REAL ESTATE INVESTMENT ANALYSIS

A Cupertino Duplex, Bought to Live in One Half

Duplex, Monta Vista, Cupertino, CA (address withheld)

Property	Duplex: two 1 BR / 1 BA units, ~1,104 sq ft total, 3,675 sq ft lot, built 1959; separate street entrances, separate electric meters, 3 parking spaces
List price	$2,000,000 (relisted Sep 22, 2026)
Financing	25% down ($500,000) • loan $1,500,000 • 6.99% / 30-yr fixed
Strategy	Live in one unit for 2 years and rent the other; then rent both. 15-year hold
Buyer's ceiling	No more than $7,000 a month out of pocket after rental income
Report date	October 18, 2026

Base case: $10,006/mo out of pocket, $3,006 over the ceiling • 15-yr levered IRR ≈ -0.3% (pre-tax)

Privacy mode: the street address, MLS number and household income are withheld. This report is an analytical framework based on public information and the buyer's assumptions. It is not investment, tax, or legal advice. Consult a CPA on tax and a California-licensed attorney on landlord-tenant law.

SECTION 01

Inputs & Goals

1.1 Property Facts

Item	Detail	Source / status
Location / type	Monta Vista, west Cupertino (address withheld) • duplex, each unit with its own street entrance and address	Listing
Units	Two 1 BR / 1 BA units, ~1,104 sq ft combined (one unit ~620 sq ft per its rental listing); renovated: hardwood floors, new kitchens, private outdoor areas	Listing; ⚠ unit sizes to confirm
Lot / year	3,675 sq ft lot • built 1959	Listing / public records
Price / parking	$2,000,000 (~$1,812/sq ft), relisted Sep 22, 2026 • 3 spaces, separate electric meters	MLS via Redfin
Last sale	Dec 2019, $1,335,000 → 6.0%/yr to today's list price	Public records
Rents today	One unit advertised for rent at $2,850/mo; listing quotes unit rents from $2,700 and $2,900	Rental listing / MLS; ⚠ occupancy to confirm
Schools	Lincoln Elementary, Kennedy Middle (Cupertino Union) • Monta Vista High (Fremont Union)	⚠ Confirm with each district's school locator

1.2 Buyer Inputs & Goals

Item	Value
Financing	25% down ($500,000) • loan $1,500,000 • 6.99% / 30-yr fixed (buyer input; not a rate quote) • conventional owner-occupied loan
Strategy	House hack: live in the vacant Unit B, keep the other rented; rent both after 2 years
Reserve / hold	$50,000 capital reserve for the 1959 building (buyer input) • 15-year hold
Tax profile	MFJ • federal 35%, California 9.3% • not a real-estate professional (income withheld)
Buyer's ceilings	① Out of pocket no more than **$7,000/mo** after rental income (if 25% down can't get there, say what would) • ② assigned schools rated 8+ • ③ no tenant who can't be removed or re-rented
Default benchmarks	Stabilized cash-on-cash ⩾ 5% • DSCR ⩾ 1.2 • 15-yr pre-tax IRR ⩾ 10–12%

1.3 Leases & Rent Position

Unit	Rent today / mo	Market estimate / mo	Plan
Unit A (1 BR)	$2,700 ⚠	$2,850	Keep rented
Unit B (1 BR)	— (advertised at $2,850)	$2,900	Buyer moves in
While living there	**$2,700**	**$5,750 if both rented**	**Full-rental GRM 29.0 • cap 1.44%**

Market check: Cupertino 1-bedroom averages ~$3,260–3,390/mo (Trulia Jun 2026, Apartments.com); these smaller 1959 units are modelled at $2,850–2,900.

Before going further: ① At list price with 25% down the buyer pays about **$10,006/mo**, **$3,006 over** the $7,000 ceiling (fixes in 2.5). ② Fully rented, the building's 1.44% cap rate sits far below the 7.98% cost of the loan, so any return depends on appreciation. ③ A tenant whose lease predates the buyer may keep AB 1482 protection (4.3): ask for vacant delivery.

