

Property Valuation Report

Prepared for:

**145 West 86 Street, 1B
New York, NY 10024**

Prepared By:

Vandana Ranjan

Halstead Property

Property Valuation Report

145 West 86 Street, 1B, New York, NY 10024

Property Details

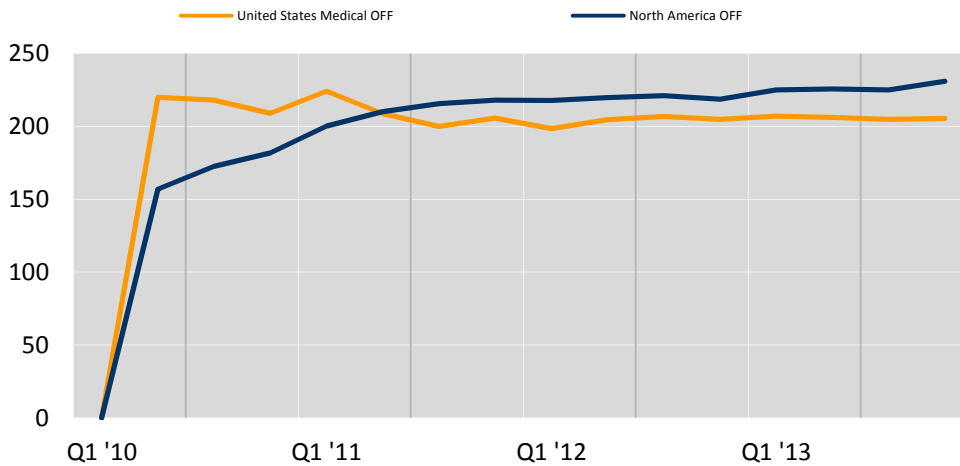
145 West 86 Street, 1B New York, NY 10024



Price/Fair Market Value:	\$1,500,000	Gross Rentable SF
Price Per Square Foot	\$1034 per sq. ft.	1450
County:	New York	
Parcel #(APN):	01217-0014	
Type:	Ground Floor, Professional Space	
Description:	6 offices, 2 baths 1,450 total sq. ft.	
Year Built:	1925	

Since 2012 2 comparable sales were recorded on Upper West Side in the price range of \$1,060,000 to \$1,450,000. Average sale price \$1,255,000, average PSF approximately \$1000.

USA Medical Office Average Price Per Square Foot

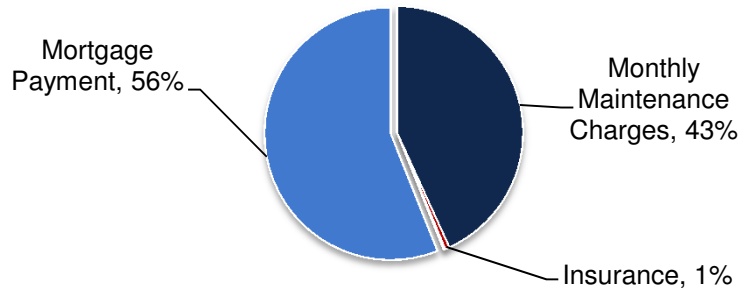


Source: RCA

Property Valuation Report

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Expenses



Purchase Price & Debt Structure

Purchase Price	\$1,500,000
Price Per Square Foot	\$1,034
Loan to Value (LTV) Ratio	70%
Required Equity	\$450,000
Total Estimated Loan Amount	\$1,050,000
Mortgage Type	7 Years Fixed Rate, 25 Years Term
Annual Interest Rate	3.750%
Monthly Mortgage Payment	(\$5,398)

Monthly Income & Expense Analysis

Income

Estimated Monthly Rent at Market Value:	\$11,006
Estimated Average Vacancy Loss: (3%)	(\$330)
Net Monthly Rental Income:	\$10,676
Annual Gross Rent Multiplier (GRM):	11.4
Cap Rate	5.21%

Operating Expense (OPEX)

Monthly Maintenance Charges	\$4,158
Other Expenses	\$20
Monthly Insurance Cost	\$56

