

planEASe® Office Investment

The analysis and all reports and graphs were prepared using a combination of three of our products, [planEASe](#), the [Reporting Extension](#), and the [Graphics Extension](#).

- **APOD Report**
 - The APOD is a very useful snapshot of the status of a property investment as of the projected Acquisition Date, showing most of the information relevant to the investment, absent any projections of performance.
- **Acquisition Report**
 - shows the cash requirement at acquisition considering price, closing costs, and loan proceeds.
- **ProForma Income Statement**
 - allows you to produce ProForma Income Statements. These reports can be prepared either before or after tax. They combine the Basic and Detail Analysis report information into a very readable format familiar to real estate professionals and accountants. Further, the reports offer information not shown in the Basic and Detail Analysis Reports, such as Ratio Analysis, projected Sale Proceeds by year, and Return and NPV measures by year, as well as a Common Size Statement and a Dollars/Square Foot or Dollars/Unit Statement.
- **Sale Report**
 - presents the determination of the projected sale price, together with the cash proceeds (and Capital Gain calculations) at sale. The report can be prepared either before or after tax.
- **Assumption Report**
 - produces a report showing (in English) the assumptions used to generate the other reports. It was created with the idea of generating an assumptions report which can be presented to an investor or other concerned party to explain the assumptive basis of the other planEASe reports.
- **Rent Roll**
 - produces Rent Roll reports and graphs for either commercial multi-tenant properties (like Office Buildings or Retail Centers), or Unit oriented properties (like Apartments or Mini-Storage).
- **Sensitivity Analysis**
 - As you perform an analysis, planEASe measures the worth of the investment in terms of rates of return and net present values. Sensitivity Analysis allows you to investigate how these measures vary with a change in one of the assumptions. **Any** measure may be chosen for the Sensitivity Analysis, and **any** assumption may be chosen as well. Sensitivity Analysis provides a one page table and graph which describes the relationship between the assumption value and the resulting measure.
- **Lease Summary**
 - allows you to view/print a summary of the leases in an Assumption Set. This differs from the Rent Roll, showing the total dollars and the NPV from the lease.

This *Redondo Professional Building* analysis serves as an example of Office Investment Analysis with planEASe, and demonstrates how to accomplish many advanced planning techniques, such as vacant suites (see suite 200), rental increases on other than an annual basis (see the Insurance Company), CPI increases on months other than January, Tenant Improvements (and Leasing Commissions, since they are

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handled in exactly the same way as TI's), and expense stops (see the tax reimbursements for USA Realty and the Insurance Company). Free Rent and Lease Renewal are demonstrated, as well as a variable rate loan and CAM reimbursements. The Assumption Set for the *Redondo Professional Building* is saved on the planEASe System Disk under the name OFFICES.

Acquisition is projected on 1 January 1995 for \$4M plus 1% Closing Costs. We are projecting a 10 year hold with disposition at a 10% Net Cap Rate less 5% Selling Costs. Inflation during the Holding Period is projected to be 4%. The new owner is in the 39.6% Tax Bracket over the foreseeable future, and does not have the \$25,000 passive loss exemption available.

Revenues

The Building is fully occupied (except Suite 200). For the projection, we have allowed for Vacancy and Credit Losses at 5%, in addition to the current vacancy at Suite 200. The lessees and lease terms are:

Tenant	Lease Terms
1xx USA Realty	\$125,000 Base Rent for the next 3 years, increased by the CPI each January. USA Realty pays their share of the Real Estate Taxes (25% of the current \$40,000), with a Tax Stop of \$10,000. At the end of the 3 years there is a renewal clause for \$150,000 Base Rent, subject again to the CPI, which we assume will be exercised; and we have allowed for \$20,000 of TI's at the renewal.
200 New Tenant	Now vacant, we project renting this suite with a long term standard COL lease at \$12,600 by July. We have allowed \$7,000 for TI's and \$4,000 for the Leasing Commission.
201 Investments	\$7,583 annual rent with a COL increase each January at the Inflation Rate.
202 Dr. Hale	\$15,678 annual rent with a COL increase each March at the Inflation Rate.
203 Jones, CPA	\$25,350 annual rent with a COL increase each January at the Inflation Rate.
204 Dr. Paley	\$17,945 annual rent with a COL increase each July at the Inflation Rate.
300-3 Attorneys	\$48,480 annual rent with a COL increase each January at the Inflation Rate.
304-5 Cable TV	\$34,272 annual rent with a COL increase each January at the Inflation Rate.

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306 Contractor	\$15,633 annual rent with a COL increase each January at the Inflation Rate.
307 Consultants	\$15,366 annual rent with a COL increase each January at the Inflation Rate.
4xx Insurance	100,000 annual rent with a COL increase every second January at the Inflation Rate. Tenant pays their share of the Real Estate Taxes (25% of the current \$40,000), with a Tax Stop of \$10,000.

Additionally, CAM expenses are passed through to the tenants, and are therefore planned as revenue (in addition to being planned as expenses).

Expenses

The expenses projected for the Building are as listed in the Annual Property Operating Data (APOD) report. All expenses other than Management Fee and Real Estate Taxes are included in the CAM pool, and are allocated to the tenants and reimbursed by them. All CAM expenses are projected to increase at the inflation rate. Since it is in California, the Building benefits from Proposition 13 there, which limits Property Taxes to 1% of the Purchase Price, and mandates that they will increase at 2% annually, no matter what the Inflation Rate. The Management Fee is 4% of revenues.

Financing

The current Building financing cannot be assumed, and we are projecting a new (variable rate) first loan of \$3M with 2 points. The start rate will be 7.5%, and we are conservatively allowing for a half-point annual increase in the rate thru the first five years, ending up at 10% at that time.

Assets

We will depreciate 75% of the Property Price over the 39 years allowed by the 1993 tax law revision for commercial properties. The Tenant Improvements and Commissions scheduled during the holding period will be amortized over the same period. We anticipate spending \$25,000 in 1996 to renovate the old roof, which our inspection has shown to be fading fast.

Annual Property Operating Data

Redondo Professional Building

Purpose	Broker's Recap
Name	Redondo Professional Building
Location	Redondo Beach, CA
Property Type	Office Building
Date	26 December 2001
Square Feet	19,500

Price	\$4,000,000
-Loans	3,000,000
Down Payment	1,000,000
+Acq Costs	40,000
+Loan Points	60,000
Investment	1,100,000