SECTION 02

Financial Analysis

29.0	1.44%	-15.1%	≈-0.3%
GRM (full-rental potential • $2.0M)	Cap rate, fully rented (pre-tax)	Cash-on-cash, fully rented (pre-tax)	15-yr levered IRR (base, pre-tax)

2.0 Metrics Primer: What Do These Numbers Mean?

Metric	Plain-language meaning	What counts as good	This deal
GRM	Price ÷ one year of gross rent: how many years of rent pay back the price. Lower is better.	8–12 nationally; 15–20 in expensive coastal metros	29.0 ✗ high even for the Bay Area
Cap rate	Net operating income (rent minus taxes, insurance, upkeep; no mortgage) ÷ price. Higher is better.	Coastal core 4–5%; 6%+ is strong	1.44% ✗
Cash-on-cash	Annual pre-tax cash flow ÷ cash you put in.	5–8% acceptable	-15.1% ✗ pays out every year, even fully rented
IRR	All cash flows, loan paydown and sale proceeds as one annual rate.	Levered residential targets 10–15%	-0.3% ✗
DSCR	Net operating income ÷ annual loan payments: does the rent cover the mortgage?	Lenders want ⩾ 1.2	0.24 ✗

> **In one line:** by investment measures this duplex misses every benchmark. That is Cupertino's structure, not a defect of this property: prices are set by schools and tech incomes, and rents can't keep up. Read it as a home with a rent subsidy, not as a cash-flow investment. Section 2.5 answers the buyer's real question: what it costs each month, and how to get under $7,000.

2.1 Acquisition Costs

Item	Amount	Note
Purchase price	$2,000,000	List price
Down payment 25%	$500,000	Buyer input
Loan	$1,500,000	6.99% / 30-yr fixed; no PMI at 25% down
Closing costs (~2.5%)	$50,000	Default
Capital reserve	$50,000	Buyer input
Cash in at closing	**$600,000**	**Keep ~6 months of costs (~$76K) in reserve on top**

2.2 Monthly Cost While Living There (Year 1)

Item	Per month	Note
Principal & interest	$9,969	$1,500,000 at 6.99% over 30 years; ~$1,272/mo is principal in year 1
Property tax	$2,000	1.2% of price (1% base + Cupertino bonds and assessments) ⚠ confirm on the tax bill
Insurance	$200	Owner-occupied duplex policy ~$2,400/yr ⚠ quote
Maintenance	$417	$5,000/yr for a 1959 two-unit building
Water / garbage	$120	Owner-paid share ⚠ estimate

Monthly cost	**$12,706**	
Less: rent from the other unit	−$2,700	Listing figure ⚠ confirm lease
Out of pocket (ceiling ①)	**$10,006**	**$3,006/mo over the $7,000 ceiling**

Another way to see it (not used for ceiling ①): living there saves rent of about $2,900/mo for a comparable unit, so the net cost of housing is about $7,106/mo. The ceiling uses the cash figure the buyer chose.

2.3 Cash Flow by Phase

Phase	Rent / mo	Costs + loan / mo	Cash flow / mo	Note
Years 1–2: live in one unit	$2,700	$12,706	−$10,006	Ceiling ① measured here; ~$1,272/mo of it is principal
Year 3 on: both rented	$6,100	$13,485	−$7,384	Includes 5% vacancy and 6% management; ≈ −$88,612/yr
Fully rented, today's rents	**GSI $69,000**	**OpEx $40,223**	**NOI $28,777**	**Cap 1.44% • debt service $119,634 • DSCR 0.24**

2.4 Fifteen-Year Scenarios

Scenario	Assumptions	Year-15 price	15-yr IRR
Base	Appreciation 3%/yr, rents 3%/yr, vacancy 5%, market rents $2,850 / $2,900	$3,115,935	-0.3%
Optimistic	Appreciation 4.5%, rents 4%, vacancy 4%, market rents $3,000 / $3,050	$3,870,565	3.6%
Pessimistic	Appreciation 1.5%, rents 1.5%, vacancy 8%, market rents $2,700 / $2,750	$2,500,464	-5.7%
Stress	No appreciation, flat rents, vacancy 12%, market rents $2,550 / $2,600	$2,000,000	-13.7%

Cash in $600,000; years 1–2 count only the tenant's rent (the buyer's own unit earns nothing, a conservative view); year 15 sells with 5.5% costs and repays the $1,109,853 loan balance. Counting the rent the buyer saves in years 1–2 lifts the base IRR to about 0.1%. All pre-tax.

> **Key point:** the return rests almost entirely on appreciation. At 3% a year the 15-year IRR is about -0.3%, below Treasury bills; even the optimistic case (3.6%) is far under a 10–12% target. The unit's 6%/yr gain since 2019 came with falling rates and should not be extrapolated.

