



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

19-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 105
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$859,000	Property value	\$1.538m
Initial investment	\$85,900	Equity	\$725,472
Gross rental yield	7.35%	After-tax return /yr	22.28%
Net rental yield	3.40%	Net present value	\$451,351
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$243,180
Interest rate	6.85%	Equity	\$482,292
Taxable income	\$85,000	After-tax return /yr	17.39%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$859,000	910,540	965,172	1.023m	1.150m	1.538m
Purchase costs	\$35,645					
Investments	\$85,900					
Loan amount	\$812,866	812,866	812,866	812,866	812,866	812,866
Equity	\$46,134	97,674	152,306	210,216	336,669	725,472
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	\$63,163	63,163	69,533	76,340	79,935	92,667
Cash deductions						
Interest (I/O)	6.85%	55,681	55,681	55,681	55,681	55,681
Rental expenses	53.71%	33,924	34,942	35,990	38,182	44,263
Pre-tax cash flow	-\$85,900	-26,442	-21,090	-15,331	-13,928	-7,278
Non-cash deductions						
Deprec.of building	2.50%	9,750	9,750	9,750	9,750	9,750
Deprec.of fittings	\$51,829	12,320	9,279	5,990	4,471	2,952
Loan costs	\$4,121	824	824	824	824	
Total deductions		112,500	110,476	108,236	108,908	112,646
Tax credit (single)	\$85,000	19,531	17,321	14,884	13,887	9,690
After-tax cash flow	-\$85,900	-6,911	-3,769	-447	-41	2,412
Rate of return (IRR)	22.28%	Your cost /(income) per week				
Pre-tax equivalent	43.26%	133	72	9	1	(46)

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 (\$):	859,000
Total book value (\$):	859,000
Property market value (\$):	859,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	34,145
Total Purchase costs (\$):	35,645

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,251
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	4,121

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	85,900	773,100	859,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	35,645	35,645
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	4,121	4,121
Totals (\$):	85,900	812,866	898,766

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	812,866
Loan costs (written off over 5 yrs):	4,121
Monthly payment (\$):	4,640
Annual payment (\$):	55,681

RENT

Rent per week (\$):	1,215
Potential annual rent (\$):	63,163
Vacancy rate (%):	0.00
Annual rent (\$):	63,163

CASH DEDUCTIONS

Loan interest (\$):		55,681
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	7,895	
Sinking Fund:	1,145	
Rates:	1,043	
Insurance:	465	
Maintenance:	306	
Body corporate:	5,727	
Electricity:	1,200	
Cleaning:	9,792	
Advertising:	3,158	
Other expenses:	3,193	
Special expenses:	0	
Total expenses (\$):		33,924
Regular expenses as % of annual rent:		53.71%
Net yield or Capitalisation rate:		3.40%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		63,163	69,533	76,340	79,935	92,667
Cash invested	85,900	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		55,681	55,681	55,681	55,681	55,681
Expenses		33,924	34,942	35,990	38,182	44,263
Pre-tax cash	-85,900	-26,442	-21,090	-15,331	-13,928	-7,278

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

Property value (\$):	859,000
Construction cost (\$):	390,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	9,750

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	4,121
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	55,681	55,681	55,681	55,681	55,681
Expenses	33,924	34,942	35,990	38,182	44,263
Deprec.-building	9,750	9,750	9,750	9,750	9,750
Deprec.-fittings	12,320	9,279	5,990	4,471	2,952
Loan costs	824	824	824	824	0
Total deductions	112,500	110,476	108,236	108,908	112,646

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-85,900	-26,442	-21,090	-15,331	-13,928	-7,278
Tax credits		19,531	17,321	14,884	13,887	9,690
After-tax cash	-85,900	-6,911	-3,769	-447	-41	2,412
Cost /(income) per week		133	72	9	1	-46