Total Monthly Opex \$4,234

Total Monthly Carrying Costs: \$9,633

Projected First Month Before Tax, After Debt Service Cash Flow: \$1,110

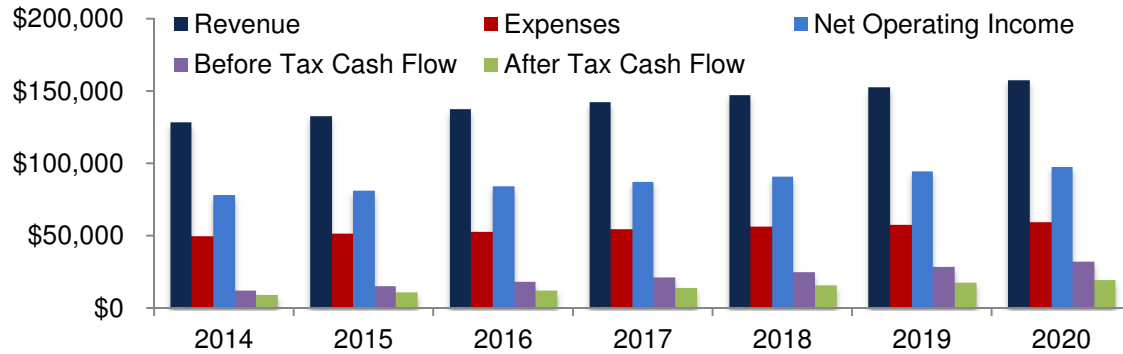
Purchase Price/Fair Market Value: \$1,500,000
Down Payment: (30%) \$450,000

Projected First Year Annual Before Tax, After Debt Cash Flow: \$13,320

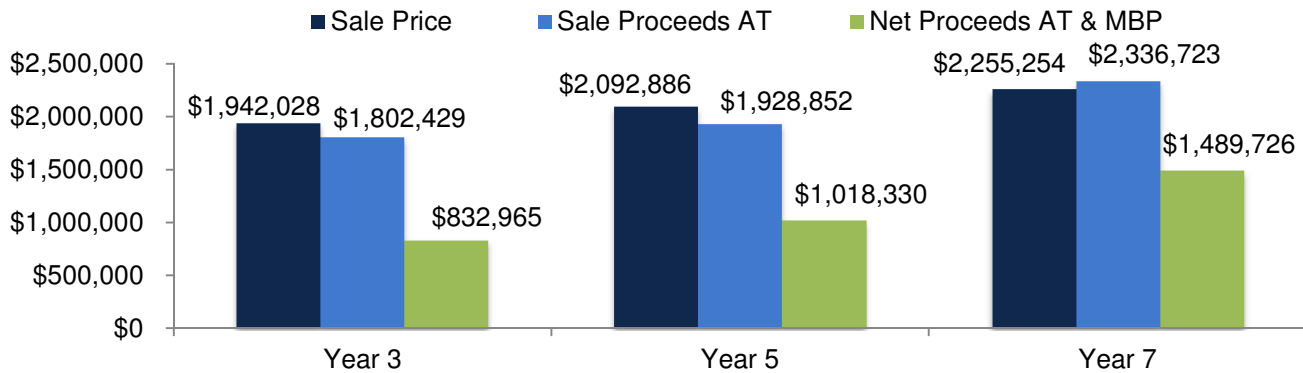
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Revenue/OPEX/NOI



Sale Price



AT = After Tax AT & MBP = After Tax & Mortgage Balance Payment

Assumed Exit Cap Rate: 4.5%

Assumed Tax Rate 35%

Investment Return Ratios

Unleveraged Cash on Cash Return Before Tax	5.21%	5.41%	5.61%	5.83%	6.05%	6.28%	6.52%
Average Unleveraged Cash on Cash Return	5.84%						
Leveraged Cash on Cash Return Before Tax	2.75%	3.42%	4.11%	4.82%	5.56%	6.33%	7.12%
Average Leveraged Cash on Cash Return Before Tax	4.87%						
Leveraged Cash on Cash Return After Tax	2.10%	2.46%	2.82%	3.20%	3.60%	4.01%	4.44%
Average Leveraged Cash on Cash Return After Tax	3.23%						
Levered Before Tax IRR	22.00%						
Levered After Tax IRR	20.54%						

