


**Port Finance Group - Melbourne**

**PROPERTY INVESTMENT ANALYSIS**

01-Apr-2016

Prepared for: Example  
 Consultant: Contact Andrew Baker 03 9006 4700  
 Property: 117 Brunswick  
 Description: 2 Bedroom

**SUMMARY**

	<b>Assumptions</b>		<b>Projected results over</b>	<b>10 yrs</b>
	Property value	\$489,000	Property value	\$489,000
	Investment	\$0	Equity	<b>-\$6,705</b>
	Gross yield	5.11%	After-tax return /yr	?????%
	Net yield	3.37%	Net present value	<b>-\$8,203</b>
	Growth rate	0.00%	<b>IF SOLD</b>	
	Inflation rate	2.00%	Selling costs & CGT	\$30,324
	Interest rate	5.00%	Equity	<b>-\$37,029</b>
	Taxable income	\$90,000	After-tax return /yr	?????%

**COMPUTER PROJECTIONS**

Investment Analysis	Projections over 10 years					
	2016	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$489,000	489,000	489,000	489,000	489,000	489,000
Purchase costs	\$4,540					
Investments	\$0					
Loan amount	\$495,705	495,705	495,705	495,705	495,705	495,705
Equity	<b>-\$6,705</b>	<b>-6,705</b>	<b>-6,705</b>	<b>-6,705</b>	<b>-6,705</b>	<b>-6,705</b>
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	\$490	24,970	25,470	25,979	27,029	29,842
Cash deductions						
Interest (I/O)	5.00%	24,785	24,785	24,785	24,785	24,785
Rental expenses	33.35%	8,498	8,668	8,842	9,199	10,156
Pre-tax cash flow	\$0	<b>-8,313</b>	<b>-7,984</b>	<b>-7,648</b>	<b>-6,955</b>	<b>-5,099</b>
Non-cash deductions						
Deprec.of building	2.50%	7,375	7,375	7,375	7,375	7,375
Deprec.of fittings	\$28,500	6,000	5,500	4,500	3,500	500
Loan costs	\$2,165	433	433	433	433	
Total deductions		47,091	46,761	45,935	45,292	42,816
Tax credit (single)	\$90,000	7,779	7,639	7,340	7,063	5,098
After-tax cash flow	\$0	<b>-534</b>	<b>-345</b>	<b>-308</b>	108	<b>-1</b>
Rate of return (IRR)	?????	Your cost /(income) per week				
Pre-tax equivalent	?????	10	7	6	(2)	0

*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:	489,000
Total book value:	489,000
<b>Property market value:</b>	<b>\$489,000</b>

#### PURCHASE COSTS

Conveyancing costs:	2,630
Govt. Stamp duty:	1,910
<b>Total Purchase costs:</b>	<b>\$4,540</b>

#### LOAN COSTS

Establishment fees (0.04% of loan):	200
Valuation fees:	200
Registration of mortgage:	228
Registration of title:	1,362
Search fees:	175
<b>Total loan costs:</b>	<b>\$2,165</b>

#### CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	0	489,000	489,000
Renovation costs:	0	0	0
Purchase costs:	0	4,540	4,540
Furniture costs:	0	0	0
Loan costs:	0	2,165	2,165
<b>Totals:</b>	<b>\$0</b>	<b>\$495,705</b>	<b>\$495,705</b>

#### LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	5.00
Loan:	\$495,705
Loan costs (written off over 5 yrs):	\$2,165
Monthly payment:	\$2,065
<b>Annual payment:</b>	<b>\$24,785</b>

#### RENT

Rent per week:	490
Potential annual rent:	25,480
Vacancy rate (%):	2.00
<b>Annual rent:</b>	<b>\$24,970</b>

#### CASH DEDUCTIONS

<b>Loan interest:</b>	<b>\$24,785</b>
<b>Rental expenses</b>	
Regular Expenses:	
Agent's commission (6.00%):	1,498
Letting fees:	490
Rates:	1,300
Insurance:	650
Maintenance:	600
Body corporate:	2,970
Other expenses:	990
Special expenses:	0
<b>Total expenses:</b>	<b>\$8,498</b>
Regular expenses as % of annual rent:	33.35%
Net yield or Capitalisation rate:	3.37%

**PRE-TAX CASH FLOW**

<b>Year</b>	<b>Initial</b>	<b>1yr</b>	<b>2yr</b>	<b>3yr</b>	<b>5yr</b>	<b>10yr</b>
Rent		24,970	25,470	25,979	27,029	29,842
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		24,785	24,785	24,785	24,785	24,785
Expenses		8,498	8,668	8,842	9,199	10,156
<b>Pre-tax cash</b>	<b>\$0</b>	<b>\$-8,313</b>	<b>\$-7,984</b>	<b>\$-7,648</b>	<b>\$-6,955</b>	<b>\$-5,099</b>

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

Property value:	\$489,000
Construction cost:	\$295,000
Depreciation allowance rate (%):	2.50
<b>Depreciation allowance:</b>	<b>\$7,375</b>

**Depreciation of fittings (annual claim)**

Total value	\$28,500
<b>Depreciation claim in first year</b>	<b>\$6,000</b>

<b>Loan costs (written off over 5 yrs):</b>	<b>\$2,165</b>
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**TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)**