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	22.28%
Pre-tax equivalent of IRR	43.26%
Net present value (NPV)	\$451,351
Cash on cash return	-8.05%
Cash positive by year	9
Cash neutral investment	\$233,400

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$859,000	\$46,134			\$-85,900		\$-85,900
1yr	\$910,540	\$97,674	\$63,163	\$112,500	\$-26,442	\$19,531	\$-6,911
2yr	\$965,172	\$152,306	\$69,533	\$110,476	\$-21,090	\$17,321	\$-3,769
3yr	\$1.023m	\$210,216	\$76,340	\$108,236	\$-15,331	\$14,884	\$-447
4yr	\$1.084m	\$271,601	\$78,630	\$107,732	\$-14,121	\$13,804	\$-317
5yr	\$1.150m	\$336,669	\$79,935	\$108,908	\$-13,928	\$13,887	\$-41
6yr	\$1.219m	\$405,641	\$82,333	\$105,974	\$-12,676	\$11,466	\$-1,210
7yr	\$1.292m	\$478,752	\$84,803	\$106,885	\$-11,385	\$10,710	\$-675
8yr	\$1.369m	\$556,249	\$87,347	\$107,914	\$-10,056	\$9,975	\$-81
9yr	\$1.451m	\$638,396	\$89,968	\$109,032	\$-8,688	\$9,247	\$559
10yr	\$1.538m	\$725,472	\$92,667	\$112,646	\$-7,278	\$9,690	\$2,412
11yr	\$1.631m	\$817,772	\$95,447	\$111,475	\$-5,826	\$7,774	\$1,948
12yr	\$1.728m	\$915,610	\$98,310	\$112,784	\$-4,330	\$7,020	\$2,690
13yr	\$1.832m	\$1.019m	\$101,259	\$114,144	\$-2,790	\$6,249	\$3,459
14yr	\$1.942m	\$1.129m	\$104,297	\$115,555	\$-1,203	\$5,460	\$4,257
15yr	\$2.059m	\$1.246m	\$107,426	\$117,016	\$432	\$4,652	\$5,084
16yr	\$2.182m	\$1.369m	\$110,649	\$118,526	\$2,115	\$3,820	\$5,935
17yr	\$2.313m	\$1.500m	\$113,968	\$120,086	\$3,849	\$2,967	\$6,816
18yr	\$2.452m	\$1.639m	\$117,387	\$121,697	\$5,635	\$2,090	\$7,725
19yr	\$2.599m	\$1.786m	\$120,909	\$123,359	\$7,474	\$1,188	\$8,662
20yr	\$2.755m	\$1.942m	\$124,536	\$125,074	\$9,369	\$260	\$9,629

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.150m	1.538m	2.059m	2.755m
Loan (\$)	812,866	812,866	812,866	812,866
EQUITY (\$)	336,669	725,472	1.246m	1.942m
Approximate costs if sold...				
Capital Gains Tax (\$)	69,627	173,186	305,869	479,096
Solicitor's fees (\$)	1,150	1,538	2,059	2,755
Sales commission (\$)	25,290	33,843	45,290	60,608
Vendor duty on sale	25,865	34,613	46,319	46,319
EQUITY (after sale) (\$)	214,738	482,292	846,239	1.338m

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:	63,163	0	63,163
Total income:	148,163	0	148,163
Rental deductions:	112,500	0	112,500
New taxable income:	35,663	0	35,663
Present tax:	26,937	0	26,937
New tax:	7,406	0	7,406
Tax saving:	19,531	0	19,531

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 \$-2,225. Total initial outlay would be \$85,900.

