

Michigan Turnkey Property Overview

1118 Dover Pontiac, MI 48341

Property Info

Stories	2
Style	Colonial
Beds	3
Baths	1
Square Feet	1218
Basement	Yes
Garage	None
Year Built	1930
Construction	Frame

Purchase Info

Purchase Price	\$44,000
Initial Cash Invested	\$44,000
Cost Per Square Foot	\$37

Financial Metrics

Cap Rate (Purchase Price)	14.5%
Cash on Cash Return	14.3%
Internal Rate of Return (Year 10)	15.8%
Sale Price (Year 10)	\$48,603

Property Condition

Roof - Approximately 10 years old
Electrical - Updated as part of rehab
Plumbing - Updated as part of rehab
Furnace - Less than 5 years old
Hot Water Heater - 9 years old but in good cond.
Drains - Snaked as part of rehab
Appliances - Not included
Floors - Hardwood refinish as part of rehab
Walls - Fully paint throughout as part of rehab

Tenant Information

Section 8 Tenant	No
% Section 8 Payment	N/A
Criminal History	None
Eviction Screening	No evictions
Bankruptcy Screening	No bankruptcies
Is Tenant Employed	Y
Years at Current Job	10
Tenant Monthly Income	\$3,517

Contact Information

Email: info@michiganturnkey.com

Phone: 1-248-917-4416

Skype: toddbrittingham

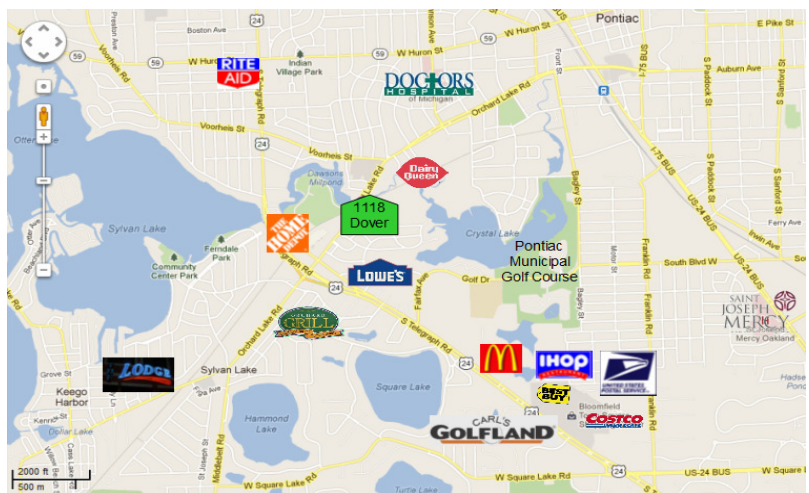
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This frame colonial located in the Washington Park neighborhood in Pontiac has 1218 sq ft with 3 bedrooms, 1 full bath and a full basement. This property began renovation on October 29th and the renovation took approximately 3 weeks to complete. It was tenanted on December 3, 2012 to a great family for \$900 per month.

At this point this is a full turnkey rental property. Unlike most turnkey companies, we intend to hold this property in our personal portfolio and we are happy to do so because it is a great investment! However we are willing to sell it and it can make an excellent addition to your portfolio as well. If you are interested in purchasing please feel free to contact us and discuss the options for purchase.



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The Story Behind This Property

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The Purchase

When we saw this property come on the market we immediately knew it was a property we wanted. This property sits in one of our favorite neighborhoods in Pontiac, Washington Park. At 1218 sq ft, it's a little larger than the other properties we've purchased which will make the rental demand very high. Needless to say we're very excited about this property!

The Renovation

The renovation began on this property on October 29th, 2012. There is a moderate amount of work that needs to be done to the property including the installation of a complete kitchen, refinishing of hardwood floors, repainting the interior, installation of exterior doors and a general spruce up to the plumbing and electrical systems. Once completed this should be a very low-maintenance rental property.

The Tenanting Process

We knew this property would be very marketable because of its location, size, amenities and the condition of the property. We were concerned however because of the timing when the renovation was completed. However, this concern did not materialize and we were able to locate an excellent tenant for the property that moved in on December 3rd. The tenant is a husband and wife with 4 kids. Both parents have very stable jobs. The husband works in construction and the wife works as a nurse. Overall I am very pleased with these tenants and believe they are going to be great residents!

