



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

22-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 701
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$1.300m	Property value	\$2.328m
Initial investment	\$130,000	Equity	\$1.094m
Gross rental yield	4.83%	After-tax return /yr	18.95%
Net rental yield	2.08%	Net present value	\$612,149
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$362,166
Interest rate	6.85%	Equity	\$731,639
Taxable income	\$85,000	After-tax return /yr	13.97%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$1.300m	1.378m	1.461m	1.548m	1.740m	2.328m
Purchase costs	\$58,490					
Investments	\$130,000					
Loan amount	\$1.234m	1.234m	1.234m	1.234m	1.234m	1.234m
Equity	\$65,703	143,703	226,383	314,024	505,396	1.094m
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	\$62,780	62,780	80,300	90,338	97,382	112,892
Cash deductions						
Interest (I/O)	6.85%	84,549	84,549	84,549	84,549	84,549
Rental expenses	56.86%	35,698	36,769	37,872	40,178	46,578
Pre-tax cash flow	-\$130,000	-57,467	-41,018	-32,083	-27,346	-18,235
Non-cash deductions						
Deprec.of building	2.50%	15,000	15,000	15,000	15,000	15,000
Deprec.of fittings	\$51,829	13,296	8,982	6,340	4,016	2,373
Loan costs	\$5,807	1,161	1,161	1,161	1,161	
Total deductions		149,705	146,462	144,923	144,905	148,500
Tax credit (single)	\$85,000	26,937	25,237	22,065	20,773	17,269
After-tax cash flow	-\$130,000	-30,530	-15,781	-10,018	-6,573	-966
Rate of return (IRR)	18.95%	Your cost /(income) per week				
Pre-tax equivalent	36.80%	587	303	193	126	19

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 (\$):	1.300m
Total book value (\$):	1.300m
Property market value (\$):	1.300m

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	56,990
Total Purchase costs (\$):	58,490

LOAN COSTS

Establishment fees (0.04% of loan):	500
Mortgagee stamp duty (0.40% of loan):	4,937
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	5,807

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	130,000	1.170m	1.300m
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	58,490	58,490
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	5,807	5,807
Totals (\$):	130,000	1.234m	1.364m

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	1.234m
Loan costs (written off over 5 yrs):	5,807
Monthly payment (\$):	7,046
Annual payment (\$):	84,549

RENT

Rent per week (\$):	1,207
Potential annual rent (\$):	62,780
Vacancy rate (%):	0.00
Annual rent (\$):	62,780

CASH DEDUCTIONS

Loan interest (\$):		84,549
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	7,848	
Sinking Fund:	1,585	
Rates:	1,075	
Insurance:	550	
Maintenance:	384	
Body corporate:	7,923	
Electricity:	1,400	
Cleaning:	8,915	
Advertising:	3,139	
Other expenses:	2,879	
Special expenses:	0	
Total expenses (\$):		35,698
Regular expenses as % of annual rent:		56.86%
Net yield or Capitalisation rate:		2.08%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		62,780	80,300	90,338	97,382	112,892
Cash invested	130,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		84,549	84,549	84,549	84,549	84,549
Expenses		35,698	36,769	37,872	40,178	46,578
Pre-tax cash	-130,000	-57,467	-41,018	-32,083	-27,346	-18,235

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

Property value (\$):	1.300m
Construction cost (\$):	600,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	15,000

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	5,807
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	84,549	84,549	84,549	84,549	84,549
Expenses	35,698	36,769	37,872	40,178	46,578
Deprec.-building	15,000	15,000	15,000	15,000	15,000
Deprec.-fittings	13,296	8,982	6,340	4,016	2,373
Loan costs	1,161	1,161	1,161	1,161	0
Total deductions	149,705	146,462	144,923	144,905	148,500

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-130,000	-57,467	-41,018	-32,083	-27,346	-18,235
Tax credits		26,937	25,237	22,065	20,773	17,269
After-tax cash	-130,000	-30,530	-15,781	-10,018	-6,573	-966
Cost /(income) per week		587	303	193	126	19

