



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

19-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 203
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$759,000	Property value	\$1.359m
Initial investment	\$75,900	Equity	\$641,266
Gross rental yield	6.20%	After-tax return /yr	22.27%
Net rental yield	2.38%	Net present value	\$411,799
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$217,196
Interest rate	6.85%	Equity	\$424,070
Taxable income	\$85,000	After-tax return /yr	17.53%

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	\$759,000	804,540	852,812	903,981	1.016m	1.359m
Purchase costs	\$31,145					
Investments	\$75,900					
Loan amount	\$717,987	717,987	717,987	717,987	717,987	717,987
Equity	\$41,013	86,553	134,825	185,994	297,726	641,266
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	95,854
Cash deductions						
Interest (I/O)	6.85%	49,182	49,182	49,182	49,182	49,182
Rental expenses	61.70%	29,051	29,923	30,820	32,697	37,905
Pre-tax cash flow	-\$75,900	-31,148	-22,165	-15,397	-12,894	8,767
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,976	9,956	6,682	4,626	3,660
Loan costs	\$3,742	748	748	748	748	
Total deductions		100,707	98,559	96,183	96,004	99,497
Tax credit (single)	\$85,000	20,881	17,534	14,746	13,036	1,767
After-tax cash flow	-\$75,900	-10,267	-4,631	-651	142	10,534
Rate of return (IRR)	22.27%	Your cost /(income) per week				
Pre-tax equivalent	43.25%	197	89	13	(3)	(203)

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 (\$):	759,000
Total book value (\$):	759,000
Property market value (\$):	759,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	29,645
Total Purchase costs (\$):	31,145

LOAN COSTS

Establishment fees (0.07% of loan):	500
Mortgagee stamp duty (0.40% of loan):	2,872
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	3,742

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	75,900	683,100	759,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	31,145	31,145
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	3,742	3,742
Totals (\$):	75,900	717,987	793,887

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	717,987
Loan costs (written off over 5 yrs):	3,742
Monthly payment (\$):	4,099
Annual payment (\$):	49,182

RENT

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

CASH DEDUCTIONS

Loan interest (\$):		49,182
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	5,886	
GST:	1,268	
Rates:	1,041	
Insurance:	465	
Advertising+Cleaning:	11,025	
Body corporate:	5,511	
Electricity:	1,100	
Sinking Fund:	1,102	
Maintenance:	319	
Other expenses:	1,334	
Special expenses:	0	
Total expenses (\$):		29,051
Regular expenses as % of annual rent:		61.70%
Net yield or Capitalisation rate:		2.38%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,085	56,940	64,605	68,985	95,854
Cash invested	75,900	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		49,182	49,182	49,182	49,182	49,182
Expenses		29,051	29,923	30,820	32,697	37,905
Pre-tax cash	-75,900	-31,148	-22,165	-15,397	-12,894	8,767

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

Property value (\$):	759,000
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):	3,742
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	49,182	49,182	49,182	49,182	49,182
Expenses	29,051	29,923	30,820	32,697	37,905
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,976	9,956	6,682	4,626	3,660
Loan costs	748	748	748	748	0
Total deductions	100,707	98,559	96,183	96,004	99,497

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-75,900	-31,148	-22,165	-15,397	-12,894	8,767
Tax credits		20,881	17,534	14,746	13,036	1,767
After-tax cash	-75,900	-10,267	-4,631	-651	142	10,534
Cost /(income) per week		197	89	13	-3	-203

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	22.27%
Pre-tax equivalent of IRR	43.25%
Net present value (NPV)	\$411,799
Cash on cash return	-13.53%
Cash positive by year	4
Cash neutral investment	\$295,007

