

# 849 WEST 36th STREET

## INVESTMENT PROPERTY INCOME AND EXPENSE BUDGET

SUGGESTED FINANCING:				INVESTMENT OFFERING:		360,000
Loan-to-Value	75%			SOLD PRICE SEPT 2021:		340,000
Loan Amount	255,000			SUGGESTED LOAN AMOUNT		255,000
Interest Rate	3.50%			ESTIMATED CLOSING COSTS		17,000
Term	25			TOTAL INVESTMENT		102,000
Monthly P & I	\$ 1,276.59			Price Per Unit	2	170,000
				Price Per Sq.Ft.	1,676	203
Unit	Size	Lease Expires	Sec Dep	Sec Dep Date	Current Actual Rent	Market Rent
Optimist	store	2/1/2024	1,250		1,631	1,700
2nd flr	apt	vacant			-	1,000
GRM (actual) = 17.4	Total Monthly Rental Income				1,631	2,700
GRM (market) = 10.5	Total Gross Annual Income				19,572	32,400
Real Estate Taxes	actual	7/1/2021	210,433		4,966	
Ground Rent	none				0	
Insurance	budget	600	per unit		1,200	
License - Baltimore City MFD	actual	30	per resid unit		30	
Baltimore City Rental Inspection	actual	75	per unit / 3 years		25	
Lead Paint Registration Fee	actual	30	per resid unit		30	
Repairs & Maintenance	budget	500	per unit		1,000	
Gas & Electric	paid by tenants	0	per month		0	
Water	paid by tenants	0	per unit per mo		0	
Expense/Unit= \$3,630	22%	TOTAL EXPENSES				7,251
Cap Rate= 7.40%		NET OPERATING INCOME				25,149
DCR= 1.64		Less: Mortgage Payments:				15,319
ROI= 9.6%		Monthly Cash Flow:	\$819	Annual Cash Flow:		9,830

## COMPARABLE SALES

address	date sold	sales price	# units	Monthly Rent	GRM	Price Per Unit
2213 N Charles	Dec-20	398,500	4	3,575	9.3	\$99,625
2623 Huntingdon	Apr-21	212,000	2	1,900	9.3	\$106,000
348 W 29th St	May-21	250,000	1	2,000	10.4	\$250,000
1101-1103 W 36th	May-21	1,287,825	3	5,886	18.2	\$429,275
1107-1109	May-21	654,675	1	3,710	14.7	\$654,675



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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.

32,400	+	Rental Income
7,251	-	Operating Expenses
15,319	-	Mortgage Payments
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9,830	=	Cash Flow
102,000	/	Downpayment + Closing Costs
9.6%	=	Return on Investment from Cash Flow

### 2 **Appreciation**

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

340,000	=	Acquisition Price
5%	*	First Year Appreciation
357,000	=	Value at the end of Year 1.
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17,000	=	Amount of Value Increase
102,000	/	Downpayment + Closing Costs
17%	=	Return on Investment from Appreciation

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

3.50% 25 \$ 1,276.59

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

255,000	=	Loan Amount at Closing
248,502	=	Loan Amount at the end of Year 1
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6,498	-	Equity Build-Up in Year 1
102,000	/	Downpayment + Closing Costs
6.4%	=	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.

25,149	=	Cash Flow Before Loan Payments (rents less expenses)
9,633	-	Depreciation (assumes 15% land, 30 year recovery)
8,821	-	Mortgage Interest
6,694	=	Taxable Income Year 1
5,355		Less 20% Exclusion for LLC Ownership under new tax law
37%	*	Marginal Tax Rate
1,981.43	=	Federal Income Tax
1,981		Federal Income Tax
9,830	/	Cash Flow
20.2%	=	Effective Tax Rate on This Investment
3,637	=	Tax if Cash Flow came from a non-preferred investment vehicle
1,981	-	Tax from this preferred investment vehicle.
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1,656	=	Income Tax Savings
1.6%		Return on Investment from Tax Savings

### **Total / Summary**

1:	9,830	Cash Flow
2:	17,000	Appreciation Year 1
3:	6,498	Equity Build Up Year 1
4:	1,656	Tax Savings Year 1
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	34,983	Total Return from this Investment
	102,000	Downpayment + Closing Costs
	34.3%	Total Return from this Investment

**Illustration of Internal Rate of Return over a 10-Year Holding Period**  
**849 WEST 36th STREET**

Purchase Price		340,000	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Rent	4.0%		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Vacancy	3.0%		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Effective Income			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Expenses	4.0%		7,251	7,541	7,843	8,157	8,483	8,822	9,175	9,542	9,924	10,321
Exp as a percent of Annual Rent			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Exp per unit	2		3,626	3,771	3,921	4,078	4,241	4,411	4,588	4,771	4,962	5,160
NOI	0		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Debt Service	\$ 1,277		15,319	15,319	15,319	15,319	15,319	15,319	15,319	15,319	15,319	15,319
Before Tax Cash Flow	(102,000)		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
#VALUE!	Internal Rate of Return											
NOI			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Less Interest			8,821	8,590	8,351	8,103	7,847	7,581	7,306	7,020	6,725	6,420
Less Depreciation			9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067
Taxable Income to Individuals			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Pass Thru Entity	20%		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Taxable Income	0		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Tax @ *	37%		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
After Tax Cash Flow	(102,000)		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
#VALUE!	Internal Rate of Return											
Purchase	340,000								Assume a Sale at End of Year 10			
L-V	75%								Annual Rent Roll			#REF!
Loan	255,000								GRM			10.5
Down Payment	85,000								Price			#REF!
Cap Improvement	-								Sale Costs		6%	#REF!
Closing Costs	17,000								Less: Basis			249,333
Initial Investment	102,000								Gain			#REF!
Rate	3.50%								Tax @		20%	#REF!
Term	25								Mortgage Balance			178,573
P&I	\$1,276.59								Sale Proceeds Before Tax			#REF!
									Sale Proceeds After Tax			#REF!
Mortgage Amortization		1	2	3	4	5	6	7	8	9	10	
255,000	Beg Bal	255,000	248,502	241,774	234,806	227,590	220,117	212,379	204,365	196,067	187,473	
3.50%	Prin	6,498	6,729	6,968	7,216	7,473	7,738	8,014	8,299	8,594	8,899	
25.0	Int	8,821	8,590	8,351	8,103	7,847	7,581	7,306	7,020	6,725	6,420	
1,277	Bal EOY	248,502	241,774	234,806	227,590	220,117	212,379	204,365	196,067	187,473	178,573	
Cost Recovery / Depreciation		340,000	340,000	Building	80%	272,000	Land	20%	68,000	Life		30
		9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	
Basis		330,933	321,867	312,800	303,733	294,667	285,600	276,533	267,467	258,400	249,333	

\* Tax rate of 35% applies to income of \$200,001 to \$500,000 for singles; \$400,001 to \$600,000 for married filing jointly. Marginal rate above \$500k/\$600k is 37%.