

## Income Property Brokerage (IPB) Package

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#### Income Property Brokerage (IPB) Package

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### Instructions: (See pages 20-27)

Complete and concise instructions for filing out each provision in every IPB form are located on pages 20-27. Generally, you start to prepare your IPB package by filling out the preliminary *Work-Up Sheet Template*. The data you enter in the *Workup* will automatically appear throughout the IPB forms in all the relevant provisions.

As you fill out the remaining IPB forms with more specific data, prior entries appearing in the forms will be recalculated and updated automatically to maintain accurate consistency.

*IPB Form 3: Financial Summary* brings the critical data from all IPB forms together in a summary which presents all the various financial calculations an investor might use to determine a property's suitability for his purposes.

To inform owners and buyers about the meaning of real estate terms used in the IPB forms, you may include the [Glossary of Terms](#) (pages 18-19) in your final marketing package.

For more information on an agent's use of IPB forms, see the **first tuesday** article, [Income property package; agent prepared, investor reviewed](#) on page 28.

*Note: To print only particular forms or individual pages, not the full series, specify the range of pages to print in the **print options** (for example, "4 - 6, 9 - 17").*

# IPB: Work-Up Sheet Template

Broker _____	Phone _____ Fax _____
License # _____	Email _____
Agent _____	Date Prepared _____, 20____
License # _____	Prepared by _____

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

This **Work-Up Sheet Template** is used by the agent completing the **first tuesday Income Property Brokerage (IPB)** package to enter approximations of recurring amounts. The data entered in the Work-Up Sheet Template will automatically fill in the corresponding fields in all IPB forms.

Estimated data entered here will be automatically overridden with data that is more correct once the correct figures are calculated by the program. Some fields already contain a default amount which may be overridden.

The Work-Up Sheet Template is used by the agent as a template for preparing his marketing package of IPB forms, and is not intended to be included in the package handed to the owner or the buyer.

**All figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecasts of anticipated operations (pro forma).
- c. Source of Information: \_\_\_\_\_

1. Asking Price .....	\$ _____	See <a href="#">Form 4</a>
2. Down Payment .....	\$ _____	
3. Total Rentable Square ft. ....	_____	
4. Number of Units. ....	_____	See <a href="#">Form 2</a>
5. Replacement Cost of Improvements.....	\$ _____	
6. Annual Percent Increase in Property Value. ....	_____ %	See <a href="#">Form 3</a>
7. New Loan Amount .....	\$ _____	See <a href="#">Form 4-1</a>
a. Interest Rate .....	_____ %	
b. Monthly Payment .....	(\$ <a href="#">Online Calculator</a> ) _____	
c. Loan Costs .....	\$ _____	
8. Existing Loan Amount (Assumption) .....	\$ _____	See <a href="#">Form 4-1</a>
a. Interest Rate .....	_____ %	
b. Monthly Payment .....	\$ _____	
9. Carryback Note Amount .....	\$ _____	See <a href="#">Form 4-1</a>
a. Interest Rate .....	_____ %	
b. Monthly Payment .....	(\$ <a href="#">Online Calculator</a> ) _____	
10. Buyer's Transactional Costs .....	\$ _____	
11. Scheduled Rental Income (Annual) .....	\$ _____	See <a href="#">Form 7</a>
a. Other Income (Annual) .....	\$ _____	See <a href="#">Form 5</a>
12. % Vacancies, Discounts, Non-Payment .....	_____ %	See <a href="#">Form 8</a>
13. Operating Expenses (Annual) .....	\$ _____	See <a href="#">Form 8</a>
14. Buyer's Tax Bracket .....	_____ %	See <a href="#">Form 6</a>

# Income Property Brokerage Transmittal Cover Letter

Dated: \_\_\_\_\_, 20\_\_\_\_\_

To: \_\_\_\_\_

From: \_\_\_\_\_

Re: Investors with cash available for placement in an income-producing real estate investment program.

You are kindly requested to consider this investment opportunity.

The property to be acquired is located at \_\_\_\_\_

City \_\_\_\_\_, State \_\_\_\_\_ Zip \_\_\_\_\_

The asking price of this income property is \$\_\_\_\_\_.

Future ownership of this property will create the following advantages:

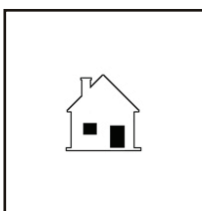
1. an initial capital investment without the expectation of future additional contributions;
2. minimal involvement by the investor;
3. spendable income distributed periodically;
4. equity buildup due to amortization of the loan amount through monthly payments paid from rental income;
5. an increase in value resulting from monetary inflation and asset appreciation; and
6. tax benefits provided by depreciation deductions and reinvestment on a sale of the property.

Please review the specially prepared Income Property Brokerage (IPB) report accompanying this letter for details and other advantages.

Please contact me through any of the methods below for any further property information you desire.

Sincerely,

\_\_\_\_\_



Broker \_\_\_\_\_

DRE license # \_\_\_\_\_

Agent \_\_\_\_\_

DRE license # \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

Email \_\_\_\_\_

# IPB Form 1: Property Location/Zoning

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker _____	Phone _____ Fax _____
License # _____	Email _____
Agent _____	Date Prepared _____, 20____
License # _____	Prepared by _____

**All figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecasts of anticipated operations.
- c. Source of Information: \_\_\_\_\_

**LOCATION:**

Property Name: \_\_\_\_\_

Property Type: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

Name of Community: \_\_\_\_\_

**Property Pictures:**

[Additional pictures, maps and supplementary figures  are,  are not attached.]

**Location of Nearest:**

**Intersection:** \_\_\_\_\_

**Police Station:** \_\_\_\_\_

**Fire Station:** \_\_\_\_\_

**Bus/Metrolink Station:** \_\_\_\_\_

**Train Station:** \_\_\_\_\_

**Airport:** \_\_\_\_\_

**Local Housing Info:**

Total Housing Units in \_\_\_\_\_ County: \_\_\_\_\_

Total Occupied Units: \_\_\_\_\_

Total Owner-Occupied: \_\_\_\_\_

Total Renter-Occupied: \_\_\_\_\_

Total Vacant: \_\_\_\_\_

**Average Annual Household Income:**

% Below \$10,000 ..... %

% \$10,000 to \$14,999 ..... %

% \$15,000 to \$24,999 ..... %

% \$25,000 to \$34,999 ..... %

% \$35,000 to \$49,999..... %

% \$50,000 to \$74,999..... %

% \$75,000 to \$99,999..... %

% \$100,000 to \$149,999..... %

% \$150,000 to \$199,999..... %

% \$200,000 or more..... %

**Local Population** [ \_\_\_\_\_ County]: \_\_\_\_\_

% Male, % Female: \_\_\_\_\_%, ..... %

% 15 to 19 years:..... %

% 20 to 24 years:..... %

% 25 to 34 years:..... %

% 35 to 44 years:..... %

% 45 to 54 years:..... %

% 55 to 59 years:..... %  
% 60 to 64 years:..... %  
% 65 to 74 years:..... %  
% 75 to 84 years:..... %  
% Aged 85 and over:..... %  
Total Labor Force: .....  
Total Non-farm Employment:.....  
Total Population \_\_\_\_\_ Years Ago:.....  
Population Change over Past \_\_\_\_\_ Years: ..... %

**ZONING:**

**Year Property was Built:** \_\_\_\_\_  
**Present Use of Property:** \_\_\_\_\_  
**Highest and Best Use of Property:** \_\_\_\_\_  
**Zone Type:** \_\_\_\_\_  
**Uses Permitted:** \_\_\_\_\_  
\_\_\_\_\_  
**Permissible Further Improvements:** \_\_\_\_\_  
**Distance to a Change in Zoning:** \_\_\_\_\_  
**Proximate Zoning Type:** \_\_\_\_\_  
**Proximate Uses Permitted:** \_\_\_\_\_  
\_\_\_\_\_

**Attributes of Surrounding Area:** [Enter text below]

# IPB Form 2: Property Improvements

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
License # \_\_\_\_\_ Email \_\_\_\_\_  
Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_  
Location: \_\_\_\_\_

