

P&Z Environment

Rental Income and Appreciation

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How is rent determined?

- P&Z CO-OPs goal is to bring new or newer properties into the P&Z Marketplace, so that there is less maintenance required. Rent is planned to match the quality of the property and to stay competitive to comparable properties in the area. We feel each CO-OP will fill the needs of perspective renters and the price is set to reflect this.

Do I benefit from Depreciation?

- Yes, all token holders will benefit from depreciation.
- Our accountants use the MACRS method for depreciation purposes and each property will be depreciated over 27.5 years. This means that even though you might be earning income from rents as well as appreciation (on paper, because the property value has gone up), the value of the property is reducing on paper for tax purposes.
- This is one of the main advantages of owning and investing in real estate in the U.S.
- If you've made \$100 in income from rents, but the property on paper depreciated (for tax purposes only) by \$1000 and you owned 10% of the holding entity, then you would benefit from a paper loss of \$100, which would negate your rental earnings completely.
- As a result, even though you've physically received \$100 for the year, you incur \$0 in nominal income tax liability for that year through ownership of the property.

How often do I receive rental income?

- All property owners of properties that receive rental income will receive rental payments monthly, within 10 business days of the rent payment being received.
- Rental income is shown within your marketplace account, until you decide to withdraw or re-invest that income.

How do I withdraw my rental income?

- Rental income can be withdrawn anytime directly to your bank account, to your PayPal account, or with MATIC deposited directly into your wallet.
- You also have the option to invest your rental income in additional CO-OP memberships.

How is token appreciation determined over time?

- Tokens update in value on a quarterly basis starting one quarter after the property sale is recorded on the MLS.
- The amount a token appreciates or depreciates is determined by using the HouseCanary Automated Valuation Model (AVM). HouseCanary is the largest property valuation company and is used by most single-family hedge funds like Invitation Homes and Amherst Holdings.
- To determine the valuation of a property over time, we take the rate-of-change of the HouseCanary AVM of the property on a quarterly basis, then apply that same rate-of-change to the principal value of your tokens on a quarterly basis.
- For example, if HouseCanary's valuation of your property is \$100,000 and then one quarter later it's \$105,000 - your tokens would increase from \$50 each to \$52.50 each (a 5% increase).
- The HouseCanary valuation is updated once per quarter during the first week of the quarter, which is when the principal value of your tokens will update as well. Every time the value of your token's updates, there will be a report from HouseCanary attached which walks through exactly how their valuation was calculated.

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