Investment Property Analysis

Equity Growth ~ Tax Benefits ~ Debt Reduction ~ Cash Flow

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REALTYYIELD
BUILDING WEALTH THROUGH REAL ESTATE

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SECTION 1

Preface

- The Realty Yield Process
- Investment Property Analysis (Overview) – The IPA Explained

REALTY YIELD PROCESS GRAPHIC

Typical Timeline	The Realty Yield Way…	Client Role
Upon First Contact or Shortly Thereafter	**STEP 1** Discuss current situation, goals & real estate investment objectives.	Phone call or meeting
Usually within 10-20 days of first contact/conversation	**STEP 2** Complete financial-investment returns analysis of current investment real estate holdings (see Realty Yield **IPA**). Realty Yield will identify options and opportunities that will improve returns and accelerate capital/equity growth.	Compile and provide Realty Yield property-s acquisition, Income/expense, tax basis and loan Information
At client's convenience	**STEP 3** Meeting to review investment property analysis report **(IPA)**. Realty Yield will provide copy of report for further/later review.	Meeting with Realty Yield
At client's convenience	**STEP 4** Discuss specifics of strategic options, pros/cons and logistics/process of executing each. Refine/Update analysis **(IPA)** & projections to reflect favored strategy.	Typically Q&A type discussions and/or follow-up meeting-s
Varies upon complexity, typically 60-120 days, 1031 Exchanges can take longer to execute properly	**STEP 5** Prepare for and execute chosen strategy. ***Realty Yield will handle every aspect of assignment - key approvals to be made by client.***	Key approvals and due diligence support
Annually	**STEP 6 (ANNUAL REVIEW)** Realty Yield will complete an annual analysis **(IPA)** to ensure property/portfolio returns are being achieved in accordance with goals, objectives and risk tolerance.	Client to provide property-s operating financials & related. Meeting with Realty Yield to review annual report **(IPA)**

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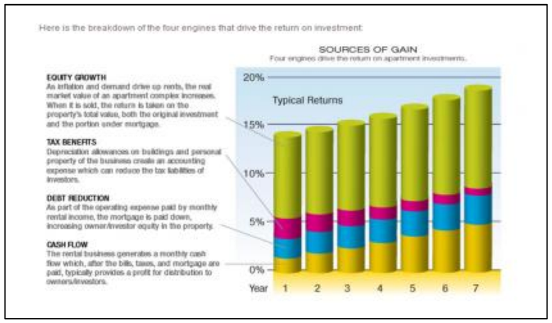
INVESTMENT PROPERTY ANALYSIS



Report overview, the "process"...

To start with, Realty Yield will analyze and summarize the current performance of your real Estate holding-(s) from a return on invested capital (equity) standpoint. A one- (1) and five- (5) year projection is made detailing ***pre-tax cash flow, income tax implication, debt (loan) impact on yield, and any projected appreciation***. If your current holdings include multiple properties each property will be analyzed individually. A cumulative summary will also be prepared.

Next, two fundamental strategic approaches are evaluated; the first is cash-out refinancing with the reinvestment of "pulled" net proceeds; and the second is the selling of current properties and reinvesting the net sale proceeds. A combination of both approaches will also evaluated. The investment returns from each strategy (and a combination of these options) are then compared to the current returns being generated to determine if there is an opportunity to improve the financial performance (increase investment returns) of invested capital (equity).

The details & process...

► **STEP 1:** The operating data (income and expenses) for each property, any debt (mortgage) information, as well as property acquisition data is to be provided by the owner/investor.

► **STEP 2:** This data will used by Realty Yield to generate a **"Quick View" Investment Property Analysis (IPA)** of the investment return on invested capital (equity) for each property in the investor's portfolio. Then, the cumulative investment returns of all owned properties are conveniently illustrated in our **Real Estate Wealth Building Analysis Summary** report.

The analysis will cover the four- (4) primary engines impacting investment real estate returns *(pre-tax cash flow, income tax implication, debt/loan impact on yield and any projected appreciation will be factored*). A tax basis computation will also be computed.

► **STEP 3:** Reallocation options of invested capital (equity) are examined. The first alternative analyzed will focus on a cash-out refinance scenario utilizing the available "pulled" net cash proceeds for reinvestment into a new property-(s). The cumulative returns of the current property-(s) with new loan-(s) PLUS the new property-(s) projected returns are compared to the current as-is situation. The second alternative analyzes the option of selling existing property-(s) and reinvesting the total net sale proceeds. A comparison is once again made between the proposed new property- (s) and the current as-is situation. The next comparison made is between the refinance and reinvest; and the sell and reinvest strategies. As mentioned above a combination of incorporating both strategies will also be analyzed.

The end result is that the optimum allocation of invested capital (equity) is found to maximize overall leveraged returns. All relevant tax basis, depreciation and debt/loan issues are carefully examined and considered. And most importantly, all strategic options analyzed and recommended will be consistent with an investor's goals and risk/return tolerance.

We recommend this type of analysis annually – the market and opportunities are ever changing. Owning investment real estate is a dynamic situation.

