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**BUSINESS PLAN
(RENTAL PROPERTY)**

**(REAL ESTATE VENTURES)
(FRANKLIN, TENNESSEE)**

(02/01/20XX)

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1.0 Executive Summary

Real Estate Ventures (“REV”) is a newly formed S-Corporation wholly owned by Steve and Linda Rogers for purposes of purchasing and owning income producing real estate. REV fills the void in the local Franklin, Tennessee rental housing market by providing clean, well cared for rental homes to well qualified tenants. Neither the homes nor the tenants are chosen on a hasty basis, but rather on purposeful, planned and methodical basis. The property selection process is rigorous and based on long term investment standards and tenants are personally evaluated by the owners. REV believes the key to successful property management is to be committed for the long term in *both* the property and tenant selection process.

The owners of REV are lifelong residents of the thriving Franklin, Tennessee area, a suburb of Nashville. Steve Rogers, an entrepreneur has owned his own company, ProStar Paints for 15+ years. Linda Rogers is a math teacher at Franklin Elementary. Both owners have access to additional sources of revenue to supplement expenses associated with the investment property. In addition to their outside revenue, the Rogers received a \$100,000 inheritance when Linda’s mother passed away recently.

REV is purchasing their first investment property, a well maintained single family home located in the highly sought after Red Mill Estates subdivision. REV has a contract on the house and the sales price is \$107,500. The property is in need of some repair and maintenance (primarily cosmetic). REV will contract the work to a well known contractor that is personally known by REV for 15years. Steve Rogers will paint the property. It is estimated the repairs will take one month to complete at a cost of approximately \$10,000.

A tenant, known by the owners with excellent credit and references, has been located and is ready take occupancy the following month. She has provided a security deposit.

The owners of REV are requesting a \$53,750 commercial real estate loan to purchase the investment property. The credit facility will be based on 15 year amortization and have a loan to value ratio of 50%. The following business plan will provide a history of REV, its current and future plans, and its ability to repay this financial obligation.

1.1 Business Objectives

- Invest in quality well cared for properties that are priced within the local market range
- Locate only well qualified tenants, desiring to lease long term
- Generate passive income

1.2 Mission Statement

REV’s goal is to invest in quality – both in its properties and in its tenants. One of the largest mistakes made by new real estate investors is in poor property selection. Even worse is their tenant selection process, often with little or no background and credit checks. At REV, the owners are extremely devoted to their business and their

commitment to the long term can be seen in their extreme dedication to both their properties and their meticulous selection process of finding long term tenants.

1.3 Guiding Principles

REV holds the following as its Guiding Principles

1. **Treat the investment as a business first and foremost.**

Many real estate owners will fail to take their investment seriously and keep sloppy or minimal business records. Over time this lack of discipline can permeate into other aspects of the business resulting in a downward slide of the business.

2. **Selective in tenant process**

Instead of accepting the first person in the door to accept the lease, REV will personally meet with each applicant for a personal interview. REV is seeking a long term lease with quality tenants. All applicants will be required to pass the credit and background check as well as provide the applicable deposits. References are a must and will always be verified.

3. **Provide exemplary service to tenants**

The goal of REV is to achieve long term occupancy levels. If the tenant has a broken A/C unit, then, they'll fix it – that same day! Period! The property will be clean, well maintained and professionally managed.

1.4 Keys to Success

REV is fully committed to make its rental property business a long term success with future plans for expansion. It is this dedication and drive which will set them apart from their local peers. The following are what REV believes are its keys to success:

- **Property management** - The owners of REV will personally manage the rental property and not rely on an outside management team. This way, all repairs can be addressed immediately, rents will be collected in a timely manner and the accounting ledger will be kept current and up to date.
- **Invest in only sustainable, high quality investments** - REV is not interested in 'flipping' properties. Prior to making any purchases, the properties are fully evaluated to determine positive cash flow and long term sustainability.

2.0 Company Description

Real Estate Ventures, ("REV"), is a newly formed S-Corporation formed for purposes of managing the underlying real estate located in Franklin, Tennessee, a principal city in the Nashville Metropolitan Statistical Area ("MSA"). REV is jointly owned by Steve and Linda Rogers, husband and wife.

2.1 Ownership

Steve and Linda Rogers are lifelong residents of Franklin, Tennessee. Steve has an established business and has owned his paint business known as ProStar Paint for 15+ years. Linda Rogers, a graduate of Middle Tennessee State University, is a math teacher at Franklin Elementary School.

2.2 Legal Form

Real Estate Ventures is an S-Corporation.

2.3 Start-Up Summary

Steve and Linda Rogers, the owners of REV have been interested in finding a means to supplement their income. When Linda's mother passed away earlier this year, the couple received approximately \$100,000 in inheritance and they decided to use this windfall to purchase and manage investment income properties. Together they attended several continuing education classes at their local community college and decided upon the subject property for their first purchase. The 1,356 SF house is located in the Red Mill Estates neighborhood. The house is in need of some cosmetic updates to bring the property to current rental market standards and is primarily comprised of new carpet, paint, and laminate tile.

