impact on yield and any projected appreciation will be factored). A tax basis computation will also be computed.

► **STEP 3:** Reallocation options of invested capital (equity) are examined. The first alternative analyzed will focus on a cash-out refinance scenario utilizing the available “pulled” net cash proceeds for reinvestment into a new properties. The cumulative returns of the current properties with new loans PLUS the new properties projected returns are compared to the current as-is situation. The second alternative analyzes the option of selling existing property-(s) and reinvesting the total net sale proceeds. A comparison is once again made between the proposed new property- (s) and the current as-is situation. The next comparison made is between the refinance and reinvest; and the sell and reinvest strategies. As mentioned above a combination of incorporating both strategies will also be analyzed.

The result is that the optimum allocation of invested capital (equity) is found to maximize overall leveraged returns. All relevant tax basis, depreciation and debt/loan issues are carefully examined and considered. And most importantly, all strategic options analyzed and recommended will be consistent with an investor's goals and risk/return tolerance.

We recommend this type of analysis annually; the market and opportunities are ever changing. Owning investment real estate is a dynamic situation.

EXAMPLE: Investment Property Analysis (IPA) Report Foreword

Prepared for XYZ Client – January XX, 20XX

Introduction

We have found by first introducing the key elements, findings and conclusions of the IPA report in a prelude narrative better facilitates the understanding of the specific conceptions and “strategic actions” being presented and recommended in each of the report sections to follow. *The financial-investment summary below will be supported later in this report.*

General Comments

(Current holding-s “as-is” summary and assessment)

For the most part, your multi-plexes are performing like the “norm”, that is returns are in line with what other investors are realizing with similar holdings. The challenge for investors with significant capital/equity in smaller income-properties is that though positive cash flow is being generated, the CASH-ON-CASH return (%) on invested capital is typically low single digits. And, depending on the effective tax rate of the investor, the after-tax return on cash flow is almost always to some degree even lower.

In the current market to realistically realize annualized double-digit returns on smaller income-properties would require strong year-over-year appreciation (minimum 3%) plus some level of structured leverage (loans in place). The math is straightforward. With smaller income-properties, investors usually must make a strategic choice whether cash-flow OR growth of capital/equity is the primary goal, it is just not arithmetically probable to optimize/maximize both at the same time. *The exception would be if current loan rates were low enough that the loan constant is less than the calculated capitalization rate on a given property (very unlikely on smaller multi-plexes).*

Moreover, since future appreciation is always somewhat subjective, Realty Yield likes to first evaluate any investment real estate holding-s on the objective return metrics first. That is; cash flow, income tax implications on operating income and the effect on yield of any loan in place (leverage). These calculations are just math and can be more accurately assessed and projected.

As is typically found with owners of smaller multi-plex rentals the following was calculated and concluded with the data provided:

Pre-Tax Cash Flow:

Analyzed properties are cumulatively generating 4.52% on invested capital/equity (best-case projections). SEE ANALYSIS.

After-Tax Cash Flow:

The net operating income is being taxed at investor-s effective tax rate, lessening after-tax returns, projected to be 3.83%. The absence of almost any interest expense deduction and nominal depreciation remaining are the main factors. SEE ANALYSIS.

Debt/Loan Impact:

The low level of debt (LTV= ~4.2%), hence no leverage in play (positive, neutral or negative) equates too little impact on either pre-tax, after-tax or total leverage returns. After-tax returns after factoring pay-down on principal are projected at 4.12%. SEE ANALYSIS.

Appreciation Projections:

An annual rate of 3.0% is subjectively being projected for the next five-5 years. Based on this assumption, overall projected leveraged returns on current holdings “as-is” are projected at 7.25% (and per above, 4.12% not factoring appreciation). SEE ANALYSIS.

EXAMPLE: Investment Property Analysis (IPA) Report Foreword

The Opportunity

For investors with enough capital/equity for real estate investment (typically \$250,000+/- minimum, \$350,000+ ideal), there are usually better options than single-family rentals and/or small multi-plexes. Better balance across the 4-engines that drive overall returns becomes not only feasible but readily doable with proper strategic planning and execution. The simple fact is that larger multi-family properties (apartment buildings), mixed-use properties and retail buildings sell/trade at capitalization rates that offer investors' greater yield assuming sufficient capital is available for investment (many/most investors simply don't have the capital to buy these properties). When combined with the prudent use of leverage, real estate investment returns can likely be significantly accelerated over the current "as-is" position.

There are basically two primary options identified that would improve both overall investment returns and cash flow. These would be:

1. Sell existing properties and reinvest in higher yielding properties (1 or more). By investing in replacement properties with higher capitalization rates (all cash return comparison metric), incorporating positive leverage (loan rates/loan constant lower than cap rates), structuring with greater tax advantage and owning more value in property (appreciation upside) improved performance of invested capital/equity can reasonably be forecasted.

