[An appraisal of 1 East Main, Madison, Wisconsin, the property known as the J. C. Penney building].

Maurer, John R.
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APPRAISAL OF ONE EAST MAIN

Prepared for: Dr. James Graaskamp
Appraisal Theory and Practice
University of Wisconsin-Madison

Prepared by: John R. Maurer
Graduate Student
Real Estate Department
December 14, 1984

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Dr. James A. Graaskamp
Real Estate Department
118 Commerce Building
Madison, Wisconsin 53706

Dear Dr. Graaskamp:

Enclosed is the appraisal report that you requested on the property known as the J.C. Penney Building, 1 East Main Street, City of Madison, County of Dane, Wisconsin.

In our discussions regarding the assignment, you indicated that the value conclusion would serve as a benchmark for listing and negotiating the sale of the subject property. You inquired further as to the fair market value of the property tax assessment. The fair market value of the property for tax purposes as of December 14, 1984 is:

FIVE HUNDRED AND NINETY THOUSAND DOLLARS

The enclosed report has concluded that the most probable selling price of the property on December 14, 1984 is

SIX HUNDRED AND FORTY THOUSAND DOLLARS

for a cash sale. The probable transaction zone is from $590,000 to $685,000, depending on circumstances. A cash transaction would range as low as $590,000 and as high as $685,000 depending on financing available and cost of renovation. If industrial revenue bond financing is available to the buyer at the current rate of 11 percent for a 25 year term, the sale price will be at the higher end of the transaction range. If the city condemns the property for land assemblage of block 89, the price may go as low as $590,000.

Value conclusions are sensitive to the estimated costs of renovation and remodeling: (1) removal of escalator and certain stairways; (2) creating an atrium at the center of the building; and (3) subdivision of the first-floor space into an office and four small retail units. In addition, investment is sensitive to how much appreciation will result during the expected holding period.

As you will recall, no funds were provided for architectural, legal, or engineering fact finding, and so the feasibility of the most probable use assumption, limiting conditions, and controls on use that are included in Section V of this report.

You will also note that the current Madison assessment of $851,000 is seriously out of line with market values on the Square. Because knowledgeable real estate investors expect to appeal for a reduction, there is little negotiation advantage to be gained by deferring an appeal of the assessment, which is excessive by a least $261,000.

I hope you will find the details of this narrative appraisal relevant to your decisions, and would be happy to answer any questions you might have.

Sincerely,

John R. Maurer

John R. Maurer

enclosure

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JUDGMENT

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DIGEST OF FACTS, ASSUMPTIONS, AND CONCLUSIONS

Property: A vacant three-story department store with penthouse and basement known as the J.C. Penney Building at 1 East Main Street, Madison, Wisconsin.

Type of Estate: Fee simple, encumber by building code restrictions.

Present Owner: Northwestern Mutual Insurance Corporation

Age of Building: 26 year department store not eligible for renovation investment tax credit for four years.

City Description: Madison, Dane County, Wisconsin; State Capital, County Seat, Site of University of Wisconsin, and second largest city in Wisconsin.

Neighborhood: The original plat of Capitol Square, the Central Business District, and facing the State Capitol Building.

Lot Size: Lot 1, block 89 of original plat, 90' x 144', 12,960 square feet excluding 20'3" alley easement across rear lot line.

Improvements: 3 story steel frame with block and brick fascia

Legal Constraints: Zoning: C-4
Capital Preservation View District
Capital Fire Zone District
Capitol Concourse Plan District (special assessment and conditional use approvals)
Building Code Violations (requires occupancy permit)

Most Probable Use: The most probable use of the subject is a shell for conversion to a retail and atrium office building with four small retail units fronting Main Street and single office space on four levels with entrance on Monona Avenue. Single office space is located in basement, first, second, and third floors with a central atrium.

Most Probable Buyer: The most probable buyer will be a local investor organization seeking to renovate the structure to retail and office use and expecting to pay cash to the seller.

Probable Terms of Sale: Cash to seller

Market Transaction Inference: A cash transaction would range as low as $590,000 and as high as $685,000 depending on financing available and cost of renovation. If IRB financing is available at the current rate of 11 percent for a 25 year term, the sale price will be at the higher end of the transaction range. If the city condemns the property for land assemblage, the price may go as low as $590,000.

Most Probable Selling Price: Six Hundred and Forty Thousand Dollars

Fair Market Value: Five Hundred and Ninety Thousands Dollars

Current Assessed Value:	Land	$430,000
	Building	421,000
	Total	$851,000

1984 Real Estate Taxes:	Land	$14,193.42
	Building	13,896.35
	Total	$28,089.77

Status of Special Assessment:

Original Assessment	Remaining Balance	Annual Payment For Subject	Remaining Years[a]
$21,814.36	$8,726.00	$2,707.97	4
$1,242.00	$310.00	$179.00	2

[a]First loan 10 years at 6 percent; second loan 8 years at 6 percent.

I. PROBLEM ASSIGNMENT

Content of an appraisal report is determined by the decision for which it will serve as a benchmark and the limiting assumptions inherent in the property, data base, or other factors in the decision context. This appraisal is made to assist the corporate owner and its broker in the sale of the subject property in terms of both listing price and expectations regarding a negotiated sale price.

A. <u>The Appraisal Issue</u>

The real estate market for the subject property is soft and the bargaining position of the present owner is moderate. Since Northwestern Mutual Life Insurance Company has already recaptured its investment in the property, the company is seeking to maximize its gain on the sale. To maximize the gain, the property should be sold as soon as a reasonable bid is received so that the potential gain is not decreased by continued holding expenses. After having bought the site in 1957, the company sold a leasehold to the previous owner. The following year, the department store was custom-built for the new sublessee, J.C. Penney. Northwestern received a deed in lieu of foreclosure from the former owner in 1966. In February of this year, the J.C. Penney sublease expired and the tenant vacated the premises. The building has been vacant since then. An occupancy permit, subject to correction of certain existing building code violations, will be required for any new permanent use.

Because the building is vacant, holding costs are expected to be minimal. The owner pays no debt service nor carries any outstanding mortgages (Exhibit 1).

EXHIBIT 1
ESTIMATED ONE-YEAR HOLDING COSTS FOR SUBJECT PROPERTY

Cost	Amount
Insurance	$ 7,500[a]
Gas	5,000[b]
Electricity	5,000[b]
Special Assessment	4,114[c]
Street Maintenance	638[d]
Real Estate Taxes	22,033[e]
Total	$ 44,285

[a]Based on operating history. Insurance will probably increase with long-term vacancy.

[b]Estimate based on minimal upkeep.

[c]Combines 2 Capitol Concourse Plan assessments. The first amortized over 10 years with an original balance of $21,814.36 and the second amortized over 8 years with an original balance of $1,242.00. Both began in 1978 and carry a 6% nominal interest rate.

[d]Based on 1984 levy. Varies annually.

[e]Based on 1984 assessment with a 100% equalization rate ($881,000 at the 1983 net tax rate of 25.0087).

B. Legal Interest to Be Appraised

The subject property, 1 East Main Street, is owned on a free-and-clear basis. The property and the 13 East Main Steet property reverted to the present owner when Northwestern Mutual accepted the deeds in lieu of foreclosure against the Wolmad

Building Corporation in 1966. The company owns the full bundle of rights. The legal description in the warranty deed is as follows: "All of Lot One (1), Block Eighty-nine (89), except the Northeast twenty (20) feet thereof, all of Lot Ten (10), and the Northwest thirty-four (34) feet of Lot Nine (9), both in said Block Eighty-nine (89), all in the City of Madison, Dane County, Wisconsin."[1]

Fixtures or personalty to be included in the sale are the store cabinets, shelving, carpeting, and other built-in retail fixtures or items of decor presently existing throughout the building.

C. Value Definition

For purposes of estimating the value for tax assessment, the most appropriate value definition is fair market value:

> "Fair market value is the highest price in terms of money a property will bring in a competitive and open market under all conditions requisite to a fair sale,

[1] Original legal description found in Vol. 665, p. 370, document #940985

the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated.
2. both parties are well informed or well advised, and each acting in what he considers his own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
6. the price represents normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.[2]

[2] Byrl N. Boyce, ed., Real Estate Appraisal Terminology (Cambridge, Mass.: Ballinger Publishing Company, 1975), p. 137.

For the purpose of this appraisal the most appropriate definition of value is that of "most probable selling price," as defined by Richard U. Ratcliff:

> The most probable selling price is that selling price which is most likely to emerge from a transaction involving the subject property if it were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type.[3]

D. Implicit Assumptions

The Ratcliff definition recognizes that prediction of a future transaction price is a business forecast under uncertain conditions. It is therefore appropriate to state the value conclusions as a central tendency within a range of alternative price outcomes that reflect the imperfections of the real estate market and the negotiation postures of the buyer and seller. A range of sales prices is more useful to the decision-maker than

[3]Unpublished quotation of R. U. Ratcliff speaking on his book, Valuation for Real Estate Decisions (Santa Cruz, Ca.: Democrat Press, 1972).

the traditional point estimate of fair market value because it provides the necessary dimensions for establishing listing and bargaining strategy and anticipating probable buyer expectations and market-determined attitudes. The method requires the appraiser to determine the most probable use of the property and the most probable buyer-investor for that type of property and then to infer a probable transaction price from recent transactions of similar properties. In the absence of market sales or as a test of value conclusions based on sales data, the appraiser may simulate the buyer calculus in making an offer to purchase.

E. Application to Subject

Sales in the area of the subject property have generally been for cash; credit terms were conventionally financed. Northwestern Mutual Life, as an insurance company enjoying preferable tax status, a cash sale is required. In addition, buildings sold for rehabilitation must sell for cash so title can be used to collaterize the construction loan.

Estimation of most probable price is in part a function of the subject property's investment value to a prospective buyer. Nevertheless, historical operating income and expenses would be of minor importance unless the prospective buyer intends to retain the original use. The Madison Building Department has not been asked to take any official action on the building and will not inspect the property for code conformance until an occupancy certificate or a building permit is requested. Therefore, certain key dollar estimates and projections must be based on the preliminary cost-to-cure assumptions of the appraiser and must be recognized as limitations on the reliability of the most probable price estimate.

II. PROPERTY ANALYSIS TO DETERMINE ALTERNATIVE USES

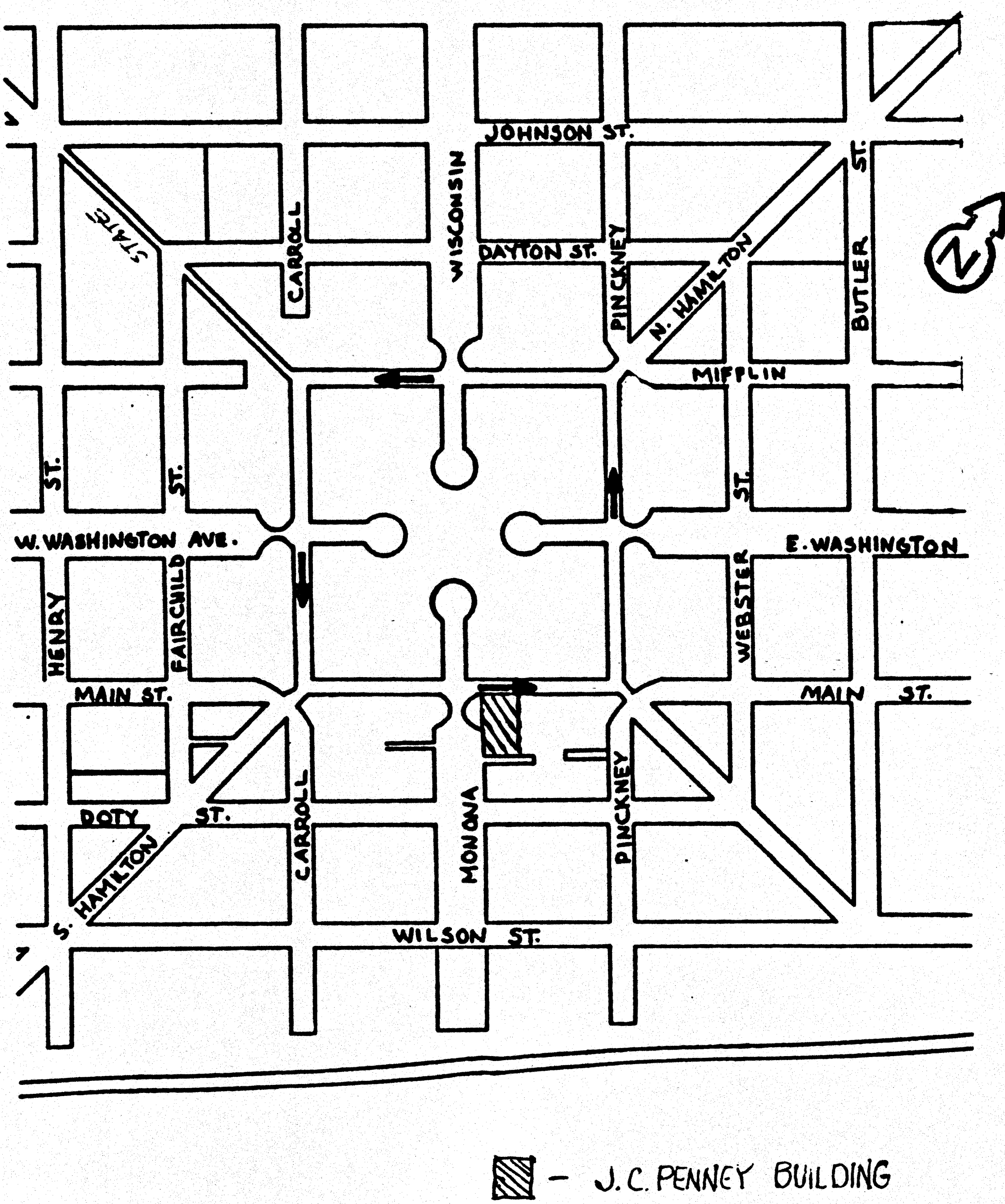
Property analysis is the first step in the identification of the most probable use of the subject. An inventory of the property's attributes will include physical characteristics of the site and improvements, legal/political constraints on the subject's use, environmental aspects of the site as related to off-site systems or impact area (linkages), and the preestablished perceptions of the site that citizens tend to have (dynamic attributes).

A. Physical Attributes

The subject site, located at 1 East Main Street, is a rectangular lot with 90'frontage on East Main Street and 144' of frontage on Monona Avenue (Exhibit 2). Total gross area is 12,960 square feet. A 20.42' public alley easement across the back of the site serves the entire block. The site slopes slightly, dropping from 73.4' on the Main Street side to 70.09 at the rear alley. Elevations are given in reference to the city datum (0.00) which has been established at 1845.6' above sea level. Site elevation is taken from a topographical map prepared by the City of Madison for redevelopment of the

EXHIBIT 2

LOCATION OF SUBJECT SITE ON CAPITOL SQUARE



Square. Madison zoning code 28.04(14) states that no part of any building within a mile of the state capitol can exceed the elevation of the base of the Capitol dome columns. The highest site elevation is 73.4',therefore, the site can accommodate a structure roughly 113 feet in height. Given the site's dimensions and zoning restrictions, the site has a maximum building envelope of 1,464,480 cubic feet. Site's frontage faces the Capitol Square and has a southwest exposure.

The Soil Conservation Service of the U.S. Department of Agriculture publishes The Soil Survey of Dane County, Wisconsin. The survey indicates that the soils of the subject site are medium and moderately fine-textured with medium water capacity availability and moderate permeability. The soil is classified Dodge silt fine-textured 2-6 percent. Depth to water table and bedrock is greater than 5 feet. The soils have low corrosiveness to both concrete and uncoated steel. Geological studies have shown sand or gravel extends to a depth of 125 feet beneath the surface. Dolomite and sandstone extend to a depth 805 feet with basalt and granite beneath. Soil conditions represent no structural limitations for present building or for new construction.

All necessary utilities currently service the site and would not limit site development. The site has a 2" municipal water service and a 6" municipal sewer service. Madison Gas & Electric provides from 4000 to 5000 amps of electrical service. Utilities enter the building from the Monona Avenue adjacent to the existing basement vault.

B. Legal Constraints

1. Zoning

Zoning designation for the site is C-4 which allows for a wide range of retail, office, and residential uses. On-site parking is not required under C-4 designation in contrast to other commercial zoning classifications within the city's jurisdiction. As stipulated in the C-4 zoning ordinance, any use is considered conditional and must be approved by the City Planning Commission and Urban Design Commission. A copy of C-4 zoning ordinance is provided in the Appendix.

The broad general provisions of the C-4 zoning are deceptive because any major building alteration must conform to remodeling and new construction guidelines established by the City Planning Commission. Current city administration is committed to redevelopment of the Capitol Square area and has stated certain uses that would be disapproved at this time.

City government opposes demolition of structures for creating parking lots and opposes office uses on the first level of buildings. Retail, restaurants, and other pedestrian generators on the first floors are strongly preferred for buildings contiguous to the Capitol Square. However, the city may allow some latitude concerning approval of opposed uses because of the persistent problems of high first floor retail vacancies and inadequate downtown parking. Recently, Tenney Plaza Associates gained approval for the construction of an on-site parking ramp adjacent to their structure. Provision of parking in terms of underground ramp or rear lot may be politically feasible at this time. A combination of retail and office use on first level of subject building may be possible, however, political acceptability of such use has been untested on the square.

Renovation of existing structures is also limited by zoning ordinance regarding fire provisions, height, and frontage for buildings in the Square area. Madison Building Code 29.37(4) restricts building materials to fire-resistant types 1 or 2, prohibits reconstruction when casualty loss exceeds 50 percent of assessed valuation, and prevents new use and occupancy until nonconforming fire provisions are corrected.

2. Special Assessment District

Subject property is located within a special assessment district that encompasses the Capitol Concourse and State Street. Assessment results from rebuilding the Square and street frontage. the Major thrust of the district redevelopment was to alter the physical character and use patterns of street areas away from vehicular traffic in favor pedestrian traffic. Redevelopment resulted in narrow roads, controlled traffic, enlarged sidewalks, and decorative landscaping. Although the concourse is aesthetically appealing, it has contributed little to rejuvenation of the Capitol Square retail area.

Assessment for subject property requires annual payment of $2886.97 to retire installment loan. Assessment area for subject is defined as its 90 foot frontage along Main Street to a depth of 137 feet. Subject property's assessments are paid over 10 year and 8 year amortization periods with each having a 6 percent interest rate. Exhibit 3 shows assessment payment and loan amounts.

3. Political Constraints

A mayor and 22 alderpersons make up the present city council and have considerable control of city politics,

EXHIBIT 3

MALL SPECIAL ASSESSMENT FOR SUBJECT PROPERTY

Original Assessment	Remaining Balance	Annual Payment For Subject	Remaining Years[a]
$21,814.36	$8,726.00	$2,707.97	4
$1,242.00	$310.00	$179.00	2

[a]First loan 10 years at 6 percent; second loan 8 years at 6 percent.

development, and growth. The largest impact on the immediate site is the city's development of public transportation and the expense of providing for downtown parking and vehicular transportation. Many have suggested that if driving downtown is made difficult enough, people will use the public transportation. The anti-automobile attitude has negatively impacted downtown merchants. The political necessity, however, for turning the area around and attracting new business may provide the buyer of the subject property with some negotiation leverage relative to securing city approvals and with interpretation of zoning codes. City cooperation is reflected through three programs of financial assistance that the city provides to developers for approved projects: industrial revenue bonding, tax incremental financing, and community development action grants. The city and its regulatory planning agencies are strongly committed to the ongoing development of the Capitol

Concourse project, and critically review proposals for renovation or demolition of any structure in the downtown area for conformity to community goals and objectives.

A potential constraint on development of the site and probable price may be the city's relationship with the development firm of Jacobs, Visconsi, & Jacobs. The city has stated that it will provide no public assistance to other investors for development of block 89 until Jacobs, Visconsi, & Jacobs has made a decision on development of the area. The city has given the firm priority on public funding alternatives to the exclusion of other potential investors of block 89.

C. Linkages

Linkage is a term that refers to the site's relationship to its access networks, activity centers, and physical environment. Critical relationships must be evaluated to develop an understanding of the site's location value for alternative uses. Linkage relationships are measured in terms of the cost of friction involved in moving between establishments and in the exposure benefit generated by the location. Transportation, parking, and pedestrian access all have immediate impacts on the site.

The distribution of vehicular and pedestrian traffic in downtown Madison is shown in 1983 vehicular traffic counts and 1982 pedestrian traffic counts (Appendix). The majority of downtown vehicular traffic is routed on two- and three-lane streets, one block off of the Concourse. Approximately 4300 vehicles travel on Main Street and pass the subject site on an average 24 hour weekday compared to roughly 13,000 vehicles that travel on Doty Street and pass at the rear of the block.

Pedestrian counts for the downtown area show that the second highest volume occurs on the Main Street sidewalk in front of the subject structure. A bus loading area is located at the east end of subject site's block while the Capitol Square's highest volume bus loading area is located across Monona Avenue in front of the Anchor Savings Building on Main Street. Shuttle bus service carries passengers to and from the Capitol Square to the University of Wisconsin via State Street.

Primary means of parking available for the site are two public ramps--Doty Street Ramp and Dane County Ramp. Doty Street Ramp, having a 100 percent occupancy rate, offers 468 monthly rental spaces. Ramp users must walk distances of two blocks from ramp to site. Dane County Ramp located two blocks off the Square, three blocks from subject site, is the second closest ramp and has 815 metered spaces and 183 permit spaces.

Metered parking occupancy has varied from approximately 50 to 75 percent while permit parking occupancy ranges from approximately 90 to 100 percent. Friction in terms of time, money, and inconvenience exists for users of either ramp because walking distances are at least two blocks from ramps to site. The subject site is not visible from Doty Street Ramp or Dane County Ramp. On Monona Avenue limited metered parking is available: twenty one-hour and three 15-minute stalls. Parking on the Square is limited to permit only during the day.

The National Mutual Benefit Building is the strongest job generator on the block. The building, located to the south of the subject on Monona Avenue, is a seven story office building which houses offices of the National Mutual Benefit Insurance Company. Immediately to the east, is the Rennebohm-Walgreen Drug Store that appears to have a moderate-to-strong weekday customer base; possibly drawing customers from nearby financial institutions, state and city government offices, and state capitol building. Kresge's discount store, located at the corner of Main Street and Pinckney Street, offers discount retail goods. Remaining buildings, between Rennebohm-Walgreen's structure and Kresge's Building, are the small Rundell's Clothing Store, the temporary Keep Kastenmeier in Congress Headquarters, and a vacant book store.

Retailing on the Square has decreased substantially in the recent years. The downtown retail market has experienced decline. Retailing in Madison was centered on the capitol Square until the 1960s when suburbanization shifted much of the buying power to the edges of the city, particularly the far west side. With the opening of Hilldale in 1962, West Towne Mall in 1970, and East Towne Mall in 1971, department stores began to follow their clientele. The Capitol Square retailing area declined rapidly as smaller stores, forced by declining sales, also moved to new malls or closed down. Retail expansion at the fringe of Madison continues with recent openings of Southtowne Mall and Factory Outlet Mall.

D. Dynamic Attributes

Dynamic attributes are characteristics that exist in the mind of the beholder, mental and emotional responses that affect decision-making behavior. An analysis of perceptions and images of the area is important to gaining an understanding of the area.

The subject site enjoys a southwest exposure and positive identification with the Capitol Square. Visibility from east-bound Main Street is enhanced by the stop light intersection at Main Street and Monona Avenue since a red light periodically stops traffic in direct view of the site. The department store is highly visible from Monona Avenue and Main Street except for trees on the Main Street concourse that partially obstruct the building's view.

Many people, however, perceive downtown Madison as declining. Continued high retail store vacancies, coupled with the presence of a small but visible number of indigent street dwellers, creates a negative image for the downtown area. Many citizens view the downtown as inaccessible. The construction of the State Street Mall and Capitol Concourse was drawn out over five years creating the impression that the downtown mall was under construction indefinitely. The city contributed to the inaccessibility by failing to provide alternative parking during the construction period. The local political body recognizes that Capitol Square retailing is in need of revitalization. The city has offered a number of proposals including the Olin Place Plan which involves the subject site. Even though the city is committed to downtown redevelopment, no action has been taken on majority of proposals

E. Existing Improvements

1. Background and Classification

Land and improvements were purchased on a sale-leaseback basis to J.C. Penney Company. The building was constructed in 1958 for the J.C. Penney Company as a single-use department store. Penney's was the sole tenant in the building until they vacated the building January 1, 1984. The structure's floor plan is a typical layout for a large department store: high ceilings; wide expanse, single room floor levels; and elevators positioned near rear of building. Basement, first floor and second floor are each one large windowless room. The third floor was used for storage and has several smaller rooms and partitions. A row of small windows are located on the north, west, and south sides of the third floor space. Lack of windows on the first and second floors is recognized as an obstacle to redevelopment of the present structure as office or residential space. The basic interior footage of the structure is shown in Exhibit 4, photographs of the structure appear in Exhibit 5, and photocopies of floor plans are in the Appendix.

