



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

19-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 101
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$769,000	Property value	\$1.377m
Initial investment	\$76,900	Equity	\$649,687
Gross rental yield	6.12%	After-tax return /yr	22.02%
Net rental yield	2.60%	Net present value	\$404,784
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$219,020
Interest rate	6.85%	Equity	\$430,667
Taxable income	\$85,000	After-tax return /yr	17.15%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$769,000	815,140	864,048	915,891	1.029m	1.377m
Purchase costs	\$31,595					
Investments	\$76,900					
Loan amount	\$727,475	727,475	727,475	727,475	727,475	727,475
Equity	\$41,525	87,665	136,574	188,416	301,621	649,687
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /year	\$47,085	47,085	56,940	64,605	68,985	79,973
Cash deductions						
Interest (I/O)	6.85%	49,832	49,832	49,832	49,832	49,832
Rental expenses	57.50%	27,074	27,886	28,723	30,472	35,325
Pre-tax cash flow	-\$76,900	-29,821	-20,778	-13,950	-11,319	-5,185
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,081	9,257	6,257	4,626	3,196
Loan costs	\$3,780	756	756	756	756	
Total deductions		98,493	96,481	94,318	94,436	97,103
Tax credit (single)	\$85,000	20,184	16,879	13,934	12,344	8,308
After-tax cash flow	-\$76,900	-9,637	-3,899	-16	1,025	3,123
Rate of return (IRR)	22.02%	Your cost /(income) per week				
Pre-tax equivalent	42.75%	185	75	0	(20)	(60)

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against FASA-Newcastle, its servants, employees or consultants..

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price (\$):	769,000
Total book value (\$):	769,000
Property market value (\$):	769,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	30,095
Total Purchase costs (\$):	31,595

LOAN COSTS

Establishment fees (0.07% of loan):	500
Mortgagee stamp duty (0.40% of loan):	2,910
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	3,780

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	76,900	692,100	769,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	31,595	31,595
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	3,780	3,780
Totals (\$):	76,900	727,475	804,375

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	727,475
Loan costs (written off over 5 yrs):	3,780
Monthly payment (\$):	4,153
Annual payment (\$):	49,832

RENT

Rent per week (\$):	905
Potential annual rent (\$):	47,085
Vacancy rate (%):	0.00
Annual rent (\$):	47,085

CASH DEDUCTIONS

Loan interest (\$):		49,832
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	5,886	
Letting fees:	0	
Rates:	1,040	
Insurance:	465	
Maintenance:	479	
Body corporate:	5,331	
Cleaning:	7,077	
Advertising:	2,354	
Sinking Fund:	1,066	
Other expenses:	3,376	
Special expenses:	0	
Total expenses (\$):		27,074
Regular expenses as % of annual rent:		57.50%
Net yield or Capitalisation rate:		2.60%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,085	56,940	64,605	68,985	79,973
Cash invested	76,900	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		49,832	49,832	49,832	49,832	49,832
Expenses		27,074	27,886	28,723	30,472	35,325
Pre-tax cash	-76,900	-29,821	-20,778	-13,950	-11,319	-5,185

NON-CASH DEDUCTIONS**Depreciation on the building (Capital allowance)**

Property value (\$):	769,000
Construction cost (\$):	350,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	8,750

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	3,780
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	49,832	49,832	49,832	49,832	49,832
Expenses	27,074	27,886	28,723	30,472	35,325
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,081	9,257	6,257	4,626	3,196
Loan costs	756	756	756	756	0
Total deductions	98,493	96,481	94,318	94,436	97,103

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-76,900	-29,821	-20,778	-13,950	-11,319	-5,185
Tax credits		20,184	16,879	13,934	12,344	8,308
After-tax cash	-76,900	-9,637	-3,899	-16	1,025	3,123
Cost /(income) per week		185	75	0	-20	-60

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	22.02%
Pre-tax equivalent of IRR	42.75%
Net present value (NPV)	\$404,784
Cash on cash return	-12.53%
Cash positive by year	5
Cash neutral investment	\$282,571