11/11/2013

145 West 86 Street, 1B

	11/30/2013	11/30/2014	11/30/2015	11/30/2016	11/30/2017	11/30/2018	11/30/2019	11/30/2020	11/30/2021
	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8
Income:									
Annual Income Growth Rate			3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Rental Income		\$132,070	\$136,692	\$141,477	\$146,428	\$151,553	\$156,858	\$162,348	\$168,030
Potential Gross Income (PGI):		\$132,070	\$136,692	\$141,477	\$146,428	\$151,553	\$156,858	\$162,348	\$168,030
Vacancy & Collection Loss at: 3.0% Rate		(\$3,962)	(\$4,101)	(\$4,244)	(\$4,393)	(\$4,547)	(\$4,706)	(\$4,870)	(\$5,041)
Effective Revenue:		\$128,108	\$132,592	\$137,232	\$142,036	\$147,007	\$152,152	\$157,477	\$162,989
Operating Expenses:									
Annual Expense Growth Rate			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Maintenance Charges		(\$49,901)	(\$51,398)	(\$52,940)	(\$54,528)	(\$56,164)	(\$57,849)	(\$59,584)	(\$61,372)
Alarm & Security		(\$106)	(\$110)	(\$113)	(\$116)	(\$120)	(\$123)	(\$127)	(\$131)
Accounting Fee		(\$131)	(\$135)	(\$139)	(\$143)	(\$148)	(\$152)	(\$157)	(\$161)
Insurance		(\$673)	(\$694)	(\$714)	(\$736)	(\$758)	(\$781)	(\$804)	(\$828)
Total Operating Expenses:		(\$50,007)	(\$51,507)	(\$53,053)	(\$54,644)	(\$56,284)	(\$57,972)	(\$59,711)	(\$61,503)
Net Operating Income:		\$78,101	\$81,084	\$84,180	\$87,391	\$90,723	\$94,180	\$97,766	\$101,486
Debt Service:									
Principal Pay down		(\$25,847)	(\$26,833)	(\$27,857)	(\$28,919)	(\$30,023)	(\$31,168)	(\$32,357)	\$0
Interest Loan Payment		(\$38,934)	(\$37,948)	(\$36,924)	(\$35,861)	(\$34,758)	(\$33,612)	(\$32,423)	\$0
Loan Balance		\$1,024,153	\$997,320	\$969,464	\$940,544	\$910,522	\$879,354	\$846,997	\$0
Total Debt Service Payment:		(\$64,781)	(\$64,781)	(\$64,781)	(\$64,781)	(\$64,781)	(\$64,781)	(\$64,781)	\$0
Cashflow Before Tax & Reserves: (BTCF) After Debt Service		\$13,320	\$16,304	\$19,399	\$22,611	\$25,943	\$29,399	\$32,986	\$0
Replacement Reserves:		(\$924)	(\$924)	(\$924)	(\$924)	(\$924)	(\$924)	(\$924)	\$0
Cashflow Before Tax & After Reserves: (BTCF) After Debt Service		\$12,396	\$15,379	\$18,475	\$21,686	\$25,018	\$28,475	\$32,061	\$0
Tax Effects:									
NOI		\$78,101	\$81,084	\$84,180	\$87,391	\$90,723	\$94,180	\$97,766	\$101,486
Interest		(\$38,934)	(\$37,948)	(\$36,924)	(\$35,861)	(\$34,758)	(\$33,612)	(\$32,423)	\$0
Depreciation		(\$30,769)	(\$30,769)	(\$30,769)	(\$30,769)	(\$30,769)	(\$30,769)	(\$30,769)	\$0
Taxable Income		\$8,398	\$12,367	\$16,486	\$20,761	\$25,196	\$29,798	\$34,573	\$0
Marginal Tax at: 35.0% Rate		(\$2,939.18)	(\$4,328.56)	(\$5,770.27)	(\$7,266.28)	(\$8,818.61)	(\$10,429.36)	(\$12,100.70)	\$0
AFTER-TAX CASH FLOW (ATCF)		\$9,456	\$11,051	\$12,704	\$14,420	\$16,200	\$18,046	\$19,960	\$0
Before Tax Sales Effects:									
Sales Price		\$0	\$0	\$0	\$0	\$0	\$0	\$2,255,254	\$0
Sales Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$135,315	\$0
Mortgage Balance		\$0	\$0	\$0	\$0	\$0	\$0	(\$846,997)	\$0
Net Sale Proceeds		\$0	\$0	\$0	\$0	\$0	\$0	\$1,543,572	\$0
BEFORE-TAX CASH FLOW FROM SALE	(\$450,000)	\$12,396	\$15,379	\$18,475	\$21,686	\$25,018	\$28,475	\$1,575,633	\$0
Total Sales Price Net of Sales Expenses		\$0	\$0	\$0	\$0	\$0	\$0	\$2,390,569	\$0
Purchase Price		\$0	\$0	\$0	\$0	\$0	\$0	(\$1,500,000)	\$0
Taxable Gain		\$0	\$0	\$0	\$0	\$0	\$0	\$890,569	\$0
After Tax Sales Effects:									
Capital Gain Tax at: 20.0%Rate		\$0	\$0	\$0	\$0	\$0	\$0	\$178,114	\$0
Accumulated Depreciation		\$0	\$0	\$0	\$0	\$0	\$0	(\$215,385)	\$0
Deprecation Recapture Taxes at: 25.0% Rate		\$0	\$0	\$0	\$0	\$0	\$0	(\$53,846)	\$0
Sale Proceeds After Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$2,336,723	\$0
Loan Payback		\$0	\$0	\$0	\$0	\$0	\$0	(\$846,997)	\$0
Net Sales Proceeds After Tax		\$0	\$0	\$0	\$0	\$0	\$0	\$1,489,726	\$0
AFTER-TAX CASH FLOW FROM SALE	(\$450,000)	\$9,456	\$11,051	\$12,704	\$14,420	\$16,200	\$18,046	\$1,509,686	\$0
Unleveraged Cash on Cash Return Before Tax			5.21%	5.41%	5.61%	5.83%	6.05%	6.28%	6.52%
Average Unleveraged Cash on Cash Return			5.84%						
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Glossary of Terms