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	18.95%
Pre-tax equivalent of IRR	36.80%
Net present value (NPV)	\$612,149
Cash on cash return	-23.48%
Cash positive by year	12
Cash neutral investment	\$686,922

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$1.300m	\$65,703			\$-130,000		\$-130,000
1yr	\$1.378m	\$143,703	\$62,780	\$149,705	\$-57,467	\$26,937	\$-30,530
2yr	\$1.461m	\$226,383	\$80,300	\$146,462	\$-41,018	\$25,237	\$-15,781
3yr	\$1.548m	\$314,024	\$90,338	\$144,923	\$-32,083	\$22,065	\$-10,018
4yr	\$1.641m	\$406,923	\$93,048	\$144,126	\$-30,509	\$21,420	\$-9,089
5yr	\$1.740m	\$505,396	\$97,382	\$144,905	\$-27,346	\$20,773	\$-6,573
6yr	\$1.844m	\$609,778	\$100,303	\$142,149	\$-25,630	\$19,473	\$-6,157
7yr	\$1.955m	\$720,422	\$103,313	\$143,122	\$-23,862	\$18,892	\$-4,970
8yr	\$2.072m	\$837,705	\$106,412	\$144,214	\$-22,041	\$18,171	\$-3,870
9yr	\$2.196m	\$962,025	\$109,604	\$145,397	\$-20,166	\$17,360	\$-2,806
10yr	\$2.328m	\$1.094m	\$112,892	\$148,500	\$-18,235	\$17,269	\$-966
11yr	\$2.468m	\$1.233m	\$116,279	\$147,977	\$-16,245	\$15,374	\$-871
12yr	\$2.616m	\$1.382m	\$119,768	\$149,357	\$-14,196	\$14,351	\$155
13yr	\$2.773m	\$1.539m	\$123,361	\$150,791	\$-12,086	\$13,304	\$1,218
14yr	\$2.939m	\$1.705m	\$127,061	\$152,278	\$-9,912	\$12,230	\$2,318
15yr	\$3.116m	\$1.881m	\$130,873	\$153,817	\$-7,673	\$11,128	\$3,455
16yr	\$3.302m	\$2.068m	\$134,799	\$155,408	\$-5,366	\$9,995	\$4,629
17yr	\$3.501m	\$2.266m	\$138,843	\$157,051	\$-2,991	\$8,830	\$5,839
18yr	\$3.711m	\$2.476m	\$143,009	\$158,747	\$-544	\$7,633	\$7,089
19yr	\$3.933m	\$2.699m	\$147,299	\$160,497	\$1,976	\$6,401	\$8,377
20yr	\$4.169m	\$2.935m	\$151,718	\$162,302	\$4,572	\$5,133	\$9,705

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.740m	2.328m	3.116m	4.169m
Loan (\$)	1.234m	1.234m	1.234m	1.234m
EQUITY (\$)	505,396	1.094m	1.881m	2.935m
Approximate costs if sold...				
Capital Gains Tax (\$)	98,141	256,237	457,115	719,449
Solicitor's fees (\$)	1,740	2,328	3,116	4,169
Sales commission (\$)	38,273	51,218	68,542	91,724
Vendor duty on sale	39,143	52,382	70,099	70,099
EQUITY (after sale) (\$)	328,099	731,639	1.282m	2.026m

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:	62,780	0	62,780
Total income:	147,780	0	147,780
Rental deductions:	149,705	0	149,705
New taxable income:	-1,925	0	-1,925
Present tax:	26,937	0	26,937
New tax:	0	0	0
Tax saving:	26,937	0	26,937

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 \$-25,844. Total initial outlay would be \$130,000.