<b>Year</b>	<b>1yr</b>	<b>2yr</b>	<b>3yr</b>	<b>5yr</b>	<b>10yr</b>
Interest	24,785	24,785	24,785	24,785	24,785
Expenses	8,498	8,668	8,842	9,199	10,156
Deprec.-building	7,375	7,375	7,375	7,375	7,375
Deprec.-fittings	6,000	5,500	4,500	3,500	500
Loan costs	433	433	433	433	0
<b>Total deductions</b>	<b>47,091</b>	<b>46,761</b>	<b>45,935</b>	<b>45,292</b>	<b>42,816</b>

**TAX CREDITS & AFTER-TAX CASH FLOW**

(Refunds credited in same year as deductions incurred)

<b>Year</b>	<b>2016</b>	<b>1yr</b>	<b>2yr</b>	<b>3yr</b>	<b>5yr</b>	<b>10yr</b>
Pre-tax cash	0	-8,313	-7,984	-7,648	-6,955	-5,099
Tax credits		7,779	7,639	7,340	7,063	5,098
After-tax cash	0	-534	-345	-308	108	-1
<b>Cost /(income) per week</b>		<b>10</b>	<b>7</b>	<b>6</b>	<b>(2)</b>	<b>0</b>

**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)	<b>\$-8,203</b>
Cash on cash return	?????%
Cash positive by year	5
Cash neutral investment	\$15,722

## PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$489,000	\$-6,705			\$0		\$0
1yr	\$489,000	\$-6,705	\$24,970	\$47,091	\$-8,313	\$7,779	\$-534
2yr	\$489,000	\$-6,705	\$25,470	\$46,761	\$-7,984	\$7,639	\$-345
3yr	\$489,000	\$-6,705	\$25,979	\$45,935	\$-7,648	\$7,340	\$-308
4yr	\$489,000	\$-6,705	\$26,499	\$45,862	\$-7,305	\$7,281	\$-24
5yr	\$489,000	\$-6,705	\$27,029	\$45,292	\$-6,955	\$7,063	\$108
6yr	\$489,000	\$-6,705	\$27,569	\$42,813	\$-6,599	\$5,945	\$-654
7yr	\$489,000	\$-6,705	\$28,121	\$42,703	\$-6,235	\$5,694	\$-541
8yr	\$489,000	\$-6,705	\$28,683	\$42,685	\$-5,864	\$5,478	\$-386
9yr	\$489,000	\$-6,705	\$29,257	\$42,729	\$-5,485	\$5,281	\$-204
10yr	\$489,000	\$-6,705	\$29,842	\$42,816	\$-5,099	\$5,098	\$-1
11yr	\$489,000	\$-6,705	\$30,439	\$42,932	\$-4,706	\$4,921	\$215
12yr	\$489,000	\$-6,705	\$31,048	\$43,072	\$-4,304	\$4,749	\$445
13yr	\$489,000	\$-6,705	\$31,669	\$43,230	\$-3,895	\$4,567	\$672
14yr	\$489,000	\$-6,705	\$32,302	\$43,402	\$-3,477	\$4,385	\$908
15yr	\$489,000	\$-6,705	\$32,948	\$44,915	\$-3,051	\$4,726	\$1,675
16yr	\$489,000	\$-6,705	\$33,607	\$43,603	\$-2,616	\$3,949	\$1,333
17yr	\$489,000	\$-6,705	\$34,279	\$43,829	\$-2,172	\$3,773	\$1,601
18yr	\$489,000	\$-6,705	\$34,965	\$44,062	\$-1,720	\$3,594	\$1,874
19yr	\$489,000	\$-6,705	\$35,664	\$44,299	\$-1,259	\$3,411	\$2,152
20yr	\$489,000	\$-6,705	\$36,377	\$44,541	\$-788	\$3,225	\$2,437

## EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	489,000	489,000	489,000	489,000
Loan	495,705	495,705	495,705	495,705
<b>EQUITY</b>	<b>\$-6,705</b>	<b>\$-6,705</b>	<b>\$-6,705</b>	<b>\$-6,705</b>
Internal rate of return	??????%	??????%	??????%	??????%
<b>Approximate costs if sold...</b>				
Capital Gains Tax	8,162	16,395	24,265	33,377
Solicitor's fees	2,445	2,445	2,445	2,445
Sales commission	11,484	11,484	11,484	11,484
<b>EQUITY (after sale)</b>	<b>\$-28,796</b>	<b>\$-37,029</b>	<b>\$-44,899</b>	<b>\$-54,011</b>
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

	<b>Investor</b>	<b>Partner</b>	<b>Total</b>
Ownership: single name	100.00%	0.00%	100%
Present taxable income:	90,000	0	90,000
Rental income:	24,970	0	24,970
Total income:	114,970	0	114,970
Rental deductions:	47,091	0	47,091
New taxable income:	67,879	0	67,879
Present tax:	22,800	0	22,800
New tax:	15,021	0	15,021
<b>Tax saving:</b>	<b>\$7,779</b>	<b>\$0</b>	<b>\$7,779</b>

**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 \$150. 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):	90,000
Current assessable income (partner):	0
Total net income:	90,000
New rental income:	24,970
<b>Total income:</b>	<b>\$114,970</b>

**Expenses**

New tax (investor):	15,021
New tax (partner):	0
Rental expenses:	8,498
Investment loan expenses:	24,785
Home loan payments:	35,565
Living expenses:	30,950
<b>Total expenses:</b>	<b>\$114,820</b>

<b>Net surplus (first year of investment):</b>	<b>\$150</b>
Total initial outlay required:	\$0