## PROPERTY IMPROVEMENTS

- 1 Number of Units: \_\_\_\_\_
- 2 Unit Mix and Size: \_\_\_\_\_
- 3 Total Rentable Sq Ft: \_\_\_\_\_
- 4 Lot Size in Sq Ft: \_\_\_\_\_
- 5 Lot Dimensions: \_\_\_\_\_
- 6 Percentage of Ground Covered by Improvements: \_\_\_\_\_%
- 7 Total Cost to Replace All Improvements: \$ \_\_\_\_\_
- 8 Type of Construction: \_\_\_\_\_
- 9 Roof: \_\_\_\_\_
- 10 Plumbing: \_\_\_\_\_
- 11 Water Source and Lines: \_\_\_\_\_
- 12 Sewer Hookup: \_\_\_\_\_
- 13 Fire Sprinklers (type/rating): \_\_\_\_\_
- 14 Ceiling Clearance: \_\_\_\_\_
- 15 Electrical Supply: \_\_\_\_\_
- 16 HVAC Units: \_\_\_\_\_
- 17 Cable TV: \_\_\_\_\_
- 18 Internet: \_\_\_\_\_
- 19 Pool Dimensions: \_\_\_\_\_
- 20 Gym/Clubhouse Data: \_\_\_\_\_
- 21 Security Arrangements: \_\_\_\_\_
- 22 Elevator/Stairs: \_\_\_\_\_
- 23 Flooring: \_\_\_\_\_
- 24 Windows: \_\_\_\_\_
- 25 Number and Height of Ground Level Doors: \_\_\_\_\_
- 26 Number of Loading Docks: \_\_\_\_\_
- 27 Ramps: \_\_\_\_\_



28	Parking Lot/Spaces on Unit:	_____
29	Landscaping:	_____
30	Fences:	_____
31	Lighting Adequacy (Inside):	_____
32	Lighting Adequacy (Outside):	_____
33	Easement:	_____
34	_____:	_____
35	_____:	_____



# IPB Form 3: Financial Summary

1) Property Location/ Zoning
2) Property Improvements
<b>3) Financial Summary</b>
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_

Location: \_\_\_\_\_

**Annual figures are estimates reflecting:**

- Current operating conditions.
- Forecasts of anticipated operations.

**Financial Summary**

- 1 Price-to-Rents Ratio (**Gross Rents Multiplier (GRM)**) ..... \_\_\_\_\_
- 2 **Price-to-Net Operating Income (NOI) Ratio (Net Income Multiplier (NIM))** ... \_\_\_\_\_
- 2.1 **Capitalization Rate** ..... \_\_\_\_\_ %
- 3 **Expenses to Gross Rents** ..... \_\_\_\_\_ %
- 4 **Mortgage Payments to Gross Rents** ..... \_\_\_\_\_ %
- 4.1 **Loan Reduction as Return on Cash** (\$ \_\_\_\_\_) ..... \_\_\_\_\_ %
- 5 **Cash-on-Cash Return (Spensible Income \$ \_\_\_\_\_)** ..... \_\_\_\_\_ %
- 6 Annual Depreciation as a Percentage of Cash Invested ..... \_\_\_\_\_ %
- 7 **Reportable Income** ..... (+ or -) \$ \_\_\_\_\_
- 8 Tax on Reportable Income ..... (+ or -) \$ \_\_\_\_\_
- 9 Cash Flow After Taxes ..... \$ \_\_\_\_\_
- 9.1 **After-Tax Cash Flow as Return on Cash** ..... \_\_\_\_\_ %
- 10 Price Per Square Foot of Rentable Improvements ..... \$ \_\_\_\_\_
- 11 Price Per Unit or Space ..... \$ \_\_\_\_\_

**Annual Return on Cash Invested**

- 12 Loan Reduction as Return on Cash ..... %; \$ \_\_\_\_\_
- 13 After-Tax Cash Flow as Return on Cash ..... %; \$ \_\_\_\_\_
- 14 **Annual Percent Increase in Property Value (Anticipated)** ..... %; \$ \_\_\_\_\_
- 15 **Buyer's Total Return From Ownership** ..... \$ \_\_\_\_\_
- 15.1 **Buyer's Annual Percent Return on Cash Invested** ..... %

**first tuesday**  
Income Property  
Brokerage (IPB) Forms

# IPB Form 4: Price and Terms

1) Property Location/ Zoning
2) Property Improvements
3) <b>Financial Summary</b>
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker _____	Phone _____ Fax _____
License # _____	Email _____
Agent _____	Date Prepared _____, 20__
License # _____	Prepared by _____

Property Type: \_\_\_\_\_

Location: \_\_\_\_\_

**PRICE:**

Asking Price:.....\$ \_\_\_\_\_

Gross Rent Multiplier (GRM):..... \_\_\_\_\_

Total Cost to Replace All Improvements:.....\$ \_\_\_\_\_

Comparable Sales Price:.....\$ \_\_\_\_\_

Fair Market Value (FMV):.....\$ \_\_\_\_\_

**TERMS OF PAYMENT:**

1. Down Payment:.....\$ \_\_\_\_\_

2. New Loan Amount:.....\$ \_\_\_\_\_

3. Assume Existing Loan:.....\$ \_\_\_\_\_

4. Seller Carryback Financing:.....\$ \_\_\_\_\_

5. Buyer's Transactional and Loan Costs:.....\$ \_\_\_\_\_

6. Cost of Acquisition:.....\$ \_\_\_\_\_

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Income Property  
Brokerage (IPB) Forms

# IPB Form 4-1: Loan Arrangements/Transactional Costs

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
<b>4-1) Loan Arrangements/ Transactional Costs</b>
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_

Location: \_\_\_\_\_

**All figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecasts of anticipated operations.
- c. Source of Information: \_\_\_\_\_

**1. NEW LOAN ARRANGEMENTS:**  1st  2nd

1.1 Lender's Name: \_\_\_\_\_  
 1.2 Lender's Contact Information: \_\_\_\_\_  
 \_\_\_\_\_  
 1.3 Loan Type: \_\_\_\_\_  
 1.4 Loan Amount:.....\$ \_\_\_\_\_  
 1.5 Interest Rate: .....%  
 1.6 Monthly Payment: .....\$ \_\_\_\_\_ (Online Calculator)  
 1.7 Amortization Period (Months):..... (mos.)  
 1.8 Loan Due Date: .....  
 1.9 Loan to Value (LTV): .....%  
 1.10 Prepayment Penalty Expiration:.....

**2. EXISTING LOAN INFORMATION:**

2.1 Lender's Name: \_\_\_\_\_  
 2.2 Lender's Contact Information: \_\_\_\_\_  
 \_\_\_\_\_  
 2.3 Loan Type: \_\_\_\_\_  
 2.4 Loan Amount:.....\$ \_\_\_\_\_  
 2.5 Interest Rate: .....%  
 2.6 Monthly Payment: .....\$ \_\_\_\_\_ (Online Calculator)  
 2.7 Amortization Period (Months):..... (mos.)  
 2.8 Loan Due Date: .....  
 2.9 Loan to Value (LTV): .....%  
 2.10 Assumption Fee: .....\$ \_\_\_\_\_  
 2.11 Prepayment Penalty Expiration:.....

**3. CARRYBACK NOTE:**

3.1 Note Amount:.....\$ \_\_\_\_\_  
 3.2 Interest Rate: .....%



- 3.3 Monthly Payment: .....\$ \_\_\_\_\_ (Online Calculator)
- 3.4 Amortization Period (Months):..... \_\_\_\_\_ (mos.)
- 3.5 Loan Due: ..... \_\_\_\_\_
- 3.6 Loan to Value (LTV): ..... \_\_\_\_\_ %

**LOAN(S) COSTS:**

- 1 Points/Discount ..... \$ \_\_\_\_\_
- 2 Origination Fees ..... \$ \_\_\_\_\_
- 3 Loan(s) Escrow Fees ..... \$ \_\_\_\_\_
- 4 Title Insurance Premium ..... \$ \_\_\_\_\_
- 5 **TOTAL Loan(s) Costs** ..... \$ \_\_\_\_\_

**TRANSACTIONAL COSTS:**

- 1 Anticipated Closing Date ..... \_\_\_\_\_
- 2 City/County Fees ..... \$ \_\_\_\_\_
- 3 Lender's Title Insurance Policy ..... \$ \_\_\_\_\_
- 4 Title Policy Endorsements ..... \$ \_\_\_\_\_
- 5 Hazard Insurance Premium ..... \$ \_\_\_\_\_
- 6 Property Survey Engineer ..... \$ \_\_\_\_\_
- 7 Prorated Property Tax ..... \$ \_\_\_\_\_
- 8 Month-End Interest ..... \$ \_\_\_\_\_
- 9 Private Mortgage Insurance (PMI) ..... \$ \_\_\_\_\_
- 10 Flood Certification ..... \$ \_\_\_\_\_
- 11 Loan Document Preparation ..... \$ \_\_\_\_\_
- 12 Escrow Fees and Charges ..... \$ \_\_\_\_\_
- 13 Appraisal Fee ..... \$ \_\_\_\_\_
- 14 Legal Fee for Closing ..... \$ \_\_\_\_\_
- 15 Loan Origination Charges ..... \$ \_\_\_\_\_
- 16 Loan Points/Discount ..... \$ \_\_\_\_\_
- 17 Investor Funding Fee ..... \$ \_\_\_\_\_
- 18 Recording Fees ..... \$ \_\_\_\_\_
- 19 Inspections and Reports ..... \$ \_\_\_\_\_
- 20 Tax Service ..... \$ \_\_\_\_\_
- 21 Courier Fee ..... \$ \_\_\_\_\_
- 22 Other Fee \_\_\_\_\_ \$ \_\_\_\_\_
- 23 [Non-itemized Approximate] ..... \$ \_\_\_\_\_
- 24 **TOTAL Transactional Costs** ..... \$ \_\_\_\_\_