Based on the data provided, the net improvement (over current) is projected as follows (SEE ANALYSIS):

Pre-Tax Cash Flow Change (+/-)	After-Tax Cash Flow Change (+/-)	After-Tax Cash Flow (+) Pay Down Change (+/-)	Total Projected Return Change (+/-)
42,061 ↔ 3.19%	38,604 ↔ 2.90%	\$86,704 ↔ 6.13%	170,704 ↔ 12.0%

** The specifics and particulars of reallocating current invested equity/capital to generate the above projected return progresses will be covered in the report pages to follow and financial/investment analysis completed.*

2. Leverage current properties and reinvest cash-out into additional properties. What is lost in cash-flow on current properties (due to servicing new loans) would be more than made-up in generated cash-flow from new properties. Plus, by increasing the total value of real estate owned, any appreciation would accelerate the growth on invested capital (net wealth gain). Finally, there would be incremental tax benefits realized through more favorable interest expense deductions and the depreciation of new properties.

NOTE: This report does not cover this scenario (option 2). It is this adviser's opinion that option 2 would improve overall returns from the current hold ("as-is") position. However, option 1 would likely generate superior returns and be easier and less "hands-on" to oversee as owners. This option (2.) would require ongoing management of existing properties as you are doing today versus option 1 that has the expense of full professional property management factored in the projections.

CURRENT REAL ESTATE HOLDINGS SUMMARY (4 Analyzed Properties):

▶ Approximate Total Current Value	=	\$1,700,000	
▶ Approximate Total Current Equity (Invested Capital)	=	\$1,629,142	
▶ Approximate Total Current Debt	=	\$70,858	LTV = 4.2%

CURRENT PROPERTY PORTFOLIO PERFORMANCE SUMMARY & PROJECTIONS:

(1-YEAR PROJECTION on Total Current Equity (Invested Capital))

Property Description	Approx. Value	Approx. Loan Balance	Approx. Equity	LTV	Pre-Tax Cash Flow (cash-on-cash)	After-Tax Cash Flow	After-Tax Cash Flow (+) Pay Down	Total Projected Return (@ 3.0% Appreciation)	Proposed Strategy
1) 4-Plex NE XXth	\$650,000	\$0	\$650,000	0.0%	35,481 ↔ 5.46%	30,107 ↔ 4.63%	\$30,107 ↔ 4.63%	49,607 ↔ 7.63%	SELL
2) Tri-Plex NE XXth	\$400,000	\$0	\$400,000	0.0%	18,434 ↔ 4.61%	15,895 ↔ 3.97%	\$15,895 ↔ 3.97%	27,895 ↔ 6.97%	SELL
3) 4-Plex SE XXth Ave.	\$500,000	\$0	\$500,000	0.0%	23,627 ↔ 4.73%	19,692 ↔ 3.94%	\$19,692 ↔ 3.94%	34,692 ↔ 6.94%	SELL
4) Condo W. Burnside	\$150,000	\$70,858	\$79,142	47.2%	(3,976) ↔ -5.02%	(3,363) ↔ -4.25%	\$1,368 ↔ 1.73%	5,868 ↔ 7.41%	SELL
TOTAL	\$1,700,000	\$70,858	\$1,629,142	4.2%	73,566 ↔ 4.52%	62,331 ↔ 3.83%	\$67,062 ↔ 4.12%	118,062 ↔ 7.25%	

STRATEGIC OPTION #:

1

PROJECTED PROPERTY PORTFOLIO PERFORMANCE SUMMARY (after reallocation of equity/capital) :

(1-YEAR PROJECTION on Reinvestment of Equity Capital of Approximately \$1,500,000*)

* \$1.5 million would be the approx. net proceeds available after the sale of properties marked "SELL" above, less ~7% in sale costs, less est. loan fees/closing costs on acquisition-s.

Property Description	Approx. Value	Loan Amount or Balance	Approx. Equity	LTV	Pre-Tax Cash Flow (cash-on-cash)	After-Tax Cash Flow	After-Tax Cash Flow (+) Pay Down	Total Projected Return (@ 3.0% Appreciation)	
Representative Multi-family and/or Mixed-use properties (6.25% Cap @ ~66.7% LTV)	\$4,500,000	\$3,000,000	\$1,500,000	66.7%	115,627 ↔ 7.71%	100,935 ↔ 6.73%	\$153,766 ↔ 10.25%	288,766 ↔ 19.25%	BUY
TOTAL	\$4,500,000	\$3,000,000	\$1,500,000	66.7%	115,627 ↔ 7.71%	100,935 ↔ 6.73%	\$153,766 ↔ 10.25%	288,766 ↔ 19.25%	

COMPARISON OF CURRENT (as-is) VERSUS PROJECTED (after reallocation of equity/capital) - Net Difference (+/-)

Approx. Value	Loan Amount	Approx. Equity	LTV	Pre-Tax Cash Flow	After-Tax Cash Flow	After-Tax Cash Flow (+) Pay Down	Total Projected Return
Change (+/-)	Change (+/-)	Change (+/-)	(+/-)	Change (+/-)	Change (+/-)	Change (+/-)	Change (+/-)
\$2,800,000	\$2,929,142	-\$129,142	62.5%	42,061 ↔ 3.19%	38,604 ↔ 2.90%	\$86,704 ↔ 6.13%	170,704 ↔ 12.00%

