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.

63,204+Rental Income19,838-Operating Expenses32,633-Mortgage Payments10,733=Cash Flow163,500/Downpayment + Closing Costs6.6%=Return on Investment from Cash Flow

2 Appreciation

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

=	Acquisiton Price
*	First Year Appreciation
=	Value at the end of Year 1.
=	Amount of Value Increase
/	Downpayment + Closing Costs
=	Return on Investment from Appreciation
	* = /

3 Equity Build-Up 7.00% 30 \$ 2,719.42

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

408,750	=	Loan Amount at Closing
404,598	=	Loan Amount at the end of Year 1
4,152	-	Equity Build-Up in Year 1
163,500	/	Downpayment + Closing Costs
2.5%	=	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.

43,366	=	Cash Flow Before Loan Payments (rents less expenses)
15,442	-	Depreciation (assumes 15% land, 30 year recovery)
28,481	-	Mortgage Interest
(556)	=	Taxable Income Year 1
(445)		Less 20% Pass-Thru Entity per new tax code
37%	*	Marginal Tax Rate
(165)	=	Federal Income Tax
(165)		Federal Income Tax
10,733	/	Cash Flow
-1.5%	=	Effective Tax Rate on This Investment
3,971	=	Tax if Cash Flow came from a non-preferred investment vehicle
(165)	-	Tax from this preferred investment vehicle.
4,136	=	Income Tax Savings
2.5%		Return on Investment from Tax Savings

Total / Summary

1:	10,733	Cash Flow
2:	27,250	Appreciation Year 1
3:	4,152	Equity Build Up Year 1
4:	4,136	Tax Savings Year 1
	46,271	Total Return from this Investment
	163,500	Downpayment + Closing Costs
	28.3%	Total Return from this Investment



