

SUMMARY

Analysis Type: Buying

Property Type: Office

Address: 1260 N Arizona Ave Chandler AZ 85225

Age of Property (Completion Year): 1984

Site Area: 43,560 sq ft

Gross Building Area: 5,000 sq ft

PROPERTY INCOME

Property Annual Income: \$48,000

Property Square Footage: 43,560

Property Vacancy: 2%

Property Additional Income: -

LOAN & DEBT ANALYSIS

Loan Amount: \$438,000

Down Payment: \$146,000

Interest Rate: 7%

Amortization Period: 20 Year

Monthly Payment: \$3,396

Annual Debt Service: \$40,750

Debt Coverage Ratio: 0.86

PROPERTY EXPENSES

Gross Lease

Property Annual Expenses: \$12,000

CASH FLOW ASSUMPTIONS

Annual Income Growth Rate: 2 %

Annual Expense Growth Rate: 2 %

Cap Rate at Sale: 6.5 %

Cost of Sale: 2%

Number of Years: 10

PROPERTY VALUE & CAP RATE

Property Value / Sale Price: \$584,000

Property Cap Rate: 6.00%

10 YEAR CASH FLOW ANALYSIS

Potential Income: \$48,000

Vacancy Rate: 2%

Cash on Cash Return (Return on Equity): -3.91%



Income Analysis

1260 N Arizona Ave Chandler AZ 85225

Report courtesy of Kevin Mitchell

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross Income | \$48,000 | \$48,960 | \$49,939 | \$50,938 | \$51,957 | \$52,996 | \$54,056 | \$55,137 | \$56,240 | \$57,365 | \$58,512 |
| Vacancy Rate (2%) | \$960 | \$979 | \$999 | \$1,019 | \$1,039 | \$1,060 | \$1,081 | \$1,103 | \$1,125 | \$1,147 | \$1,170 |
| Effective Gross Income -Growing @ 2%/yr -With a 2% Vacancy Rate): | \$47,040 | \$47,981 | \$48,940 | \$49,919 | \$50,918 | \$51,936 | \$52,975 | \$54,034 | \$55,115 | \$56,218 | \$57,342 |
| Average Rent per Square Foot: | \$1.08 | \$1.10 | \$1.12 | \$1.14 | \$1.16 | \$1.18 | \$1.20 | \$1.22 | \$1.24 | \$1.26 | \$1.29 |
| Less Expenses (Growing @ 2%/yr): | (\$ 12,000) | (\$ 12,240) | (\$ 12,485) | (\$ 12,735) | (\$ 12,990) | (\$ 13,250) | (\$ 13,515) | (\$ 13,785) | (\$ 14,061) | (\$ 14,342) | (\$ 14,629) |
| Net Operating Income (NOI): | \$ 35,040 | \$ 35,741 | \$ 36,455 | \$ 37,184 | \$ 37,928 | \$ 38,686 | \$ 39,460 | \$ 40,249 | \$ 41,054 | \$ 41,876 | \$ 42,713 |
| Less Loan Payment 1st Mortgage | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) | (\$40,750) |
| Net Cash Flow | \$ -5,710 | \$ -5,009 | \$ -4,294 | \$ -3,565 | \$ -2,822 | \$ -2,064 | \$ -1,290 | \$ -500 | \$ 304 | \$ 1,126 | \$ 1,963 |
| Cash on Cash Return (Return on Equity): | -3.91% | -3.43% | -2.94% | -2.44% | -1.93% | -1.41% | -0.88% | -0.34% | 0.21% | 0.77% | 1.34% |
| Principal Reduction: | \$10,420 | \$11,173 | \$11,981 | \$12,847 | \$13,776 | \$14,771 | \$15,839 | \$16,984 | \$18,212 | \$19,529 | \$20,940 |
| Cumulative Principal Reduction: | \$10,420 | \$21,593 | \$33,574 | \$46,420 | \$60,196 | \$74,967 | \$90,807 | \$107,791 | \$126,003 | \$145,531 | \$166,472 |
| Cash Flow Plus Principal Reduction: | \$ 4,710 | \$ 6,164 | \$ 7,687 | \$ 9,282 | \$ 10,954 | \$ 12,707 | \$ 14,549 | \$ 16,484 | \$ 18,516 | \$ 20,655 | \$ 22,903 |
| Total Return Before Taxes: | 3.23% | 4.22% | 5.27% | 6.36% | 7.50% | 8.70% | 9.97% | 11.29% | 12.68% | 14.15% | 15.69% |

IRR: 15.77%

| Future Value in Year 10 | Cost of Sale | Loan Balance |
|-------------------------|--------------|--------------|
| \$30,200 | \$604 | |