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Return on Equity Analysis and Investment Options

	(1) Property #1 (Current Scenario)	(2) Refinance Scenario (Rate & Term)	(3) Refinance Scenario (Max Cash Out)	(4) Refinance/Acquisition Property #2 acquisition	(5) Exchange Scenario
Property Address		0	0	Property X	Property Y
City, State	Long Beach, CA. 90803	Long Beach, CA. 90803	Long Beach, CA. 90803		
Estimated Value (Real Estate Asset)	\$2,630,000	\$2,630,000	\$2,630,000	\$1,230,000	\$3,885,000
Existing Financing / Loan Amount	\$1,200,000	\$1,220,000	\$1,630,600	\$799,500	\$2,525,250
Cap Rate	5.48%	5.48%	5.48%	6.50%	6.50%
Loan to Value %	46%	46%	62%	65%	65%
Gross Equity	\$1,430,000	\$1,410,000	\$999,400	\$430,500	\$1,359,750
Cash Down Payment	N/A	N/A	N/A	\$430,500	\$1,359,750
Available Capital for Re-Investment	\$1,430,000	\$1,410,000	\$999,400	N/A	N/A
Closing Costs / Rehab	N/A	\$20,000	\$15,000	\$20,000	\$70,000
Available Capital for 1031 Exchange	\$1,430,000	\$1,410,000	\$999,400	N/A	N/A
Available Refinance Capital	\$999,400	\$999,400	N/A	N/A	N/A
Interest Rate	6.000%	6.000%	6.000%	6.000%	6.000%
Amortization	240	360	360	360	360
Net Operating Income	\$144,000	\$144,000	\$144,000	\$79,950	\$252,525
Debt Service	(\$103,166)	(\$87,774)	(\$117,315)	(\$57,521)	(\$181,682)
(a) Pre-Tax Cash Flow	\$40,834	\$56,226	\$26,685	\$22,429	\$70,843
% ROE (cash on cash return)	2.86%	3.99%	2.67%	5.21%	5.21%
(b) Principal Reduction	\$31,166	\$14,574	\$19,479	\$9,551	\$30,167
(c) Depreciation	\$24,000	\$24,000	\$24,000	\$29,073	\$67,827
Taxable Income (a+b)-c	\$48,000	\$46,800	\$22,164	\$2,907	\$33,183
Estimated Tax Bracket	33%	33%	33%	33%	33%
Estimated Tax Liability	\$15,840	\$15,444	\$7,314	\$959	\$10,950
*After Tax Cash Flow	\$24,994	\$40,782	\$19,371	\$21,470	\$59,893
*After Tax Return on Equity	1.75%	2.89%	1.94%	4.99%	4.40%

(1) Option #1: Current analysis with existing loan with low return on equity and depleted depreciation. Existing financing on 10 yr term of amortization with 20 yrs remaining.

(2) Option #2: Rate & term refinance to secure new amortization schedule with lower rate to improve cash flow.

(3) Option #3: Maximum cash out refinance to raise capital to acquire additional investment (property #2 acquisition). Total real estate assets increased.

(4) Option #4: Scenario of additional investment acquisition with proceeds from scenario #3. New depreciation schedule and leveraged equity.

(5) Option #5: Scenario for 1031 exchange to maximize equity and cash flow with increased depreciation schedule.

Note: Please consult with your tax professional for accurate estimates for after tax scenarios, depreciation basis estimates and your potential capital gain liability.