IT22 BOLTON STREET - JUNE 2024 Purchase Price 545,000 2025 2026 2027 2028 2029 2031 2032 2033 Annual Rent 4,0% 63,204 66,732 68,361 71,096 73,340 78,897 79,973 83,172 66,499 85 Vacancy 3,0% 1986 10,772 2,615 23,007 74,510 79,973 83,172 466,459 85 26,615 27,149 26,615 27,149 22,715 23,207 24,156 25,101 26,105 27,149 28,2% 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633 32,633				Illustration of	Internal Rate	of Return ove	r a 10-Year H	loldina Perio	d			
Purchase Price 545,000 2025 2026 2027 2028 2029 2030 2031 2032 2033 Annual Rent 4.0% 63,204 66,732 66,31 71,096 73,340 76,897 77,973 83,172 66,409 89 Effective Income 61,308 63,760 66,311 68,963 71,722 74,950 77,574 80,677 83,904 80 Exp parse 4.0% 19,838 20,651 21,456 22,515 23,207 24,156 22,101 26,105 27,149 22 Exp par unit 3 6,613 6,77 7,125 7,438 7,736 8,045 8,267 8,702 9,500 5 NOI 0 41,470 43,129 44,854 46,648 48,514 50,455 52,473 54,572 56,755 55 Debt Service 13,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533									-			
Vacancy 3.0% 1.986 1.972 2.061 2.133 2.218 2.07 2.399 2.495 2.595 2 Effective Income 61.308 68.3760 66.811 68.963 71.727 74.500 77.574 80.677 83.904 82 Exp pars a percent of Annual Rent 3.2%	Purchase Price	545,000	<u>2025</u>						<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>
Effective Income 61.308 63.760 66.311 68.963 71.722 74.590 77.574 80.677 83.904 83.7 Expenses 4.0% 19.838 20.631 22.315 22.326 32%	Annual Rent	4.0%	63,204	65,732	68,361	71,096	73,940	76,897	79,973	83,172	86,499	89,959
Expenses 4.0% 19.838 20.831 21.466 22.215 22.207 24.136 25.101 26.105 27.149 25.5 Exp par unit 3 6.613 6.677 7.152 7.438 7.736 8.045 8.32% 53.2% 54.572 56.755 55.55 NOI 0 41.470 43.129 44.854 46.648 45.14 50.455 52.473 54.572 56.755 55.55 Debt Service \$ 2.719 32.633	Vacancy	3.0%	1,896	1,972	2,051	2,133	2,218	2,307	2,399	2,495	2,595	2,699
Exp as a percent of Annual Rent 32%	Effective Income		61,308	63,760	66,311	68,963	71,722	74,590	77,574	80,677	83,904	87,260
Exp per unit 3 6.613 6.877 7.152 7.438 7.736 8.045 8.367 8.702 9.050 9.52 NOI 0 41.470 43.129 44.854 46.648 48.514 50.455 52.473 54.572 56.755 55 Del/ Service \$ 2.719 32.633 33.64 33.44	Expenses	4.0%	19,838	20,631	21,456	22,315	23,207	24,136	25,101	26,105	27,149	28,235
NOI 0 41,470 43,129 44,854 46,648 48,514 50,455 52,473 54,572 56,755 55 Debt Service \$ 2,719 32,633 34,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633 14,633	Exp as a percent of Ann	ual Rent	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Debt Service \$ 2,719 32,633 34,633 14,533	Exp per unit	3	6,613	6,877	7,152	7,438	7,736	8,045	8,367	8,702	9,050	9,412
Before Tax Cash Flow (163,500) 8,837 10,496 12,221 14,015 15,881 17,822 19,840 21,939 24,122 404 NOI 41,470 43,129 44,854 46,648 49,514 50,455 52,473 54,572 56,755 55 Less Interest 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 22 Q3% Pass Thru Discount (309) 83 492 920 1,367 1,835 2,324 2,835 3,369 13,476 15 Taxable Income 0 (1,235) 332 1,969 3,681 5,470 1,339 41,935 43,857 14,915 43,86 25 Taxable Income 0 (1,235) 332 1,969 3,681 5,470 6,401 17,344 19,353 3366 5 Tax @ 131,957 11,492 12,653 13,857 15,106 16,401 17,744 19,353 33	NOI	0	41,470	43,129	44,854	46,648	48,514	50,455	52,473	54,572	56,755	59,025
NOI 41,470 43,129 44,854 46,648 48,514 50,455 52,473 54,572 56,755 56 Less Interest 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 22 Less Depreciation 14,533 <td>Debt Service</td> <td>\$ 2,719</td> <td>32,633</td>	Debt Service	\$ 2,719	32,633	32,633	32,633	32,633	32,633	32,633	32,633	32,633	32,633	32,633
NOI 41,470 43,129 44,854 46,648 48,514 50,455 52,473 54,572 56,755 55 Less Interest 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 24 Less Interest 14,533	Before Tax Cash Flow	(163,500)	8,837	10,496	12,221	14,015	15,881	17,822	19,840	21,939	24,122	404,796
Less Interest 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 24 Less Depreciation 14,533 <	15.5%	Internal Rate of	Return									
Less Interest 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 24 Less Depreciation 14,533 <	NOI		41,470	43.129	44.854	46.648	48.514	50.455	52.473	54.572	56.755	59,025
Less Depreciation 14,533												24,851
20% Pass Thru Discount (309) 83 492 920 1,367 1,835 2,324 2,835 3,369 33 Taxable Income 0 (1,235) 332 1,969 3,681 5,470 7,340 9,295 11,339 13,476 11 Tax 0 3,73% (457) 123 729 1,362 2,024 2,716 3,439 4,195 4,986 5 After Tax Cash Flow (163,500) 9,294 10,373 11,492 12,653 13,857 15,106 16,401 17,744 19,135 333 Unchase 545,000 Annual Rent Rol 0 Annual Rent Rol 0	Less Depreciation											14,533
Taxable Income 0 (1,235) 332 1,969 3,681 5,470 7,340 9,295 11,339 13,476 15 Tax @ 37% (457) 123 729 1,362 2,024 2,716 3,439 4,195 4,986 5 After Tax Cash Flow (163,500) 9,294 10,373 11,492 12,653 13,857 15,106 16,401 17,744 19,135 333 13.1% Internal Rate of Return 12,653 13,857 15,106 16,401 17,744 19,135 333 L-V 75% Annual Rent Roll 68 68 67 67 67 67 66 44 62 775 67 68 74 775 66 77 775 63 99 36 66 44 63 13,500 13,500 13,857 13,867 376 356 775 356 76 7 8 99 136,12 67,68 7,20%		nt .										3,928