The couple plans to subcontract the project and have build-out and completion within 30 days and the tenant taking occupancy thereafter.

Below is a detailed summary of the **Construction Budget**:

Description	
Kitchen:	
New kitchen countertop	\$800
Tear up and replace laminate floor	\$1,200
New paint throughout (supplies only)	\$400
New Carpet Throughout	\$1,100
Bath -	
2 new toilets (energy saving)	\$300
Updated showerheads	\$120
Fixtures and hardware	\$150
Labor 40%	\$4,000
Cost Overruns 10%	\$1,000
Miscellaneous	\$930
TOTAL	\$10,000

Steve Rogers personally knows the contractor, Ben Nelson, of Ben Nelson Construction, and has painted many houses for the contractor over the past 15 years. Mr. Nelson has approved the budget and believes that barring weather conditions, the project should be completed on schedule with minimal cost overruns. The contractor is reputable and is well known in the community for its integrity, finishing projects on time, and its quality of workmanship. Steve will do the painting himself. The estimated time to complete the renovation and rehabilitation is one month.

REV has located an approved tenant for the property as well. A teacher and acquaintance at Linda's school has requested to occupy the unit. The single mother of two recently divorced and is currently living with a relative. The house is a wonderful opportunity for the teacher to launch a fresh start and the location is 5 minutes to the school where she teaches with Linda. The tenant has passed the credit and rigorous background checks and her references have all checked out. REV is holding her security deposit.

2.4 Location and Facilities

REV extensively researched the local market and found it met their key criterion. The Red Mill Estates neighborhood has lush landscaping, larger than average lots and is primarily owner occupied. The surrounding neighborhoods are middle class suburbs with five grocery stores within a 5 mile radius, various restaurants, and shopping malls 3 miles away near the easily accessible I-65. The property is located in the Franklin City Elementary School District.

The property is clean and well maintained by the original owner. Updates to the property will primarily be cosmetic to bring the property to current market standards.

3.0 Products

3.1 Products/Services Descriptions

REV provides clean, quality homes in growing markets to well qualified tenants. The primary source of revenue is rental income. Supplemental income will include:

- Forfeited Deposits
- Bounced Check fees (NSF)
- Late charges
- Damage and Cleaning Charges
- Application fees
- Pet Charges
- Lease Termination charges

3.2 Competitive Comparison

There are seven rental income properties within a 1 mile radius of the subject along with several multifamily apartment units. For comparison purposes, the multifamily units have been excluded from this comparison. Rents per square foot range from a high of \$1.11 to a low of \$0.83 per square foot ("PSF"). The average market rent PSF in the Franklin market is \$1.01. The subject rent PSF is \$0.98 and compares favorably with the market.

Following is a table outlining the local comparables:

**Real Estate Ventures
Comparables**

	Address	Bdr / Bath Ratio	Rent	Square Feet	Rent / PSF
1	1101 Gown Blvd	2 BDR / 2 BA	\$1,200	1,107	\$1.08
2	1102 Gown Blvd	3 BDR / 2 BA	\$1,350	1,445	\$0.93
3	700 Fountain Blvd	3 BDR / 2 BA	\$2,595	2,328	\$1.11
4	3104 Travis Road	3 BDR / 2 BA	\$1,995	2,083	\$0.96
5	308 Hardy Street	3 BDR / 2 BA	\$1,125	1,200	\$0.94
6	1200 Main Street	4 BDR / 3 BA	\$1,800	1,700	\$1.06
7	3225 Bolen Drive	3 BDR / 3 BA	\$1,750	2,100	\$0.83
Franklin Average:			\$1,320	1,307	\$1.01
Subject:					
	123 Main Street	3 BDR / 2 BA	\$1,300	1,326	\$0.98

3.3 Product/Service Sourcing

N/A

3.4 Inventory Management

N/A

3.5 Warehousing and Fulfillment

N/A

3.6 Future Products/Services

REV has near term plans to purchase additional quality income producing properties sufficient to generate, passive income streams.

4.0 Market Analysis

Franklin, Tennessee, located in Williamson County, is a Principal City in the in the Nashville Metropolitan Statistical Area (“MSA”) and is ranked 31 in the United States. According to the **University Of Tennessee’s 2012 Economic Outlook**, Williamson County is one of the fastest growing counties in the state, expanding by 44.7% over the prior year.

Health Spring, Community Health Systems, Healthways, Home Instead Senior Care, MedSolutions Inc, Magazines.com, the Provident Music Group, Renal Advantage Inc, World Christian Broadcasting and Nissan's North American headquarters are based in Franklin.