# IPB Form 5: APOD (Annual)

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
<b>5) APOD</b>
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_  
 Location: \_\_\_\_\_

**Annual figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecasts of anticipated operations.
- c. Source of Information: \_\_\_\_\_

Annual Property Operating Data (APOD)		
<b>1</b>	<b>Scheduled Rental Income</b> .....	\$ _____ <b>100</b> %
1.1	<b>Vacancies, Discounts and Non-Payments</b> .....	\$ _____ %
1.2	<b>Effective Rental Income</b> .....	\$ _____ %
1.3	<b>Other Income</b> .....	\$ _____ %
<b>2</b>	<b>Gross Operating Income</b> .....	\$ _____ %
<b>3</b>	<b>Total Operating Expenses</b> .....	\$ _____ %
<b>4</b>	<b>Net Operating Income (NOI)</b> .....	\$ _____ %
<b>5</b>	<b>Mortgage Principal (in Payments)</b> .....	\$ _____ %
5.1	<b>Mortgage Interest (in Payments)</b> .....	\$ _____ %
<b>6</b>	<b>Spensible Income</b> .....	\$ _____ %

## IPB Form 6: Income Tax Aspects

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
<b>6) Income Tax Aspects</b>
7) Rent Roll
8) Annual Operating Expenses
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_  
 Location: \_\_\_\_\_

### INCOME TAX DEDUCTIONS FROM NOI (ANNUAL):

1 **NET OPERATING INCOME (NOI)** .....\$ \_\_\_\_\_  
 2 Annual Interest Accrued and Paid .....(-)\$ \_\_\_\_\_  
 2.1 Prepaid Interest Accrued .....(-)\$ \_\_\_\_\_  
 3 Cost Basis on Acquisition .....\$ \_\_\_\_\_  
 3.1 % Value of Improvements ..... %  
 3.2 Depreciable Cost Basis .....\$ \_\_\_\_\_  
 3.3 Cost Recovery Period (In Years).....  27.5  39  40  
 3.4 Annual Depreciation Deduction Allowance .....(-)\$ \_\_\_\_\_  
 4 **Reportable Income (or Loss)** .....(+ or -)\$ \_\_\_\_\_

### AFTER-TAX CASH FLOW:

5 Spendable Income .....\$ \_\_\_\_\_  
 6 Buyer's Tax Bracket ..... %  
 7 Income Tax Liability on Reportable Income/Loss ..... (+ or -)\$ \_\_\_\_\_  
 8 **Net Annual After-Tax Cash Flow** .....\$ \_\_\_\_\_

**Work-Up Sheet  
Template**

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
<b>7) Rent Roll</b>
8) Annual Operating Expenses
9) Disclosure of Providers

# IPB Form 7: Rent Roll

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_

Location: \_\_\_\_\_

**All figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecast of anticipated operations.

**MONTHLY RENTAL INCOME**

1 Unit or Space #	2 Rent Amount (monthly)	3 Rental Term	4 Date Tenancy Expires	5 Security Deposit and Prepaid Rent	6 Rent Incentives, Bonuses and Discounts	7 Delinquent Rent Amount
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
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	\$			\$		\$
	\$			\$		\$
	\$			\$		\$
	\$			\$		\$

TOTALS: \$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_  
 ANNUAL: \$ \_\_\_\_\_

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 Income Property  
 Brokerage (IPB) Forms

# IPB Form 8: Annual Operating Expenses

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
<b>8) Annual Operating Expenses</b>
9) Disclosure of Providers

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_  
 Location: \_\_\_\_\_

**All figures are estimates reflecting:**

- a.  Current operating conditions.
- b.  Forecasts of anticipated operations.
- c. Source of Information: \_\_\_\_\_

**ANNUAL OPERATING EXPENSES:**

	\$	%
1 Electricity . . . . .	_____	_____%
2 Gas . . . . .	_____	_____%
3 Water . . . . .	_____	_____%
4 Rubbish . . . . .	_____	_____%
5 Property Insurance . . . . .	_____	_____%
6 Property Taxes . . . . .	_____	_____%
7 HOA/Apt. Ownership Fees . . . . .	_____	_____%
8 Property Management Fees . . . . .	_____	_____%
9 Leasing Fees . . . . .	_____	_____%
10 Resident Manager . . . . .	_____	_____%
11 Worker's Compensation Insurance . . . . .	_____	_____%
12 Office Expenses/Supplies . . . . .	_____	_____%
13 Advertising/Screening Fees . . . . .	_____	_____%
14 Lawn/Gardening . . . . .	_____	_____%
15 Pool/Spa . . . . .	_____	_____%
16 Janitorial/Cleaning . . . . .	_____	_____%
17 Maintenance . . . . .	_____	_____%
18 Repairs and Replacements . . . . .	_____	_____%
19 CATV/Phone . . . . .	_____	_____%
20 Accounting/Legal Fees . . . . .	_____	_____%
21 Credit Card Charges . . . . .	_____	_____%
22 Licenses/Rent Control Fees . . . . .	_____	_____%
23 _____ . . . . .	_____	_____%
24 [Non-itemized Approximate] . . . . .	_____	_____%
<b>25 Total Operating Expense . . . . .</b>	<b>_____</b>	<b>_____%</b>
26 Annual Inflation Adjustment . . . . .	_____%; \$_____	_____%

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Income Property  
Brokerage (IPB) Forms



# IPB Form 9: Disclosure of Providers

1) Property Location/ Zoning
2) Property Improvements
3) Financial Summary
4) Price and Terms
4-1) Loan Arrangements/ Transactional Costs
5) APOD
6) Income Tax Aspects
7) Rent Roll
8) Annual Operating Expenses
<b>9) Disclosure of Providers</b>

Broker \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_  
 License # \_\_\_\_\_ Email \_\_\_\_\_  
 Agent \_\_\_\_\_ Date Prepared \_\_\_\_\_, 20\_\_\_\_  
 License # \_\_\_\_\_ Prepared by \_\_\_\_\_

Property Type: \_\_\_\_\_  
 Location: \_\_\_\_\_

**PROVIDERS:**

- 1 Property Management: \_\_\_\_\_
- 2 Electricity: \_\_\_\_\_
- 3 Gas: \_\_\_\_\_
- 4 Water/Sewer: \_\_\_\_\_
- 5 Rubbish: \_\_\_\_\_
- 6 General Maintenance: \_\_\_\_\_
- 7 Janitorial/Cleaning: \_\_\_\_\_
- 8 Window Cleaner: \_\_\_\_\_
- 9 HOA/Apt. Ownership Services: \_\_\_\_\_
- 10 Property Insurance Carrier: \_\_\_\_\_
- 11 Phone/Electricity: \_\_\_\_\_
- 12 CATV Service: \_\_\_\_\_
- 13 Advertising: \_\_\_\_\_
- 14 Office Supplies: \_\_\_\_\_
- 15 Tenant Screening Service: \_\_\_\_\_
- 16 Painting: \_\_\_\_\_
- 17 AC and Heating: \_\_\_\_\_
- 18 Roofer: \_\_\_\_\_
- 19 Plumber: \_\_\_\_\_
- 20 Electrician: \_\_\_\_\_
- 21 Gardener: \_\_\_\_\_
- 22 Pool/Spa: \_\_\_\_\_
- 23 Parking Lot Maintenance: \_\_\_\_\_
- 24 Snow Removal: \_\_\_\_\_
- 25 Worker's Compensation Carrier: \_\_\_\_\_
- 26 Accountant: \_\_\_\_\_
- 27 Attorney: \_\_\_\_\_
- 28 \_\_\_\_\_: \_\_\_\_\_
- 29 \_\_\_\_\_: \_\_\_\_\_
- 30 \_\_\_\_\_: \_\_\_\_\_

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**Annual Depreciation Deduction Allowance:** This dollar amount is set based on the cost recovery period selected for the buyer and the depreciable basis in his cost of acquisition. The Depreciation Deduction Allowance is deducted from the property's Net Operating Income (NOI) to exclude it as a recovery of invested capital when determining the property's reportable income. This amount is entered on *IPB Form 6: Income Tax Aspects*.