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Purchase Analysis¹

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Purchase Info		Income		Monthly	Annual
Purchase Price	\$44,000	Gross Rent		\$900	\$10,800
+ Buying Costs	\$500	Vacancy Loss		-\$45	-\$540
+ Initial Improvements	\$0	Operating Income		\$855	\$10,260
= Initial Cash Invested	\$44,500				
Square Feet	1218	Expenses		Monthly	Annual
Cost Per Square Foot	\$37	Taxes		\$104	\$1,246
Monthly Rent per Square Foot	\$0.74	Insurance		\$36	\$432
		Water		\$50	\$600
		Maintenance		\$45	\$540
		Property Management		\$90	\$1,080
		Operating Expenses		\$325	\$3,898
Financial Metrics (Year 1)					
Annual Gross Rent Multiplier	4.1	Net Performance		Monthly	Annual
Operating Expense Ratio	38.0%	Net Operating Income		\$530	\$6,362
Cap Rate (Purchase Price)	14.5%	- Year 1 Improvements		\$0	\$0
Cash on Cash Return	14.3%	= Cash Flow		\$530	\$6,362
Assumptions					
Appreciation Rate	1%				
Vacancy Rate	5%				
Income Inflation Rate	3%				
Expense Inflation Rate	3%				
Selling Costs	\$3,000				

Disclaimer1: Investing in real estate involves risk. You should be aware of your risk tolerance level and financial situations at all times. Furthermore, you should read any and all information about a property carefully before making any investment decisions. You are free at all times to accept or reject all investment recommendations made by Michigan Turnkey, LLC. All properties sold are subject to market risk and may result in the entire loss to the client's investment. Please understand that any losses are attributed to market forces beyond the control or prediction of Michigan Turnkey, LLC. As you know, a recommendation, which you are free to accept or reject, is not a guarantee for the successful performance of a property and we are expressly prohibited from guaranteeing against losses arising from market conditions.

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Buy & Hold Projection¹

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Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Gross Rent	\$10,800	\$11,124	\$11,458	\$11,801	\$12,155	\$14,092
Vacancy Loss (5%)	(\$540)	(\$556)	(\$573)	(\$590)	(\$608)	(\$705)
Operating Income	\$10,260	\$10,568	\$10,885	\$11,211	\$11,548	\$13,387

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Taxes	\$1,246	\$1,283	\$1,322	\$1,362	\$1,402	\$1,626
Insurance	\$432	\$445	\$458	\$472	\$486	\$564
Water	\$600	\$618	\$637	\$656	\$675	\$783
Maintenance	\$540	\$556	\$573	\$590	\$608	\$705
Property Management	\$1,080	\$1,112	\$1,146	\$1,180	\$1,216	\$1,409
Operating Expenses	\$3,898	\$4,015	\$4,135	\$4,259	\$4,387	\$5,086

Income Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Net Operating Income	\$6,362	\$6,553	\$6,749	\$6,952	\$7,160	\$8,301
- Year 1 Improvements	\$0	\$0	\$0	\$0	\$0	\$0
= Cash Flow	\$6,362	\$6,553	\$6,749	\$6,952	\$7,160	\$8,301
Cap Rate (Purchase Price)	14.5%	14.9%	15.3%	15.8%	16.3%	18.9%
Cash on Cash Return	14.3%	14.7%	15.2%	15.6%	16.1%	18.7%

Sales Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Equity	\$44,440	\$44,884	\$45,333	\$45,787	\$46,244	\$48,603
-Selling Costs	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,914
= Proceeds After Sale	\$41,440	\$41,794	\$42,151	\$42,508	\$42,868	\$44,689
+Cumulative Cash Flow	\$6,362	\$12,915	\$19,664	\$26,616	\$33,777	\$72,933
-Initial Cash Invested	(\$44,500)	(\$44,500)	(\$44,500)	(\$44,500)	(\$44,500)	(\$44,500)
= Net Profit	\$3,302	\$10,209	\$17,315	\$24,625	\$32,145	\$73,122
Internal Rate of Return	7.4%	11.6%	13.1%	14.0%	14.5%	15.8%
Return on Investment	7.4%	22.9%	38.9%	55.3%	72.2%	164.3%

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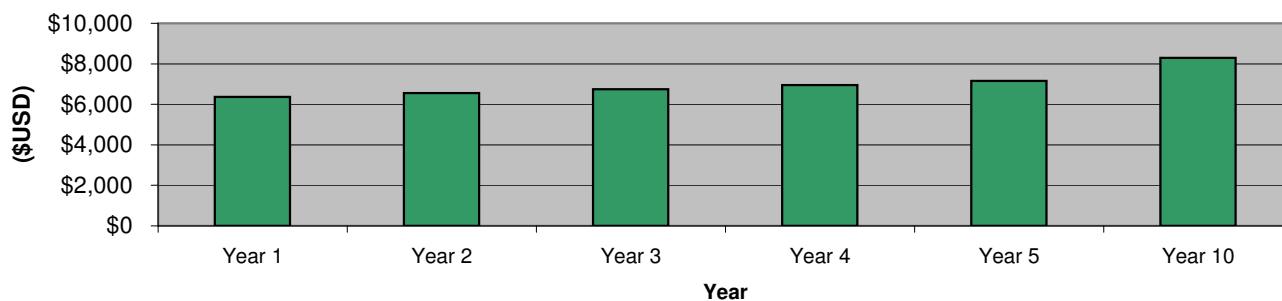


