

Here is a **5-year investment projection** for 801 N Alexandria Ave, including appreciation, rent increases, loan paydown, tax savings, and after-tax cash flow.

5-Year Investment Projection

| | Year | Property Value (\$) | Rent Income (\$) | NOI (\$) | Mortgage Interest (\$) | Principal Paid (\$) | Outstanding Loan (\$) | Tax Savings (\$) | After-Tax Cash Flow |
|---|------|---------------------|------------------|----------|------------------------|---------------------|-----------------------|------------------|---------------------|
| 1 | 1 | 1974960 | 137000 | 95900 | 99698 | 14009 | 1410241 | 26489 | 8682 |
| 2 | 2 | 2053958 | 141110 | 100010 | 98717 | 14990 | 1395251 | 24860 | 11163 |
| 3 | 3 | 2136117 | 145343 | 104243 | 97668 | 16039 | 1379211 | 23170 | 13706 |
| 4 | 4 | 2221561 | 149704 | 108604 | 96545 | 17162 | 1362049 | 21415 | 16312 |
| 5 | 5 | 2310424 | 154195 | 113095 | 95343 | 18363 | 1343686 | 19594 | 18981 |

investment tax savings estimate for 801 N Alexandria Ave based on:


- **Purchase Price:** \$1,899,000
- **Annual Rental Income:** ~\$137,000
- **Expenses:** ~\$41,100 (operating), plus property taxes and mortgage interest
- **Loan Assumption:** 25% down payment (\$474,750), 75% loan (\$1,424,250) at 7% interest
- **Personal Tax Bracket:** 32% federal (common for high-income investors)



Investment Tax Savings Estimate


1. Depreciation Deduction

- IRS depreciation is only on the *building*, not land.
- Assume land value is **20%** of purchase price →
Building value = **80% × \$1,899,000 = \$1,519,200**
- Annual depreciation = **\$1,519,200 ÷ 27.5 = ~\$55,245/year**

 **Tax Savings from Depreciation =**
 $\$55,245 \times 32\% = \$17,678/\text{year}$

2. Mortgage Interest Deduction

- Loan amount: ~\$1,424,250
- At 7% interest:
First-year interest = ~\$99,698

 **Tax Savings from Mortgage Interest =**
 $\$99,698 \times 32\% = \$31,903/\text{year}$

3. Operating Expense Deductions

- Property expenses (excluding mortgage) are about **\$41,097/year**.
- Deductible.

✅ **Tax Savings from Operating Expenses =**
 $\$41,097 \times 32\% = \textbf{\$13,151/year}$

4. Property Tax Deduction

- Property tax roughly estimated at **1.25%** of price:
~\$23,738/year.

✅ **Tax Savings from Property Tax =**
 $\$23,738 \times 32\% = \textbf{\$7,596/year}$



Total First-Year Estimated Tax Savings

| Category | Tax Savings |
|--------------------|-----------------|
| Depreciation | \$17,678 |
| Mortgage Interest | \$31,903 |
| Operating Expenses | \$13,151 |
| Property Taxes | \$7,596 |
| TOTAL | \$70,328 |

✅ **Roughly ~\$70,000 in first-year tax savings**
(plus you're still collecting rental income after expenses).



Quick Summary of Year 1 Profitability:

- **Rental Income:** ~\$137,000
 - **Expenses (excl. mortgage):** ~\$41,100
 - **Mortgage P&I:** ~\$120,000/year (estimate)
 - **Before-Tax Cash Flow:** Slightly negative (common in LA multifamily)
 - **After-Tax Benefit:** Positive cash flow once you factor \$70K in tax savings.
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Bottom Line:

Even if cash flow is break-even or slightly negative, the **tax deductions** make this a financially strong investment in Year 1 — and rent increases over time should push it cash-flow positive.