Estimated cubic area of the structure is 787,545 cubic feet and exceeds the 50,000 cubic feet limit. Therefore, any renovation or remodeling requires the use of certified engineers

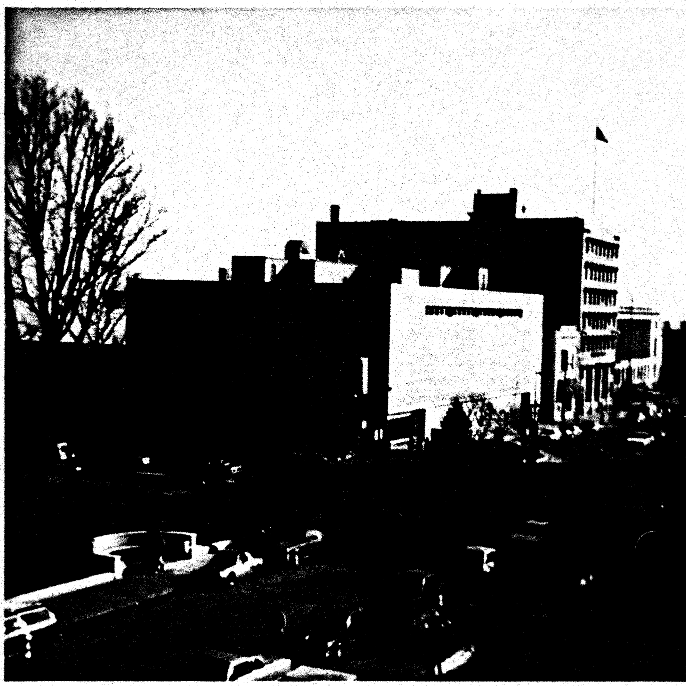
EXHIBIT 4

USEABLE FOOTAGE OF THE SUBJECT PROPERTY

Area	Gross Area	Net Useable Area
Basement - Retail area-w/vault	13,064	11,408
1st Floor- Retail area	12,960	9,708
2nd Floor- Retail area	12,960	11,314
3rd Floor- Storage Rooms & Office	12,960	8,729
Penthouse Utilities	2,455	0
Total	53,399	41,159

EXHIBIT 5

EXTERIOR OF THE J.C. PENNEY BUILDING



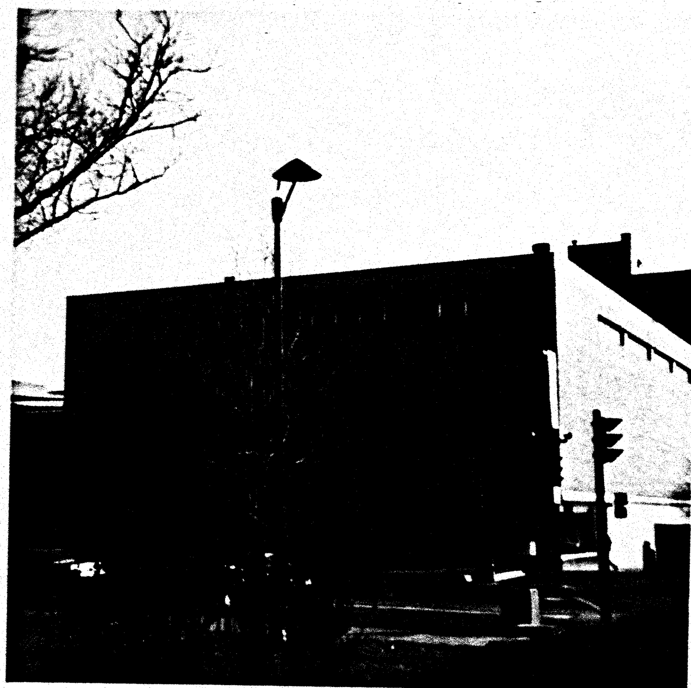


EXHIBIT 5

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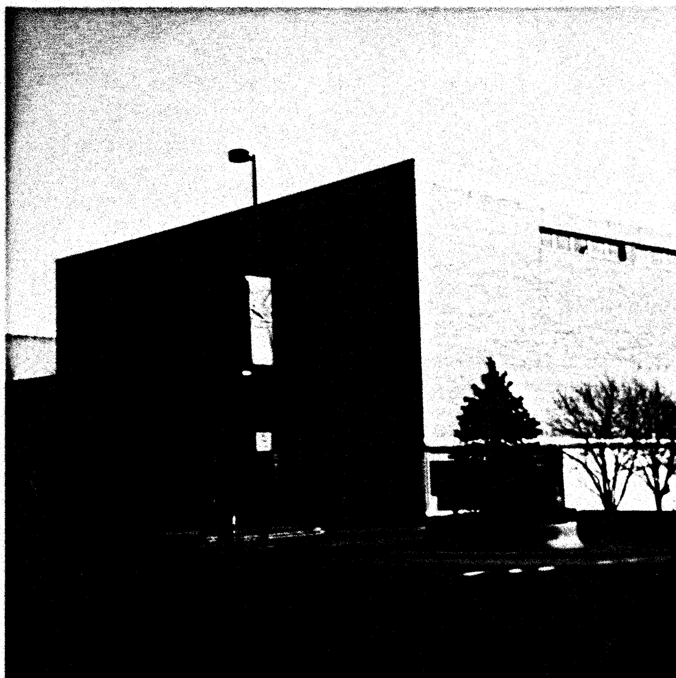


or architects and must be approved by the State of Wisconsin Industrial Commission [Wisconsin Administrative Code 50.07 (2)(a)]. The interior square footage exceeds the 20,000 square feet limit thereby requiring interior circulation features for the handicapped which include widening entrances and altering restroom facilities within the subject property [Wisconsin Code 52.04 (5) (a), Register, December 1983, No.336]. The subject property is in compliance with code regarding street-level access and full service.

2. Type of Construction

The building is basic in design and was suited for use as a department store. The structure is steel framed with block and brick fascia. The building is setup in a grid style with bay spacing of 24 feet from north to south by 22 feet from east to west. Six bays are along the Monona Avenue side while four bays are along side Main Street. Foundation walls are 1'4" thick below and are 1' thick to street level.

Floors are 2' pre-cast concrete panels resting on flanges of steel beams. The joists run parallel with Main Street. A 12" steel beam is located at the end of each bay and

+ precast (one word)

is parallel with the concrete joists. The basement floor is a 6" mesh reinforced by concrete slabbing.

Circulation within the building is for a large retail department store . Two service stairwells exist on the east and west ends of the building, as well as two public stairways; one in the center leading to the basement and one on the northeast wall connecting the basement to the third floor. An escalator in the center of the first floor leads to the second floor. Three elevators, one freight and two passenger, are in good working condition and connect the basement to the third floor. To draw customers through the store, passenger elevators were strategically placed along the east wall . The freight elevator is along the alley wall where the receiving dock and trash room are also located. A general description of the building is contained in Exhibit 6.

3. Structural Condition and Code Conformity

The building is a sound structure. The only critical deferred maintenance required is replacement of the roof which lacks sufficient gravel covering and its tar undersurface is

EXHIBIT 6

DESCRIPTION OF IMPROVEMENTS ON 1 EAST MAIN STREET

NUMBER OF STORIES:	Three stories plus a penthouse
ROOMS:	Finished basement for retail First and second finished retail Third finished storage and office Penthouse of utilities
EXTERIOR:	
Foundation	Poured concrete w/steel frame
Walls	Block with brick fascia.
Roof	Flat, 5 ply tar and with gravel surface.
Store Front	Block with brick fascia and glass
CONSTRUCTION:	
Floors	Precast concrete with with steel rod, tile and carpet surface
Walls	Putty coat plaster
Height	

	Floor - Ceiling	Floor-Floor
Basement	10'	13'
1st Floor	14'	17'
2nd Floor	11'	14'
3rd Floor	10'	12'6"
Penthouse	12'	

EXHIBIT 6
(continued)

LIVE LOADS

Roof	30 PSF
Floor	100 PSF
Mechanical Room	200 PSF
Stairs	100 PSF
Soil	8000 PSF

AIR CONDITIONING AND VENTILATION:

Two 50 ton Trane coolers to service basement, 1st, and 2nd floor, and one 25 ton Trane cooler for 3rd floor. Air blown through wall vents.

HEATING:

Cleaver Brooks 12 pound low pressure steam heat, forced air forced air with coil.

UTILITIES:

2" municipal water service
6" municipal sewer service
4000 to 5000 amp electrical service

50-Ton
25-Ton
12-pound

beginning to bubble. As the budget did not include a professional inspection other areas may require changes to meet updated codes. Because the building has been vacant for over six months, formal inspection is required for issuance of an occupancy permit.

4. Interior Finishes

Interior finish of the building is in fair condition. The first, second and third floor walls are painted a bright yellow and orange. Display cases on both sides of the front entrance are obsolete and should be replaced. The department store has worn interior floor coverings, satisfactory lavoratory facilities, and an unfinished third floor merchandise area. Photographs of the interior are shown in Exhibit 7.

5. Renovation Problems

Major renovation problems for this building could be minimized because of the basic design of the shell and lack of interior walls. A dropped ceiling may be required on the first floor if a use other than a department store is selected because

EXHIBIT 7

INTERIOR OF THE J.C. PENNEY BUILDING

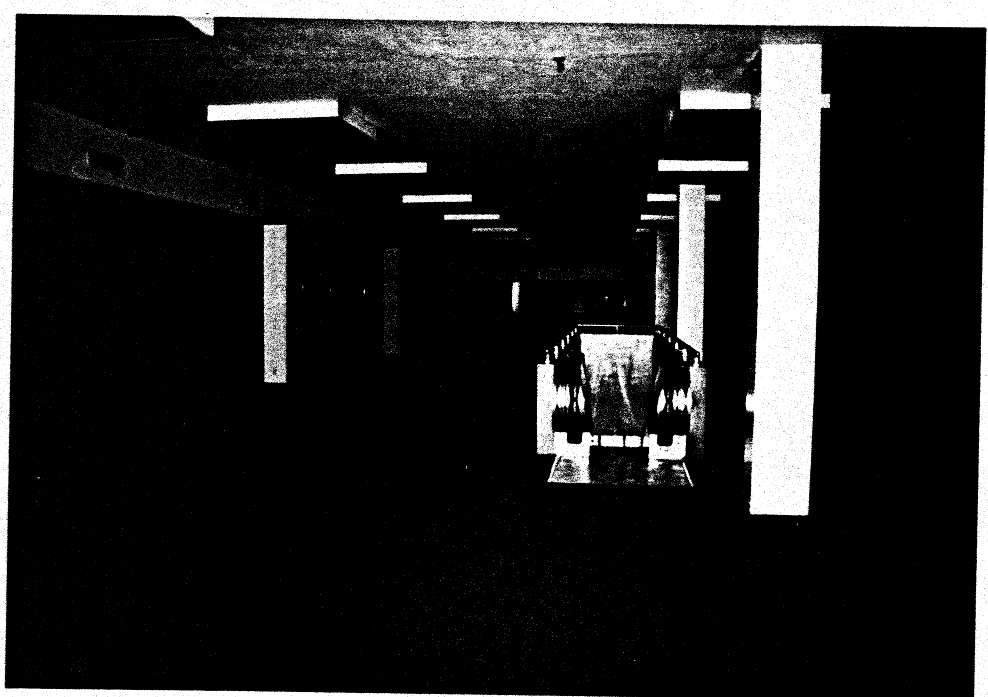


EXHIBIT 7

(Continued)

of its current 14 feet height. Removal of the central stairs and escalator would be at moderate cost relative to any proposed renovation budget. The cinderblock fire wall on the third floor could be removed at a minimal cost. Existing floor loading capicities are sufficient for most potential uses. Since floors are pre-cast concrete panels, panels may be removed to create a center atrium at minimal cost without structural damage to the building.

Discussions with Louis Cunningham, the building's engineer, revealed that no major problems exist with the current boiler . The electrical system has capacity for 5,000 amps which is more than adequate for its heaviest possible use as an office building. The air conditioning system is also up to code but is inefficient, according to Cunningham, and might possibly be replaced if a major renovation is undertaken.

The Wisconsin Administrative Code stipulates the number of toilets and urinals required for specific uses. Requirements are related to the number of occupants in the building. The most probable use of the building will determine what alterations would be made to existing restrooms.

III. MOST PROBABLE USE

Having completed an inventory of positive and negative attributes of the property, significant limitations on future use, and immediate linkages of the location, the appraiser must identify possible uses. Each use must exploit marketable attributes of the property, neutralize its negative characteristics, and operate within limits of justified, prudent investment.

A. General Market Characteristics

The search for most probable use begins with examining the possibility of extending the structure's past use as a single retail space. Demand for the building's roughly 39,000 square feet is weak. Two retail structures--Wolff-Kubly-Hirsig and Manchester's--that offered large retail square footage similar to the subject have experienced extended vacancies. The Wolff-Kubly-Hirsig Building was eventually sold to the State of Wisconsin for museum use. Manchester's Building remains vacant, however, the present owner recently proposed redevelopment of the retail structure into an office, condominium, and retail mixed-use development. Both Wolff-Kubly-Hirsig and Manchester buildings enjoy superior locations than the subject property because of their proximity to State Street retail businesses. Attracting a large retail use to the property would be difficult. Renovation costs necessary for remodeling the structure for one retail tenant would be unjustified by market rent for large stores. Currently, Emporium pays $2.37 per square foot and similiar large retailers would not be expected to pay more. A department store alternative would be inappropriate strategy.

A more likely strategy would be subdivision and reuse of the first floor area as small retail units. Demand for small, ground floor, retail space has experienced small but steady growth. The subject site's retail alternative should take advantage of its proximity to employment centers. Smaller retail establishments, possibly business-oriented services, could cater to the captive downtown office market. These retailers have survived and grown slightly in number on the Capitol Square. A retail cluster on the southside of the Square would survive only if it captured the office worker market or if rents matched the $6.00 to $8.00 per square foot charged on the Square's northside. Therefore, a retail alternative would assume subdivision of the structure into smaller units and presumeably be focused toward business-oriented goods or professional services. Subdivision would be consistent with municipal code requirements and state building codes. Development of the second and third levels of the structure would probably be as office space rather than retailing since the latter would not likely be financially sustained on upper levels.

Most downtown redevelopment proposals have not addressed the creation of more housing. According to John Urich, planning unit director of Madison's Department of Planning and Development, downtown residential development would stabilize the area and provide a population to support a retail component. Urich advocates construction of three or four more downtown housing complexes equivalent in size to Capitol Centre. Significant residential development may hinge on downtown employment growth because, presumably, a greater segment of the workforce would desire a downtown residential location near employment centers. Residential parking is also a concern because buildings with parking have had less problems in leasing than buildings without parking. Condominiums are not suited for the property since the site lacks the necessary amenity of a lake view. Downtown or near downtown condominiums without a lake view would be difficult to market.

The office rental market for class A space has recently been strong. A study conducted by Ross Luedke and Kris Sivertson of University of Wisconsin-Madison indicated that class A office space vacancy was 5.7 percent. Two new projects, 100 North Hamilton and Lakeview Terrace, accounted for 41,068 of the 54,512 square feet of vacant space. The two projects are currently being leased. Current vacancy rates for class A office space on the Capitol Square are less than 1 percent. Study results also indicated annual rents for class A space with Capitol Square location range from $10.75 to $17.50 per square foot. For each location on-site parking is available for an additional fee. The class A office space supply will probably increase in the near future. The new owners of the Tenney building are adding a parking ramp to the structure and will improve the office space to class A. The Tenney Building would then provide 75,000 square feet of class A office space. First Wisconsin Bank Building will be putting approximately 80,000 square feet of class A on the market because Ray-O-Vac Company is vacating its space. The American Exchange Bank is proposing construction of a 100,000 square feet class A office building behind the bank's present location. Currently, American Exchange is attempting to prelease the project.

To compete in the class A market, the subject property would need to be totally renovated and on-site parking would have to be provided. Renovation would require repositioning the elevators to the front of the building, creating windows on all floors, and probably reworking all utility systems. Even though a building renovation is possible, the structure could not compete in the soft class A market because no on-site parking can be provided. Therefore, a class A office strategy is viewed as improbable given a soft market and no on-site parking.

The class B office space market is smaller than class A and is characterized by older buildings situated on or near the Square. Many class B properties are without on-site parking. The Luedke/Sivertson study reported a 13.7 percent vacancy rate for class B and C, combined. The study also indicated that vacancies varied by floor area size. Structures with floors between 10,000 and 19,999 square feet had only a 3 percent vacancy rate. The subject property would accommodate a net floor area with the range; its size would be a leasing advantage. Well-located buildings with modern facilities enjoy strong demand and are able to charge higher rents. With the upgrading of the Tenney Building, less total class B office space would have Capitol Square location. A likely strategy would be to convert the structure to class B office space thereby capitalizing on the site's Capitol Square location and proximity to other office buildings.

B. Alternative Uses for the Penney Property

Alternative use scenarios were developed from a combination of the site's physical characteristics and the downtown market demand characteristics (Appendix).

Scenario #1: The present building is retained and totally renovated to provide retail and office space. The escalator, center basement stairway, and northwest corner stairway are removed to improve rentable area and allow for a efficient building layout. The first floor is subdivided to provide a single office space, an office lobby, and four small retail units. Located at the rear of the first floor, the single office space is approximately 51' x 88'. The office lobby has entrance off Monona Avenue and is approximately 20' x 80' with a center atrium. The present elevator and contiguous stairway are retained as part of the office lobby. The four small retail units front Main Street and are approximately 20' x 60' each. The basement is converted to a single office space with 9,770 net leaseable area. A stairway from the first floor to the basement is constructed in the atrium to improve access to the lower-level office space. Second and third floors are renovated and each provides 9,770 net leaseable area. The glass roofed atrium, 20' x 44', is created at the center of the structure by removing segments of the concrete slab floors and by cutting an opening in the roof to provide natural lighting. The basement, 1st, 2nd, and 3rd floor office spaces all have full-length windows contiguous to the atrium.

Scenario #2: The present building is retained and totally renovated to provide retail and office space. First floor is subdivided to provide: three small retail units approximately 25' x 60'; office entrance lobby approximately 15' x 80'; and single office space about 90' x 84'. Second and third floors are renovated to provide single office space of approximately 12,960 gross area. The retail units front Main Street. Present elevator and contiguous stairway are retained and are a part of the office lobby. First floor office is located at rear of building with entrance off the lobby. Escalator, center basement stairway, rear freight elevator, and northwest corner stairway are removed to increase rentable area. Portions of exterior walls on north, west, and south sides are removed to create windows for first, second, and third floor office space.

Scenario #3: The present structure is retained and renovated to provide five retail units on first floor and single office units on upper floors. The present stairways and public elevators are retained. Freight elevator, front window-showcases, escalator, and center basement stairway are removed to improve rentable area. Five retail units front a central mall with one unit on each side of front entranceway and three units at the rear of structure. Retail units would average 1,940 square feet net leaseable area. Second and third floors are renovated and each provides approximately 11,300 square feet of net leaseable area. Portions of exterior walls on north, west, and south sides on second and third floors are removed to create windows for office units. Entrance to office units is from central mall on first floor.

Scenario #4: The present structure is demolished. A 90' x 125' three story office structure (without basement) is built. Each of the three floors provides single office space of 11,250 gross footage. The office lobby fronts Main Street and contains one elevator. A 19'x 90' parking lot is created at rear of structure to improve parking. Parking stalls would have access from alley.

Scenario #5: The present structure is demolished and a five-story, retail-apartment building is constructed. The first floor houses five retail units, averaging 2,000 square feet net leaseable area, off the central mall. Entrance to mall is from Main Street. Above first floor are four floors of apartments. Upper floors house a total of twenty, 800 square feet, one-bedroom apartments and twenty-four, 1,000 square feet, two-bedroom apartments. Apartments have an entrance separate from small retail mall and are serviced by one elevator. Below the structure, two levels of underground parking provide 74 parking stalls for use by retail customers and apartment dwellers.

C. Economic Ranking of Alternatives

Reasonable alternative uses for property are ranked in terms of general budget parameters inherent in the revenues and expenses of each. Market demand, risk levels, and political acceptibility are predicted for each scenario and are used as screens for determining the best alternative use. To reveal the general range of justified investment on the existing property, the appraiser developed a computer program using a default ratio "backdoor" approach. The backdoor approach, developed by Dr. James A. Graaskamp, converts market rents to justified investment by determining a market rent for each use and assuming an acceptable cash breakeven point for financial planning and budgeting. The process capitalizes funds available for debt service or cash dividends into amounts of justified investment. The backdoor approach is a residual method that can be misleading if there are small errors in the cash flow forecast. If estimating bias is consistent when applied to the alternative uses, the backdoor method does rank the alternatives in terms of their ability to pay for the subject property as is. The logic of this process is provided in Exhibit 8; cost assumptions and calculations are provided in the appendix. A summary of these calculations from the appendix is provided in Exhibit 9. A preliminary ranking based on a cash justified investment, without regard to future reversion value, demonstrates that scenario #1, #2 or #3 are preferable uses of the structure as is.

D. Risk Ranking of Alternatives

In terms of risk, scenario #3 offers more certainty regarding the renovation budget. The existence of hidden defects and conditions within the structure is possible. Unrevealed defects and alterations add risk to the renovation of the structure. Renovation costs can substantially increase if adverse conditions are found and require alteration to bring structure within building code specifications or to conform to renovation design requirements. Because of scenario #1 and #2's greater alterations to structure, the alternatives' renovation budgets are, therefore, less predictable than scenario #3's budget. Larger retail footage in scenario #3 is a greater financial risk because of the soft market and potentially slow leasing. Scenario #3's retail units at the rear of the

EXHIBIT 8

BASIC LOGIC FOR RANKING ALTERNATIVE PROGRAM SCENARIOS BY JUSTIFIED PURCHASE BUDGET

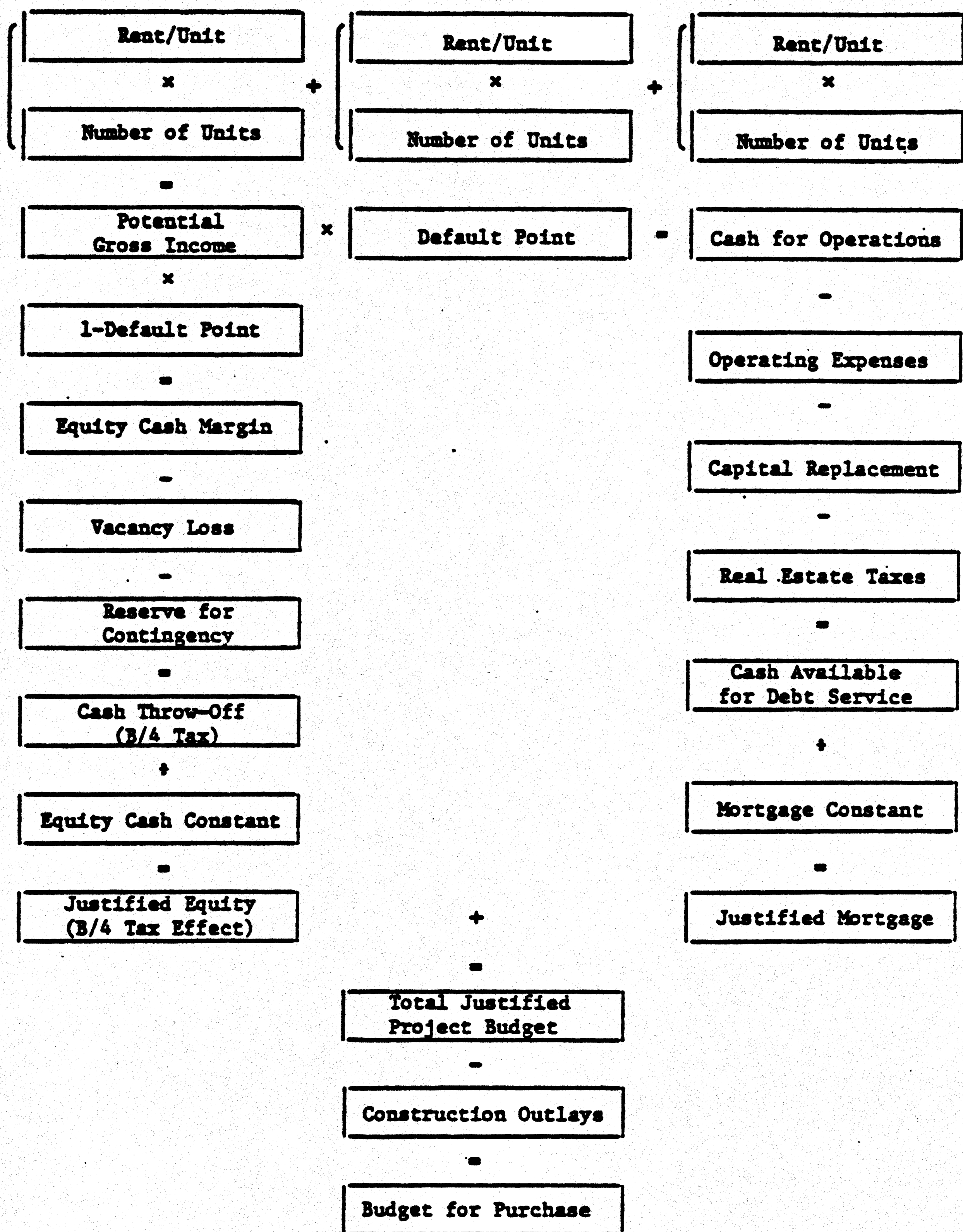


EXHIBIT 9

SUMMARY OF BUDGETS FOR ALTERNATIVE USE SCENARIOS

Budget Item	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
1. Demolition	...	...	...	-$86,630	-$86,630
2. Renovation	-$1,555,200	-$1,371,840	-$808,050	...	...
3. New construction	...	...	...	-$2,127,600	-$3,888,000
Total outlays	-$1,555,200	-$1,371,840	-$808,050	-$2,214,230	-$4,456,001
4. Justified investment for property as is	$1,920,075	$1,728,004	$886,069	$1,729,612	$1,335,537
Total justifed investment in subject property as is	$364,875	$356,164	$78,019	-$484,618	-$3,120,465

structure may be less marketable to retailers because the units are recessed into the building, away from pedestrian traffic. The four retail units in scenario #1 would probably lease fastest because of small gross footages and excellent visibility on Main Street, however, the same is true for scenario #2 except the retail units are larger and may be somewhat more difficult to lease.

