


Queensland Property Investment Pty Ltd - Brisbane

PROPERTY INVESTMENT ANALYSIS

20-Apr-2010

Prepared for: Lot 20 Birdwood Sanctuary
 Consultant:
 Property: lot 20 hiltop drive Birdwood Sanctuary
 Description: 4 bedroom 2car

SUMMARY

	Assumptions		Projected results over	10 yrs
	Property value	\$419,000	Property value	\$904,590
	Investment	\$5,000	Equity	\$471,125
	Gross yield	5.17%	After-tax return /yr	37.14%
	Net yield	3.50%	Net present value	\$321,746
	Growth rate	8.00%	IF SOLD	
	Inflation rate	3.00%	Selling costs & CGT	\$145,475
	Interest rate	6.75%	Equity	\$325,650
	Taxable income	\$80,000	After-tax return /yr	31.35%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2010	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$419,000	452,520	488,722	527,819	615,648	904,590
Purchase costs	\$14,090					
Investments	\$5,000					
Loan amount	\$433,464	433,464	433,464	433,464	433,464	433,464
Equity	\$-14,464	19,056	55,257	94,355	182,184	471,125
Capital growth rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /week	\$425	21,658	22,849	24,106	26,830	35,066
Cash deductions						
Interest (I/O)	6.75%	29,259	29,259	29,259	29,259	29,259
Rental expenses	31.73%	7,012	7,292	7,584	8,203	9,980
Pre-tax cash flow	\$-5,000	-14,613	-13,702	-12,737	-10,631	-4,172
Non-cash deductions						
Deprec.of building	2.50%	6,500	6,500	6,500	6,500	6,500
Deprec.of fittings	\$22,000	2,933	2,542	2,203	1,655	809
Loan costs	\$5,374	1,075	1,075	1,075	1,075	
Total deductions		46,779	46,668	46,621	46,691	46,548
Tax credit (single)	\$80,000	8,268	7,902	7,538	7,059	4,536
After-tax cash flow	\$-5,000	-6,345	-5,800	-5,199	-3,572	364
Rate of return (IRR)	37.14%					
Pre-tax equivalent	61.39%	Your cost /(income) per week				
		122	112	100	69	(7)

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 Queensland Property Investment Pty Ltd - Brisbane, its servants, employees or consultants..

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 8.00% per year)

Property price:	419,000
Total book value:	419,000
Property market value:	\$419,000

PURCHASE COSTS

Conveyancing costs:	1,000
Govt. Stamp duty:	13,090
Total Purchase costs:	\$14,090

LOAN COSTS

Establishment fees (0.50% of loan):	2,167
Mortgage insurance (0.32% of loan):	1,387
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$5,374

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	5,000	414,000	419,000
Renovation costs:	0	0	0
Purchase costs:	0	14,090	14,090
Furniture costs:	0	0	0
Loan costs:	0	5,374	5,374
Totals:	\$5,000	\$433,464	\$438,464

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.75
Loan:	\$433,464
Loan costs (written off over 5 yrs):	\$5,374
Monthly payment:	\$2,438
Annual payment:	\$29,259

RENT

Rent per week:	425
Potential annual rent:	22,100
Vacancy rate (%):	2.00
Annual rent:	\$21,658

CASH DEDUCTIONS

Loan interest:		\$29,259
Rental expenses		
Regular Expenses:		
Agent's commission (8.25%):	1,787	
Letting fees:	425	
Rates:	2,000	
Insurance:	1,000	
Maintenance:	1,800	
Special expenses:	0	
Total expenses:		\$7,012
Regular expenses as % of annual rent:		31.73%
Net yield or Capitalisation rate:		3.50%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		21,658	22,849	24,106	26,830	35,066
Cash invested	5,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		29,259	29,259	29,259	29,259	29,259
Expenses		7,012	7,292	7,584	8,203	9,980
Pre-tax cash	\$-5,000	\$-14,613	\$-13,702	\$-12,737	\$-10,631	\$-4,172

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)	
Property value:	\$419,000
Construction cost:	\$260,000
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$6,500

Depreciation of fittings (diminishing value method)			
Item	Value	Effective Life (yrs)	Depreciation
General fittings	22,000	15.00	2,933
Total	\$22,000		\$2,933