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$759,000	\$41,013			\$-75,900		\$-75,900
1yr	\$804,540	\$86,553	\$47,085	\$100,707	\$-31,148	\$20,881	\$-10,267
2yr	\$852,812	\$134,825	\$56,940	\$98,559	\$-22,165	\$17,534	\$-4,631
3yr	\$903,981	\$185,994	\$64,605	\$96,183	\$-15,397	\$14,746	\$-651
4yr	\$958,220	\$240,233	\$68,998	\$94,832	\$-11,929	\$12,382	\$453
5yr	\$1.016m	\$297,726	\$68,985	\$96,004	\$-12,894	\$13,036	\$142
6yr	\$1.077m	\$358,669	\$73,676	\$92,826	\$-9,184	\$9,288	\$104
7yr	\$1.141m	\$423,268	\$78,686	\$93,567	\$-5,185	\$7,218	\$2,033
8yr	\$1.210m	\$491,744	\$84,037	\$94,421	\$-875	\$5,037	\$4,162
9yr	\$1.282m	\$564,328	\$89,751	\$95,360	\$3,768	\$2,721	\$6,489
10yr	\$1.359m	\$641,266	\$95,854	\$99,497	\$8,767	\$1,767	\$10,534
11yr	\$1.441m	\$722,822	\$102,372	\$97,427	\$14,148	\$-2,398	\$11,750
12yr	\$1.527m	\$809,270	\$109,334	\$98,539	\$19,938	\$-5,235	\$14,703
13yr	\$1.619m	\$900,906	\$116,768	\$99,697	\$26,166	\$-8,279	\$17,887
14yr	\$1.716m	\$998,039	\$124,708	\$100,900	\$32,864	\$-11,548	\$21,316
15yr	\$1.819m	\$1.101m	\$133,189	\$102,146	\$40,064	\$-15,055	\$25,009
16yr	\$1.928m	\$1.210m	\$142,245	\$103,435	\$47,803	\$-18,823	\$28,980
17yr	\$2.044m	\$1.326m	\$151,918	\$104,767	\$56,118	\$-22,868	\$33,250
18yr	\$2.166m	\$1.448m	\$162,249	\$106,143	\$65,050	\$-27,211	\$37,839
19yr	\$2.296m	\$1.578m	\$173,282	\$107,564	\$74,642	\$-31,873	\$42,769
20yr	\$2.434m	\$1.716m	\$185,065	\$109,030	\$84,941	\$-36,877	\$48,064

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.016m	1.359m	1.819m	2.434m
Loan (\$)	717,987	717,987	717,987	717,987
EQUITY (\$)	297,726	641,266	1.101m	1.716m
Approximate costs if sold...				
Capital Gains Tax (\$)	63,407	155,350	272,801	426,054
Solicitor's fees (\$)	1,016	1,359	1,819	2,434
Sales commission (\$)	22,346	29,904	40,018	53,553
Stamp duty on sale	22,854	30,583	40,927	40,927
EQUITY (after sale) (\$)	188,104	424,070	745,436	1.179m

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:	100,707	0	100,707
New taxable income:	31,378	0	31,378
Present tax:	26,937	0	26,937
New tax:	6,056	0	6,056
Tax saving:	20,881	0	20,881

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 \$-5,580. Total initial outlay would be \$75,900.

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) (\$):	6,056
New tax (partner) (\$):	0
Rental expenses (\$):	29,051
Investment loan expenses(\$):	49,182
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	137,665
Net surplus (first year of investment) (\$):	-5,580
Total initial outlay required (\$):	75,900



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SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$759,000	Property value	\$1.359m
Initial investment	\$0	Equity	\$565,062
Gross rental yield	6.20%	After-tax return /yr	39.66%
Net rental yield	2.38%	Net present value	\$404,043
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$217,196
Interest rate	6.85%	Equity	\$347,865
Taxable income	\$85,000	After-tax return /yr	32.38%

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	\$759,000	804,540	852,812	903,981	1.016m	1.359m
Purchase costs	\$31,145					
Investments	\$0					
Loan amount	\$794,192	794,192	794,192	794,192	794,192	794,192
Equity	-\$35,192	10,348	58,621	109,789	221,521	565,062
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	95,854
Cash deductions						
Interest (I/O)	6.85%	54,402	54,402	54,402	54,402	54,402
Rental expenses	61.70%	29,051	29,923	30,820	32,697	37,905
Pre-tax cash flow	\$0	-36,368	-27,385	-20,617	-18,114	3,547
Non-cash deductions						
Deprec.of building	2.50%	8,750	8,750	8,750	8,750	8,750
Deprec.of fittings	\$51,829	12,976	9,956	6,682	4,626	3,660
Loan costs	\$4,047	809	809	809	809	
Total deductions		105,988	103,840	101,464	101,285	104,717
Tax credit (single)	\$85,000	22,545	19,197	16,481	15,334	4,298
After-tax cash flow	\$0	-13,823	-8,188	-4,136	-2,780	7,845
Rate of return (IRR)	39.66%	Your cost /(income) per week				
Pre-tax equivalent	77.00%	266	157	80	53	(151)

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 (\$):	759,000
Total book value (\$):	759,000
Property market value (\$):	759,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	29,645
Total Purchase costs (\$):	31,145

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,177
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	4,047

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	759,000	759,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	31,145	31,145
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	4,047	4,047
Totals (\$):	0	794,192	794,192

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	794,192
Loan costs (written off over 5 yrs):	4,047
Monthly payment (\$):	4,534
Annual payment (\$):	54,402

