

TUTORIAL #1 - INITIAL CASH FLOW CHECK

Visit www.sentravest.com to see a video demonstration of this tutorial.

This excerpt is one of three tutorials provided in the **USER MANUAL** available both within the app and on the website.

In this tutorial, we are **evaluating the purchase of a hypothetical rental condo unit**. From the listing we know:

- The asking price is **\$325,000**
- You are going to base your analysis on a **20% down payment**, although you may want to go lower (or need to go higher) depending on circumstances and the outcome of the analysis.
- The current available **mortgage rate is 3.1%**
- You are able to negotiate a **30-year amortization** period
- The reported annual property **taxes are \$1,850**
- The Home Owner Association (HOA)/strata (common property) **HOA fees are \$285**
- You believe such a condo would **rent for \$1,800 per month**

Data Entry

Add a New Property

- Press the **“+” button** to bring up the first of four key data entry screens. Only a few elements are required data and we shall deal with those only in this example.

In each case following, tap the field in which you wish to enter data.

Property ID

Enter a Property Nickname

- This is the name under which the property will be saved for future edits, updates, and reports
- For this example, we will use **Condo1**

Financing Data

Enter the Base Purchase Price

- Typically, the list or asking price. This value may change over time as you add values for inclusions in the purchase cost (improvements, etc.). This is the number upon which the mortgage requirements will be calculated where you are making a down payment.
- For this example, we will use **\$325,000**

Enter the Down Payment %

- Any value from 0% to 100% will work. For this example, we will use **20%**. i.e. type 20

Enter the Mortgage Interest Rate

- Any value from 0% to 100% but in this example, we will use **3.1%** i.e. type 3.1

Enter the Amortization Period

- In this example, we will use **30** (years)

Key Expenses

Enter the Annual Property Tax Estimate

- In this example, we will use **\$1,850**

In this exercise, we are going to skip over the “Other Monthly Expenses”, leaving it at \$0.00



At this early stage in the data entry process, this “Other Monthly Expenses Field” can be a useful catch-all estimate for all other expenses like insurance, utilities, cleaning fees, etc. In the detailed expenses screens to follow, you will have the opportunity to itemize these expenses and adjust this field accordingly. Remember, you can **CHECK CASH FLOW** at any time as you add more information.

Enter the Monthly Strata/HOA Fee (not a mandatory field, but important for a strata property purchase)

- In this example, we will use **\$285**

Revenue Forecast

Enter Monthly Rent/Lease 1

- In this example, we will use **\$1,800**

Enter the # of Units at this Rent/Lease

- In this example, we will use **1**

In this exercise, we are going to skip over the “Vacancy Rate”, leaving it at \$0.00



Vacancy rate is the average vacancy over the course of a year. Thus, we you expect the property to vacant a month a year, enter 8.3% (1 vacant month/12 months a year). Adjust vacancy rates to match the property type and expected occupancy in your jurisdiction.

Although there is an opportunity to enter more data, for the moment we have established a working scenario for a typical purchase, using information typically available.

Supplementary Revenue

In this exercise, we are going to skip over BOTH the “Supplementary Revenue” fields”, leaving them at \$0.00

Scroll down to the “CHECK CASH FLOW” button

CHECK CASH FLOW

There are two ways to check cash flow:



1. Throughout the initial four data entry screens, there is a **“CHECK CASH FLOW”** button at the bottom of each screen
2. Also, in the top right corner, you will see a **“3-Dot”** menu icon. If you click on that at any time, you can also calculate cash flow based on data entered and any future updates.

Press the **“CHECK CASH FLOW”** button...

Check Cash Flow	
Recalculated Purchase Price (incl. Mortgageable Costs)	\$325,000.00
Down Payment (after Adjustments, incl. Deposit)	\$65,000.00
Mortgage Required	\$260,000.00
Total Monthly Revenue (after Adjustments)	\$1,800.00
Monthly Mortgage Payment	\$1,110.24
Total Monthly Operating Expenses (after Adjustments)	\$439.17
Estimated Average Monthly Cash Flow	\$250.59
CAP Rate	5.02 %
Cash on Cash (ROI)	4.63 %
Total Cost of Debt at 30 year Amortization	\$139,687.35
OK	

As you can see, based on the information entered thus far, this investment property would yield a **positive monthly cash flow of \$250.59**

The mortgage payment is shown and also the total monthly expenses, including HOA fees, a monthly allowance for property taxes, and the mortgage payment.

Press **OK**



You can adjust the monthly rent, change the vacancy rate, consider increasing/decreasing the down payment %, negotiating a different (better) mortgage rate, and change the amortization period to see the relative impacts on the **cash flow...** by pressing the **CHECK CASH FLOW** button after each update.

When you are done... you can view this information in the **VIABILITY SUMMARY** report.

VIABILITY SUMMARY Report - In-App Version

Press “<” to return to the Property Snapshot Menu.

Select “**Viability Summary**” from the list of reports in the Property Snapshot.



Pressing the “+” will expand a section of any report
Pressing the “-” will collapse the section of any report

Some of the projected data calculations are presented in sub-tables.
You can swipe each table left or right to view the data
(may be required, depending on the screen size of your mobile device)

Expand the “**Summary**” section (press the “+”). and see:

- Total purchase price, including and costs you have included for mortgage purposes
- Adjusted down payment (reflecting any mortgage inclusions, tied to your down payment %)
- Mortgage required
- Total monthly expenses captured thus far
- Total monthly revenue captured thus far
- Monthly Net Income / Loss before taxes (the indicated cash flow)

Collapse this section by pressing “-”

Expand the “**Income Statement**” section (press the “+”) and see:

- Gross Annual Rental / Lease Income
- Any deductions indicated by the vacancy rate you entered
- Gross Annual Rental / Lease Income
- Total Annual OTHER Income, if any
- Gross Annual Operating Income
- Total Annual Operating Expenses
- Net Operating Income (excluding mortgage payments)
- Total Annual Mortgage Payments
- Before Tax Annual Cash Flow

Collapse this section by pressing “-”

Expand the “**Operating Ratios / Indicators**” section (press the “+”) and see:

- Capitalization (CAP) Rate
- Cash on Cash / Return on Investment (COC)
- Gross Rent Multiplier (GRM)
- Net Income Multiplier (NIM)
- Debt Coverage Ratio (DCR)
- Expense Ratio per Rental Unit (ER)
- Price per Unit (PPU)
- Average price per Total Area in Square Feet/Meters

Collapse this section by pressing “-”

VIABILITY SUMMARY Report - Shareable PDF Version

You can view this (and any) report in **two formats**:

- the in-app version of the report (with drop-down menu sections)
- the formal PDF version suitable for viewing on your device, printing, etc. using device capabilities

The formal PDF version of this report is automatically created by **Real Estate Investor** when the report is selected.

Press the  and then select your on-device option to “send” it to:

- a PDF - the PDF version of the report can be viewed on your device
- a printer
- an email
- a text
- etc.

--- End of TUTORIAL #1 ---