SECTION 2

Report Foreword & Summary

- Current Holding-s “As-Is” Narrative
- The Opportunity Preamble
- Financial-Investment Property Analysis
  (IPA) Wealth Building Summary

Investment Property Analysis (IPA) Report Foreword

(Prepared for XYZ Client) – January XX, 20XX

INTRODUCTION

We have found by first introducing the key elements, findings and conclusions of the IPA report in a prelude narrative better facilitates the understanding of the specific conceptions and "strategic actions" being presented and recommended in each of the report sections to follow.

GENERAL COMMENTS (current holding-s "as-is" summary and assessment)

For the most part, your multi-plexes are performing like the "norm", that is returns are in line with what other investors are realizing with similar holdings. The challenge for investors with significant capital/equity in smaller income-properties is that though positive cash flow is being generated, the CASH-ON-CASH return (%) on invested capital is typically low-to-mid single digits. And, depending on the effective tax rate of the investor, the after-tax return on cash flow is almost always to some degree even lower.

To realistically realize annualized double-digit returns on smaller income-properties would almost always require consistent year-over-year appreciation (minimum 2% to 3%) plus some level of structured leverage (loans in place). The math is straightforward. With smaller income-properties, investors usually have to make a strategic choice whether cash-flow OR maximum possible growth of capital/equity is the primary goal, it is just not arithmetically probable to optimize/maximize both at the same time. *The exception would be if current loan rates were low enough that the loan constant is less than the calculated capitalization rate on a given property (very unlikely on smaller multi-plexes).*

Moreover, since future appreciation is always somewhat subjective, Realty Yield likes to first evaluate any investment real estate holding-s on the objective return metrics first. That is; cash flow, income tax implications on operating income and the effect on yield of any loan in place (leverage). These calculations are just math and can be more accurately assessed and projected.

As is typically found with owners of smaller multi-plex rentals the following was calculated and concluded with the data provided:

> Pre-Tax Cash Flow: Analyzed properties are cumulatively generating 4.52% on invested capital/equity (best-case projections). SEE ANALYSIS.

> After-Tax Cash Flow: The net operating income is being taxed at investor-s effective tax rate, lessening after-tax returns, projected to be 3.83%. The absence of almost any interest expense deduction and nominal depreciation remaining are the main factors. SEE ANALYSIS.

> Debt/Loan Impact: The low level of debt (LTV= ~4.2%), hence no leverage in play (positive, neutral or negative) equates too little impact on either pre-tax, after-tax or total leverage returns. After-tax returns after factoring pay-down on principal are projected at 4.12%. SEE ANALYSIS.

> Appreciation Projections: An annual rate of 3.0% is subjectively being projected for the next five-5 years. Based on this assumption, overall projected leveraged returns on current holdings "as-is" are projected at 7.25% (and per above, 4.12% not factoring appreciation). SEE ANALYSIS.

<u>THE OPPORTUNITY</u> (preamble)…

For investors with sufficient capital/equity for real estate investment (typically $250,000+/- minimum, $350,000+ ideal), there are usually better options than single-family rentals and/or small multi-plexes. Better balance across the 4-engines that drive overall returns becomes not only feasible but readily doable with proper strategic planning and execution. The simple fact is that larger multi-family properties (apartment buildings), mixed-use properties and retail buildings sell/trade at capitalization rates that offer investors' greater yield assuming sufficient capital is available for investment (many/most investors simply don't have the capital to buy these properties). When combined with the prudent use of leverage in a "positive leverage" market (exists now, 2014), real estate investment returns can likely be significantly accelerated over the current "as-is" position.

There are basically two primary options identified that would improve both overall investment returns and cash flow. These would be:

1. Sell existing properties and reinvest in higher yielding properties (1 or more). By investing in replacement properties with higher capitalization rates (all cash return comparison metric), incorporating positive leverage (loan rates/loan constant lower than cap rates), structuring with greater tax advantage and owning more value in property (appreciation upside) improved performance of invested capital/equity can reasonably be forecasted.

   Based on the data provided, the <u>net improvement</u> (over current) is projected as follows (SEE ANALYSIS):

