

Proforma Income Statement

123 Main Street Salem, OR 97302

	EOY1	EOY2	EOY3	EOY4	EOY5	EOY6	EOY7	EOY8	EOY9	EOY10
Income										
Gross Scheduled Income	90,000	91,800	93,636	95,509	97,419	99,367	101,355	103,382	105,449	107,558
Less: Vacancy Allowance	9,000	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378
Effective Gross Income	81,000	87,210	88,954	90,733	92,548	94,399	96,287	98,213	100,177	102,180
Plus: Other Income	10,530	10,741	10,955	11,175	11,398	11,626	11,858	12,096	12,338	12,584
Gross Operating Income	91,530	97,951	99,910	101,908	103,946	106,025	108,145	110,308	112,514	114,765
Less: Operating Expenses	39,391	40,572	41,790	43,043	44,335	45,665	47,035	48,446	49,899	51,396
Net Operating Income	52,139	57,378	58,120	58,865	59,611	60,360	61,111	61,863	62,615	63,369
Less: Debt Service	31,538	31,538	31,538	31,538	31,538	31,538	31,538	31,538	31,538	31,538
Less: Upgrades	20,000									
Plus: Loan for Upgrades										
Cash Flow Before Tax	601	25,840	26,582	27,326	28,073	28,822	29,573	30,325	31,077	31,831
Taxable Income										
[Losses carried forward]										
Taxable Revenues	91,530	97,951	99,910	101,908	103,946	106,025	108,145	110,308	112,514	114,765
Less: Deducted Expenses	36,391	37,482	38,607	39,765	40,958	42,187	43,452	44,756	46,099	47,482
Less: Interest Expense	26,255	25,927	25,578	25,207	24,813	24,395	23,950	23,478	22,976	22,443
Less: Amortized Points	140	140	140	140	140	140	140	140	140	140
Less: Depreciation	15,152	15,998	15,998	15,998	15,152	15,998	15,998	15,998	15,998	15,998
Ordinary Income	13,592	18,403	19,587	20,797	22,883	23,305	24,605	25,936	27,302	28,702
Taxable Income	13,592	18,403	19,587	20,797	22,883	23,305	24,605	25,936	27,302	28,702
Taxes Due (-=Savings)	3,806	5,153	5,484	5,823	6,407	6,525	6,889	7,262	7,644	8,037
Cash Flow After Tax	-3,205	20,687	21,098	21,503	21,666	22,297	22,683	23,062	23,433	23,794
Purchase Analysis										
Capitalization Rate	8.69%	9.56%	9.69%	9.81%	9.94%	10.06%	10.19%	10.31%	10.44%	10.56%
Gross Rent Multiplier	6.67	6.54	6.41	6.28	6.16	6.04	5.92	5.80	5.69	5.58
Net Income Multiplier	11.51	10.46	10.32	10.19	10.07	9.94	9.82	9.70	9.58	9.47
Operating Expense Ratio	43.04%	41.42%	41.83%	42.24%	42.65%	43.07%	43.49%	43.92%	44.35%	44.78%
Loan to Value	71.62%	70.68%	69.69%	68.64%	67.51%	66.32%	65.06%	63.72%	62.29%	60.77%
Debt Coverage Ratio	1.65	1.82	1.84	1.87	1.89	1.91	1.94	1.96	1.99	2.01
Break-Even Ratio	77.49%	73.62%	73.39%	73.19%	72.99%	72.82%	72.65%	72.51%	72.38%	72.26%
Cash-on-Cash Before Tax	0.31%	14.75%	15.17%	15.60%	16.02%	16.45%	16.88%	17.31%	17.74%	18.17%
Cash on Cash After Tax	-1.64%	11.81%	12.04%	12.27%	12.37%	12.73%	12.95%	13.16%	13.37%	13.58%

