

The Power of The APOD

Take a picture of any property

- **Type: Retail, Office, Industrial, Residential**
- **Size: Square Foot, Units, Doors, Beds, ...**
- **Purchase Price**
- **Loan Balance**
- **Income**
- **Expenses**
- **Estimate NOI**

Snapshot Valuation W/APOD

Establish a Snapshot Valuation of Any Investment Property:

Financial Valuation Benchmarks

Gross Rent Multiplier	=	SP/SGI
Capitalization Rate	=	NOI/SP

Physical Valuation Benchmarks

Sale Price per Unit	=	SP/Unit
Sale Price per Room	=	SP/Room
Sale Price per Sq. Ft.	=	SP/Sq.Ft.
etc... (how do you collect rent?)	=	SP/...

Park Place Apartments Review

Sale Price	\$1,650,000
Scheduled Gross Income (SGI)	\$ 165,600
Net Operating Income (NOI)	\$ 109,850
Gross Rent Multiplier (GRM) (\$1,650,000/\$165,600)	9.96
Capitalization Rate (\$109,850/\$1,650,000)	6.67%
Total Units	12
Total Rooms	42
Sale Price Per Unit	\$137,500 (\$1,650,000/12)
Sale Price Per Room	\$ 32,285 (\$1,650,000/42)

Counting Rooms in Apts

Studio = 2 rooms

1/ 1 = 3 rooms

2/1 = 4 rooms

2/2 = 5 rooms

3/1 = 5 rooms

3/2 = 6 rooms

Dynamics of Dollars

Compounding and Discounting The Key To Dynamic Dollars

Time and Money = Time Value of Money

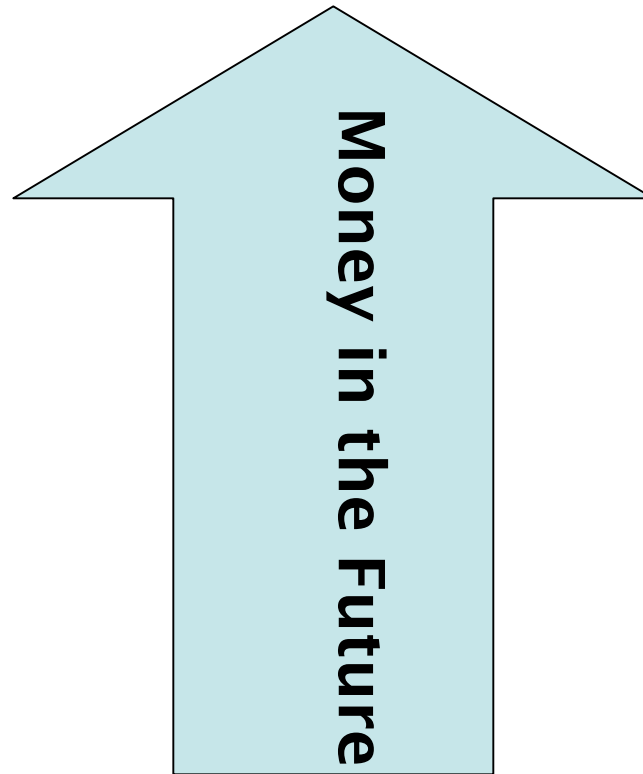
What would you rather have? (\$100,000 Today) or (\$100,000 in 10 years)

There is an old Axiom when it comes to money:

“Sooner is better than Later” and “Cash is better than Paper”

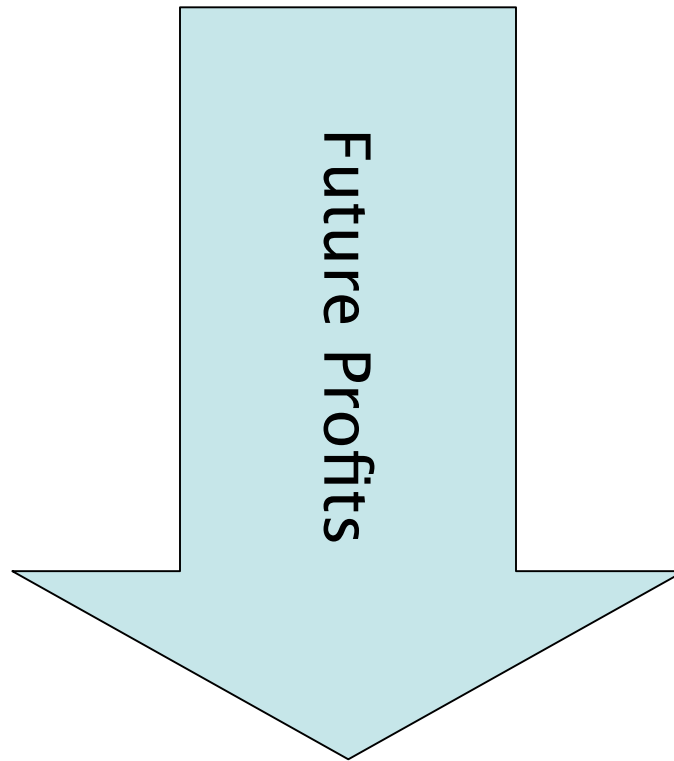
Compounding

Investing Money Today



Discounting

What Will You Pay Today



Compounding & Discounting

Five Basic Factors to Compounding and Discounting

n = # Of Periods (Time)

I = Interest Rate/Discount Rate

pv = Present Value (Money Today)

pmt = Periodic Payment/Periodic Investment

fv = Future Value (Money Later)

Compounding

There are Three Types of Compounding Equations

- 1) Compounding a Single Investment
- 2) Compounding an Annuity
- 3) Sinking Fund Investment

Compounding A Single Investment

Compounding a Single Annuity: Investing a single sum at a rate over a period of time. (e.g. If I invest \$10,000 today @ 9.5% compounded annually for 10 years, what will this investment be worth at the end?)

n	=	10
I	=	9.5
pv	=	(\$10,000)
pmt	=	na
fv	=	? \$24,782.28

e.g. - Compounding a Single Investment

How much will I have in 5 years if I invest \$50,000 @ 7.5% compounding Annually? N=5

$$i=7.5\%$$

$$PV= (\$50,000)$$

$$pmt=na$$

$$fv= ?\$71,781.47$$

Same Problem compounded monthly

$$n=5 \times 12 = 60$$

$$i=7.5 \text{ g l}$$

$$pv=(\$50,000)$$

$$pmt=na$$

$$fv= ?\$72,664.72$$

What annual rate of interest must I earn in order to invest \$10,000 today and have \$25,000 10 years from today?

$$n= 10$$

$$i= ? 9.5958$$

$$pv=(\$10,000)$$

$$pmt=na$$

$$fv=\$25,000$$

How much if it's a monthly compounding opportunity?

$$i= 9.198\%$$