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 (\$):	62,780
Total income (\$):	147,780

Expenses

New tax (investor) (\$):	0
New tax (partner) (\$):	0
Rental expenses (\$):	35,698
Investment loan expenses(\$):	84,549
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	173,624
Net surplus (first year of investment) (\$):	-25,844
Total initial outlay required (\$):	130,000



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SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$1.300m	Property value	\$2.328m
Initial investment	\$0	Equity	\$963,283
Gross rental yield	4.83%	After-tax return /yr	28.49%
Net rental yield	2.08%	Net present value	\$590,100
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$361,983
Interest rate	6.85%	Equity	\$601,299
Taxable income	\$85,000	After-tax return /yr	21.05%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$1.300m	1.378m	1.461m	1.548m	1.740m	2.328m
Purchase costs	\$58,490					
Investments	\$0					
Loan amount	\$1.365m	1.365m	1.365m	1.365m	1.365m	1.365m
Equity	-\$64,819	13,181	95,861	183,502	374,874	963,283
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	\$62,780	62,780	80,300	90,338	97,382	112,892
Cash deductions						
Interest (I/O)	6.85%	93,490	93,490	93,490	93,490	93,490
Rental expenses	56.86%	35,698	36,769	37,872	40,178	46,578
Pre-tax cash flow	\$0	-66,408	-49,959	-41,024	-36,287	-27,175
Non-cash deductions						
Deprec.of building	2.50%	15,000	15,000	15,000	15,000	15,000
Deprec.of fittings	\$51,829	13,296	8,982	6,340	4,016	2,373
Loan costs	\$6,329	1,266	1,266	1,266	1,266	
Total deductions		158,750	155,507	153,968	153,950	157,441
Tax credit (single)	\$85,000	26,937	27,096	24,914	23,623	21,424
After-tax cash flow	\$0	-39,471	-22,863	-16,110	-12,664	-5,751
Rate of return (IRR)	28.49%	Your cost /(income) per week				
Pre-tax equivalent	55.31%	759	440	310	244	111

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 (\$):	1.300m
Total book value (\$):	1.300m
Property market value (\$):	1.300m

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	56,990
Total Purchase costs (\$):	58,490

LOAN COSTS

Establishment fees (0.04% of loan):	500
Mortgagee stamp duty (0.40% of loan):	5,459
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	6,329

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	1.300m	1.300m
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	58,490	58,490
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	6,329	6,329
Totals (\$):	0	1.365m	1.365m

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	1.365m
Loan costs (written off over 5 yrs):	6,329
Monthly payment (\$):	7,791
Annual payment (\$):	93,490

RENT

Rent per week (\$):	1,207
Potential annual rent (\$):	62,780
Vacancy rate (%):	0.00
Annual rent (\$):	62,780

CASH DEDUCTIONS

Loan interest (\$):		93,490
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	7,848	
Sinking Fund:	1,585	
Rates:	1,075	
Insurance:	550	
Maintenance:	384	
Body corporate:	7,923	
Electricity:	1,400	
Cleaning:	8,915	
Advertising:	3,139	
Other expenses:	2,879	
Special expenses:	0	
Total expenses (\$):		35,698
Regular expenses as % of annual rent:		56.86%
Net yield or Capitalisation rate:		2.08%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		62,780	80,300	90,338	97,382	112,892
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		93,490	93,490	93,490	93,490	93,490
Expenses		35,698	36,769	37,872	40,178	46,578
Pre-tax cash	0	-66,408	-49,959	-41,024	-36,287	-27,175

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

Property value (\$):	1.300m
Construction cost (\$):	600,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	15,000

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	6,329
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	93,490	93,490	93,490	93,490	93,490
Expenses	35,698	36,769	37,872	40,178	46,578
Deprec.-building	15,000	15,000	15,000	15,000	15,000
Deprec.-fittings	13,296	8,982	6,340	4,016	2,373
Loan costs	1,266	1,266	1,266	1,266	0
Total deductions	158,750	155,507	153,968	153,950	157,441

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	-66,408	-49,959	-41,024	-36,287	-27,175
Tax credits		26,937	27,096	24,914	23,623	21,424
After-tax cash	0	-39,471	-22,863	-16,110	-12,664	-5,751
Cost /(income) per week		759	440	310	244	111

