Illustration of Internal Rate of Return over a 10-Year Holding Period
2645 NORTH CALVERT STREET

Purchase Price	**350,000**	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Rent	4.0%	40,500	42,120	43,805	45,557	47,379	49,274	51,245	53,295	55,427	57,644
Vacancy	3.0%	1,215	1,264	1,314	1,367	1,421	1,478	1,537	1,599	1,663	1,729
Effective Income		39,285	40,856	42,491	44,190	45,958	47,796	49,708	51,696	53,764	55,915
Expenses	4.0%	12,509	13,010	13,530	14,071	14,634	15,219	15,828	16,461	17,120	17,805
Exp as a percent of Annual Rent		32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Exp per unit	3	4,170	4,337	4,510	4,690	4,878	5,073	5,276	5,487	5,707	5,935
NOI	0	26,776	27,847	28,961	30,119	31,324	32,577	33,880	35,235	36,644	38,110
Debt Service	$ 1,291	15,496	15,496	15,496	15,496	15,496	15,496	15,496	15,496	15,496	15,496
Before Tax Cash Flow	**(105,000)**	**11,280**	**12,351**	**13,465**	**14,623**	**15,828**	**17,081**	**18,384**	**19,739**	**21,148**	**282,345**
19.9% Internal Rate of Return											
NOI		26,776	27,847	28,961	30,119	31,324	32,577	33,880	35,235	36,644	38,110
Less Interest		11,071	10,879	10,679	10,470	10,252	10,025	9,788	9,540	9,282	9,013
Less Depreciation		9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333
Taxable Income to Individuals		6,372	7,635	8,948	10,316	11,738	13,218	14,759	16,361	18,029	19,764
Pass Thru Entity	20%	(1,274)	(1,527)	(1,790)	(2,063)	(2,348)	(2,644)	(2,952)	(3,272)	(3,606)	(3,953)
Taxable Income	0	5,097	6,108	7,159	8,253	9,391	10,575	11,807	13,089	14,423	15,811
Tax @ *	37%	1,886	2,260	2,649	3,053	3,475	3,913	4,369	4,843	5,337	5,850
After Tax Cash Flow	**(105,000)**	**9,394**	**10,091**	**10,816**	**11,570**	**12,353**	**13,168**	**14,015**	**14,896**	**15,812**	**234,175**
16.3% Internal Rate of Return											

Purchase	350,000							**Assume a Sale at End of Year 10**			
L-V	75%							Annual Rent Roll			57,644
Loan	262,500							GRM			8.6
Down Payment	87,500				annual appreciation		3.6%	Price			498,159
Cap Improvement	-							Sale Costs		6%	29,890
Closing Costs	17,500							Less: Basis			256,667
Initial Investment	105,000							Gain			211,603
Rate	4.25%							Tax @		20%	42,321
Term	30							Mortgage Balance			208,538
P&I	$1,291.34							Sale Proceeds Before Tax			259,731
								Sale Proceeds After Tax			217,411

Mortgage Amortization		1	2	3	4	5	6	7	8	9	10
262,500	Beg Bal	262,500	258,075	253,457	248,640	243,614	238,370	232,899	227,191	221,235	215,021
4.25%	Prin	4,425	4,617	4,817	5,026	5,244	5,471	5,708	5,956	6,214	6,483
30.0	Int	11,071	10,879	10,679	10,470	10,252	10,025	9,788	9,540	9,282	9,013
1,291	Bal EOY	258,075	253,457	248,640	243,614	238,370	232,899	227,191	221,235	215,021	208,538
Cost Recovery / Depreciation		350,000	350,000	Building	80%	280,000	Land	20%	70,000	**Life**	**30**
		9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333	9,333
Basis		340,667	331,333	322,000	312,667	303,333	294,000	284,667	275,333	266,000	256,667

* Tax rate of 35% applies to income of $200,001 to $500,000 for singles; $400,001 to $600,000 for married filing jointly. Marginal rate above $500k/$600k is 37%.

Prepared by: Ben Frederick Realty Inc. For Illustration Purposes Only. Though believed accurate and reliable, information is not guaranteed.

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