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$769,000	\$41,525			\$-76,900		\$-76,900
1yr	\$815,140	\$87,665	\$47,085	\$98,493	\$-29,821	\$20,184	\$-9,637
2yr	\$864,048	\$136,574	\$56,940	\$96,481	\$-20,778	\$16,879	\$-3,899
3yr	\$915,891	\$188,416	\$64,605	\$94,318	\$-13,950	\$13,934	\$-16
4yr	\$970,845	\$243,370	\$66,543	\$93,330	\$-12,873	\$12,796	\$-77
5yr	\$1.029m	\$301,621	\$68,985	\$94,436	\$-11,319	\$12,344	\$1,025
6yr	\$1.091m	\$363,366	\$71,055	\$91,184	\$-10,164	\$9,763	\$-401
7yr	\$1.156m	\$428,817	\$73,186	\$91,857	\$-8,974	\$9,055	\$81
8yr	\$1.226m	\$498,194	\$75,382	\$92,640	\$-7,748	\$8,371	\$623
9yr	\$1.299m	\$571,734	\$77,643	\$93,505	\$-6,485	\$7,693	\$1,208
10yr	\$1.377m	\$649,687	\$79,973	\$97,103	\$-5,185	\$8,308	\$3,123
11yr	\$1.460m	\$732,317	\$82,372	\$95,420	\$-3,846	\$6,328	\$2,482
12yr	\$1.547m	\$819,904	\$84,843	\$96,452	\$-2,466	\$5,630	\$3,164
13yr	\$1.640m	\$912,747	\$87,388	\$97,528	\$-1,045	\$4,918	\$3,873
14yr	\$1.739m	\$1.011m	\$90,010	\$98,646	\$419	\$4,188	\$4,607
15yr	\$1.843m	\$1.115m	\$92,710	\$99,805	\$1,926	\$3,442	\$5,368
16yr	\$1.954m	\$1.226m	\$95,491	\$101,004	\$3,479	\$2,674	\$6,153
17yr	\$2.071m	\$1.343m	\$98,356	\$102,244	\$5,078	\$1,886	\$6,964
18yr	\$2.195m	\$1.468m	\$101,307	\$103,525	\$6,726	\$1,076	\$7,802
19yr	\$2.327m	\$1.599m	\$104,346	\$104,848	\$8,422	\$244	\$8,666
20yr	\$2.466m	\$1.739m	\$107,476	\$106,213	\$10,170	\$-613	\$9,557

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.029m	1.377m	1.843m	2.466m
Loan (\$)	727,475	727,475	727,475	727,475
EQUITY (\$)	301,621	649,687	1.115m	1.739m
Approximate costs if sold...				
Capital Gains Tax (\$)	63,548	156,359	275,212	430,341
Solicitor's fees (\$)	1,029	1,377	1,843	2,466
Sales commission (\$)	22,640	30,298	40,545	54,258
Stamp duty on sale	23,155	30,986	41,466	41,466
EQUITY (after sale) (\$)	191,248	430,667	756,412	1.196m

TAX BENEFITS

These are shown below for the given taxable incomes and are based on current tax scales.

Number of properties: 1

	Investor	Partner	Total
Ownership: single name	100.00%	0.00%	100%
Present taxable income:	85,000	0	85,000
Rental income:	47,085	0	47,085
Total income:	132,085	0	132,085
Rental deductions:	98,493	0	98,493
New taxable income:	33,592	0	33,592
Present tax:	26,937	0	26,937
New tax:	6,753	0	6,753
Tax saving:	20,184	0	20,184

INVESTMENT CAPACITY

Buying 1 such properties (registered in single name), and taking into account current net incomes and living expenses as shown, the difference between total income and total committed expenses in the first year would be \$-4,951. Total initial outlay would be \$76,900.