	\$/SqFt	% of GI	Annual \$
Gross Income			
1xx USA Realty (5,000 sf)	\$25.00	25.1%	\$125,000
200 New Tenant (700 sf)	18.00	2.5%	12,600
201 Investments (450 sf)	16.85	1.5%	7,583
202 Dr. Hale (900 sf)	17.42	3.1%	15,678
203 Jones, CPA (1,500 sf)	16.90	5.1%	25,350
204 Dr. Paley (1,050 sf)	17.09	3.6%	17,945
300-3 Attorneys (2,000 sf)	24.24	9.7%	48,480
304-5 Cable TV (1,600 sf)	21.42	6.9%	34,272
306 Contractor (650 sf)	24.05	3.1%	15,633
307 Consultants (650 sf)	23.64	3.1%	15,366
4xx Insurance (5,000 sf)	20.00	20.1%	100,000
CAM	4.14	16.2%	80,819
Total Gross Income	\$25.58	100.0%	\$498,726
- Vacancy & Credit Loss	1.90	7.4%	36,957
Effective Income	\$23.68	92.6%	\$461,769
Less: Operating Expenses			
Adv/Licenses	0.31	1.2%	5,956
Real Estate Taxes	2.05	8.0%	40,000
Repairs/Maint	0.69	2.7%	13,487
Grounds Services	0.54	2.1%	10,439
Rubbish Services	0.13	0.5%	2,546
Electricity	1.55	6.1%	30,314
Sewer and Water	0.37	1.5%	7,256
Elevator Services	0.12	0.5%	2,367
Cleaning	0.20	0.8%	3,852
A/C Maintenance	0.20	0.8%	3,967
Security Service	0.09	0.3%	1,658
Management Fee	0.95	3.7%	18,471
Total Operating Expenses	\$7.20	28.1%	\$140,313
Net Operating Income	\$16.48	64.5%	\$321,456
Less: Debt Service	12.91	50.5%	251,717
Cash Flow Before Taxes	\$3.58	14.0%	\$69,739

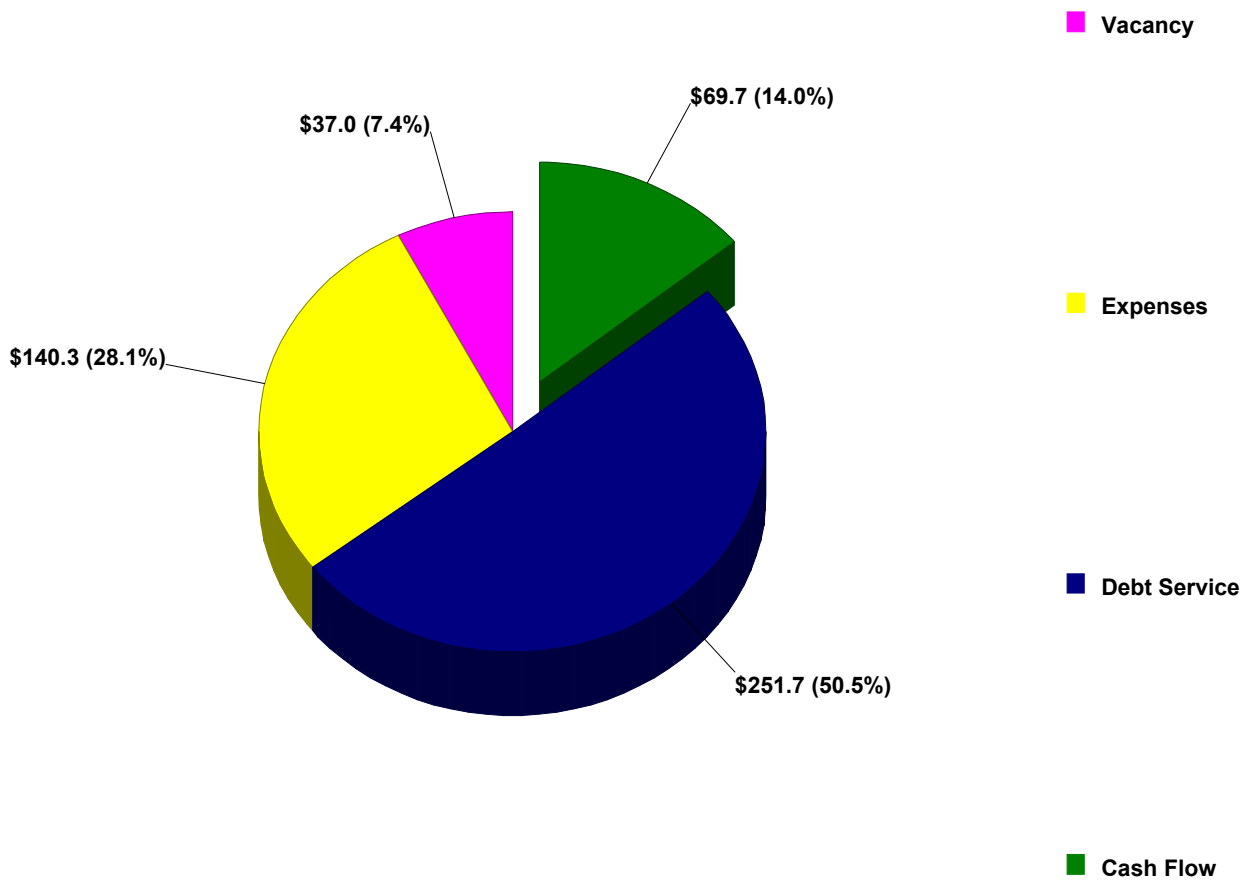
Capitalization Rate	8.04%
Gross Income Multiplier	8.02
Debt Coverage Ratio	1.277
Cash on Cash	6.34%
Price/SqFt	\$205

The data and calculations presented herein, while not guaranteed, have been obtained from sources we believe to be reliable.
Produced by planEASe from Analytic Associates (800) 959-3273

Use of Gross Income at Acquisition (\$/yr)

Redondo Professional Building

Many graphs and pie charts are available in planEASe. This is one of four charts associated with the APOD report. Here we've exploded the 'Cash Flow' segment to emphasize the positive cash flow at acquisition.



Dollars in Thousands
Total \$ Shown - \$498.7

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Property Acquisition Report

Redondo Professional Building

This report shows the projected cash requirement for acquisition of the Redondo Professional Building on 1 January 2001.

Cost of Property Acquired			
Price of Property	\$4,000,000		
+ Closing Costs (1%)	40,000		
Total Cost of Property Acquired			\$4,040,000
Property Financing			
Banc One Loan Principal	\$3,000,000		
- Points (2 Points)	60,000		
Banc One Loan Proceeds		\$2,940,000	
Total Net Loan Proceeds			2,940,000
Cash Required at Acquisition			\$1,100,000

Property Sale Report

Redondo Professional Building

This report shows the results of a projected sale of the Redondo Professional Building on 31 December 2010. The Sale Price of \$4,955,638 is projected by using a Net Capitalization Rate of 10% on the projected Net Operating Income of \$495,564 in effect at that time, according to the analysis assumptions.

Please note that the Capital Gain Tax calculation has been updated for the 1997 Tax Law, as have all the after tax IIR and NPV calculations in the other reports in this package.