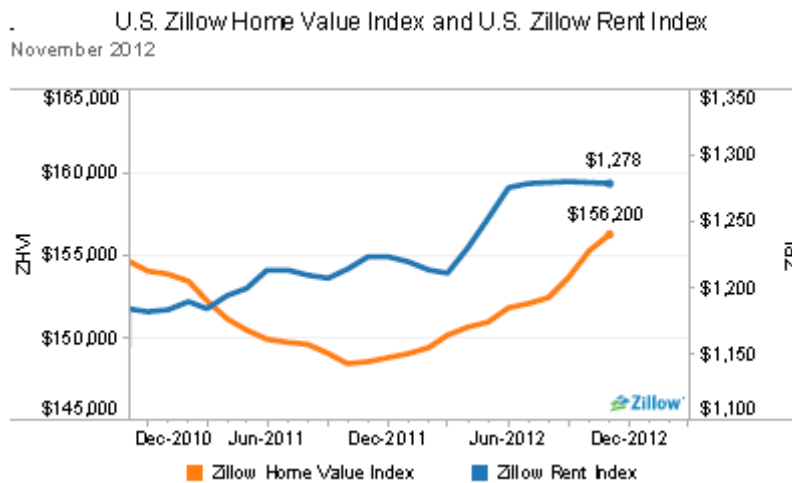
There are over 1,600 businesses in the surrounding 3 mile radius of the subject. The majority of the local businesses are in the service category and comprise 40.1% of the local employment base followed by 20.8% in the retail trade.

Franklin vacancy levels were reported to be 6% compared to the industry average of 7.9%.

SOURCE: Trulia, Bureau of Labor Statistics

4.1 Industry Analysis

The housing market recovery has remained true to the old real estate axiom of “location, location, location.” How your local market is faring today – and if it makes more sense to buy or rent, to sell now or to hold off if possible – is largely determined by unique, local factors and fundamentals. Timely and comprehensive local market information will be even more important in 2013 as buyers continue to seek bargains and sellers look to maximize returns. **Source: Zillow Research**



4.1.1 Market Size

A recent survey of Franklin, Tennessee revealed there are currently 67 single family residences available for rent. The average monthly rental charge ranges from \$2,202 monthly to \$1,058 monthly. The middle tier monthly rent is \$1,283 or \$1,031,532 annualized.

REV's portion of the \$1 million market represents 1.51% of market share.

Number of SF homes for rent	67 [1]	Market
Top Tier Monthly Rent [2]	\$2,202	\$1,770,408
Middle Tier Monthly Rent	\$1,283	\$1,031,532
Bottom Tier Monthly Rent	\$1,058	\$850,632
Subject Market Share		1.51%

SOURCES:

[1] Homes.Com

[2] Zillow.Com

4.1.2 Industry Participants

The primary participants in the rental real estate market are other single family residences and apartments. However, other indirect competitors include: condos, mobile homes, trailers, garage apartments and duplexes. Sellers of homes that offer rent to own options pose yet another form of competition.

4.1.3 Main Competitors

Within a one mile radius of the subject are 10 apartment complexes and 7 single family residences available for rent. For comparison, this analysis will focus only on the single family residences available for rent.

*1101 Gown Blvd
2 BDR / 2 BA
\$1,200 month / 1,107 SF*

This property competes closely with the subject. However, the subject is superior with its extra square footage and additional bedroom.

*1102 Gown Blvd
3 BDR / 2 BA
\$1,350 month / 1,445 SF*

This property is most comparable to the subject. Comparable Number Two has 119 additional square feet and is \$0.05 lower in monthly rent.

*700 Fountain Blvd
3 BDR / 2 BA
\$2,595 month / 2,328 SF*

This property has the largest square footage of the comparables and is located on acreage. It is also the demanding the highest monthly rental charge. Based on these factors Comparable Number 3 is an indirect competitor.

*3104 Travis Road**3 BDR / 2 BA**\$1,995 month / 2,083 SF*

This property competes directly with the subject. With an additional 757 square feet, this property is priced \$0.02 PSF below the subject and could appeal to the value renter. The downside to this property is its inferior location – which is across the street from a landfill. The property has been vacant for four months and it is rumored the owner will be dropping the asking rental price.

*308 Hardy Street**3 BDR / 2 BA**\$1,125 month / 1,200 SF*

Comparable Number 5 is slightly older and smaller than the subject. Built in 1980, the property is 126 feet smaller than the subject. The property is clean and well maintained and is considered a direct competitor with the subject.

*1200 Main Street**4 BDR / 3 BA**\$1,800 month / 1,700 SF*

This property is larger than the subject by over 300 feet. Asking rent is higher than the subject as well and higher than the \$1,100-\$1,400 range REV is hoping to attract. This property has an additional bedroom. Based on these factors; Comparable Number 6 is considered an indirect competitor.

*3225 Bolen Drive**3 BDR / 3 BA**\$1,750 month / 2,100 SF*

Comparable Number 7, like Comps 3 and 4 is substantially larger than the subject. The asking monthly rent of \$1,750 is also above the range REV is targeting. The property has exceptional value with rents per square foot the lowest in the market at \$0.83 and will appeal to the value renter. The property is clean and well maintained. Based on its larger square footage and higher asking monthly rent, Comparable Number 7 represents an indirect competitor.

