

Real Estate Investment Services - Brisbane

PROPERTY INVESTMENT ANALYSIS

07-Mar-2018

Prepared for:
Consultant:
Property:
Description:

SUMMARY

Assumptions		Projected results over 10 yrs	
Property value	\$623,781	Property value	\$923,348
Initial investment	\$0	Equity	\$280,773
Gross rental yield	5.72%	After-tax return /yr	?????%
Net rental yield	4.37%	Net present value	\$271,379
Cap. growth rate	4.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$112,514
Interest rate	4.20%	Equity	\$168,259
Taxable income	\$75,000	After-tax return /yr	?????%

COMPUTER PROJECTIONS

Investment Analysis		Projections over 10 years				
End of year	2018	1yr	2yr	3yr	5yr	10yr
Property value	\$623,781	648,732	674,682	701,669	758,925	923,348
Purchase costs	\$11,500					
Investments	\$0					
Loan amount	\$642,575	642,575	642,575	642,575	642,575	642,575
Equity	\$-18,794	6,157	32,106	59,094	116,350	280,773
Capital growth rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /week	\$700	35,672	36,742	37,844	40,149	46,544
Cash deductions						
Interest (I/O)	4.20%	26,988	26,988	26,988	26,988	26,988
Rental expenses	23.06%	8,393	8,645	8,904	9,446	10,951
Pre-tax cash flow	\$0	291	1,109	1,952	3,715	8,605
Non-cash deductions						
Deprec.of building	2.50%	7,797	7,797	7,797	7,797	7,797
Deprec.of fittings	\$37,427	6,004	7,864	5,438	2,800	821
Loan costs	\$7,294	1,459	1,459	1,459	1,459	
Total deductions		50,641	52,753	50,586	48,490	46,557
Tax credit (single)	\$75,000	5,264	5,605	4,396	2,878	5
After-tax cash flow	\$0	5,555	6,714	6,348	6,593	8,610
Rate of return (IRR)	?????	Your cost /(income) per week				
Pre-tax equivalent	?????	(107)	(129)	(122)	(127)	(166)

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 Real Estate Investment Services - Brisbane, its servants, employees or consultants. This information is intended as general advice only and does not take account of individual needs or financial circumstances. Intending purchasers should do their own assessment or consult a licensed investment adviser. .

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 4.00% per year)

Property price:	623,781
Total book value:	623,781
Property market value:	\$623,781

PURCHASE COSTS

Conveyancing costs:	1,500
Govt. Stamp duty:	10,000
Total Purchase costs:	\$11,500

LOAN COSTS

Establishment fees (0.50% of loan):	3,213
Mortgage insurance (0.32% of loan):	2,056
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	350
Registration of title:	175
Search fees:	200
Total loan costs:	\$7,294

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	0	623,781	623,781
Renovation costs:	0	0	0
Purchase costs:	0	11,500	11,500
Furniture costs:	0	0	0
Loan costs:	0	7,294	7,294
Totals:	\$0	\$642,575	\$642,575

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	4.20
Loan:	\$642,575
Loan costs (written off over 5 yrs):	\$7,294
Monthly payment:	\$2,249
Annual payment:	\$26,988

RENT

Rent per week:	700
Potential annual rent:	36,400
Vacancy rate (%):	2.00
Annual rent:	\$35,672

CASH DEDUCTIONS

Loan interest:		\$26,988
Rental expenses		
Regular Expenses:		
Agent's commission (8.25%):	2,943	
Letting fees:	700	
Rates:	2,500	
Insurance:	1,250	
Maintenance:	1,000	
Special expenses:	0	
Total expenses:		\$8,393
Regular expenses as % of annual rent:		23.06%
Net yield or Capitalisation rate:		4.37%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		35,672	36,742	37,844	40,149	46,544
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		26,988	26,988	26,988	26,988	26,988
Expenses		8,393	8,645	8,904	9,446	10,951
Pre-tax cash	\$0	\$291	\$1,109	\$1,952	\$3,715	\$8,605

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)	
Property value:	\$623,781
Construction cost:	\$311,891
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$7,797