Multi-Plex Property Investment Analysis

"QUICK VIEW" INVESTMENT ANALYSIS (including Partnership scenario, if applicable) - As of January, XXXX

PROPERTY DESCRIPTION:	NE XXth, Portland, OR		GRM= 12.75	CAP RATE (CURRENT)= 5.34%	PROJ CAP RATE (5 YRS)= 5.15%		
Month/Yr. Acquired: Yrs. Owned:	Jan-95	20.0	Operating Expenses & Reserves:		Year-1 Marginal Tax Calculation (general analysis):		
Price Paid: Est. Current Value:	\$180,000	\$650,000	Property Taxes:	\$6,000	Net Operating Income	\$35,481	
Est. Current Equity: Loan to Value:	\$650,000	0.0%	Property Insurance:	\$1,200	Less: Depreciation Expense	(\$8,612)	
Annual Compounded Apprec. Rate:	6.6%		Owner Paid Utilities:	\$4,400	Less: Interest Expense	\$0	
# of Units: Value Per Unit:	4	\$162,500	Repairs, Maintenance & Related:	\$3,598	= Taxable Income	\$26,869	
Gross Rent-s (mo. Avg.):	\$4,250		HOA & Misc., if applicable:	\$500	Est. Effective Tax Rate	20%	
Monthly Income (other):	\$258		Capital/Replacement Reserves & Misc.:	\$1,000	Income Taxes Saved (Paid)	(\$5,374)	
Vacancy/Credit Loss Allowance:	5.0%		INVESTOR (est. "effective" tax rate):	P	CURRENT INCOME & EXPENSE DATA (annual)		
Annual Depreciation Expense (est.):	\$8,612		Tax Rate (general analysis) →	G		Effective Gross Income:	\$51,395
Projected Value 5 Years:	\$753,528		Tax Rate (investor specific) →	24%	15%	Operating Expenses	(\$16,698)
Proj. Annual Value Change (+/-):	Year-1	Year-2	Year-3	Year-4	Year-5	Net Operating Income:	\$34,697
	3.0%	3.0%	3.0%	3.0%	3.0%	Proj. +/- (%): EGI Expenses	2.5% 3.0%

	1-YEAR PROJECTION (on current equity)			5-YEAR PROJECTION (on current equity)		
	Loan Data (1)	50.00%	50.00%	Loan Data (1)	50.00%	50.00%
Effective Gross Income (Rents + Other Income - Vacancy/Credit Loss):	\$52,680	\$26,340	\$26,340	\$276,903	\$138,451	\$138,451
Total Operating Expenses & Reserves:	(\$17,199)	(\$8,599)	(\$8,599)	(\$91,312)	(\$45,656)	(\$45,656)
Net Operating Income (EGI less Total Expenses & Reserves):	\$35,481	\$17,740	\$17,740	\$185,591	\$92,796	\$92,796
Less Debt Service (see Loan Information below):	\$0	\$0	\$0	\$0	\$0	\$0
(1) Pre Tax Cash Flow(-):	\$35,481	\$17,740	\$17,740	\$185,591	\$92,796	\$92,796
Income Taxes Saved (Paid):	see above: Rate (general analysis) → (\$5,374)	(\$3,224)	(\$2,015)	(\$28,506)	(\$17,104)	(\$10,690)
(2) After Tax Cash Flow(-):	\$30,107	\$14,516	\$15,725	\$157,085	\$75,692	\$82,106
(3) After Tax Cash Flow Plus Principal Pay Down(-):	\$30,107	\$14,516	\$15,725	\$157,085	\$75,692	\$82,106
Projected Appreciation(-):	\$19,500	\$9,750	\$9,750	\$103,528	\$51,764	\$51,764
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(-):	\$49,607	\$24,266	\$25,475	\$260,613	\$127,456	\$133,870
(1) Pre-Tax Cash Return on Current Equity(-):	5.46%	5.46%	5.46%	28.55%	28.55%	28.55%
(2) After-Tax Cash Return on Current Equity(-):	4.63%	4.47%	4.84%	24.17%	23.29%	25.26%
(3) After-Tax Return Plus Principal Pay Down on Current Equity(-):	4.63%	4.47%	4.84%	24.17%	23.29%	25.26%
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(-):	7.63%	7.47%	7.84%	40.09%	39.22%	41.19%

LOAN INFORMATION (1st Year Summary):

	Loan	Orig. Loan	Interest	Amort.	Months Left	Monthly	Annual	End Yr. Loan	1 Year	1 Year	Proj. End Yr.	End Yr.
	Orig. Date	Amount	Rate	Term	On Loan	Payment	Payment	Balance	Pay Down	Int. Exp.	Equity	LTV
(1) Loan Data	N/A	\$0	0.000%	30	0	\$0	\$0	\$0	\$0	\$0	\$669,500	0.00%

LOAN INFORMATION (5 Year Summary):

	Loan	Orig. Loan	Interest	Amort.	Months Left	Monthly	5 Year	Loan	5 Year	5 Year	Projected	Projected
	Orig. Date	Amount	Rate	Term	On Loan	Payment	Payment	Balance	Pay Down	Int. Exp.	Equity	LTV
	N/A	\$0	0.000%	30	-60	\$0	\$0	\$0	\$0	\$0	\$753,528	0.00%