4.1.4 Market Segments

The 1 mile radius surrounding the subject had a population of 7,199 at the 2010 Census and is expected to grow to 7,363 by the Year 2017. The majority of the homes are owner occupied with 1,950 housing units and a reported 793 renter occupied units from the 2010 Census. Rental units are expected to grow to 854 by the Year 2017. The median age at 2010 was 34. **Source:**
BUSINESSDECISION.INFO

Residents within a 1 mile radius of the subject are comprised primarily of two market segment groups: *In Style* represents 52.7% of the market share and *Crossroads* with 35.4% of the market or 88.1% cumulative market. The *In Style* market is comprised primarily of residents that live in the suburbs but prefer the city lifestyle. These residents prefer townhomes to traditional single family homes and have a median household income of \$182,665. REV is targeting the latter group, *Crossroads*, as their primary target customer. Following is a brief summary of their target occupant:

Crossroads neighborhoods are growing communities in small towns. Married couples with and without children and single parents are the primary household types in these areas. They have a median age of 32.2 years. This population is growing at 1.6% annually faster than the US population. The median household income is \$43,799. Children are the focus of their lives. They drive domestic cars and trucks and handle the maintenance themselves.

Source: ESRI.COM/Tapestry

Rank	Tapestry Segment	Households	
		Percent	Cumulative Percent
1	13. In Style	52.7%	52.7%
2	41. Crossroads	35.4%	88.1%
3	33. Midlife Junction	11.8%	99.9%
4	57. Simple Living	0.1%	100.0%
Subtotal		100.0%	

4.2 Market Tests

Prior to selecting the rental unit, REV placed an advertisement for rent with the online classifieds at Linda's place of employment, Franklin Elementary. The response was overwhelming! REV had 14 candidates to choose from! The majority of these applicants were fellow teachers or friends of teachers. All applicants were families, both single income and dual income. REV had to inform the turned down applicants that the property was already leased.

Based on this market 'test' REV decided to put the "pedal to the metal" and make an offer on the property.

4.3 Target Market Segment Strategy

REV is targeting families with children – single family households or dual income households. The target tenant is young, under the age of 35 and is likely to have some additional financial obligations, such as student loan debt and car note debt that they want to pay off prior to considering home ownership. Many of the new teachers at Linda's

school fit the target profile and REV will continue to pursue this target group as tenants. The target rent is the \$1,100-\$1,400 range.

4.3.1 Market Needs

Given the option of raising a family in a traditional single family home compared to an apartment complex, REV's target tenant prefers the former. The Red Mill Estates neighborhood and surrounding neighborhoods are growing residential neighborhoods making the location ideal for REV's tenants. With limited direct comparables, the demand for single family residences available for rental is high in this market.

4.3.2 Market Trends

- Homeownership make financial sense when the occupant is planning on staying 5+ years and has the cash flow cover the normal repair and maintenance costs. And as we leave the recession behind us over time tenants may vacate to pursue homeownership.
- Renting still makes financial sense for REV's targeted tenant who does not want the additional cost/time burden of property maintenance.

4.3.3 Market Growth

The local single family rental home market increased 1.4% over the prior year.

Source: Zillow Rent Index

4.4 Positioning

REV will position itself as the rental property of choice when it comes to quality properties in solid neighborhoods, by actively staying current on local market conditions.

5.0 Marketing Strategy and Implementation

REV will own, operate, and lease clean, well maintained single family residences to well qualified tenants. Others often miss the mark by investing in low quality properties which will not provide sufficient ROI (return on investment). Additionally other landlords often fall short in responding to tenants needs for repairs. When a tenant calls requesting repairs to say a leaky faucet, REV will have a repairman on premises that same day and more than likely one of the owners will personally make the repair. What will set REV apart from other property managers will be its unique ability to bring quality properties and tenants together. The following sections address the various tactics that will contribute to this effort.

5.1 SWOT Analysis

SWOT stands for strengths, weaknesses, opportunities and threats. A SWOT analysis is a method for strategic planning that evaluates these four elements as they relate to REV's business objectives. The following section helps demonstrate REV's marketing strategy:

5.1.1 Strengths

- The rental property is well located in a growing neighborhood with easy access to neighborhood schools, shopping and restaurants. Located less than 5 minutes from I-65, the commute to Nashville is less than 20 minutes.
- REV has an approved tenant in place with a security deposit. The tenant has excellent credit and payment history. The tenant is known by REV and works as a teacher at the same school as Linda Rogers.
- Upgrades to the property will be made by a reputable contractor with a 15 year history with the owners of REV. The owners of REV will paint the property themselves which will further reduce expenses.
- REV will come out of pocket in excess of \$67,000 toward the house purchase and capital improvements resulting a low, loan to value (LTV) ratio of 50%.
- The owners of REV have ‘day jobs’ and thus have additional income sources and savings to draw from to support business operations.

5.1.2 Weaknesses

- New entrants into real estate property management, REV has limited experience owning and managing investment income properties.

5.1.3 Opportunities

- Franklin has low vacancy levels at 6% compared to the national average of 7.9%.
- The property is located in a strong growing community and the fastest growing county in the state.
- REV has an opportunity to participate in a \$1 million local real estate rental market.