Depreciation of fittings (diminishing value method)			
Item	Value	Effective Life (yrs)	Depreciation
General fittings	18,713	15.00	2,495
Low-value pool	18,713	4.00	3,509
Total	\$37,427		\$6,004

Loan costs (written off over 5 yrs):	\$7,294
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	26,988	26,988	26,988	26,988	26,988
Expenses	8,393	8,645	8,904	9,446	10,951
Deprec.-building	7,797	7,797	7,797	7,797	7,797
Deprec.-fittings	6,004	7,864	5,438	2,800	821
Loan costs	1,459	1,459	1,459	1,459	0
Total deductions	50,641	52,753	50,586	48,490	46,557

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2018	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	0	291	1,109	1,952	3,715	8,605
Tax credits		5,264	5,605	4,396	2,878	5
After-tax cash	0	5,555	6,714	6,348	6,593	8,610
Cost /(income) per week		(107)	(129)	(122)	(127)	(166)

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)	\$271,379
Cash on cash return	?????%
Cash positive by year	1
Cash neutral investment	\$0

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$623,781	\$-18,794			\$0		\$0
1yr	\$648,732	\$6,157	\$35,672	\$50,641	\$291	\$5,264	\$5,555
2yr	\$674,682	\$32,106	\$36,742	\$52,753	\$1,109	\$5,605	\$6,714
3yr	\$701,669	\$59,094	\$37,844	\$50,586	\$1,952	\$4,396	\$6,348
4yr	\$729,736	\$87,160	\$38,980	\$49,267	\$2,820	\$3,549	\$6,369
5yr	\$758,925	\$116,350	\$40,149	\$48,490	\$3,715	\$2,878	\$6,593
6yr	\$789,282	\$146,707	\$41,354	\$46,605	\$4,636	\$1,812	\$6,448
7yr	\$820,853	\$178,278	\$42,594	\$46,408	\$5,584	\$1,431	\$7,015
8yr	\$853,687	\$211,112	\$43,872	\$46,364	\$6,562	\$972	\$7,534
9yr	\$887,835	\$245,260	\$45,188	\$46,424	\$7,568	\$482	\$8,050
10yr	\$923,348	\$280,773	\$46,544	\$46,557	\$8,605	\$5	\$8,610
11yr	\$960,282	\$317,707	\$47,940	\$46,744	\$9,673	\$-466	\$9,207
12yr	\$998,693	\$356,118	\$49,378	\$46,972	\$10,772	\$-939	\$9,833
13yr	\$1.039m	\$396,066	\$50,860	\$47,232	\$11,905	\$-1,415	\$10,490
14yr	\$1.080m	\$437,612	\$52,386	\$47,519	\$13,072	\$-1,898	\$11,174
15yr	\$1.123m	\$480,819	\$53,957	\$50,017	\$14,274	\$-1,536	\$12,738
16yr	\$1.168m	\$525,755	\$55,576	\$47,869	\$15,512	\$-3,005	\$12,507
17yr	\$1.215m	\$572,488	\$57,243	\$48,259	\$16,787	\$-3,504	\$13,283
18yr	\$1.264m	\$621,091	\$58,960	\$48,661	\$18,100	\$-4,017	\$14,083
19yr	\$1.314m	\$671,637	\$60,729	\$49,076	\$19,453	\$-4,545	\$14,908
20yr	\$1.367m	\$724,206	\$62,551	\$49,504	\$20,846	\$-5,089	\$15,757

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	758,925	923,348	1.123m	1.367m
Loan	642,575	642,575	642,575	642,575
EQUITY	\$116,350	\$280,773	\$480,819	\$724,206
Internal rate of return	??????%	??????%	??????%	??????%
Approximate costs if sold...				
Capital Gains Tax	31,377	82,010	142,079	212,045
Solicitor's fees	3,795	4,617	5,617	6,834
Sales commission	21,365	25,887	31,388	38,081
EQUITY (after sale)	\$59,813	\$168,259	\$301,735	\$467,246
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
Current taxable income:	75,000
Rental income:	35,672
Total income:	110,672
Rental deductions:	50,641
New taxable income:	60,031
Current tax (on 75,000):	17,422
New tax (on 60,031):	12,158
Tax saving:	5,264
Total tax credits:	\$5,264