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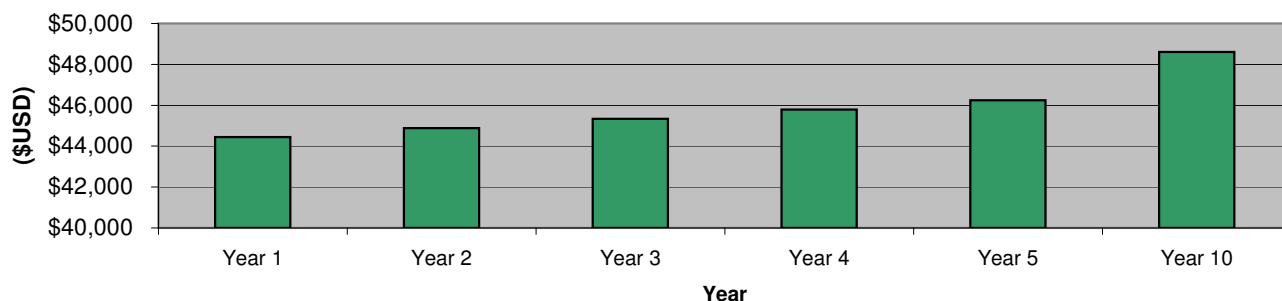
Graphs

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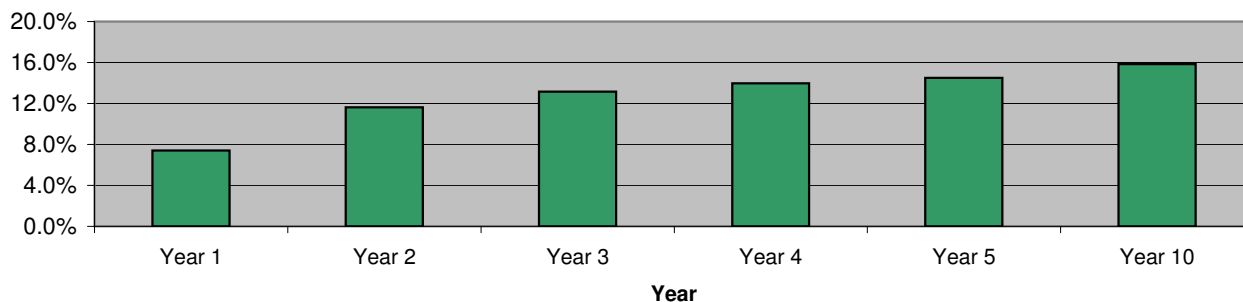
Annual Cash Flow



