


Port Finance Group - Melbourne

PROPERTY INVESTMENT ANALYSIS

01-Apr-2016

Prepared for: Example
 Consultant: Contact Andrew Baker 03 9006 4700
 Property: 202 Brunswick
 Description: 1 Bedroom

SUMMARY

	Assumptions		Projected results over	10 yrs
	Property value	\$379,000	Property value	\$379,000
	Investment	\$0	Equity	-\$5,675
	Gross yield	4.84%	After-tax return /yr	?????%
	Net yield	3.22%	Net present value	-\$7,570
	Growth rate	0.00%	IF SOLD	
	Inflation rate	2.00%	Selling costs & CGT	\$24,334
	Interest rate	4.90%	Equity	-\$30,009
	Taxable income	\$85,000	After-tax return /yr	?????%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2016	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$379,000	379,000	379,000	379,000	379,000	379,000
Purchase costs	\$3,410					
Investments	\$0					
Loan amount	\$384,675	384,675	384,675	384,675	384,675	384,675
Equity	-\$5,675	-5,675	-5,675	-5,675	-5,675	-5,675
Capital growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Inflation rate (CPI)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gross rent /week	\$360	18,346	18,713	19,087	19,858	21,925
Cash deductions						
Interest (I/O)	4.90%	18,849	18,849	18,849	18,849	18,849
Rental expenses	32.75%	6,131	6,253	6,378	6,636	7,327
Pre-tax cash flow	\$0	-6,634	-6,390	-6,141	-5,627	-4,251
Non-cash deductions						
Deprec.of building	2.50%	5,875	5,875	5,875	5,875	5,875
Deprec.of fittings	\$26,000	5,000	4,500	4,000	2,500	500
Loan costs	\$2,265	453	453	453	453	
Total deductions		36,308	35,930	35,555	34,313	32,551
Tax credit (single)	\$85,000	6,116	5,979	5,860	5,467	4,152
After-tax cash flow	\$0	-518	-411	-281	-160	-99
Rate of return (IRR)	?????	Your cost /(income) per week				
Pre-tax equivalent	?????	10	8	5	3	2

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 Port Finance Group - Melbourne. The figures shown are estimates only. Pace Development Group nor its employees, representatives or subsidiaries accept any liability for any misinformation. Prospective purchasers should make their own investigations through their own independent financial advisors. The figures are computer projections provided by Pace Development Group by a third party finance group and simply illustrate the potential outcome calculated from input values and assumptions contained in the model. All figures can be varied as required and are in no way intended to be a guarantee of each item cost or 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 Pace Development Group, its servants, employees or consultants. .

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 0.00% 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:	1,910
Total Purchase costs:	\$3,410

LOAN COSTS

Establishment fees (0.05% of loan):	200
Valuation fees:	300
Registration of mortgage:	228
Registration of title:	1,362
Search fees:	175
Total loan costs:	\$2,265

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	0	379,000	379,000
Renovation costs:	0	0	0
Purchase costs:	0	3,410	3,410
Furniture costs:	0	0	0
Loan costs:	0	2,265	2,265
Totals:	\$0	\$384,675	\$384,675

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	4.90
Loan:	\$384,675
Loan costs (written off over 5 yrs):	\$2,265
Monthly payment:	\$1,571
Annual payment:	\$18,849

RENT

Rent per week:	360
Potential annual rent:	18,720
Vacancy rate (%):	2.00
Annual rent:	\$18,346

CASH DEDUCTIONS

Loan interest:	\$18,849
Rental expenses	
Regular Expenses:	
Agent's commission (6.00%):	1,101
Letting fees:	360
Rates:	1,000
Insurance:	400
Maintenance:	500
Body corporate:	1,780
Other expenses:	990
Special expenses:	0
Total expenses:	\$6,131
Regular expenses as % of annual rent:	32.75%
Net yield or Capitalisation rate:	3.22%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		18,346	18,713	19,087	19,858	21,925
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		18,849	18,849	18,849	18,849	18,849
Expenses		6,131	6,253	6,378	6,636	7,327
Pre-tax cash	\$0	\$-6,634	\$-6,390	\$-6,141	\$-5,627	\$-4,251

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

Property value:	\$379,000
Construction cost:	\$235,000
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$5,875

Depreciation of fittings (annual claim)

Total value	\$26,000
Depreciation claim in first year	\$5,000

Loan costs (written off over 5 yrs):	\$2,265
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	18,849	18,849	18,849	18,849	18,849
Expenses	6,131	6,253	6,378	6,636	7,327
Deprec.-building	5,875	5,875	5,875	5,875	5,875
Deprec.-fittings	5,000	4,500	4,000	2,500	500
Loan costs	453	453	453	453	0
Total deductions	36,308	35,930	35,555	34,313	32,551