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 (\$):	63,163
Total income (\$):	148,163

Expenses

New tax (investor) (\$):	7,406
New tax (partner) (\$):	0
Rental expenses (\$):	33,924
Investment loan expenses(\$):	55,681
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	150,388
Net surplus (first year of investment) (\$):	-2,225
Total initial outlay required (\$):	85,900



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 Property: Unit 105
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$859,000	Property value	\$1.538m
Initial investment	\$0	Equity	\$639,227
Gross rental yield	7.35%	After-tax return /yr	42.03%
Net rental yield	3.40%	Net present value	\$442,467
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$243,180
Interest rate	6.85%	Equity	\$396,047
Taxable income	\$85,000	After-tax return /yr	34.05%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$859,000	910,540	965,172	1.023m	1.150m	1.538m
Purchase costs	\$35,645					
Investments	\$0					
Loan amount	\$899,111	899,111	899,111	899,111	899,111	899,111
Equity	-\$40,111	11,429	66,061	123,971	250,424	639,227
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	\$63,163	63,163	69,533	76,340	79,935	92,667
Cash deductions						
Interest (I/O)	6.85%	61,589	61,589	61,589	61,589	61,589
Rental expenses	53.71%	33,924	34,942	35,990	38,182	44,263
Pre-tax cash flow	\$0	-32,350	-26,998	-21,239	-19,836	-13,186
Non-cash deductions						
Deprec.of building	2.50%	9,750	9,750	9,750	9,750	9,750
Deprec.of fittings	\$51,829	12,320	9,279	5,990	4,471	2,952
Loan costs	\$4,466	893	893	893	893	
Total deductions		118,476	116,453	114,212	114,885	118,554
Tax credit (single)	\$85,000	21,414	19,204	16,800	16,487	12,555
After-tax cash flow	\$0	-10,936	-7,794	-4,439	-3,349	-631
Rate of return (IRR)	42.03%	Your cost /(income) per week				
Pre-tax equivalent	81.61%	210	150	85	64	12

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Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price (\$):	859,000
Total book value (\$):	859,000
Property market value (\$):	859,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	34,145
Total Purchase costs (\$):	35,645

LOAN COSTS

Establishment fees (0.06% of loan):	500
Mortgagee stamp duty (0.40% of loan):	3,596
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	4,466

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	859,000	859,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	35,645	35,645
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	4,466	4,466
Totals (\$):	0	899,111	899,111

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	899,111
Loan costs (written off over 5 yrs):	4,466
Monthly payment (\$):	5,132
Annual payment (\$):	61,589

RENT

Rent per week (\$):	1,215
Potential annual rent (\$):	63,163
Vacancy rate (%):	0.00
Annual rent (\$):	63,163

CASH DEDUCTIONS

Loan interest (\$):		61,589
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	7,895	
Sinking Fund:	1,145	
Rates:	1,043	
Insurance:	465	
Maintenance:	306	
Body corporate:	5,727	
Electricity:	1,200	
Cleaning:	9,792	
Advertising:	3,158	
Other expenses:	3,193	
Special expenses:	0	
Total expenses (\$):		33,924
Regular expenses as % of annual rent:		53.71%
Net yield or Capitalisation rate:		3.40%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		63,163	69,533	76,340	79,935	92,667
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		61,589	61,589	61,589	61,589	61,589
Expenses		33,924	34,942	35,990	38,182	44,263
Pre-tax cash	0	-32,350	-26,998	-21,239	-19,836	-13,186

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

Property value (\$):	859,000
Construction cost (\$):	390,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	9,750

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	4,466
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	61,589	61,589	61,589	61,589	61,589
Expenses	33,924	34,942	35,990	38,182	44,263
Deprec.-building	9,750	9,750	9,750	9,750	9,750
Deprec.-fittings	12,320	9,279	5,990	4,471	2,952
Loan costs	893	893	893	893	0
Total deductions	118,476	116,453	114,212	114,885	118,554

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	-32,350	-26,998	-21,239	-19,836	-13,186
Tax credits		21,414	19,204	16,800	16,487	12,555
After-tax cash	0	-10,936	-7,794	-4,439	-3,349	-631
Cost /(income) per week		210	150	85	64	12

