

Multi-Family Puts More \$\$\$\$ in Your Pocket

Example of Depreciation Schedules of Multi-Family Versus Office/Retail

Why Multi Family, with a shorter depreciation schedule, has higher net revenue.

Assumptions: 50% LTV (Calculated at an Average Fed Rate of 28%)

When Cash on Cash is .5% Points Higher		
	Office or Retail	Multi-family
Price	1,000,000	1,000,000
Land Value	200,000	200,000
Building Value	800,000	800,000
Depreciation - Years	39.0	27.5
Depreciation \$/Year	20,480	29,120
Equity Investment of 50% (LTV = 50%)	500,000	500,000
Cash on Cash Return - %	6.7%	6.2%
Cash on Cash Return - \$	33,500	31,000
Cash on Cash minus Depreciation	13,020	1,880
Fed Tax at average rate of 28% **	3,646	526
State Tax at top rate of 9.3%	1,211	175
Total Tax Paid	4,856	701
Cash on Cash Return - \$	33,500	31,000
Minus Tax Paid	4,856	701
Net Cash on Cash Return - \$	28,644	30,299
Net Cash on Cash Return - %	5.7%	6.1%

When Cash on Cash is 1.1% Points Higher		
	Office or Retail	Multi-family
Price	1,000,000	1,000,000
Land Value	200,000	200,000
Building Value	800,000	800,000
Depreciation - Years	39.0	27.5
Depreciation \$/Year	20,480	29,120
Equity Investment of 50% (LTV = 50%)	500,000	500,000
Cash on Cash Return - %	7.3%	6.2%
Cash on Cash Return - \$	36,500	31,000
Cash on Cash minus Depreciation	16,020	1,880
Fed Tax at average rate of 28% **	4,486	526
State Tax at top rate of 9.3%	1,490	175
Total Tax Paid	5,975	701
Cash on Cash Return - \$	36,500	31,000
Minus Tax Paid	5,975	701
Net Cash on Cash Return - \$	30,525	30,299
Net Cash on Cash Return - %	6.1%	6.1%

This is to be used as an example only.

Consult your CPA for actual tax advice.

** Your tax rate is probably different.