**Asking price:** The seller's asking price for the property, commonly also called the *listed price*.

**Capitalization Rate (Cap Rate):** This figure is the annual rate of return produced by property operations as represented by the property's Net Operating Income (NOI) in relation to the price, expressed as a percentage of price. This Cap Rate is calculated by dividing the NOI by the property's price. This Cap Rate represents the relationship between the property's price and the amount of Gross Operating Income remaining as the NOI after payment of all operating expenses and before considering the effect of non-operating events (such as payments on mortgages and assessment bonds, recovery of invested capital under depreciation deduction allowance schedules, and the payment of any income taxes on reportable income). The Cap Rate is not a multiplier; it is a divisor which is used to set a property's value based on the NOI. However, the reciprocal number to the Cap Rate percentage figure is also used as a multiplier of the NOI (the NIM) to determine the value of the property.

**Cash-on-Cash Return (Spendable Income):** Spendable income represented by cash remaining after all expenses and mortgage payments have been paid, without considering the depreciation deduction allowance or any taxes to be paid on reportable income.

**Closing Costs:** This figure includes the cost of the buyer's due diligence investigation, purchase escrow charges, fees and loan charges other than prepaid interest.

**Comparable Sales Price:** Enter the dollar amount of the adjusted sales price of comparable properties in the area. [See **ft** Form 200-1]

**Cost of Acquisition:** This figure is the buyer's cost basis on acquisition of the property. Included are the price paid the seller for the property (down payment plus loan amounts assumed or borrowed to fund the price paid), the cost of the buyer's due diligence investigation, purchase escrow charges and fees and loan charges other than prepaid interest.

**Effective Rental Income:** Scheduled Rental Income minus the amount of vacancies, discounts and non-payment of rent. This subtotal is the amount of rent the property will actually generate during a one year period for the use and occupancy of the property, before including other income received for providing real estate related services.

**Expenses to Gross Rents:** The percentage figure representing the ratio of gross rents used to pay operating expenses. This percentage is calculated by dividing operating expenses by gross operating income.

**Fair Market Value (FMV) Price:** Enter the dollar amount which represents the FMV as determined by an appraisal of the property.

**Gross Operating Income:** The total of the effective rental income and all income received from other sources. This total is the bottom-line income figure giving the anticipated bankable income from all sources that the property operations can be expected to generate over a 12 month period, from which expenses are paid, mortgage payments are made and a profit is earned. Gross Operating Income is also sometimes called *Gross Revenue* (a bookkeeping term).

**Gross Rent Multiplier (GRM):** This factor states the property's price as a multiple of the Gross Operating Income. The GRM is determined by dividing the property's price by its Gross Operating Income. The likely value/price of a property may be calculated by multiplying a pre-selected GRM by the property's gross income. A property's price is often expressed as a multiple of its gross income. When first encountering an income property, the GRM is used as an imprecise tool to quickly evaluate the reasonableness of the asking price, assuming an acceptable rate of vacancies and expenses exist.

**Growth Factor Return on Cash:** The return, or yield, on the cash invested based on the estimated annual increase in property value due to inflation (or deflation), appreciation and improved management.

**Income Tax Liability on Reportable Income/Loss:** The buyer's income tax liability is determined based on the total amounts of his loans (*IPB Form 4-1*) less any depreciation deductions or interest deductions on the loans (*IPB Form 6*).

**Mortgage Interest (Payments and Prepaid):** The total dollar amount of all interest payments to be made on new or assumed mortgages during the first year of ownership, including the prorated amount of prepaid interest (loan points) (*IPB Form 4-1*).

**Mortgage Payments to Gross Rents:** The percentage figure representing the portion of gross rents used to make mortgage payments. This percentage is calculated by dividing the total amount of one year's mortgage payments by gross rents.

**Mortgage Principal Amount:** The total dollar amount of any existing mortgages to be assumed by the buyer and any purchase-assist financing obtained by the buyer to purchase the property (*IPB 4-1*).

**Net Annual After-Tax Cash Flow:** This figure is the sum of the buyer's Net Operating Income (NOI) (*IPB Form 5* line 4), less the total annual mortgage payments (*IPB Form 5* lines 5 plus 5.1), less income tax liability or plus any income tax liability reduction (*IPB Form 6* line 7).

**Net Operating Income (NOI):** This dollar amount is the sum of the Gross Operating Income, calculated on *IPB Form 5* line 4, less the property's total expected annual operating expenses, calculated on *IPB Form 8*. The NOI is the actual amount of net revenue generated by the property.

**Net Operating Income Multiplier (NIM):** This factor states the property's price as a multiple of the NOI generated by the property. The NIM is calculated as the property's price divided by the property's NOI. It is also the reciprocal of the Cap Rate.

**Other Income:** This amount represents any additional income received within a one year period for services provided to tenants or others. These services include such items as the rental of furnishings, utilities/common area maintenance (CAMs), cleaning services, coin operated machines, late payment charges, screening fees and other service fees which are not attributed to rents paid for use and occupancy of the property.

**Price-to-Net Operating Income (NOI) Ratio:** The reciprocal of the cap rate (NOI as a percentage of price) is the price to earnings ratio (or multiplier, also called the Net Income Multiplier (NIM)).

**Reportable Income:** This amount is the sum the buyer includes in his Adjustable Income for income tax reporting purposes. See *IPB Form 5 (APOD)* line four.

**Scheduled Rental Income:** This dollar amount is the total potential income from rents for all the property's rentable space and units, forecast for one year forward as though the property were fully occupied. This amount is based on rent paid as scheduled on existing rental and lease agreements for occupied space and units, and market rental rates for vacancies. It is the agent's duty to ascertain the accuracy and reliability of these rents, since accurate rental forecasts are necessary if multipliers and capitalization rates are to be meaningful tools for buyers to use when setting the value of the property. Scheduled Monthly Rental Income is calculated on *IPB Form 7: Rent Roll*.

**Spendable Income:** This figure is the sum of the property's Net Operating Income (NOI) (calculated on *IPB Form 5*), less the total annual debt service on mortgage financing (calculated on *IPB Form 4-1*).

**Total Cost to Replace All Improvements:** This figure is the estimated total cost required to replace all improvements on the property. It is taken from *IPB Form 2: Property Improvements*.

**Total Operating Expenses:** This dollar amount represents the total annual cost projected or anticipated to maintain and operate the property for one year.

**Vacancies, Discounts and Non-Payments:** This figure accounts for income lost due to the vacancies, space and units currently leased at a discount or with other monetary concessions (rent free periods), and non-payment of rent, and is a necessary calculation since the scheduled rental income figure will never actually be fully received. Often this amount is labeled a *vacancy factor* and is stated as a percentage of scheduled rents based on local market conditions rather than rates actually experienced by the property.

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## Income Property Broker (IPB) Instructions

### IPB Form 1: Location/Zoning

**Location:** Enter as much of the requested information as possible in order to present an accurate and complete depiction of the area immediately surrounding the property. Much of this information can be obtained online and in person from the local Chamber of Commerce and Planning Department of the county where the property is located.

**Property Pictures:** Click [here](#) for instructions how to insert PDF images into your form.

**Local Housing Info:** Go to the [Demographic Profile - California and Counties](#) page of the California Employment Development Department (EDD) website. Select the county where the property is located. Enter the consensus data provided into the corresponding fields of the form.

**Average Annual Household Income:** Go to the [Demographic Profile - California and Counties](#) page of the EDD website. Select the county where the property is located. Enter the consensus data provided into the corresponding fields of the form.

**Local Population:** Go to the [Demographic Profile - California and Counties](#) page of the EDD website. Select the county where the property is located. Enter the consensus data provided into the corresponding fields of the form.

**Total Labor Force/Non-farm Employment:** Go to the [Labor Market Information \(LMI\) by County](#) page of the EDD website. Select the county where the property is located. Select "Local Area Profile." Enter the data provided into the corresponding fields of the form.

**Total Population \_\_\_ Years Ago:** In the *Local Area Profile* section of the EDD website (see step above), select "Get More Info (Data Library)" under the "Population and Census Data" header. Select the county where the property is located. Under the "Select Years" pull-down, specify the years for which you would like to retrieve data. Follow the onscreen prompts to receive the total population for the previously specified years.

**Year Property was Built:** Enter the year of the property's construction.

**Present Use of Property:** Describe the property's current use, or the most recent use (if that use is still permitted).

**Highest and Best Use of Property:** Describe the uses most suitable for the property. Indicate whether this use is permitted by current zoning without a conditional use permit.