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	42.03%
Pre-tax equivalent of IRR	81.61%
Net present value (NPV)	\$442,467
Cash on cash return	?????%
Cash positive by year	13
Cash neutral investment	\$233,400

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$859,000	\$-40,111			\$0		\$0
1yr	\$910,540	\$11,429	\$63,163	\$118,476	\$-32,350	\$21,414	\$-10,936
2yr	\$965,172	\$66,061	\$69,533	\$116,453	\$-26,998	\$19,204	\$-7,794
3yr	\$1.023m	\$123,971	\$76,340	\$114,212	\$-21,239	\$16,800	\$-4,439
4yr	\$1.084m	\$185,356	\$78,630	\$113,709	\$-20,029	\$16,380	\$-3,649
5yr	\$1.150m	\$250,424	\$79,935	\$114,885	\$-19,836	\$16,487	\$-3,349
6yr	\$1.219m	\$319,396	\$82,333	\$111,882	\$-18,583	\$14,281	\$-4,302
7yr	\$1.292m	\$392,507	\$84,803	\$112,793	\$-17,293	\$13,575	\$-3,718
8yr	\$1.369m	\$470,004	\$87,347	\$113,822	\$-15,964	\$12,841	\$-3,123
9yr	\$1.451m	\$552,151	\$89,968	\$114,940	\$-14,595	\$12,112	\$-2,483
10yr	\$1.538m	\$639,227	\$92,667	\$118,554	\$-13,186	\$12,555	\$-631
11yr	\$1.631m	\$731,527	\$95,447	\$117,383	\$-11,734	\$10,639	\$-1,095
12yr	\$1.728m	\$829,365	\$98,310	\$118,691	\$-10,238	\$9,885	\$-353
13yr	\$1.832m	\$933,074	\$101,259	\$120,052	\$-8,697	\$9,114	\$417
14yr	\$1.942m	\$1.043m	\$104,297	\$121,463	\$-7,111	\$8,325	\$1,214
15yr	\$2.059m	\$1.160m	\$107,426	\$122,924	\$-5,476	\$7,517	\$2,041
16yr	\$2.182m	\$1.283m	\$110,649	\$124,434	\$-3,793	\$6,685	\$2,892
17yr	\$2.313m	\$1.414m	\$113,968	\$125,994	\$-2,059	\$5,832	\$3,773
18yr	\$2.452m	\$1.553m	\$117,387	\$127,604	\$-273	\$4,956	\$4,683
19yr	\$2.599m	\$1.700m	\$120,909	\$129,267	\$1,566	\$4,054	\$5,620
20yr	\$2.755m	\$1.856m	\$124,536	\$130,981	\$3,461	\$3,126	\$6,587

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	1.150m	1.538m	2.059m	2.755m
Loan (\$)	899,111	899,111	899,111	899,111
EQUITY (\$)	250,424	639,227	1.160m	1.856m
Approximate costs if sold...				
Capital Gains Tax (\$)	69,328	173,186	305,869	479,096
Solicitor's fees (\$)	1,150	1,538	2,059	2,755
Sales commission (\$)	25,290	33,843	45,290	60,608
Vendor duty on sale	25,865	34,613	46,319	46,319
EQUITY (after sale) (\$)	128,792	396,047	759,994	1.251m

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:	63,163	0	63,163
Total income:	148,163	0	148,163
Rental deductions:	118,476	0	118,476
New taxable income:	29,687	0	29,687
Present tax:	26,937	0	26,937
New tax:	5,523	0	5,523
Tax saving:	21,414	0	21,414

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 \$-6,250. 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 (\$):	63,163
Total income (\$):	148,163

Expenses

New tax (investor) (\$):	5,523
New tax (partner) (\$):	0
Rental expenses (\$):	33,924
Investment loan expenses(\$):	61,589
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	154,413
Net surplus (first year of investment) (\$):	-6,250
Total initial outlay required (\$):	0