5.1.4 Threats

- Investment real estate is economically tied – changes in unemployment, rent spikes and changes in the economy could adversely impact demand for rental units.
- Declination in the local neighborhood could impact attractiveness of rents
- Cost overruns in the construction budget and failure to complete upgrades in time could impact REV’s cash flow.

5.2 Strategy Pyramid

REV will only lease solid, clean, well maintained investment properties that generate positive cash flow.

In order to meet these objectives, REV will not make the mistakes many new landlords make and perform thorough due diligence prior to purchasing any property; All perspective properties must meet the following requirements:

- Property must be clean and well maintained
- Property must be a growing community with low vacancy rates
- Rents will be priced within market range – typically between the \$1,100-\$1,400 range
- Property must generate positive passive income
- All tenants will be required to: Pass background and credit checks; Provide verifiable references
- Provide non-refundable application fee to cover the costs associated with these checks.
- All tenants will be required to provide a security deposit.
- Tenants will be required to make payments via EFT which will further ensure payments will be made as agreed and on time.

REV will strive to be a superlative landlord as well – by responding within one hour to any tenant issues regarding repairs and maintenance during normal business hours of operation. Weekend and evening calls will be answered the following business day unless it is a life threatening emergency (such as the smell of gas, water main breaks) in which case the owners will be paged immediately and an emergency response service will be sent.

On a monthly basis, REV will change and replace air filters and monitor smoke and radon detectors.

5.3 Unique Selling Proposition (USP)

The owners of REV love what they do! And it shows in from the quality of the properties they invest in to the caliber of tenants they lease to. They thoroughly review the property and analyze the real estate market. REV will continually monitor and evaluate the local market trends. They are in this for the long term!

5.4 Competitive Edge

REV utilizes a thorough due diligence process prior to purchasing and investing in any property. By doing their homework, REV can competitively price their rents – often at or below market. Thoroughly knowing their market gives REV the competitive edge over their competitors. Further, Steve’s background in painting and his extensive connections in the construction field in the local Franklin market, gives REV the competitive edge when in it comes to knowing the quality and caliber of the local contractors. Many competitors will fall short and subcontract often to the lowest bidder with unknown track records. If a major tenant repair is required, REV will be prepared and have the ability to select the best contractor at a fair price. This in turn will keep expenses down and profit margins and return on investment on target.

5.5 Marketing Strategy and Positioning

REV's marketing strategy incorporates a **Focus Strategy** – that is, it targets a specific target market. REV concentrates their marketing efforts on attracting solid, credit worthy tenants that are motivated to live in growing, thriving communities.

5.5.1 Positioning Statement

REV is a high quality real estate investment corporation. REV carefully and methodically selects its rental properties in growing neighborhoods, with low vacancy rates. The properties are clean, well maintained and provide positive cash flow. In keeping with their high quality standards, REV's tenants, reflect these attributes as well and have exceptional credit scores, timely rental payment history and a strong desire to live long term with their families in a solid community. REV is committed to their properties for the long term – they do not foster a “here today gone tomorrow” mentality. Above all REV's owners love what they do and are committed to the company for the long term.

5.5.2 Pricing Strategy

REV utilizes **Competition Based Pricing** – in which prices are based on the market. The company's thorough due diligence process assures that they never buy the highest priced property or the lowest priced for that matter.

5.5.3 Promotion and Advertising Strategy

REV will primarily rely on advertising in the Franklin Elementary School Online Classified Ads and **Word of Mouth** advertising.

As properties become available, REV will post signage in front of the property. As a last resort, REV will post classified ads with the local newspaper and Craigslist.

5.5.4 Website

REV's website features properties available to rent, the business phone number to contact for information regarding renting or who to contact for repairs. Additionally the website will have links to complete an online application and links to key articles for tenants such as the importance of obtaining sufficient renters insurance for example.

In the event that a property is available, the site will feature photos of the property along with detailed description of the property, amenities, details of the surrounding neighborhood and any concessions that are currently available.

5.5.5 Marketing Programs

REV is uniquely sized to both personally own and manage its investment properties. Through their extensive contacts in the Franklin area, REV hopes to rely on Word of Mouth advertising and not be forced to allocate a large portion of their budget to advertising costs. However, in the event that a property remains vacant for 30+

days, REV has a policy in place to purchase classified advertising space in both the local newspaper and on Craigslist.

5.6 Sales Strategy

REV will meet with prospects right on site. The prospects will be greeted and treated with the utmost professionalism in a relaxed and respectful environment. The first meeting is an opportunity for the owners of REV to decide on leasing to the prospective tenant. If the prospect seems disagreeable, unpleasant or makes unrealistic requests, REV will not lease the property. If however the prospect is professional, and has reasonable requests, then this meeting will be considered along with the credit report and background check in making a decision to lease.

5.6.1 Sales Forecast

The following table represents the estimated sales from the rental unit the initial three years of operations. The analysis assumes 100% leased and no escalations in rent the initial two years.