Number of Properties: 1
 Ownership: Investor (100.00%) Registered: single name
 Partner (0.00%)

Income

Present net income	
Taxable income (investor) (\$):	85,000
Taxable income (partner) (\$):	0
Rebates & non-cash deductions:	0
Total net income	85,000
New rental income (\$):	47,085
Total income (\$):	132,085

Expenses

New tax (investor) (\$):	6,753
New tax (partner) (\$):	0
Rental expenses (\$):	27,074
Investment loan expenses(\$):	49,832
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	137,036
Net surplus (first year of investment) (\$):	-4,951
Total initial outlay required (\$):	76,900



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 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$769,000	Property value	\$1.377m
Initial investment	\$0	Equity	\$572,478
Gross rental yield	6.12%	After-tax return /yr	39.91%
Net rental yield	2.60%	Net present value	\$397,145
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$219,020
Interest rate	6.85%	Equity	\$353,458
Taxable income	\$85,000	After-tax return /yr	32.26%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year	2005	1yr	2yr	3yr	5yr	10yr
Property value	\$769,000	815,140	864,048	915,891	1.029m	1.377m
Purchase costs	\$31,595					
Investments	\$0					
Loan amount	\$804,684	804,684	804,684	804,684	804,684	804,684
Equity	-\$35,684	10,456	59,365	111,208	224,412	572,478
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /year	\$47,085	47,085	56,940	64,605	68,985	79,973
Cash deductions						
Interest (I/O)	6.85%	55,121	55,121	55,121	55,121	55,121
Rental expenses	57.50%	27,074	27,886	28,723	30,472	35,325
Pre-tax cash flow	\$0	-35,110	-26,067	-19,239	-16,608	-10,474
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,081	9,257	6,257	4,626	3,196
Loan costs	\$4,089	818	818	818	818	
Total deductions		103,844	101,832	99,668	99,787	102,392
Tax credit (single)	\$85,000	21,869	18,565	15,915	14,682	10,873
After-tax cash flow	\$0	-13,241	-7,502	-3,324	-1,926	399
Rate of return (IRR)	39.91%	Your cost /(income) per week				
Pre-tax equivalent	77.49%	255	144	64	37	(8)

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against FASA-Newcastle, its servants, employees or consultants..

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price (\$):	769,000
Total book value (\$):	769,000
Property market value (\$):	769,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	30,095
Total Purchase costs (\$):	31,595

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,219
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	4,089

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	769,000	769,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	31,595	31,595
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	4,089	4,089
Totals (\$):	0	804,684	804,684

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	804,684
Loan costs (written off over 5 yrs):	4,089
Monthly payment (\$):	4,593
Annual payment (\$):	55,121

RENT

Rent per week (\$):	905
Potential annual rent (\$):	47,085
Vacancy rate (%):	0.00
Annual rent (\$):	47,085

CASH DEDUCTIONS

Loan interest (\$):		55,121
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	5,886	
Letting fees:	0	
Rates:	1,040	
Insurance:	465	
Maintenance:	479	
Body corporate:	5,331	
Cleaning:	7,077	
Advertising:	2,354	
Sinking Fund:	1,066	
Other expenses:	3,376	
Special expenses:	0	
Total expenses (\$):		27,074
Regular expenses as % of annual rent:		57.50%
Net yield or Capitalisation rate:		2.60%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,085	56,940	64,605	68,985	79,973
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		55,121	55,121	55,121	55,121	55,121
Expenses		27,074	27,886	28,723	30,472	35,325
Pre-tax cash	0	-35,110	-26,067	-19,239	-16,608	-10,474

NON-CASH DEDUCTIONS**Depreciation on the building (Capital allowance)**

Property value (\$):	769,000
Construction cost (\$):	350,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	8,750

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	4,089
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	55,121	55,121	55,121	55,121	55,121
Expenses	27,074	27,886	28,723	30,472	35,325
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,081	9,257	6,257	4,626	3,196
Loan costs	818	818	818	818	0
Total deductions	103,844	101,832	99,668	99,787	102,392

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	0	-35,110	-26,067	-19,239	-16,608	-10,474
Tax credits		21,869	18,565	15,915	14,682	10,873
After-tax cash	0	-13,241	-7,502	-3,324	-1,926	399
Cost /(income) per week		255	144	64	37	-8

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	39.91%
Pre-tax equivalent of IRR	77.49%
Net present value (NPV)	\$397,145
Cash on cash return	?????%
Cash positive by year	10
Cash neutral investment	\$282,571