**Zone Type:** Enter the property's zoning set by local ordinance.

**Uses Permitted:** Describe what uses are permitted by the property's zoning classification, as obtained online or in person from the Planning Department of the county where the property is located.

**Permissible Further Improvements:** Describe any potential further improvements to the property permitted by the property's zoning.

**Distance to a Change in Zoning:** Give the location of the nearest change in zoning.

**Proximate Zoning Type:** Enter the zoning type of the nearest area with different zoning.

**Proximate Uses Permitted:** Describe which activities are permitted on other nearby properties with zoning different from that of the property.

**Attributes of Surrounding Area:** Briefly describe any relevant features of the surrounding area, including neighborhood businesses, natural resources, or other local attributes.

## IPB Form 2: Property Improvements

**Property Improvements:** Enter the requested information about the property, and provide a brief description of each requested item.

- 1 **Number of Units:** Enter the number of units or spaces available for rent on the property.
- 2 **Unit Mix and Size:** Indicate the type of units within the property (commercial, residential, condos, etc.), and the number of units of each type.
- 3 **Total Rentable Sq Ft:** Enter the combined size in square feet of all rentable units and space.
- 4 **Lot Size in Sq Ft:** Enter the total size of the parcel in square feet.
- 5 **Lot Dimensions:** Enter the dimensions, in feet, of the property's parameters.
- 6 **Percentage of Ground Covered by Improvements:** The constructed improvements, as a percentage of the property's lot size.
- 7 **Total Cost to Replace All Improvements:** Enter the estimated total cost of construction to currently replace all improvements on the property.
- 8 **Type of Construction:** Briefly describe the type of construction and condition of the property's structure.
- 9 **Roof:** Briefly describe the age, type and condition of the property's roofing.
- 10 **Plumbing:** Briefly describe the type of piping and condition of the plumbing fixtures, sprinklers and fire system.
- 11 **Water Source and Lines:** Briefly describe the source of the water supply and the size of the meter.
- 12 **Sewer Hookup:** Note whether the property is hooked up to the local sewage system, and if not, briefly describe the sewage system servicing the property and its condition.
- 13 **Fire Sprinklers (type/rating):** Briefly describe the type and rating of the sprinkler system installed in the property.
- 14 **Ceiling Clearance:** Briefly describe the height of the ceiling. If the ceiling height varies, describe the height in each location.
- 15 **Electrical Supply:** Briefly describe the voltage supplied and condition of the property's electrical system.
- 16 **HVAC Units:** HVAC stands for Heating, Ventilation, and Air Conditioning. Briefly describe any of the property's equipment that falls into this category (number of units and capacity).
- 17 **Cable TV:** Describe any cable or other TV service to the property.
- 18 **Internet:** Describe any internet service to the property.
- 19 **Pool Dimensions:** Briefly describe any pool on the property.
- 20 **Gym/Clubhouse Data:** Briefly describe any gym or clubhouse facilities on the property.
- 21 **Security Arrangements:** Briefly describe any security systems or resources on the property, as well as any notable security risks.
- 22 **Elevator/Stairs:** Briefly describe the type and condition of any stairs or elevators on the property.
- 23 **Flooring:** Briefly describe the floor covering throughout the property.
- 24 **Windows:** Briefly describe the features and condition of the windows.
- 25 **Number and Height of Ground Level Doors:** Briefly describe the number and height of the ground doors on the property.
- 26 **Number of Loading Docks:** Briefly describe the type and number of loading docks on the property and the space for maneuverability available to an 18-wheeler.

- 27 **Ramps:** Briefly describe the number of ramps on the property.
- 28 **Parking Lot/Spaces on Unit:** Briefly describe the number of designated and public parking spaces on or near the property and whether the parking lot is covered.
- 29 **Landscaping:** Briefly describe the property's landscaping, including the watering system.
- 30 **Fences:** Briefly describe the type, location and condition of any fences on or around the property.
- 31 **Lighting Adequacy (Inside):** Briefly describe the type, source and quality of lighting inside the property.
- 32 **Lighting Adequacy (Outside):** Briefly describe the type, source and quality of lighting outside the property (i.e., automated safety lights).
- 33 **Easement:** Briefly describe any easements encumbering the property.

## IPB Form 3: Financial Summary

- 14 **Annual Percent Increase in Property Value (Anticipated):** Enter the anticipated annual increase in property value due to inflation (or deflation), appreciation and improved management.

## IPB Form 4: Price and Terms

- 1 **Down Payment:** Enter the down payment amount sought by the seller.
- 2 **New Loan Amount:** Enter the dollar amount of the purchase price to be funded by new financing to be obtained by the buyer.
- 3 **Assume Existing Loan:** Enter the amounts of any existing loans on the property that the seller will permit the buyer to assume.
- 4 **Seller Carryback Financing:** Enter the dollar amount of financing the seller is willing to carry on a note executed by a creditworthy buyer and secured by a trust deed on the property, junior to existing or new financing.
- 5 **Buyer Transactional and Loan Costs:** Enter the dollar amount of the transactional closing costs (other than the price paid) and loan charges (other than prepaid interest) incurred by the buyer to assume or originate new financing.
- 6 **Total Cost of Acquisition:** Enter the dollar amount of all capital investments made in cash, loans, carryback financing and closing costs incurred by the buyer to acquire the property. This is the total of the previous one through six.

## IPB Form 4-1: Loan Arrangements/Transactional Costs

- 1 **NEW LOAN ARRANGEMENTS:** Check the box to indicate whether the new purchase-assist loan is a first or second. Fill in the data fields below based on any future purchase-assist financing the buyer will arrange to fund the portion of the purchase price remaining after the down payment (and any carryback financing) when the existing loan will not be assumed by the buyer.
  - 1.1 **Lender's Name:** Enter the name of the lender who is willing to make a loan secured by the property.



- 1.2 **Lender's Contact Information:** Enter the lender's mailing address, email address, phone/fax number and contact person.
  - 1.3 **Loan Type:** Enter the loan type, noting whether it is an adjustable rate mortgage (ARM), 15-Year Fixed Rate, 30-Year Fixed Rate, or other type.
  - 1.4 **Loan Amount:** Enter the dollar amount the lender has indicated it would lend on the property to a qualified buyer for funding the purchase of the property.
  - 1.5 **Interest Rate:** Enter the annual rate of interest sought by the lender.
  - 1.6 **Monthly Payment:** Enter the anticipated amount of the buyer's monthly payments on the loan. Click the "Online Calculator" link for an online amortization calculator to compute this amount.
  - 1.7 **Amortization Period (Months):** Enter as a number of months the amortization period the lender will use to set the amount of the monthly payments on the loan.
  - 1.8 **Loan Due Date:** Enter the due date for payoff of the loan.
  - 1.9 **Loan to Value (LTV):** This figure is the amount of the loan expressed as a percentage of the asking price for the property. It is determined by dividing the loan amount by the asking price.
  - 1.10 **Prepayment Penalty Expiration:** Enter the expiration date beyond which a prepayment penalty will not be charged on a payoff of the loan.
- 2 **EXISTING LOAN INFORMATION:** Fill in the data fields addressing the note and trust deed which now encumbers the property if the seller will permit the buyer to assume the loan.
- 2.1 **Lender's Name:** Enter the name of the lender holding or servicing the existing financing.
  - 2.2 **Lender's Contact Information:** Enter the lender or servicer's mailing address, email address, and phone/fax number.
  - 2.3 **Loan Type:** Enter the loan type, whether it is an adjustable rate mortgage (ARM), 15-Year Fixed Rate, 30-Year Fixed Rate, or other type of loan.
  - 2.4 **Loan Amount:** Enter the remaining balance due on the loan.
  - 2.5 **Interest Rate:** Enter the annual rate of interest charged on the loan.
  - 2.6 **Monthly Payment:** Enter the amount of the monthly payments paid on the loan. Click the "Online Calculator" link for an online amortization calculator to compute this amount.
  - 2.7 **Amortization Period (Months):** Enter as a number of months the lender will use to set the monthly payment.
  - 2.8 **Loan Due Date:** Enter any due date and amount of any final/balloon payment of the loan.
  - 2.9 **Loan to Value (LTV):** This figure is the amount of the loan expressed as a percentage of the asking price for the property. It is determined by dividing the mortgage loan amount by the asking price.
  - 2.10 **Assumption Fee:** Enter the dollar amount of any assumption fees to be charged by the existing lender.
  - 2.11 **Prepayment Penalty Expiration:** Enter the expiration date beyond which a prepayment penalty will not be charged on a payoff of the loan.
3. **CARRYBACK NOTE:** Fill in the data fields for any carryback financing.
- 3.1 **Note Amount:** Enter the dollar amount of the carryback note.
  - 3.2 **Interest Rate:** Enter the interest rate for the carryback note.
  - 3.3 **Monthly Payment:** Enter the amount of the monthly payments to be paid on the carryback note. Click the "Online Calculator" link for an online amortization calculator to compute this amount.