Multi-Plex Property Investment Analysis

"QUICK VIEW" INVESTMENT ANALYSIS (including Partnership scenario, if applicable) - As of January, XXXX

PROPERTY DESCRIPTION:	NE XXth, Portland, OR		GRM= 13.07	CAP RATE (CURRENT)= 4.51%	PROJ CAP RATE (5 YRS)= 4.33%			
Month/Yr. Acquired: Yrs. Owned:	Jan-95	20.0	Operating Expenses & Reserves:		Year-1 Marginal Tax Calculation (general analysis):			
Price Paid: Est. Current Value:	\$120,000	\$400,000	Property Taxes:	\$4,000	Net Operating Income	\$18,434		
Est. Current Equity: Loan to Value:	\$400,000	0.0%	Property Insurance:	\$900	Less: Depreciation Expense	(\$5,741)		
Annual Compounded Apprec. Rate:	6.2%		Owner Paid Utilities:	\$2,870	Less: Interest Expense	\$0		
# of Units: Value Per Unit:	3	\$133,333	Repairs, Maintenance & Related:	\$2,974	= Taxable Income	\$12,693		
Gross Rent-s (mo. Avg.):	\$2,550		HOA & Misc., if applicable:	\$200	Est. Effective Tax Rate	20%		
Monthly Income (other):	\$58		Capital/Replacement Reserves & Misc.:	\$750	Income Taxes Saved (Paid)	(\$2,539)		
Vacancy/Credit Loss Allowance:	5.0%		INVESTOR (est. "effective" tax rate):	P	CURRENT INCOME & EXPENSE DATA (annual)			
Annual Depreciation Expense (est.):	\$5,741		Tax Rate (general analysis) →	20%	Effective Gross Income:	\$29,735		
Projected Value 5 Years:	\$463,710		Tax Rate (investor specific) →	24%	Operating Expenses	(\$11,694)		
				15%	Net Operating Income:	\$18,041		
Proj. Annual Value Change (+/-):	Year-1	Year-2	Year-3	Year-4	Year-5	Proj. +/- (%): EGI Expense:	2.5%	3.0%
	3.0%	3.0%	3.0%	3.0%	3.0%			

	1-YEAR PROJECTION (on current equity)			5-YEAR PROJECTION (on current equity)		
	Loan Data (1)	50.00%	50.00%	Loan Data (1)	50.00%	50.00%
Effective Gross Income (Rents + Other Income - Vacancy/Credit Loss):	\$30,478	\$15,239	\$15,239	\$160,204	\$80,102	\$80,102
Total Operating Expenses & Reserves:	(\$12,045)	(\$6,022)	(\$6,022)	(\$63,948)	(\$31,974)	(\$31,974)
Net Operating Income (EGI less Total Expenses & Reserves):	\$18,434	\$9,217	\$9,217	\$96,257	\$48,128	\$48,128
Less Debt Service (see Loan Information below):	\$0	\$0	\$0	\$0	\$0	\$0
(1) Pre Tax Cash Flow(-\$):	\$18,434	\$9,217	\$9,217	\$96,257	\$48,128	\$48,128
Income Taxes Saved (Paid):	see above: Rate (general analysis) → (\$2,539)	(\$1,523)	(\$952)	(\$13,510)	(\$8,106)	(\$5,066)
(2) After Tax Cash Flow(-\$):	\$15,895	\$7,694	\$8,265	\$82,746	\$40,022	\$43,062
(3) After Tax Cash Flow Plus Principal Pay Down(-\$):	\$15,895	\$7,694	\$8,265	\$82,746	\$40,022	\$43,062
Projected Appreciation(-\$):	\$12,000	\$6,000	\$6,000	\$63,710	\$31,855	\$31,855
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(\$):	\$27,895	\$13,694	\$14,265	\$146,456	\$71,877	\$74,917
(1) Pre-Tax Cash Return on Current Equity-(-%):	4.61%	4.61%	4.61%	24.06%	24.06%	24.06%
(2) After-Tax Cash Return on Current Equity-(-%):	3.97%	3.85%	4.13%	20.69%	20.01%	21.53%
(3) After-Tax Return Plus Principal Pay Down on Current Equity-(-%):	3.97%	3.85%	4.13%	20.69%	20.01%	21.53%
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(-%):	6.97%	6.85%	7.13%	36.61%	35.94%	37.46%

LOAN INFORMATION (1st Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	Annual Payment	End Yr. Loan Balance	1 Year Pay Down	1 Year Int. Exp.	Proj. End Yr. Equity	End Yr. LTV
(1) Loan Data	N/A	\$0	0.000%	30	0	\$0	\$0	\$0	\$0	\$0	\$412,000	0.00%

LOAN INFORMATION (5 Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	5 Year Payment	Loan Balance	5 Year Pay Down	5 Year Int. Exp.	Projected Equity	Projected LTV
	N/A	\$0	0.000%	30	-60	\$0	\$0	\$0	\$0	\$0	\$463,710	0.00%