2.5 Ceiling ①: What Gets the Monthly Cost Under $7,000?

At $2,000,000, 25% down and 6.99%, it can't: the gap is $3,006/mo. Each path below closes it on its own, all else unchanged.

Path	What it takes	Cash needed	Out of pocket
A. Bigger down payment	47.6% down ($952,301); loan $1,047,699; P&I $6,963	$1,052,301	$7,000
B. Lower price (25% down)	About $1,497,700, 25.1% under list; P&I $7,466	$461,867	$7,000
C. Higher rent	The rented unit would need $5,706/mo	$600,000	$7,000
Middle ground	35% down ($700,000)	$800,000	$8,677

Reading it: path C is not realistic: $5,706 is about twice the market rent for a 1-bedroom here. Path B means paying about $1,498K; with Cupertino homes selling near list, that is a budget ceiling to shop with rather than a likely discount on this listing. Path A works but ties up about $1,052K in cash, earning the 6.99% the buyer no longer pays in interest.

2.6 Tax Notes (35% federal + 9.3% California)

Item	How it applies here
Splitting the property	Costs and interest split between the home half and the rental half. The units are similar, so this report uses 50/50 ⚠ (by square footage per a CPA).
Interest, rental half	Year-1 interest is about $104,367; about $52,184 belongs to the rental half and goes on Schedule E.

Interest, home half	The home half's share of the loan ($750,000) is under the $750,000 limit, so its ~$52,184 is deductible on Schedule A.
Property tax / SALT	The rental half's tax is deductible on Schedule E; the home half counts toward the SALT cap, which phases down at this income level, so a CPA should confirm the year's figure.
Depreciation	Rental half of the building: ~$300,000 basis (price × 50% × ~30% building share, land is most of the value in Cupertino) ÷ 27.5 ≈ $10,909/yr ⚠ needs an appraisal split.
Passive losses (the big limit)	Not a real-estate professional, and the $25,000 allowance shrinks from $100,000 MAGI and is gone above $150,000, so rental losses can't offset salary. They carry forward until there is passive income or the property is sold. "Buying to save tax" works much less than it sounds here.
At sale (year 15)	The home half may qualify for Section 121 if lived in 2 of the 5 years before sale, which this plan (move out after year 2) will not meet at year 15. The rental half can use a 1031 exchange or pay capital-gains tax plus 25% depreciation recapture.

2.7 Ceiling & Benchmark Check

Test	Target	This deal	Result
① Out of pocket (buyer's)	⩽ $7,000	$10,006	✗ $3,006/mo over; see 2.5
② Schools (buyer's)	⩾ 8	⚠	Lincoln / Kennedy / Monta Vista High are among the area's highest-rated; confirm the assignment by address
③ Tenant control (buyer's)	Can adjust / recover	⚠	Likely yes with vacant delivery or a new lease under the owner-occupied duplex exemption (4.3)
Cash-on-cash, fully rented	⩾ 5%	-15.1%	✗
DSCR	⩾ 1.2	0.24	✗ an investor loan would not qualify; an owner-occupied loan is underwritten on income
15-yr pre-tax IRR	⩾ 10–12%	-0.3%	✗

For reference: at 75% loan-to-value and 6.99%, the rents would cover the loan (DSCR 1.0) only at a price near $734,884, and a lender's 1.25 at about $608,233. Both are far below Cupertino prices: here a duplex is a home with a rent subsidy, not a rental that pays for itself.

SECTION 03

SWOT (House-Hack View)

S | Strengths

- The tenant's rent cuts the monthly cost from $12,706 to $10,006
- Owner-occupied loan terms: lower rate and down payment than an investor loan
- Top-rated Cupertino schools and minutes from Apple and De Anza College
- Two street addresses, separate meters, renovated units: easy to rent and to live in

W | Weaknesses

- Negative leverage: cap 1.44% vs a 7.98% loan constant
- Ceiling ① missed by $3,006/mo
- Rental losses can't offset salary (passive-loss rules)
- $600,000 in at closing, then about $120K/yr more while living there
- 1959 systems: roof, sewer, electrical, seismic

O | Opportunities

- Vacant delivery of the second unit too: lease both fresh at market under the owner-occupied exemption
- Refinance if 30-yr rates fall: at 5.5%, P&I drops to about $8,517
- A price near $1,498K meets the ceiling: a budget line for other duplexes too