The office entrance off the mall in scenario #3 may be less desirable than separate the entrance proposed in either scenario #1 or #2. The more substantial renovations in scenario #1 and #2 improve marketability and justified rents for the office suites because units offer more amenities and greater modernization. However, scenario #1's funds are applied to interior improvements such as an aesthetically appeally atrium. A superior office amenity package can be offered in scenario #1 which may give the building a marketing edge over scenario #2 and scenario #3. Scenario #1's office entrance on Monona Avenue would provide the highest visibility relative to scenarios #2 and #3.

E. Political Compatibility of Alternatives

Scenario #1, #2 or #3 would be politically acceptable because each provides retail space on the Main Street frontage. Scenario #1 and #2 may be somewhat less acceptable because an office unit is placed at the rear on the first floor in both scenarios. However, since retail space fronts the majority of the Main Street frontage, political opposition to first floor office use is probably minimal.

F. Conclusions

Since the estimated residual justified purchase price in scenario #1 is the largest among the three alternatives, the most probable use would be scenario #1. Risks associated with the alternatives support the conclusion. Scenario #1's income is less dependent on the soft retail market relative to scenario #2 and scenario #3. A greater office amenity package is provided in scenario #1 than scenario #2 because less of the construction budget would be used for exterior window creation. Even though renovation risks may be the greatest in scenario #1, a developer has control, to a certain degree, over the renovation budget for the structure. Given the moderate-to-strong class B office market and the subject property's Capitol Square location, the opinion of the appraiser is that scenario #1 is the most probable use. A review of summary feasibility data in Exhibit 10 supports the conclusion.

A line drawing of scenario #1 is shown in Exhibit 11.

The most probable use of the subject is a shell for conversion to a retail and atrium office building with four small retail units fronting Main Street and singel office space on four levels with entrance on Monona Avenue. Single office space is located in basement, first, second, and third floors with a central atrium.

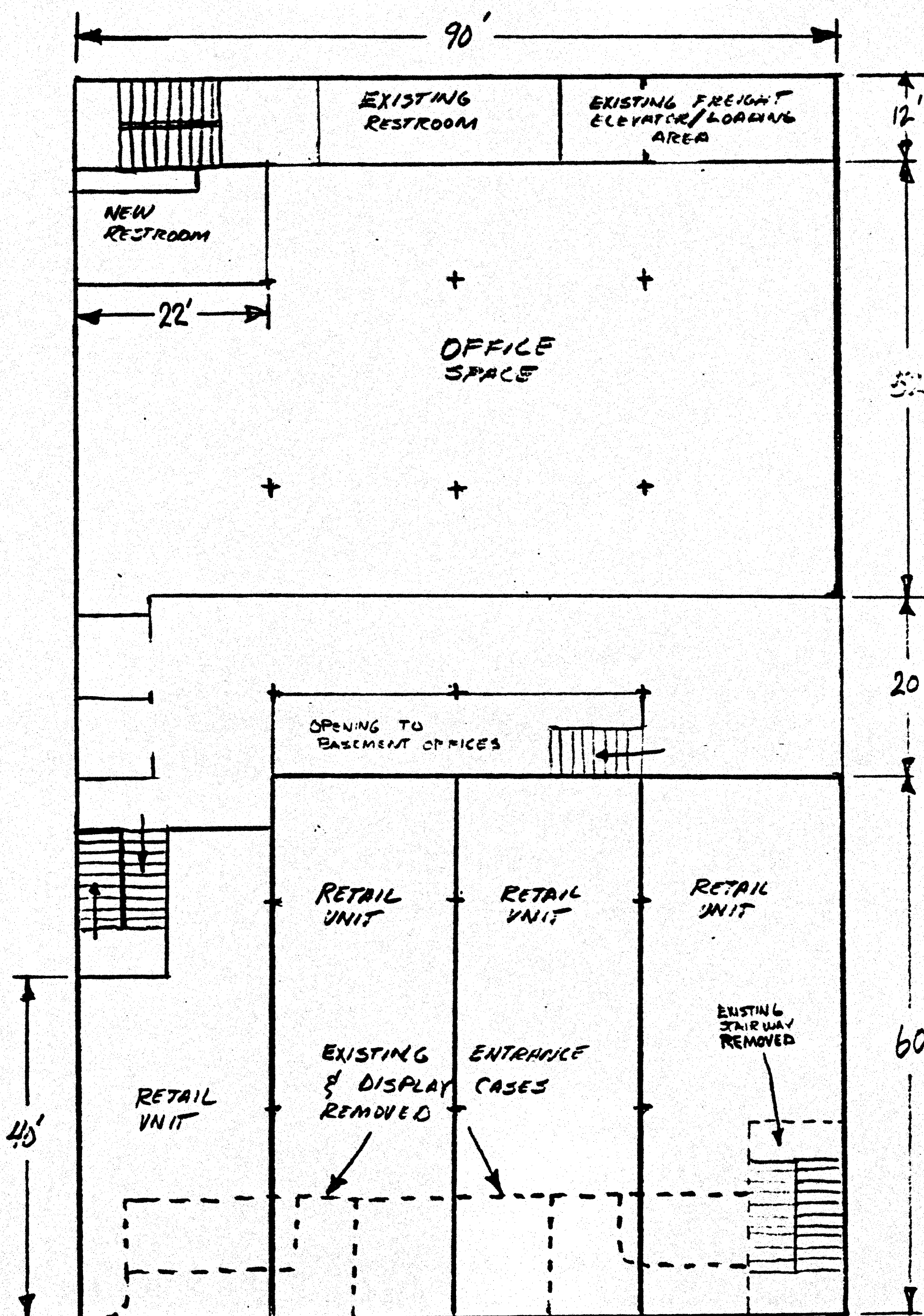
EXHIBIT 10

SUMMARY MATRIX OF FEASIBILITY OF ALTERNATIVE USES

	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
Justifed investment	$364,875	$356,164	$78,019	Negative	Negative
Renovation Risks	Significant	Significant	Moderate	None	None
Effective market	Retail--soft Office--moderate	Retail--soft Office--moderate	Retail--soft Office--moderate	Moderate	Moderate
Political acceptibility	Acceptable	Acceptable	Acceptable	Mixed	Most acceptable
Financial risks	Depends largely on limited supply of class B office space on the Square which is probable. Depends also on continued demand for small retail space on the Square which is possible.	Depends in part on limited supply of class B office space on the Square which is probable. Depends also on continued demand for small retail space on the Square which is possible.	Same as in Scenario #2 except somewhat more dependent on continued demand for small retail space.	Depends entirely on limited supply of well-located, Capitol Square, class B office space which is possible.	Depends on continued shortage of downtown, quality apartments which is strongly probable.

EXHIBIT 11

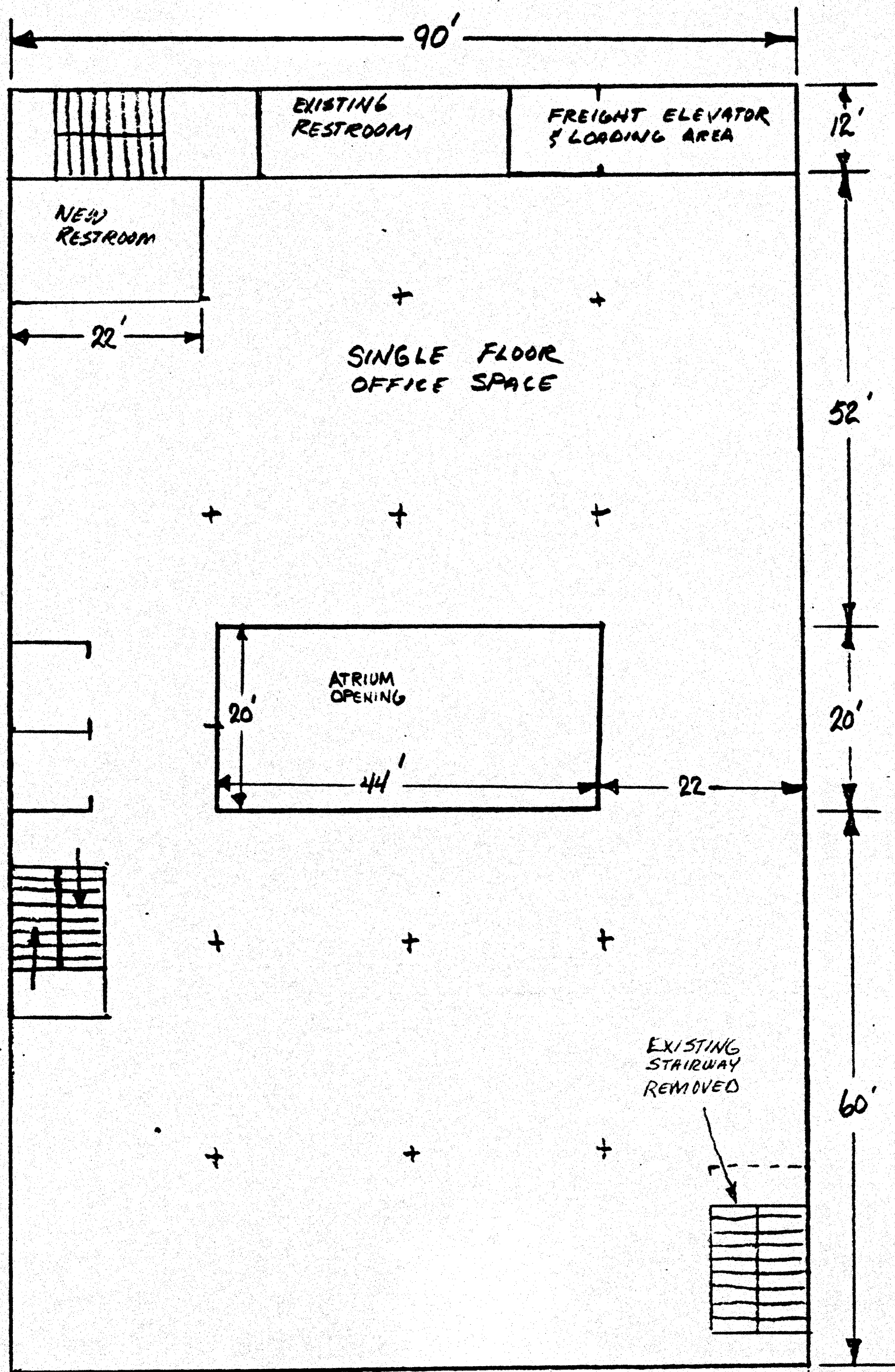
SCENARIO #1: TOTAL RENOVATION



GROUND FLOOR

EXHIBIT 11

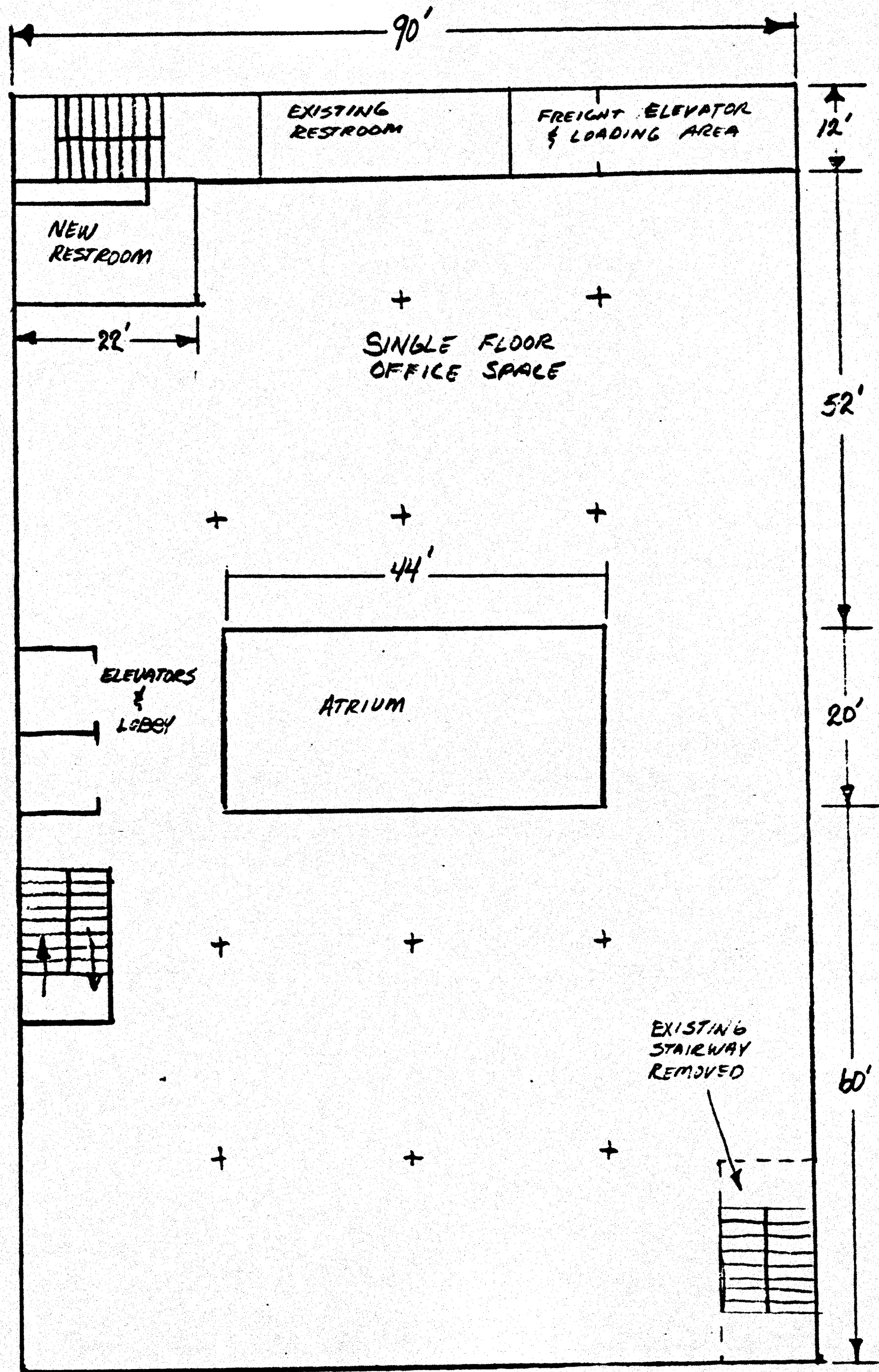
(Continued)



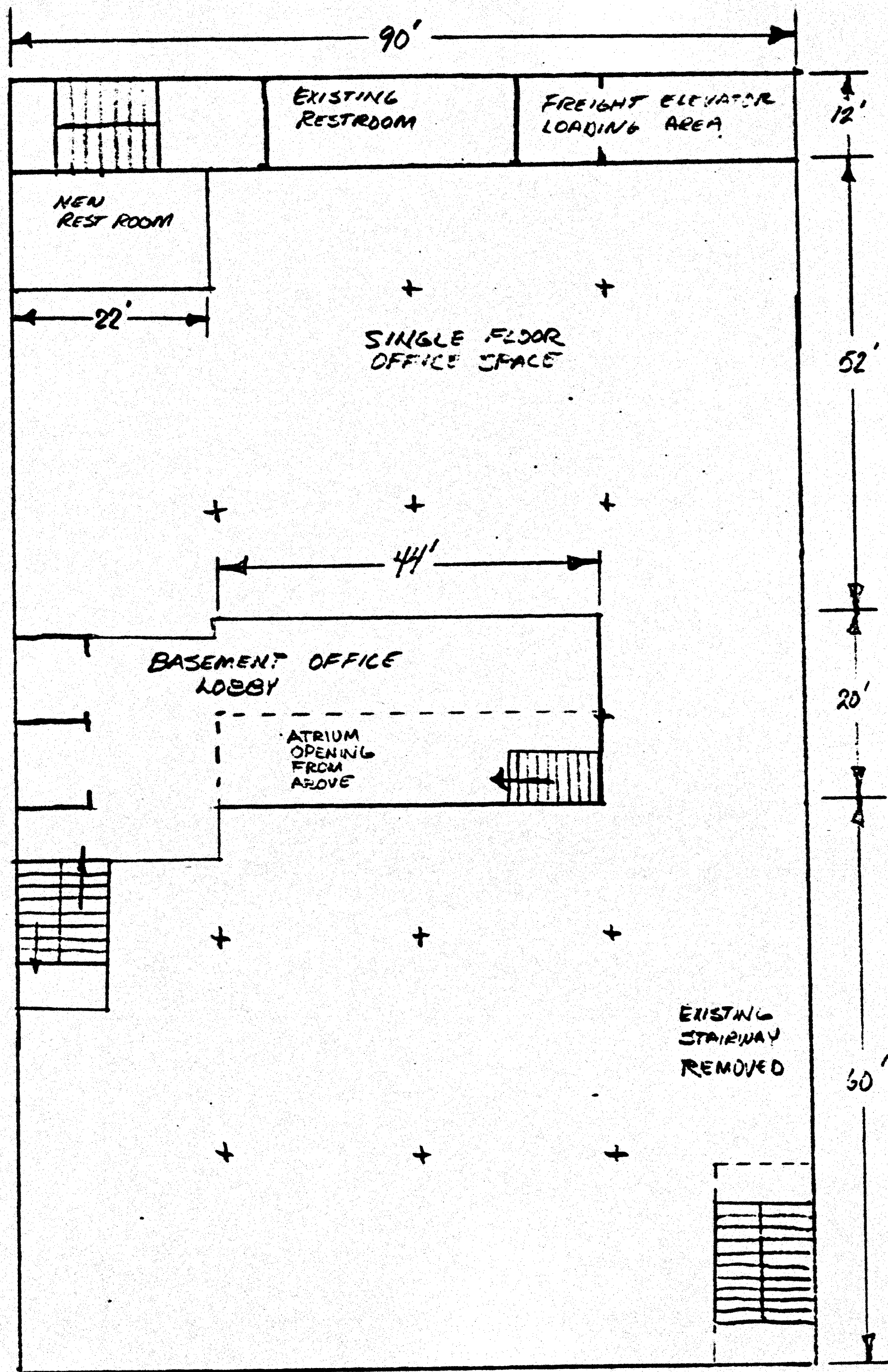
SECOND FLOOR

EXHIBIT 11

(Continued)



THIRD FLOOR


90'
EXISTING RESTROOM
FREIGHT ELEVATOR LOADING AREA
12'
NEW REST ROOM
22'
SINGLE FLOOR OFFICE SPACE
52'
44'
BASEMENT OFFICE LOBBY
ATRIUM OPENING FROM ABOVE
20'
EXISTING STAIRWAY REMOVED
60'

BASEMENT

IV. PREDICTION OF PRICE FROM MARKET SALES

Recent market sales in a given area are the most reliable predictors of the most probable buyer and what he might be willing to pay for another property in that area. This section will discuss the market comparison approach to most probable price and will provide financial tests of this price.

A. Most Probable Buyer

Thirteen property transactions were examined for the market comparison approach. Comparable properties were selected on the following basis:

- A Capitol Square location
- Sold no earlier than 1978
- Retail space on first floor
- Purchased for renovation
- Zoned C-4

The screens were used to determine which property sales were most comparable. Nine properties were eliminated from consideration for the following reasons:

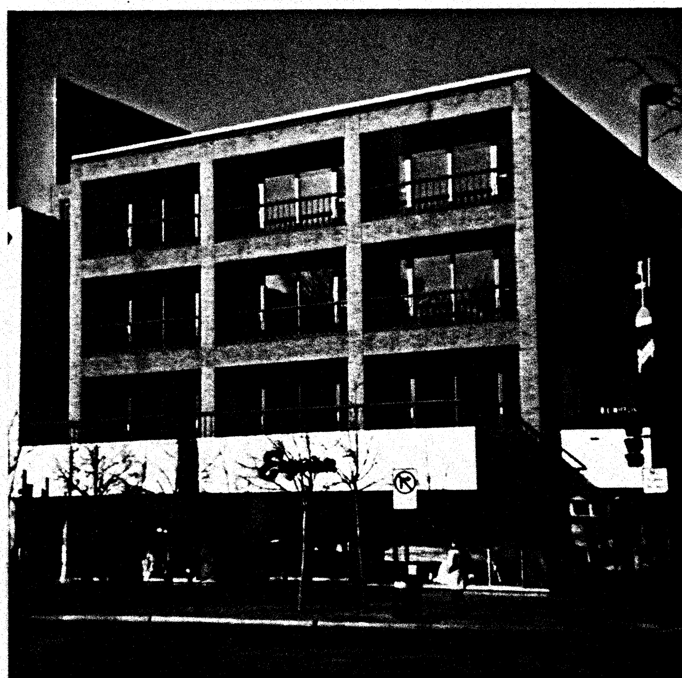
435 West Washington	Not a Capitol Square location No first floor retail space Not purchased for renovation Zoned R-6
905 University	Not a Capitol Square location Zoned C-2
16 North Carroll	Sale prior to 1978 Not purchased for renovation
30 West Mifflin	Not purchased for renovation
212 East Washington	Not a Capitol Square location No first floor retail space Sale prior to 1978
126 Landgon	Not a Capitol Square location No first floor retail space Zoned R-6
137 East Wilson	Not a Capitol Square location No first floor retail space Zoned C-2
149 East Wilson	Not a Capitol Square location Zoned C-2
2-12 East Mifflin	Not purchased for renovation

A review of five comparable sales on the Square reveals that the majority of buyers of these properties have been local investor partnerships or organizations seeking to purchase an office building or to upgrade and renovate a structure for rental office space (Exhibit 12-16). Purchasers have bought property for investment purposes. Four of the five buyers are local investors; many with other commitments in the downtown

EXHIBIT 12

COMPARABLE SALE #1

50 EAST MIFFLIN STREET



Date of Sale: 4/30/78
Sale price: $850,000
Recorded: Vol. 942, p. 115 - Warranty Deed
Terms of sale: $654,064, 5.25 % long term mortgage was assumed. Seller took back a note for $65,936.23, 10 year, 8 % interest paid semiannually subject to a 10 year lease, 1/30/78 to 1/29/88 at $2.37/s.f. 14,767 net area to the Emporium, with 5% of sales $500,000 - $1,000,000; 4% of sales over $1,000,000.
Grantor: J. Jesse Hyman, Jr. and Alan R. Hyman, partners d.b.a. Emporium Company
Grantee: Carley Capital Group
Tax parcel no.: 0709-144-2411-7
Assessed Value at time of sale: Total $850,000 - land $258,700 improvements $591,300
Sale Price as percent of assessed value: 100%
Lot Size: 132 feet by 70 feet
Frontage: 70 feet on West Mifflin
Zoning: C-4
Gross building area: 49,755 square feet
Net rentable area: 38,500 square feet

EXHIBIT 12
50 EAST MIFFLIN
(Continued)

Building description: Four-story masonry and concrete building; two elevators; freight facilities in rear parking lot; structure can carry additional floors.

Present uses: Retail first floor; extensive remodeling of three upper floors

Locational factors: Two blocks from State Street Mall; four blocks from City-County Building; three blocks from GEF-I; four blocks from GEF-II and III.

Cash equivalent price: $686,000. Discounted mortgage assumption at 8 percent minus 5.25 percent contract rate (2.75 percent) plus $65,936.23 seller financed note plus $130,000 cash.

