



Brentwood Manor

San Francisco, CA

Financial Analysis Prepared for John and Jane Doe Quick Loan Summary and Projection

This analysis compares LENDER underwriting with a commercial real estate BROKER approach based on actual income and summarizes 10 year performance.

LENDER underwriting often defaults to market data for cap rates, vacancy, and expenses numbers which do not always reflect the actual performance numbers of the subject property.

The critical disparity is usually between the LENDER's market cap rate approach to value and historical stabilization verses the BROKER' cap rate calculation, vacancy, capital reserves.

- Assumption:

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- Assumption: Both Lender Underwriting and Broker approach have acquisition reserves included in the down payment; however, in application, those costs could be partially rolled into the loan

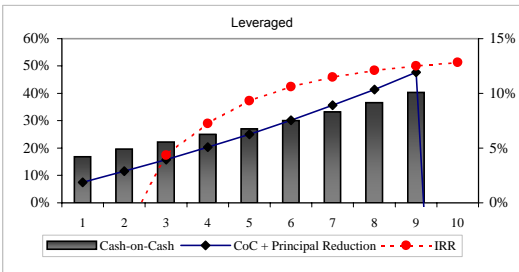
Underwriters will often underwrite based on the loan constant to establish LTV and debt coverage but write the loan based on current interest rates.

The professionally brokered loan lies within these values below, factoring borrower strength, income stabilization, the appraised value and prevailing interest rates at the time of rate lock.

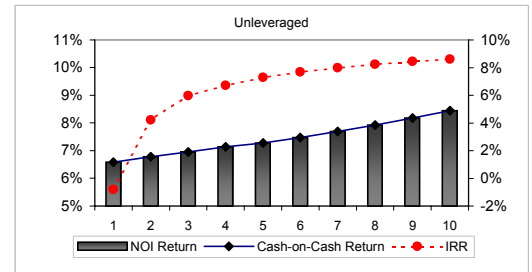
LENDER UNDERWRITING				BROKER APPROACH			
		<u>\$924,180</u>				<u>\$924,180</u>	
LENDER vacancy	-	(\$46,209)	5.00%	vacancy/concessions	-	(\$38,800)	4.20%
Adjusted Income	=	\$877,971		Actual Income	=	\$885,380	
LENDER expenses	-	(\$333,629)	38.00%	Actual expenses	-	(\$332,000)	37.4980%
LENDER NOI	=	\$544,342		Actual NOI	=	\$553,380	
LENDER cap	+	6.8000%		BROKER cap	+	6.7076%	
Adjusted Price	=	<u>\$8,005,030</u>		Purchase Price	=	<u>\$8,250,000</u>	
LENDER LTV	X	65.00%		BROKER LTV	X	75.00%	
	=	<u>\$5,203,269</u>	Negotiable Loan Range	=	<u>\$6,187,500</u>		
D/Payment		\$3,253,393		Down Payment		\$2,269,163	
LENDER Constant		7.389%		Interest		6.250%	
Term (years)		30		Term (years)		30	
Annual		\$431,831		Annual		\$457,170	
Monthly		\$35,986		Monthly		\$38,098	
LENDER DCR		1.26		BROKER DCR		1.21	

March 21, 2007	
10 Year ASSUMPTIONS	
Income growth	2.36%
Expense growth	1.75%
Present Value	
Going In Cap	6.71%
Terminal Cap	7.21%
Discount Rate	9.75%

	current										
6.25% fixed 10 years potential returns	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOI / Unleveraged CFLO	\$553,380	\$552,943	\$568,869	\$583,361	\$599,032	\$610,673	\$627,418	\$645,548	\$665,142	\$686,291	709,086.76
Leveraged Cash Flows	\$96,210	\$95,773	\$111,699	\$126,191	\$141,862	\$153,503	\$170,248	\$188,378	\$207,972	\$229,120	(\$4,949,341)
Annual DCR	1.21	1.21	1.24	1.28	1.31	1.34	1.37	1.41	1.45	1.50	0.13
Cash on Cash	6.94%	6.59%	6.78%	6.95%	7.14%	7.27%	7.47%	7.69%	7.92%	8.18%	8.45%
Cash on Cash+Principal Reduction		7.43%	11.55%	15.83%	20.39%	25.03%	30.15%	35.62%	41.45%	47.67%	-218.11%
Unleveraged Present Values	\$7,587,373	\$7,594,788	\$7,610,095	\$7,582,479	\$7,598,701	\$7,621,121	\$7,648,848	\$7,681,101	\$7,717,196	\$7,756,532	
Leveraged Present Values		\$7,786,912	\$7,974,131	\$8,151,322	\$8,269,320	\$8,416,390	\$8,556,258	\$8,689,277	\$8,815,798	\$8,936,167	9,053,036
Unleveraged IRR		-0.81%	4.21%	5.98%	6.71%	7.29%	7.69%	8.00%	8.24%	8.44%	0.09
Leveraged IRR		-22.64%	-2.89%	4.36%	7.25%	9.32%	10.63%	11.49%	12.09%	12.52%	0.13
Cash Flow Leverage		Negative	Negative	Negative	Negative	Negative	Positive	Positive	Positive	Positive	Negative
Financial Leverage		Negative	Negative	Negative	Positive	Positive	Positive	Positive	Positive	Positive	Positive



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Cash Flow Leverage is governed by the cash-on-cash returns. If in any given year of the Leveraged Cash-on-Cash Return is less than the Unleveraged Cash-on-Cash Return, the property has "Negative Cash Flow Leverage" for that time period

The information contained in this analysis has been obtained from sources believed reliable. The information has not been verified and no guarantee or representation is made by Smith-Craime Finance.

You should independently confirm its accuracy and completeness. Any projections, assumptions or estimates used are for example only and do not represent the current or future performance of the property.

The investment values of this property depends on tax and other factors which should be evaluated by your tax, financial, and legal advisors. Multiple scenarios should be considered. You are encouraged to conduct your own independent evaluation. This is not a commitment to lend.