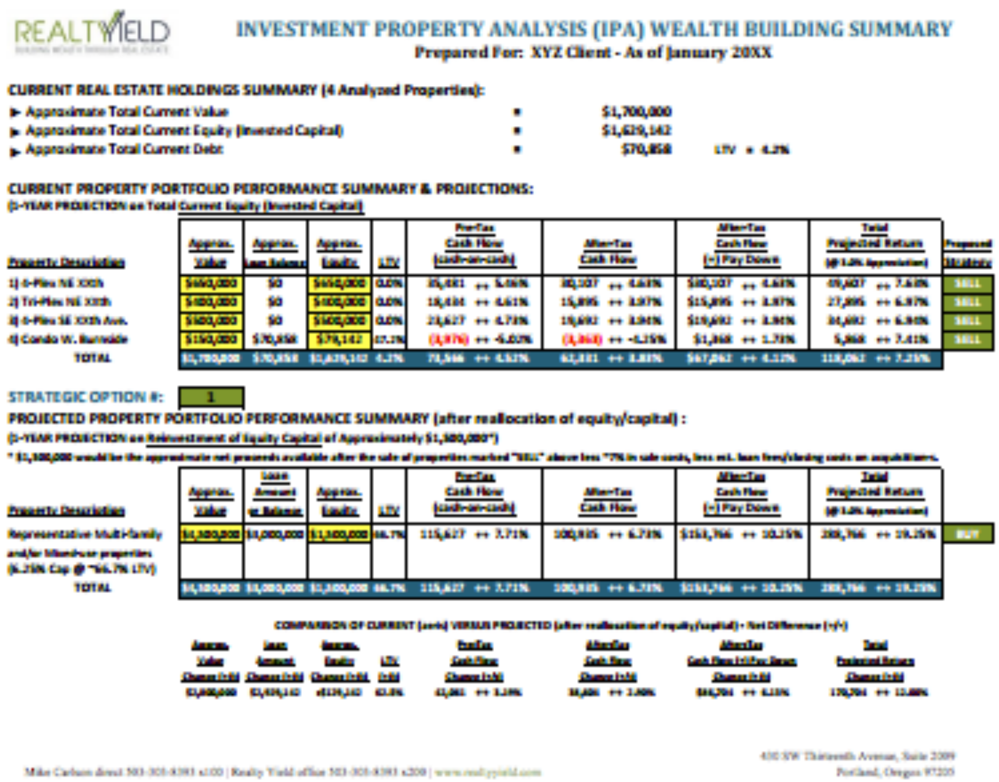
Pre-Tax Cash Flow Change (+/-)	After-Tax Cash Flow Change (+/-)	After-Tax Cash Flow (+) Pay Down Change (+/-)	Total Projected Return Change (+/-)
42,061 ↔ 3.19%	38,604 ↔ 2.90%	$86,704 ↔ 6.13%	170,704 ↔ 12.0%

   ** The specifics and particulars of reallocating current invested equity/capital to generate the above projected return progresses will be covered in the accompanying report and financial/investment analysis completed.*

2. Leverage current properties and reinvest cash-out into additional properties. What is lost in cash-flow on current properties (due to servicing new loans) would be more than made-up in generated cash-flow from new properties. Plus, by increasing the total value of real estate owned, any appreciation would accelerate the growth on invested capital (net wealth gain). Finally, there would be incremental tax benefits realized through more favorable interest expense deductions and the depreciation of new properties.

   NOTE: This report does not cover this scenario (option 2). It is this adviser's opinion that option 2 would improve overall returns from the current hold ("as-is") position. However, option 1 would likely generate greater returns and be easier and less "hands-on" to oversee as owners. *This option (2.) would require ongoing management of existing properties as you are doing today versus option 1 that has the expense of full professional property management factored in the projections.*

Proprietary Information
not included in Sample Report



SECTION 3

Current Holdings, Analyses +

- "Quick View" Investment Analyses (By Property)
- Valuation Analyses (By Property)
- MISC. (Appraiser Input, 3rd Party Reports & Related), if applicable
  (See Enclosures)

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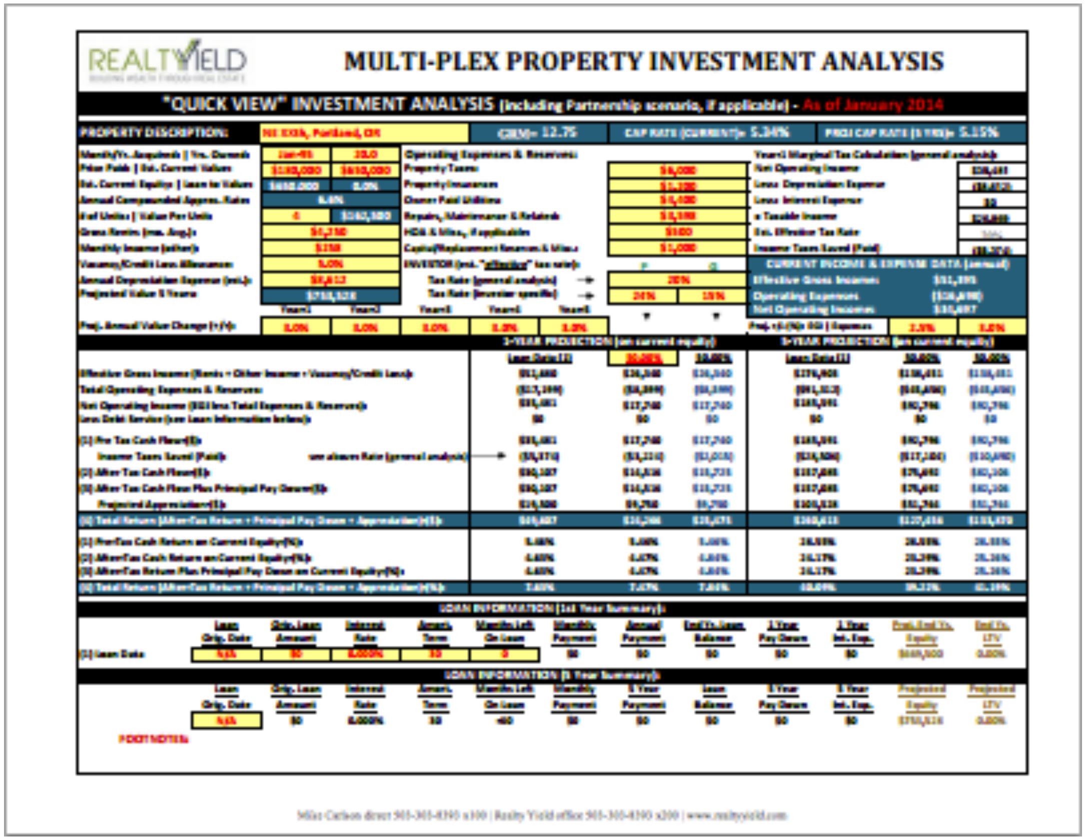
not included in Sample Report