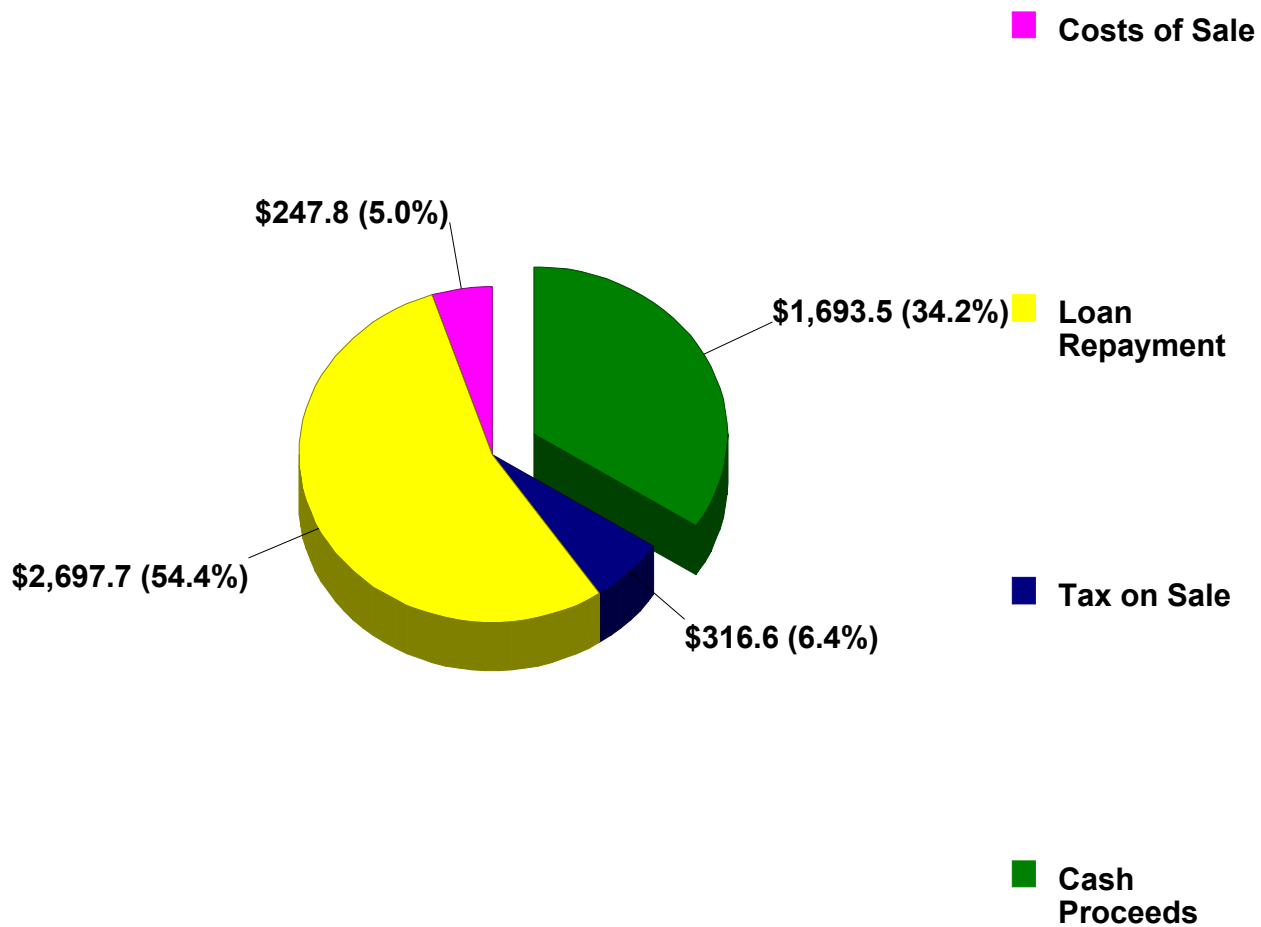
Analysis of Sale Proceeds			
Sale Price (as discussed above)	\$4,955,638		
- Costs of Sale (5%)	247,782		
- Loan Balances	2,697,730		
- Prepayment Penalties	0		
Sale Proceeds Before Tax			\$2,010,126
Analysis of Capital Gain Results			
Sale Price	\$4,955,638		
- Capitalized Costs of Sale (100%)	247,782		
Net Sale Price for Tax Purposes		\$4,707,856	
Property Basis at Acquisition	\$4,000,000		
+ Capitalized Closing Costs (100%)	40,000		
+ Capital Additions	56,000		
- Depreciation Taken	777,053		
+ Excess Depreciation Recaptured	0		
Adjusted Basis at Sale		3,318,947	
Capital Gain (or Loss)		\$1,388,909	
- Suspended Passive Losses		0	
Net Capital Gain (or Loss)		\$1,388,909	
- Cost Recovery Recaptured		777,053	
Adjusted Net Capital Gain (or Loss)		\$611,856	
Cost Recovery Recapture Tax (@ 25%)			(194,263)
Tax on Adjusted Net Capital Gain (@ 20%)			(122,371)
Expenses Recognized at Sale			
Expensed Costs of Sale	0		
+ Accrued Loan Interest	0		
+ Unamortized Points	0		
+ Prepayment Penalties	0		
- Excess Depreciation Recaptured	0		
Total Expenses Recognized at Sale		0	
Tax Savings Due to Sale Expenses (@ 39.6%)			0
Net Taxable Income		\$1,388,909	
After Tax Cash Proceeds of Sale			\$1,693,492

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Sale Proceeds After Tax

Redondo Professional Building

Here we've graphed a summary of the projected sale results, emphasizing the Cash Proceeds.