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	28.49%
Pre-tax equivalent of IRR	55.31%
Net present value (NPV)	\$590,100
Cash on cash return	?????%
Cash positive by year	16
Cash neutral investment	\$686,922

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$1.300m	\$-64,819			\$0		\$0
1yr	\$1.378m	\$13,181	\$62,780	\$158,750	\$-66,408	\$26,937	\$-39,471
2yr	\$1.461m	\$95,861	\$80,300	\$155,507	\$-49,959	\$27,096	\$-22,863
3yr	\$1.548m	\$183,502	\$90,338	\$153,968	\$-41,024	\$24,914	\$-16,110
4yr	\$1.641m	\$276,401	\$93,048	\$153,171	\$-39,450	\$24,269	\$-15,181
5yr	\$1.740m	\$374,874	\$97,382	\$153,950	\$-36,287	\$23,623	\$-12,664
6yr	\$1.844m	\$479,256	\$100,303	\$151,090	\$-34,570	\$22,289	\$-12,281
7yr	\$1.955m	\$589,900	\$103,313	\$152,062	\$-32,803	\$22,150	\$-10,653
8yr	\$2.072m	\$707,183	\$106,412	\$153,154	\$-30,982	\$22,036	\$-8,946
9yr	\$2.196m	\$831,503	\$109,604	\$154,338	\$-29,107	\$21,343	\$-7,764
10yr	\$2.328m	\$963,283	\$112,892	\$157,441	\$-27,175	\$21,424	\$-5,751
11yr	\$2.468m	\$1.103m	\$116,279	\$156,918	\$-25,186	\$19,710	\$-5,476
12yr	\$2.616m	\$1.251m	\$119,768	\$158,298	\$-23,137	\$18,687	\$-4,450
13yr	\$2.773m	\$1.408m	\$123,361	\$159,732	\$-21,026	\$17,640	\$-3,386
14yr	\$2.939m	\$1.574m	\$127,061	\$161,219	\$-18,852	\$16,566	\$-2,286
15yr	\$3.116m	\$1.751m	\$130,873	\$162,758	\$-16,613	\$15,465	\$-1,148
16yr	\$3.302m	\$1.938m	\$134,799	\$164,348	\$-14,307	\$14,331	\$24
17yr	\$3.501m	\$2.136m	\$138,843	\$165,991	\$-11,931	\$13,167	\$1,236
18yr	\$3.711m	\$2.346m	\$143,009	\$167,687	\$-9,485	\$11,970	\$2,485
19yr	\$3.933m	\$2.568m	\$147,299	\$169,438	\$-6,965	\$10,737	\$3,772
20yr	\$4.169m	\$2.804m	\$151,718	\$171,243	\$-4,369	\$9,469	\$5,100

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.740m	2.328m	3.116m	4.169m
Loan (\$)	1.365m	1.365m	1.365m	1.365m
EQUITY (\$)	374,874	963,283	1.751m	2.804m
Approximate costs if sold...				
Capital Gains Tax (\$)	96,603	256,055	457,115	719,449
Solicitor's fees (\$)	1,740	2,328	3,116	4,169
Sales commission (\$)	38,273	51,218	68,542	91,724
Vendor duty on sale	39,143	52,382	70,099	70,099
EQUITY (after sale) (\$)	199,115	601,299	1.152m	1.895m

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:	62,780	0	62,780
Total income:	147,780	0	147,780
Rental deductions:	158,750	0	158,750
New taxable income:	-10,970	0	-10,970
Present tax:	26,937	0	26,937
New tax:	0	0	0
Tax saving:	26,937	0	26,937

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 \$-34,784. 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 (\$):	62,780
Total income (\$):	147,780

Expenses

New tax (investor) (\$):	0
New tax (partner) (\$):	0
Rental expenses (\$):	35,698
Investment loan expenses(\$):	93,490
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	182,564
Net surplus (first year of investment) (\$):	-34,784
Total initial outlay required (\$):	0