Tax @ 37% (457) 123 729 1.362 2.024 2.716 3.439 4.195 4.986 5 After Tax Cash Flow (163,500) 9.294 10.373 11.492 12.653 13.857 15.106 16.401 17.744 19.135 333 Burchase 545,000 Assume a Sale at End of Year 10 Annual Rent Roll 850 850 L-V 75% annual appreciation 3.6% Price 775 Loan 408,750 annual appreciation 3.6% Price 775 Cap Improvement - GRM 339 Initial Investment 163,500 annual appreciation 3.6% Price 775 Cap Improvement - annual appreciation 3.6% Price 775 Cap Improvement - Adde Costs 6% 446 Term 30		0		332		3.681						15,712
After Tax Cash Flow (163,500) 9,294 10,373 11,492 12,653 13,857 15,106 16,401 17,744 19,135 333 13.1% Internal Rate of Return Assume a Sale at End of Year 10 Assume a Sale at End of Year 10 Annual Rent Roll 885 Loan 408,750 Annual Rent Roll GRM 985 Down Payment 136,250 annual appreciation 3.6% Price 775 Closing Costs 27,250 Eless: Basis 339 332 332 Initial Investment 163,500 Eless: Basis 339 332 332 Rate 7.00% Eless: Basis 339 332 332 332 Mortgage Amortization 1 2 3 4 5 6 7 8 9 408,750 Beg Bal 408,750 404,598 400,146 395,371 390,252 384,763 378,77 372,565 365,777 356 7.00% Prin 4,152 4,452 4,774	Tax @	37%										5,814
13.1% Internal Rate of Return Purchase 545,000 Assume a Sale at End of Year 10 Assume a Sale at End of Year 10 L-V 75% Annual Rent Roll Annual Rent Roll 85 Loan 408,750 Annual appreciation 3.6% Price 775 Down Payment 136,250 annual appreciation 3.6% Price 775 Cap Improvement - Annual Ret Roll 83le Costs 66% 440 Closing Costs 27,250 Asta 398 398 Initial Investment 163,500 Asta 20% 665 Term 30 Mortgage Bail 20% 665 P&I 1 2 3 4 5 6 7 8 9 Mortgage Amortization 1 2 3 4 5 6 7 8 9 408,750 Beg Bal 408,750 400,146	After Tax Cash Flow											333,084
Purchase 545,000 Assume a Sale at End of Year 10 L-V 75% Annual Rent Roll 85 Loan 408,750 GRM GRM 775 Down Payment 136,250 annual appreciation 3.6% Price 775 Cap Improvement - Annual appreciation 3.6% Price 6% 44 Closing Costs 27,250 Annual Rot Less: Basis 399 Initial Investment 163,500 Annual Annual Rot 329 Rate 7.00% Annual Tax @ 20% 66 Term 30 Annual Rot Sale Proceeds Before Tax 376 P&I 408,750 404,558 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358 Mortgage Amortization 1 2 3 4 5 6 7 8 9 408,750 Beg Bal 408,750 404,598 400,146 395,371 390,252	13.1%											ŗ
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Cap Improvement - Image and the system of	Loan	408,750							GRM			8.6
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Down Payment	136,250				annual	appreciation	3.6%	Price			775,705
Initial Investment 163,500 Image: second s	Cap Improvement	-							Sale Costs		6%	46,542
Initial Investment 163,500 Image: second s	Closing Costs	27,250							Less: Basis			399,667
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	-	163,500							Gain			329,496
P&I \$2,719.42 Image of the system Sale Proceeds Before Tax Sale Proceeds After Tax<	Rate	7.00%							Tax @		20%	65,899
P&I \$2,719.42 Image of the text of tex of text of tex of text of text of text of	Term	30							Mortgage Bala	ance		350,758
Mortgage Amortization 1 2 3 4 5 6 7 8 9 408,750 Beg Bal 408,750 404,598 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358 7.00% Prin 4,152 4,452 4,774 5,119 5,489 5,886 6,312 6,768 7,257 77 30.0 Int 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 24 2,719 Bal EOY 404,598 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358,540 350 Cost Recovery / Deprectation 545,000 545,000 Building 80% 436,000 Land 20% 109,000 Life 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533 14,533	P&I	\$2,719.42										378,405
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30.0 Int 28,481 28,181 27,859 27,514 27,144 26,747 26,321 25,865 25,376 24 2,719 Bal EOY 404,598 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358,540 350 Cost Recovery / Depretation 545,000 545,000 Building 80% 436,000 Land 20% 109,000 Life 14,533 </td <td>408,750</td> <td>Beg Bal</td> <td>408,750</td> <td>404,598</td> <td>400,146</td> <td>395,371</td> <td>390,252</td> <td>384,763</td> <td>378,877</td> <td>372,565</td> <td>365,797</td> <td>358,540</td>	408,750	Beg Bal	408,750	404,598	400,146	395,371	390,252	384,763	378,877	372,565	365,797	358,540
2,719 Bal EOY 404,598 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358,540 350 Cost Recovery / Depreciation 545,000 545,000 Building 80% 436,000 Land 20% 109,000 Life 14,533	7.00%	Prin	4,152	4,452	4,774	5,119	5,489	5,886	6,312	6,768	7,257	7,782
2,719 Bal EOY 404,598 400,146 395,371 390,252 384,763 378,877 372,565 365,797 358,540 350 Cost Recovery / Deprectation 545,000 545,000 Building 80% 436,000 Land 20% 109,000 Life Image: Cost Recovery / Deprectation 14,533 <td>30.0</td> <td>Int</td> <td>28,481</td> <td>28,181</td> <td>27,859</td> <td>27,514</td> <td>27,144</td> <td>26,747</td> <td>26,321</td> <td>25,865</td> <td>25,376</td> <td>24,851</td>	30.0	Int	28,481	28,181	27,859	27,514	27,144	26,747	26,321	25,865	25,376	24,851
14,533 14,533<	2,719	Bal EOY	404,598	400,146	395,371	390,252	384,763	378,877	372,565	365,797	358,540	350,758
	Cost Recovery / Depre	ciation	545,000	545,000	Building	80%	436,000	Land	20%	109,000	Life	30
	· · ·		14,533	14,533	14,533	14,533	14,533	14,533	14,533			14,533
Basis 530,467 515,933 501,400 486,867 472,333 457,800 443,267 428,733 414,200 39	Basis		530,467	515,933	501,400	486,867	472,333	457,800	443,267	428,733	414,200	399,667