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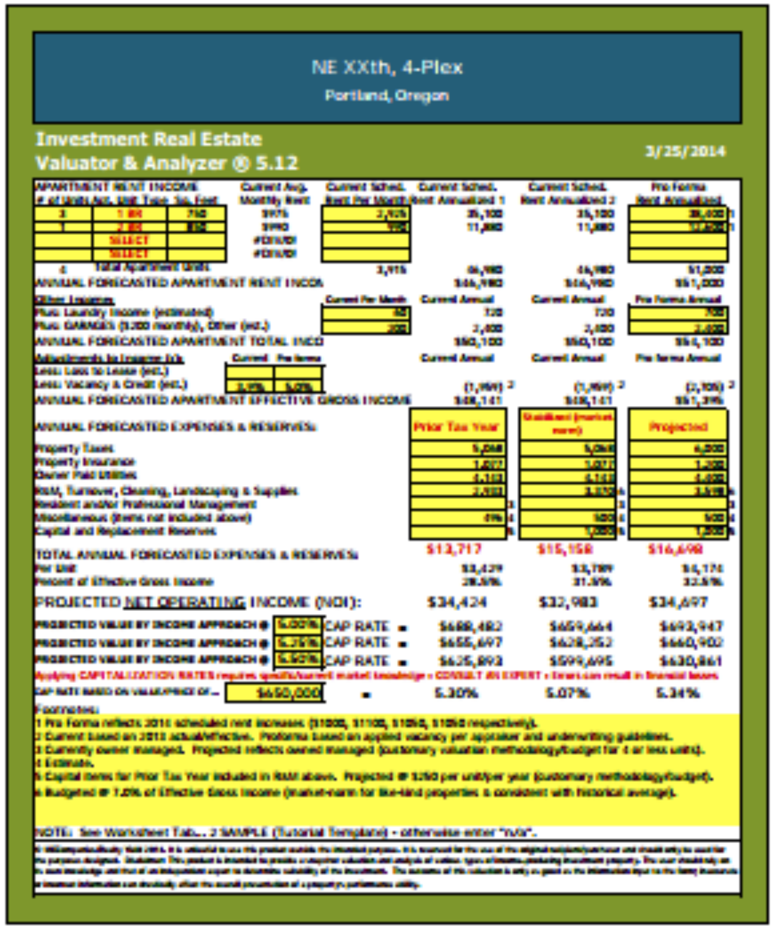

NE XXth, 4-Plex

Portland, Oregon

Investment Real Estate
Valuator & Analyzer ® 5.12

3/25/2014

SECTION 4

Proposed Strategy

- Realty Yield Recommendation-s
- Representative Example Illustrated
- Specific “Current Market” Examples (See Enclosures)

REALTY YIELD RECOMMENDATION-S

RECAP… Communicated Client Goals & Real Estate Investment Objectives

Client has communicated an interest in BOTH improving real estate investment returns AND taking a more passive role in the day-to-day property management of owned properties. Client has a low risk tolerance.

RECAP… Projected Performance (Investment Returns) of Current Real Estate Holdings

Based on the property acquisition and operating data provided, Realty Yield is projecting the following (1-YEAR PROJECTION):