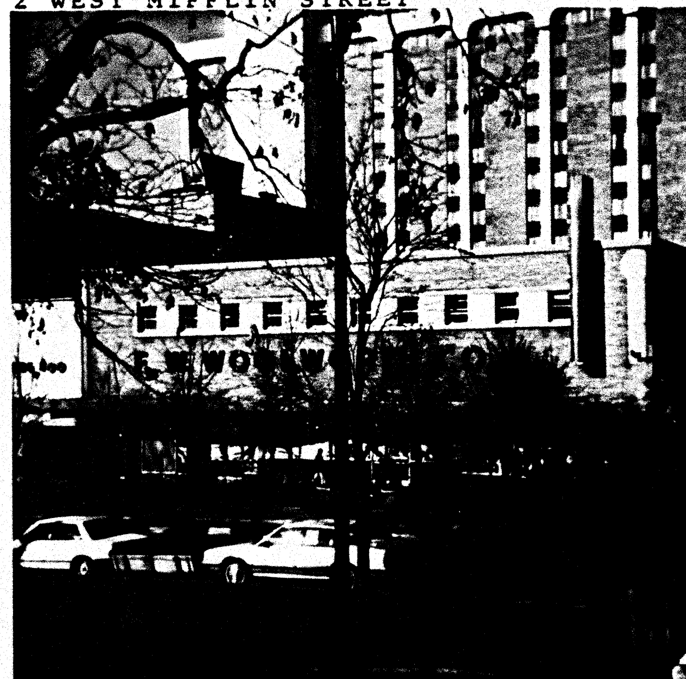
EXHIBIT 13

COMPARABLE #2
30 NORTH CARROLL STREET

Date of Sale: 7/80
Sale price: $735,000
Terms of sale: $735,000 cash at closing. $625,000 paid by state on appraisal value; balance contributed from gifts to State Historical Society.
Use at time of sale: Vacant deparment store
Grantor: Capitol Square Associates-Carley Capital Group Managing Partner
Grantee: State of Wisconsin
Lot Size: 8,646 square feet
Frontage: 65'6" on Carroll Street, 132' on Fairchild Street
Zoning: C-4
Gross building area: 41,000 square feet
Net leasable area: 32,500 square feet
Building description: A four story department store with basement. Constructed of reinforced concrete frame, brick, and block. At time of purchase building had a light brick veneer and was reported to be in excellent condition. Contained two passenger elevators and one freight elevator.
Present use: Under major renovation as the museum for the State of Wisconsin Historical Society.
Locational factors: At the corner of Carroll and State Street
Cash equivalent price: $625,000 based on appraisal value

EXHIBIT 14

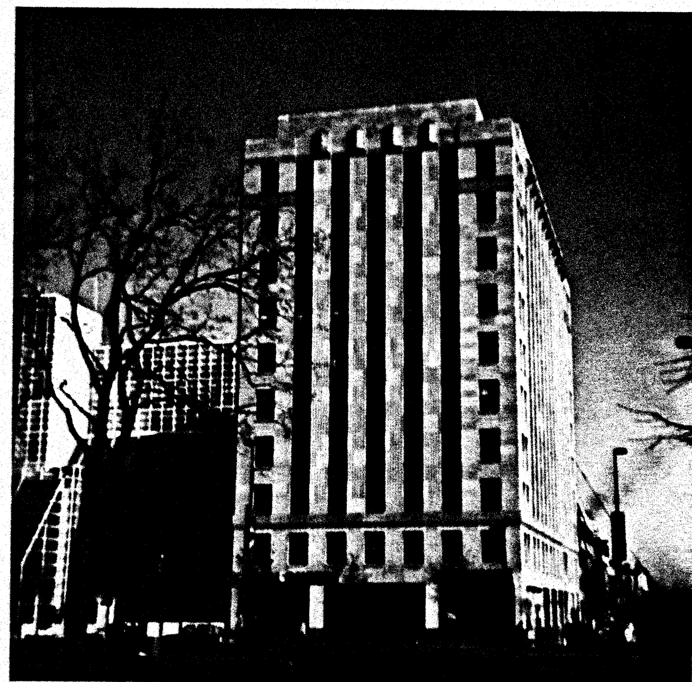
COMPARABLE #3
2 WEST MIFFLIN STREET



Date of sale: 7/31/78
Sale Price: $596,200
Recorded: Vol. 980, p. 318, Warranty Deed
Terms of sale: Subject to 7/15/77 mortgage, undivided; 90% interest in and to partnership
Use at time of sale: Retail and office
Grantor: Thirty-on-the-Square Associates
Grantee: Mifflin Associates
Tax Parcel No.: 0709-144-2509-0
Assessed value at time of sale: Total $635,000, land $371,300, improvements $263,700
Sales price as percent of assessed value: 94 percent
Lot size: 12,376 square feet
Frontage: 91 feet on West Mifflin Street, 136 feet on Wisconsin Avenue
Zoning: C-4
Gross building area: 38,640 square feet
First floor and mezzanine gross area: 13,880 square feet
Net leaseable area: Approximately 24,000 square feet
Building description: Two floors, masonry bearing walls; concrete slab flooring, in excellent condition; elevator.
Present uses: Retail, first floor, mezzanine, and basement; office second floor
Locational factors: 5 blocks from City-County Building, 3 Blocks from GEF-I.
Rental information: $60,500 per year triple net for whole building; lessee sublets office space at $4.20 per square feet.
Cash Equivalent Price: $662,444, $596,200 divided by 90 percent partnership interest.

EXHIBIT 15

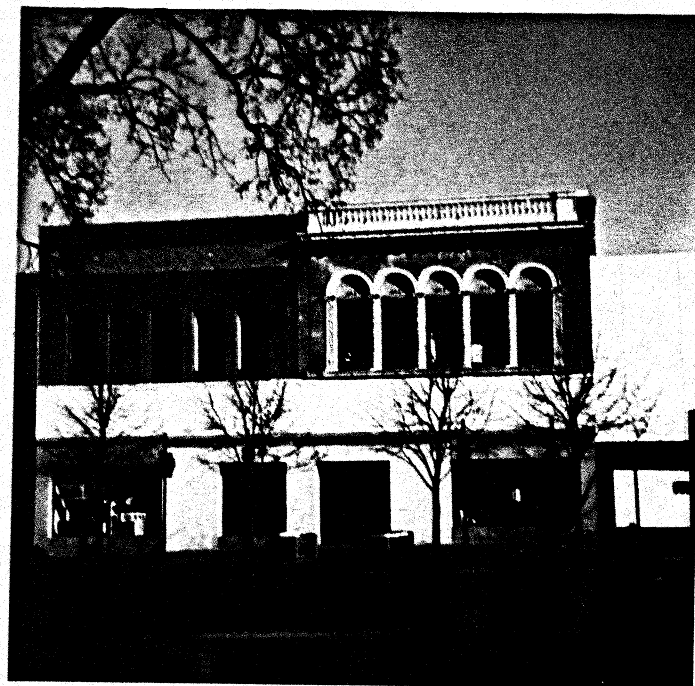
COMPARABLE #4
110 EAST MAIN STREET



Date of sale: 2/29/84
Sale price: $1,350,000
Terms of sale: Cash to seller.
Use at time of sale: Retail and office
Grantor: 1st Wisconsin Bank for the George Maloof Estate
Grantee: Tenney Plaza Associates
Lot size: 174' x 132'
Frontage: 154'
Gross building area: 105,600 square feet
Net leaseable area: 74,000 square feet
Building description: 10-story concrete
Age: part 51 years; part 54 years

EXHIBIT 16

COMPARABLE #5
5-7 NORTH PINCKNEY STREET



Date of sale: 12/31/77
Sale price: $240,000
Recorded: Vol. 1001, p. 272
Terms of sale: cash to seller
Grantor: Louis Hobbins
Grantee: Rifken and Campbell Associates
Location on block: Mid-block
Lot size: 8,712 square feet including 12 foot easement
Gross building area: 26,000 square feet
Net leaseable area: 20,500
Zoning: C-4
Tax Parcel No.: 0709-133-3002-6
Assessed value at time of sale: Total $237,600, land $140,000, improvements, 97,600
Building description: part fire resistant concrete, part ordinary construction

area. All of the buyers have executed remodeling or renovation of their properties. Investors expect adequate cash returns, tax shelter, and moderate appreciation. Majority of sales were for cash so most probable buyer expects to pay cash to seller with a high probably of conventional financing. To collaterize a construction loan for renovation, the most probable buyer requires title to the property which eliminates the possibility of a land contract sale.

Therefore, the most probable buyer will be a local investor organization seeking to renovate the structure to retail and office use and expecting to pay cash to the seller. The opinion of the appraiser is that buyer expects market rate financing, adequate cash returns, moderate appreciation, and tax shelter.

B. Most Probable Price

Moderate market activity in the purchase and sale of retail-commercial buildings has occurred on or near the Capitol Square in recent years. Most probable price and a range of transaction for the subject property may be inferred from past market price behavior. Differences exist among properties regarding their marketability, location, size, parking and other factors. By reducing the differences to a common unit of measurement, price comparisons and patterns can be identified. A weighted point system is used to score each property relative to most probable buyer priorities in the current market.

C. Market Comparison Approach to Probable Price

To determine the optimal unit of measurement that reduces differences among properties, several transformations of property sales data were conducted. The objective is to find the measurement unit that best predicts the sale prices for comparable properties. Using the University of Wisconsin-Madison, School of Business' copy of the MINITAB statistical analysis program, simple linear regression was used to calculate the coefficient of determination, r^2, for each unit. The statistical measurement, r^2, was used in explaining the degree to which a measurement unit accounts for the variation in sale prices. When an r^2 is large, the measurement unit explains a large amount of the variation in sale prices. Therefore, the unit of measurement with the highest r^2 was selected as the unit for prediction of probable price. Exhibit 17 shows the measurement units considered and the unit's corresponding r^2s.Since the r^2 for gross building area was the largest at 93.9 percent, gross building area was selected as the unit for comparison.

The next step is to develop criteria for the weighted point scoring system. Six key characteristics were used as criteria for approximating buyer priorities (Exhibit 18). Criteria were based on an examination of the salient

EXHIBIT 17

UNIT OF MEASUREMENT SELECTION

Unit of Measurement	Coefficient of Determination
Gross building area	93.9%
Net rentable area	89.6%
Lot size	82.6%
Lot size/Building efficiency	78.8%
Net rentable area/number of floors	34.4%
Building efficiency ratio	16.2%
Gross building area/number of floors	7.6%

characteristics of past transaction and include location, parking, vacancy, seller negotiation position, building efficiency, and expected renovation. Comparable properties were scored on each attribute to account for the differences in sales prices. Attributes used in scoring properties were analyzed from the following standpoint:

- Location to other concentrations of office workers was considered an advantage in that buyers would tend to pay higher prices for locations near employment centers than for more isolated locations. Corner locations were also considered to positively influence price because of a building's greater visibility.

EXHIBIT 18

SCALE FOR SCORING COMPARABLES ON MAJOR INVESTOR CONSIDERATIONS IN MADISON C-4 ZONE

Location	5 = Corner location, one block or less from major public and private office concentrations of: 1st Wisconsin Bank, GEF I, II, III; M & I Bank, Anchor Savings, City/County Building; or Lorraine, Hovde, United Bank Buildings 3 = Corner location, greater than one block from office concentrations named above 1 = Mid-block location, greater one block from office concentrations named above
Parking	5 = Adequate on-site parking 3 = Inadequate on-site parking 1 = No on-site parking
Vacancy at time of sale	5 = Low to moderate vacancy 3 = Substantial vacancy 1 = Vacant
Seller negotiation position	5 = Strong - nonbank financial institution with strong holding power 3 = Average - seller accepted cash sale or conventional financing 1 = Weak - estate liquidation by financial institution
Building efficiency ratio of NLA to GBA	5 = Above 75 percent 3 = Between 65 and 75 percent 1 = Below 65 percent
Expected renovation after the sale	5 = None or minor remodeling 3 = Moderate renovation needed 1 = Extensive renovation required

- Parking was believed to be positively related with price since higher office rents can be obtained with the amenity of on-site parking.
- A low vacancy at the time of sale was considered to positively influence price because a property would immediately generate income to the purchaser and the property would have an established retail/office building identity.
- Seller negotiation position was included for an attempt to explain the variance in price due to financial and market position of the seller. Being defined as having strong financial holding power or having a captive buyer, a strong seller bargaining position would have a positive effect on sales price because seller could hold property until an acceptable offer was received.
- A high building efficiency ratio was considered to positively influence price because a larger leaseable area was income producing.
- Extensive renovation was evaluated as a depressing effect on price because buyer would be required to invest substantial funds for rehabilitation of the property.

The subject property is well-located relative to employment centers and was given a score of 5. Because no-site parking is available, the subject property received a low score of 1 for the parking attribute. The department store is vacant, therefore, a low score of 1 was given for the vacancy characteristic. The owner has a strong financial holding position so a score of 5 reflected the position. Since the Penney's Building has an efficiency ratio of 76.5 percent, the high score of 5 was assigned to efficiency attribute. Renovation requirements for the property are substantial, therefore, a score of 1 was assigned to the attribute.

A LOTUS 123 spreadsheet program developed by Dale Mussatti was used to determine the price prediction. The weighted matrix in Exhibit 19 shows the calculation of a total point score for each comparable and the subject property . The sale price per square foot for each comparable is divided by its point score to arrive at a price per point per square foot. No adjustments were made for time because prices have been depressed from 1978 to 1984 and because of the soft market for downtown properties.

The mean score per gross square foot of 4.44 is multiplied by the subject property's point score of 3.40 to arrive at a predicted price per square foot. The central tendency for the subject property is $587,410 rounded to 590,000

EXHIBIT 19
MARKET PRICE PREDICTION USING WEIGHTED POINT SCORING SYSTEM

	50 E. Mif. Comparable Number 1	30 N. Carroll Comparable Number 2	2 W. Mif. Comparable Number 3	110 E. Main Comparable Number 4	5-7 N. Pinck. Comparable Number 5
Adjusted sale price	$686,000	$625,000	$662,444	$1,350,000	$240,000
Sales price adjusted for time	$686,000	$625,000	$662,444	$1,350,000	$240,000
Structure - sq. ft.	49755	41000	38640	105600	26000
Price per sq. ft.	$13.79	$15.24	$17.14	$12.78	$9.23

FEATURE OR ATTRIBUTE	WEIGHT	Subject Property	Comp. No. 1	Comp. No. 2	Comp. No. 3	Comp. No. 4	Comp. No. 5
Location	0.15	5 /0.75	3 /0.45	3 /0.45	3 /0.45	5 /0.75	1 /0.15
Parking	0.05	1 /0.05	3 /0.15	1 /0.05	1 /0.05	3 /0.15	1 /0.05
Vacancy at Time of Sale	0.25	1 /0.25	3 /0.75	1 /0.25	5 /1.25	5 /1.25	1 /0.25
Seller Negotiation Position	0.30	5 /1.50	3 /0.90	5 /1.50	5 /1.50	1 /0.30	3 /0.90
Building Efficiency	0.15	5 /0.75	5 /0.75	5 /0.75	1 /0.15	3 /0.45	5 /0.75
Expected Renovation	0.10	1 /0.10	1 /0.10	1 /0.10	5 /0.50	1 /0.10	1 /0.10
	1.00						
TOTAL WEIGHTED SCORE		3.40	3.10	3.10	3.90	3.00	2.20

EXHIBIT 19
(continued)

Comparable Property	Adjusted Selling Price per SF of GBA	Weighted Point Score	Price per SF / Weighted Point Score
1	$13.79	3.10	$4.45
2	$15.24	3.10	$4.92
3	$17.14	3.90	$4.40
4	$12.78	3.00	$4.26
5	$9.23	2.20	$4.20
		TOTAL	$22.22

Central Tendency or Mean = $\bar{X} = x/n = \frac{\$22.22}{5} =$ $4.44

Dispersion or Standard Deviation = * 0.283

Value range: x - dispersion = 4.44 $\pm$ 0.28

Gross Building Area Of Subject X Weighted Point Score X (Central Tendency $\pm$ Dispersion) =

38880
x 3.40
x 4.44 $\pm$ 0.28 =

High Estimate of $624,880
Central Tendency of $587,410
Low Estimate of $549,940

* The standard deviation equals the square root of the sum of $(x-\bar{x})^2$ for each comparable sale divided by n-1.

or $15.10 per gross square foot. The initial range of price estimates yields a low of $549,940, rounded to $550,000, to a high of $624,880, rounded to $625,000. The estimate has a dispersion of plus or minus 95 cents per predicted gross square foot.

Results from the market comparison approach indicate that the fair market price of the subject property is the central tendency of $590,000. The price prediction is sensitive to the appraiser's ability to infer buyer priorities in the market place. The weighted point scoring system's purpose was an attempt to explain the remaining variation in sales price unaccounted for by the measurement unit, gross building area. By applying the weighted point scoring system to the comparable properties, an attempt was made to explain buyer behavior with available information. As stated previously, the coefficient of determination, r^2, is a statistical measurement for explaining the degree to which an independent variable accounts for the variation in a dependent variable. In this case, the weighted point score multiplied by gross building area is the independent variable used to explain the dependent variable, sales price. The appraiser's model yields an r^2 of 99 percent which suggests that the model was useful for predicting the probable price. The r^2 of 99 percent is interpreted to be that 93.9 percent of the variation in sale price was accounted for by the unit of comparison, and 5.1 percent of the variation in sale price was explained by the weighted point score. However, the initial transaction zone must be adjusted for external influences on the sale price and tested to check if an acceptable yield to the buyer can be achieved.

D. External Influence on Most Probable Price

Most probable price is estimated after the transaction zone has been adjusted to reflect external influences. If the buyer intends to demolish the department store, the predicted sale price is the site's land value. Hovde Development Corporation purchased the Manchester's property and is planning to demolish the existing improvements. Dr. James Graaskamp estimates that the land value for the Manchester's site is $1,100,000. The Manchester's site is then valued at approximately $32.00 per square foot. Using $32.00 per square foot as a benchmark land value for corner locations on Capitol Square, the subject property's estimated land price is $415,000. The property's predicted land price is substantially below the initial transaction range's low end prediction of $550,000. Since the seller's objective is to maximize the investment gain on the property, the estimated land price is an unacceptable low end transaction range estimate. A more reasonable low end price estimate is in a condemnation case. If the city condemns the property to assemble the parcels in block

89, the property's fair market value establishs the city's purchase price. Therefore, the property's fair market value of $590,000 is the low end of the probable transaction zone.

To estimate the high-end price of the transaction range, the effects of tax exempt financing are analyzed. Industrial revenue bonding is becoming an increasingly popular device for financing real estate projects. The city of Madison has used the tax exempt financing device to assist downtown developers. A strong possibility exists that the buyer will obtain industrial revenue bonding since the city desires redevelopment of Capitol Square property. Because of the strong potential for industrial revenue bonding, the high-end estimate of most probable price is the maximum price a buyer will pay for the property when tax exempt financing is obtained. The debt cover ratio approach is one method that lenders use to determine a justified mortgage loan. To estimate the maximum probable price, the debt cover ratio approach is used as a proxy for the method that a buyer would use to determine his highest justified purchase price. The debt cover ratio approach converts gross market rent to proceeds available for property purchase. Industrial revenue bonding is currently available at a rate of 11.0 percent. Assuming a 25 year term is available, the mortgage constant is .11762. If the buyer requires a minimum pre-tax distribution rate of 9 percent, his maximum purchase price for the Penney's property is approximately $685,000 (Exhibit 20).

The most probable price that a buyer will pay for the subject property is between the low estimate of $590,000 for condemnation and the high estimate of $685,000 with tax exempt financing. Buyer motivations in the sales transaction are not limited to condemnation or tax exempt financing, factors such as risk perceptions and available alternatives are external influences that effect price.

Conversion of the structure from a shell to a retail-office building involves risk. Therefore, a buyer will be willing to pay a certain price relative to the risk assumptions. Renovation risks for the structure's most probable use can be significant. Unpredictable variances between the estimated renovation budget and actual costs may result because unforeseen problems arising from converting the structure to a new use. A buyer may perceive substantial risks, therefore, he would probably be only willing to pay a price at the low end of the transaction range. The marketability of the structure is untested for small retail use and single-floor office use. A buyer may perceive an extended leasing period which would increase the initial operating expenses. High marketability risk would tend to decrease the probable price. Therefore, the price would be depressed to the lower end of the transaction

EXHIBIT 20

DEBT COVER RATIO APPROACH TO ESTIMATE MAXIMUM PURCHASE PRICE WITH IRB FINANCING

Gross rent potential		$419,336	
Minus:			
Vacancy loss	$24,613		
Special assessment	2,708		
Operating expenses	107,704		
Real estate taxes	38,090		
		$173,116	
Equals:			
Income availabe for debt service, income tax and cash dividends		$246,220	
Mortgage:			
Divided by debt cover ratio of 1.3 required by lenders equals:			
Cash available for debt service:		$189,400	
Divided by mortgage constant of .11762 (11.0 %, 25 yrs.) equals justified mortgage:			$1,610,353
Equity:			
Minus:			
Debt service cash		$189,400	
Equals:			
Cash available for income tax and investors		56,820	
Divided by:			
Required pre-tax cash distribution rate (9%):			631,333
Total justified investment:			$2,241,686
Minus:			
Planned improvement budget:			1,555,200
Maximum proceeds available for property purchase as is:			$686,486

range if the buyer perceived high renovation and marketability risks.

Another factor which influences most probable price is the range of alternatives available to buyers. Since two other department store shells--Manchester's and Wolff-Kubly-Hirsig--were sold recently, a limited number of alternatives exist for conversion of a building shell similiar to the subject's size and location. However, the limited number of similiar alternatives does not necessarily indicate that a buyer will pay a premium given the economic conditions of downtown and the favorable opportunities off the Square and in outlying areas.

Since buyer perceptions concerning risk are difficult to quantitify, the estimate of most probable price is the transaction range's central tendency of $637,500 rounded to $640,000 and is the mean of $590,000 and $685,000. When using a mean averaging technique, the low- and high-end of the transaction range are accounted for. The most probable price of $640,000, therefore, indicates that the most probable buyer will take into account the strong potential for tax exempt financing but he will discount the price for his uncertainty in securing tax exempt financing and for his perceptions of marketability and renovation risks.

E. Tests of Preliminary Most Probable Price Determination

Since actual market sales were used for the valuation approach, two useful methods to test the probable price based on the market place for compatibility with investment valuation in terms of basic yields and risk ratios are:

- The front door approach to convert total investment rents required to provide cash flow.

- The Furlong Cash Flow Model to determine appreciation required for minimum acceptable return and to forecast after tax yields

1. Minimum Rent Required

If ~~the~~ an investor paid $640,000 for the Penney Building as is, invested $1,555,200 in renovation of the structure (Appendix, scenario #1), and invested a minimum of $50,000 for contingencies and holding costs, ~~then he would have a~~ the total investment in the property ~~of~~ would be $2,245,200. A conventional 75 percent loan of $1,683,900 with terms of 13.5 percent interest rate and 25 year term requires a cash equity position of $561,300. Exhibit 21 shows the conversion of the capital requirements to required net income. The minimum gross rent required of $479,323 exceeds expected income of $419,336 in scenario #1 by $59,987. The deficit would reduce the equity cash dividend to 5.7 percent or $31,875. Investors would view the cash dividend as low and would look to tax shelter benefits and appreciation for an enhanced return to equity.

Using the same scenario #1 assumptions regarding investment in the property, a tax exempt loan of $1,683,900 at rate of 11.0 percent for 25 years reduces the annual debt service from $235,544 to $198,050 (Exhibit 22). The minimum gross rent required of $430,581 exceeds expected income of $419,336 in scenario #1 by $11,245. The deficit would decrease the equity cash dividend to 11.8 percent or $65,995. Investors would view the cash dividend as excellent and would look to appreciation and tax shelter for enhanced investment return.

EXHIBIT 21
MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE
PRICE OF $640,000

Capital Budget

Probable purchase price of Penney Building	$640,000
Working capital and contingencies	50,000
Total renovation budget (Scenario #1)	1,555,200
Total capital investment	$2,245,200
Minus mortgage at a ratio of 75 percent	1,683,900
Total cash equity required	$561,300

Operating Budget

Annual debt service on $1,683,900 mortgage (.13988 mortgage constant for 25 yr., 13.5 %)		$235,544
Debt cover ratio NOI required		1.3
Net operating income required		306,207
Plus:		
Real estate taxes	$ 38,090	
Special assessment	2,708	
Operating expenses	107,704	
Vacancy allowance	24,613	
		$173,116
Total minimum gross rents required		$479,323
Minus gross rents expected in Scenario #1		419,336
Equals deficit out of equity dividend		- 59,987
Equity cushion .3 of debt service		91,862
Cash for equity = 5.7%		$ 31,875

EXHIBIT 22
MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE
PRICE OF $640,000 WITH IRB FINANCING

Capital Budget

Probable purchase price of Penney Building	$640,000
Working capital and contingencies	50,000
Total renovation budget (Scenario #1)	1,555,200
Total capital investment	$2,245,200
Minus mortgage at a ratio of 75 percent	1,683,900
Total cash equity required	$561,300

Operating Budget

Annual debt service on $1,630,900 mortgage (.11762 mortgage constant for 25 yr., 11.0 %)		$198,050
Debt cover ratio NOI required		1.3
Net operating income required		257,465
Plus:		
Real estate taxes	$ 38,090	
Special assessment	2,708	
Operating expenses	107,704	
Vacancy allowance	24,613	
		$173,116
Total minimum gross rents required		$430,581
Minus gross rents expected in Scenario #1		419,336
Equals deficit out of equity dividend		-11,642
Equity cushion .3 of debt service		77,240
Cash for equity = 11.8%		$ 65,995

2. Property Apprecition and After Tax Yield

Given expected market rents and renovation costs in scenario #1, the next step is to test for the required investment appreciation which justifies the most probable price. A cash flow model originally developed by Brian Furlong, University of Wisconsin-Madison, and modified by the appraiser calculates cash flows, market values, and after tax internal rates of return. Underlying cash flow assumptions in program are that operating expenses annually increase by 3 percent and real estate taxes annually increase by 2 percent. Exhibit 23 indicates the results of the sensitivity of probable price to appreciation, tax exempt financing to conventional financing, high-end sale price to appreciation, and renovation budget to appreciation. Complete computer output of appreciation and after tax yield sensitivity analysis is found in the Appendix.