"QUICK VIEW" INVESTMENT ANALYSIS (including Partnership scenario, if applicable) - As of January, XXXX

PROPERTY DESCRIPTION:	SE XXth Ave., Portland, OR		GRM= 10.16	CAP RATE (CURRENT)= 4.63%	PROJ CAP RATE (5 YRS)= 4.41%		
Month/Yr. Acquired: Yrs. Owned:	Jan-88	27.0	Operating Expenses & Reserves:		Year-1 Marginal Tax Calculation (general analysis):		
Price Paid: Est. Current Value:	\$72,000	\$500,000	Property Taxes:	\$9,000	Net Operating Income	\$23,627	
Est. Current Equity: Loan to Value:	\$500,000	0.0%	Property Insurance:	\$1,400	Less: Depreciation Expense	(\$3,952)	
Annual Compounded Apprec. Rate:	7.4%		Owner Paid Utilities:	\$7,000	Less: Interest Expense	\$0	
# of Units: Value Per Unit:	4	\$125,000	Repairs, Maintenance & Related:	\$4,674	= Taxable Income	\$19,675	
Gross Rent-s (mo. Avg.):	\$4,100		HOA & Misc., if applicable:	\$500	Est. Effective Tax Rate	20%	
Monthly Income (other):	\$0		Capital/Replacement Reserves & Misc.:	\$1,000	Income Taxes Saved (Paid)	(\$3,935)	
Vacancy/Credit Loss Allowance:	5.0%		INVESTOR (est. "effective" tax rate):	P	CURRENT INCOME & EXPENSE DATA (annual)		
Annual Depreciation Expense (est.):	\$3,952		Tax Rate (general analysis) →	20%	Effective Gross Income:	\$46,740	
Projected Value 5 Years:	\$579,637		Tax Rate (investor specific) →	24%	Operating Expenses	(\$23,574)	
	Year-1	Year-2	Year-3	Year-4	Year-5	Net Operating Income:	\$23,166
Proj. Annual Value Change (+/-):	3.0%	3.0%	3.0%	3.0%	3.0%	Proj. +/- (%): EGI Expense:	2.5% 3.0%

	1-YEAR PROJECTION (on current equity)			5-YEAR PROJECTION (on current equity)		
	Loan Data (1)	50.00%	50.00%	Loan Data (1)	50.00%	50.00%
Effective Gross Income (Rents + Other Income - Vacancy/Credit Loss):	\$47,909	\$23,954	\$23,954	\$251,823	\$125,911	\$125,911
Total Operating Expenses & Reserves:	(\$24,281)	(\$12,141)	(\$12,141)	(\$128,912)	(\$64,456)	(\$64,456)
Net Operating Income (EGI less Total Expenses & Reserves):	\$23,627	\$11,814	\$11,814	\$122,911	\$61,455	\$61,455
Less Debt Service (see Loan Information below):	\$0	\$0	\$0	\$0	\$0	\$0
(1) Pre Tax Cash Flow(-\$):	\$23,627	\$11,814	\$11,814	\$122,911	\$61,455	\$61,455
Income Taxes Saved (Paid):	see above: Rate (general analysis) → (\$3,935)	(\$2,361)	(\$1,476)	(\$20,630)	(\$12,378)	(\$7,736)
(2) After Tax Cash Flow(-\$):	\$19,692	\$9,453	\$10,338	\$102,280	\$49,077	\$53,719
(3) After Tax Cash Flow Plus Principal Pay Down(-\$):	\$19,692	\$9,453	\$10,338	\$102,280	\$49,077	\$53,719
Projected Appreciation(-\$):	\$15,000	\$7,500	\$7,500	\$79,637	\$39,819	\$39,819
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(\$):	\$34,692	\$16,953	\$17,838	\$181,917	\$88,896	\$93,537
(1) Pre-Tax Cash Return on Current Equity-(-%):	4.73%	4.73%	4.73%	24.58%	24.58%	24.58%
(2) After-Tax Cash Return on Current Equity-(-%):	3.94%	3.78%	4.14%	20.46%	19.63%	21.49%
(3) After-Tax Return Plus Principal Pay Down on Current Equity-(-%):	3.94%	3.78%	4.14%	20.46%	19.63%	21.49%
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(-%):	6.94%	6.78%	7.14%	36.38%	35.56%	37.41%

LOAN INFORMATION (1st Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	Annual Payment	End Yr. Loan Balance	1 Year Pay Down	1 Year Int. Exp.	Proj. End Yr. Equity	End Yr. LTV
(1) Loan Data	N/A	\$0	0.000%	30	0	\$0	\$0	\$0	\$0	\$0	\$515,000	0.00%

LOAN INFORMATION (5 Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	5 Year Payment	Loan Balance	5 Year Pay Down	5 Year Int. Exp.	Projected Equity	Projected LTV
	N/A	\$0	0.000%	30	-60	\$0	\$0	\$0	\$0	\$0	\$579,637	0.00%

"QUICK VIEW" INVESTMENT ANALYSIS (including Partnership scenario, if applicable) - As of January, XXXX

