

Overview & Valuation for 619 N. Aurora Street



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I. Overview

Well maintained 3-Unit apartment house in desirable Fall Creek Neighborhood. Convenient location to the Cornell/Ithaca College Campus and Downtown. Impeccable rental history. Property features:

- One three bedroom / one full bath unfurnished apartment on main level (for photos visit: <http://www.jamesorcutt.com/619NorthAuroraApartment1>)
- One (large) one bedroom / one full bath unfurnished apartment on second level (for photos visit: <http://www.jamesorcutt.com/619NorthAuroraApartment2N>)
- One (small) one bedroom / one full bath unfurnished apartment on second level (for photos visit: <http://www.jamesorcutt.com/619NorthAuroraApartment2S>)
- On-site parking for five cars
- Mostly separate utilities (four gas meters; three electric meters)

II. Valuation

A. Assumptions

Date of Analysis and Valuation	December 1st, 2012
619 N. Aurora Valuation Parameters	
Equity Dividend Rate (y)	10.00000%
619 N. Aurora Financing Parameters	
Mortgage Interest Rate	4.50%
Mortgage Amortization	20 Years
Loan to Value Ratio	75.00%
Assuming Holding Period	20 Years
Reversion Cap Rate	10.00%
Broker & Legal Expenses	7%

B. 2012-2013 Rent Roll 619 N. Aurora

Apt. #	Type	Monthly Rent	Lease Term	Annual Rent
			(Months)	
1	3 BR/1 Bath	\$ 1,650.00	11.5484	\$ 19,055
2N	1 BR/1 Bath	\$ 875.00	11.5484	\$ 10,105
2S	1 BR/1 Bath	\$ 775.00	11.5484	\$ 8,950
TOTAL		\$ 3,300.00		\$ 38,110

C. Proforma Income Statement for 619 N. Aurora

	0		1	2	3	4	5	6	7	8	9	10
Revenues:	2012	% of Sales	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Potential Gross Income (PGI)	\$ 39,600	100.00%	\$ 40,986	\$ 42,421	\$ 43,905	\$ 45,442	\$ 47,032	\$ 48,679	\$ 50,382	\$ 52,146	\$ 53,971	\$ 55,860
Less Vacancy (3.76%)	\$ (1,490)	3.76%	\$ (1,542)	\$ (1,596)	\$ (1,652)	\$ (1,710)	\$ (1,770)	\$ (1,832)	\$ (1,896)	\$ (1,962)	\$ (2,031)	\$ (2,102)
Effective Gross Income (EGI)	\$ 38,110	96.24%	\$ 39,444	\$ 40,824	\$ 42,253	\$ 43,732	\$ 45,262	\$ 46,847	\$ 48,486	\$ 50,183	\$ 51,940	\$ 53,757
Operating Expenses:												
Insurance	\$ 800	2.1%	\$ 828	\$ 857	\$ 887	\$ 918	\$ 950	\$ 983	\$ 1,018	\$ 1,053	\$ 1,090	\$ 1,128
Water & Sewer	\$ 1,066	2.8%	\$ 1,104	\$ 1,142	\$ 1,182	\$ 1,224	\$ 1,266	\$ 1,311	\$ 1,357	\$ 1,404	\$ 1,453	\$ 1,504
Solid Waste	\$ 168	0.4%	\$ 174	\$ 180	\$ 186	\$ 193	\$ 200	\$ 207	\$ 214	\$ 221	\$ 229	\$ 237
Gas	\$ 720	1.9%	\$ 745	\$ 771	\$ 798	\$ 826	\$ 855	\$ 885	\$ 916	\$ 948	\$ 981	\$ 1,016
Taxes	\$ 8,775	23.0%	\$ 9,082	\$ 9,400	\$ 9,729	\$ 10,069	\$ 10,421	\$ 10,786	\$ 11,164	\$ 11,554	\$ 11,959	\$ 12,377
Maintenance (3.5% of EGI)	\$ 1,386	3.5%	\$ 1,381	\$ 1,429	\$ 1,479	\$ 1,531	\$ 1,584	\$ 1,640	\$ 1,697	\$ 1,756	\$ 1,818	\$ 1,882
Total OE	\$ 12,915	33.8%	\$ 13,313	\$ 13,779	\$ 14,261	\$ 14,760	\$ 15,277	\$ 15,812	\$ 16,365	\$ 16,938	\$ 17,531	\$ 18,144
NOI	\$ 25,195	66.1%	\$ 26,131	\$ 27,045	\$ 27,992	\$ 28,971	\$ 29,985	\$ 31,035	\$ 32,121	\$ 33,245	\$ 34,409	\$ 35,613

