

Property Acquisition Report
8 Thurlow Terrace

This report shows the projected cash requirement for acquisition of the 8 Thurlow Terrace on 1 January 2017.

Cost of Property Acquired			
Price of Property	\$845,000		
+ Closing Costs	20,000		
Total Cost of Property Acquired			\$865,000
Property Financing			
Loan Loan Principal	\$676,000		
Loan Loan Proceeds		\$676,000	
Total Net Loan Proceeds			676,000
Cash Required at Acquisition			\$189,000

Analysis Assumptions Report

8 Thurlow Terrace

Investment Assumptions

Price of Property	\$845,000.00
Closing Costs	\$20,000.00
Date of Acquisition	1 January 2017
Holding Period	10 Years
Inflation Rate	4% per Year
Sale Price Method	Continuous Growth from Purchase Price at 2%
Selling Costs	6%

Investor's Assumptions

General Vacancy & Credit Loss	Zero
Tax Rate - First Year	35%
Tax Rate - Following Years	35%
Capital Gain Rate	15%
Cost Recovery Recapture Rate	25% - Losses Carried Forward
Present Value Discount Rate Before Debt	10% per Year
Present Value Discount Rate Before Tax	10% per Year
Present Value Discount Rate After Tax	10% per Year

Depreciation Assumptions

Depreciable Amount	80% of Property Price
Depreciable Life	39 Years
Depreciation Method	Straight Line
Depreciation Start Date	at Acquisition

Loan Assumptions

Loan Amount	80% of Property Price
Loan Interest Rate	4.5% Annually
Original Loan Period	20 Years
Loan Origination Date	at Acquisition
Loan Type	Monthly Payments, Amortizing

Carriage House (1,405sf) Revenue Assumptions

Annual Revenue (1,405 SqFt @ \$12.81/SqFt/Year)	\$17,998.00
Revenue Start Date	at Acquisition
Revenue Period	Until Projected Sale
Revenue Growth Method	Annual at 1% Annually
Management Fee	5%
Vacancy Factor	5%

Analysis Assumptions Report

8 Thurlow Terrace

Existing Law Firm (1300 sf) Revenue Assumptions

Annual Revenue (1,300 SqFt @ \$16.15/SqFt/Year)		\$20,995.00
Revenue Start Date		at Acquisition
Revenue Period		Until Projected Sale
Revenue Growth Method		Annual at 1% Annually
Management Fee		5%
Vacancy Factor		5%

Main Bldg SF (10,937sf) Revenue Assumptions

Annual Revenue (10,937 SqFt @ \$20.00/SqFt/Year)		\$218,740.00
Revenue Start Date		at Acquisition
Revenue Period		Until Projected Sale
Revenue Growth Method		Annual at 1% Annually
Management Fee		5%

Carriage House Utilt Pmt Revenue Assumptions

Annual Revenue		\$2,248.95
Revenue Start Date		at Acquisition
Revenue Period		Until Projected Sale
Revenue Growth Method		Annual at 2% Annually
Vacancy Factor		5%

Existing Law Firm Utilit Pmt Revenue Assumptions

Annual Revenue		\$714.31
Revenue Start Date		at Acquisition
Revenue Period		Until Projected Sale
Revenue Growth Method		Annual at 2% Annually
Vacancy Factor		5%

Basement Revenue (2,440sf) Revenue Assumptions

Annual Revenue (2,440 SqFt @ \$5.00/SqFt/Year)		\$12,200.00
Revenue Start Date		at Acquisition
Revenue Period		Until Projected Sale
Revenue Growth Method		Annual at 1% Annually

Property School Taxes Expense Assumptions

Annual Expense		\$44,891.00
Expense Start Date		at Acquisition
Expense Period		Until Projected Sale
Expense Growth Method		Continuous at 3% Annually

Analysis Assumptions Report

8 Thurlow Terrace

Reserves Expense Assumptions

Annual Expense (15,334 SqFt @ \$0.25/SqFt/Year)	\$3,834.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	No Growth is Projected

Property Insurance Expense Assumptions

Annual Expense	\$5,532.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Continuous at 2% Annually

Entire Property Utilities Expense Assumptions

Annual Expense	\$34,785.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at 2% Annually

Water Expense Assumptions

Annual Expense	\$1,343.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at 2% Annually