PROPERTY DESCRIPTION:	Condo West Burnside, Portland, OR	GRM= 10.00	CAP RATE (CURRENT)= 2.26%	PROJ CAP RATE (5 YRS)= 2.03%	
Month/Yr. Acquired: Yrs. Owned:	Feb-11 2.0	Operating Expenses & Reserves:		Year-1 Marginal Tax Calculation (general analysis):	
Price Paid: Est. Current Value:	\$105,000 \$150,000	Property Taxes:	\$2,500	Net Operating Income	\$3,417
Est. Current Equity: Loan to Value:	\$79,142 47.2%	Property Insurance:	\$500	Less: Depreciation Expense	(\$3,818)
Annual Compounded Apprec. Rate:	19.5%	Owner Paid Utilities + HOA:	\$6,400	Less: Interest Expense	(\$2,662)
# of Units: Value Per Unit:	1 \$150,000	Repairs, Maintenance & Related:	\$713	= Taxable Income	(\$3,063)
Gross Rent-s (mo. Avg.):	\$1,250	Misc., if applicable:	\$500	Est. Effective Tax Rate	20%
Monthly Income (other):	\$0	Capital/Replacement Reserves & Misc.:	\$250	Income Taxes Saved (Paid)	\$613
Vacancy/Credit Loss Allowance:	5.0%	INVESTOR (est. "effective" tax rate):	P G	CURRENT INCOME & EXPENSE DATA (annual)	
Annual Depreciation Expense (est.):	\$3,818	Tax Rate (general analysis) →	20%	Effective Gross Income:	\$14,250
Projected Value 5 Years:	\$173,891	Tax Rate (investor specific) →	24% 15%	Operating Expenses	(\$10,863)
				Net Operating Income:	\$3,387
Proj. Annual Value Change (+/-):	3.0% 3.0% 3.0% 3.0% 3.0%			Proj. +/- (%): EGI Expense:	2.5% 3.0%

	1-YEAR PROJECTION (on current equity)			5-YEAR PROJECTION (on current equity)		
	Loan Data (1)	50.00%	50.00%	Loan Data (1)	50.00%	50.00%
Effective Gross Income (Rents + Other Income - Vacancy/Credit Loss):	\$14,606	\$7,303	\$7,303	\$76,775	\$38,388	\$38,388
Total Operating Expenses & Reserves:	(\$11,189)	(\$5,594)	(\$5,594)	(\$59,403)	(\$29,702)	(\$29,702)
Net Operating Income (EGI less Total Expenses & Reserves):	\$3,417	\$1,709	\$1,709	\$17,372	\$8,686	\$8,686
Less Debt Service (see Loan Information below):	\$7,393	\$3,697	\$3,697	\$36,965	\$18,483	\$18,483
(1) Pre Tax Cash Flow(-\$):	(\$3,976)	(\$1,988)	(\$1,988)	(\$19,593)	(\$9,797)	(\$9,797)
Income Taxes Saved (Paid):	see above: Rate (general analysis) → \$613	\$368	\$230	\$2,618	\$1,571	\$982
(2) After Tax Cash Flow(-\$):	(\$3,363)	(\$1,620)	(\$1,758)	(\$16,976)	(\$8,226)	(\$8,815)
(3) After Tax Cash Flow Plus Principal Pay Down(-\$):	\$1,368	\$745	\$607	\$8,619	\$4,571	\$3,982
Projected Appreciation(-\$):	\$4,500	\$2,250	\$2,250	\$23,891	\$11,946	\$11,946
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(\$):	\$5,868	\$2,995	\$2,857	\$32,510	\$16,517	\$15,928
(1) Pre-Tax Cash Return on Current Equity-(-%):	-5.02%	-5.02%	-5.02%	-24.76%	-24.76%	-24.76%
(2) After-Tax Cash Return on Current Equity-(-%):	-4.25%	-4.09%	-4.44%	-21.45%	-20.79%	-22.28%
(3) After-Tax Return Plus Principal Pay Down on Current Equity-(-%):	1.73%	1.88%	1.53%	10.89%	11.55%	10.06%
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(-%):	7.41%	7.57%	7.22%	41.08%	41.74%	40.25%

LOAN INFORMATION (1st Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	Annual Payment	End Yr. Loan Balance	1 Year Pay Down	1 Year Int. Exp.	Proj. End Yr. Equity	End Yr. LTV
(1) Loan Data	Feb-11	\$84,000	3.875%	15	144	\$616	\$7,393	\$66,127	\$4,731	\$2,662	\$88,373	42.80%

LOAN INFORMATION (5 Year Summary):

	Loan Orig. Date	Orig. Loan Amount	Interest Rate	Amort. Term	Months Left On Loan	Monthly Payment	5 Year Payment	Loan Balance	5 Year Pay Down	5 Year Int. Exp.	Projected Equity	Projected LTV
	Feb-11	\$84,000	3.875%	15	84	\$616	\$36,965	\$45,263	\$25,595	\$11,370	\$128,628	26.03%

Realty Yield Recommendations

Communicated Client Goals & Real Estate Investment Objectives

Client has communicated an interest in BOTH improving real estate investment returns AND taking a more passive role in the day-to-day property management of owned properties. Client has a low risk tolerance.