Dollars in Thousands
Total \$ Shown - \$4,955.6

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Proforma Income Statement

Redondo Professional Building

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Income										
1xx USA Realty	\$125,000	\$130,200	\$135,604	\$150,612	\$156,824	\$163,281	\$169,991	\$176,966	\$184,215	\$191,749
200 New Tenant	12,600	12,852	13,366	13,901	14,457	15,035	15,636	16,262	16,912	17,589
201 Investments	7,583	7,886	8,202	8,530	8,871	9,226	9,595	9,979	10,378	10,793
202 Dr. Hale	16,201	16,849	17,523	18,223	18,952	19,711	20,499	21,319	22,172	23,059
203 Jones, CPA	25,350	26,364	27,419	28,515	29,656	30,842	32,076	33,359	34,693	36,081
204 Dr. Paley	18,304	19,036	19,797	20,589	21,413	22,269	23,160	24,087	25,050	26,052
300-3 Attorneys	48,480	50,419	52,436	54,533	56,715	58,983	61,343	63,796	66,348	69,002
304-5 Cable TV	34,272	35,643	37,069	38,551	40,093	41,697	43,365	45,100	46,904	48,780
306 Contractor	15,633	16,258	16,909	17,585	18,288	19,020	19,781	20,572	21,395	22,251
307 Consultants	15,366	15,981	16,620	17,285	17,976	18,695	19,443	20,221	21,029	21,871
4xx Insurance	100,000	100,200	108,564	108,772	117,810	118,027	127,794	128,019	138,573	138,808
CAM	81,331	85,116	88,520	92,061	95,744	99,573	103,556	107,698	112,006	116,487
Total Gross Income	\$500,119	\$516,804	\$542,028	\$569,158	\$596,800	\$616,359	\$646,239	\$667,376	\$699,676	\$722,520
Less: Vacancy & Credit Loss	31,017	25,840	27,101	28,458	29,840	30,818	32,312	33,369	34,984	36,126
Effective Income	\$469,102	\$490,964	\$514,926	\$540,701	\$566,960	\$585,541	\$613,927	\$634,008	\$664,692	\$686,394
Less: Operating Expenses										
Adv/Licenses	5,956	6,194	6,442	6,700	6,968	7,246	7,536	7,838	8,151	8,477
Real Estate Taxes	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804
Repairs/Maint	13,487	14,026	14,588	15,171	15,778	16,409	17,065	17,748	18,458	19,196
Grounds Services	10,439	10,857	11,291	11,742	12,212	12,701	13,209	13,737	14,286	14,858
Rubbish Services	2,546	2,648	2,754	2,864	2,978	3,098	3,222	3,350	3,484	3,624
Electricity	30,314	31,527	32,788	34,099	35,463	36,882	38,357	39,891	41,487	43,146
Sewer and Water	7,256	7,546	7,848	8,162	8,488	8,828	9,181	9,548	9,930	10,328
Elevator Services	2,367	2,462	2,560	2,663	2,769	2,880	2,995	3,115	3,239	3,369
Cleaning	3,852	4,006	4,166	4,333	4,506	4,687	4,874	5,069	5,272	5,483
A/C Maintenance	3,967	4,126	4,291	4,462	4,641	4,826	5,020	5,220	5,429	5,646
Security Service	1,658	1,724	1,793	1,865	1,940	2,017	2,098	2,182	2,269	2,360
Management Fee	18,764	19,639	20,597	21,628	22,678	23,722	24,557	25,360	26,588	27,456
Total Operating Expenses	\$140,606	\$145,554	\$150,733	\$156,137	\$161,719	\$167,158	\$173,160	\$179,006	\$185,460	\$191,746
Net Operating Income	\$328,496	\$345,409	\$364,193	\$384,563	\$405,241	\$418,383	\$440,767	\$455,001	\$479,232	\$494,648
Less: Debt Service										
Banc One	251,717	263,925	276,114	288,268	300,370	312,404	312,404	312,404	312,404	312,404
Total Debt Service	\$251,717	\$263,925	\$276,114	\$288,268	\$300,370	\$312,404	\$312,404	\$312,404	\$312,404	\$312,404
Net Operating Cash Flow	\$76,779	\$81,484	\$88,079	\$96,295	\$104,870	\$105,979	\$128,363	\$142,597	\$166,827	\$182,243
Less: Capital Spending	11,000	25,000	0	20,000	0	0	0	0	0	0
Cash Flow Before Tax	\$65,779	\$56,484	\$88,079	\$76,295	\$104,870	\$105,979	\$128,363	\$142,597	\$166,827	\$182,243
Taxable Income and Taxes (Losses Carried Forward)										
Taxable Revenues	\$469,102	\$490,964	\$514,926	\$540,701	\$566,960	\$585,541	\$613,927	\$634,008	\$664,692	\$686,394
Less: Deducted Expenses	140,606	145,554	150,733	156,137	161,719	167,158	173,160	179,006	185,460	191,746
Less: Interest Expense	224,062	236,808	249,316	261,575	273,568	285,272	282,431	279,293	275,825	271,995
Less: Amortized Points	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Less: Depreciation	74,000	77,796	78,144	78,635	78,656	78,656	78,656	78,656	78,656	75,196
Ordinary Income	\$24,434	\$24,805	\$30,733	\$38,353	\$47,016	\$48,454	\$73,679	\$91,052	\$118,750	\$141,457
Taxable Income	24,434	24,805	30,733	38,353	47,016	48,454	73,679	91,052	118,750	141,457
(Cum Suspended Losses)	0	0	0	0	0	0	0	0	0	0
Taxes Due (- = Savings)	9,676	9,823	12,170	15,188	18,618	19,188	29,177	36,057	47,025	56,017
Cash Flow After Tax	\$56,103	\$46,661	\$75,909	\$61,107	\$86,252	\$86,791	\$99,186	\$106,540	\$119,802	\$126,227

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Proforma Income Statement

Redondo Professional Building

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sale Proceeds:										
Sale Value	\$3,351,557	\$3,460,787	\$3,648,893	\$3,852,870	\$4,059,935	\$4,191,662	\$4,415,813	\$4,558,484	\$4,801,124	\$4,955,638
Less: Sale Costs (5%)	167,578	173,039	182,445	192,644	202,997	209,583	220,791	227,924	240,056	247,782
Less: Loan Repayment	2,972,345	2,945,228	2,918,430	2,891,737	2,864,935	2,837,803	2,807,830	2,774,718	2,738,139	2,697,730
Sale Proceeds Before Tax	211,634	342,520	548,019	768,490	992,003	1,144,276	1,387,193	1,555,842	1,822,929	2,010,126
Less: Taxes due to Sale	(194,788)	(147,040)	(93,242)	(40,482)	24,297	77,623	147,947	197,095	265,237	316,634
Sale Proceeds After Tax	406,422	489,561	641,261	808,971	967,706	1,066,654	1,239,245	1,358,747	1,557,692	1,693,492
Ratio Analysis:										
Profitability Ratios										
Capitalization Rate	8.21%	8.64%	9.10%	9.61%	10.13%	10.46%	11.02%	11.38%	11.98%	12.37%
Cash on Cash Before Tax	6.98%	7.41%	8.01%	8.75%	9.53%	9.63%	11.67%	12.96%	15.17%	16.57%
Cash on Cash After Tax	6.10%	6.51%	6.90%	7.37%	7.84%	7.89%	9.02%	9.69%	10.89%	11.48%
Risk Ratios										
Debt Coverage Ratio	1.305	1.309	1.319	1.334	1.349	1.339	1.411	1.456	1.534	1.583
Breakeven Occupancy	78.4%	79.2%	78.8%	78.1%	77.4%	77.8%	75.1%	73.6%	71.2%	69.8%
Loan Balance/Property Value	88.7%	85.1%	80.0%	75.1%	70.6%	67.7%	63.6%	60.9%	57.0%	54.4%
Assumption Ratios										
NOI/Property Value	9.80%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%
Analysis Measures:										
IRR Before Debt			3.9%	6.6%	8.3%	9.1%	10.0%	10.4%	10.9%	11.2%
IRR Before Tax					5.5%	8.2%	10.8%	12.0%	13.3%	13.9%
IRR After Tax					3.7%	5.9%	8.1%	9.1%	10.4%	10.9%
NPV Before Debt @10.00%	(\$842,753)	(\$742,407)	(\$568,180)	(\$411,436)	(\$252,660)	(\$152,042)	(\$9,890)	\$80,261	\$207,521	\$288,282
NPV Before Tax @10.00%	(\$844,887)	(\$705,248)	(\$507,183)	(\$339,375)	(\$180,013)	(\$87,313)	\$47,708	\$131,440	\$252,932	\$328,515
NPV After Tax @10.00%	(\$704,973)	(\$602,739)	(\$465,532)	(\$351,050)	(\$246,327)	(\$193,634)	(\$106,348)	(\$56,216)	\$23,881	\$67,832

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Common Size Income Statement