- 3.4 **Amortization Period (Months):** Enter as a number of months the amortization period for the monthly payments on the carryback note.
- 3.5 **Loan Due:** Enter any due date and the amount of the final/balloon payment on the carryback note.
- 3.6 **Loan to Value (LTV):** This figure is based on the total amount of the seller carryback note and any prior trust deed note and stated as a percentage of the asking price for the property. It is determined by dividing the seller carryback amount by the asking price.

**LOAN(s) COSTS:** Enter the fee charged by the lender to process a loan application.

- 1 **Points/Discount:** Enter the amount to be paid by the buyer for points on origination of the loan.
- 2 **Origination Fees:** Enter the origination fee charged by the lender.
- 3 **Loan(s) Escrow Fees:** Enter the total amount of fees the buyer will pay for loan escrow services.
- 4 **Title Insurance Premium:** Enter the premium the buyer will pay for the lender's policy of title insurance for the loan.
- 5 **TOTAL Loan(s) Costs:** The total of all loan closing costs (lines 1-4) is calculated here.

**TRANSACTIONAL COSTS:** Enter the requested items below to generate the total anticipated cost of the purchase transaction

- 1 **Anticipated Closing Date:** Enter the date or time period by which escrow is expected to close on a sale.
- 2 **City/County Fees:** Enter the total amount of all fees to be paid by the buyer to the local city and county on the sale of the property.
- 3 **Lender's Title Insurance Policy:** Enter the dollar amount to be paid by the buyer for any title insurance policy required by the lender.
- 4 **Title Policy Endorsements:** Enter the dollar amount of additional title insurance coverage required by the lender on the loan for the property financed.
- 5 **Hazard Insurance Premium:** Enter the total amount of the property insurance premium.
- 6 **Property Survey Engineer:** Enter the dollar amount to be paid by the buyer for a survey of the property required by the lender or title company and performed by a licensed civil engineer.
- 7 **Prorated Property Tax:** Enter the dollar amount of any property taxes which have been prepaid for a period after the scheduled close of escrow.
- 8 **Month-End Interest:** Enter the dollar amount of interest that will accrue after the close of escrow through the end of the month of closing which the buyer will have to pay the lender on closing.
- 9 **Private Mortgage Insurance (PMI):** Enter the dollar amount of the premium to be paid by the buyer for any mortgage default insurance the lender will require for the new loan.
- 10 **Flood Certification:** Enter the cost for the flood certification the lender is required to obtain.
- 11 **Loan Document Preparation:** Enter the dollar amount of the lender's charge for loan document preparation.
- 12 **Escrow Fee and Charges:** Enter the dollar amount of the purchase escrow fee the buyer is to pay.
- 13 **Appraisal Fee:** Enter the dollar amount to be paid by the buyer for an appraisal of the property.
- 14 **Legal Fee for Closing:** Enter the dollar amount of legal fees charged for a closing to be paid by the buyer.
- 15 **Loan Origination Charges:** This dollar amount is the total charge the buyer will incur for originating a new loan or assuming an existing loan on the property.



- 16 **Loan Points/Discount:** Enter the dollar amount the buyer will pay in points or a discount on the origination of the loan.
- 17 **Investor Funding Fee:** Enter the dollar amount of the fee charged by the lender funding the loan.
- 18 **Recording Fees:** Enter the total dollar amount of the fees the County Recorder and other government entities will charge for recording documents for any new loan, or in connection with the title arrangements other than the deed from the seller.
- 19 **Inspections and Reports:** Enter the dollar amount of fees to be paid by the buyer for any inspections of the property prior to its purchase.
- 20 **Tax Service:** Enter the dollar amount of the fee the lender is charging for annual tax service reporting on the status of the property taxes.
- 21 **Courier Fee:** Enter the dollar amount of any courier fees to be incurred by escrow, title or lender in the closing of the purchase transaction.
- 22 **Other Fee:** Enter the type and dollar amount of any additional transaction costs to be paid by the buyer.
- 23 **Non-itemized Approximate:** Enter the estimated amount of the total transaction costs to be paid by the buyer.
- 24 **TOTAL Transactional Costs:** This dollar amount is the total of lines 2-23, and represents the buyer's total anticipated transactional costs associated with the acquisition of the property paid through escrow services.

## IPB Form 5: Annual Property Operating Data (APOD)

- 1 **Scheduled Rental Income:** This dollar amount is the total potential income from rents for all the property's rentable space and units, forecast for one year forward as though the property were fully occupied. This amount is based on rent paid as scheduled on existing rental and lease agreements for occupied space and units, and market rental rates for vacancies. It is the agent's duty to ascertain the accuracy and reliability of these rents, since accurate rental forecasts are necessary if multipliers and capitalization rates are to be meaningful tools for buyers to use when setting the value of the property. Scheduled Rental Income is calculated on *IPB Form 7: Rent Roll*.
  - 1.1 **Vacancies, Discounts and Non-Payments:** This figure accounts for income lost due to the rate of vacancies, space and units currently let at a discount or with other monetary concessions, and non-payment of rent, and is necessary since the scheduled rental income figure will never actually be fully received. Often this amount is labeled a *vacancy factor* and is stated as a percentage of scheduled rents based on local market conditions.
  - 1.2 **Effective Rental Income:** Line 1 minus 1.1. This subtotal is the amount of rent the property will actually generate during a one year period for the use and occupancy of the property, before including other income received for providing real estate related services.
  - 1.3 **Other Income:** This amount represents any additional income received within a one year period for services provided to tenants or others. These services include such items as the rental of furnishings, utilities/common area maintenance (CAMs), cleaning services, coin operated machines, late payment charges, screening fees and other service fees which are not attributed to rents paid for use and occupancy of the property.
- 2 **Gross Operating Income:** Lines 1 through 1.3. This total is the bottom-line income figure giving the anticipated bankable income from all sources that the property operations can be expected to generate over a 12 month period, from which expenses are paid, mortgage payments are made and a profit is earned. Gross Operating Income is also sometimes called *Gross Revenue* (a bookkeeping term).

## IPB Form 6: Income Tax Aspects

- 2 **Annual Interest Accrued and Paid:** Enter the amount of interest on loans which will accrue and be paid monthly by the buyer.

- 2.1 **Prepaid Interest Accrued:** Enter the pro rata amount of interest which will be prepaid on a new loan in the form of discounts, origination fees and PMI and accrue annually over the life of the loan.
- 3 **Cost Basis on Acquisition:** Enter the total cost of acquisition as comprised of the asking price and all other costs associated with a buyer's acquisition of the property. This amount is equal to the Total Cost of Acquisition on *IPB Form 4: Price and Terms*.
  - 3.1 **% Value of Improvements:** Enter the percentage figure the improvements represent as their portion of the cost basis on acquisition. Information on the value of improvements is entered on *IPB Form 2: Property Improvements*.
  - 3.2 **Depreciable Cost Basis:** Enter the dollar amount representing the allocation of the cost basis to the depreciable improvements on the property based on the percentage figure given at section 2.1 above.
  - 3.3 **Cost Recovery Period (In Years):** Check the 27.5, 39 or 40 year box to indicate the period of years the buyer will depreciate the property. 27.5 or 40 years apply to residential property. 39 or 40 years apply to nonresidential property.
  - 3.4 **Annual Depreciation Deduction Allowance:** Enter the dollar amount representing one years' allocation of the depreciable cost basis at 2.2 above based on the cost recovery period selected at section 2.3 above. The Depreciation Deduction Allowance is that portion of the NOI which is received by the property owner without taxation since it represents a return of the original investment, including the down payment, funding from purchase-assist loans and basis carried forward in a tax-deferred transaction.
- 4 **Reportable Income (or Loss):** The total reportable deductions from NOI is automatically calculated as the total of the interest accrued and paid (section 1), prepaid interest accrued (section 1.1) and the annual depreciation deduction allowance (section 2.4).

## IPB Form 7: Rent Roll

**Monthly Rental Income:** For data and information based on current operating conditions (as indicated by the checked box above), enter the amount of rent paid by existing tenants for occupied units and space and the current market rent for vacant units and space. For data based on forecasts of anticipated future operations, enter the rents anticipated to be paid for all units and space one year forward. Rental income data must be accurate, since it is used to establish the property's scheduled annual income and eventually the property's value.

**Column 1:** Enter the number or letter identifying each unit or space located on the property.

**Column 2:** Enter the dollar amount paid as rent for each unit or space presently occupied by a tenant. If the unit or space is vacant, enter its fair market rental rate. For forecasts of rents to be received one year forward, enter the dollar amount of rent anticipated for each unit and space.