Table 5.6.1 Annual Sales Forecast

Annual Sales Forecast	Year 1	Year 2	Year 3
Rental Property A	\$14,300	\$15,600	\$16,380
Less Vacancy			
Gross Margin	\$14,300	\$15,600	\$16,380

5.6.2 Sales Programs

The owners of REV personally lease their properties and do not need to pay incentives to sales agents. However, just like sales agents, the owners of REV are motivated to lease properties quickly- after all vacant properties do not generate revenue! Although the owners of REV are motivated to get tenants in quickly they will not 'rush' at the expense of sacrificing quality. If REV is unable to find a perspective tenant in a reasonable amount of time (approximately 30 days) then the cost of doing business are the advertising costs associated with placing classified ads with the local newspaper and Craigslist.

5.7 Legal

Clean title and zoning, will be instrumental in purchasing investment real estate. The title search and tax record search must confirm this prior to REV purchasing any property. The title search must be free of liens.

All maintenance and repairs will be performed by bonded and licensed contractors that are in good standing with the state.

5.8 Milestones

Following are the Milestones REV believes will allow them to meet their objectives.

Table 5.8 Milestones

Milestones	Date
Find ideal property - which meets REV's stringent requirements for ROI, value	09/01/XX
Approve construction budget	10/01/XX
Locate approved contractor	12/01/XX
Secure commercial real estate loan	01/01/XX
Renovate property	02/01/XX
Lease property to well qualified tenant	03/01/XX
Purchase 2nd rental income property	Year Four
Purchase 3rd rental income property	Year Five

5.9 Exit Strategy

In the event the rental unit remains vacant for an extended period of time or in the event that extreme repairs and depletes all cash reserves, the secondary recourse will be to the owners. After the owners have depleted their personal reserves, the property will be sold. Proceeds will be used to satisfy obligations to creditors and any surplus will be returned to the owners.

6.0 Organization and Management

The following section highlights ownership and future staffing expectations of REV:

6.1 Organizational Structure

Both Linda and Steve Rogers will own and manage the subject real estate. Steve Rogers will perform routine maintenance requirements and repairs. Linda Rogers will manage the daily bookkeeping requirements. She will submit payments to vendors such as trash service and recycling service, and forward the required information to REV's certified public accountant for preparation of the annual income taxes.

6.2 Management Team

Steve Rogers will oversee the day to day maintenance of the rental unit. On a monthly basis he will replace air filters, inspect the grounds, and make notations of the overall physical condition of the property. The tenant will be put on notice for example if the yard needs to be mowed or weeds appear to be an issue. The tenant will have sufficient time to remedy the notice and will be fined daily until the issue has been resolved.

Steve has successfully owned and operated his painting business for 15+ years and is in the neighborhood on a daily basis. He will drive by the property frequently for visual inspections of the property. He is readily available in the event the tenant has any repair needs.

Linda Rogers will oversee the day to day bookkeeping needs for the rental property.

All tenants will be required to agree to EFT (electronic funds transfer) for monthly payments – which should minimize the need to collect rents.

6.3 Management Team Gaps

REV does not have an accountant or attorney on its staff. Income tax preparation and consulting services will be provided by the owner’s long term personal public accountant. REV will rely on their title company to verify clear title.

6.4 Personnel Plan

Steve and Linda Rogers will own and operate REV but draw no salary; both owners have outside incomes and will not draw salaries from the properties.

Table 6.4 Personnel Plan

Steve and Linda Rogers, owners and operators

6.5 Board of Directors

N/A

7.0 Financial Plan

The following financial plan covers the following:

- Required Cost of Start-Up
- Profit and Loss
- Cash Flow
- Balance Sheet
- Financial Ratios

7.1 Important Assumptions

Construction Budget

REV estimates a 1 month completion. Work will be performed by a contractor that is well known by the owners. The contractor is bonded, licensed and in good standing with the state.

Source of Funds

The owners of REV received approximately \$100,000 in inheritance and have access to liquidity to fund start up costs and meet operating shortfalls. However, they plan to invest a portion of these proceeds into additional rental income properties. Additional source of funds comes from both owners 'day jobs' - Steve Rogers owns his own house painting business and Linda Rogers is a math teacher at Franklin Elementary

Profit and Loss

Vacancy levels in Franklin are a low 6% and is substantially lower than the national average of 7.9%. The analysis assumes 100% occupancy over the 3 years reviewed.

7.2 Start-Up Costs

The following table represents start up costs.