Assuming no appreciation occurs during a 10-year holding period, an investor would receive a negative after tax internal rate of return with reversion (ATIRR) if the project is conventionally financed at 13.5 percent for term of 25 years. If the property is IRB financed at 11 percent interest with a 25-year term, the ATIRR would increase to 3 percent. Assuming zero appreciation, both conventional and IRB loans have inadequate

EXHIBIT 23
SUMMARY OF APPRECIATION AND AFTER TAX YIELD SENSITIVITY ANALYSIS

Probable Price	Construction Budget	Mortgage Interest rate	Required Appreciation	ATIRR in yr. Five	ATIRR in yr. Ten	Ave. Debt Cover
$640,000	$1,605,200	13.5%	0%	- 1%	- 3%	.96
640,000	1,605,200	11.0	0	4	3	1.15
640,000	1,605,200	13.5	1	5	6	1.05
640,000	1,605,200	11.0	1	9	9	1.24
640,000	1,605,200	13.5	3	13	14	1.22
640,000	1,605,200	11.0	3	17	17	1.44
640,000	1,605,200	13.5	5	20	20	1.40
640,000	1,605,200	11.0	5	20	20	1.55
685,000	1,605,200	13.5	5.25	20	21	1.39
685,000	1,605,200	11.5	4.25	20	20	1.54
640,000	1,524,940	13.5	4.25	20	19	1.37
640,000	1,524,940	11.0	3.25	20	19	1.52
640,000	1,685,460	13.5	5.50	20	21	1.40
$640,000	$1,685,460	11.0%	4.75%	20%	21%	1.57

average debt cover ratios of .96 and 1.15, respectively. By raising the annual appreciation to 3 percent, both conventional and IRB financed alternatives approach reasonable ATIRRs and acceptable average debt cover ratios. If the property is purchased for $640,000, conventionally financed, and appreciates 3 percent annually, the ATIRR to an investor would be 14 percent in year 10. However, the average debt cover ratio over the ten year holding period is a low 1.22. With IRB financing, an appreciation rate of 3 percent would yield an investor a 17 percent ATIRR and provide an acceptable average debt cover of 1.44.

To achieve the targeted investor ATIRR of 20 percent, a conventionally financed project requires a 5 percent appreciation per year and a IRB financed project requires a 4 percent appreciation per year. Both financing alternatives also have acceptable debt cover ratio averages over the holding period. The likilihood of 5 percent annual appreciation on a conventionally financed project may be an optimistic assumption because of the depressed market for downtown properties. A 4 percent appreciation rate in an IRB financed venture is more reasonable. Given the moderately strong market for class B office space and the city's commitment to downtown revitalization, the required annual appreciation over a ten year span would be a reasonable assumption.

If the property sells for $684,000 high-end price of the transaction range, the required appreciation for an ATIRR of 20 percent is 5.25 percent for a conventionally financed project and 4.25 percent for an IRB financed project. Both financing alternatives provide acceptable debt cover ratios. Therefore, high-end price of the transaction range is reasonable because yields are attainable and debt cover ratios are acceptable.

If the renovation budget is reduced by 5 percent or $80,260, the targeted ATIRR would be attained at lower appreciation rates. If the property is bought for $640,000 and the renovation budget in scenario #1 reduced by 5 percent, an investor would receive a 19 percent ATIRR on a conventionally financed project. If the project is financed with IRBs, required appreciation is reduced to 3.25 percent annually. However, required appreciation increases with increases in the renovation budget. If the renovation budget is increased 5 percent on a conventionally financed project, a 5.50 percent annual appreciation rate is required for an ATIRR of approximately 21 percent. Required appreciation is less with IRB financing and requires 4.75 percent appreciation for a 21 percent return. Required appreciation is, therefore, sensitive to changes in the renovation budget in that increases (decreases) in the budget require increases (decreases) in annual appreciation.

Given financial parameters in scenario #1, the most probable price of $640,000 would yield an acceptable ATIRR of 20 percent when conventionally financed. The 20 percent return is dependent upon an 5 percent annual appreciation. If the renovation budget is reduced by 5 percent, the required appreciation for a 20 percent ATIRR decreases to 4.25%. If IRB financing is obtained at the current rate of 11 percent, required appreciation to justify the purchase price drops to 4 percent annually. The most probable price of $640,000 is, therefore, sensitive to annual appreciation required to achieve yield requirements, types of financing availible at time of sale, and costs of renovating the department store.

V. APPRAISAL CONCLUSIONS AND LIMITING CONDITIONS

A. Value Conclusion

To address the current tax assessment problem, the definition appropriate to use for assessment valuation is fair market value:

> The highest price in terms of money a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Based on preceding definition, I conclude that the fair market value of the property on December 14, 1984 is $590,000.

An appropriate benchmark for the listing and negotiation of the subject can be derived from Ratcliff's "most probable selling price" definition of value:

> The most probable selling price is that selling price which is most likely to emerge from a transaction involving the subject property if it

were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type.

To comply with this definition, I have determined that the market transactions in the Capitol Concourse area have been predominantly cash sales with conventional financing at market rates.

On this basis, the most probable selling price is $640,000 cash to the seller, conventionally financed at 13.5 percent for a 25 year term. A buyer may pay as much as $685,000 if IRB financing is available at the current interest rate of 11 percent for a term of 25 years. If the property is condemned by the city of Madison for land assemblage purposes, the selling price may fall as low as $590,000.

Value conclusions are sensitive to the estimated costs of renovation and remodeling: (1) removal escalator and certain stairways; (2) creating an atrium at the center of the building; and (3) subdivision of the first-floor space into an office and four small retail units. In addition, the investment is sensitive to how much appreciation will result during the expected holding period.

I conclude that the most probable price of the J.C. Penney Department Store is $640,000 cash to the seller with upper range of $680,000 if IRB financing is available and lower range of $590,000 if property is taken through eminent domain.

B. Certification of Independent Appraisal Judgment

I hereby certify that I have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. I certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in this report are true and correct, subject to the underlying assumptions and limiting conditions.

My opinion based on the information supplied in this report is that the fair market value of the property as of December 14, 1984 is:

FIVE HUNDRED AND NINETY THOUSAND DOLLARS

Based ~~up~~on the information contained in this report and ~~up~~on my general experience as an appraiser, my opinion is that the most probable price, as defined herein, of the subject property is

SIX HUNDRED AND FORTY THOUSAND DOLLARS

A cash transaction would range as low as $590,000 and as high as $685,000 depending on financing available and cost of renovation. If IRB financing is available at the current rate of 11 percent for a 25 year term, the sale price will be at the higher end of the transaction range. If the city condemns the property for land assemblage, the price may go as low as $590,000.

John R. Maurer

John R. Maurer

December 14, 1984

Date

C. Statement of Limiting Conditions

This appraisal has been made subject to certain conditions, caveats, and stipulations, either expressed or implied in the prose as well as the following:

1. Contributions of other professionals

- Because the budget did not provide for a consulting engineer or architect, the appraiser applied limited structural analysis to the problem, and cost estimates must be considered nonprofessional.

- Because no professional surveying services were made available, the appraiser assumes no responsibility for matters concerning the exact size and location of the size.

- Because no legal advice was available, the appraiser assumes no responsibility for legal matters.

- All information furnished regarding property for sale, rental, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

- The appraisal was conducted as part of a class assignment without direct access to subject property owner and grantors/grantees.

APPENDICES

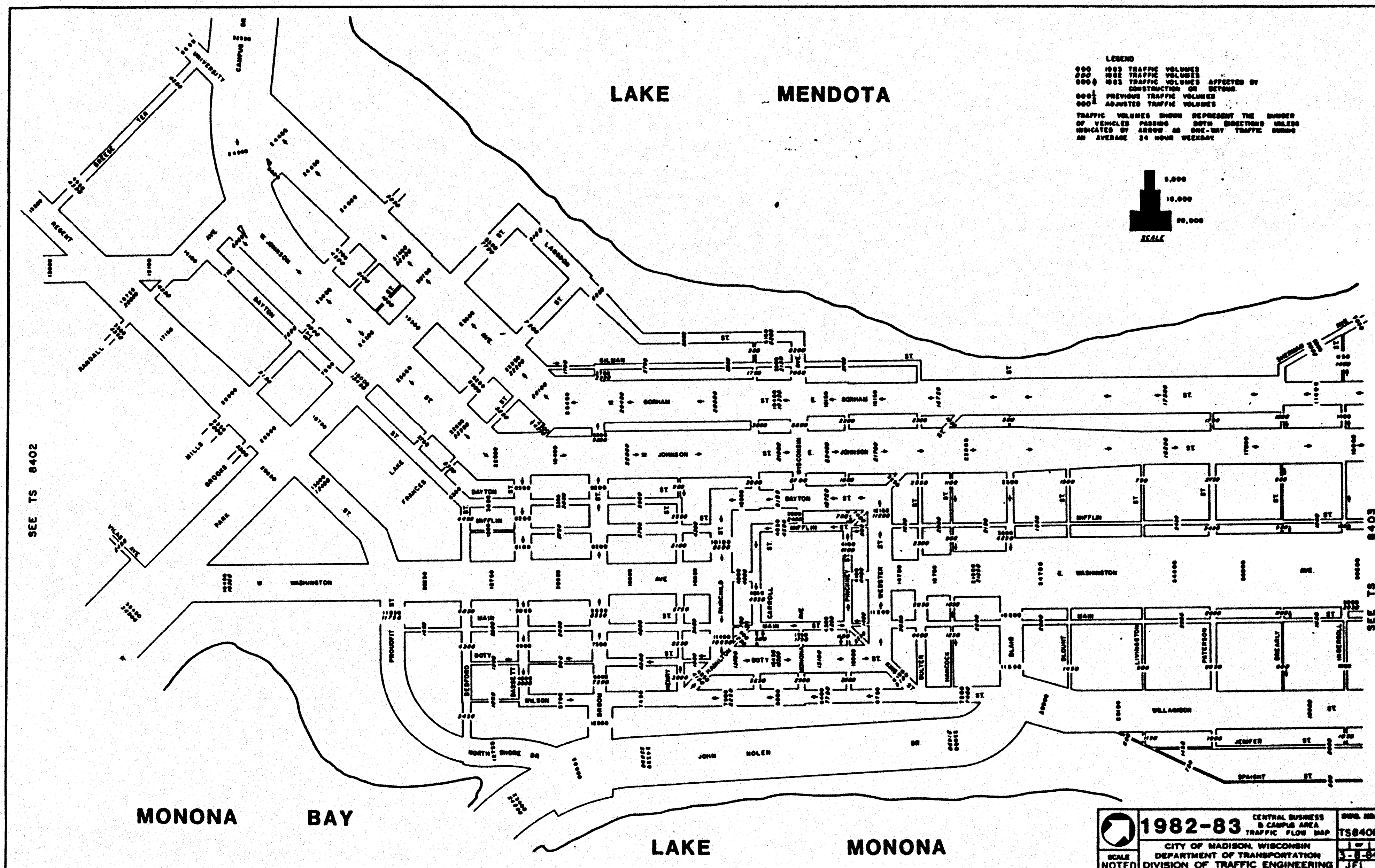
C-4 Central Commercial District.

(a) Statement Of Purpose. The C-4 central commercial district is established to accommodate those uses which are of City-wide, regional or state significance. Within this district, which is located in relative proximity to the State Capitol Building, and which is readily accessible by private conveyance or public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. Within this district are found prime retailing and specialized retailing activities, cultural, recreational and educational activities of City-wide significance, administrative offices of private organizations, administrative offices and political seat of City, County and State government and offices of professional and nonprofessional persons offering a variety of specialized services. Within this district of limited extent, development is most intensive and activities are concentrated. No accessory off-street parking which is provided is controlled as to the location, type and extent of such facility because of the goal to reduce congestion on streets within this district or on streets leading to this district. All new construction and any major alteration of an exterior building face must be approved because of the community's objective to develop and maintain this district as a community and statewide center for business, service and government, where uses are located in compatible arrangements, and where the beauty and other aesthetic qualities are preserved and enhanced.

(b) General Regulations. Uses permitted in the C-4 district are subject to the following conditions:

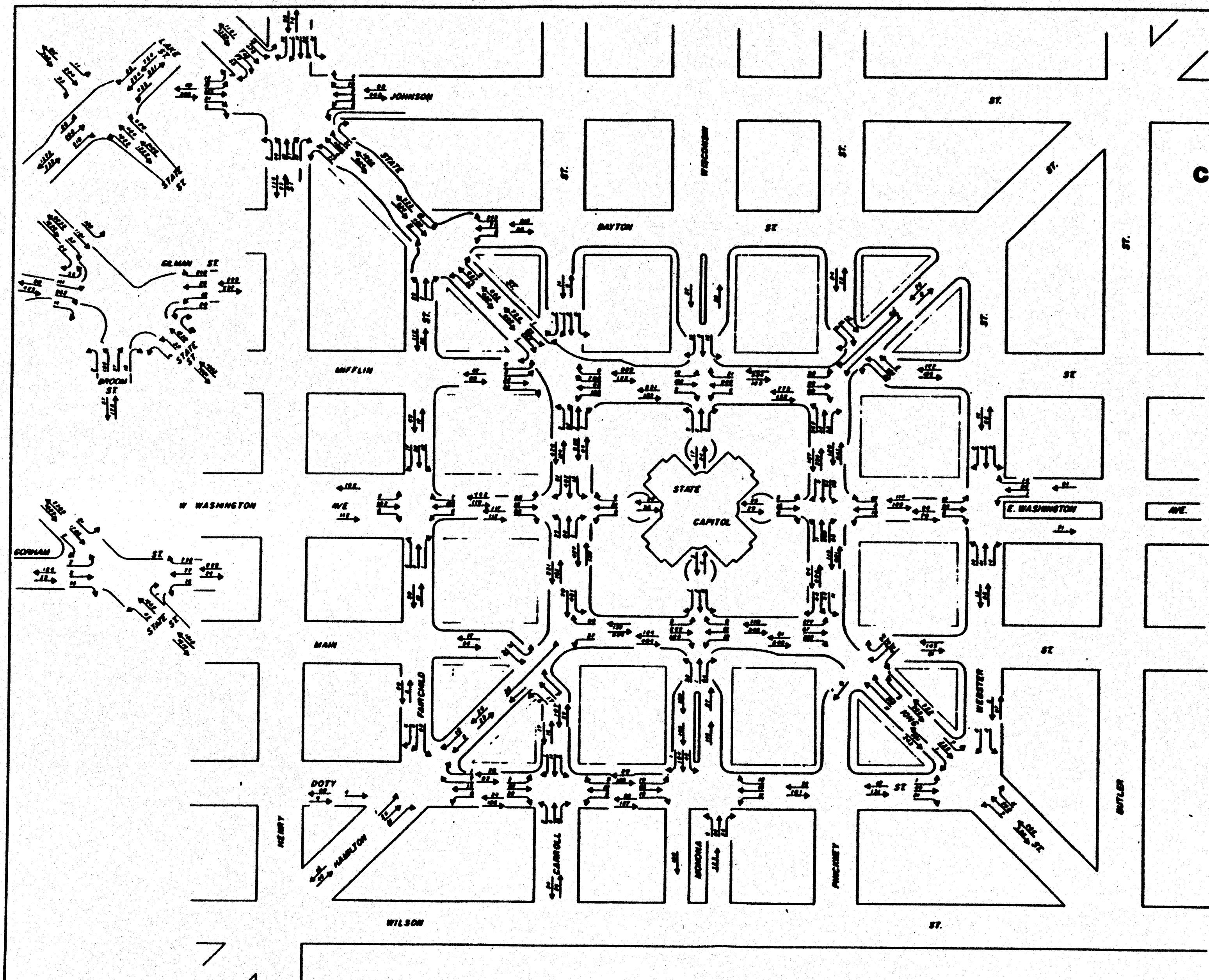
1. All business, servicing or processing, except for off-street parking, off-street loading, automobile service station operation, drive-in banks and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 4304, 8-29-73)
2. Establishments of the drive-in type are not permitted, except automobile service stations and drive-in banks.
3. Any major alteration of the exterior face of a building shall conform to the remodeling and new construction guidelines for State Street and the Capitol Square adopted as administrative guidelines by the City Plan Commission on September 23, 1968 and as modified on December 7, 1970 and shall be permitted only after the written approval of the City Planning Department, provided that any action by the department may be appealed to the City Plan Commission by the applicant.

Source: City of Madison, General Ordinance, § 28.09(5).



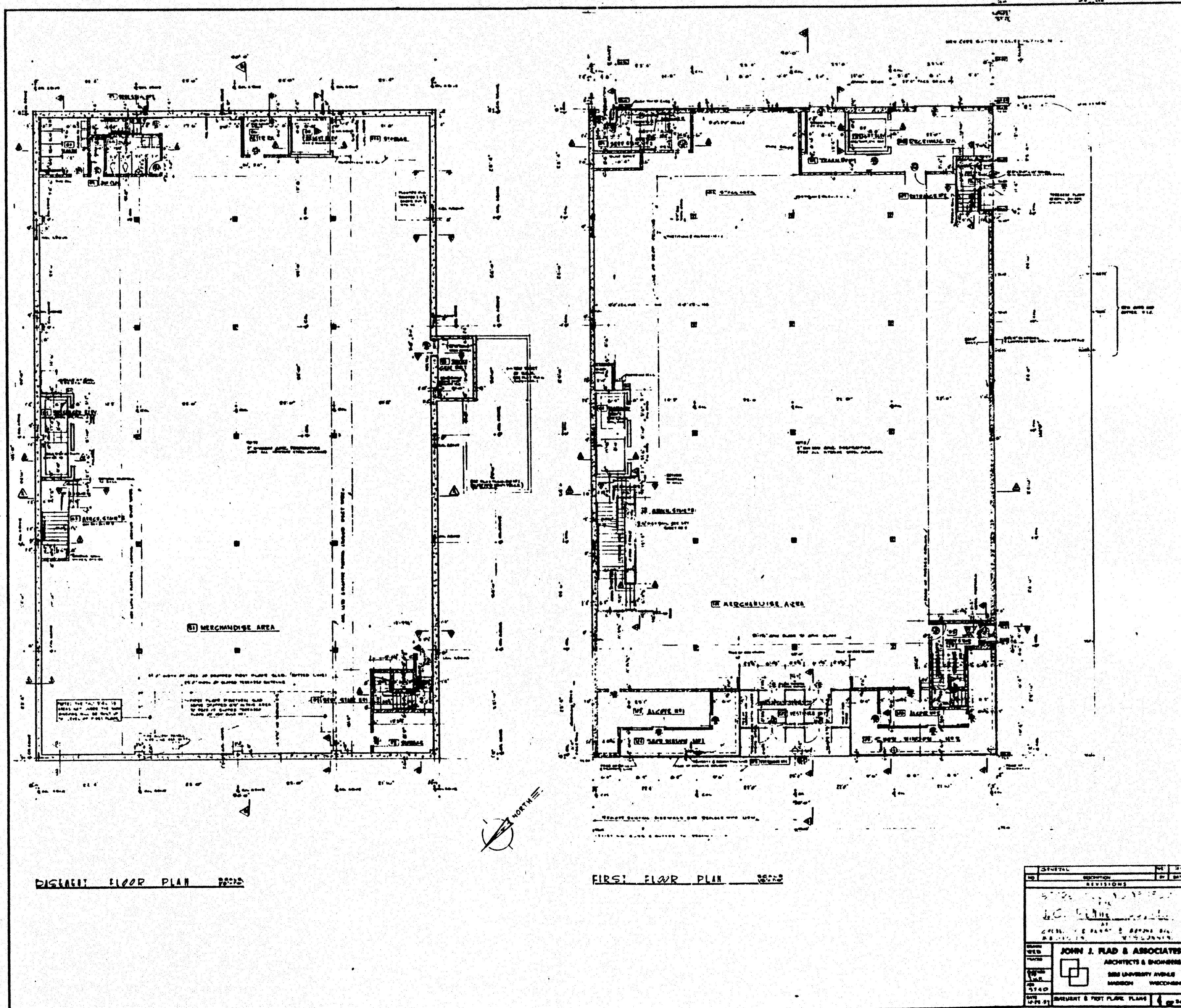
LAKE MENDOTA
MONONA BAY
LAKE MONONA
SEE TS 8402
SEE TS 8403
LEGEND
000 1983 TRAFFIC VOLUMES
000 1982 TRAFFIC VOLUMES
000 1983 TRAFFIC VOLUMES AFFECTED BY CONSTRUCTION OR DETOUR
000 PREVIOUS TRAFFIC VOLUMES
000 ADJUSTED TRAFFIC VOLUMES
TRAFFIC VOLUMES SHOWN REPRESENT THE NUMBER OF VEHICLES PASSING BOTH DIRECTIONS UNLESS INDICATED BY ARROW AS ONE-WAY TRAFFIC DURING AN AVERAGE 24 HOUR WEEKDAY
5,000
10,000
20,000
SCALE
W. WASHINGTON
E. WASHINGTON AVE.
W. GORHAM
E. GORHAM
W. JOHNSON
E. JOHNSON
JOHN NOLEN DR.
NORTH SHORE DR.
WILLIAMSON ST.
1982-83 CENTRAL BUSINESS & CAMPUS AREA TRAFFIC FLOW MAP
CITY OF MADISON, WISCONSIN
DEPARTMENT OF TRANSPORTATION
DIVISION OF TRAFFIC ENGINEERING
SCALE NOTED
TS8401
JEL

CAPITOL CONCOURSE, OUTER RING, & STATE ST. BICYCLE COUNTS

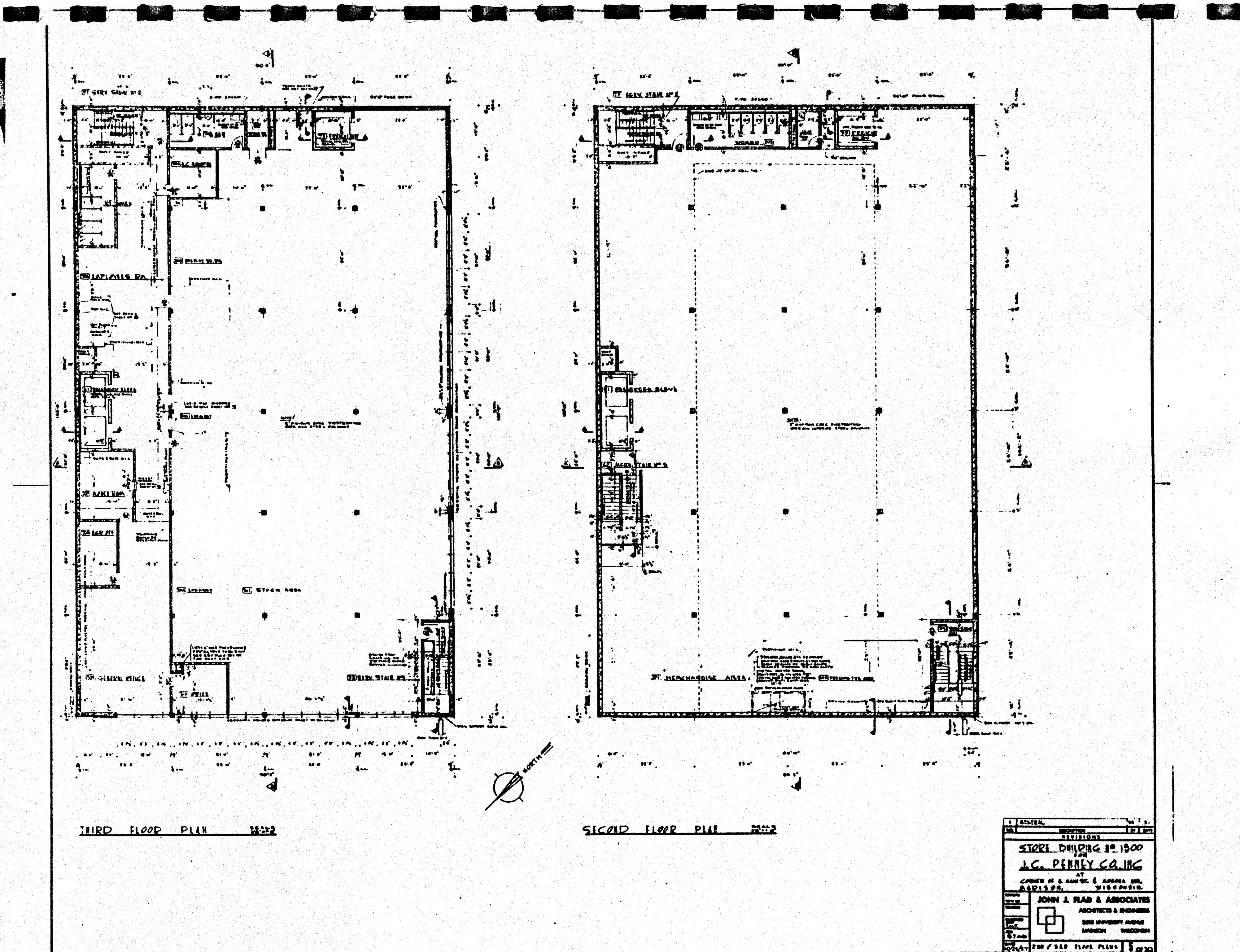


NOTE:
RAW COUNTS SHOWN WERE DONE IN JUNE, JULY, AND AUGUST 1982 BETWEEN 7:00 AM AND 6:00 PM

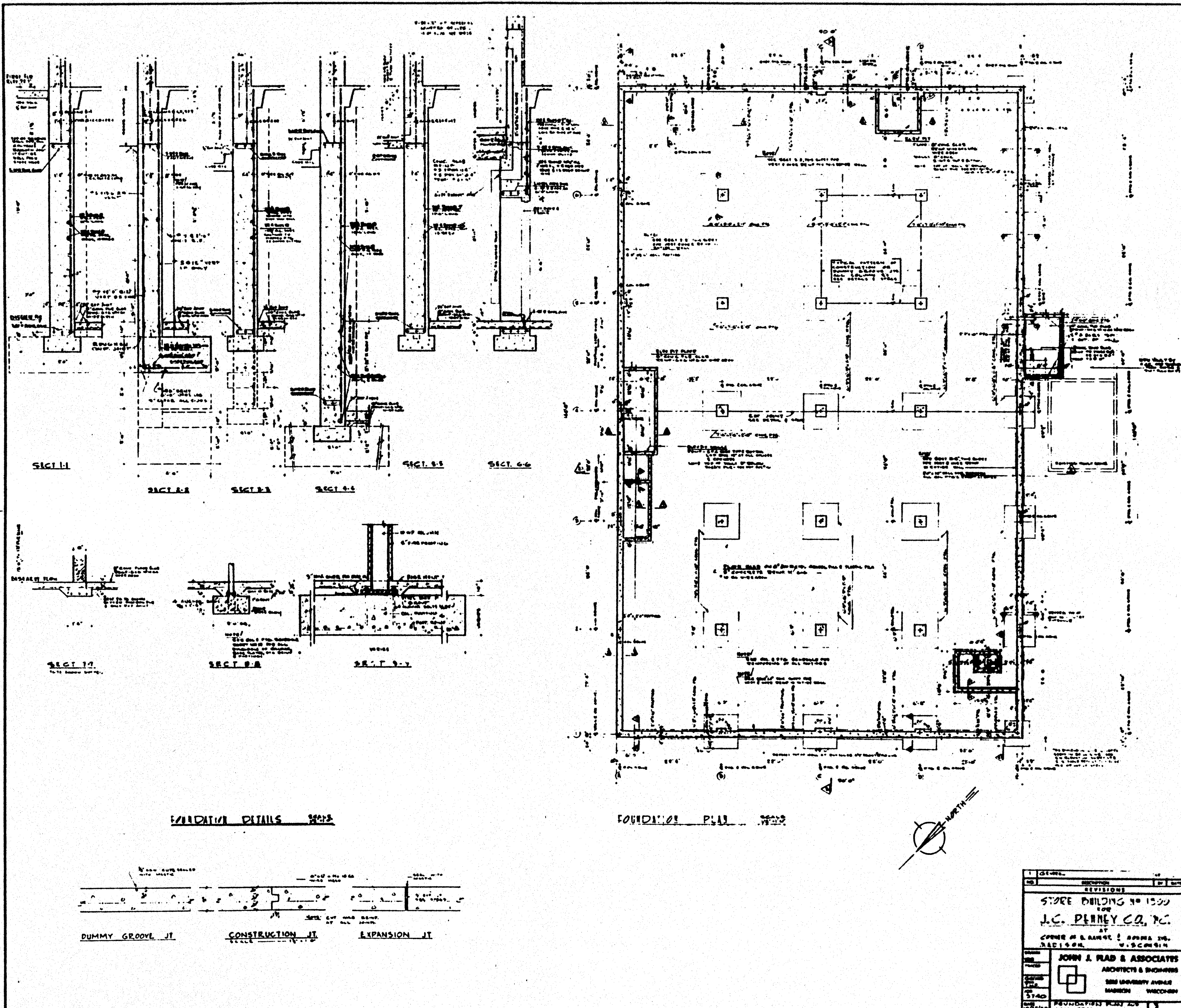
	1982 BICYCLE COUNTS	DWG. NO. TS 8304
SCALE	DEPARTMENT OF TRAFFIC ENGINEERING, MADISON, WISCONSIN	1 of 1
		4-16-82