Projected Performance (Investment Returns) of Current Real Estate Holdings

Based on the property acquisition and operating data provided, Realty Yield is projecting the following (1-YEAR PROJECTION):

Property Description	Approx.	Approx.	Approx.	LTV	Pre-Tax		After-Tax		After-Tax		Total		Proposed Strategy
	Value	Loan Balance	Equity		Cash Flow (cash-on-cash)	Cash Flow	Cash Flow (+) Pay Down	Projected Return (@ 3.0% Appreciation)					
1) 4-Plex NE XXth	\$650,000	\$0	\$650,000	0.0%	35,481 ↔ 5.46%	30,107 ↔ 4.63%	\$30,107 ↔ 4.63%	49,607 ↔ 7.63%					SELL
2) Tri-Plex NE XXth	\$400,000	\$0	\$400,000	0.0%	18,434 ↔ 4.61%	15,895 ↔ 3.97%	\$15,895 ↔ 3.97%	27,895 ↔ 6.97%					SELL
3) 4-Plex SE XXth Ave.	\$500,000	\$0	\$500,000	0.0%	23,627 ↔ 4.73%	19,692 ↔ 3.94%	\$19,692 ↔ 3.94%	34,692 ↔ 6.94%					SELL
4) Condo W. Burnside	\$150,000	\$70,858	\$79,142	47.2%	(3,976) ↔ -5.02%	(3,363) ↔ -4.25%	\$1,368 ↔ 1.73%	5,868 ↔ 7.41%					SELL
TOTAL	\$1,700,000	\$70,858	\$1,629,142	4.2%	73,566 ↔ 4.52%	62,331 ↔ 3.83%	\$67,062 ↔ 4.12%	118,062 ↔ 7.25%					

Realty Yield Recommendation

Several factors are present with currently owned properties that make improving overall returns and cash-flow readily doable. Plus, by reallocating capital (equity) to larger properties, professional management is factored relieving owner of day-to-day property management.

- Sum of capital (equity) spread across several smaller investment properties should be pooled to acquire a property-s yielding higher returns (apartments, mixed-use and/or retail). Realty Yield recommends replacement property-s have a value total of somewhere between \$3,000,000 (minimum) and \$4,500,000 (example next page).
SEE ANALYSIS OF REPRESENTATIVE MARKET "EXAMPLE" TO FOLLOW.
- Introduce some level of leverage (secure loan-s on replacement property-s). Low current borrowing costs afford prudent investors many advantages; owning more value in property (potential for accelerated capital growth), improved cash-flow (positive leverage) and tax advantages through interest expense and depreciation deductions.
SEE ANALYSIS OF REPRESENTATIVE MARKET "EXAMPLE" TO FOLLOW.
- Realty Yield recommends any ownership of investment real estate be via LLC /like mitigate liability/risk exposure.

NOTE: Please refer-back to Investment Property Analysis (IPA) Wealth Building Summary

Multi-Family (Apartments) Investment Analysis (Representative Example)

"QUICK VIEW" INVESTMENT ANALYSIS (including Partnership scenario, if applicable)