Table 7.2 Start-Up Costs

Start-Up Expenses	Amount
Operating Capital	\$ -
Salaries and Wages	\$ -
Insurance Premiums / Prepays	\$ 1,000
Beginning Inventory	\$ -
Legal and Accounting Fees	\$ -
Rent Deposits	\$ -
Utility Deposits	\$ -
Supplies	\$ 500
Advertising and Promotions	\$ -
Licences	\$ 100
Other Initial Costs	\$ 200
Working Capital (cash on hand)	\$ 1,500
Total Start-Up Expenses	\$3,300
Start-Up Assets	
Real Estate	\$ -
Buildings	\$ 107,500
Leasehold Improvements	\$ 10,000
Total Start-Up Assets	\$117,500
Total Required Start-Up Costs	\$120,800

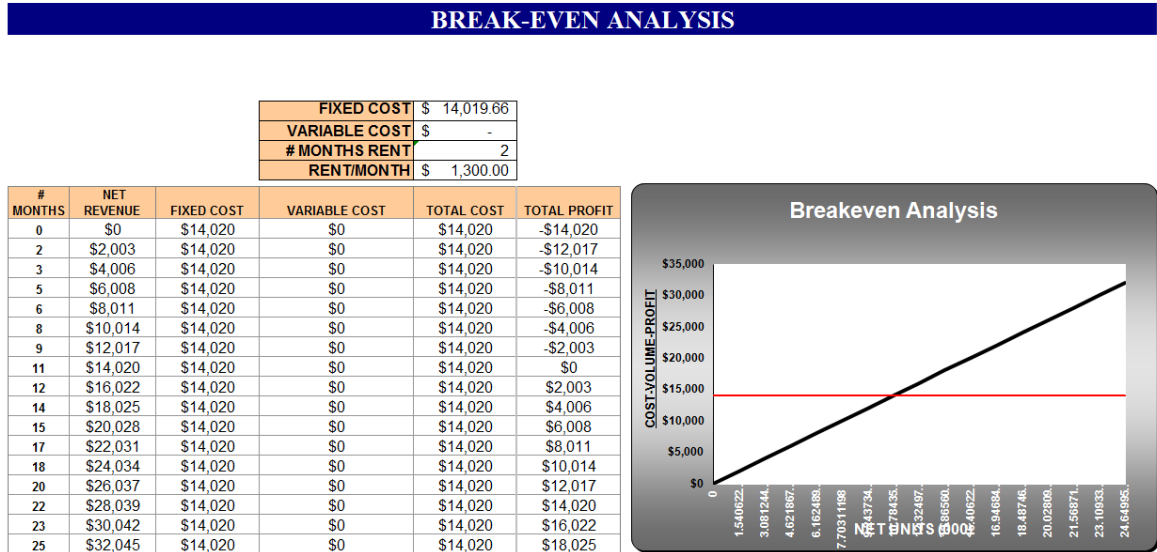
7.3 Source and Use of Funds

The owners of REV received approximately \$100,000 in inheritance and have access to liquidity to fund start up costs and meet operating shortfalls. However, they plan to invest a portion of these proceeds into additional rental income properties. Additional source of funds comes from both owners 'day jobs' - Steve Rogers owns his own house painting business and Linda Rogers is an elementary school math teacher at Franklin Elementary. The following table shows the proposed Source and Use of Funds:

Source and Use of Fund	Column
Sources of Funds	
Owner's Injection	\$ 67,050
Commerical Loan	\$ -
Commerical Mortgage	\$ 53,750
Line of Credit	-
Total Source of Funds	\$ 120,800
Use of Funds	
Fixed Assets	\$ 117,500
Operating Capital	\$ 3,300
Total Use of Funds	\$ 120,800

7.4 Break-Even Analysis

The rental income property is expected to generate \$1,300 in monthly rent or \$15,600 annually. Break even rents required are \$14,020 or approximately 10.78 months of revenue. The following chart depicts break-even analysis:



7.5 Projections

7.5.1 Projected Profit and Loss

The proforma profit and loss is based on the initial 3 years associated with the subject property.

Table 7.5.1 Pro Forma Profit and Loss

Pro Forma Profit and Loss	Year 1	Year 2	Year 3
Income			
Rental Property A	\$14,300	\$15,600	\$16,380
Less Vacancy	\$0	\$0	\$0
Gross Margin	\$14,300	\$15,600	\$16,380
Expenses			
Total Salaries and Wages	\$0	\$0	\$0
Business Expenses			
Advertising	\$200	\$200	\$200
Car and Truck Expense	\$0	\$0	\$0
Credit Card Charges	\$0	\$0	\$0
Taxes and Insurance	\$2,340	\$2,340	\$2,340
Legal and Accounting	\$100	\$100	\$100
Office Expenses	\$120	\$120	\$110
Postage and Shipping	\$60	\$60	\$55
Rent on Business Property	\$0	\$0	\$0
Rent on Equipment	\$0	\$0	\$0
Repairs / Maintenance	\$500	\$500	\$500
Supplies	\$0	\$0	\$0
Telephone	\$0	\$0	\$0
Contract Services	\$360	\$360	\$330
Utilities	\$0	\$0	\$0
Miscellaneous Expenses	\$240	\$240	\$220
Amortized Start-Up Expenses	\$0	\$0	\$0
Depreciation	\$6,804	\$6,804	\$6,804
Total Business Expenses	\$10,724	\$10,724	\$10,659
Less Interest Expense			
Commerical Loan	\$0	\$0	\$0
Commerical Mortgage	\$3,296	\$3,152	\$2,999
Line of Credit	-	-	-
Total Interest Expense	\$3,296	\$3,152	\$2,999
Net Operating Income	\$280	\$1,724	\$2,722
Less Income Taxes	\$0	\$0	\$0
Net Profit (Loss)	\$280	\$1,724	\$2,722

7.5.2 Projected Cash Flow

The statement of cash flow shows the incoming and outgoing cash of the business.