	11	12	13	14	15	16	17	18	19	20	Terminal Year 21
Revenues:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Potential Gross Income (PGI)	\$ 57,815	\$ 59,838	\$ 61,933	\$ 64,100	\$ 66,344	\$ 68,666	\$ 71,069	\$ 73,557	\$ 76,131	\$ 78,796	\$ 81,553
Less Vacancy (3.76%)	\$ (2,176)	\$ (2,252)	\$ (2,331)	\$ (2,412)	\$ (2,497)	\$ (2,584)	\$ (2,675)	\$ (2,768)	\$ (2,865)	\$ (2,965)	\$ (3,069)
Effective Gross Income (EGI)	\$ 55,639	\$ 57,586	\$ 59,602	\$ 61,688	\$ 63,847	\$ 66,082	\$ 68,395	\$ 70,788	\$ 73,266	\$ 75,830	\$ 78,484
Operating Expenses:											
Insurance	\$ 1,168	\$ 1,209	\$ 1,251	\$ 1,295	\$ 1,340	\$ 1,387	\$ 1,436	\$ 1,486	\$ 1,538	\$ 1,592	\$ 1,648
Water & Sewer	\$ 1,557	\$ 1,611	\$ 1,668	\$ 1,726	\$ 1,786	\$ 1,849	\$ 1,914	\$ 1,981	\$ 2,050	\$ 2,122	\$ 2,196
Gas	\$ 1,051	\$ 1,088	\$ 1,126	\$ 1,165	\$ 1,206	\$ 1,248	\$ 1,292	\$ 1,337	\$ 1,384	\$ 1,433	\$ 1,483
Taxes	\$ 12,811	\$ 13,259	\$ 13,723	\$ 14,203	\$ 14,701	\$ 15,215	\$ 15,748	\$ 16,299	\$ 16,869	\$ 17,460	\$ 18,071
Maintenance (3.5% of EGI)	\$ 1,947	\$ 2,016	\$ 2,086	\$ 2,159	\$ 2,235	\$ 2,313	\$ 2,394	\$ 2,478	\$ 2,564	\$ 2,654	\$ 2,747
Total OE	\$ 18,534	\$ 19,183	\$ 19,854	\$ 20,549	\$ 21,268	\$ 22,013	\$ 22,783	\$ 23,580	\$ 24,406	\$ 25,260	\$ 26,144
NOI	\$ 37,105	\$ 38,404	\$ 39,748	\$ 41,139	\$ 42,579	\$ 44,069	\$ 45,611	\$ 47,208	\$ 48,860	\$ 50,570	\$ 52,340

Notes & Assumptions:

- Revenue increases @ 3.5% per annum
- Expense ratios remain constant @ 2012 % of EGI
- Vacancy est. @ 3.76% of PGI
- Maintenance est. @ 3.5% of EGI
- Water expense per City Chamberlain 10/19/12 (actual for trailing four quarters)
- Gas expense per NYSEG 10/19/12 (Avg./Month for TTM)
- Insurance expense provided by seller
- Valuation assumes owner managed

D. Value of 619 N. Aurora using Band of Investment Model

<i>Mortgage Interest Rate</i>	4.50%
<i>Mortgage Amortization</i>	20
<i>Mortgage Constant</i>	0.075918
<i>Loan to Value Ratio</i>	75.00%
<i>Equity Dividend Rate</i>	10.00%

Calculation for Overall Cap Rate (WACC)

Mortgage Component	75.00%	*	0.075918	=	0.056938
Equity Component	25.00%	*	0.100000	=	0.025000
			WACC	=	0.081938

<u>Value</u>	=	NOI	/	WACC
	=	\$ 25,194.73	/	8.19%
Fair Market Value	=	\$ 307,484		
(Based on Reported NOI)				

E. Equity yield (Equity IRR) of 619 N. Aurora (assuming 20-year holding period)

Value = \$	307,484
LTV =	75.00%
Debt Service = \$	17,508

Cash Flow Projection

Period	Year	Net Income	Debt Service	Reversion	BTCF
0	2012				\$ (76,871)
1	2013	\$ 26,131	\$ 17,508		\$ 8,623
2	2014	\$ 27,045	\$ 17,508		\$ 9,537
3	2015	\$ 27,992	\$ 17,508		\$ 10,484
4	2016	\$ 28,971	\$ 17,508		\$ 11,464
5	2017	\$ 29,985	\$ 17,508		\$ 12,478
6	2018	\$ 31,035	\$ 17,508		\$ 13,527
7	2019	\$ 32,121	\$ 17,508		\$ 14,613
8	2020	\$ 33,245	\$ 17,508		\$ 15,738
9	2021	\$ 34,409	\$ 17,508		\$ 16,901
10	2022	\$ 35,613	\$ 17,508		\$ 18,106
11	2023	\$ 36,860	\$ 17,508		\$ 19,352
12	2024	\$ 38,150	\$ 17,508		\$ 20,642
13	2025	\$ 39,485	\$ 17,508		\$ 21,977
14	2026	\$ 40,867	\$ 17,508		\$ 23,359
15	2027	\$ 42,297	\$ 17,508		\$ 24,790
16	2028	\$ 43,778	\$ 17,508		\$ 26,270
17	2029	\$ 45,310	\$ 17,508		\$ 27,802
18	2030	\$ 46,896	\$ 17,508		\$ 29,388
19	2031	\$ 48,537	\$ 17,508		\$ 31,030
20	2032	\$ 50,236	\$ 17,508	483,546.51	\$ 516,275
21	2033	\$ 51,994	\$ -		

Equity IRR 20.11%

Reversion Analysis

21st Year Net Income	\$ 51,994
Terminal Capitalization Rate	10.00%
Gross Sale Proceeds	\$ 519,942
Less: Broker & Legal Expenses (7%)	\$ (36,396)
Sub Total	\$ 483,547
Remaining Mortgage Balance	-
Net Sale Proceeds	\$ 483,547
Equity IRR	20.11%

F. Property Tax Worksheet

2012 Tax Rates													
\$ Per Mil (\$1,000 Assessed)													
Address	School	Town	County	Fire	Light	Ambulance	Water & Sewer	Special Distr.	Solid Waste	Village	Total Tax Rate	2012 Assessment	Taxes (\$)
619 N. Aurora (City of Ithaca)	\$16.95340	\$12.930000	\$6.677453				*	*	*		\$36.560853	240,000	\$8,774.60