



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

19-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 307
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$825,000	Property value	\$1,477m
Initial investment	\$82,500	Equity	\$696,842
Gross rental yield	5.76%	After-tax return /yr	21.80%
Net rental yield	4.12%	Net present value	\$440,937
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	2.50%	Selling costs & CGT	\$231,781
Interest rate	6.85%	Equity	\$465,061
Taxable income	\$85,000	After-tax return /yr	16.72%

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	\$825,000	874,500	926,970	982,588	1,104m	1,477m
Purchase costs	\$34,115					
Investments	\$82,500					
Loan amount	\$780,607	780,607	780,607	780,607	780,607	780,607
Equity	\$44,393	93,893	146,363	201,981	323,429	696,842
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Gross rent /year	\$47,509	47,509	48,696	49,914	49,914	56,473
Cash deductions						
Interest (I/O)	6.85%	53,472	53,472	53,472	53,472	53,472
Rental expenses	28.48%	13,532	13,871	14,217	14,937	16,900
Pre-tax cash flow	-\$82,500	-19,495	-18,646	-17,775	-18,495	-13,899
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,169	9,199	6,097	2,942	1,613
Loan costs	\$3,992	798	798	798	798	
Total deductions		88,722	86,090	83,335	80,899	80,735
Tax credit (single)	\$85,000	16,972	16,131	15,249	14,670	11,767
After-tax cash flow	-\$82,500	-2,523	-2,515	-2,526	-3,825	-2,132
Rate of return (IRR)	21.80%	Your cost /(income) per week				
Pre-tax equivalent	42.32%	49	48	49	74	41

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 (\$):	825,000
Total book value (\$):	825,000
Property market value (\$):	825,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	32,615
Total Purchase costs (\$):	34,115

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,122
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	3,992

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	82,500	742,500	825,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	34,115	34,115
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	3,992	3,992
Totals (\$):	82,500	780,607	863,107

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	780,607
Loan costs (written off over 5 yrs):	3,992
Monthly payment (\$):	4,456
Annual payment (\$):	53,472

RENT

Rent per week (\$):	914
Potential annual rent (\$):	47,509
Vacancy rate (%):	0.00
Annual rent (\$):	47,509

CASH DEDUCTIONS

Loan interest (\$):	53,472
Rental expenses	
Regular Expenses:	
Agent's commission (6.98%):	3,315
Letting fees:	0
Rates:	1,034
Insurance:	465
Maintenance:	400
Body corporate:	5,004
Electricity:	1,400
Sinking Fund:	1,000
Advertising + GST:	914
Special expenses:	0
Total expenses (\$):	13,532
Regular expenses as % of annual rent:	28.48%
Net yield or Capitalisation rate:	4.12%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,509	48,696	49,914	49,914	56,473
Cash invested	82,500	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		53,472	53,472	53,472	53,472	53,472
Expenses		13,532	13,871	14,217	14,937	16,900
Pre-tax cash	-82,500	-19,495	-18,646	-17,775	-18,495	-13,899

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

Property value (\$):	825,000
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):	3,992
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	53,472	53,472	53,472	53,472	53,472
Expenses	13,532	13,871	14,217	14,937	16,900
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,169	9,199	6,097	2,942	1,613
Loan costs	798	798	798	798	0
Total deductions	88,722	86,090	83,335	80,899	80,735

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-82,500	-19,495	-18,646	-17,775	-18,495	-13,899
Tax credits		16,972	16,131	15,249	14,670	11,767
After-tax cash	-82,500	-2,523	-2,515	-2,526	-3,825	-2,132
Cost /(income) per week		49	48	49	74	41

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	21.80%
Pre-tax equivalent of IRR	42.32%
Net present value (NPV)	\$440,937
Cash on cash return	-3.06%
Cash positive by year	16
Cash neutral investment	\$136,343

