

# 7 2 2 G L A D S T O N E A V E N U E

## INVESTMENT PROPERTY INCOME AND EXPENSE BUDGET

SUGGESTED FINANCING:		INVESTMENT OFFERING:	750,000
Loan-to-Value	75%	SOLD PRICE:	710,000
Loan Amount	532,500	SUGGESTED LOAN AMOUNT	532,500
Interest Rate	3.75%	ESTIMATED CLOSING COSTS	35,500
Term	30	TOTAL INVESTMENT	213,000
Monthly P & I	\$2,466.09	Price Per Unit	6
		Price Per Sq.Ft.	5,226
			118,333
			136

Unit	Size	Lease Expires	Sec Dep	Sec Dep Date	Current Actual Rent	Market Rent
1	2 Bedroom	4/30/2022	1,450	4/1/2021	1,450	1,450
2	2 Bedroom	7/31/2021	1,200	1/22/2018	1,300	1,300
3	2 Bedroom	10/31/2021	1,100	9/27/2015	1,100	1,150
4	2 Bedroom	7/27/2021	1,000	9/3/2020	1,000	1,150
5	Studio	11/30/2021	800	11/1/2020	800	800
6	1 Bedroom	11/30/2021	1,240	5/14/2012	1,240	1,275
Parking	5 spaces	no charge			-	-

GRM (actual) = 8.6	Monthly Rent	6,890	7,125
GRM (market) = 8.3	Effective Annual Income	82,680	85,500

Real Estate Taxes	actual	7/1/2021	476,500	11,245	
Ground Rent	none			0	
Insurance	budget	400	per unit	2,400	
License - Baltimore City MFD	actual	35	per resid unit	210	
Lead Paint Registration Fee	actual	30	per resid unit	180	
Management	budget	5%		4,275	
Vacancy	budget	3%		2,565	
Grass and Landscaping	budget	80	per month	960	
Repairs & Maintenance	budget	1000	per unit	6,000	
Public Service Electric	paid by Apt 5	0	per month	0	
Water	actual	300	per month	3,600	
Expense/Unit= \$5,240	37%			TOTAL EXPENSES	31,435
Cap Rate= 7.61%				NET OPERATING INCOME	54,065
DCR= 1.83				Less: Mortgage Payments:	29,593
ROI= 11.5%				Monthly Cash Flow: \$2,039	Annual Cash Flow: 24,472

## COMPARABLE SALES

address	date sold	sales price	# units	Monthly Rent	Price per Unit	GRM
711 Gladstone	Mar-21	500,000	5	4,975	100,000	8.4
316 Gittings Ave	Aug-20	506,680	5	4,845	101,336	8.7
5017 Roland	Apr-21	575,000	5	4,865	115,000	9.8
5009 Roland	Apr-21	1,000,000	8	10,000	125,000	8.3
713 W 33rd	Mar-21	475,000	3	4,085	158,333	9.7
1010 Calvert St	Jul-19	800,000	4	5,800	200,000	11.5
620 Wyndhurst	Feb-21	439,000	2	2,440	219,500	15.0
1418 Park Ave	Jan-20	700,000	3	5,250	233,333	11.1

Average GRM

9



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## Illustration of the **Four Components of "Return on Investment"**

### 1 **Cash Flow**

This first and perhaps most obvious component is "cash flow" - rental income minus expenses - or how much cash ends up in your pocket.

85,500	+	Rental Income
31,435	-	Operating Expenses
29,593	-	Mortgage Payments
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24,472	=	Cash Flow
213,000	/	Downpayment + Closing Costs
11.5%	=	Return on Investment from Cash Flow

### 2 **Appreciation**

As the value of the property increases, your return on investment increases.

710,000	=	Acquisition Price
5%	*	First Year Appreciation
745,500	=	Value at the end of Year 1.
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35,500	=	Amount of Value Increase
213,000	/	Downpayment + Closing Costs
17%	=	Return on Investment from Appreciation

### 3 **Equity Build-Up**

3.75% 30 \$ 2,466.09

Even if the property did not increase in value, Equity will increase solely from paying down the mortgage.

532,500	=	Loan Amount at Closing
522,709	=	Loan Amount at the end of Year 1
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9,791	-	Equity Build-Up in Year 1
213,000	/	Downpayment + Closing Costs
4.6%	=	Return on Investment from Equity Build-Up

### 4 **Tax Benefits**

One pays less income taxes on a real estate investment than on other investment vehicles.

