

# Money 101 - Real Estate

## 11.62 Evaluating a Commercial Real Estate opportunity at different investme

assumes that the Income and expenses for the property remain fixed

### COSTS TO ACQUIRE

Property Selling Price	\$	750,000	\$	800,000	\$	850,000	\$	900,000	\$	950,000	
Appriasal Fee	\$	700	\$	700	\$	700	\$	700	\$	700	
Attorney	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000	
Credit Reports	\$	50	\$	50	\$	50	\$	50	\$	50	
Inspection Costs	\$	1,000	\$	1,000	\$	1,000	\$	1,000	\$	1,000	
Mortgage Application	\$	1,000	\$	1,000	\$	1,000	\$	1,000	\$	1,000	
Mortgage Points	1.00%	\$ 3,375	\$	3,600	\$	3,825	\$	4,050	\$	4,275	FORMULA
NYS Mortgage Tax (est)	1.95%	\$ 10,238	\$	10,920	\$	11,603	\$	12,285	\$	12,968	FORMULA
Searchs	\$	250	\$	250	\$	250	\$	250	\$	250	
Title Insurance	0.45%	\$ 3,375	\$	3,600	\$	3,825	\$	4,050	\$	4,275	FORMULA
Closing costs EXCLUDING escrows	\$	21,988	\$	23,120	\$	24,253	\$	25,385	\$	26,518	
<b>TOTAL INVESTMENT</b>	\$	<b>771,988</b>	\$	<b>823,120</b>	\$	<b>874,253</b>	\$	<b>925,385</b>	\$	<b>976,518</b>	

### SOURCES OF FUNDS

Cash - to close	30%	\$ 246,988	\$	263,120	\$	279,253	\$	295,385	\$	311,518
Mortgage Amount	70%	\$ 525,000	\$	560,000	\$	595,000	\$	630,000	\$	665,000
		\$ 771,988	\$	823,120	\$	874,253	\$	925,385	\$	976,518

### SCHEDULE E - taxable income (loss)

Line 3	TOTAL INCOME	\$	60,000	\$	60,000	\$	60,000	\$	60,000	\$	60,000
Line 5	Advertising	\$	720	\$	720	\$	720	\$	720	\$	720
Line 6	Auto and Travel	\$	-	\$	-	\$	-	\$	-	\$	-
Line 7	Cleaning and Maintenance	\$	1,200	\$	1,200	\$	1,200	\$	1,200	\$	1,200
Line 8	Commissions	\$	600	\$	600	\$	600	\$	600	\$	600
Line 9	Insurance	\$	540	\$	540	\$	540	\$	540	\$	540
Line 10	Legal and Accounting	\$	-	\$	-	\$	-	\$	-	\$	-
Line 11	Management Fee	\$	1,260	\$	1,260	\$	1,260	\$	1,260	\$	1,260
Line 12	Mortgage Interest	See below	\$ 25,365	\$	27,056	\$	28,747	\$	30,438	\$	32,129
Line 14	Repairs	\$	780	\$	780	\$	780	\$	780	\$	780
Line 15	Supplies	\$	540	\$	540	\$	540	\$	540	\$	540
Line 16	Taxes	\$	10,200	\$	10,200	\$	10,200	\$	10,200	\$	10,200
line 17	Utilities - oil heating	\$	2,880	\$	2,880	\$	2,880	\$	2,880	\$	2,880
	TOTAL CASH EXPENSES	\$	44,085	\$	45,776	\$	47,467	\$	49,158	\$	50,849
Line 18	Depreciation (see below)	\$	22,458	\$	23,945	\$	25,433	\$	26,920	\$	28,408
Line 20	<b>TOTAL EXPENSES</b>	\$	<b>66,543</b>	\$	<b>69,721</b>	\$	<b>72,900</b>	\$	<b>76,078</b>	\$	<b>79,257</b>
Line 21	<b>TAXABLE INCOME</b>	\$	<b>(6,543)</b>	\$	<b>(9,721)</b>	\$	<b>(12,900)</b>	\$	<b>(16,078)</b>	\$	<b>(19,257)</b>

### CASH FLOW

TOTAL INCOME	\$	60,000	\$	60,000	\$	60,000	\$	60,000	\$	60,000
TOTAL CASH EXPENSES	\$	(44,085)	\$	(45,776)	\$	(47,467)	\$	(49,158)	\$	(50,849)
Repayment of Mtg Principal	\$	(8,455)	\$	(9,019)	\$	(9,582)	\$	(10,146)	\$	(10,710)
<b>CASH FLOW</b>	\$	<b>7,460</b>	\$	<b>5,206</b>	\$	<b>2,951</b>	\$	<b>696</b>	\$	<b>(1,558)</b>

### MORTGAGE

Principal Borrowed	\$	525,000	\$	560,000	\$	595,000	\$	630,000	\$	665,000	
Annual Interest Rate		5%		5%		5%		5%		5%	
Term		360 Months		360 Months		360 Months		360 Months		360 Months	
Monthly Payment		(\$2,818)		(\$3,006)		(\$3,194)		(\$3,382)		(\$3,570)	FORMULA
ANNUAL PAYMENT		(\$33,820)		(\$36,074)		(\$38,329)		(\$40,584)		(\$42,838)	FORMULA
Estimated Interest		75%		75%		75%		75%		75%	
Estimated Principl		25%		25%		25%		25%		25%	
Estimated Interes \$	\$	(25,365)	\$	(27,056)	\$	(28,747)	\$	(30,438)	\$	(32,129)	
Estimated Principal\$	\$	(8,455)	\$	(9,019)	\$	(9,582)	\$	(10,146)	\$	(10,710)	

### TO CALCULATE DEPRECIATION EXPNESE

Land Value	20.00%									
Total Investment	\$	771,988	\$	823,120	\$	874,253	\$	925,385	\$	976,518
Portion Building	80%		80%		80%		80%		80%	
Building Value	\$	617,590	\$	658,496	\$	699,402	\$	740,308	\$	781,214
Depreciation Years		27.5		27.5		27.5		27.5		27.5
Annual Depreciation	\$	22,458	\$	23,945	\$	25,433	\$	26,920	\$	28,408