Redondo Professional Building

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Income										
1xx USA Realty	25.0%	25.2%	25.0%	26.5%	26.3%	26.5%	26.3%	26.5%	26.3%	26.5%
200 New Tenant	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
201 Investments	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
202 Dr. Hale	3.2%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
203 Jones, CPA	5.1%	5.1%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
204 Dr. Paley	3.7%	3.7%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
300-3 Attorneys	9.7%	9.8%	9.7%	9.6%	9.5%	9.6%	9.5%	9.6%	9.5%	9.6%
304-5 Cable TV	6.9%	6.9%	6.8%	6.8%	6.7%	6.8%	6.7%	6.8%	6.7%	6.8%
306 Contractor	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
307 Consultants	3.1%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4xx Insurance	20.0%	19.4%	20.0%	19.1%	19.7%	19.1%	19.8%	19.2%	19.8%	19.2%
CAM	16.3%	16.5%	16.3%	16.2%	16.0%	16.2%	16.0%	16.1%	16.0%	16.1%
Total Gross Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less: Vacancy & Credit Loss	6.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Effective Income	93.8%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Less: Operating Expenses										
Adv/Licenses	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Real Estate Taxes	8.0%	7.9%	7.7%	7.5%	7.3%	7.2%	7.0%	6.9%	6.7%	6.6%
Repairs/Maint	2.7%	2.7%	2.7%	2.7%	2.6%	2.7%	2.6%	2.7%	2.6%	2.7%
Grounds Services	2.1%	2.1%	2.1%	2.1%	2.0%	2.1%	2.0%	2.1%	2.0%	2.1%
Rubbish Services	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Electricity	6.1%	6.1%	6.0%	6.0%	5.9%	6.0%	5.9%	6.0%	5.9%	6.0%
Sewer and Water	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Elevator Services	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Cleaning	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
A/C Maintenance	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Security Service	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Management Fee	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Total Operating Expenses	28.1%	28.2%	27.8%	27.4%	27.1%	27.1%	26.8%	26.8%	26.5%	26.5%
Net Operating Income	65.7%	66.8%	67.2%	67.6%	67.9%	67.9%	68.2%	68.2%	68.5%	68.5%
Less: Debt Service										
Banc One	50.3%	51.1%	50.9%	50.6%	50.3%	50.7%	48.3%	46.8%	44.6%	43.2%
Total Debt Service	50.3%	51.1%	50.9%	50.6%	50.3%	50.7%	48.3%	46.8%	44.6%	43.2%
Net Operating Cash Flow	15.4%	15.8%	16.2%	16.9%	17.6%	17.2%	19.9%	21.4%	23.8%	25.2%
Less: Capital Spending	2.2%	4.8%	0.0%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow Before Tax	13.2%	10.9%	16.2%	13.4%	17.6%	17.2%	19.9%	21.4%	23.8%	25.2%

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Square Footage Income Statement

Redondo Professional Building

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Income										
1xx USA Realty (5,000 sf)	\$25.00	\$26.04	\$27.12	\$30.12	\$31.36	\$32.66	\$34.00	\$35.39	\$36.84	\$38.35
200 New Tenant (700 sf)	18.00	18.36	19.09	19.86	20.65	21.48	22.34	23.23	24.16	25.13
201 Investments (450 sf)	16.85	17.53	18.23	18.96	19.71	20.50	21.32	22.17	23.06	23.98
202 Dr. Hale (900 sf)	18.00	18.72	19.47	20.25	21.06	21.90	22.78	23.69	24.64	25.62
203 Jones, CPA (1,500 sf)	16.90	17.58	18.28	19.01	19.77	20.56	21.38	22.24	23.13	24.05
204 Dr. Paley (1,050 sf)	17.43	18.13	18.85	19.61	20.39	21.21	22.06	22.94	23.86	24.81
300-3 Attorneys (2,000 sf)	24.24	25.21	26.22	27.27	28.36	29.49	30.67	31.90	33.17	34.50
304-5 Cable TV (1,600 sf)	21.42	22.28	23.17	24.09	25.06	26.06	27.10	28.19	29.31	30.49
306 Contractor (650 sf)	24.05	25.01	26.01	27.05	28.14	29.26	30.43	31.65	32.92	34.23
307 Consultants (650 sf)	23.64	24.59	25.57	26.59	27.66	28.76	29.91	31.11	32.35	33.65
4xx Insurance (5,000 sf)	20.00	20.04	21.71	21.75	23.56	23.61	25.56	25.60	27.71	27.76
CAM	4.17	4.36	4.54	4.72	4.91	5.11	5.31	5.52	5.74	5.97
Total Gross Income	\$25.65	\$26.50	\$27.80	\$29.19	\$30.61	\$31.61	\$33.14	\$34.22	\$35.88	\$37.05
Less: Vacancy & Credit Loss	1.59	1.33	1.39	1.46	1.53	1.58	1.66	1.71	1.79	1.85
Effective Income	\$24.06	\$25.18	\$26.41	\$27.73	\$29.07	\$30.03	\$31.48	\$32.51	\$34.09	\$35.20
Less: Operating Expenses										
Adv/Licenses	0.31	0.32	0.33	0.34	0.36	0.37	0.39	0.40	0.42	0.43
Real Estate Taxes	2.05	2.09	2.13	2.18	2.22	2.26	2.31	2.36	2.40	2.45
Repairs/Maint	0.69	0.72	0.75	0.78	0.81	0.84	0.88	0.91	0.95	0.98
Grounds Services	0.54	0.56	0.58	0.60	0.63	0.65	0.68	0.70	0.73	0.76
Rubbish Services	0.13	0.14	0.14	0.15	0.15	0.16	0.17	0.17	0.18	0.19
Electricity	1.55	1.62	1.68	1.75	1.82	1.89	1.97	2.05	2.13	2.21
Sewer and Water	0.37	0.39	0.40	0.42	0.44	0.45	0.47	0.49	0.51	0.53
Elevator Services	0.12	0.13	0.13	0.14	0.14	0.15	0.15	0.16	0.17	0.17
Cleaning	0.20	0.21	0.21	0.22	0.23	0.24	0.25	0.26	0.27	0.28
A/C Maintenance	0.20	0.21	0.22	0.23	0.24	0.25	0.26	0.27	0.28	0.29
Security Service	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.11	0.12	0.12
Management Fee	0.96	1.01	1.06	1.11	1.16	1.20	1.26	1.30	1.36	1.41
Total Operating Expenses	\$7.21	\$7.46	\$7.73	\$8.01	\$8.29	\$8.57	\$8.88	\$9.18	\$9.51	\$9.83
Net Operating Income	\$16.85	\$17.71	\$18.68	\$19.72	\$20.78	\$21.46	\$22.60	\$23.33	\$24.58	\$25.37
Less: Debt Service										
Banc One	12.91	13.53	14.16	14.78	15.40	16.02	16.02	16.02	16.02	16.02
Total Debt Service	\$12.91	\$13.53	\$14.16	\$14.78	\$15.40	\$16.02	\$16.02	\$16.02	\$16.02	\$16.02
Net Operating Cash Flow	\$3.94	\$4.18	\$4.52	\$4.94	\$5.38	\$5.43	\$6.58	\$7.31	\$8.56	\$9.35
Less: Capital Spending	0.56	1.28	0.00	1.03	0.00	0.00	0.00	0.00	0.00	0.00
Cash Flow Before Tax	\$3.37	\$2.90	\$4.52	\$3.91	\$5.38	\$5.43	\$6.58	\$7.31	\$8.56	\$9.35

