



FASA-Newcastle

PROPERTY INVESTMENT ANALYSIS

22-Jul-2005

Prepared for:
 Consultant: Hamish Ferguson
 Property: Unit 808
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$379,000	Property value	\$678,731
Initial investment	\$37,900	Equity	\$321,286
Gross rental yield	7.95%	After-tax return /yr	32.04%
Net rental yield	3.12%	Net present value	\$259,150
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$114,381
Interest rate	6.85%	Equity	\$206,905
Taxable income	\$85,000	After-tax return /yr	28.05%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$379,000	401,740	425,844	451,395	507,187	678,731
Purchase costs	\$14,045					
Investments	\$37,900					
Loan amount	\$357,445	357,445	357,445	357,445	357,445	357,445
Equity	\$21,555	44,295	68,400	93,950	149,743	321,286
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	\$30,113	30,113	35,989	40,734	45,078	52,258
Cash deductions						
Interest (I/O)	6.85%	24,485	24,485	24,485	24,485	24,485
Rental expenses	60.68%	18,272	18,821	19,385	20,566	23,841
Pre-tax cash flow	-\$37,900	-12,644	-7,317	-3,136	27	3,931
Non-cash deductions						
Deprec.of building	2.50%	6,000	6,000	6,000	6,000	6,000
Deprec.of fittings	\$51,829	7,838	5,879	3,832	2,452	1,565
Loan costs	\$2,300	460	460	460	460	
Total deductions		57,055	55,644	54,162	53,963	55,891
Tax credit (single)	\$85,000	12,470	9,428	6,513	4,309	1,762
After-tax cash flow	-\$37,900	-174	2,111	3,377	4,336	5,693
Rate of return (IRR)	32.04%	Your cost /(income) per week				
Pre-tax equivalent	62.21%	3	(41)	(65)	(83)	(109)

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 (\$):	379,000
Total book value (\$):	379,000
Property market value (\$):	379,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	12,545
Total Purchase costs (\$):	14,045

LOAN COSTS

Establishment fees (0.14% of loan):	500
Mortgagee stamp duty (0.40% of loan):	1,430
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	2,300

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	37,900	341,100	379,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	14,045	14,045
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	2,300	2,300
Totals (\$):	37,900	357,445	395,345

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	357,445
Loan costs (written off over 5 yrs):	2,300
Monthly payment (\$):	2,040
Annual payment (\$):	24,485

RENT

Rent per week (\$):	579
Potential annual rent (\$):	30,113
Vacancy rate (%):	0.00
Annual rent (\$):	30,113

CASH DEDUCTIONS

Loan interest (\$):		24,485
Rental expenses		
Regular Expenses:		
Agent's commission (12.50%):	3,764	
Sinking Fund:	532	
Rates:	998	
Insurance:	390	
Maintenance:	198	
Body corporate:	2,664	
Electricity:	800	
Cleaning:	5,660	
Advertising:	1,506	
Other expenses:	1,760	
Special expenses:	0	
Total expenses (\$):		18,272
Regular expenses as % of annual rent:		60.68%
Net yield or Capitalisation rate:		3.12%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		30,113	35,989	40,734	45,078	52,258
Cash invested	37,900	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		24,485	24,485	24,485	24,485	24,485
Expenses		18,272	18,821	19,385	20,566	23,841
Pre-tax cash	-37,900	-12,644	-7,317	-3,136	27	3,931

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

Property value (\$):	379,000
Construction cost (\$):	240,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	6,000

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	2,300
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	24,485	24,485	24,485	24,485	24,485
Expenses	18,272	18,821	19,385	20,566	23,841
Deprec.-building	6,000	6,000	6,000	6,000	6,000
Deprec.-fittings	7,838	5,879	3,832	2,452	1,565
Loan costs	460	460	460	460	0
Total deductions	57,055	55,644	54,162	53,963	55,891

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2005	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-37,900	-12,644	-7,317	-3,136	27	3,931
Tax credits		12,470	9,428	6,513	4,309	1,762
After-tax cash	-37,900	-174	2,111	3,377	4,336	5,693
Cost /(income) per week		3	-41	-65	-83	-109