54,065	=	Cash Flow Before Loan Payments (rents less expenses)
20,117	-	Depreciation (assumes 15% land, 30 year recovery)
19,802	-	Mortgage Interest
14,146	=	Taxable Income Year 1
11,317	=	Less 20% Pass-Thru Entity per new tax code
37%	*	Marginal Tax Rate
4,187	=	Federal Income Tax
4,187	=	Federal Income Tax
24,472	/	Cash Flow
17.1%	=	Effective Tax Rate on This Investment
9,054	=	Tax if Cash Flow came from a non-preferred investment vehicle
4,187	-	Tax from this preferred investment vehicle.
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4,867	=	Income Tax Savings
2.3%	=	Return on Investment from Tax Savings

### **Total / Summary**

1:	24,472	Cash Flow
2:	35,500	Appreciation Year 1
3:	9,791	Equity Build Up Year 1
4:	4,867	Tax Savings Year 1
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	74,630	Total Return from this Investment
	213,000	Downpayment + Closing Costs
	35.0%	Total Return from this Investment

**Illustration of Internal Rate of Return over a 10-Year Holding Period**  
**722 GLADSTONE AVENUE**

Purchase Price	710,000	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Rent	4.0%	85,500	88,920	92,477	96,176	100,023	104,024	108,185	112,512	117,013	121,693
Vacancy	3.0%	2,565	2,668	2,774	2,885	3,001	3,121	3,246	3,375	3,510	3,651
Effective Income		82,935	86,252	89,702	93,291	97,022	100,903	104,939	109,137	113,502	118,042
Expenses	4.0%	31,435	32,693	34,001	35,361	36,775	38,246	39,776	41,367	43,022	44,742
Exp as a percent of Annual Rent		38%	38%	38%	38%	38%	38%	38%	38%	38%	38%
Exp per unit	6	5,239	5,449	5,667	5,893	6,129	6,374	6,629	6,894	7,170	7,457
NOI	0	51,500	53,560	55,702	57,930	60,247	62,657	65,163	67,770	70,481	73,300
Debt Service	\$ 2,466	29,593	29,593	29,593	29,593	29,593	29,593	29,593	29,593	29,593	29,593
<b>Before Tax Cash Flow</b>	<b>(213,000)</b>	<b>21,907</b>	<b>23,966</b>	<b>26,109</b>	<b>28,337</b>	<b>30,654</b>	<b>33,064</b>	<b>35,570</b>	<b>38,177</b>	<b>40,888</b>	<b>577,680</b>
<b>19.5% Internal Rate of Return</b>											
NOI		51,500	53,560	55,702	57,930	60,247	62,657	65,163	67,770	70,481	73,300
Less Interest		19,802	19,428	19,040	18,638	18,220	17,786	17,335	16,868	16,382	15,878
Less Depreciation		18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933
20% Pass Thru Discount		2,553	3,040	3,546	4,072	4,619	5,188	5,779	6,394	7,033	7,698
Taxable Income	0	10,212	12,159	14,183	16,287	18,475	20,750	23,116	25,575	28,132	30,791
Tax @	37%	3,778	4,499	5,248	6,026	6,836	7,678	8,553	9,463	10,409	11,393
<b>After Tax Cash Flow</b>	<b>(213,000)</b>	<b>18,128</b>	<b>19,468</b>	<b>20,861</b>	<b>22,311</b>	<b>23,818</b>	<b>25,386</b>	<b>27,017</b>	<b>28,714</b>	<b>30,479</b>	<b>480,437</b>
<b>16.0% Internal Rate of Return</b>											
Purchase	710,000							<b>Assume a Sale at End of Year 10</b>			
L-V	75%							Annual Rent Roll			121,693
Loan	532,500							GRM			8.3
Down Payment	177,500							Price			1,010,551
Cap Improvement	-							Sale Costs		6%	60,633
Closing Costs	35,500							Less: Basis			520,667
Initial Investment	213,000							Gain			429,252
Rate	3.75%							Tax @		20%	85,850
Term	30							Mortgage Balance			415,945
P&I	\$2,466.09							Sale Proceeds Before Tax			533,973
								Sale Proceeds After Tax			448,123
<b>Mortgage Amortization</b>		1	2	3	4	5	6	7	8	9	10
532,500 Beg Bal		532,500	522,709	512,543	501,991	491,035	479,662	467,854	455,597	442,871	429,660
3.75% Prin		9,791	10,165	10,553	10,955	11,373	11,807	12,258	12,725	13,211	13,715
30.0 Int		19,802	19,428	19,040	18,638	18,220	17,786	17,335	16,868	16,382	15,878
2,466 Bal EOY		522,709	512,543	501,991	491,035	479,662	467,854	455,597	442,871	429,660	415,945
<b>Cost Recovery / Depreciation</b>		710,000	710,000	Building	80%	568,000	Land	20%	142,000	Life	30
		18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933	18,933
Basis		691,067	672,133	653,200	634,267	615,333	596,400	577,467	558,533	539,600	520,667