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$825,000	\$44,393			\$-82,500		\$-82,500
1yr	\$874,500	\$93,893	\$47,509	\$88,722	\$-19,495	\$16,972	\$-2,523
2yr	\$926,970	\$146,363	\$48,696	\$86,090	\$-18,646	\$16,131	\$-2,515
3yr	\$982,588	\$201,981	\$49,914	\$83,335	\$-17,775	\$15,249	\$-2,526
4yr	\$1.042m	\$260,936	\$50,157	\$82,000	\$-17,888	\$14,929	\$-2,959
5yr	\$1.104m	\$323,429	\$49,914	\$80,899	\$-18,495	\$14,670	\$-3,825
6yr	\$1.170m	\$389,671	\$51,162	\$78,748	\$-17,620	\$13,308	\$-4,312
7yr	\$1.240m	\$459,888	\$52,441	\$78,862	\$-16,724	\$12,814	\$-3,910
8yr	\$1.315m	\$534,317	\$53,752	\$79,068	\$-15,805	\$12,279	\$-3,526
9yr	\$1.394m	\$613,213	\$55,096	\$79,336	\$-14,864	\$11,757	\$-3,107
10yr	\$1.477m	\$696,842	\$56,473	\$80,735	\$-13,899	\$11,767	\$-2,132
11yr	\$1.566m	\$785,489	\$57,885	\$79,997	\$-12,909	\$10,724	\$-2,185
12yr	\$1.660m	\$879,455	\$59,332	\$80,371	\$-11,895	\$10,204	\$-1,691
13yr	\$1.760m	\$979,058	\$60,815	\$80,767	\$-10,856	\$9,676	\$-1,180
14yr	\$1.865m	\$1.085m	\$62,336	\$81,181	\$-9,790	\$9,140	\$-650
15yr	\$1.977m	\$1.197m	\$63,894	\$81,614	\$-8,698	\$8,594	\$-104
16yr	\$2.096m	\$1.315m	\$65,491	\$82,063	\$-7,579	\$8,037	\$458
17yr	\$2.222m	\$1.441m	\$67,129	\$82,527	\$-6,432	\$7,468	\$1,036
18yr	\$2.355m	\$1.574m	\$68,807	\$83,007	\$-5,256	\$6,887	\$1,631
19yr	\$2.496m	\$1.716m	\$70,527	\$83,502	\$-4,050	\$6,293	\$2,243
20yr	\$2.646m	\$1.865m	\$72,290	\$84,012	\$-2,815	\$5,684	\$2,869

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.104m	1.477m	1.977m	2.646m
Loan (\$)	780,607	780,607	780,607	780,607
EQUITY (\$)	323,429	696,842	1.197m	1.865m
Approximate costs if sold...				
Capital Gains Tax (\$)	65,905	164,557	291,262	456,897
Solicitor's fees (\$)	1,104	1,477	1,977	2,646
Sales commission (\$)	24,289	32,504	43,498	58,210
Stamp duty on sale	24,841	33,243	44,486	44,486
EQUITY (after sale) (\$)	207,290	465,061	815,331	1.288m

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:	47,509	0	47,509
Total income:	132,509	0	132,509
Rental deductions:	88,722	0	88,722
New taxable income:	43,787	0	43,787
Present tax:	26,937	0	26,937
New tax:	9,965	0	9,965
Tax saving:	16,972	0	16,972

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 \$2,164. Total initial outlay would be \$82,500.

Number of Properties: 1		Registered: single name
Ownership:	Investor (100.00%)	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 (\$):	47,509
Total income (\$):	132,509

Expenses

New tax (investor) (\$):	9,965
New tax (partner) (\$):	0
Rental expenses (\$):	13,532
Investment loan expenses(\$):	53,472
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	130,345
Net surplus (first year of investment) (\$):	2,164
Total initial outlay required (\$):	82,500



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 Property: Unit 307
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$825,000	Property value	\$1,477m
Initial investment	\$0	Equity	\$614,011
Gross rental yield	5.76%	After-tax return /yr	42.10%
Net rental yield	4.12%	Net present value	\$427,909
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	2.50%	Selling costs & CGT	\$231,781
Interest rate	6.85%	Equity	\$382,229
Taxable income	\$85,000	After-tax return /yr	33.17%

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	\$825,000	874,500	926,970	982,588	1.104m	1.477m
Purchase costs	\$34,115					
Investments	\$0					
Loan amount	\$863,439	863,439	863,439	863,439	863,439	863,439
Equity	-\$38,439	11,061	63,531	119,149	240,597	614,011
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Gross rent /year	\$47,509	47,509	48,696	49,914	49,914	56,473
Cash deductions						
Interest (I/O)	6.85%	59,146	59,146	59,146	59,146	59,146
Rental expenses	28.48%	13,532	13,871	14,217	14,937	16,900
Pre-tax cash flow	\$0	-25,169	-24,320	-23,449	-24,169	-19,573
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,169	9,199	6,097	2,942	1,613
Loan costs	\$4,324	865	865	865	865	
Total deductions		94,462	91,830	89,075	86,640	86,409
Tax credit (single)	\$85,000	18,780	17,939	17,057	17,059	14,518
After-tax cash flow	\$0	-6,389	-6,381	-6,392	-7,110	-5,055
Rate of return (IRR)	42.10%	Your cost /(income) per week				
Pre-tax equivalent	81.75%	123	123	123	137	97

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Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price (\$):	825,000
Total book value (\$):	825,000
Property market value (\$):	825,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	32,615
Total Purchase costs (\$):	34,115

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,454
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	4,324

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	825,000	825,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	34,115	34,115
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	4,324	4,324
Totals (\$):	0	863,439	863,439

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	863,439
Loan costs (written off over 5 yrs):	4,324
Monthly payment (\$):	4,929
Annual payment (\$):	59,146

RENT

Rent per week (\$):	914
Potential annual rent (\$):	47,509
Vacancy rate (%):	0.00
Annual rent (\$):	47,509