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	32.04%
Pre-tax equivalent of IRR	62.21%
Net present value (NPV)	\$259,150
Cash on cash return	-0.46%
Cash positive by year	2
Cash neutral investment	\$42,427

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$379,000	\$21,555			\$-37,900		\$-37,900
1yr	\$401,740	\$44,295	\$30,113	\$57,055	\$-12,644	\$12,470	\$-174
2yr	\$425,844	\$68,400	\$35,989	\$55,644	\$-7,317	\$9,428	\$2,111
3yr	\$451,395	\$93,950	\$40,734	\$54,162	\$-3,136	\$6,513	\$3,377
4yr	\$478,479	\$121,034	\$93,048	\$55,319	\$48,596	\$-18,298	\$30,298
5yr	\$507,187	\$149,743	\$45,078	\$53,963	\$27	\$4,309	\$4,336
6yr	\$537,619	\$180,174	\$46,430	\$52,883	\$763	\$3,130	\$3,893
7yr	\$569,876	\$212,431	\$47,823	\$53,250	\$1,520	\$2,632	\$4,152
8yr	\$604,068	\$246,624	\$49,258	\$53,718	\$2,300	\$2,164	\$4,464
9yr	\$640,313	\$282,868	\$50,736	\$54,259	\$3,104	\$1,709	\$4,813
10yr	\$678,731	\$321,286	\$52,258	\$55,891	\$3,931	\$1,762	\$5,693
11yr	\$719,455	\$362,010	\$53,825	\$55,494	\$4,784	\$809	\$5,593
12yr	\$762,622	\$405,178	\$55,440	\$56,172	\$5,662	\$355	\$6,017
13yr	\$808,380	\$450,935	\$57,103	\$56,882	\$6,566	\$-107	\$6,459
14yr	\$856,883	\$499,438	\$58,817	\$57,624	\$7,498	\$-579	\$6,919
15yr	\$908,296	\$550,851	\$60,581	\$58,395	\$8,458	\$-1,060	\$7,398
16yr	\$962,793	\$605,349	\$62,398	\$59,195	\$9,446	\$-1,554	\$7,892
17yr	\$1.021m	\$663,116	\$64,270	\$60,023	\$10,464	\$-2,060	\$8,404
18yr	\$1.082m	\$724,350	\$66,199	\$60,880	\$11,512	\$-2,579	\$8,933
19yr	\$1.147m	\$789,257	\$68,185	\$61,767	\$12,592	\$-3,113	\$9,479
20yr	\$1.216m	\$858,060	\$70,230	\$62,682	\$13,704	\$-3,661	\$10,043

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	507,187	678,731	908,296	1.216m
Loan (\$)	357,445	357,445	357,445	357,445
EQUITY (\$)	149,743	321,286	550,851	858,060
Approximate costs if sold...				
Capital Gains Tax (\$)	35,277	83,499	144,339	222,961
Solicitor's fees (\$)	507	679	908	1,216
Sales commission (\$)	11,158	14,932	19,983	26,741
Vendor duty on sale	11,412	15,271	20,437	20,437
EQUITY (after sale) (\$)	91,388	206,905	365,184	579,793

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:	30,113	0	30,113
Total income:	115,113	0	115,113
Rental deductions:	57,055	0	57,055
New taxable income:	58,058	0	58,058
Present tax:	26,937	0	26,937
New tax:	14,467	0	14,467
Tax saving:	12,470	0	12,470

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 \$4,512. Total initial outlay would be \$37,900.