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$769,000	\$-35,684			\$0		\$0
1yr	\$815,140	\$10,456	\$47,085	\$103,844	\$-35,110	\$21,869	\$-13,241
2yr	\$864,048	\$59,365	\$56,940	\$101,832	\$-26,067	\$18,565	\$-7,502
3yr	\$915,891	\$111,208	\$64,605	\$99,668	\$-19,239	\$15,915	\$-3,324
4yr	\$970,845	\$166,161	\$66,543	\$98,680	\$-18,162	\$15,124	\$-3,038
5yr	\$1.029m	\$224,412	\$68,985	\$99,787	\$-16,608	\$14,682	\$-1,926
6yr	\$1.091m	\$286,157	\$71,055	\$96,473	\$-15,452	\$12,328	\$-3,124
7yr	\$1.156m	\$351,608	\$73,186	\$97,146	\$-14,262	\$11,620	\$-2,642
8yr	\$1.226m	\$420,985	\$75,382	\$97,929	\$-13,037	\$10,936	\$-2,101
9yr	\$1.299m	\$494,526	\$77,643	\$98,794	\$-11,774	\$10,259	\$-1,515
10yr	\$1.377m	\$572,478	\$79,973	\$102,392	\$-10,474	\$10,873	\$399
11yr	\$1.460m	\$655,108	\$82,372	\$100,709	\$-9,134	\$8,894	\$-240
12yr	\$1.547m	\$742,695	\$84,843	\$101,741	\$-7,755	\$8,196	\$441
13yr	\$1.640m	\$835,538	\$87,388	\$102,817	\$-6,334	\$7,483	\$1,149
14yr	\$1.739m	\$933,951	\$90,010	\$103,935	\$-4,870	\$6,754	\$1,884
15yr	\$1.843m	\$1.038m	\$92,710	\$105,094	\$-3,363	\$6,007	\$2,644
16yr	\$1.954m	\$1.149m	\$95,491	\$106,293	\$-1,810	\$5,239	\$3,429
17yr	\$2.071m	\$1.266m	\$98,356	\$107,533	\$-211	\$4,451	\$4,240
18yr	\$2.195m	\$1.390m	\$101,307	\$108,814	\$1,437	\$3,641	\$5,078
19yr	\$2.327m	\$1.522m	\$104,346	\$110,137	\$3,133	\$2,809	\$5,942
20yr	\$2.466m	\$1.662m	\$107,476	\$111,502	\$4,881	\$1,952	\$6,833

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.029m	1.377m	1.843m	2.466m
Loan (\$)	804,684	804,684	804,684	804,684
EQUITY (\$)	224,412	572,478	1.038m	1.662m
Approximate costs if sold...				
Capital Gains Tax (\$)	63,292	156,359	275,212	430,341
Solicitor's fees (\$)	1,029	1,377	1,843	2,466
Sales commission (\$)	22,640	30,298	40,545	54,258
Stamp duty on sale	23,155	30,986	41,466	41,466
EQUITY (after sale) (\$)	114,296	353,458	679,203	1.119m

TAX BENEFITS

These are shown below for the given taxable incomes and are based on current tax scales.

Number of properties: 1

	Investor	Partner	Total
Ownership: single name	100.00%	0.00%	100%
Present taxable income:	85,000	0	85,000
Rental income:	47,085	0	47,085
Total income:	132,085	0	132,085
Rental deductions:	103,844	0	103,844
New taxable income:	28,241	0	28,241
Present tax:	26,937	0	26,937
New tax:	5,068	0	5,068
Tax saving:	21,869	0	21,869

INVESTMENT CAPACITY

Buying 1 such properties (registered in single name), and taking into account current net incomes and living expenses as shown, the difference between total income and total committed expenses in the first year would be \$-8,554. Total initial outlay would be \$0.

Number of Properties: 1
 Ownership: Investor (100.00%) Registered: single name Partner (0.00%)

Income

Present net income	
Taxable income (investor) (\$):	85,000
Taxable income (partner) (\$):	0
Rebates & non-cash deductions:	0
Total net income	85,000
New rental income (\$):	47,085
Total income (\$):	132,085

Expenses

New tax (investor) (\$):	5,068
New tax (partner) (\$):	0
Rental expenses (\$):	27,074
Investment loan expenses(\$):	55,121
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	140,639
Net surplus (first year of investment) (\$):	-8,554
Total initial outlay required (\$):	0