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	EOY1	EOY2	EOY3	EOY4	EOY5	EOY6	EOY7	EOY8	EOY9	EOY10
Sales Proceeds										
Sales Value	695,000	704,000	714,000	723,000	732,000	741,000	750,000	759,000	768,000	844,000
Less: Cost of Sale @ 6%	41,700	42,240	42,840	43,380	43,920	44,460	45,000	45,540	46,080	50,640
Less: Loan Repayment	429,717	424,106	418,145	411,814	405,089	397,945	390,357	382,297	373,734	364,639
Sales Proceeds Before Tax	223,583	237,654	253,015	267,806	282,991	298,595	314,643	331,163	348,186	428,721
Less: Taxes due to Sale	6,507	11,888	17,337	22,645	27,952	33,260	38,568	43,876	49,184	63,938
Sale Proceeds After Tax	217,076	225,766	235,678	245,162	255,039	265,335	276,075	287,288	299,002	364,783
Sale Ratios/Measures:										
Capitalization Rate	7.50%	8.15%	8.14%	8.14%	8.14%	8.15%	8.15%	8.15%	8.15%	7.51%
Gross Rent Multiplier	7.72	7.67	7.63	7.57	7.51	7.46	7.40	7.34	7.28	7.85
Loan Balance/Sales Value	61.83%	60.24%	58.56%	56.96%	55.34%	53.70%	52.05%	50.37%	48.66%	43.20%
Profitability Index: Before Debt	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.11
Profitability Index: Before Tax	1.16	1.25	1.32	1.39	1.45	1.50	1.55	1.59	1.62	1.79
Profitability Index: After Tax	1.09	1.14	1.18	1.21	1.24	1.26	1.28	1.30	1.31	1.44
Analysis Measures:										
IRR Before Debt	17.6%	13.9%	12.8%	12.2%	11.8%	11.6%	11.4%	11.3%	11.2%	11.6%
IRR Before Tax	28.0%	22.8%	21.2%	20.2%	19.5%	19.0%	18.6%	18.3%	18.0%	18.9%
IRR After Tax	19.7%	17.6%	16.4%	15.7%	15.2%	14.9%	14.6%	14.4%	14.2%	15.3%
NPV Before Debt @ 10%	41,308	41,728	42,738	42,881	42,949	42,955	42,913	42,830	42,715	66,857
NPV Before Tax @ 10%	28,604	43,111	56,767	68,253	78,484	87,587	95,675	102,851	109,205	139,103
NPV After Tax @ 10%	15,371	25,372	31,725	36,808	41,334	45,201	48,749	51,871	54,603	77,619
Financial Management RoR	19.65%	17.53%	16.09%	15.15%	14.49%	13.97%	13.56%	13.21%	12.91%	13.63%
Accumulation of Wealth	209,629	246,217	278,881	313,343	350,597	390,597	434,060	480,993	531,656	639,862
Equity Yield Rate:										
CFAT/(Sale Value-Loan Repay)	-1.21%	7.39%	7.13%	6.91%	6.63%	6.50%	6.31%	6.12%	5.94%	4.96%
Return on Equity	55.41%	12.96%	12.05%	10.69%	9.80%	9.18%	8.59%	8.08%	7.64%	18.85%
AVG Return on Equity		34.19%	26.81%	22.78%	20.18%	18.35%	16.95%	15.84%	14.93%	15.32%

Report Assumptions:

Annual periods are End of Year 1 January to 31 December. Purchase assumed on 1 January in Year 1. Sale designated on 31 December in Year 5.

Growth: Rent BOY2@ 2%. OInc BOY2@ 2%. OpExp BOY2@ 3%. Deducted Expenses exclude Replacement Reserve.

Vacancy allowance: BOY1@ 10% -BOY2@ 5%

Resale method determined by capitalizing next year's NOI @ 8.25%. Sales value rounded to the nearest 1,000.

Mid-month convention for depreciation applied in year of purchase and year of sale.

Investor assumptions: ordinary income tax rate @ 28%. FMRR computed with investor's safe rate rate of 5% and reinvestment rate of 8%.