Static Pro Forma Worksheet w/ formulas R. John Anderson September 2016

WHAT REVENUE CAN YOUR BUILDING PRODUCE?

#1. MONEY IN	Quantity	Rent per Unit	SF per Unit	Rent/SF	Total SF	Total Monthly Rent
Studio Apartments	0	$ 700.00	420	$ 1.67	0 SF	$ -
One Bedrooms	2	$ 800.00	512	$ 1.56	1024 SF	1,600
Two Bedrooms	2	$ 1,400.00	1024	$ 1.37	2048 SF	2,800
Commercial Space	1	$ 1,400.00	1024	$ 1.37	1024 SF	1,400
Common Area/Storage/Garages	1		512	$ -	512 SF	$
				Total	4608 SF	**5,800**

Gross Potential Annual Income - GPI (Monthly Rent x 12)	**69,600**

WHAT WILL IT COST TO OPERATE THE BUILING?

#2. VACANCY AND OPERATING EXPENSES	% of Gross Income		#3. CALCULATE NET OPERATING INCOME	
GPI - From #1		$69,600	Take your Potential Gross Income (PGI) from #1	**$69,600**
Vacancy Factor (% of GPI)	5%	**$3,480**	Subtract the Vacancy Factor	$3,480
Annual Operating Expenses (OpEx); Insurance, proprty taxes, property management, repairs, water, sewer, trash, etc. (% of GPI-Vacancy)	25%	**$16,530**	Sub-Total is the **Gross Operating Income (GOI):**	**$66,120**
			Subtract the Operating Expenses GOI X 25% OpEx) from #2	$16,530
			Remainder is the annual **Net Operating Income (NOI):**	**$49,590**

WHAT WILL IT COST TO BUILD? - WHAT IS YOUR RETURN ON PROJECT COST?

#4. COST OF BUILDING THE PROJECT	Quantity	Cost per SF	Total	#5. CALCULATE ESTIMATED RETURN ON PROJECT COST	
Land Cost	1	N/A	$70,000	Take your **Annual NOI** from #3	**$49,590**
Hard Costs (Total SF from #1 x Cost per SF)	4,608	$110	$506,880	Divide that by your **Total Project Cost** from #4	$692,080
Soft Costs (Total SF from #1 x Cost per SF)	4,608	$25	$115,200	The product is your **Estimated Return on Project Cost**	**7.2%**
Other (Off-site Improvement Costs)	1	N/A	$ -		
		Total Project Cost:	**$ 692,080.00**		

HOW DO YOU FINANCE THE BUILDING? - HOW MUCH MONEY IS LEFT AFTER YOU PAY OPERATING EXPENSES AND DEBT SERVICE?

#6. DEBT SERVICE	$	#7. CALCULATE CASH-ON-CASH RETURN	
Total Project Cost from #4	$692,080	Take your **Annual Net Operating Income** from #3	$49,590
To get a construction loan, assume that a down paymnt of 25% **Equity** will be required in cash or some other form of equity (land, deferred fees, etc.)	$173,020	Subtract your **Annual Debt Service** from #6	$30,091
Assumed **Loan Amount** is 75% of the Total Project Cost. This is the **Total Project Cost** less the **Equity** provided:	$519,060	This produces your **Net Annual Income** (or Cash Flow after OpEx and Debt Service):	$19,499
How much do you have to pay the bank each month to servicethe construction loan debt? Use this online mortgage calculator to determine your monthly payment www.mortgagecalculator.org (Assume 4.5% interest and 25 year amortization, no PMI, and no property insurance).	$2,508	Divide your **Net Annual Income** by the 25% **Equity** number from #6 to calculate your return on the Equity; your **Cash on Cash Return:**	11.3%
Multiply Monthly Payment by 12 to produce your **Annual Debt Service**.	$30,091	**#8. ESTIMATE ANNUAL DEPRECIATION EXPENSE**	
Divide the Annual NOI by the **Annual Debt Service** to produce your **Debt Service Coverage Ratio:**	1.65	Multiply the **Total Project Cost** by .75 as a rough estimate of the value of improvements to the land for the basis of your depreciation expense. Divide the result by 27.5 years to determine the **Annual Depreciation Expense:**	$18,875