Other Operating Expenses Expense Assumptions

Annual Expense	\$77,673.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at 2% Annually

Proforma Income Statement

8 Thurlow Terrace

This Statement is for the 8 Thurlow Terrace as acquired on 1 January 2017 for a Price of \$845,000, subject to a Loan of \$676,000, for a Down Payment of \$169,000.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gross Income										
Carriage House (1,405sf)	\$17,998	\$18,178	\$18,360	\$18,543	\$18,729	\$18,916	\$19,105	\$19,296	\$19,489	\$19,684
Existing Law Firm (1300 sf)	20,995	21,205	21,417	21,631	21,847	22,066	22,287	22,509	22,735	22,962
Main Bldg SF (10,937sf)	218,740	220,927	223,137	225,368	227,622	229,898	232,197	234,519	236,864	239,233
Carriage House Utilt Pmt	2,249	2,294	2,340	2,387	2,434	2,483	2,533	2,583	2,635	2,688
Existing Law Firm Utilt Pmt	714	729	743	758	773	789	804	821	837	854
Basement Revenue (2,440sf)	12,200	12,322	12,445	12,570	12,695	12,822	12,951	13,080	13,211	13,343
Total Gross Income	\$272,896	\$275,655	\$278,442	\$281,257	\$284,101	\$286,974	\$289,876	\$292,809	\$295,771	\$298,763
Less: Vacancy & Credit Loss	2,098	2,120	2,143	2,166	2,189	2,213	2,236	2,260	2,285	2,309
Effective Income	\$270,798	\$273,535	\$276,299	\$279,091	\$281,912	\$284,761	\$287,640	\$290,548	\$293,486	\$296,454
Less: Operating Expenses	45,559	46,926	48,334	49,784	51,277	52,816	54,400	56,032	57,713	59,445
Property School Taxes	3,834	3,834	3,834	3,834	3,834	3,834	3,834	3,834	3,834	3,834
Reserves	5,587	5,699	5,813	5,929	6,048	6,169	6,292	6,418	6,546	6,677
Property Insurance	34,785	35,481	36,190	36,914	37,652	38,405	39,174	39,957	40,756	41,571
Entire Property Utilities	1,343	1,370	1,397	1,425	1,454	1,483	1,512	1,543	1,574	1,605
Water	77,673	79,226	80,811	82,427	84,076	85,757	87,472	89,222	91,006	92,826
Other Operating Expenses	12,789	12,917	13,046	13,177	13,308	13,442	13,576	13,712	13,849	13,987
Management Fee	\$181,571	\$185,453	\$189,426	\$193,490	\$197,649	\$201,905	\$206,261	\$210,717	\$215,278	\$219,946
Total Operating Expenses	\$89,228	\$88,082	\$86,873	\$85,601	\$84,262	\$82,856	\$81,379	\$79,831	\$78,208	\$76,508
Net Operating Income	51,321	51,321	51,321	51,321	51,321	51,321	51,321	51,321	51,321	51,321
Less: Debt Service	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321	\$51,321
Loan	\$37,907	\$36,761	\$35,553	\$34,280	\$32,942	\$31,535	\$30,059	\$28,510	\$26,887	\$25,187
Total Debt Service	\$37,907	\$36,761	\$35,553	\$34,280	\$32,942	\$31,535	\$30,059	\$28,510	\$26,887	\$25,187
Net Operating Cash Flow	\$13,414	\$14,560	\$15,768	\$17,041	\$18,379	\$19,786	\$21,261	\$22,811	\$24,434	\$26,134

Proforma Income Statement

8 Thurlow Terrace

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Ratio Analysis:										
Profitability Ratios										
Capitalization Rate	10.56%	10.42%	10.28%	10.13%	9.97%	9.81%	9.63%	9.45%	9.26%	9.05%
Cash on Cash Before Tax	20.06%	19.45%	18.81%	18.14%	17.43%	16.69%	15.90%	15.08%	14.23%	13.33%
Risk Ratios										
Debt Coverage Ratio	1.739	1.716	1.693	1.668	1.642	1.614	1.586	1.556	1.524	1.491
Breakeven Occupancy Assumption Ratios	85.3%	85.9%	86.5%	87.0%	87.6%	88.2%	88.9%	89.5%	90.1%	90.8%

Property Sale Report

8 Thurlow Terrace

This report shows the results of a projected sale of the 8 Thurlow Terrace on 31 December 2026. The Sale Price of \$1,030,050 is projected by using a Continuous Growth Rate of 2% during the holding period.