Property Description	Approx. Value	Approx. Loan Balance	Approx. Equity	LTV	Pre-Tax Cash Flow (cash-on-cash)	After-Tax Cash Flow	After-Tax Cash Flow (+) Pay Down	Total Projected Return (@ 3.0% Appreciation)
1) 4-Plex NE XXth	$650,000	$0	$650,000	0.0%	35,481 ↔ 5.46%	30,107 ↔ 4.63%	$30,107 ↔ 4.63%	49,607 ↔ 7.63%
2) Tri-Plex NE XXth	$400,000	$0	$400,000	0.0%	18,434 ↔ 4.61%	15,895 ↔ 3.97%	$15,895 ↔ 3.97%	27,895 ↔ 6.97%
3) 4-Plex SE XXth Ave.	$500,000	$0	$500,000	0.0%	23,627 ↔ 4.73%	19,692 ↔ 3.94%	$19,692 ↔ 3.94%	34,692 ↔ 6.94%
4) Condo W. Burnside	$150,000	$70,858	$79,142	47.2%	(3,976) ↔ -5.02%	(3,363) ↔ -4.25%	$1,368 ↔ 1.73%	5,868 ↔ 7.41%
TOTAL	**$1,700,000**	**$70,858**	**$1,629,142**	**4.2%**	**73,566 ↔ 4.52%**	**62,331 ↔ 3.83%**	**$67,062 ↔ 4.12%**	**118,062 ↔ 7.25%**

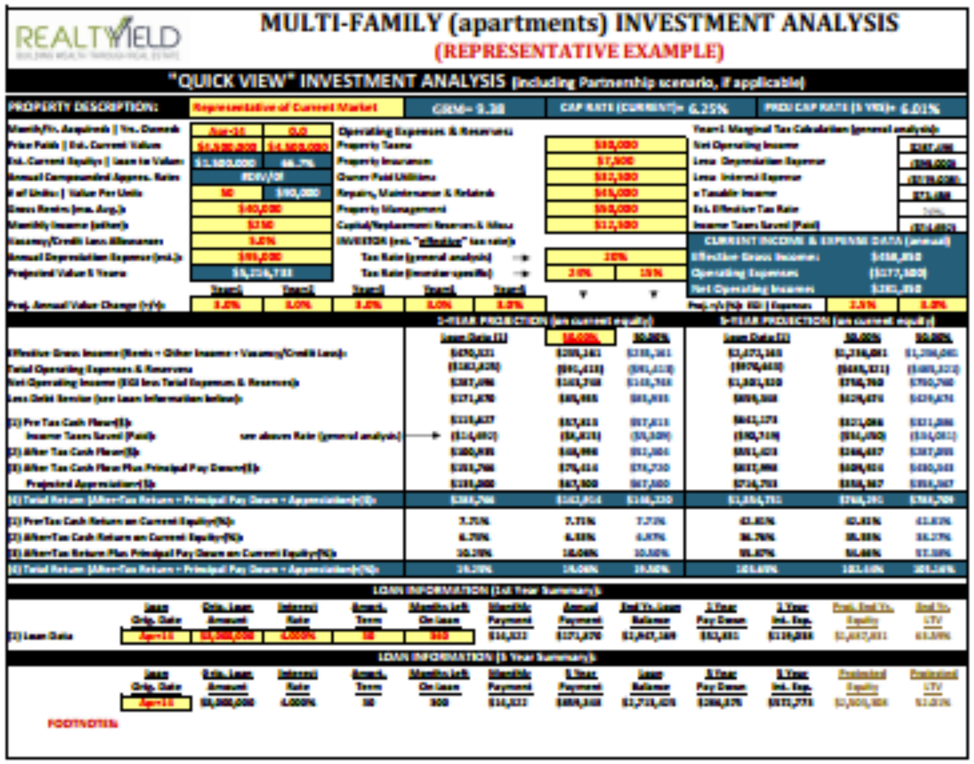
REALTY YIELD RECOMMENDATION

Several factors are present in currently owned properties that make improving overall returns and cash-flow readily doable. Plus, by reallocating capital (equity) to larger properties, professional management is factored relieving owner of day-to-day property management.

- Sum of capital (equity) spread across several smaller investment properties should be pooled to acquire one or higher returning property types (apartments, mixed-use and/or retail). Realty Yield strongly recommends replacement property-s have a value total of somewhere between $3,000,000 (minimum) and $4,500,000 (example next page). **SEE ANALYSIS OF REPRESENTATIVE MARKET "EXAMPLE" TO FOLLOW.**
- Introduce some level of leverage (secure loan-s on replacement property-s). Low current borrowing costs afford prudent investors many advantages; owning more value in property (potential for accelerated capital growth), improved cash-flow (positive leverage) and tax advantages through interest expense and depreciation deductions. **SEE ANALYSIS OF REPRESENTATIVE MARKET "EXAMPLE" TO FOLLOW.**
- Realty Yield strongly recommends any ownership of investment real estate be via LLC /similar to mitigate liability/risk exposure.

NOTE: Please refer back to **INVESTMENT PROPERTY ANALYSIS (IPA) WEALTH BUILDING SUMMARY** – Section 2

Proprietary Information
not included in Sample Report



SECTION 5

Next Steps

- Recommended Action Plan & TO-DO'S, Check-List (Step-By-Step)

RECOMMENDED ACTION PLAN & TO-DO'S

PRE-SALE PREPARATION (properties to be sold)

Partition 7 units in into 4-plex and tri-plex, value increase estimated to be $100,000 - $135,000

Continue the process of boosting all rents closer to full- market over the next few months

Discuss desired time-line and personal availability to complete 1031 Exchange properly (vacations, other commitments, etc.)