Capitalization Rate:	Capitalization rate (or "cap rate") is the ratio between the net operating income produced by an asset and its capital cost (the original price paid to buy the asset) or alternatively its current market value. The cap rate is calculated by dividing the net annual operating income (net rent minus estimated expenses, but not including financing costs) by the price/fair market value of the property.
Cash on Cash Return:	The cash-on-cash return is the ratio of annual before-tax cash flow to the total amount of cash invested, expressed as a percentage. The calculation determines the cash income on the cash invested.
Equity:	In the context of real estate, the difference between the current market value of the property and the amount the owner still owes on the mortgage. It is the amount that the owner would receive after selling a property and paying off the mortgage.
Gross Rent Multiplier:	The GRM is much like the Capitalization Rate except that gross rental income is used rather than the net operating income (NOI) to determine the value or asking price of a property. The GRM is calculated by dividing the price/fair market value of a property by the estimated annual gross rental income. The Gross Rent Multiplier is also used to estimate the number of years the property would take to pay for itself in gross rents received. The lower the calculated GRM, the fewer years needed for payback; thus, it is presumed to be a better investment
Loan to Value Ratio:	The relationship between the amount of a mortgage loan and the value of the collateral property; expressed as a percentage. It is a ratio of the outstanding debt on a property to the market value of that property calculated by dividing the loan value into the property value.
Maintenance and Repair:	The costs incurred to bring an asset back to an earlier condition or to keep the asset operating at its present condition (as opposed to improving the asset).
Mortgage:	A conditional transfer or pledge of real property as security for payment of a debt; the document used to create a mortgage lien.
Net Operating Income:	Net operating income is the property's gross rental income, less vacancies and expenses. Essentially, NOI is the net cash generated before mortgage payments and taxes.
Return on Investment:	Return on investment is frequently derived as the "return" (incremental gain) from an action divided by the cost of that action. With simple ROI, incremental gains from the investment are divided by investment costs.
Vacancy Loss:	Vacancy and Credit Loss in real estate investing is the amount of money or percentage of net operating income that is estimated to not be realized due to non-payment of rents and vacant units.

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