

RECONSTRUCTED OPERATING STATEMENT

1609-1613 OWEN DRIVE
FAYETTEVILLE, NORTH CAROLINA

Current Income:	\$165,540.00
Vacancy and Collection Losses @ 3%	- \$4,966.28
Effective Gross Income:	\$160,573.72

Expenses:

Utilities:	TENANT
Taxes:	\$12,453.76
Insurance	\$6,500.00
C.A.M.	\$1,200.00
Management (8%).....	<u>\$13,243.20</u>

Total Expenses \$33,396.96

Replacements for Reserves:

Roof, HVAC, Parking, Interior décor and remodeling, etc.	\$4,500.00
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Total Expenses and Reserves:..... - \$37,896.96

NET OPERATING INCOME: \$127,643.04

A lower capitalization rate is considered applicable for several reasons. First is that these rental rates are considered to be below market levels which creates a certain value-add for the property. Second is the great location situated across from Cape Fear Valley Hospital and the soon to be Medical School (5th in NC) and enormous on-going impact. Third is the high land value which is one more factor that helps to reduce the risk of this property.

Therefore, a capitalization rate of 7.5% is considered applicable.

\$127,643.04 (Net Operating Income) / .075 (Overall Cap. Rate) = \$1,701,907.20 rounded to \$1,700,000.