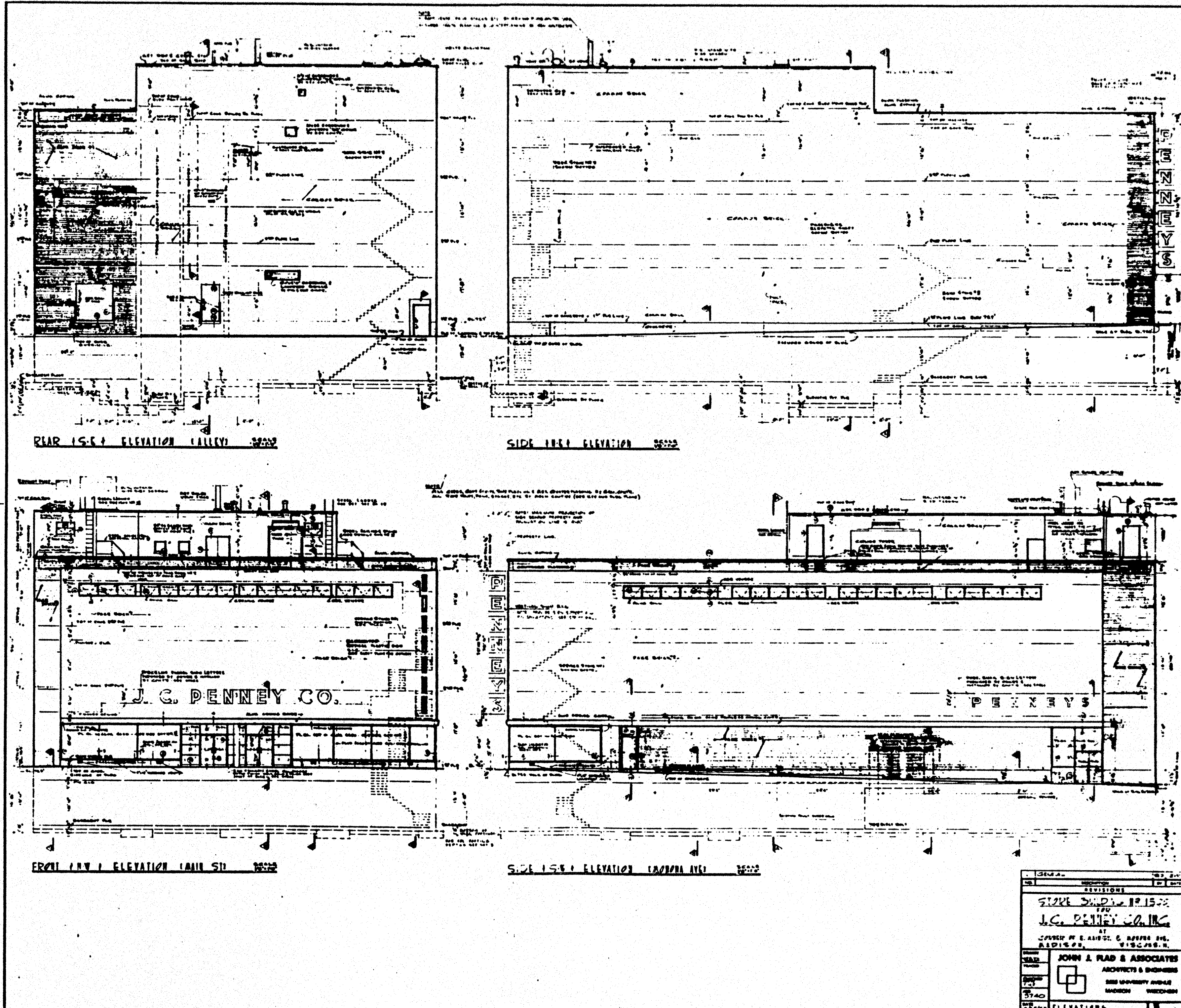


MERCHANDISE AREA
NORTH
BASEMENT FLOOR PLAN
FIRST FLOOR PLAN
GENERAL
REVISIONS
AT
JOHN J. FLAD & ASSOCIATES
ARCHITECTS & ENGINEERS
UNIVERSITY AVENUE
MADISON WISCONSIN
5740
BASEMENT & FIRST FLOOR PLANS



THIRD FLOOR PLAN
SECOND FLOOR PLAN
NORTH
MERCHANDISE AREA
STOCK AREA
GENERAL OFFICE
PASSENGER ELEVS
REVISIONS
STORE BUILDING Nº 1500
FOR
J.C. PENNEY CO. INC.
AT
MADISON, WISCONSIN
JOHN J. FLAD & ASSOCIATES
ARCHITECTS & ENGINEERS
MADISON WISCONSIN
2ND / 3RD FLOOR PLANS
5 OF 30


SECT 1-1
SECT 2-2
SECT 3-3
SECT 4-4
SECT. 5-5
SECT. 6-6
SECT 7-7
SECT 8-8
SECT 9-9
FOUNDATION DETAILS
FOUNDATION PLAN
NORTH
DUMMY GROOVE JT
CONSTRUCTION JT
EXPANSION JT
REVISIONS
STORE BUILDING Nº 1500
FOR
J.C. PENNEY CO. INC.
AT
MADISON, WISCONSIN
JOHN J. FLAD & ASSOCIATES
ARCHITECTS & ENGINEERS
MADISON WISCONSIN
5740
FOUNDATION PLAN AND WALL SECTIONS


PENNEYS
REAR (S.E.) ELEVATION (ALLEY)
SIDE (N.E.) ELEVATION
J. C. PENNEY CO.
PENNEYS
FRONT (N.W.) ELEVATION (MAIN ST)
SIDE (S.W.) ELEVATION
REVISIONS
STORE BUILDING FOR J.C. PENNEY CO. INC.
AT
MADISON, WISCONSIN
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MADISON WISCONSIN
3740
ELEVATIONS

SCENARIO #1

TOTAL RENOVATION

1. PROGRAM:

Total

2. REVENUE UNITS:

	Net area (sq. ft.)
Retail stores: 1st floor	4,550
Office: above-grade	
1st floor (NLA)	4,224
2nd floor	9,772
3rd floor	9,772
Total above-grade office	23,768
Office: basement	9,772
Total: retail and office	38,090

3. CAPITAL OUTLAYS:

Construction				
Total gross area for renovation		51,840		
Renovation cost/square foot	x	$30.00	=	$1,555,200
Total				$1,555,200

4. POTENTIAL ANNUAL INCOME:

a. Vacancy loss				
1 store vacant for 3 months/year		$2,275		
1 office floor vacant and 1 basement floor vacant for 0.7 months/year		$22,338		
Total		$24,613		
b. Gross rent				
i. Retail rent per square foot		$8.00		
Net leasable area	x	4,550	=	$36,400
ii. Office rent per square foot		$12.00		
Net leasable area	x	23,768	=	$285,216
iii. Office rent per sq. ft. (basement)		$10.00		
	x	9,772	=	$97,720
				$419,336

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes		
Tax/square foot of net leasable area	$1.00	
Net leasable area	38,090	38,090
Special assessments		2,708
Operating expenses paid by landlord		
Retail: cost/sq. ft./year	$8.00	36,400
Office: cost/sq. ft./year	$3.00	71,304
Total		$148,502

6. TERMS OF FINANCING:

Years	25
Interest Rate	13.50%
Mortgage Constant	0.139877

SCENARIO #1

TOTAL RENOVATION

Further assumptions:

	Amounts
Equity cash constant	0.10
Cash capital replacements	$2,708
Default point	0.8
Risk reserve (percent of equity cash margin)	15.00%
Total renovation: 15%	
Minimum renovation: 10%	
New construction: 10%	
Demolish for parking: 0%	
Vacancy loss--retail	
Total net retail space (square feet)	4,550
Number of stores	4
Net area/store	1,138
Retail rent/square foot/year	$8.00
Gross potential rent/store/year	$9,100.00
Gross potential rent/store/year	$758.33
Vacant store-months/year	3
Vacancy loss	$2,275.00
Vacancy loss-- 1st, 2nd, 3rd floor office	
Total net office space (square feet)	23,768
Number of floors of office space	3
Net area/floor	7,923
Office rent/square foot/year	$12.00
Gross potential office rent/year	$285,216
Gross potential office rent/month	$23,768
Floor-months per year vacant	0.7
Vacancy loss	$16,638
Vacancy loss--basement office	
Total net office space (square feet)	9,772
Number of floors of office space	1
Net area/floor	9,772
Office rent/square foot/year	$117,264
Gross potential office rent/year	$10
Gross potential office rent/month	$8,143
Floor-months per year vacant	0.7
Vacancy loss	$5,700

SCENARIO #1

TOTAL RENOVATION

Retail Rent/Square foot		Office Rent/Unit	Office (Basement) Rent/Unit
$8.00	+	$12.00	$10.00
x		x	x
Number of Units		Number of Units	Number of Units
4,550		23,768	9,772

=

Potential Gross Income $419,336 x Default Point 0.80 = Cash for Operations $335,469

Potential Gross Income	Cash for Operations
$419,336	$335,469
x	-
1-Default Point	Operating Expenses
0.2	$107,704
=	-
Equity Cash Margin	Cash Capital Replacement**
$83,867	$2,708
-	-
Vacancy Loss	Real Estate Taxes
$24,613	$38,090
-	=
Reserve for Contingency*	Cash Available For Debt Service
$12,580	$186,967
=	/
Cash Throw-Off (Before Tax)	Mortgage Constant
$46,674	0.13988
/	=
Equity Cash Constant	Justified Mortgage
0.08	$1,336,648
=	
Justified Equity (Before Tax Effect)	
$583,427	

Justified Equity (Before Tax Effect) $583,427 + Justified Mortgage $1,336,648

=

Total Justified Project Budget
$1,920,075
-
Construction Outlays
$1,555,200
=
Budget for Purchase
$364,875

* Reserve for contingency of 15 percent is debatable and was arbitrarily established to reflect the uncertainty of the operating expense estimate.

** Cash capital replacements for carpeting, paving, and vandalism; indicated by property management.

Vacancy/gross rent 5.87%

SCENARIO #2

TOTAL RENOVATION

1. PROGRAM:

Total

2. REVENUE UNITS:

	Net area (sq. ft.)
Retail stores: 1st floor	4,500
Office: basement and upper floors	
1st floor (NLA)	6,728
2nd floor	11,534
3rd floor	11,534
Total office	29,796
Total: retail and office	34,296

3. CAPITAL OUTLAYS:

Construction				
Total area for renovation		34,296		
Renovation cost/square foot	x	$40.00	=	$1,371,840
Total				$1,371,840

4. POTENTIAL ANNUAL INCOME:

a. Vacancy loss				
1 store vacant for 2 months/year		$1,500		
1 office floor vacant for 1.0 months/year		$29,796		
Total		$31,296		
b. Gross rent				
i. Retail rent per square foot		$8.00		
Net leasable area	x	4,500	=	$36,000
ii. Office rent per square foot		$12.00		
Net leasable area	x	29,796	=	$357,552
Total				$393,552

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes		
Tax/square foot of net leasable area	$1.00	
Net leasable area	34,296	34,296
Special assessments		2,708
Operating expenses paid by landlord		
Retail: cost/sq. ft./year	$2.00	9,000
Office: cost/sq. ft./year	$3.00	89,388
Total		$135,392

6. TERMS OF FINANCING:

Years	25
Interest Rate	13.50%
Mortgage Constant	0.139877

SCENARIO #2

TOTAL RENOVATION

Further assumptions:

	Amounts
Equity cash constant	0.10
Cash capital replacements	$2,708
Default point	0.8
Risk reserve (percent of equity cash margin)	15.00%
Total renovation: 15%	
Minimum renovation: 10%	
New construction: 10%	
Demolish for parking: 0%	
Vacancy loss--retail	
Total net retail space (square feet)	4,500
Number of stores	4
Net area/store	1,125
Retail rent/square foot/year	$8.00
Gross potential rent/store/year	$9,000.00
Gross potential rent/store/year	$750.00
Vacant store-months/year	2
Vacancy loss	$1,500.00
Vacancy loss--office	
Total net office space (square feet)	29,796
Number of floors of office space	3
Net area/floor	9,932
Office rent/square foot/year	$12.00
Gross potential office rent/year	$357,552
Gross potential office rent/month	$29,796
Floor-months per year vacant	1
Vacancy loss	$29,796

SCENARIO #2

TOTAL RENOVATION

Retail Rent/Square foot $8.00 x Number of Units 4,500 + Office Rent/Unit $12.00 x Number of Units 29,796

=

Potential Gross Income $393,552	x	Default Point 0.80	=	Cash for Operations $314,842
x				-
1-Default Point 0.2				Operating Expenses $98,388
=				-
Equity Cash Margin $78,710				Cash Capital Replacement $2,708
-				-
Vacancy Loss $31,296				Real Estate Taxes $34,296
-				=
Reserve for Contingency $11,807				Cash Available For Debt Service $179,450
=				/
Cash Throw-Off (Before Tax) $35,608				Mortgage Constant 0.13988
/				=
Equity Cash Constant 0.08				
=				
Justified Equity (Before Tax Effect) $445,098		+		Justified Mortgage $1,282,906

=

Total Justified Project Budget $1,728,004

\-

Construction Outlays $1,371,840

=

Budget for Purchase $356,164

* Reserve for contingency of 15 percent is debatable and was arbitrarily established to reflect the uncertainty of the operating expense estimate.

** Cash capital replacements for carpeting, paving, and vandalism; indicated by property management.

Vacancy/gross rent 7.95%

SCENARIO #3

MINIMUM REMODELING

1. PROGRAM:

Minimum remodeling for office use; retail space on first floor

2. REVENUE UNITS:

	Net area (sq. ft.)
Retail: 1st floor	
Net leasable area (sq. ft.)	9,708
Office: basement and upper floors	
Basement	0
2nd floor	11,314
3rd floor	11,300
Total office	22,614
Total: retail and office	32,322

3. CAPITAL OUTLAYS:

Construction				
Total area for renovation		32,322		
Renovation cost/square foot	x	$25.00	=	$808,050
Total				$808,050

4. POTENTIAL ANNUAL INCOME:

a. Vacancy loss

1 store vacant for 2 months/year	$2,265
1 office floor vacant for 2 months/year	$18,845
Total	$21,110

b. Gross rent

i. Retail rent per square foot		$7.00		
Net leasable area	x	9,708	=	$67,956
ii. Office rent per square foot		$10.00		
Net leasable area	x	22,614	=	$226,140
Total				$294,096

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes		
1983 property tax levied	28,090	
1984 tax increase (budgeted)	7.40%	
1984 property tax (estimated)		$30,169
Special assessments		2,708
Operating expenses paid by landlord		
Retail: cost/sq. ft./year	2	19416
Office: cost/sq. ft./year	3	67842
Total		$120,135

6. TERMS OF FINANCING:

Years	20
Interest Rate	13.50%
Mortgage Constant	0.144885

SCENARIO #3

MINIMUM REMODELING

Further assumptions:

	Amounts
Equity cash constant	0.10
Cash capital replacements	$2,708
Default point	0.8
Risk reserve (percent of equity cash margin)	10.00%
Total renovation: 15%	
Minimum renovation: 10%	
New construction: 10%	
Demolish for parking: 0%	
Vacancy loss--retail	
Total net retail space (square feet)	9,708
Number of stores	5
Net area/store	1,942
Retail rent/square foot/year	$7.00
Gross potential rent/store/year	$13,591.20
Gross potential rent/store/month	$1,132.60
Vacant store-months/year	2
Vacancy loss	$2,265.20
Vacancy loss--office	
Total net office space (square feet)	22,614
Number of floors of office space	2
Net area/floor	11,307
Office rent/square foot/year	$10.00
Gross potential office rent/year	$226,140
Gross potential office rent/month	$18,845
Gross potential office rent/month/floor	9,423
Floor-months per year vacant	2
Vacancy loss	$18,845

SCENARIO #3

MINIMUM REMODELING

Retail		Office
Rent/Square foot		Rent/Unit
$7.00	+	$10.00
x		x
Number of Units		Number of Units
9,708		22,614

=

Potential Gross Income $294,096 x Default Point 0.80 = Cash for Operations $235,277

x

1-Default Point
0.2

=

Equity Cash Margin
$58,819

\-

Vacancy Loss
$21,110

\-

Reserve for Contingency
$5,882

=

Cash Throw-Off (Before Tax)
$31,827

/

Equity Cash Constant
0.10

=

Justified Equity (Before Tax Effect)
$318,271

Cash for Operations
$235,277

\-

Operating Expenses
$120,135

\-

Cash Capital Replacement
$2,708

\-

Real Estate Taxes
$30,169

=

Cash Available For Debt Service
$82,265

/

Mortgage Constant
0.14488

=

Justified Mortgage
$567,799

Justified Equity + Justified Mortgage =

Total Justified Project Budget
$886,069

\-

Construction Outlays
$808,050

=

Budget for Purchase
$78,019

* Reserve for contingency of ?? percent is debatable and was arbitrarily established to reflect the uncertainty of the operating expense estimate.

** Cash capital replacements for carpeting, paving, and vandalism; indicated by property management.

Vacancy/gross rent 7.18%

SCENARIO #4

NEW CONSTRUCTION--OFFICE BUILDING

1. PROGRAM:

Construct a new commercial property with parking stalls at rear

2. REVENUE UNITS:

Parking		
Gross area (square feet)		1,710
Number of Stalls		10.00
Office: upper floors		
Gross area/floor (square feet)		11,250
Efficiency factor		0.85
Net leasable area/floor (square feet)		9,563
Number of office floors		3
Total net leasable area (square feet)		28,688
Total: office and retail		
Gross area (square feet)		35,460
Net leasable area (square feet)		28,688

3. CAPITAL OUTLAYS:

a. Demolition			
Demolition cost/cubic foot		$0.11	
Demolition volume (cubic feet)	x	787,545	=
b. Construction			
New building cost/square foot		$60.00	
Total area of new construction	x	35,460	=
Total			

4. POTENTIAL ANNUAL INCOME:

a. Vacancy loss			
Parking		$0	
1 office floor vacant for 1 months/year		$44,625	

Total		$44,625	
b. Gross rent			
i. Parking rent/stall/year		$400.00	
Net leasable area	x	10	=
ii. Office rent per square foot		$14.00	
Net leasable area	x	28,688	=
Total			

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes	
Tax/square foot of net leasable area	$1.15
Net leasable area	28,688
Special assessments	
Operating expenses paid by landlord	
Parking: cost/sq. ft./year	$0.30
Office: cost/sq. ft./year	$3.00
Total	

6. TERMS OF FINANCING:

Years	25
Interest Rate	13.50%
Mortgage Constant	0.139877

SCENARIO #4

NEW CONSTRUCTION--OFFICE BUILDING

Further assumptions:

		Amounts
Equity cash constant		0.10
Total renovation:	0.1	
Minimum renovation	0.8	
New construction:	0.1	
Demolish for parki	0.06	
Cash capital replacements		$2,708
Default point		0.8
Risk reserve (percent of equity cash margin)		10.00%
Total renovation: 15%		
Minimum renovation: 10%		
New construction: 10%		
Demolish for parking: 0%		
Vacancy loss--retail		
Total net retail space (square feet)		0
Number of stores		4
Area/store		0
Retail rent/square foot		$4.00
Annual rent/store		$0.00
Monthly rent/store		$0.00
Number of vacant store-months/year		0
Vacancy loss		$0.00
Vacancy loss--office		
Total net office space (square feet)		28,688
Number of floors of office space		3
Net area/floor		9,563
Gross potential office rent/year		$401,625
Gross potential office rent/month		$33,469
Gross potential office rent/floor/month		$11,156
Floor-months per year vacant		4
Vacancy loss		$44,625

SCENARIO #4

NEW CONSTRUCTION-OFFICE BUILDING

Parking Rent/Stall
$400.00
x
Number of Units
10

+

Office Rent/Unit
$14.00
x
Number of Units
28,688

=

Potential Gross Income
$405,625

x

Default Point
0.80

=

Cash for Operations
$324,500
-
Operating Expenses
$86,576
-
Cash Capital Replacement
$2,708
-
Real Estate Taxes
$32,991
=
Cash Available For Debt Service
$202,226
/
Mortgage Constant
0.13988
=
Justified Mortgage
$1,445,737

Potential Gross Income
$405,625
x
1-Default Point
0.20
=
Equity Cash Margin
$81,125
-
Vacancy Loss
$44,625
-
Reserve for Contingency
$8,113
=
Cash Throw-Off (Before Tax)
$28,387
/
Equity Cash Constant
0.10
=
Justified Equity (Before Tax Effect)
$283,875

+

Justified Mortgage
$1,445,737

=

Total Justified Project Budget
$1,729,612
-
Construction Outlays
$2,214,230
=
Budget for Purchase
($484,618)

Vacancy/GPI 0.1100

b. Gross rent

i.	Rent per 1 bedroom apartment/mo.	$380.00		
	Rent/1 bedroom apartment/year	4,560		
	Number of 1 bedroom apartments x	20	=	$91,200
ii.	Rent/2 bedroom apartment/mo.	$515.00		
	Rent/1 bedroom apartment/year	6,180		
	Number of 1 bedroom apartments x	24	=	148,320
iii.	Annual rent/square foot--retail	$8.00		
	Retail net leasable area	10,368		82,944
	Total			$322,464

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes			
Tax/square foot of net leasable area		$1.15	
Net leasable area	51,840		59,616
Special assessments			2,708
Operating expenses paid by landlord			
Retail: cost/sq. ft./year	$2.00		20,736
Apartments: percent of gross rent	25.00%		59,880
Total			80,616