**Column 3:** Enter the length of the tenancy held by existing tenants on each occupied unit or space, stating it as either a monthly-to-month (MTM) tenancy (either under a rental agreement or an expired lease agreement), or the length of a lease as the number of months (#mos) or years (#yrs) the unit or space was originally leased.

**Column 4:** Enter the date the lease expires for all units and spaces occupied by tenants under unexpired lease agreements.

**Column 5:** Enter the total dollar amount of both the security deposit balance and the prepaid rent held by the owner on each unit and space presently occupied, excluding rent prepaid for the current month.

**Column 6:** Enter information for each unit and space indicating whether rent for any period of occupancy under a lease was reduced, waived or discounted at any time during the term of the lease.

**Column 7:** Enter the amount of rent delinquent and unpaid for each unit or space, excluding rent delinquent for the current month.

## IPB Form 8: Annual Operating Expenses

**Annual Operating Expenses:** Enter the amount spent annually on each of the listed items, as well as any unlisted current or anticipated expenses. Check the appropriate box to indicate whether the expense entries are based on current or anticipated operations of the property. Current providers of all listed services are disclosed on *IPB Form 6-1: Disclosure of Providers*.

**% Column:** This column represents the amount of each listed expense as a percentage of the property's scheduled rental income. Scheduled Rental Income is set forth on *IPB Form 7: Rent Roll*.

- 25 Total Operating Expense:** The sum of lines 1-22. This dollar amount represents the total annual cost projected or anticipated to maintain and operate the property for one year.
- 26 Annual Inflation Adjustment:** This dollar amount is the future annual increase anticipated for the property's total operating expenses. This figure is used to project operating expense increases in years following the current one-year period, typically based on the current or anticipated rate of inflation.

## IPB Form 9: Disclosures of Providers

**Disclosure of Providers:** Enter the names and contact information for the service providers currently used by the owner or known by the agent. This information ensures the buyer's access to providers that are familiar with the property.

## Income property package; agent prepared, investor reviewed

*This article reviews the methods and procedures an income property broker employs to gather operating data from the property owner and comprehensibly present that data to prospective buyers, who then use it to determine the property's suitability as an investment in their portfolio.*

### Facilitate a positive buyer reaction

In an agent's effort to locate a buyer as a match for listed income property, the listing agent will present the property's marketing information to many eyes. Most will be casual looky-loos; few will be ready and able to buy. Even fewer – perhaps only one or two – will have the will to acquire the property. Most importantly, these crucial few will only make a purchase if they are able to conveniently access the property's income and expense data and then make sufficient sense of that data to set a price and make an offer.

Prospective buyers need property operating data before they can analyze the integrity of the property's *net operating income (NOI)*. In turn, the **NOI** is a figure used to determine the price a buyer is willing to pay to produce the yield they desire. If a buyer is to be located in a timely manner, the property's operating data must be complete, accurate and readily available. The agent's compilation of these property operating data, and the accompanying charts and tables of data analysis prepared by the listing agent, are combined with all other property disclosures to form the marketing package.

It is well known that a buyer of income property needs data to act upon: no data, no action. However, far too many listing agents want to merely present their conclusions about the property's operations, and then move on to a discussion about their listing, the marketplace and the current owner.

A good marketing package does the opposite by presenting the property's operating information in a self-explanatory format. This allows a buyer or buyer's agent to quickly form their own conclusions about whether the property's expected performance meets their standards. The buyer is simply unable to set the price to be offered for a property unless he has operating data on that property. Popularly bandied figures, such as the *gross rent multiplier (GRM)*, *net income multiplier (NIM)* or rate of *capitalization (cap rate)* on the seller's asking price are useful but not sufficient.

To attract and retain the attention of the one buyer who will ultimately close on a purchase of an income property listing, the listing agent must marshal the property's current income and expense data, mortgage information and conditions of the land and improvements from information readily available to the owner or the agent. Once gathered, the listing agent must present this data and information in a meaningful manner so prospective buyers can instantly recognize the property's suitability.

It is easy to flaunt general figures such as **GRMs**, **NIMs** and tax deduction amounts, and these figures are certainly of some value to the prospective buyer. However, without the underlying substance of specific operating data, such generalizations are a stall, or worse, a shield that prevents the prospective buyer from seeing the itemized numbers a prudent buyer actually cares about: data that produces the bottom line dollar return the property will actually generate for the buyer. This data is needed if the buyer is to set the **cap rate**, a percentage figure which is set by the buyer based on the risks he considers to exist in the ownership of the property. All buyers need and are fully entitled to the knowledge about the property possessed by the owner or the listing agent. Transparency is needed to avoid asymmetry of information in a sales transaction, and prevent disputes before or after closing.

The buyer's return on an investment always relates to NOI, the cap rate, existing or new mortgage financing, cash-on-cash returns (spendable income) and, lastly, after-tax returns. To get to these figures, the listing agent (with the cooperation and help of the owner) must engage in a little homework, completing his research before he ever exposes the property to a possible buyer. Then, to make the operating figures available to prospective buyers, the listing agent needs to put them into an effective and intuitive format as part of the marketing package.

### **The marketing package: style is substance**

You, as a listing agent handing out information on a property, have three seconds to attract attention to your listing, 30 seconds to hold that attention, and then, if the viewer is still interested, three minutes to convince them that this is the property to buy: this is sometimes termed the *3 + 30 + 3 Rule*. The opportunity you have to harness the attention of an actual buyer, for whom your property is the perfect fit, will happen quickly or not at all. Thus, you must ask yourself: is your marketing package dressed for success as an informative sales device, or is it just a piece of glitz?

It is beneficial to think of the marketing package as your star salesman: silently performing magic on those very few who will actually buy, finding the ideal taker of your listed property and enticing him to acquire it. A listing agent's time, effort and talent must be spent assembling an excellent marketing package before the potential buyer ever encounters the property as available to acquire.

When that package you prepare is complete and handed to a prospective buyer, it will be the buyer's first and most lasting impression of your listing. A prompt and thorough listing package promptly handed to prospective buyers will assure the agents involved that they have the best chance of retaining the true buyer's attention throughout negotiations – and on to closing an escrow.

Brokers and agents keen to understand the **3 + 30 + 3** real estate sales formula for Income Property Brokerage will:

- take the time needed to package their listing for sale and dress up their marketing package as the most capable and best-informed sales agent they have for the job (not the standard dog and pony show);
- make the effort to gather all relevant income and expense data and related operating information, and place it on income property brokerage (IPB) spreadsheets to wow that one buyer they need;
- demonstrate the character needed to do their homework up front before presenting the property for examination by the very, very few serious prospective buyers for whom this property is a perfect fit;
- kindly ask prospective buyers and their agents to submit an offer, now that the listing agent has fully performed his duties owed to the owner to make the property so transparent to the ultimate buyer that nothing substantive remains to be discussed about its income and expenses; and
- include, as part of the basic marketing package delivered to prospective buyers, disclosures about the property's physical condition, title and natural and environmental hazards on or about the property.

It is of utmost importance that income property listed for sale stand out above the noise created by other listings and marketing packages, whether online, on paper or on the street. The package must be

memorable as a standout package, as the property being marketed will be the perfect fit for someone – if its measurements are known.

### **The selling agent's dilemma: getting information**

While the buyer's agent depends upon the listing agent to compile a large amount of data, both the listing and selling agents are dependent upon the caprice of the owner. The listing agent's practical problem is a simple issue of getting the owner to produce the requisite details about the property's operations. When the owner is lazy or (worse yet) obstructive, the listing agent cannot just conjure up a rent roll or pull scheduled income and expense amounts out of the phone book. They must have a source for the data they use to induce buyers to acquire the property. If they do not, the listing agent presenting the inaccurate information is **intentionally misrepresenting** facts which are readily available to them via the owner.

Each property is unique in its ability to generate rental income, and the expenses of each are different from any comparable property on the market; often dramatically different. It is the owner, if he has the desire to sell, who must be forthcoming with the operating data. Owners have the needed information readily available to them, and their failure to release this information to buyers upon request is equivalent to intentional deceit if negotiations continue.

The listing agent's first effort to get operating data on the property is made at the time the listing is negotiated with the owner. The agent, at that moment, asks the owner for a profit and loss operating statement on the property for the past 12 months (one full year's operations). Using the itemized data in the owner's operating statement, the agent will fill out the marketing forms to be presented to prospective buyers.

On the other hand, the property owner may fail to honor the agent's request for the owner's operating statement on the property. If he does, the listing agent's only prudent alternative is to hand the owner the relevant forms the agent would fill out for the marketing package and kindly request that the owner fill them out for the agent's use in delivering an operating profile on the property to prospective buyers.