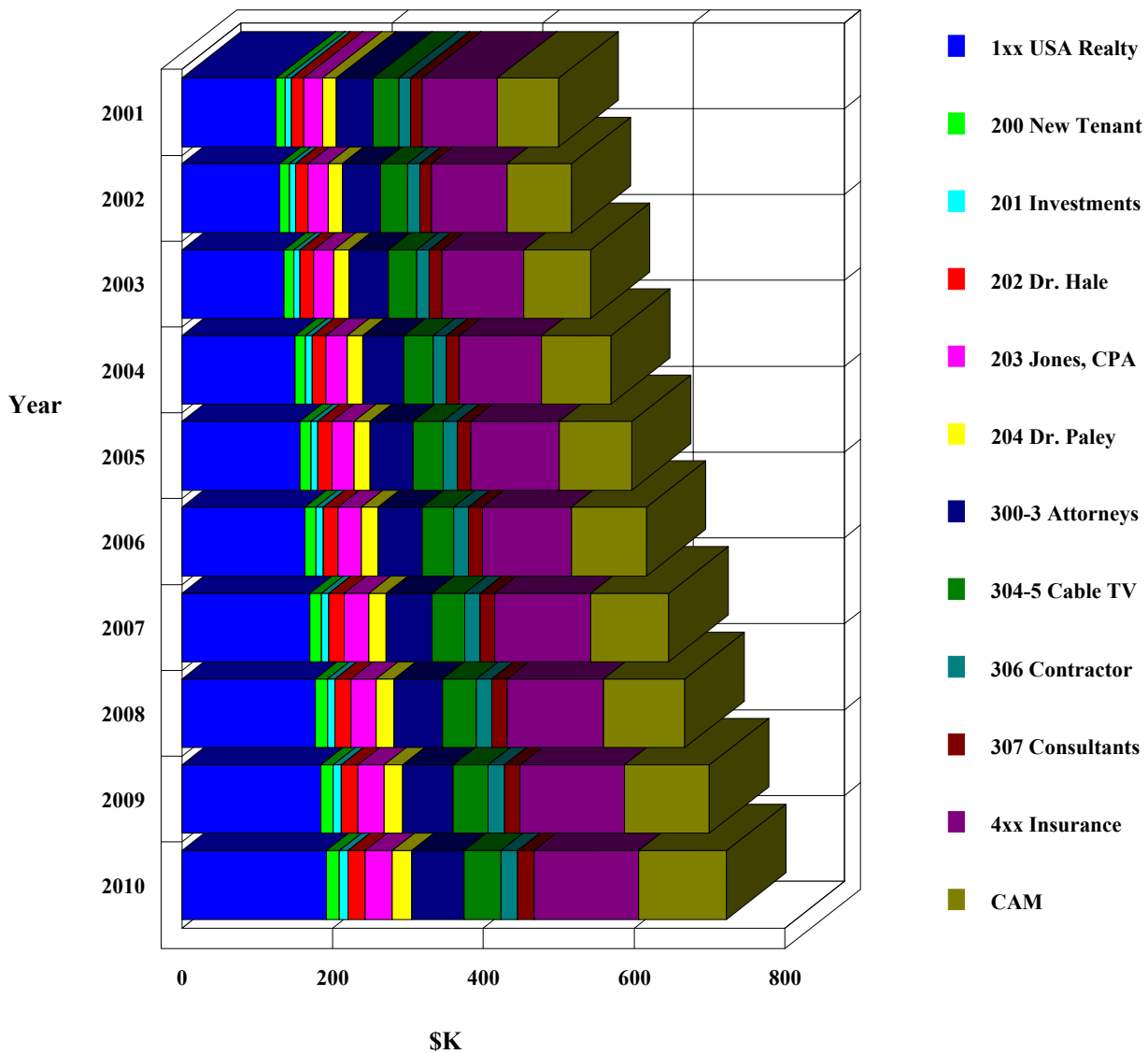
Unless otherwise noted, based on 19,500 Square Feet

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Gross Income Detail

Redondo Professional Building

There are more than 200 graphs and pie charts available in planEASe. Here's a bar stack graph of the projected revenues in the previous ProForma Income Statement. You can choose to graph any line in that statement. It's as easy as clicking on the desired line on the screen and pressing the Graph button.

