

Whether you are contemplating owning a Vault unit in lieu of renting space or renting the unit out as an investment property, there is a reasonable expectation that the equity in your unit will increase over time. We have modeled the potential returns on a purchased unit using the following assumptions:

1. Unit Price: \$455,000
2. Unit Size: 1.152 square feet
3. Closing Costs: \$5,063 (0.5% of purchase price for closing costs, 0.5% of loan amount as loan fees, and \$1,195 for appraisal, document, and other fees)
4. Down Payment: \$136,500 (30% of purchase price)
5. Loan Amount: \$318,500
6. Loan Interest: 6.125% per annum
7. Loan Amortization Period: 25 years
8. Monthly Loan Payment: \$2,076.51
9. Initial Property Tax Rate: 1.11% of purchase price
10. Annual Property Tax Increase: 2.00%
11. Owners' Association Dues: \$303 per month
12. Annual Increase in Owners' Association Dues: 3.00%
13. Rental Rate or Value: \$2.17 per square foot per month
14. Annual Rent Increase: 3.00%

Using these assumptions, we projected equity growth over a five-year and ten-year period assuming the property value of the Vault unit increased at the rate of one, two, or four percent per year. The calculated equity increases in dollars and as a percentage (both a total percentage and an annually compounded rate) are shown on the following tables.

Equity Growth in Dollars

Time Period	Assumed Annual Increase in Unit Value		
	1%	2%	4%
5 Years	\$48,618	\$72,765	\$123,986
10 Years	\$119,056	\$171,095	\$289,964

Percentage Equity Growth Total and Annual

Time Period	Assumed Annual Increase in Unit Value		
	1%	2%	4%
5 Years-Total	35.6%	53.3%	90.8%
-Annually	6.3%	8.9%	13.8%
10 Years-Total	87.2%	125.3%	212.4%
-Annually	6.5%	8.5%	12.1%

While we have tried to use assumptions that are supportable by current market conditions, any prospective buyer should draw her or his own conclusions as to their accuracy. For unit owner users, the imputed value of the rent they are saving as an owner is included in the equity computation. There is no casualty insurance cost included since insurance on the building is paid through the Association dues. Personal property insurance for contents inside the Unit would be required in either a rent or own scenario and therefore is not a differentiating factor.

For reference, in the five-year and ten-year periods ending in 2022, Napa light industrial/warehouse rents have increased by 40.4% and 78.5% respectively. This equates to a 6% annual increase in rent. Modeling this historical 6% annual increase in rents, the returns for the assumed 2% annual property value increase move up to 56.3% for five years and 133.8% for ten years. Equity growth was \$76,874 for five years and \$182,635 for ten years.