Table 7.5.2 Pro Forma Cash Flow

Pro Forma Cash Flow	Year 1	Year 2	Year 3
Beginning Cash Balance	\$1,500	\$5,638	\$11,787
Cash Inflows	\$12,588		
Income from Sales	\$14,300	\$15,600	\$16,380
Accounts Receivables	-	-	-
Total Inflows	\$14,300	\$15,600	\$16,380
Total Cash Outflows	\$22,750	\$9,450	\$9,385
Operating Cash Balance	\$5,638	\$11,787	\$18,782

7.5.3 Projected Balance Sheet

Table 7.5.3 Pro Forma Balance Sheet

Proforma Balance Sheet	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$5,638	\$11,787	\$18,782
Accounts Receivable	\$0	\$0	\$0
Inventory	\$0	\$0	\$0
Prepaid Expenses	\$1,600	\$1,600	\$1,600
Other Current	\$200	\$200	\$200
Total Current Assets	\$7,438	\$13,587	\$20,582
Fixed Assets			
Improvements	\$10,000	\$10,000	\$10,000
Furniture and Fixtures	\$0	\$0	\$0
Equipment	\$0	\$0	\$0
Real Estate	\$0	\$0	\$0
Buildings	\$107,500	\$107,500	\$107,500
Other Fixed	\$0	\$0	\$0
Total Fixed Assets	\$117,500	\$117,500	\$117,500
Less Accumulated Depreciation	\$6,804	\$13,607	\$20,411
Total Assets	\$118,134	\$117,480	\$117,671
Liabilities and Owner's Equity			
Accounts Payable	\$2,053	\$2,378	\$2,531
Notes Payable	\$0	\$0	\$0
Mortgage Payable	\$51,516	\$49,138	\$46,607
Line of Credit Balance	\$0	\$0	\$0
Total Liabilities	\$53,569	\$51,516	\$49,138
Owner's Equity			
Common Stock	\$67,050	\$67,050	\$67,050
Retained Earnings	(\$2,485)	(\$1,086)	1,483
Total Owner's Equity	\$64,565	\$65,964	\$68,533
Total Liabilities and Owner's Equity	\$118,134	\$117,480	\$117,671

7.6 Business Ratios

The business ratios are based on NAICS code 531110. The ratios demonstrate that REV is well capitalized, has a low leverage position and has good liquidity. REV compares more favorably to its industry peers primarily due to the owner's injection in equity.

Table 7.6 Ratio Analysis

Ratio Analysis	Year 1	Year 2	Year 3	Industry Profile
Financial Ratios				
Quick Ratio	2.75	4.96	7.42	0.4
Current Ratio	3.62	5.71	8.13	0.5
Current Liabilities to Net Worth	0.03	0.04	0.04	1.63
Current Liabilities to Inventory	#DIV/0!	#DIV/0!	#DIV/0!	24.17
Total Liabilities to Net Worth	0.83	0.78	0.72	6.80
Fixed Assets to Net Worth	1.82	1.78	1.71	9.51
Collection Period	0.00	0.00	0.00	NA
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	NA
Sales to Total Assets	0.12	0.13	0.14	1.52
Sales to Working Capital	2.66	1.39	0.91	-9.00
Accounts Payable to Sales	0.14	0.15	0.15	0.01
Return on Assets	0.00	0.01	0.02	0.15
Return on Equity	0.00	0.03	0.04	0.97
Interest Coverage	1.09	1.55	1.91	2.50
Income Statement				
Net Sales	100%	100%	100%	100%
Gross Profit	100.00%	100.00%	100.00%	64.8%
Operating Income	1.96%	11.05%	16.62%	35.20%
Net Profit Before Tax	1.96%	11.05%	16.62%	8.60%
Balance Sheet				
Cash	4.77%	10.03%	15.96%	5.00%
Accounts Receivable	0.00%	0.00%	0.00%	0.70%
Inventory	0.00%	0.00%	0.00%	0.60%
Total Current Assets	6.30%	11.57%	17.49%	8.00%
Total Fixed Assets	99.46%	100.02%	99.85%	84.60%
Other Non-Current Assets	99.46%	100.02%	99.85%	6.10%
Total Assets	100.00%	100.00%	100.00%	100%
Accounts Payable	1.74%	2.02%	2.15%	1.00%
Total Current Liabilities	1.74%	2.02%	2.15%	14.50%
Total Long Term Liabilities	43.61%	41.83%	39.61%	76.70%
Net Worth	54.65%	56.15%	58.24%	8.90%

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<http://www.fastbusinessplans.com/business-plan-template.html>

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