Focus on addressing any deferred maintenance issues on subject properties including landscaping

Would recommend considering modest updates on kitchens and baths on the NE property, per owner provided notes

Schedule walk-through of each property for Realty Yield tour

Realty Yield to have professional photographer take photos (after maintenance and clean-up) for Offering Memorandums

Forward Realty Yield monthly operating statements and rent-rolls during sale process, each property

Keep Realty Yield informed of any tenant turnover or vacancies

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OTHER (*Note: additional items to be added as we move through the 1031 Exchange process)

Be prepared to review potential 1031 replacement properties when presented by Realty Yield

Be prepared to provide Realty Yield requested documents and financials needed to secure new loan-s on replacement property-s

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SECTION 6

Reference

- Investment Returns Table
- Leverage & Financing
- 1031 Exchange, Process Graphic
- More…
- Mike D. Carlson Bio

REAL ESTATE EQUITY-CAPITAL INVESTMENT RETURN TABLE

Invested Equity-Capital of…	Annual Return of… 5.00 % — Equity-Capital Value in…		Annual Return of… 7.50 % — Equity-Capital Value in…		Annual Return of… 10.00 % — Equity-Capital Value in…		Annual Return of… 12.50 % — Equity-Capital Value in…		Annual Return of… 15.00 % — Equity-Capital Value in…		Annual Return of… 20.00 % — Equity-Capital Value in…	
	1 year	5 years	1 year	5 years	1 year	5 years	1 year	5 years	1 year	5 years	1 year	5 years
$100,000	105,000	127,628	107,500	143,562	110,000	161,051	112,500	180,203	115,000	201,135	120,000	248,832
$250,000	262,500	319,070	268,750	358,907	275,000	402,627	281,250	450,508	287,500	502,839	300,000	622,080
$500,000	525,000	638,140	537,500	717,814	550,000	805,255	562,500	901,016	575,000	1,005,678	600,000	1,244,160
$750,000	787,500	957,211	806,250	1,076,721	825,000	1,207,882	843,750	1,351,524	862,500	1,508,517	900,000	1,866,240
$1,000,000	1,050,000	1,276,281	1,075,000	1,435,629	1,100,000	1,610,510	1,125,000	1,802,032	1,150,000	2,011,357	1,200,000	2,488,320
$1,250,000	1,312,500	1,595,351	1,343,750	1,794,536	1,375,000	2,013,137	1,406,250	2,252,540	1,437,500	2,514,196	1,500,000	3,110,400
$1,500,000	1,575,000	1,914,421	1,612,500	2,153,443	1,650,000	2,415,765	1,687,500	2,703,048	1,725,000	3,017,035	1,800,000	3,732,480
$1,750,000	1,837,500	2,233,492	1,881,250	2,512,350	1,925,000	2,818,392	1,968,750	3,153,556	2,012,500	3,519,874	2,100,000	4,354,560
$2,000,000	2,100,000	2,552,562	2,150,000	2,871,258	2,200,000	3,221,020	2,250,000	3,604,064	2,300,000	4,022,714	2,400,000	4,976,640
$2,500,000	2,625,000	3,190,700	2,687,500	3,589,070	2,750,000	4,026,275	2,812,500	4,505,080	2,875,000	5,028,390	3,000,000	6,220,800
$3,000,000	3,150,000	3,828,840	3,225,000	4,306,884	3,300,000	4,831,530	3,375,000	5,406,096	3,450,000	6,034,068	3,600,000	7,464,960
$3,500,000	3,675,000	4,466,980	3,762,500	5,024,698	3,850,000	5,636,785	3,937,500	6,307,112	4,025,000	7,039,746	4,200,000	8,709,120
$4,000,000	4,200,000	5,105,120	4,300,000	5,742,512	4,400,000	6,442,040	4,500,000	7,208,128	4,600,000	8,045,424	4,800,000	9,953,280
$4,500,000	4,725,000	5,743,260	4,837,500	6,460,326	4,950,000	7,247,295	5,062,500	8,109,144	5,175,000	9,051,102	5,400,000	11,197,440
$5,000,000	5,250,000	6,381,405	5,375,000	7,178,145	5,500,000	8,052,550	5,625,000	9,010,160	5,750,000	10,056,785	6,000,000	12,441,600
$6,000,000	6,300,000	7,657,686	6,450,000	8,613,774	6,600,000	9,663,060	6,750,000	10,812,192	6,900,000	12,068,142	7,200,000	14,929,920
$7,000,000	7,350,000	8,933,967	7,525,000	10,049,403	7,700,000	11,273,570	7,875,000	12,614,224	8,050,000	14,079,499	8,400,000	17,418,240
$8,000,000	8,400,000	10,210,248	8,600,000	11,485,032	8,800,000	12,884,080	9,000,000	14,416,256	9,200,000	16,090,856	9,600,000	19,906,560
$9,000,000	9,450,000	11,486,529	9,675,000	12,920,661	9,900,000	14,494,590	10,125,000	16,218,288	10,350,000	18,102,213	10,800,000	22,394,880
$10,000,000	10,500,000	12,762,810	10,750,000	14,356,290	11,000,000	16,105,100	11,250,000	18,020,320	11,500,000	20,113,570	12,000,000	24,883,200

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HOW ***LEVERAGE*** (the use of financing) AFFECTS REAL ESTATE INVESTMENTS

Definition of 'Leverage': ***The use of borrowed capital to increase the potential return of an investment.***

When interest rates are very low, many income-property owners want to refinance. While taking-out a new loan with a lower interest rate is certainly compelling by itself; another decision that has to be made is "how much to borrow"?