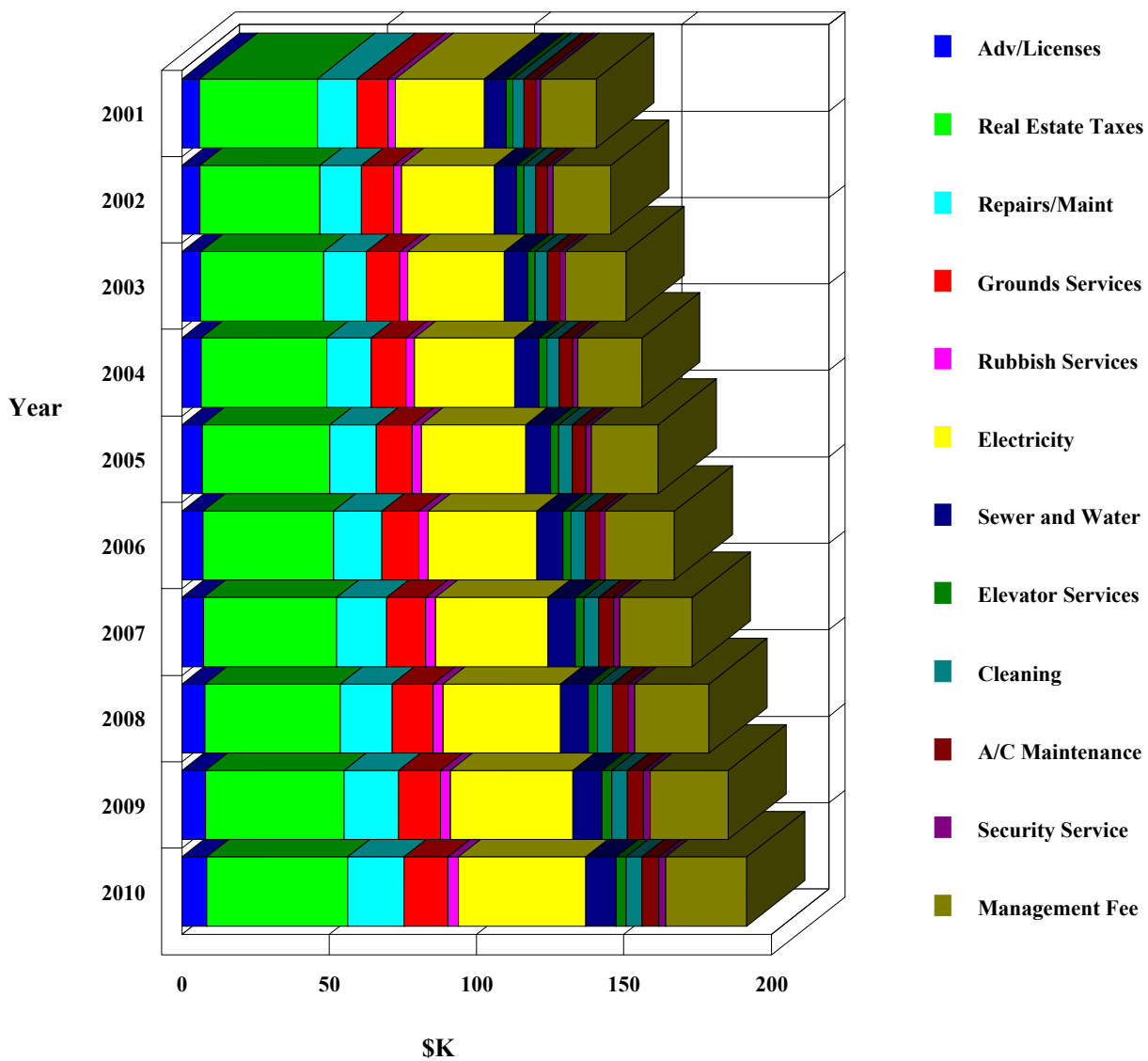


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Operating Expenses Detail

Redondo Professional Building

There are more than 200 graphs and pie charts available in planEASe. Here's a bar stack graph of the projected revenues in the previous ProForma Income Statement. You can choose to graph any line in that statement. It's as easy as clicking on the desired line on the screen and pressing the Graph button. (We're repeating this comment just to make sure you get the point).



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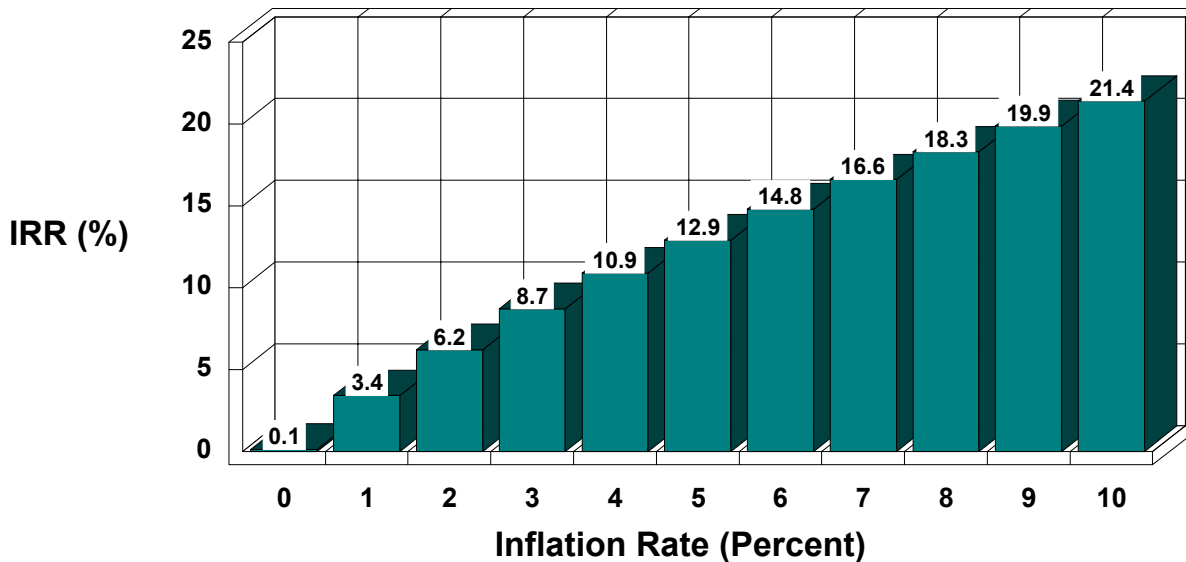
Sensitivity Analysis

Redondo Professional Building

planEASe Sensitivity Analysis allows you to vary any assumption versus any measure (like IRR), which allows you to 'pre-answer' many questions an investor might have. Here we show that, due to the CPI clauses in the leases and the recovery of CAM expenses, the building is well insulated from inflation increases.

Inflation Rate versus Rate of Return After Tax

Assumption	IRR
Zero	0.1%
1% per Year	3.4%
2% per Year	6.2%
3% per Year	8.7%
4% per Year	10.9%
5% per Year	12.9%
6% per Year	14.8%
7% per Year	16.6%
8% per Year	18.3%
9% per Year	19.9%
10% per Year	21.4%



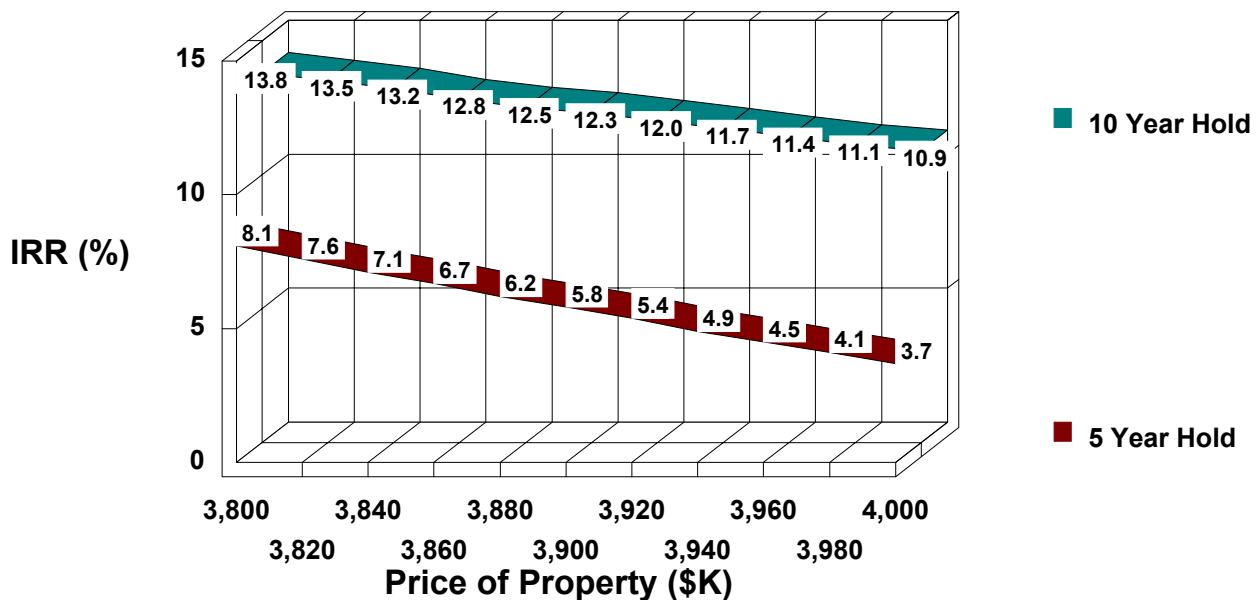
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Sensitivity Analysis Comparison

You can also combine two or more Sensitivity Analyses. Here we show the results of both a 5 and 10 year hold while varying the Price of Property. The Redondo Professional Building only starts to generate acceptable returns on the longer hold, which is a characteristic of overpriced investments.