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2016	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	0	-6,634	-6,390	-6,141	-5,627	-4,251
Tax credits		6,116	5,979	5,860	5,467	4,152
After-tax cash	0	-518	-411	-281	-160	-99
Cost /(income) per week		10	8	5	3	2

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	?????%
Pre-tax equivalent of IRR	?????%
Internal rate of return (if sold)	?????%
Net present value (NPV)	\$-7,570
Cash on cash return	?????%
Cash positive by year	11
Cash neutral investment	\$16,106

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$379,000	\$-5,675			\$0		\$0
1yr	\$379,000	\$-5,675	\$18,346	\$36,308	\$-6,634	\$6,116	\$-518
2yr	\$379,000	\$-5,675	\$18,713	\$35,930	\$-6,390	\$5,979	\$-411
3yr	\$379,000	\$-5,675	\$19,087	\$35,555	\$-6,141	\$5,860	\$-281
4yr	\$379,000	\$-5,675	\$19,468	\$34,933	\$-5,887	\$5,663	\$-224
5yr	\$379,000	\$-5,675	\$19,858	\$34,313	\$-5,627	\$5,467	\$-160
6yr	\$379,000	\$-5,675	\$20,255	\$32,833	\$-5,363	\$4,905	\$-458
7yr	\$379,000	\$-5,675	\$20,660	\$32,655	\$-5,093	\$4,678	\$-415
8yr	\$379,000	\$-5,675	\$21,073	\$32,572	\$-4,818	\$4,485	\$-333
9yr	\$379,000	\$-5,675	\$21,495	\$32,553	\$-4,537	\$4,313	\$-224
10yr	\$379,000	\$-5,675	\$21,925	\$32,551	\$-4,251	\$4,152	\$-99
11yr	\$379,000	\$-5,675	\$22,363	\$32,633	\$-3,959	\$4,024	\$65
12yr	\$379,000	\$-5,675	\$22,810	\$32,712	\$-3,661	\$3,890	\$229
13yr	\$379,000	\$-5,675	\$23,267	\$32,807	\$-3,358	\$3,760	\$402
14yr	\$379,000	\$-5,675	\$23,732	\$32,917	\$-3,048	\$3,628	\$580
15yr	\$379,000	\$-5,675	\$24,207	\$34,440	\$-2,732	\$4,042	\$1,310
16yr	\$379,000	\$-5,675	\$24,691	\$32,980	\$-2,409	\$3,275	\$866
17yr	\$379,000	\$-5,675	\$25,185	\$33,143	\$-2,081	\$3,143	\$1,062
18yr	\$379,000	\$-5,675	\$25,688	\$33,311	\$-1,745	\$3,011	\$1,266
19yr	\$379,000	\$-5,675	\$26,202	\$33,482	\$-1,403	\$2,875	\$1,472
20yr	\$379,000	\$-5,675	\$26,726	\$33,656	\$-1,054	\$2,737	\$1,683

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	379,000	379,000	379,000	379,000
Loan	384,675	384,675	384,675	384,675
EQUITY	\$-5,675	\$-5,675	\$-5,675	\$-5,675
Internal rate of return	??????%	??????%	??????%	??????%
Approximate costs if sold...				
Capital Gains Tax	6,509	13,375	19,813	25,758
Solicitor's fees	1,895	1,895	1,895	1,895
Sales commission	9,064	9,064	9,064	9,064
EQUITY (after sale)	\$-23,143	\$-30,009	\$-36,447	\$-42,392
Internal rate of return (if sold)	??????%	??????%	??????%	??????%

TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

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:	18,346	0	18,346
Total income:	103,346	0	103,346
Rental deductions:	36,308	0	36,308
New taxable income:	67,038	0	67,038
Present tax:	20,850	0	20,850
New tax:	14,734	0	14,734
Tax saving:	\$6,116	\$0	\$6,116

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 \$-2,883. Total initial outlay would be \$0.

Number of Properties: 1		Registered: single name
Ownership:	Investor (100.00%)	Partner (0.00%)

Income**Present net income**

Current assessable income (investor):	85,000
Current assessable income (partner):	0
Total net income:	85,000
New rental income:	18,346
Total income:	\$103,346

Expenses

New tax (investor):	14,734
New tax (partner):	0
Rental expenses:	6,131
Investment loan expenses:	18,849
Home loan payments:	35,565
Living expenses:	30,950
Total expenses:	\$106,229

Net surplus (first year of investment):	\$-2,883
Total initial outlay required:	\$0