If, at this point, the necessary information is still not forthcoming and the owner has entered into a listing agreement, the owner is in breach of his good faith obligation to cooperate fully with the listing agent to market the property. Further, the agent's fee under the listing has been earned and is immediately due the agent for the owner's failure to provide information needed by the agent to accomplish the stated goal of his employment – the sale of the property.

At the listing stage, the agent should not take the listing unless the owner provides or agrees to provide marketing data on the property. Failure to willingly release (at least under a confidentiality agreement) the property's operating information indicates a duplicitous desire of the owner to hide information, known to him, from prospective buyers.

On the other end of any match which produces a sale is the buyer's agent. When the listing agent has an income property listing and provides insufficient data on the property's operations on inquiry from a buyer's agent, the next step for that buyer's agent is to prepare and submit a *letter of intent (LOI)*, not an offer to purchase. Part of the **LOI** (which may or may not contain a price) is a demand for property operating data. To encourage proper compliance with the request for information, the buyer's agent might well hand the listing agent blank copies of the relevant sheets from the IPB forms for his preparation, to make sure that no misunderstanding exists about the type of data the owner and the listing agent are to deliver.



Until the information is provided by the listing agent, with the owner as the source of that information, the buyer's agent submitting an LOI should not (and usually will not) proceed with further negotiations. The price cannot be set, and the risks of ownership for the property cannot be determined until the operating data is made available. When that data is delivered, it must include written assurance that the owner is the source of the data, not just the common but meaningless statement that the unidentified source was deemed reliable.

If the listing agent does not have a marketing package or some other method of delivering operating data on inquiry, the buyer's agent needs to consider that he is probably the first agent with a buyer to express interest in the property. Had a prior interested buyer existed with a similarly assertive selling agent, or had any previous LOI been submitted on the property, the listing agent would already have the property's operating data available in some fashion, even if a marketing package had not been prepared. Such behavior is negligent marketing by the listing agent, and it is both unproductive and unprofessional since it poses a risk for everyone who chooses to get involved.

### **The listing package**

To provide the most comprehensive and straightforward income property analysis possible, the agents involved in the review of a listed income property need to compile all relevant information and identify its sources (to shift liability for its inaccuracy), arranging all in an accessible package. The format and spreadsheets essential to the creation of one such package appear in first tuesday's Income Property Broker (IPB) Forms. Such a package is useful as a checklist, to make sure that no essential data is overlooked and to provide the buyer with a personalized package reflecting the efforts and talent of the agent who prepared it.

With that, welcome to the real world of IPB forms, the solution to your 3 + 30 + 3 marketing challenge!

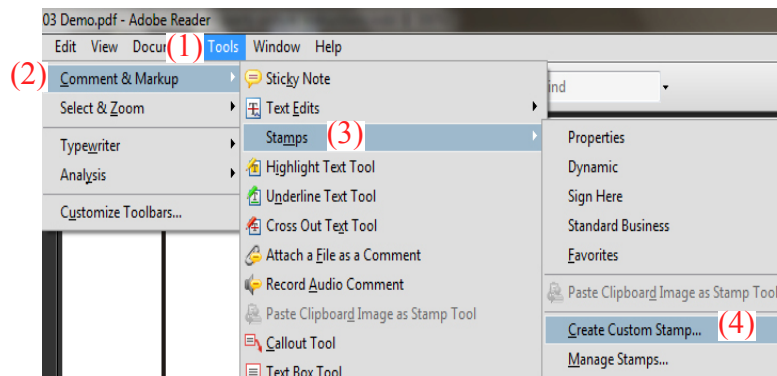
# How to insert PDF pictures into your form

## Back to Income Property Brokerage (IPB) Program

*Note: If your picture is in a format other than PDF, click [here](#) for conversion instructions.*

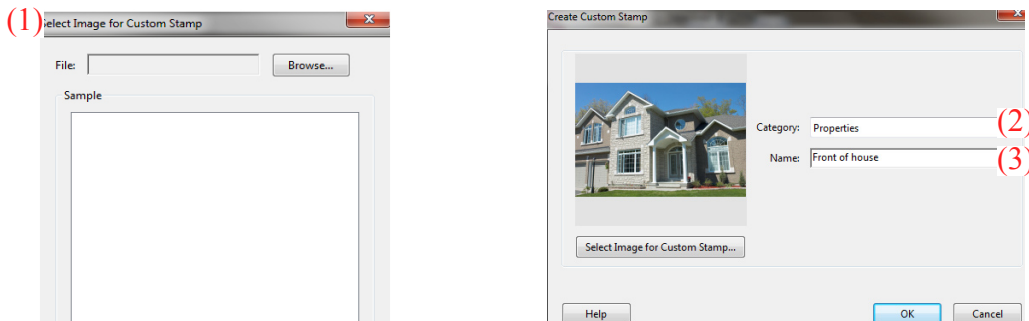
**Step 1:** In the taskbar, go to:

(1) **Tools** > (2) **Comment & Markup** > (3) **Stamps** > (4) **Create Custom Stamp...**



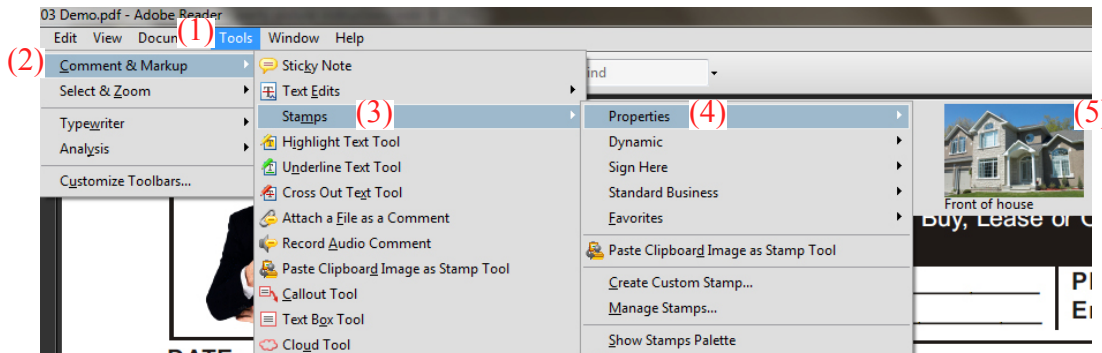
**Step 2:** A new window titled "Select image for Custom Stamp" (1) will appear. Browse your computer for the PDF picture you would like to insert into the form, select it and click "OK."

Type a **category** (2) and **name** (3) for the picture.



**Step 3:** To insert your picture, go to:

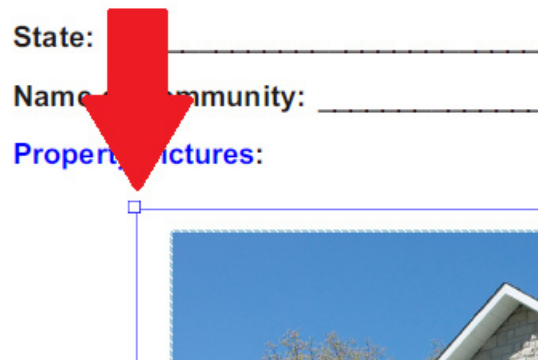
(1) **Tools** > (2) **Comments & Markup** > (3) **Stamps** > (4) **(Category name previously entered)** > (5) **(Select desired image)**





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**Step 4:** Click anywhere on the form to insert your picture. Click the picture to activate it, allowing you to adjust its size and placement manually with the mouse.



**Step 5 (optional):** To insert a different picture into the form, repeat **Steps 1, 2, 3 and 4** above but select a different image from your computer.

### Frequently asked questions:

**Q: I only have JPEG/GIF images of the property, not PDFs. What can I do?**

A: To use a JPEG/GIF, you must first either:

1. Convert the JPEG/GIF into a PDF using a file conversion program;
2. Type “See attached supplementary documents” in the space provided next to the “Property Pictures” section of *IPB Form 1: Property Location* and include the JPEG/GIF images or additional property printouts separately; or
3. Open your JPEG/GIF image and select **File > Print**.

When the *Print Options* window appears, select your printer as “**Adobe PDF**” (or any other printer that includes “PDF” in its name).

Click “OK” and save the PDF image to a preferred location on your computer.

Proceed to **Step 1** above.

**Q: I’ve placed the picture into the form but it’s too big. How can I adjust it?**

A: Click the picture to activate it. Once activated, the picture’s borders will become visible and its size and placement can be adjusted to preference. [See **Step 4** above.]

**[Back to Income Property Brokerage \(IPB\) Program](#)**