RENT

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

CASH DEDUCTIONS

Loan interest (\$):		54,402
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	5,886	
GST:	1,268	
Rates:	1,041	
Insurance:	465	
Advertising+Cleaning:	11,025	
Body corporate:	5,511	
Electricity:	1,100	
Sinking Fund:	1,102	
Maintenance:	319	
Other expenses:	1,334	
Special expenses:	0	
Total expenses (\$):		29,051
Regular expenses as % of annual rent:		61.70%
Net yield or Capitalisation rate:		2.38%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		47,085	56,940	64,605	68,985	95,854
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		54,402	54,402	54,402	54,402	54,402
Expenses		29,051	29,923	30,820	32,697	37,905
Pre-tax cash	0	-36,368	-27,385	-20,617	-18,114	3,547

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

Property value (\$):	759,000
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):	4,047
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	54,402	54,402	54,402	54,402	54,402
Expenses	29,051	29,923	30,820	32,697	37,905
Deprec.-building	8,750	8,750	8,750	8,750	8,750
Deprec.-fittings	12,976	9,956	6,682	4,626	3,660
Loan costs	809	809	809	809	0
Total deductions	105,988	103,840	101,464	101,285	104,717

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	-36,368	-27,385	-20,617	-18,114	3,547
Tax credits		22,545	19,197	16,481	15,334	4,298
After-tax cash	0	-13,823	-8,188	-4,136	-2,780	7,845
Cost /(income) per week		266	157	80	53	-151

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	39.66%
Pre-tax equivalent of IRR	77.00%
Net present value (NPV)	\$404,043
Cash on cash return	?????%
Cash positive by year	8
Cash neutral investment	\$295,007

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$759,000	\$-35,192			\$0		\$0
1yr	\$804,540	\$10,348	\$47,085	\$105,988	\$-36,368	\$22,545	\$-13,823
2yr	\$852,812	\$58,621	\$56,940	\$103,840	\$-27,385	\$19,197	\$-8,188
3yr	\$903,981	\$109,789	\$64,605	\$101,464	\$-20,617	\$16,481	\$-4,136
4yr	\$958,220	\$164,028	\$68,998	\$100,113	\$-17,149	\$14,680	\$-2,469
5yr	\$1.016m	\$221,521	\$68,985	\$101,285	\$-18,114	\$15,334	\$-2,780
6yr	\$1.077m	\$282,464	\$73,676	\$98,046	\$-14,404	\$11,819	\$-2,585
7yr	\$1.141m	\$347,064	\$78,686	\$98,788	\$-10,405	\$9,749	\$-656
8yr	\$1.210m	\$415,539	\$84,037	\$99,641	\$-6,095	\$7,569	\$1,474
9yr	\$1.282m	\$488,123	\$89,751	\$100,580	\$-1,452	\$5,252	\$3,800
10yr	\$1.359m	\$565,062	\$95,854	\$104,717	\$3,547	\$4,298	\$7,845
11yr	\$1.441m	\$646,617	\$102,372	\$102,647	\$8,928	\$133	\$9,061
12yr	\$1.527m	\$733,065	\$109,334	\$103,759	\$14,718	\$-2,704	\$12,014
13yr	\$1.619m	\$824,701	\$116,768	\$104,917	\$20,946	\$-5,748	\$15,198
14yr	\$1.716m	\$921,834	\$124,708	\$106,120	\$27,644	\$-9,016	\$18,628
15yr	\$1.819m	\$1.025m	\$133,189	\$107,366	\$34,844	\$-12,524	\$22,320
16yr	\$1.928m	\$1.134m	\$142,245	\$108,655	\$42,583	\$-16,292	\$26,291
17yr	\$2.044m	\$1.250m	\$151,918	\$109,987	\$50,898	\$-20,337	\$30,561
18yr	\$2.166m	\$1.372m	\$162,249	\$111,363	\$59,830	\$-24,679	\$35,151
19yr	\$2.296m	\$1.502m	\$173,282	\$112,784	\$69,422	\$-29,341	\$40,081
20yr	\$2.434m	\$1.640m	\$185,065	\$114,250	\$79,721	\$-34,346	\$45,375

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.016m	1.359m	1.819m	2.434m
Loan (\$)	794,192	794,192	794,192	794,192
EQUITY (\$)	221,521	565,062	1.025m	1.640m
Approximate costs if sold...				
Capital Gains Tax (\$)	63,143	155,350	272,801	426,054
Solicitor's fees (\$)	1,016	1,359	1,819	2,434
Sales commission (\$)	22,346	29,904	40,018	53,553
Stamp duty on sale	22,854	30,583	40,927	40,927
EQUITY (after sale) (\$)	112,164	347,865	669,231	1.103m

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:	105,988	0	105,988
New taxable income:	26,097	0	26,097
Present tax:	26,937	0	26,937
New tax:	4,392	0	4,392
Tax saving:	22,545	0	22,545

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 \$-9,137. 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) (\$):	4,392
New tax (partner) (\$):	0
Rental expenses (\$):	29,051
Investment loan expenses(\$):	54,402
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	141,222
Net surplus (first year of investment) (\$):	-9,137
Total initial outlay required (\$):	0