Price of Property versus Rate of Return After Tax

Assumption Value	10 Year Hold IRR (%)	5 Year Hold IRR (%)
\$3,800,000.00	13.8%	8.1%
\$3,820,000.00	13.5%	7.6%
\$3,840,000.00	13.2%	7.1%
\$3,860,000.00	12.8%	6.7%
\$3,880,000.00	12.5%	6.2%
\$3,900,000.00	12.3%	5.8%
\$3,920,000.00	12.0%	5.4%
\$3,940,000.00	11.7%	4.9%
\$3,960,000.00	11.4%	4.5%
\$3,980,000.00	11.1%	4.1%
\$4,000,000.00	10.9%	3.7%



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Lease Analysis

USA Realty

\$125,000 Base Rent for the next 3 years, increased by the CPI each January. USA Realty pays their share of the Real Estate Taxes (25% of the current \$40,000), with a Tax Stop of \$10,000. At the end of the 3 years there is a renewal clause for \$150,000 Base Rent, subject again to the CPI, which we assume will be exercised; and we have allowed for \$20,000 of TI's at the renewal.

		Measure	Rent	Rentable	Usable
Report Date	26 Dec 01	Total Effective	1,505,219	301.04	323.70
Suite	1xx	Avg Annual Effective	150,522	30.10	32.37
Rentable SF	5,000	PV @ 10%	933,971	186.79	200.85
Usable SF	4,650	Annual PV @ 10%	93,397	18.68	20.09

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Base Rent	118,750	123,500	128,440	0	0	0	0	0	0	0	370,690
Renewal	0	0	0	142,500	148,200	154,128	160,293	166,705	173,373	180,308	1,125,507
Taxes Reimb	0	190	384	581	783	989	1,199	1,413	1,631	1,853	9,022
Total \$	118,750	123,690	128,824	143,081	148,983	155,117	161,492	168,117	175,004	182,161	1,505,219
Total PV	113,224	107,213	101,511	102,496	97,022	91,833	86,916	82,256	77,841	73,659	933,971
\$/RSF	23.75	24.74	25.76	28.62	29.80	31.02	32.30	33.62	35.00	36.43	301.04
PV/RSF	22.64	21.44	20.30	20.50	19.40	18.37	17.38	16.45	15.57	14.73	186.79
\$/USF	25.54	26.60	27.70	30.77	32.04	33.36	34.73	36.15	37.64	39.17	323.70
PV/USF	24.35	23.06	21.83	22.04	20.86	19.75	18.69	17.69	16.74	15.84	200.85

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Analysis Assumptions Report

Redondo Professional Building

Note that the Assumptions Report is in readable english. The note at the top of the Roof Depreciation section shows how you can retain and (optionally) print Page Notes for any item. The entire report is completely editable.

Investment Assumptions

Price of Property	\$4,000,000.00
Closing Costs	1% of Property Price
Date of Acquisition	1 January 2001
Holding Period	10 Years
Inflation Rate	4% per Year
Sale Price Method	10% Capitalization of NOI on Sale Date
Selling Costs	5%

Investor's Assumptions

Present Value Discount Rate	10% per Year
Tax Rate - First Year	39.6%
Tax Rate - Following Years	39.6%
Capital Gain Rate	20%
Cost Recovery Recapture Rate	25% - Losses Carried Forward

Building Depreciation Assumptions

Depreciable Amount	75% of Property Price
Depreciable Life	39 Years
Depreciation Method	Straight Line
Depreciation Start Date	at Acquisition

Roof Renovation Depreciation Assumptions

We anticipate spending \$25,000 in 1996 to renovate the old roof, which our inspection has shown to be fading fast.

Depreciable Amount	\$25,000.00
Depreciable Life	39 Years
Depreciation Method	Straight Line
Depreciation Start Date	1 July 2002

TI's Depreciation Assumptions

Depreciable Amount	\$7,000.00
Depreciable Life	39 Years
Depreciation Method	Straight Line
Depreciation Start Date	1 July 2001

TI's USA Realty TI's Depreciation Assumptions

Depreciable Amount (5,000 SqFt @ \$4.00/SqFt)	\$20,000.00
Depreciable Life	39 Years
Depreciation Method	Straight Line
Depreciation Start Date	1 January 2004

Analysis Assumptions Report

Redondo Professional Building

Commissions Depreciation Assumptions

Written off over the 10 year term of the lease

Depreciable Amount	\$4,000.00
Depreciable Life	10 Years
Depreciation Method	Straight Line
Depreciation Start Date	1 July 2001

Banc One Loan Assumptions

The current Building financing cannot be assumed, and we are projecting a new (variable rate) first loan of \$3M with 2 points. The start rate will be 7.5%, and we are conservatively allowing for a half-point annual increase in the rate thru the first five years, ending up at 10% at that time.

Loan Amount	\$3,000,000.00
Loan Interest Rate	7.5% Annually
Original Loan Period	30 Years
Loan Origination Date	at Acquisition
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	12 Months
Loan Points Charged	2 Points, Amortized over 10 Years

Banc One Step 2 Loan Assumptions

Loan Amount	None
Loan Interest Rate	8% Annually
Original Loan Period	29 Years
Loan Origination Date	Continuation
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	12 Months

Banc One Step 3 Loan Assumptions

Loan Amount	None
Loan Interest Rate	8.5% Annually
Original Loan Period	28 Years
Loan Origination Date	Continuation
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	12 Months

Banc One Step 4 Loan Assumptions

Loan Amount	None
Loan Interest Rate	9% Annually
Original Loan Period	27 Years
Loan Origination Date	Continuation
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	12 Months

Analysis Assumptions Report

Redondo Professional Building

Banc One Step 5 Loan Assumptions

Loan Amount	None
Loan Interest Rate	9.5% Annually
Original Loan Period	26 Years
Loan Origination Date	Continuation
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	12 Months

Banc One Step 6 Loan Assumptions

Loan Amount	None
Loan Interest Rate	10% Annually
Original Loan Period	25 Years
Loan Origination Date	Continuation
Loan Type	Monthly Payments, Amortizing
Balloon Payment Due	60 Months

Revenue Assumptions

Please refer to the accompanying Lease Analysis reports

Adv/Licenses Expense Assumptions

Annual Expense	\$5,956.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Real Estate Taxes Expense Assumptions

Since it is in California, the Building benefits from Proposition 13 there, which limits Property Taxes to 1% of the Purchase Price, and mandates that they will increase at 2% annually, no matter what the Inflation Rate.

Annual Expense	1% of Property Price
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at 2% Annually

Repairs/Maint Expense Assumptions

Annual Expense	\$13,487.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Grounds Services Expense Assumptions

Annual Expense	\$10,439.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Analysis Assumptions Report

Redondo Professional Building

Rubbish Services Expense Assumptions

Annual Expense	\$2,546.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Electricity Expense Assumptions

Annual Expense	\$30,314.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Sewer and Water Expense Assumptions

Annual Expense	\$7,256.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Elevator Services Expense Assumptions

Annual Expense	\$2,367.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Cleaning Expense Assumptions

Annual Expense	\$3,852.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

A/C Maintenance Expense Assumptions

Annual Expense	\$3,967.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate

Security Service Expense Assumptions

Annual Expense	\$1,658.00
Expense Start Date	at Acquisition
Expense Period	Until Projected Sale
Expense Growth Method	Annual at the Inflation Rate