Leverage may be the most misunderstood factor of real estate financing, and its understanding is a prerequisite to the application of how to effectively use financing in creating, maximizing and retaining wealth through real estate investment. When used properly it can significantly improve cash flow and accelerate the rate of growth on invested capital (equity).

While it is often thought that *Leverage* and risk go hand in hand, and that the greater the *Leverage*, the greater the risk, this is quite often not the case. In fact, once you realize just how *Leverage* works, you will see that if *Leverage* has been used to its maximum benefit, the greater the *Leverage* the lower the risk. Equating *Leverage* with high risk is simply a myth of real estate investment and financing.

LEVERAGED MULTIFAMILY REAL ESTATE	
ASSET VALUE	$1,000,000
COST TO INVESTOR	$300,000
EXPOSURE TO POTENTIAL LOSS	$300,000
6% ANNUAL RETURN	$60,000
RETURN ON INVESTMENT	20%

WHAT IS LEVERAGE & WHY USE LEVERAGE?

Leverage is the result of borrowing money at a constant rate lower than the capitalization rate (net operating income / property value) of an investment property. The constant payment includes both interest and principal, and reflects the payment in relation to the original amount of the principal owed. The constant rate is a function of time and interest and as one changes the constant rate changes. When the net operating income of an investment property exceeds the constant payment, *Leverage* has been introduced, and the interest yield on the invested capital will now exceed the yield on an all cash investment. The investor is now making money on borrowed money (hence, the concept and definition of *Leverage*).

Leverage can also be applied even if the property is not income producing but is going up in value at an established rate. However, in general, *Leverage* works best when income from the property is generated.

That is why investors (including institutional & professional investors with seemingly limitless available cash for all cash purchases if desired) strategically use borrowed money (*Leverage*) when the marketplace, investment goals and numerous other input considerations make this both a prudent and risk adverse decision. Paying all cash for an investment property, even if able, often is not the right strategic investment decision.

WHAT ROLE DOES RISK PLAY IN THE USE OF LEVERAGE?

First of all, some level of risk is present in all investments. Any real estate investment can fail to achieve its projected end result. This does not mean the real estate investment either fails 100% or succeeds 100%. This is true of all types of investments. The level of risk is important to both the buyer and lender (often the seller as well). The buyer looks at the level of risk to mean at what jeopardy he or she has placed the invested capital. The lender looks at the level of risk in the repayment of the loan.

However, as attractive as high Leverage is, maximum *Leverage* is only prudent when consistent with overall investment goals and within an investor's ability in keeping the financial obligation under control. The pitfall of *Leverage* is overextension. In the case of income-properties this occurs when the net operating income of the property cannot service the loan payment. The causes can be many including: escalating vacancy rates, higher than projected expenses, variable loan rate increases, etc. Proper planning with the assistance of real estate, financial planning, mortgage lending, tax, and legal professionals is advised.

THE KEY FACTORS IN REAL ESTATE LEVERAGE

- THE STRUCTURE OF FINANCING WILL AFFECT THE AMOUNT OF *LEVERAGE* YOU RECEIVE. The goals of the investor form the basis and level of *Leverage* to be utilized.
- *LEVERAGE* CALCULATIONS ARE ONLY A TOOL TO COMPARE YIELD CALCULATIONS BETWEEN DIFFERENT FINANCING ALTERNATIVES. The amount of yield should not be the sole basis when evaluating and selecting a loan program.
- MAXIMUM *LEVERAGE* MAY NOT ALWAYS BE POSSIBLE OR ADVISABLE. The lender or lenders evaluate many factors when determining the loan amount. The goal(s) of the seller, (often the source of secondary financing and high *Leverage*) will have an impact on the amount of *Leverage* available to an investor.
- THE AMOUNT OF *LEVERAGE* YOU COULD GENERATE THROUGH FINANCING IS NOT THE ONLY OR FINAL CRITERIA. A thorough evaluation of any real estate investment should be completed through a comprehensive due diligence process (analyzing many factors) before a final investment decision is made.
- THE ABILITY TO EFFECTIVELY *LEVERAGE* YOUR INVESTED CAPITAL IS GREATER IN REAL ESTATE INVESTING THAN MOST ANY OTHER INVESTMENT. This is primarily due to the ease and acceptability of using real estate as collateral for mortgage financing. Real estate has proven itself in the United States as the single most secure form of security for a loan.
- *LEVERAGE* IS A FUNCTION OF FINANCING AND IS OFTEN THE GAUGE OF WHAT YOU ARE DOING. Understanding financing means understanding what happens when mortgages are paid down and equity is built up. **Many multimillionaires are people who owe millions of dollars!**

THE FINAL ELEMENT: HOW DOES LEVERAGE AFFECT THE INCREASE OF VALUE IN REAL ESTATE?

