Unit | Program | Area  
--- | --- | ---  
1 | 1BR - First Fl. | 1,024 SF  
2 | 2BR - Second Fl. | 1,024 SF  
3 | 1BR (#1) - Second Fl. | 512 SF  
4 | 1BR (#2) - Second Fl. | 512 SF  
Common Area | 617 SF  
Residential Subtotal | 3,689 SF  
NR | Non-Residential | 919 SF  
Total | 4,608 SF  

19.9% of the building is non-residential. FHA mortgages allow for a maximum of 20% non-residential.

**4F: NOI and Cap Rate Analysis**

**Project Costs**

- **Land Cost**: $51,072
- **Direct Construction Costs**: $414,720 (69% of project costs)
- **Indirect Construction Costs**: $138,240 (23% of project costs)
- **Construction Costs Subtotal**: $552,960 (92% of project costs)
- **Project Costs**: $604,032

**Net Operating Income**

- **Revenue Assumptions**:
  - **#1: 1BR, First Fl.**
    - $1.17 SF/monthly rent
    - $1,200 annual rent
    - $14,400 annual rent
  - **#2: 2BR, Second Fl.**
    - $1.17 SF/monthly rent
    - $1,200 annual rent
    - $14,400 annual rent
  - **#3: 1BR (#1) - Second Fl.**
    - $1.37 SF/monthly rent
    - $700 annual rent
    - $8,400 annual rent
  - **#4: 1BR (#2) - Second Fl.**
    - $1.37 SF/monthly rent
    - $700 annual rent
    - $8,400 annual rent

- **Common Area**
  - $45,600

**Annual Rent**

- **#1: 1BR, First Fl.**
  - $1,200
  - **Total Building SF**: 4,608 SF
  - **Residential Subtotal**: 3,689 SF
  - **Non-Residential (NNN)**: 919 SF

**Gross Potential Income (GPI)**

- **Annual Rent**: $57,570
- **Vacancy rate**: 5%

**Annual Operating Expenses (Res. Only; NNN)**

- **Property management**: 5.00% ($2,879)
- **Accounting**: 0.30% ($60)
- **Legal**: 0.10% ($98)
- **Insurance**: 1.00% ($6,040)
- **Utilities, water, trash**: 0.50% ($202)
- **Maintenance & Supplies**: 1.00% ($450)
- **Real estate taxes**: 0.30% ($150)
- **Contingency**: 4.00% ($18,427)

**Operating Expenses as % of GOI**: 26%

**Net Operating Income (NOI)**

- **Acquisition Cost/Project Cost**: $604,032
- **Annual Operating Expenses**: $14,919
- **Net Operating Income (NOI)**: $42,651

**Cash Flow**

- **Acquisition Cost/Project Cost**: $604,032
- **Down payment**: 20% ($120,806)
- **Monthly payment P&I**: 5% ($2,594)
- **Annual NOI**: 42,651
- **Annual Cash Service**: ($14,919)
- **Annual Cash Flow above debt service and operating expenses**: $27,732
- **Debt Service Coverage ratio**: 1.37

**Cap Rate Calculation**

- **Assumptions**:
  - NOI: $42,651
  - Down Payment: 20%
  - Loan: 20 years
- **Cap Rate**: 8.5%