Here are the **key tax benefits** a buyer of a 4-unit rental property like **801 N Alexandria Ave** could expect:



1. Depreciation Deduction

- The IRS allows you to **depreciate the building (not land)** over **27.5 years**.
 - For example, if \$1.7M of the \$1.9M price is attributed to the building:
 - Annual depreciation = $\$1,700,000 \div 27.5 \approx \$61,818/\text{year}$
 - This is a **paper loss** that reduces your taxable rental income — **even if you're cash flow positive**.
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2. Mortgage Interest Deduction

- You can deduct the **interest** on your investment loan (not the principal).
 - This is especially significant in the early years when interest makes up a large portion of mortgage payments.
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3. Operating Expenses Are Deductible

- All necessary expenses related to managing the property are deductible, including:
 - Property management fees
 - Repairs and maintenance

- Utilities (if paid by owner)
 - Property taxes
 - Insurance
 - Legal/accounting fees
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4. Cost Segregation (Advanced Strategy)

- By accelerating depreciation on parts of the building (e.g., appliances, fixtures), you can take **larger deductions earlier**.
 - Typically requires a study by a tax professional, but it can boost early cash flow significantly.
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5. Capital Gains & 1031 Exchange

- If you sell the property at a profit, you'll owe capital gains tax — **unless** you do a **1031 Exchange**.
 - A 1031 lets you **defer taxes** by reinvesting the proceeds into another “like-kind” property.
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6. Passive Activity Loss Rules (PAL)

- If your rental expenses exceed income, those losses may offset **other income** (up to \$25,000/year) **if**:
 - You actively participate in management, and
 - Your modified adjusted gross income (MAGI) is below \$100,000 (phases out at \$150,000)
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Summary:

Buying a 4-unit property like 801 N Alexandria can significantly **reduce your taxable income**, improve cash flow, and set you up for **long-term tax-deferred growth** through strategies like depreciation and 1031 exchange.

Financial Summary

| Metric | Amount |
|------------------------|----------------|
| Gross Scheduled Income | \$136,992/year |
| Operating Expenses | \$41,097/year |
| Net Operating Income | \$95,864/year |
| Cap Rate | ~5.05% |
| Gross Rent Multiplier | 13.86 |
| Vacancy Rate Assumed | 5% |

Note: All units are currently rented at market rates, ensuring stable income. [Redfin+1Redfin+1](#)

Unit Rental Breakdown

| Unit Type | Beds | Baths | Monthly Rent |
|-----------|------|-------|--------------|
| Unit 1 | 2 | 1 | \$2,704 |
| Unit 2 | 2 | 1 | \$2,704 |
| Unit 3 | 2 | 1 | \$2,808 |
| Unit 4 | 3 | 1 | \$3,200 |

Total Monthly Rent: \$11,416 [Zillow+2Redfin+2Apartments.com+2](#)

Property Taxes

| Year | Property Taxes | Assessed Value |
|------|----------------|----------------|
| 2024 | \$19,216 | \$1,558,443 |
| 2023 | \$18,845 | \$1,527,886 |
| 2022 | \$17,970 | \$1,497,928 |

Property taxes have seen a steady annual increase of approximately 2%. [Zillow](#)

Location Highlights

- **Neighborhood:** East Hollywood, near Los Angeles City College
- **Walk Score:** 83 (Very Walkable)

- **Transit Score:** 68 (Good Transit)
 - **Bike Score:** 79 (Very Bikeable)
 - **Nearby Amenities:** Close to freeways, markets, eateries, and public transportation
[Redfin+4Apartments.com+4Redfin+4](#)
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Investment Insights

- **Turnkey Investment:** Fully renovated units with modern amenities reduce immediate capital expenditure.
- **Stable Income:** 100% occupancy with tenants paying market rents ensures consistent cash flow.
- **Growth Potential:** Located in a rapidly developing area, offering potential for property value appreciation.
- **Tax Benefits:** Depreciation and other tax deductions can enhance after-tax returns. [Redfin](#)