

ANALYSIS OF TAXABLE INCOME OR LOSS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GROSS INCOME	119,333	147,888	154,804	159,956	166,354	173,008	179,928	187,125	194,611	202,395
- Vacancy & Credit Allowance	3,580	4,437	4,644	4,799	4,991	5,190	5,398	5,614	5,838	6,072
- Operating Expenses	11,815	14,497	14,864	15,201	15,567	15,943	16,329	16,725	17,132	17,551
NET OPERATING INCOME	103,938	128,954	135,296	139,956	145,796	151,875	158,202	164,786	171,640	178,773
Capitalization Rate	10.31%	10.66%	11.18%	11.57%	12.05%	12.55%	13.07%	13.62%	14.19%	14.77%
Debt Coverage Ratio	1.58	1.59	1.62	1.67	1.74	1.82	1.89	1.97	2.05	2.14
- Interest, 1st Mortgage	35,644	45,200	47,331	45,929	44,426	42,814	41,086	39,233	37,246	35,115
- Interest, 2nd Mortgage	6,500	7,287	6,683	6,029	5,321	4,554	3,724	2,825	1,851	796
- Interest, 3rd Mortgage	1,222	1,379	1,274	1,159	1,031	890	734	562	371	161
- Interest, Refinance	0	0	0	0	0	0	0	0	0	0
- Depreciation, Real Property	18,432	23,282	23,282	23,282	23,282	23,282	23,282	23,282	23,282	23,282
- Depreciation, Capital Additions	203	256	256	256	256	256	256	256	256	256
- Amortization of Points, 1st Mortgage	600	720	720	720	720	720	720	720	720	720
- Amortization of Points, 2nd Mortgage	167	200	200	200	200	200	200	200	200	200
- Amortization of Points, 3rd Mortgage	0	0	0	0	0	0	0	0	0	0
- Amortization of Points, Refinance	0	0	0	0	0	0	0	0	0	0
+ Interest, Funded Reserves	0	0	0	0	0	0	0	0	0	0
INCOME OR (LOSS)	41,171	50,630	55,549	62,381	70,560	79,158	88,199	97,709	107,713	118,242
(LOSS) UTILIZED THIS YEAR	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	41,171	50,630	55,549	62,381	70,560	79,158	88,199	97,709	107,713	118,242

ANALYSIS OF OPERATING CASH FLOWS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
NET OPERATING INCOME	103,938	128,954	135,296	139,956	145,796	151,875	158,202	164,786	171,640	178,773
- Debt Service, 1st Mortgage	51,583	64,336	66,720	66,720	66,720	66,720	66,720	66,720	66,720	66,720
- Debt Service, 2nd Mortgage	12,133	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559	14,559
- Debt Service, 3rd Mortgage	1,982	2,379	2,379	2,379	2,379	2,379	2,379	2,379	2,379	2,379
- Debt Service, Refinance	0	0	0	0	0	0	0	0	0	0
+ Proceeds of Refinance, Less Points	0	0	0	0	0	0	0	0	0	0
- Funded Reserves*	0	0	0	0	0	0	0	0	0	0
Interest Earned on Funded Reserves	0	0	0	0	0	0	0	0	0	0
- Capital Additions*	10,000	0	0	0	0	0	0	0	0	0
CASH FLOW BEFORE TAXES	38,240	47,680	51,638	56,298	62,138	68,217	74,544	81,128	87,982	95,115
Cash on Cash Return (CFBT/Initial investment)	11.49%	11.94%	12.93%	14.10%	15.56%	17.08%	18.66%	20.31%	22.03%	23.81%
Reserves Utilized	0	0	0	0	0	0	0	0	0	0
Reserves Remaining	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW AFTER UTILIZING RESERVES	38,240	47,680	51,638	56,298	62,138	68,217	74,544	81,128	87,982	95,115
- Income Tax Attributable to Property	12,763	15,695	17,220	19,338	21,874	24,539	27,342	30,290	33,391	36,655
CASH FLOW AFTER TAXES AND RESERVES	25,477	31,985	34,417	36,960	40,265	43,678	47,202	50,839	54,591	58,460
Cumulative Cash Flow After Taxes	25,477	57,462	91,880	128,840	169,105	212,782	259,984	310,823	365,414	423,874

