

Bahman Davani Calculating NPV, based on the scenario from Rent_vs_Own.asp default set

OWNING COST

	Annual Increase%	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income Tax Bracket %	28.00%	0						
Annual Cost Opportunity Rate (Discount Rate) %	1.00%	0						
Purchase Price \$		\$ 170,000						
Downpayment %	20.00%	0	\$ 34,000.00					
Purchaser Closing cost % (Based on loan Amount)	1.50%	0	\$ 2,040.00					
UFMP % (Based on Loan Amount)	1.75%	0	\$ 2,380.00					
Total Initial Investment at Year 0		\$ 38,420.00						
Monthly Mortgage (Principal+Interest) \$		689.09	689.09	689.09	689.09	689.09	689.09	689.09
MIP %		1.20%	136.00	136.00	136.00	136.00	136.00	136.00
Property Tax Rate % (Based on Assessed+Purchase Price)	2.18830%		310.01	325.51	341.79	358.87	376.82	
Ann. Insurance \$		1,000.00	83.33	87.50	91.88	96.47	101.29	
Monthly HOA \$								
Monthly Maint. \$		166.67	166.67	166.67	166.67	166.67	166.67	166.67
Total Monthly Payments for each year			\$ 1,385.10	\$ 1,404.77	\$ 1,425.42	\$ 1,447.10	\$ 1,469.87	
Total Payments Paid each Year (Monthly Payments * 12)			\$ 16,621.23	\$ 16,857.24	\$ 17,105.04	\$ 17,365.24	\$ 17,638.44	\$ 85,587.19
Net Present Value of Payments Made back to the beginning of each Year			\$ 15,569.41	\$ 15,810.80	\$ 16,043.21	\$ 16,287.22	\$ 16,543.50	
Future Value of House at the end of 5 years		\$ 197,077						
Seller Closing cost % (Based on Future Loan Amount)		2.00%						\$ 3,941.54
Seller Commission cost % (Based on Future Selling Price)		6.00%						\$ 11,824.62
Equity at the end of sell (from calculation of the program)\$		\$ 73,102						\$ (73,102.00)
Total Cost at disposition								\$ (57,335.84)
Total Cost of OWNING, converted to the Today's value, Net Present Value is								\$ 61,764.89

FINANCIAL CALCULATOR

NPV AND IRR CALCULATION

EOY	Cash Flows	+	Sale Proceeds
0	(\$38,420.00)		
1	(\$15,589.41)	+	
2	(\$15,810.80)	+	
3	(\$16,043.21)	+	
4	(\$16,287.22)	+	
5	(\$16,543.50)	+	\$57,335.84
6			
7			
8			
9			
10			

NPV Discount Rate 1.00%
 Net Present Value (\$61,764.89)
 Internal Rate of Return NPV at 1%

RENTING COST

	Annual Increase%	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Application Fees		\$ 80.00						
Security Deposit + Pet Deposit (if any)		\$ 1,400.00						
Monthly Rent for each Year	5%	\$ 1,400.00	\$ 1,470.00	\$ 1,543.50	\$ 1,620.68	\$ 1,701.71		
Total Rents Paid each Year (Monthly Rent * 12)			\$ 17,640.00	\$ 18,522.00	\$ 19,448.10	\$ 20,420.54	\$ 21,420.54	\$ 92,830.61
Net Present Value of Rents Made back to the beginning of each Year			\$ 15,757.11	\$ 16,544.96	\$ 17,372.21	\$ 18,240.88	\$ 19,152.88	
Return of Security Deposit at the end of lease								\$ (1,400.00)
Total Cost of RENTING, converted to the Today's value, Net Present Value is								\$ 84,581.74

NPV AND IRR CALCULATION

EOY	Cash Flows	+	Sale Proceeds
0	(\$1,480.00)		
1	(\$15,757.11)	+	
2	(\$16,544.96)	+	
3	(\$17,372.21)	+	
4	(\$18,240.88)	+	
5	(\$19,152.88)	+	\$1,400.00
6			
7			
8			
9			
10			

NPV Discount Rate 1.00%
 Net Present Value (\$84,581.74)
 Internal Rate of Return

Total Cost Savings with No Tax Deduction Advantages (e.g., deduction of Property Tax + Interest) of OWNING vs. RENTING, converted to the Today's value, Net Present Value is

NPV OWNING VS. RENTING SAVING in 5 Years \$ 22,816.85