T | Threats

- An existing tenant's AB 1482 status if the exemption doesn't apply
- Rents flat while prices stay high; tech-sector concentration
- Earthquake cover and landlord insurance cost more than estimated
- Small lot (3,675 sq ft) limits ADU options ⚠

SECTION 04

Market Macro & Risk Register

4.1 Micro-location

Dimension	Situation	Verdict
Neighborhood	Monta Vista: older, walkable pocket of west Cupertino with small lots and a mix of duplexes and single-family homes	✓ Rentable, family-friendly
Schools	Lincoln Elementary, Kennedy Middle, Monta Vista High (all on or near McClellan Rd / Bubb Rd)	✓ Strong ⚠ confirm assignment
Commute	Apple Park ~10–12 min by car; De Anza College ~5 min; Hwy 85 nearby	✓ Supports tenant demand
Building	1959 duplex, renovated interiors, 3 parking spaces	△ Older systems

Category	Place	Distance	Walk	Bike / drive
Schools	Lincoln Elementary • Monta Vista High (McClellan Rd)	~0.5–0.7 mi	10–14 min	Bike 4 min
School	Kennedy Middle (Bubb Rd)	~0.8 mi	16 min	Bike 5 min
Grocery	Stevens Creek Blvd corridor	~1 mi	—	Drive 4 min
Work	Apple Park	~3 mi	—	Drive 10–12 min

4.2 Market

Cupertino is priced by its schools and tech employers: Redfin reported a median sale price near $3.2M (Jul 2026, up 15% year over year) with homes selling in about 10 days. Rents have not kept pace: at the modelled $2,850–2,900 rents this duplex's gross yield is 3.5%, and even at city-wide 1-bedroom averages of ~$3,260–3,390 it would be only 4.0%. This listing has been on the market since September 22, longer than the city's typical days on market, which is worth using in negotiation.

4.3 Policy & Risk

#	Risk	Severity	Mitigation
1	Out of pocket $10,006/mo, $3,006 over the ceiling, and ~$89K/yr negative even when fully rented	High	Decide with 2.5: about 48% down, a price ceiling near $1,498K, or walk away
2	AB 1482: an existing tenant may keep rent caps and just-cause protection if the owner-occupied duplex exemption doesn't apply to a lease that predates the buyer	High	Ask for vacant delivery; if inheriting a lease, get a California landlord attorney's written opinion and the lease and rent history
3	Negative leverage: returns depend on appreciation	Med-High	Treat it as a home first; more down payment lowers the drag
4	Passive-loss limits: no current tax benefit from the rental losses	Medium	Confirm carry-forward and release timing with a CPA; don't count tax savings in the budget
5	1959 systems and seismic	Medium	Full inspection, sewer scope, foundation bolting check; keep the $50,000 reserve
6	School assignment not confirmed (ceiling ②)	Low	Check each district's school locator by address

Pending verification: □ which unit is leased, at what rent, since when • □ attorney opinion on the AB 1482 exemption for this tenancy • □ school assignment by address • □ actual tax rate and insurance quote • □ unit sizes for the 50/50 split • □ lender quotes for a 25% and a ~48% down owner-occupied loan

APPENDIX A

Formulas & How to Verify These Numbers

This appendix shows where every headline number comes from: every assumption, each formula **with this deal's numbers substituted**, and the spreadsheet functions to re-run it yourself.

A.1 Every Assumption Used in This Report

Assumption	Value	Source / status
Purchase price	$2,000,000	List price
Down payment / loan	25% ($500,000) / $1,500,000	Buyer input
Rate / term	6.99% / 30-yr fixed	Buyer input; ⚠ not a rate quote
Closing costs / reserve	2.5% / $50,000	Default / buyer input
Property tax	1.2% of price, +2%/yr	Market estimate (Prop 13); ⚠ tax bill
Insurance / maintenance / water	$2,400 / $5,000 / $1,440 per yr, +3%/yr	Market estimates ⚠
Rent, kept unit (years 1–2)	$2,700 / mo, +3%/yr	Listing ⚠ confirm lease
Market rents, both units (year 3+)	$2,850 + $2,900 / mo, +3%/yr	Rental listing and market check
Vacancy / management (year 3+)	5% / 6%	Default
Appreciation	3%/yr (base)	Assumption; scenarios in 2.4
Selling cost / hold	5.5% / 15 years	Default / buyer input

