At JMG we are always trying to improve how we acquire and evaluate properties maximize cash flow for us and our investors. The below case study typifies how important it is to thoroughly understand what you investing in.

Apartment Investing Case Study

Robert Schmidt April 27, 2014

In this article, we are going to conduct an investment analysis on a 140-unit apartment building acquisition. We'll walk through the process of forecasting cash flows and also explain the calculations needed to determine investment value. Read on as we take a deep dive into the world of apartment investing.

First, before we jump into the details of this investment analysis, let's quickly go over our objectives. Here's what we'll accomplish in this case study:

- Forecast the before tax cash flows over a 5-year holding period for a 140-unit apartment building.
- Calculate the maximum supportable loan amount based on the debt service coverage ratio and the loan to value ratio.
- Calculate the gross rent multiplier.
- Calculate the cash on cash return.
- Calculate the debt service coverage ratio.
- Complete a discounted cash flow analysis to determine the levered and unlevered internal rate of return (IRR) and net present value (NPV).
- Stress test the vacancy rate to analyze how it impacts cash flow.
- Stress test the vacancy rate to analyze how it impacts the debt service coverage ratio.
- Stress test the loan interest rate to analyze how it impacts the debt service coverage ratio.

For additional examples and a case study click the link below:
https://www.propertymetrics.com/blog/2014/04/27/apartment-investing/