There are six reasons property values go up. Often more than one of these six factors is working at the same time, some in a positive way, others negative. Each of the following six factors can be enhanced or detracted from by the total effect of financing.

1. Inflation. Inflation increases the monetary value of property due to both the general decline of the buying power of money (increase in the cost of living) and the proven historical correlation that real estate investment returns have exceeded the increase in the cost of living. This positive correlation is desirable because it indicates real estate is a hedge on inflation.

2. Improved Infrastructure. Community issues such as new roads, bridges, hospitals, water systems, schools and so on all contribute to the infrastructure within a given area. Each can have an impact on property values.

3. Economic Conversion. This occurs when there is a change in the use of a property - voluntary economic conversion (apartments to condominiums for example).

4. Increased Cash Flow. The value of every income-producing property is affected by changes in cash flow. The fact that cash flow sets the cash on cash yield (the return on your actual cash investment); anything that increases cash flow will generally increase the value of a property.

5. Capital Improvements. While not all capital improvements increase property values immediately, most real estate investors find that any capital improvement that positively impacts one of the previously mentioned value factors will increase value.

6. Supply and Demand. When the demand for a given property or property type exceeds the supply an increase in value is imminent. The other side of the equation is also true. This is an area where savvy investing and experience comes in handy.

MULTIPLE DISPOSITION IRC 1031 EXCHANGE PROCESS & TIMELINE

REALTYYIELD

STEP 1
Pre-Sale Activities
Disposition of Selected Currently Owned Properties

- Disposition Property #1
- Disposition Property #2
- Disposition Property #3
- Disposition Properties 4, 5, 6, 7+

A) Valuation & Pricing
B) Marketing Collateral Drafted
C) Load Property-(s) Listing Websites
D) Other Property Specific Pre-Sale Preparation Tasks

** Completion of STEP 1, 10-30 days*

STEP 2
Disposition of Selected Currently Owned Properties

A) Sales & Marketing Activities (Offering Memorandums, Listing Sites, Realty Yield Website, Etc.)
B) Qualify, Negotiate & Properly Structure Incoming Offers
(Provision for delayed closings & sale terminations maintained) – As necessary for 1031 Exchange
C) Manage Disposition-s Transaction Process through Closing-s
D) Coordinate/Manage IRC 1031 Exchange Process (Accommodator, Title/Escrow, Etc.)

** Completion of STEP 2 will typically vary between 60 and 120 days*

STEP 3
Search For, Identify, Analyze, Evaluate & Pursue Suitable Replacement Property-(s)

A) RY Will “Screen” Available Properties (Financial, Physical, Geographic, Economic, Management, Legislative, Environmental, Liquidity and Upside/Added Value Considerations Are All Factored)
B) Best Opportunities Specific To Client’s Individual Needs and Goals Are Listed
A) Offer-(s) Are Made On Replacement Property-(s) - Control of Property-(s) Is Secured
B) Due Diligence Process Completed (Inspections, Valuation/Appraisal, Financials Audited, Relevant Property Documents Reviewed, Loan Pre-Approval Obtained, Title Examination, Etc.)
C) Nominate Chosen Replacement Property-(s) Per IRC 1031 Exchange Regulations

** Completion of STEP 3 will typically vary between 60 and 120 days*

STEP 4
Final Closing Steps on Replacement Property-(s)

A) Loan Process Is Completed (Appraisal, Underwriting, Insurance, Document Submittal)
B) IRC 1031 Exchange Documents Readied
C) Replacement Property-s Closed In Escrow

** STEP 4, typically 30 to 60 days*

Timing (Begin/End) Based on Steps 2 & 3

TIMELINE

START | 30 Days | 60 Days | 90 Days | 120 Days | 150 Days | 180 Days

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MIKE CARLSON, FOUNDER

Mike is a long-time advisor to private investor clients. His forte is working with clients desiring guidance and services over the long haul. Mike is an expert in income property investment and wealth building, financial-investment analysis, brokerage, income-property finance and strategic asset (real estate) management.

ADVISER & PRINCIPAL BROKER

Mike has been the lead broker and/or adviser on several-hundred million dollars' worth of real estate transactions/projects.

With his impressive track-record of success, Mike is often the go-to guy for buyers, income-property financing, sellers with complex disposition/exchange/exit factors and landlords wanting to consult on property-portfolio performance improvement strategies.

His professional history includes: positions in the technology field (IBM, Motorola), various small business endeavors; and since 1998, a full-time focus in the investment real estate and finance arena.

Mike has developed a variety of proprietary financial-investment analysis tools used by both private investors and real estate service professionals. Mike has a B.S., Oregon State University, 1985 (areas of study – applied mathematics and marketing).