Years	25
Interest Rate	13.50%
Mortgage Constant	0.139877

SCENARIO #5

NEW CONSTRUCTION--APARTMENT BUILDING

1. PROGRAM:

Construct a new commercial property

2. REVENUE UNITS:

Apartments	
Gross area per floor (square feet)	12,960
Number of apartment floors	4
Gross area for apartments	51,840
Efficiency factor	0.80
Net leaseable area for apartments	41,472
One bedroom apartment size (sq. ft.)	800
Number of one BR apts./floor	5
Number of one bedroom apartments	20
Two bedroom apartment size (sq. ft.)	1,000
Number of 2 bedroom apartments/floor	6
Number of two bedroom apartments	24
Net leasable area for apartments	40,000
Retail: first floor	
Gross area (square feet)	12,960
Efficiency factor	0.80
Net leasable area (square feet)	10,368
Total: office and retail	
Gross area (square feet)	64,800
Net leasable area (square feet)	51,840
Parking: basement	
Gross area/floor	12,960
Number of floors of parking	2
Total gross area for parking (sq. ft.)	25,920
Area/stall (sq. ft.)	350
Total number of parking stalls	74

3. CAPITAL OUTLAYS:

a. Demolition			
Demolition cost/cubic foot		$0.11	
Demolition volume (cubic feet)	x	787,545	$86,630
b. Construction			
New building cost/square foot		$60.00	
Total area of new construction	x	64,800	3,888,000
Underground parking cost/stall		6500	
Number of parking stalls	x	74	481,371
Total			$4,456,001

4. POTENTIAL ANNUAL INCOME:

a. Vacancy loss	
1 store vacant for 3 months/year	$5,832
2 apartments each vacant for 1 months/year	$895
Total	$6,727

SCENARIO #5

NEW CONSTRUCTION--APARTMENT BUILDING

Further assumptions:

	Amounts
Equity cash constant	0.10
Total renovation: .08	
Minimum renovation: .1	
New construction: .08	
Demolish for parking: .06	
Cash capital replacements	$2,708
Default point	0.8
Risk reserve (percent of equity cash margin)	10.00%
Total renovation: 15%	
Minimum renovation: 10%	
New construction: 10%	
Demolish for parking: 0%	
Vacancy loss--retail	
Total net retail space (square feet)	10,368
Number of stores	4
Area/store	2,592
Retail rent/square foot	$9.00
Annual rent/store	$23,328.00
Monthly rent/store	$1,944.00
Number of vacant store-months/year	3
Vacancy loss	$5,832.00
Vacancy loss--apartments	
Number of 1 bedroom apartments vacant/month	1
Number of 2 bedroom apartments vacant/month	1
Vacancy loss/year	$895

SCENARIO #5

NEW CONSTRUCTION-APARTMENT BUILDING

One bedroom apartments		Two bedroom apartments		Retail
Rent/apartment		Rent/apartment		Rent/square foot
$380.00	+	$515.00	+	$8.00
x		x		x
Number of Units		Number of Units		Number of Units
20		24		10,368

=

Potential
Gross Income x Default Point = Cash for Operations
$322,464 0.80 $257,971

x

1-Default Point
0.2

=

Equity Cash Margin
$64,493

-

Vacancy Loss
$6,727

-

Reserve for
Contingency
$6,449

=

Cash Throw-Off
(Before Tax)
$51,317

/

Equity Cash Constant
0.10

=

Justified Equity
(Before Tax Effect)
$513,165

Cash for Operations
$257,971

-

Operating Expenses
$80,616

-

Cash Capital
Replacement
$2,708

-

Real Estate Taxes
$59,616

=

Cash Available
For Debt Service
$115,031

/

Mortgage Constant
0.13988

=

Justified Mortgage
$822,372

Justified Equity (Before Tax Effect) $513,165 + Justified Mortgage $822,372

=

Total Justified
Project Budget
$1,335,537

-

Construction Outlays
$4,456,001

=

Budget for Purchase
($3,120,465)

INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	0.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	13.75%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967
= EFFECTIVE RENT	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$245,793	$241,604	$237,298	$232,870	$228,317	$223,636	$218,823	$213,874	$208,786
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$231,536	$230,212	$228,707	$226,994	$225,045	$222,829	$220,308	$217,440	$214,178	$210,467
= TAXABLE INCOME	($81,513)	($84,264)	($86,947)	($89,541)	($92,020)	($94,356)	($96,516)	($98,462)	($100,148)	($101,526)
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$9,628	$10,952	$12,457	$14,170	$16,119	$18,335	$20,856	$23,724	$26,986	$30,697
= CASH THROW-OFF	$8,703	$4,629	$440	($3,866)	($8,294)	($12,847)	($17,528)	($22,341)	($27,290)	($32,379)
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
= CASH FROM OPERATIONS	($1,297)	($5,371)	($9,560)	($13,866)	($18,294)	($22,847)	($27,528)	($32,341)	($37,290)	($42,379)
+ TAX SAVINGS ON OTHER INCOME	$40,757	$42,132	$43,473	$44,770	$46,010	$47,178	$48,258	$49,231	$50,074	$50,763
= SPENDABLE CASH AFTER TAX	$39,460	$36,761	$33,914	$30,904	$27,716	$24,331	$20,730	$16,890	$12,784	$8,385

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,457,930	$2,416,043	$2,372,976	$2,328,697	$2,283,170	$2,236,360	$2,188,229	$2,138,741	$2,087,855
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$147,476	$144,963	$142,379	$139,722	$136,990	$134,182	$131,294	$128,324	$125,271
- LOAN BALANCE	$1,674,272	$1,663,321	$1,650,863	$1,636,693	$1,620,574	$1,602,239	$1,581,382	$1,557,659	$1,530,673	$1,499,976
- PREPAYMENT PENALTY @ 2%	$33,485	$33,266	$33,017	$32,734	$32,411	$32,045	$31,628	$31,153	$30,613	$30,000
= B/4 TAX NET WORTH	$640,994	$613,868	$587,200	$561,171	$535,990	$511,896	$489,168	$468,124	$449,130	$432,608
- CAPITAL GAIN TAX	$123,582	$135,935	$148,079	$160,008	$171,717	$183,200	$194,452	$205,468	$216,241	$226,766
= AFTER TAX NET WORTH	$517,412	$477,932	$439,121	$401,163	$364,272	$328,696	$294,716	$262,656	$232,890	$205,843

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ATIRR, SALE END OF YEAR 3	-1%
BTIRR, SALE AFTER YEAR 3	1%
ATIRR, SALE END OF YEAR 5	-1%
BTIRR, SALE AFTER YEAR 5	-3%
ATIRR, SALE END OF YEAR 7	-2%
BTIRR, SALE AFTER YEAR 7	-5%
ATIRR, SALE END OF YEAR 10	-3%
BTIRR, SALE AFTER YEAR 10	-7%

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DEBT COVER RATIO	1.04	1.02	1.00	0.98	0.97	0.95	0.93	0.91	0.89	0.87

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200

INFLATION	0.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336	$419,336
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967	$20,967
= EFFECTIVE RENT	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369	$398,369
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$245,793	$241,604	$237,298	$232,870	$228,317	$223,636	$218,823	$213,874	$208,786
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$185,229	$183,610	$181,813	$179,818	$177,604	$175,147	$172,419	$169,390	$166,029	$162,298
= TAXABLE INCOME	($35,206)	($37,661)	($40,053)	($42,365)	($44,579)	($46,674)	($48,627)	($50,412)	($52,000)	($53,357)
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$14,718	$16,337	$18,134	$20,128	$22,342	$24,800	$27,528	$30,556	$33,917	$37,648
= CASH THROW-OFF	$49,921	$45,846	$41,658	$37,351	$32,923	$28,370	$23,689	$18,876	$13,927	$8,839
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
= CASH FROM OPERATIONS	$39,921	$35,846	$31,658	$27,351	$22,923	$18,370	$13,689	$8,876	$3,927	($1,161)
+ TAX SAVINGS ON OTHER INCOME	$17,603	$18,831	$20,027	$21,183	$22,289	$23,337	$24,313	$25,206	$26,000	$26,679
= SPENDABLE CASH AFTER TAX	$57,524	$54,677	$51,684	$48,533	$45,212	$41,707	$38,003	$34,082	$29,927	$25,517

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,457,930	$2,416,043	$2,372,976	$2,328,697	$2,283,170	$2,236,360	$2,188,229	$2,138,741	$2,087,855
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$147,476	$144,963	$142,379	$139,722	$136,990	$134,182	$131,294	$128,324	$125,271
- LOAN BALANCE	$1,669,182	$1,652,846	$1,634,712	$1,614,584	$1,592,241	$1,567,441	$1,539,913	$1,509,356	$1,475,439	$1,437,791
- PREPAYMENT PENALTY @ 2%	$33,384	$33,057	$32,694	$32,292	$31,845	$31,349	$30,798	$30,187	$29,509	$28,756
= B/4 TAX NET WORTH	$646,186	$624,552	$603,674	$583,722	$564,889	$547,390	$531,467	$517,392	$505,469	$496,037
- CAPITAL GAIN TAX	$123,602	$135,977	$148,144	$160,097	$171,830	$183,340	$194,618	$205,661	$216,462	$227,014
= AFTER TAX NET WORTH	$522,583	$488,575	$455,530	$423,626	$393,059	$364,050	$336,849	$311,731	$289,007	$269,023

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ATIRR, SALE END OF YEAR 3	4%
BTIRR, SALE AFTER YEAR 3	9%
ATIRR, SALE END OF YEAR 5	4%
BTIRR, SALE AFTER YEAR 5	6%
ATIRR, SALE END OF YEAR 7	4%
BTIRR, SALE AFTER YEAR 7	4%
ATIRR, SALE END OF YEAR 10	3%
BTIRR, SALE AFTER YEAR 10	3%

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DEBT COVER RATIO	1.25	1.23	1.21	1.19	1.16	1.14	1.12	1.09	1.07	1.04

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	1.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$423,529	$427,765	$432,042	$436,363	$440,726	$445,134	$449,585	$454,081	$458,622
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,176	$21,388	$21,602	$21,818	$22,036	$22,257	$22,479	$22,704	$22,931
= EFFECTIVE RENT	$398,369	$402,353	$406,376	$410,440	$414,545	$418,690	$422,877	$427,106	$431,377	$435,691
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$249,777	$249,611	$249,369	$249,045	$248,638	$248,144	$247,559	$246,882	$246,107
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$227,327	$225,975	$224,441	$222,700	$220,724	$218,481	$215,936	$213,047	$209,767	$206,045
= TAXABLE INCOME	($77,304)	($76,043)	($74,674)	($73,176)	($71,524)	($69,688)	($67,637)	($65,332)	($62,730)	($59,783)
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$10,011	$11,362	$12,896	$14,637	$16,613	$18,856	$21,402	$24,291	$27,570	$31,292
= CASH THROW-OFF	$12,530	$12,439	$12,274	$12,031	$11,708	$11,301	$10,806	$10,222	$9,544	$8,770
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
= CASH FROM OPERATIONS	$2,530	$2,439	$2,274	$2,031	$1,708	$1,301	$806	$222	($456)	($1,230)
+ TAX SAVINGS ON OTHER INCOME	$38,652	$38,021	$37,337	$36,588	$35,762	$34,844	$33,818	$32,666	$31,365	$29,892
= SPENDABLE CASH AFTER TAX	$41,182	$40,461	$39,611	$38,619	$37,470	$36,144	$34,625	$32,888	$30,909	$28,661

MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,497,767	$2,496,115	$2,493,686	$2,490,451	$2,486,378	$2,481,437	$2,475,594	$2,468,816	$2,461,066
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$149,866	$149,767	$149,621	$149,427	$149,183	$148,886	$148,536	$148,129	$147,664
- LOAN BALANCE	$1,673,889	$1,662,527	$1,649,631	$1,634,994	$1,618,380	$1,599,524	$1,578,123	$1,553,832	$1,526,262	$1,494,970
- PREPAYMENT PENALTY @ 2%	$33,473	$33,251	$32,993	$32,700	$32,368	$31,990	$31,562	$31,077	$30,525	$29,899
= B/4 TAX NET WORTH	$641,365	$652,124	$663,725	$676,371	$690,276	$705,681	$722,865	$742,150	$763,900	$788,535
- CAPITAL GAIN TAX	$123,584	$143,428	$163,138	$182,709	$202,136	$221,414	$240,540	$259,508	$278,312	$296,950
= AFTER TAX NET WORTH	$517,801	$508,696	$500,587	$493,663	$488,140	$484,266	$482,326	$482,642	$485,588	$491,585

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ATIRR, SALE END OF YEAR 3	4%
BTIRR, SALE AFTER YEAR 3	6%
ATIRR, SALE END OF YEAR 5	5%
BTIRR, SALE AFTER YEAR 5	5%
ATIRR, SALE END OF YEAR 7	5%
BTIRR, SALE AFTER YEAR 7	4%
ATIRR, SALE END OF YEAR 10	6%
BTIRR, SALE AFTER YEAR 10	4%

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DEBT COVER RATIO	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.04	1.04	1.04

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	1.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY	
DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$423,529	$427,765	$432,042	$436,363	$440,726	$445,134	$449,585	$454,081	$458,622
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,176	$21,388	$21,602	$21,818	$22,036	$22,257	$22,479	$22,704	$22,931
= EFFECTIVE RENT	$398,369	$402,353	$406,376	$410,440	$414,545	$418,690	$422,877	$427,106	$431,377	$435,691
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$249,777	$249,611	$249,369	$249,045	$248,638	$248,144	$247,559	$246,882	$246,107
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$185,229	$183,610	$181,813	$179,818	$177,604	$175,147	$172,419	$169,390	$166,029	$162,298
= TAXABLE INCOME	($35,206)	($33,678)	($32,046)	($30,294)	($28,404)	($26,353)	($24,119)	($21,675)	($18,992)	($16,036)
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$14,718	$16,337	$18,134	$20,128	$22,342	$24,800	$27,528	$30,556	$33,917	$37,648
= CASH THROW-OFF	$49,921	$49,830	$49,665	$49,422	$49,098	$48,691	$48,197	$47,613	$46,935	$46,160
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
= CASH FROM OPERATIONS	$39,921	$39,830	$39,665	$39,422	$39,098	$38,691	$38,197	$37,613	$36,935	$36,160
+ TAX SAVINGS ON OTHER INCOME	$17,603	$16,839	$16,023	$15,147	$14,202	$13,177	$12,060	$10,838	$9,496	$8,018
= SPENDABLE CASH AFTER TAX	$57,524	$56,669	$55,688	$54,569	$53,300	$51,868	$50,257	$48,450	$46,431	$44,178

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,497,767	$2,496,115	$2,493,686	$2,490,451	$2,486,378	$2,481,437	$2,475,594	$2,468,816	$2,461,068
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$149,866	$149,767	$149,621	$149,427	$149,183	$148,886	$148,536	$148,129	$147,664
- LOAN BALANCE	$1,669,182	$1,652,846	$1,634,712	$1,614,584	$1,592,241	$1,567,441	$1,539,913	$1,509,356	$1,475,439	$1,437,791
- PREPAYMENT PENALTY @ 2%	$33,384	$33,057	$32,694	$32,292	$31,845	$31,349	$30,798	$30,187	$29,509	$28,756
= B/4 TAX NET WORTH	$646,186	$661,999	$678,942	$697,190	$716,938	$738,406	$761,840	$787,515	$815,740	$846,858
- CAPITAL GAIN TAX	$123,602	$143,467	$163,197	$182,790	$202,240	$221,543	$240,693	$259,685	$278,516	$297,179
= AFTER TAX NET WORTH	$522,583	$518,532	$515,744	$514,399	$514,697	$516,863	$521,147	$527,830	$537,224	$549,679

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ATIRR, SALE END OF YEAR 3	8%
BTIRR, SALE AFTER YEAR 3	13%
ATIRR, SALE END OF YEAR 5	9%
BTIRR, SALE AFTER YEAR 5	11%
ATIRR, SALE END OF YEAR 7	9%
BTIRR, SALE AFTER YEAR 7	11%
ATIRR, SALE END OF YEAR 10	9%
BTIRR, SALE AFTER YEAR 10	10%

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DEBT COVER RATIO	1.25	1.25	1.25	1.25	1.25	1.24	1.24	1.24	1.23	1.23

****

INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	3.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$431,916	$444,874	$458,220	$471,966	$486,125	$500,709	$515,730	$531,202	$547,138
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,596	$22,244	$22,911	$23,598	$24,306	$25,035	$25,787	$26,560	$27,357
= EFFECTIVE RENT	$398,369	$410,320	$422,630	$435,309	$448,368	$461,819	$475,674	$489,944	$504,642	$519,781
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$257,744	$265,865	$274,237	$282,869	$291,767	$300,940	$310,398	$320,147	$330,198
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$227,327	$225,975	$224,441	$222,700	$220,724	$218,481	$215,936	$213,047	$209,767	$206,045
= TAXABLE INCOME	($77,304)	($68,075)	($58,421)	($48,307)	($37,700)	($26,559)	($14,840)	($2,493)	$10,535	$24,308
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$10,011	$11,362	$12,896	$14,637	$16,613	$18,856	$21,402	$24,291	$27,570	$31,292
= CASH THROW-OFF	$12,530	$20,407	$28,528	$36,900	$45,531	$54,430	$63,603	$73,060	$82,810	$92,860
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$5,268	$12,154
= CASH FROM OPERATIONS	$2,530	$10,407	$18,528	$26,900	$35,531	$44,430	$53,603	$63,060	$67,542	$70,706
+ TAX SAVINGS ON OTHER INCOME	$38,652	$34,038	$29,210	$24,154	$18,850	$13,279	$7,420	$1,247	$0	$0
= SPENDABLE CASH AFTER TAX	$41,182	$44,444	$47,738	$51,054	$54,381	$57,709	$61,023	$64,307	$67,542	$70,706

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,577,441	$2,658,650	$2,742,372	$2,828,685	$2,917,669	$3,009,404	$3,103,976	$3,201,471	$3,301,978
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$154,646	$159,519	$164,542	$169,721	$175,060	$180,564	$186,239	$192,088	$198,119
- LOAN BALANCE	$1,673,889	$1,662,527	$1,649,631	$1,634,994	$1,618,380	$1,599,524	$1,578,123	$1,553,832	$1,526,262	$1,494,970
- PREPAYMENT PENALTY @ 2%	$33,478	$33,251	$32,993	$32,700	$32,368	$31,990	$31,562	$31,077	$30,525	$29,899
= B/4 TAX NET WORTH	$641,385	$727,017	$816,507	$910,136	$1,008,216	$1,111,094	$1,219,155	$1,332,829	$1,452,595	$1,578,989
- CAPITAL GAIN TAX	$123,584	$158,407	$193,694	$229,462	$265,724	$302,497	$339,798	$377,643	$416,051	$455,041
= AFTER TAX NET WORTH	$517,801	$568,611	$622,813	$680,675	$742,492	$808,597	$879,357	$955,185	$1,036,544	$1,123,948

ATIRR, SALE END OF YEAR 3	11%
BTIRR, SALE AFTER YEAR 3	15%
ATIRR, SALE END OF YEAR 5	13%
BTIRR, SALE AFTER YEAR 5	15%
ATIRR, SALE END OF YEAR 7	14%
BTIRR, SALE AFTER YEAR 7	15%
ATIRR, SALE END OF YEAR 10	14%
BTIRR, SALE AFTER YEAR 10	15%

DEBT COVER RATIO	1.05	1.09	1.12	1.16	1.19	1.23	1.27	1.31	1.35	1.39

INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	3.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$431,916	$444,874	$458,220	$471,966	$486,125	$500,709	$515,730	$531,202	$547,138
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,596	$22,244	$22,911	$23,598	$24,306	$25,035	$25,787	$26,560	$27,357
= EFFECTIVE RENT	$398,369	$410,320	$422,630	$435,309	$448,368	$461,819	$475,674	$489,944	$504,642	$519,781
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$257,744	$265,865	$274,237	$282,869	$291,767	$300,940	$310,398	$320,147	$330,198
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$185,229	$183,610	$181,813	$179,818	$177,604	$175,147	$172,419	$169,390	$166,029	$162,298
= TAXABLE INCOME	($35,206)	($25,710)	($15,793)	($5,426)	$5,420	$16,776	$28,677	$41,163	$54,273	$68,055
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$14,718	$16,337	$18,134	$20,128	$22,342	$24,800	$27,528	$30,556	$33,917	$37,648
= CASH THROW-OFF	$49,921	$57,797	$65,918	$74,291	$82,922	$91,820	$100,994	$110,451	$120,200	$130,251
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$2,710	$8,388	$14,339	$20,581	$27,137	$34,028
= CASH FROM OPERATIONS	$39,921	$47,797	$55,918	$64,291	$70,212	$73,432	$76,655	$79,870	$83,064	$86,224
+ TAX SAVINGS ON OTHER INCOME	$17,603	$12,855	$7,896	$2,713	$0	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$57,524	$60,653	$63,815	$67,003	$70,212	$73,432	$76,655	$79,870	$83,064	$86,224

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,577,441	$2,658,650	$2,742,372	$2,828,685	$2,917,669	$3,009,404	$3,103,976	$3,201,471	$3,301,978
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$154,646	$159,519	$164,542	$169,721	$175,060	$180,564	$186,239	$192,088	$198,119
- LOAN BALANCE	$1,669,182	$1,652,846	$1,634,712	$1,614,584	$1,592,241	$1,567,441	$1,539,913	$1,509,356	$1,475,439	$1,437,791
- PREPAYMENT PENALTY @ 2%	$33,384	$33,057	$32,694	$32,292	$31,845	$31,349	$30,798	$30,187	$29,509	$28,756
= B/4 TAX NET WORTH	$646,186	$736,892	$831,724	$930,954	$1,034,878	$1,143,819	$1,258,129	$1,378,194	$1,504,435	$1,637,313
- CAPITAL GAIN TAX	$123,602	$158,445	$193,754	$229,543	$265,828	$302,625	$339,951	$377,821	$416,255	$455,270
= AFTER TAX NET WORTH	$522,583	$578,447	$637,970	$701,411	$769,050	$841,194	$918,178	$1,000,373	$1,088,180	$1,182,043

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ATIRR, SALE END OF YEAR 3	15%
BTIRR, SALE AFTER YEAR 3	21%
ATIRR, SALE END OF YEAR 5	17%
BTIRR, SALE AFTER YEAR 5	21%
ATIRR, SALE END OF YEAR 7	17%
BTIRR, SALE AFTER YEAR 7	20%
ATIRR, SALE END OF YEAR 10	17%
BTIRR, SALE AFTER YEAR 10	19%

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DEBT COVER RATIO	1.25	1.29	1.33	1.37	1.41	1.46	1.51	1.55	1.60	1.65

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	5.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$440,303	$462,318	$485,434	$509,706	$535,191	$561,950	$590,048	$619,550	$650,528
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$22,015	$23,116	$24,272	$25,485	$26,760	$28,098	$29,502	$30,978	$32,526
= EFFECTIVE RENT	$398,369	$418,288	$439,202	$461,162	$484,220	$508,431	$533,853	$560,545	$588,573	$618,001
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$265,712	$282,437	$300,091	$318,721	$338,379	$359,120	$380,999	$404,078	$428,418
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$227,327	$225,975	$224,441	$222,700	$220,724	$218,481	$215,936	$213,047	$209,767	$206,045
= TAXABLE INCOME	($77,304)	($60,108)	($41,848)	($22,454)	($1,848)	$20,053	$43,339	$68,108	$94,466	$122,528
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$10,011	$11,362	$12,896	$14,637	$16,613	$18,856	$21,402	$24,291	$27,570	$31,292
= CASH THROW-OFF	$12,530	$28,374	$45,100	$62,753	$81,383	$101,042	$121,782	$143,662	$166,740	$191,080
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$10,027	$21,670	$34,054	$47,233	$61,264
= CASH FROM OPERATIONS	$2,530	$18,374	$35,100	$52,753	$71,383	$81,015	$90,113	$99,608	$109,507	$119,816
+ TAX SAVINGS ON OTHER INCOME	$38,652	$30,054	$20,924	$11,227	$924	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$41,182	$48,428	$56,024	$63,980	$72,307	$81,015	$90,113	$99,608	$109,507	$119,816

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,657,115	$2,824,371	$3,000,906	$3,187,207	$3,383,791	$3,591,196	$3,809,992	$4,040,776	$4,284,177
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$159,427	$169,462	$180,054	$191,232	$203,027	$215,472	$228,600	$242,447	$257,051
- LOAN BALANCE	$1,673,889	$1,662,527	$1,649,631	$1,634,994	$1,618,380	$1,599,524	$1,578,123	$1,553,832	$1,526,262	$1,494,970
- PREPAYMENT PENALTY @ 2%	$33,478	$33,251	$32,993	$32,700	$32,368	$31,990	$31,562	$31,077	$30,525	$29,899
= B/4 TAX NET WORTH	$641,385	$801,911	$972,286	$1,153,158	$1,345,227	$1,549,248	$1,766,039	$1,996,484	$2,241,542	$2,502,257
- CAPITAL GAIN TAX	$123,584	$173,385	$224,850	$278,066	$333,126	$390,128	$449,175	$510,374	$573,841	$639,694
= AFTER TAX NET WORTH	$517,801	$628,525	$747,436	$875,092	$1,012,101	$1,159,120	$1,316,864	$1,486,109	$1,667,701	$1,862,562

ATIRR, SALE END OF YEAR 3	18%
BTIRR, SALE AFTER YEAR 3	23%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	23%
ATIRR, SALE END OF YEAR 7	21%
BTIRR, SALE AFTER YEAR 7	23%
ATIRR, SALE END OF YEAR 10	20%
BTIRR, SALE AFTER YEAR 10	22%