PROPERTY DESCRIPTION:	Representative of Current Market		GRM= 9.38	CAP RATE (CURRENT)= 6.25%	PROJ CAP RATE (5 YRS)= 6.01%							
Month/Yr. Acquired: Yrs. Owned:	Apr-14	0.0	Operating Expenses & Reserves:									
Price Paid: Est. Current Value:	\$4,500,000	\$4,500,000	Property Taxes:	\$30,000	Year-1 Marginal Tax Calculation (general analysis):							
Est. Current Equity: Loan to Value:	\$1,500,000	66.7%	Property Insurance:	\$7,500								
Annual Compounded Apprec. Rate:	#DIV/0!		Owner Paid Utilities:	\$32,500								
# of Units: Value Per Unit:	50	\$90,000	Repairs, Maintenance & Related:	\$45,000								
Gross Rent-s (mo. Avg.):	\$40,000		Property Management	\$50,000								
Monthly Income (other):	\$250		Capital/Replacement Reserves & Misc.:	\$12,500	Net Operating Income	\$287,496						
Vacancy/Credit Loss Allowance:	5.0%		INVESTOR (est. "effective" tax rate):		Less: Depreciation Expense	(\$95,000)						
Annual Depreciation Expense (est.):	\$95,000		Tax Rate (general analysis) →	20%	Less: Interest Expense	(\$119,038)						
Projected Value 5 Years:	\$5,216,733		Tax Rate (investor specific) →	24% 15%	= Taxable Income	\$73,458						
Proj. Annual Value Change (+/-):	Year-1	Year-2	Year-3	Year-4	Year-5	Est. Effective Tax Rate	20%					
	3.0%	3.0%	3.0%	3.0%	3.0%	Income Taxes Saved (Paid)	(\$14,692)					
						CURRENT INCOME & EXPENSE DATA (annual)						
						Effective Gross Income:	\$458,850					
						Operating Expenses	(\$177,500)					
						Net Operating Income:	\$281,350					
						Proj. +/- (%): EGI Expense:	2.5% 3.0%					
						1-YEAR PROJECTION (on current equity)						
						Loan Data (1)	50.00% 50.00%					
Effective Gross Income (Rents + Other Income - Vacancy/Credit Loss):						\$470,321	\$235,161 \$235,161					
Total Operating Expenses & Reserves:						(\$182,825)	(\$91,413) (\$91,413)					
Net Operating Income (EGI less Total Expenses & Reserves):						\$287,496	\$143,748 \$143,748					
Less Debt Service (see Loan Information below):						\$171,870	\$85,935 \$85,935					
(1) Pre Tax Cash Flow(-\$):						\$115,627	\$57,813 \$57,813					
Income Taxes Saved (Paid):						see above: Rate (general analysis) → (\$14,692)	(\$8,815) (\$5,509)					
(2) After Tax Cash Flow(-\$):						\$100,935	\$48,998 \$52,304					
(3) After Tax Cash Flow Plus Principal Pay Down(-\$):						\$153,766	\$75,414 \$78,720					
Projected Appreciation(-\$):						\$135,000	\$67,500 \$67,500					
(4) Total Return (After-Tax Return + Principal Pay Down + Appreciation)-(\$):						\$288,766	\$142,914 \$146,220					
							\$2,472,163 \$1,236,081 \$1,236,081					
							(\$970,643) (\$485,321) (\$485,321)					
							\$1,501,520 \$750,760 \$750,760					
							\$859,348 \$429,674 \$429,674					
							\$642,173 \$321,086 \$321,086					
							(\$90,749) (\$54,450) (\$34,031)					
							\$551,423 \$266,637 \$287,055					
							\$837,998 \$409,924 \$430,343					
							\$716,733 \$358,367 \$358,367					
							\$1,554,731 \$768,291 \$788,709					
							42.81% 42.81% 42.81%					
							36.76% 35.55% 38.27%					
							55.87% 54.66% 57.38%					
							103.65% 102.44% 105.16%					
LOAN INFORMATION (1st Year Summary):												
	Loan	Orig. Loan	Interest	Amort.	Months Left	Monthly	Annual	End Yr. Loan	1 Year	1 Year	Proj. End Yr.	End Yr.
	Orig. Date	Amount	Rate	Term	On Loan	Payment	Payment	Balance	Pay Down	Int. Exp.	Equity	LTV
(1) Loan Data	Apr-14	\$3,000,000	4.000%	30	360	\$14,322	\$171,870	\$2,947,169	\$52,831	\$119,038	\$1,687,831	63.59%
LOAN INFORMATION (5 Year Summary):												
	Loan	Orig. Loan	Interest	Amort.	Months Left	Monthly	5 Year	Loan	5 Year	5 Year	Projected	Projected
	Orig. Date	Amount	Rate	Term	On Loan	Payment	Payment	Balance	Pay Down	Int. Exp.	Equity	LTV
	Apr-14	\$3,000,000	4.000%	30	300	\$14,322	\$859,348	\$2,713,425	\$286,575	\$572,773	\$2,503,308	52.01%

Recommended Action Plan & To-Do's

Pre-Sale Preparation (Properties to be sold)

- Partition 7 units into a 4-plex and tri-plex (value increase estimated to be \$100,000 - \$135,000)
 - Continue the process of boosting all rents closer to full market over the next few months
 - Discuss desired timeline and personal availability to complete 1031 Exchange properly (vacations, commitments, etc.)
 - Focus on addressing any deferred maintenance issues on subject properties including landscaping
 - Would recommend considering modest updates on kitchens and baths on the NE property (per owner provided notes)
 - Schedule walk-through of each property for Realty Yield tour
 - Realty Yield to have professional photographer take photos (after maintenance and clean-up) for Offering Memorandums and Listing Websites (RMLS, LoopNet, Etc.)
 - Forward Realty Yield monthly operating statements and rent-roll(s) during the sale process (each property)
 - Keep Realty Yield informed of any tenant turnover or vacancies
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Additional Items to be added as we move through the 1031 Exchange process

- Be prepared to review potential 1031 replacement properties when presented by Realty Yield
 - Be prepared to provide Realty Yield requested documents and financials needed to secure new loan-s on replacement property-s
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Mike Carlson

Founder, President & Principal Real Estate Broker

Expert Real Estate Advisor & Consultant

Mike Carlson is a long-time real estate advisor to private investor clients. His forte is working with clients desiring guidance and services over the long haul. Mike is an expert in income property investment and wealth building, financial-investment analysis, brokerage, income-property finance and strategic asset (real estate) management.

Mike has been the lead broker and/or adviser on several-hundred million dollars-worth of real estate transactions/projects. With his impressive track-record of success, Mike is often the go-to guy for buyers, income-property financing, sellers with complex disposition/exchange/exit factors and landlords wanting to consult on property-portfolio performance improvement strategies.

His professional history includes positions in the technology field (IBM, Motorola), various small business endeavors; and since 1998, a full-time focus in the investment real estate and finance arena. Mike has developed a variety of proprietary financial-investment analysis tools used by both private investors and real estate service professionals. Mike has a B.S., Oregon State University, 1985 (areas of study – applied mathematics and marketing).

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