Market Value



Internal Rate of Return



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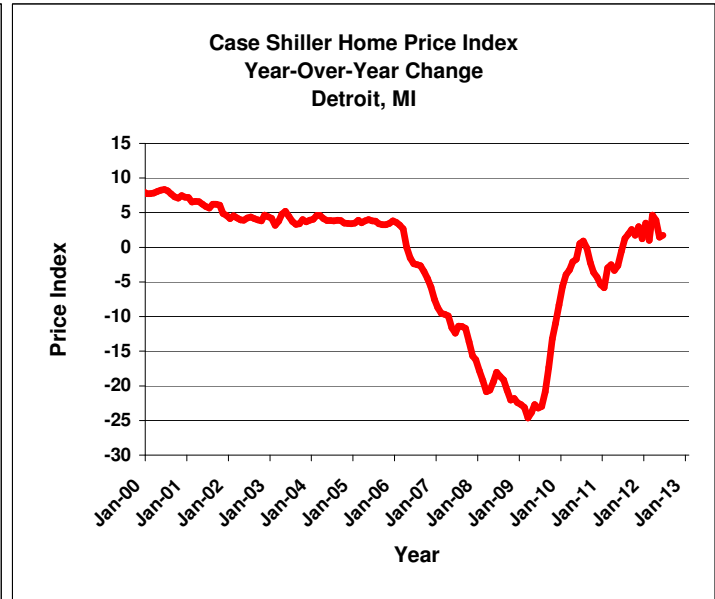
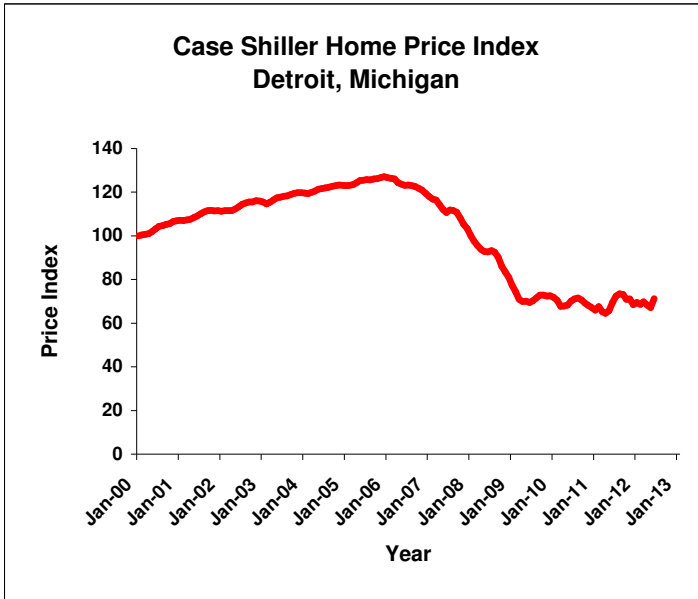
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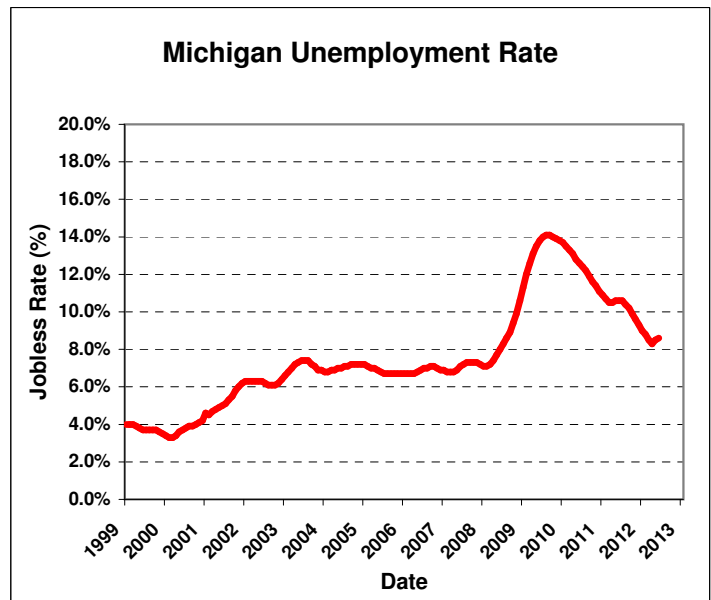
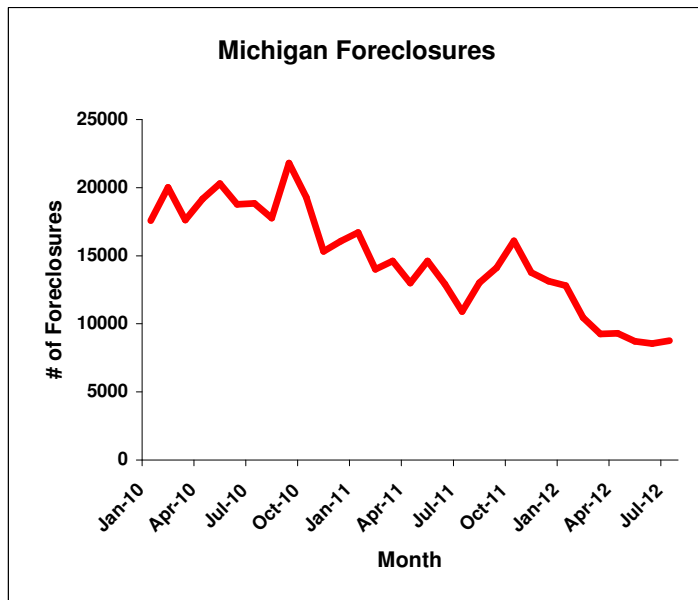


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The Michigan Real Estate Market



The Case Shiller Home Price Index tracks the value of real estate in markets across the United States. The graph above shows the history of the Detroit, Michigan Market. It clearly shows the downturn in prices starting in 2006 and that prices have mainly been flat since 2009. The graph above to the right shows the year-over-year change in the index, and as you can see we are currently operating above zero which indicates increasing prices.



Two of the big forces on the real estate market in Michigan are the rate of foreclosures and the unemployment rate. The large number of foreclosures in the market have held prices down but as you can see they have been on the decline since 2010. As foreclosures exit the market place we expect to see prices recover. The unemployment rate is also has an impact on home prices and you can see unemployment in Michigan has been on the decline since its peak in 2009.