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 (\$):	30,113
Total income (\$):	115,113

Expenses

New tax (investor) (\$):	14,467
New tax (partner) (\$):	0
Rental expenses (\$):	18,272
Investment loan expenses(\$):	24,485
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	110,601
Net surplus (first year of investment) (\$):	4,512
Total initial outlay required (\$):	37,900



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22-Jul-2005

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 Property: Unit 808
 Description:

SUMMARY

Assumptions		Projected results over	10 yrs
Property value	\$379,000	Property value	\$678,731
Initial investment	\$0	Equity	\$283,234
Gross rental yield	7.95%	After-tax return /yr	177.77%
Net rental yield	3.12%	Net present value	\$256,203
Cap. growth rate	6.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$114,381
Interest rate	6.85%	Equity	\$168,853
Taxable income	\$85,000	After-tax return /yr	177.43%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2005	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$379,000	401,740	425,844	451,395	507,187	678,731
Purchase costs	\$14,045					
Investments	\$0					
Loan amount	\$395,497	395,497	395,497	395,497	395,497	395,497
Equity	-\$16,497	6,243	30,347	55,898	111,691	283,234
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	\$30,113	30,113	35,989	40,734	45,078	52,258
Cash deductions						
Interest (I/O)	6.85%	27,092	27,092	27,092	27,092	27,092
Rental expenses	60.68%	18,272	18,821	19,385	20,566	23,841
Pre-tax cash flow	\$0	-15,251	-9,923	-5,743	-2,579	1,325
Non-cash deductions						
Deprec.of building	2.50%	6,000	6,000	6,000	6,000	6,000
Deprec.of fittings	\$51,829	7,838	5,879	3,832	2,452	1,565
Loan costs	\$2,452	490	490	490	490	
Total deductions		59,692	58,281	56,799	56,600	58,498
Tax credit (single)	\$85,000	13,307	10,575	7,792	5,588	3,026
After-tax cash flow	\$0	-1,944	652	2,049	3,009	4,351
Rate of return (IRR)	177.77%	Your cost /(income) per week				
Pre-tax equivalent	345.18%	37	(13)	(39)	(58)	(84)

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Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price (\$):	379,000
Total book value (\$):	379,000
Property market value (\$):	379,000

PURCHASE COSTS

Conveyancing costs (\$):	1,500
Govt. Stamp duty (\$):	12,545
Total Purchase costs (\$):	14,045

LOAN COSTS

Establishment fees (0.13% of loan):	500
Mortgagee stamp duty (0.40% of loan):	1,582
Registration of mortgage (\$):	150
Registration of title (\$):	75
Search fees (\$):	145
Total loan costs (\$):	2,452

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs (\$):	0	379,000	379,000
Renovation costs (\$):	0	0	0
Purchase costs (\$):	0	14,045	14,045
Furniture costs (\$):	0	0	0
Loan costs (\$):	0	2,452	2,452
Totals (\$):	0	395,497	395,497

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.85
Loan (\$):	395,497
Loan costs (written off over 5 yrs):	2,452
Monthly payment (\$):	2,258
Annual payment (\$):	27,092

RENT

Rent per week (\$):	579
Potential annual rent (\$):	30,113
Vacancy rate (%):	0.00
Annual rent (\$):	30,113

CASH DEDUCTIONS

Loan interest (\$):	27,092
Rental expenses	
Regular Expenses:	
Agent's commission (12.50%):	3,764
Sinking Fund:	532
Rates:	998
Insurance:	390
Maintenance:	198
Body corporate:	2,664
Electricity:	800
Cleaning:	5,660
Advertising:	1,506
Other expenses:	1,760
Special expenses:	0
Total expenses (\$):	18,272
Regular expenses as % of annual rent:	60.68%
Net yield or Capitalisation rate:	3.12%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		30,113	35,989	40,734	45,078	52,258
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		27,092	27,092	27,092	27,092	27,092
Expenses		18,272	18,821	19,385	20,566	23,841
Pre-tax cash	0	-15,251	-9,923	-5,743	-2,579	1,325

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

Property value (\$):	379,000
Construction cost (\$):	240,000
Depreciation allowance rate (%):	2.50
Depreciation allowance (\$):	6,000

Depreciation of fittings (annual claim)

Loan costs (written off over 5 yrs):	2,452
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	27,092	27,092	27,092	27,092	27,092
Expenses	18,272	18,821	19,385	20,566	23,841
Deprec.-building	6,000	6,000	6,000	6,000	6,000
Deprec.-fittings	7,838	5,879	3,832	2,452	1,565
Loan costs	490	490	490	490	0
Total deductions	59,692	58,281	56,799	56,600	58,498