A.2 Formulas With This Deal's Numbers

Number	Formula	With this deal's numbers	Result
Monthly P&I M	$M = P \cdot r \div (1 - (1+r)^{-n})$	$1{,}500{,}000 \times 0.005825 \div (1 - 1.005825^{-360})$	**$9,969**
Annual debt service	`M × 12`	`9,969 × 12`	$119,634
Property tax (mo)	`price × 1.2% ÷ 12`	`2,000,000 × 0.012 ÷ 12`	$2,000
Monthly cost	`P&I + tax + insurance + maint. + water`	`9,969 + 2,000 + 200 + 417 + 120`	**$12,706**
Out of pocket	**`monthly cost − tenant's rent`**	**`12,706 − 2,700`**	**$10,006**
Gross scheduled rent (full)	`(rent A + rent B) × 12`	`(2,850 + 2,900) × 12`	$69,000
GRM	`price ÷ annual gross rent`	`2,000,000 ÷ 69,000`	29.0
NOI (full, today's rents)	`GSI − vacancy − mgmt − tax − ins − maint − water`	`69,000 − 3,450 − 3,933 − 24,000 − 2,400 − 5,000 − 1,440`	$28,777
Cap rate	`NOI ÷ price`	`28,777 ÷ 2,000,000`	1.44%
Loan constant	`annual debt service ÷ loan`	`119,634 ÷ 1,500,000`	7.98%
DSCR	`NOI ÷ annual debt service`	`28,777 ÷ 119,634`	0.24
Cash invested	`down + closing + reserve`	`500,000 + 50,000 + 50,000`	$600,000

Cash-on-cash	(NOI − debt service) ÷ cash invested	(28,777 − 119,634) ÷ 600,000	-15.1%
Loan balance, yr 15	$B = P\cdot((1+r)^n - (1+r)^k) \div ((1+r)^n - 1)$	k = 180 months	$1,109,853
Sale price, yr 15	price × $(1+g)^{15}$	2,000,000 × 1.03^{15}	$3,115,935
Net sale proceeds	sale × (1 − 5.5%) − balance	3,115,935 × 0.945 − 1,109,853	$1,834,706
15-yr IRR	**rate where $\Sigma\ CF_t \div (1+IRR)^t = 0$**	**CF: −600K, −120K, −120K, −89K, −87K, −86K, −85K, −84K, −82K, −81K, −79K, −78K, −76K, −75K, −73K, 1,763K (yr 15 includes the sale)**	**-0.28%**
Down payment for $7,000	solve: out of pocket = 7,000	P&I must fall to 6,963	47.6%

A.3 Verify It Yourself in Excel / Google Sheets

To compute	Function (paste as is)
Monthly P&I	=PMT(6.99%/12, 30*12, −1500000) → 9,969
Year-1 interest	=CUMIPMT(6.99%/12, 360, 1500000, 1, 12, 0) → −104,367
Loan balance after 15 years	=FV(6.99%/12, 180, PMT(6.99%/12,360,−1500000), −1500000) → 1,109,853
Sale price after 15 years	=2000000*(1+3%)^15 → 3,115,935
15-yr IRR	=IRR(B1:B16) with the 16 cash flows from A.2 in column B → −0.28%

A.4 Headline Numbers, End to End

- **Out of pocket $10,006 =** 9,969 P&I + 2,000 tax + 200 insurance + 417 maintenance + 120 water − 2,700 rent. Over the ceiling by $3,006.
- **Cap 1.44% =** (69,000 rent − 7,383 vacancy and management − 32,840 operating costs) ÷ 2,000,000, against a loan that costs 7.98% a year.
- **IRR -0.28%:** $600,000 in, about $120K a year out while living there and $89K once fully rented, then $1,834,706 back at sale.
- **The $7,000 line:** at 25% down the price would have to be about $1,497,700; at list price the down payment would have to be 47.6%.

> **Rounding:** dollar amounts round to the dollar and ratios to one or two decimals, so your own arithmetic may differ by a few dollars.

Disclaimer: based on public information and the buyer's assumptions; rents, costs, tax rates and travel times are estimates and are labelled as such. Market data from Redfin, Trulia and Apartments.com public pages (2026). Tax items (passive losses, depreciation, SALT, Section 121, 1031) need a CPA; landlord-tenant items (AB 1482, evictions, rent changes) need a California-licensed attorney. The 6.99% rate is a case input, not a rate quote. Not investment, tax, or legal advice. Privacy mode: the street address, MLS number and household income are not shown.