ANALYSIS OF RESALE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PROJECTED SELLING PRICE, REAL ESTATE	1,121,000	1,176,000	1,217,000	1,268,000	1,321,000	1,376,000	1,433,000	1,493,000	1,555,000	1,619,000
Selling Price Based on Capitalization Rate of 11.50%										
ORIGINAL BASIS, Purchase Price of Real Estate	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
+ Closing Costs, Amortized	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
+ Cumulative Capital Additions	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
+ Costs of Sale	0	0	0	0	0	0	0	0	0	0
- Adjusted Cumulative Depreciation, Real Estate	17,462	40,744	64,026	87,308	110,590	133,872	157,154	180,436	203,718	227,000
- Adjusted Cumulative Depr., Capital Additions	192	449	705	962	1,218	1,474	1,731	1,987	2,244	2,500
ADJUSTED BASIS AT SALE	1,200,346	1,176,808	1,153,269	1,129,731	1,106,192	1,082,654	1,059,115	1,035,577	1,012,038	988,500
GAIN OR (LOSS) ON SALE, Real Estate	(79,346)	(808)	63,731	138,269	214,808	293,346	373,885	457,423	542,962	630,500
DEDUCTIONS AT SALE										
Suspended Losses Utilized upon Sale	0	0	0	0	0	0	0	0	0	0
Unamortized Loan Points	(15,633)	(14,713)	(13,793)	(12,873)	(11,953)	(11,033)	(10,113)	(9,193)	(8,273)	(7,353)
TOTAL DEDUCTIONS AT SALE	(15,633)	(14,713)	(13,793)	(12,873)	(11,953)	(11,033)	(10,113)	(9,193)	(8,273)	(7,353)
TOTAL FEDERAL TAX ON SALE	(5,487)	(4,507)	11,961	28,381	45,150	59,160	75,590	92,560	109,890	127,580
PROJECTED SELLING PRICE	1,121,000	1,176,000	1,217,000	1,268,000	1,321,000	1,376,000	1,433,000	1,493,000	1,555,000	1,619,000
- Costs of Sale	0	0	0	0	0	0	0	0	0	0
- 1st Mortgage Payoff	704,061	684,925	665,536	644,745	622,451	598,546	572,912	545,425	515,951	484,347
- 2nd Mortgage Payoff	94,367	87,094	79,218	70,688	61,450	51,445	40,609	28,875	16,166	2,403
- 3rd Mortgage Payoff	14,240	13,240	12,136	10,916	9,568	8,079	6,434	4,617	2,609	392
- Refinance Payoff	0	0	0	0	0	0	0	0	0	0
+ Balance of Reserve Fund	0	0	0	0	0	0	0	0	0	0
BEFORE-TAX SALE PROCEEDS	308,332	390,740	460,110	541,651	627,531	717,931	813,045	914,083	1,020,273	1,131,859
- Total Federal Tax on Sale	(5,487)	(4,507)	11,961	28,381	45,150	59,160	75,590	92,560	109,890	127,580
AFTER-TAX SALE PROCEEDS	313,819	395,248	448,149	513,271	582,381	658,771	737,455	821,524	910,384	1,004,280
Internal Rate of Return, Before Tax	-11.31%	10.67%	16.37%	19.14%	20.44%	21.06%	21.33%	21.43%	21.41%	21.34%
Modified Internal Rate of Return, Before Tax	-11.31%	10.48%	15.49%	17.60%	18.36%	18.52%	18.42%	18.19%	17.89%	17.57%
Internal Rate of Return, After-Tax	-13.77%	7.32%	11.69%	14.08%	15.31%	16.04%	16.39%	16.58%	16.66%	16.66%
Modified Internal Rate of Return, After-Tax	-13.77%	7.31%	11.38%	13.43%	14.35%	14.81%	14.94%	14.93%	14.84%	14.69%
PV, Net Operating Income & Reversion	1,117,243	1,161,514	1,191,132	1,224,129	1,254,870	1,283,472	1,310,058	1,335,170	1,358,426	1,379,958
PV, CFAT and Sale Proceeds After Taxes	308,872	383,168	432,795	493,480	558,427	629,999	703,728	782,388	865,448	953,129
EQUITY, excluding reserves	308,332	390,740	460,110	541,651	627,531	717,931	813,045	914,083	1,020,273	1,131,859
RETURN ON EQUITY (CFBT/equity)	14.88%	12.20%	11.22%	10.39%	9.90%	9.50%	9.17%	8.88%	8.62%	8.40%

NOTES

If this analysis includes a partial first year, then the IRR, MIRR and PV calculations use estimated full year amounts for cash flow and NOI.

*First-year capital additions and funded reserves are treated as part of the initial cash investment and do not affect the first-year cash flow.

The "Analysis of Taxable Income or Loss" and the "Analysis of Operating Cash Flows" make no presumption as to intended year of sale. Therefore, adjustments for the the "half-month convention" in regard to depreciation in the year of sale are accounted for within the Analysis of Resale.

DISCLAIMERS

The information and calculations presented in this analysis are believed to be accurate, but are not guaranteed. They are intended for the purposes of projection and analysis, and should not be used for preparation of income tax returns. Federal tax calculations in this report are based upon interpretations of the Tax Reform Act of 1986, the Revenue Reconciliation Act of 1993 and the Taxpayer Relief Act of 1997, as well as intermediate and subsequent tax law revisions, and are subject to further clarifications, interpretations, rulings, regulations, and technical corrections. These tax calculations are also based upon certain assumptions about the taxpayer and about the property, and do not take into account the possibility of Alternative Minimum Tax liability, the At-Risk rules, investment interest limitations, possible future-year indexing of tax brackets, or the impact of other investments which may interact to produce tax consequences other than those projected here.

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