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	-15,251	-9,923	-5,743	-2,579	1,325
Tax credits		13,307	10,575	7,792	5,588	3,026
After-tax cash	0	-1,944	652	2,049	3,009	4,351
Cost /(income) per week		37	-13	-39	-58	-84

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	177.77%
Pre-tax equivalent of IRR	345.18%
Net present value (NPV)	\$256,203
Cash on cash return	??????%
Cash positive by year	2
Cash neutral investment	\$42,427

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$379,000	\$-16,497			\$0		\$0
1yr	\$401,740	\$6,243	\$30,113	\$59,692	\$-15,251	\$13,307	\$-1,944
2yr	\$425,844	\$30,347	\$35,989	\$58,281	\$-9,923	\$10,575	\$652
3yr	\$451,395	\$55,898	\$40,734	\$56,799	\$-5,743	\$7,792	\$2,049
4yr	\$478,479	\$82,982	\$93,048	\$57,956	\$45,990	\$-17,020	\$28,970
5yr	\$507,187	\$111,691	\$45,078	\$56,600	\$-2,579	\$5,588	\$3,009
6yr	\$537,619	\$142,122	\$46,430	\$55,490	\$-1,844	\$4,394	\$2,550
7yr	\$569,876	\$174,379	\$47,823	\$55,857	\$-1,086	\$3,896	\$2,810
8yr	\$604,068	\$208,571	\$49,258	\$56,324	\$-306	\$3,428	\$3,122
9yr	\$640,313	\$244,816	\$50,736	\$56,865	\$497	\$2,973	\$3,470
10yr	\$678,731	\$283,234	\$52,258	\$58,498	\$1,325	\$3,026	\$4,351
11yr	\$719,455	\$323,958	\$53,825	\$58,101	\$2,177	\$2,074	\$4,251
12yr	\$762,622	\$367,125	\$55,440	\$58,778	\$3,055	\$1,619	\$4,674
13yr	\$808,380	\$412,883	\$57,103	\$59,489	\$3,960	\$1,157	\$5,117
14yr	\$856,883	\$461,386	\$58,817	\$60,230	\$4,891	\$685	\$5,576
15yr	\$908,296	\$512,799	\$60,581	\$61,001	\$5,851	\$204	\$6,055
16yr	\$962,793	\$567,296	\$62,398	\$61,801	\$6,839	\$-290	\$6,549
17yr	\$1.021m	\$625,064	\$64,270	\$62,630	\$7,857	\$-796	\$7,061
18yr	\$1.082m	\$686,298	\$66,199	\$63,487	\$8,906	\$-1,315	\$7,591
19yr	\$1.147m	\$751,205	\$68,185	\$64,373	\$9,985	\$-1,848	\$8,137
20yr	\$1.216m	\$820,007	\$70,230	\$65,289	\$11,098	\$-2,397	\$8,701

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value (\$)	507,187	678,731	908,296	1.216m
Loan (\$)	395,497	395,497	395,497	395,497
EQUITY (\$)	111,691	283,234	512,799	820,007
Approximate costs if sold...				
Capital Gains Tax (\$)	35,277	83,499	144,339	222,961
Solicitor's fees (\$)	507	679	908	1,216
Sales commission (\$)	11,158	14,932	19,983	26,741
Vendor duty on sale	11,412	15,271	20,437	20,437
EQUITY (after sale) (\$)	53,336	168,853	327,132	541,741

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:	30,113	0	30,113
Total income:	115,113	0	115,113
Rental deductions:	59,692	0	59,692
New taxable income:	55,421	0	55,421
Present tax:	26,937	0	26,937
New tax:	13,630	0	13,630
Tax saving:	13,307	0	13,307

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 \$2,743. 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 (\$):	30,113
Total income (\$):	115,113

Expenses

New tax (investor) (\$):	13,630
New tax (partner) (\$):	0
Rental expenses (\$):	18,272
Investment loan expenses(\$):	27,092
Home loan payments (\$):	24,426
Living expenses (\$):	28,950
Total expenses (\$):	112,370
Net surplus (first year of investment) (\$):	2,743
Total initial outlay required (\$):	0