CASH DEDUCTIONS

Loan interest (\$):	59,146
Rental expenses	
Regular Expenses:	
Agent's commission (6.98%):	3,315
Letting fees:	0
Rates:	1,034
Insurance:	465
Maintenance:	400
Body corporate:	5,004
Electricity:	1,400
Sinking Fund:	1,000
Advertising + GST:	914
Special expenses:	0
Total expenses (\$):	13,532
Regular expenses as % of annual rent:	28.48%
Net yield or Capitalisation rate:	4.12%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,509	48,696	49,914	49,914	56,473
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		59,146	59,146	59,146	59,146	59,146
Expenses		13,532	13,871	14,217	14,937	16,900
Pre-tax cash	0	-25,169	-24,320	-23,449	-24,169	-19,573

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

Property value (\$):	825,000
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):	4,324
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	59,146	59,146	59,146	59,146	59,146
Expenses	13,532	13,871	14,217	14,937	16,900
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,169	9,199	6,097	2,942	1,613
Loan costs	865	865	865	865	0
Total deductions	94,462	91,830	89,075	86,640	86,409

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	-25,169	-24,320	-23,449	-24,169	-19,573
Tax credits		18,780	17,939	17,057	17,059	14,518
After-tax cash	0	-6,389	-6,381	-6,392	-7,110	-5,055
Cost /(income) per week		123	123	123	137	97

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	42.10%
Pre-tax equivalent of IRR	81.75%
Net present value (NPV)	\$427,909
Cash on cash return	?????%
Cash positive by year	21
Cash neutral investment	\$136,343

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$825,000	\$-38,439			\$0		\$0
1yr	\$874,500	\$11,061	\$47,509	\$94,462	\$-25,169	\$18,780	\$-6,389
2yr	\$926,970	\$63,531	\$48,696	\$91,830	\$-24,320	\$17,939	\$-6,381
3yr	\$982,588	\$119,149	\$49,914	\$89,075	\$-23,449	\$17,057	\$-6,392
4yr	\$1.042m	\$178,105	\$50,157	\$87,740	\$-23,562	\$16,940	\$-6,622
5yr	\$1.104m	\$240,597	\$49,914	\$86,640	\$-24,169	\$17,059	\$-7,110
6yr	\$1.170m	\$306,840	\$51,162	\$84,422	\$-23,294	\$15,776	\$-7,518
7yr	\$1.240m	\$377,056	\$52,441	\$84,536	\$-22,398	\$15,390	\$-7,008
8yr	\$1.315m	\$451,486	\$53,752	\$84,742	\$-21,479	\$15,030	\$-6,449
9yr	\$1.394m	\$530,381	\$55,096	\$85,010	\$-20,538	\$14,509	\$-6,029
10yr	\$1.477m	\$614,011	\$56,473	\$86,409	\$-19,573	\$14,518	\$-5,055
11yr	\$1.566m	\$702,658	\$57,885	\$85,671	\$-18,583	\$13,476	\$-5,107
12yr	\$1.660m	\$796,623	\$59,332	\$86,045	\$-17,569	\$12,956	\$-4,613
13yr	\$1.760m	\$896,227	\$60,815	\$86,440	\$-16,530	\$12,428	\$-4,102
14yr	\$1.865m	\$1.002m	\$62,336	\$86,855	\$-15,464	\$11,892	\$-3,572
15yr	\$1.977m	\$1.114m	\$63,894	\$87,288	\$-14,372	\$11,346	\$-3,026
16yr	\$2.096m	\$1.232m	\$65,491	\$87,737	\$-13,253	\$10,789	\$-2,464
17yr	\$2.222m	\$1.358m	\$67,129	\$88,201	\$-12,106	\$10,220	\$-1,886
18yr	\$2.355m	\$1.491m	\$68,807	\$88,681	\$-10,930	\$9,639	\$-1,291
19yr	\$2.496m	\$1.633m	\$70,527	\$89,176	\$-9,724	\$9,045	\$-679
20yr	\$2.646m	\$1.782m	\$72,290	\$89,686	\$-8,489	\$8,436	\$-53

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.104m	1.477m	1.977m	2.646m
Loan (\$)	863,439	863,439	863,439	863,439
EQUITY (\$)	240,597	614,011	1.114m	1.782m
Approximate costs if sold...				
Capital Gains Tax (\$)	65,510	164,557	291,262	456,897
Solicitor's fees (\$)	1,104	1,477	1,977	2,646
Sales commission (\$)	24,289	32,504	43,498	58,210
Stamp duty on sale	24,841	33,243	44,486	44,486
EQUITY (after sale) (\$)	124,853	382,229	732,499	1.205m

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:	47,509	0	47,509
Total income:	132,509	0	132,509
Rental deductions:	94,462	0	94,462
New taxable income:	38,047	0	38,047
Present tax:	26,937	0	26,937
New tax:	8,157	0	8,157
Tax saving:	18,780	0	18,780

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 \$-1,702. 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 (\$):	47,509
Total income (\$):	132,509

Expenses

New tax (investor) (\$):	8,157
New tax (partner) (\$):	0
Rental expenses (\$):	13,532
Investment loan expenses(\$):	59,146
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	134,211
Net surplus (first year of investment) (\$):	-1,702
Total initial outlay required (\$):	0