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>
1	ASSUMPTIONS-RCU					Annual					
2						<u>Increase</u>					
3	Unit cost	\$455,000		Prop tax rate	1.11%	2.00%		Rental rate	\$2.17 psf/mo.		
4	Down payment	\$136,500		Prop tax	5,032	2.00%		Unit size	1,152 sf.		
5	Loan amount	\$318,500		HOA dues/mo	303	3.00%		Annual rent	\$29,998		
6	Loan interest	6.13%		Annual dues	3,636	2.00%		Annual rent			
7	Annual loan payment	\$24,918		Insurance	0	4.00%		Increase	3.00%		
8	Monthly loan payment	\$2,076.51		Closing costs	\$5,063						
9											
10	<u>Annual Expenses</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
11	Loan	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918
12	HOA dues	3,636	\$3,745	\$3,857	\$3,973	\$4,092	\$4,215	\$4,342	\$4,472	\$4,606	\$4,744
13	Insurance	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Property tax	5,032	\$5,132	\$5,235	\$5,340	\$5,447	\$5,556	\$5,667	\$5,780	\$5,896	\$6,014
15											
16	Total expense	\$33,586	\$33,796	\$34,011	\$34,231	\$34,457	\$34,689	\$34,926	\$35,170	\$35,420	\$35,676
17	Value of rent savings	\$29,998	\$30,898	\$31,825	\$32,780	\$33,763	\$34,776	\$35,819	\$36,894	\$38,001	\$39,141
18	Net ownership cost	\$3,588	\$2,898	\$2,186	\$1,451	\$694	-\$87	-\$893	-\$1,724	-\$2,581	-\$3,465
19											
20	<u>Equity Increase from loan payments</u>										
21	Loan balance start of year	\$318,500	312,981	307,127	300,916	294,326	287,335	279,918	272,050	263,702	254,846
22	Loan payments	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918	\$24,918
23	Loan interest	\$19,400	\$19,063	\$18,707	\$18,328	\$17,927	\$17,501	\$17,050	\$16,570	\$16,062	\$15,522
24	Principal paydown	\$5,519	\$5,855	\$6,211	\$6,590	\$6,991	\$7,417	\$7,869	\$8,348	\$8,856	\$9,396
25	Loan balance year end	\$312,981	\$307,127	\$300,916	\$294,326	\$287,335	\$279,918	\$272,050	\$263,702	\$254,846	\$245,450
26											
27	<u>ROE Computation</u>										
28	Unit Value @ 1%/yr growth	\$459,550	\$464,146	\$468,787	\$473,475	\$478,210	\$482,992	\$487,822	\$492,700	\$497,627	\$502,603
29	Equity (line 28 less line 25)	\$146,569	\$157,019	\$167,871	\$179,149	\$190,875	\$203,074	\$215,772	\$228,998	\$242,781	\$257,153
30	Net value (line 29 less line 18)	\$137,918	\$149,059	\$160,623	\$172,635	\$185,118	\$198,098	\$211,602	\$225,659	\$240,300	\$255,556

31	less closing costs)										
32	Total Return (line 30	\$1,418	\$12,559	\$24,123	\$36,135	\$48,618	\$61,598	\$75,102	\$89,159	\$103,800	\$119,056
33	less Down Payment)										
34	Return on Equity	1.04%	9.20%	17.67%	26.47%	35.62%	45.13%	55.02%	65.32%	76.04%	87.22%
35											
36	Unit Value @ 2%/yr growth	\$464,100	\$473,382	\$482,850	\$492,507	\$502,357	\$512,404	\$522,652	\$533,105	\$543,767	\$554,642
37	Equity (line 36 less line 25)	\$151,119	\$166,255	\$181,934	\$198,181	\$215,022	\$232,486	\$250,602	\$269,403	\$288,922	\$309,193
38	Net value (line 37 less line 18	\$142,468	\$158,295	\$174,686	\$191,667	\$209,265	\$227,510	\$246,433	\$266,065	\$286,440	\$307,595
39	less closing costs)										
40	Total Return (line 38	\$5,968	\$21,795	\$38,186	\$55,167	\$72,765	\$91,010	\$109,933	\$129,565	\$149,940	\$171,095
41	less Down Payment)										
42	Return on Equity	4.37%	15.97%	27.98%	40.42%	53.31%	66.67%	80.54%	94.92%	109.85%	125.34%
43											
44	Unit Value @ 4%/yr growth	\$473,200	\$492,128	\$511,813	\$532,286	\$553,577	\$575,720	\$598,749	\$622,699	\$647,607	\$673,511
45	Equity (line 44 less line 25)	\$160,219	\$185,001	\$210,898	\$237,960	\$266,242	\$295,802	\$326,699	\$358,997	\$392,761	\$428,061
46	Net value (line 45 less line 18	\$151,568	\$177,041	\$203,649	\$231,446	\$260,486	\$290,827	\$322,530	\$355,659	\$390,280	\$426,464
47	less closing costs)										
48	Total Return (line 46	\$15,068	\$40,541	\$67,149	\$94,946	\$123,986	\$154,327	\$186,030	\$219,159	\$253,780	\$289,964
49	less Down Payment)										
50	Return on Equity	11.04%	29.70%	49.19%	69.56%	90.83%	113.06%	136.29%	160.56%	185.92%	212.43%