Analysis of Sale Proceeds			
Sale Price (as discussed above)	\$1,030,050		
- Costs of Sale (6%)	61,803		
- Loan Balances	412,657		
- Prepayment Penalties	0		
Net Sale Proceeds			\$555,590

8 Thurlow Terrace Pro Forma - Supplement Information

A 2% annual property valuation growth was used, Consumer Price Index (CPI) has been steady at 2.5%

Reduction in property and school taxes projected based on actual 2016 property assessment reduction:
8 Thurlow Terrace property assessment was reduced \$295,900 (24.27%) from \$1,219,400 to \$923,500.

	2015 Tax Rate/\$1k	2015 Assessment	2016 Assessment	2015 Actual	2016 Projected
School Taxes	\$30.94	\$1,219,400	\$923,500	\$37,728	\$28,573
Property Taxes	\$17.67	\$1,219,400	\$923,500	\$21,547	\$16,318
				\$59,275	\$44,891

Property & Building Expense History

Square Feet 16,082
(inclusive of main building floors 12,237; basement 2,440, & carriage house (1,405))

Expense	2015 / sf	2015	2014	2013	2012
School Taxes	\$2.35	\$37,726	\$36,701	\$37,466	\$35,383
Property Taxes	\$1.35	\$21,739	\$22,263	\$21,253	\$21,122
Insurance	\$0.34	\$5,532	\$5,532	\$5,532	\$5,532
Utilities	\$1.86	\$29,952	\$40,430	\$36,911	\$31,850
Water	\$0.08	\$1,343	\$1,642	\$2,058	\$1,845
Maintenance	\$4.83	\$77,673	\$76,354	\$91,289	\$99,131
Carrow - monthly	\$0.56	\$9,000	\$9,000	\$9,000	\$9,000
Carrow - hourly	\$1.05	\$16,924	\$17,026	\$18,072	\$10,790
Total	\$12.43	\$199,889	\$208,948	\$221,581	\$214,653

Other Operating Expenses Detail

	2015 avg	2015	2014	2013	2012
Landscaping / Snow Removal	\$0.87	\$14,002	\$16,379	\$15,098	\$14,310
Elevator Maintenance & Repair	\$0.49	\$7,819	\$4,540	\$4,510	\$5,223
Garbage Removal	\$0.25	\$4,095	\$3,612	\$3,169	\$2,878
Cleaning	\$1.55	\$24,975	\$29,755	\$25,056	\$20,537
Alarm System	\$0.10	\$1,620	\$1,626	\$1,050	\$2,077
Pest Control	\$0.06	\$972	\$1,603	\$2,686	\$3,050
Locksmith	\$0.01	\$216	\$2,044	\$213	\$1,062
HVAC	\$0.44	\$7,083	\$5,445	\$5,748	\$4,165
Building Supplies (lightbulbs, tp, etc.)	\$0.62	\$10,008	\$11,350	\$14,390	\$16,722
Driveway / Drainage Repairs	\$0.20	\$3,211	\$0	\$18,483	\$16,750
Roof Repairs	\$0.00	\$0	\$0	\$0	\$10,116
Carpet Repairs / Office Painting	\$0.23	\$3,672	\$0	\$886	\$2,241
Subtotal Maintenance	\$4.83	\$77,673	\$76,354	\$91,289	\$99,131

Notes:

Used 2015 actual for cleaning, insurance, water, and other operating expenses in proforma

Cleaning includes daily cleaning service, 2015 Carriage House started to provide own cleaning

Elevator door mechanism replaced in 2015

Elevator costs include "inclusive repair" contract

"Premium" plow contract for prior 6am service

Owner occupied relationship creates a lot of "business cost" cross over to property costs

Meticulous owner that is very proactive in property and building care

Property Management more of a convenience than a necessity but included mgmt costs (5% revenue)

\$20/sf for new owner occupancy of 10,937 (main bldg) **INCLUDES** cleaning, utilities, and all bldg expenses