DEBT COVER RATIO	1.05	1.12	1.19	1.26	1.34	1.43	1.51	1.61	1.70	1.81

INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,245,200
INFLATION	4.00%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,683,900
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$436,109	$453,554	$471,696	$490,564	$510,186	$530,594	$551,818	$573,890	$596,846
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,805	$22,678	$23,585	$24,528	$25,509	$26,530	$27,591	$28,695	$29,842
= EFFECTIVE RENT	$398,369	$414,304	$430,876	$448,111	$466,036	$484,677	$504,064	$524,227	$545,196	$567,004
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$261,728	$274,111	$287,040	$300,536	$314,625	$329,331	$344,680	$360,701	$377,420
- DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- INTEREST	$185,229	$183,610	$181,813	$179,818	$177,604	$175,147	$172,419	$169,390	$166,029	$162,298
= TAXABLE INCOME	($35,206)	($21,727)	($7,546)	$7,377	$23,087	$39,634	$57,068	$75,446	$94,827	$115,277
+ DEPRECIATION	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844	$99,844
- PRINCIPAL PAYMENTS	$14,718	$16,337	$18,134	$20,128	$22,342	$24,800	$27,528	$30,556	$33,917	$37,648
= CASH THROW-OFF	$49,921	$61,781	$74,165	$87,093	$100,589	$114,678	$129,384	$144,734	$160,754	$177,473
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$3,688	$11,544	$19,817	$28,534	$37,723	$47,413	$57,639
= CASH FROM OPERATIONS	$39,921	$51,781	$64,165	$73,404	$79,046	$84,861	$90,850	$97,011	$103,340	$109,835
+ TAX SAVINGS ON OTHER INCOME	$17,603	$10,863	$3,773	$0	$0	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$57,524	$62,644	$67,938	$73,404	$79,046	$84,861	$90,850	$97,011	$103,340	$109,835

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,617,278	$2,741,112	$2,870,396	$3,005,361	$3,146,248	$3,293,309	$3,446,804	$3,607,006	$3,774,199
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$157,037	$164,467	$172,224	$180,322	$188,775	$197,599	$206,808	$216,420	$226,452
- LOAN BALANCE	$1,669,182	$1,652,846	$1,634,712	$1,614,584	$1,592,241	$1,567,441	$1,539,913	$1,509,356	$1,475,439	$1,437,791
- PREPAYMENT PENALTY @ 2%	$33,384	$33,057	$32,694	$32,292	$31,845	$31,349	$30,798	$30,187	$29,509	$28,756
= B/4 TAX NET WORTH	$646,186	$774,339	$909,239	$1,051,297	$1,200,953	$1,358,684	$1,524,999	$1,700,452	$1,885,638	$2,081,201
- CAPITAL GAIN TAX	$123,602	$165,935	$209,257	$253,612	$299,043	$345,598	$393,325	$442,273	$492,495	$544,047
= AFTER TAX NET WORTH	$522,583	$608,404	$699,982	$797,685	$901,910	$1,013,085	$1,131,675	$1,258,179	$1,393,143	$1,537,153

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ATIRR, SALE END OF YEAR 3	18%
BTIRR, SALE AFTER YEAR 3	25%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	25%
ATIRR, SALE END OF YEAR 7	20%
BTIRR, SALE AFTER YEAR 7	24%
ATIRR, SALE END OF YEAR 10	20%
BTIRR, SALE AFTER YEAR 10	23%

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DEBT COVER RATIO	1.25	1.31	1.37	1.44	1.50	1.57	1.65	1.72	1.80	1.89

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INPUT RUN 1

PURCHASE AMOUNT	$685,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,290,200
INFLATION	5.25%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,717,650
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$441,351	$464,522	$488,909	$514,577	$541,593	$570,026	$599,953	$631,450	$664,601
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$22,068	$23,226	$24,445	$25,729	$27,080	$28,501	$29,998	$31,573	$33,230
= EFFECTIVE RENT	$398,369	$419,284	$441,296	$464,464	$488,848	$514,513	$541,525	$569,955	$599,878	$631,371
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$266,707	$284,531	$303,392	$323,349	$344,461	$366,792	$390,409	$415,382	$441,787
- DEPRECIATION	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344
- INTEREST	$231,883	$230,504	$228,940	$227,164	$225,148	$222,860	$220,264	$217,317	$213,972	$210,175
= TAXABLE INCOME	($84,360)	($66,141)	($46,753)	($26,116)	($4,144)	$19,256	$44,183	$70,748	$99,066	$129,268
+ DEPRECIATION	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344
- PRINCIPAL PAYMENTS	$10,211	$11,590	$13,155	$14,931	$16,946	$19,234	$21,830	$24,778	$28,123	$31,919
= CASH THROW-OFF	$7,773	$24,613	$42,437	$61,298	$81,255	$102,366	$124,697	$148,314	$173,288	$199,693
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$9,628	$22,092	$35,374	$49,533	$64,634
= CASH FROM OPERATIONS	($2,227)	$14,613	$32,437	$51,298	$71,255	$82,739	$92,606	$102,941	$113,755	$125,059
+ TAX SAVINGS ON OTHER INCOME	$42,180	$33,071	$23,376	$13,058	$2,072	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$39,953	$47,684	$55,813	$64,356	$73,326	$82,739	$92,606	$102,941	$113,755	$125,059

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,667,074	$2,845,310	$3,033,924	$3,233,489	$3,444,607	$3,667,916	$3,904,086	$4,153,824	$4,417,874
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$160,024	$170,719	$182,035	$194,009	$206,676	$220,075	$234,245	$249,229	$265,072
- LOAN BALANCE	$1,707,439	$1,695,849	$1,682,694	$1,667,763	$1,650,817	$1,631,583	$1,609,753	$1,584,975	$1,556,853	$1,524,934
- PREPAYMENT PENALTY @ 2%	$34,149	$33,917	$33,654	$33,355	$33,016	$32,632	$32,195	$31,700	$31,137	$30,499
= B/4 TAX NET WORTH	$607,164	$777,284	$958,244	$1,150,770	$1,355,646	$1,573,716	$1,805,893	$2,053,166	$2,316,605	$2,597,369
- CAPITAL GAIN TAX	$114,949	$167,124	$221,154	$277,142	$335,197	$395,433	$457,971	$522,939	$590,471	$660,709
= AFTER TAX NET WORTH	$492,215	$610,160	$737,090	$873,628	$1,020,449	$1,178,283	$1,347,922	$1,530,227	$1,726,133	$1,936,660

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ATIRR, SALE END OF YEAR 3	16%
BTIRR, SALE AFTER YEAR 3	21%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	22%
ATIRR, SALE END OF YEAR 7	21%
BTIRR, SALE AFTER YEAR 7	22%
ATIRR, SALE END OF YEAR 10	21%
BTIRR, SALE AFTER YEAR 10	22%

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DEBT COVER RATIO	1.03	1.10	1.18	1.25	1.34	1.42	1.52	1.61	1.72	1.82

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INPUT RUN 1

PURCHASE AMOUNT	$685,000
RECONSTRUCTION	$1,605,200
= TOTAL COST	$2,290,200
INFLATION	4.25%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,717,650
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$437,158	$455,737	$475,106	$495,298	$516,348	$538,293	$561,170	$585,020	$609,883
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,858	$22,787	$23,755	$24,765	$25,817	$26,915	$28,059	$29,251	$30,494
= EFFECTIVE RENT	$398,369	$415,300	$432,950	$451,351	$470,533	$490,531	$511,378	$533,112	$555,769	$579,389
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$262,724	$276,185	$290,279	$305,033	$320,478	$336,645	$353,565	$371,274	$389,805
- DEPRECIATION	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344
- INTEREST	$188,942	$187,290	$185,457	$183,422	$181,164	$178,657	$175,874	$172,785	$169,357	$165,551
= TAXABLE INCOME	($41,419)	($26,911)	($11,616)	$4,512	$21,525	$39,477	$58,426	$78,436	$99,572	$121,910
+ DEPRECIATION	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344	$102,344
- PRINCIPAL PAYMENTS	$15,013	$16,664	$18,497	$20,532	$22,790	$25,297	$28,080	$31,169	$34,597	$38,403
= CASH THROW-OFF	$45,913	$58,770	$72,231	$86,325	$101,079	$116,524	$132,691	$149,611	$167,320	$185,851
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$2,256	$10,763	$19,738	$29,213	$39,218	$49,786	$60,955
= CASH FROM OPERATIONS	$35,913	$48,770	$62,231	$74,069	$80,317	$86,786	$93,478	$100,393	$107,533	$114,896
+ TAX SAVINGS ON OTHER INCOME	$20,709	$13,455	$5,808	$0	$0	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$56,622	$62,225	$68,039	$74,069	$80,317	$86,786	$93,478	$100,393	$107,533	$114,896

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,627,237	$2,761,852	$2,902,789	$3,050,334	$3,204,784	$3,366,449	$3,535,654	$3,712,738	$3,898,054
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$157,634	$165,711	$174,167	$183,020	$192,287	$201,987	$212,139	$222,764	$233,883
- LOAN BALANCE	$1,702,637	$1,685,973	$1,667,476	$1,646,944	$1,624,154	$1,598,857	$1,570,777	$1,539,608	$1,505,011	$1,466,608
- PREPAYMENT PENALTY @ 2%	$34,053	$33,719	$33,350	$32,939	$32,483	$31,977	$31,416	$30,792	$30,100	$29,332
= B/4 TAX NET WORTH	$612,062	$749,910	$895,315	$1,048,739	$1,210,677	$1,381,663	$1,562,269	$1,753,115	$1,954,863	$2,168,231
- CAPITAL GAIN TAX	$114,969	$159,674	$205,525	$252,572	$300,871	$350,477	$401,451	$453,856	$507,755	$563,217
= AFTER TAX NET WORTH	$497,093	$590,236	$689,790	$796,167	$909,806	$1,031,185	$1,160,818	$1,299,259	$1,447,108	$1,605,014

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ATIRR, SALE END OF YEAR 3	17%
BTIRR, SALE AFTER YEAR 3	23%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	24%
ATIRR, SALE END OF YEAR 7	20%
BTIRR, SALE AFTER YEAR 7	24%
ATIRR, SALE END OF YEAR 10	20%
BTIRR, SALE AFTER YEAR 10	23%

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DEBT COVER RATIO	1.23	1.29	1.35	1.42	1.50	1.57	1.65	1.73	1.82	1.91

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,524,940
= TOTAL COST	$2,164,940
INFLATION	4.25%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,623,705
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$437,158	$455,737	$475,106	$495,298	$516,348	$538,293	$561,170	$585,020	$609,883
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,858	$22,787	$23,755	$24,765	$25,817	$26,915	$28,059	$29,251	$30,494
= EFFECTIVE RENT	$398,369	$415,300	$432,950	$451,351	$470,533	$490,531	$511,378	$533,112	$555,769	$579,389
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$262,724	$276,185	$290,279	$305,033	$320,478	$336,645	$353,565	$371,274	$389,805
- DEPRECIATION	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386
- INTEREST	$219,200	$217,897	$216,418	$214,739	$212,834	$210,671	$208,217	$205,431	$202,269	$198,680
= TAXABLE INCOME	($64,719)	($50,559)	($35,618)	($19,846)	($3,186)	$14,422	$33,043	$52,749	$73,620	$95,740
+ DEPRECIATION	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386
- PRINCIPAL PAYMENTS	$9,653	$10,956	$12,435	$14,114	$16,019	$18,182	$20,636	$23,422	$26,584	$30,173
= CASH THROW-OFF	$21,014	$33,871	$47,332	$61,426	$76,180	$91,625	$107,792	$124,712	$142,421	$160,952
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$7,211	$16,521	$26,375	$36,810	$47,870
= CASH FROM OPERATIONS	$11,014	$23,871	$37,332	$51,426	$66,180	$74,414	$81,270	$88,338	$95,611	$103,082
+ TAX SAVINGS ON OTHER INCOME	$32,359	$25,279	$17,809	$9,923	$1,593	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$43,373	$49,150	$55,141	$61,349	$67,773	$74,414	$81,270	$88,338	$95,611	$103,082

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,627,237	$2,761,852	$2,902,789	$3,050,334	$3,204,784	$3,366,449	$3,535,654	$3,712,738	$3,898,054
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$157,634	$165,711	$174,167	$183,020	$192,287	$201,987	$212,139	$222,764	$233,883
- LOAN BALANCE	$1,614,052	$1,603,096	$1,590,661	$1,576,547	$1,560,528	$1,542,346	$1,521,709	$1,498,287	$1,471,702	$1,441,529
- PREPAYMENT PENALTY @ 2%	$32,281	$32,062	$31,813	$31,531	$31,211	$30,847	$30,434	$29,966	$29,434	$28,831
= B/4 TAX NET WORTH	$702,419	$834,445	$973,667	$1,120,544	$1,275,576	$1,439,304	$1,612,319	$1,795,262	$1,988,837	$2,193,811
- CAPITAL GAIN TAX	$138,983	$182,274	$226,709	$272,339	$319,218	$367,405	$416,957	$467,939	$520,414	$574,451
= AFTER TAX NET WORTH	$563,435	$652,171	$746,958	$848,206	$956,358	$1,071,899	$1,195,361	$1,327,324	$1,468,423	$1,619,360

ATIRR, SALE END OF YEAR 3	19%
BTIRR, SALE AFTER YEAR 3	25%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	23%
ATIRR, SALE END OF YEAR 7	20%
BTIRR, SALE AFTER YEAR 7	22%
ATIRR, SALE END OF YEAR 10	19%
BTIRR, SALE AFTER YEAR 10	21%

DEBT COVER RATIO	1.09	1.15	1.21	1.27	1.33	1.40	1.47	1.54	1.62	1.70

INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,524,940
= TOTAL COST	$2,164,940
INFLATION	3.25%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,623,705
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$432,964	$447,036	$461,564	$476,565	$492,054	$508,045	$524,557	$541,605	$559,207
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,648	$22,352	$23,078	$23,828	$24,603	$25,402	$26,228	$27,080	$27,960
= EFFECTIVE RENT	$398,369	$411,316	$424,684	$438,486	$452,737	$467,451	$482,643	$498,329	$514,525	$531,247
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$258,740	$267,919	$277,415	$287,237	$297,399	$307,910	$318,783	$330,030	$341,663
- DEPRECIATION	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386
- INTEREST	$178,608	$177,046	$175,314	$173,390	$171,255	$168,885	$166,255	$163,335	$160,094	$156,497
= TAXABLE INCOME	($24,126)	($13,692)	($2,780)	$8,639	$20,597	$33,128	$46,269	$60,062	$74,550	$89,781
+ DEPRECIATION	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386	$95,386
- PRINCIPAL PAYMENTS	$14,192	$15,753	$17,485	$19,409	$21,544	$23,914	$26,544	$29,464	$32,705	$36,303
= CASH THROW-OFF	$57,068	$65,941	$75,120	$84,615	$94,438	$104,600	$115,111	$125,984	$137,230	$148,864
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$4,319	$10,298	$16,564	$23,135	$30,031	$37,275	$44,890
= CASH FROM OPERATIONS	$47,068	$55,941	$65,120	$70,296	$74,140	$78,036	$81,976	$85,953	$89,955	$93,973
+ TAX SAVINGS ON OTHER INCOME	$12,063	$6,846	$1,390	$0	$0	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$59,131	$62,787	$66,510	$70,296	$74,140	$78,036	$81,976	$85,953	$89,955	$93,973

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,587,400	$2,679,190	$2,774,146	$2,872,375	$2,973,988	$3,079,099	$3,187,827	$3,300,296	$3,416,631
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$155,244	$160,751	$166,449	$172,342	$178,439	$184,746	$191,270	$198,018	$204,998
- LOAN BALANCE	$1,609,513	$1,593,761	$1,576,275	$1,556,867	$1,535,323	$1,511,409	$1,484,865	$1,455,401	$1,422,696	$1,386,393
- PREPAYMENT PENALTY @ 2%	$32,190	$31,875	$31,526	$31,137	$30,706	$30,228	$29,697	$29,108	$28,454	$27,728
= B/4 TAX NET WORTH	$707,048	$806,520	$910,638	$1,019,694	$1,134,003	$1,253,911	$1,379,791	$1,512,049	$1,651,128	$1,797,512
- CAPITAL GAIN TAX	$139,001	$174,822	$211,226	$248,232	$285,863	$324,139	$363,083	$402,719	$443,071	$484,164
= AFTER TAX NET WORTH	$568,047	$631,698	$699,412	$771,461	$848,140	$929,772	$1,016,708	$1,109,330	$1,208,057	$1,313,348

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ATIRR, SALE END OF YEAR 3	20%
BTIRR, SALE AFTER YEAR 3	28%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	25%
ATIRR, SALE END OF YEAR 7	19%
BTIRR, SALE AFTER YEAR 7	23%
ATIRR, SALE END OF YEAR 10	19%
BTIRR, SALE AFTER YEAR 10	22%

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DEBT COVER RATIO	1.30	1.34	1.39	1.44	1.49	1.54	1.60	1.65	1.71	1.77

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,685,460
= TOTAL COST	$2,325,460
INFLATION	5.50%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,744,095
TERM IN YEARS	25
YEARLY INTEREST RATE	13.50%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$442,399	$466,731	$492,402	$519,484	$548,055	$578,198	$609,999	$643,549	$678,945
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$22,120	$23,337	$24,620	$25,974	$27,403	$28,910	$30,500	$32,177	$33,947
= EFFECTIVE RENT	$398,369	$420,280	$443,395	$467,782	$493,510	$520,653	$549,289	$579,499	$611,372	$644,997
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$267,703	$286,630	$306,710	$328,010	$350,600	$374,555	$399,953	$426,877	$455,414
- DEPRECIATION	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303
- INTEREST	$235,453	$234,053	$232,464	$230,661	$228,614	$226,291	$223,655	$220,662	$217,266	$213,411
= TAXABLE INCOME	($89,889)	($70,653)	($50,138)	($28,254)	($4,908)	$20,006	$46,597	$74,987	$105,307	$137,699
+ DEPRECIATION	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303
- PRINCIPAL PAYMENTS	$10,369	$11,768	$13,357	$15,160	$17,207	$19,530	$22,167	$25,159	$28,556	$32,411
= CASH THROW-OFF	$4,046	$21,882	$40,808	$60,889	$82,189	$104,779	$128,734	$154,132	$181,055	$209,592
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$0	$0	$10,003	$23,299	$37,494	$52,654	$68,850
= CASH FROM OPERATIONS	($5,954)	$11,882	$30,808	$50,889	$72,189	$84,776	$95,435	$106,638	$118,402	$130,742
+ TAX SAVINGS ON OTHER INCOME	$44,944	$35,327	$25,069	$14,127	$2,454	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$38,990	$47,208	$55,877	$65,016	$74,642	$84,776	$95,435	$106,638	$118,402	$130,742

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MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,677,033	$2,866,300	$3,067,100	$3,280,101	$3,506,004	$3,745,553	$3,999,531	$4,268,767	$4,554,136
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$160,622	$171,978	$184,026	$196,806	$210,360	$224,733	$239,972	$256,126	$273,248
- LOAN BALANCE	$1,733,726	$1,721,958	$1,708,601	$1,693,440	$1,676,233	$1,656,703	$1,634,537	$1,609,378	$1,580,822	$1,548,412
- PREPAYMENT PENALTY @ 2%	$34,675	$34,439	$34,172	$33,869	$33,525	$33,134	$32,691	$32,188	$31,616	$30,968
= B/4 TAX NET WORTH	$580,351	$760,014	$951,549	$1,155,765	$1,373,537	$1,605,807	$1,853,592	$2,117,994	$2,400,203	$2,701,508
- CAPITAL GAIN TAX	$108,184	$162,624	$219,120	$277,792	$338,765	$402,174	$468,158	$536,868	$608,459	$683,099
= AFTER TAX NET WORTH	$472,167	$597,391	$732,429	$877,973	$1,034,771	$1,203,633	$1,385,434	$1,581,126	$1,791,744	$2,018,409

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ATIRR, SALE END OF YEAR 3	15%
BTIRR, SALE AFTER YEAR 3	19%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	22%
ATIRR, SALE END OF YEAR 7	21%
BTIRR, SALE AFTER YEAR 7	22%
ATIRR, SALE END OF YEAR 10	21%
BTIRR, SALE AFTER YEAR 10	22%

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DEBT COVER RATIO	1.02	1.09	1.17	1.25	1.33	1.43	1.52	1.63	1.74	1.85

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INPUT RUN 1

PURCHASE AMOUNT	$640,000
RECONSTRUCTION	$1,685,460
= TOTAL COST	$2,325,460
INFLATION	4.75%
TAX RATE OF INVESTOR	50%
LOAN TO COST RATIO	75%
MORTGAGE PRINCIPAL	$1,744,095
TERM IN YEARS	25
YEARLY INTEREST RATE	11.00%
CAP RATE FOR NOI	10.00%
AFTER TAX EQUITY DISCOUNT RATE	20.00%
$ AMOUNT OF NON-DEPRECIABLE ASSETS	$448,000
GROWTH IN EXPENSES	3.00%
GROWTH IN REAL ESTATE TAXES	2.00%

CASH FLOW ANALYSIS RUN 1	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS POTENTIAL RENT	$419,336	$439,254	$460,119	$481,975	$504,868	$528,850	$553,970	$580,284	$607,847	$636,720
VACANCY RATE	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- VACANCY LOSS	$20,967	$21,963	$23,006	$24,099	$25,243	$26,442	$27,699	$29,014	$30,392	$31,836
= EFFECTIVE RENT	$398,369	$417,292	$437,113	$457,876	$479,625	$502,407	$526,272	$551,270	$577,455	$604,884
- OPERATING EXPENSES	$110,412	$113,724	$117,136	$120,650	$124,270	$127,998	$131,838	$135,793	$139,867	$144,063
- REAL ESTATE TAXES	$38,090	$38,852	$39,629	$40,421	$41,230	$42,054	$42,896	$43,753	$44,629	$45,521
= NET INCOME	$249,867	$264,716	$280,348	$296,804	$314,126	$332,355	$351,538	$371,723	$392,960	$415,300
- DEPRECIATION	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303
- INTEREST	$191,850	$190,174	$188,312	$186,246	$183,953	$181,408	$178,582	$175,446	$171,964	$168,100
= TAXABLE INCOME	($46,287)	($29,761)	($12,268)	$6,255	$25,869	$46,644	$68,653	$91,974	$116,692	$142,897
+ DEPRECIATION	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303	$104,303
- PRINCIPAL PAYMENTS	$15,244	$16,921	$18,782	$20,848	$23,141	$25,687	$28,512	$31,649	$35,130	$38,994
= CASH THROW-OFF	$42,773	$57,621	$73,254	$89,710	$107,031	$125,261	$144,444	$164,629	$185,865	$208,206
- RESERVES	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
- INCOME TAXES	$0	$0	$0	$3,127	$12,935	$23,322	$34,327	$45,987	$58,346	$71,448
= CASH FROM OPERATIONS	$32,773	$47,621	$63,254	$76,583	$84,097	$91,939	$100,118	$108,642	$117,519	$126,758
+ TAX SAVINGS ON OTHER INCOME	$23,143	$14,881	$6,134	$0	$0	$0	$0	$0	$0	$0
= SPENDABLE CASH AFTER TAX	$55,916	$62,502	$69,388	$76,583	$84,097	$91,939	$100,118	$108,642	$117,519	$126,758

MARKET VALUE USING CAPITALIZED NOI	$2,498,672	$2,647,156	$2,803,482	$2,968,044	$3,141,256	$3,323,551	$3,515,384	$3,717,232	$3,929,597	$4,153,002
- RESALE COST @ 6% OF MARKET VALUE	$149,920	$158,829	$168,209	$178,083	$188,475	$199,413	$210,923	$223,034	$235,776	$249,180
- LOAN BALANCE	$1,728,851	$1,711,931	$1,693,149	$1,672,301	$1,649,160	$1,623,473	$1,594,961	$1,563,312	$1,528,182	$1,489,188
- PREPAYMENT PENALTY @ 2%	$34,577	$34,239	$33,863	$33,446	$32,983	$32,469	$31,899	$31,266	$30,564	$29,784
= B/4 TAX NET WORTH	$585,323	$742,157	$908,261	$1,084,214	$1,270,637	$1,468,195	$1,677,601	$1,899,620	$2,135,075	$2,384,851
- CAPITAL GAIN TAX	$108,204	$157,047	$207,372	$259,254	$312,771	$368,006	$425,045	$483,980	$544,905	$607,922
= AFTER TAX NET WORTH	$477,120	$585,110	$700,889	$824,961	$957,867	$1,100,190	$1,252,556	$1,415,640	$1,590,170	$1,776,928

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ATIRR, SALE END OF YEAR 3	16%
BTIRR, SALE AFTER YEAR 3	23%
ATIRR, SALE END OF YEAR 5	20%
BTIRR, SALE AFTER YEAR 5	24%
ATIRR, SALE END OF YEAR 7	21%
BTIRR, SALE AFTER YEAR 7	24%
ATIRR, SALE END OF YEAR 10	21%
BTIRR, SALE AFTER YEAR 10	24%

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DEBT COVER RATIO	1.21	1.28	1.35	1.43	1.52	1.60	1.70	1.79	1.90	2.01

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