Loan costs (written off over 5 yrs):	\$5,374
---	----------------

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	29,259	29,259	29,259	29,259	29,259
Expenses	7,012	7,292	7,584	8,203	9,980
Deprec.-building	6,500	6,500	6,500	6,500	6,500
Deprec.-fittings	2,933	2,542	2,203	1,655	809
Loan costs	1,075	1,075	1,075	1,075	0
Total deductions	46,779	46,668	46,621	46,691	46,548

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2010	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-5,000	-14,613	-13,702	-12,737	-10,631	-4,172
Tax credits		8,268	7,902	7,538	7,059	4,536
After-tax cash	-5,000	-6,345	-5,800	-5,199	-3,572	364
Cost /(income) per week		122	112	100	69	-7

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	37.14%
Pre-tax equivalent of IRR	61.39%
Internal rate of return (if sold)	31.35%
Net present value (NPV)	\$321,746
Cash on cash return	-126.89%
Cash positive by year	10

Cash neutral investment

\$150,326

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$419,000	\$-14,464			\$-5,000		\$-5,000
1yr	\$452,520	\$19,056	\$21,658	\$46,779	\$-14,613	\$8,268	\$-6,345
2yr	\$488,722	\$55,257	\$22,849	\$46,668	\$-13,702	\$7,902	\$-5,800
3yr	\$527,819	\$94,355	\$24,106	\$46,621	\$-12,737	\$7,538	\$-5,199
4yr	\$570,045	\$136,580	\$25,432	\$46,631	\$-11,714	\$7,271	\$-4,443
5yr	\$615,648	\$182,184	\$26,830	\$46,691	\$-10,631	\$7,059	\$-3,572
6yr	\$664,900	\$231,436	\$28,306	\$45,724	\$-9,484	\$6,506	\$-2,978
7yr	\$718,092	\$284,628	\$29,863	\$45,874	\$-8,268	\$6,286	\$-1,982
8yr	\$775,540	\$342,075	\$31,505	\$46,063	\$-6,980	\$5,750	\$-1,230
9yr	\$837,583	\$404,119	\$33,238	\$46,289	\$-5,617	\$5,155	\$-462
10yr	\$904,590	\$471,125	\$35,066	\$46,548	\$-4,172	\$4,536	\$364
11yr	\$976,957	\$543,492	\$36,995	\$46,839	\$-2,643	\$3,888	\$1,245
12yr	\$1.055m	\$621,649	\$39,030	\$47,161	\$-1,023	\$3,212	\$2,189
13yr	\$1.140m	\$706,058	\$41,176	\$47,512	\$691	\$2,502	\$3,193
14yr	\$1.231m	\$797,220	\$43,441	\$47,890	\$2,507	\$1,758	\$4,265
15yr	\$1.329m	\$895,674	\$45,830	\$50,868	\$4,429	\$1,990	\$6,419
16yr	\$1.435m	\$1.002m	\$48,351	\$48,387	\$6,464	\$14	\$6,478
17yr	\$1.550m	\$1.117m	\$51,010	\$48,892	\$8,618	\$-837	\$7,781
18yr	\$1.674m	\$1.241m	\$53,816	\$49,417	\$10,899	\$-1,737	\$9,162
19yr	\$1.808m	\$1.375m	\$56,776	\$49,963	\$13,312	\$-2,691	\$10,621
20yr	\$1.953m	\$1.519m	\$59,898	\$50,532	\$15,867	\$-3,700	\$12,167

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	615,648	904,590	1.329m	1.953m
Loan	433,464	433,464	433,464	433,464
EQUITY	\$182,184	\$471,125	\$895,674	\$1.519m
Internal rate of return	62.54%	37.14%	28.26%	23.80%
Approximate costs if sold...				
Capital Gains Tax	39,860	115,581	221,475	371,709
Solicitor's fees	3,078	4,523	6,646	9,765
Sales commission	17,425	25,371	37,046	54,201
EQUITY (after sale)	\$121,821	\$325,650	\$630,508	\$1.084m
Internal rate of return (if sold)	47.11%	31.35%	25.04%	21.71%

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:	80,000	30,000	110,000
Rental income:	21,658	0	21,658
Total income:	101,658	30,000	131,658
Rental deductions:	46,779	0	46,779
New taxable income:	54,879	30,000	84,879
Present tax:	19,050	2,700	21,750
New tax:	10,782	2,700	13,482
Tax saving:	\$8,268	\$0	\$8,268

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 \$22,957. Total initial outlay would be \$5,000.

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

Income**Present net income**

Current assessable income (investor):	80,000
Current assessable income (partner):	30,000
Total net income:	110,000
New rental income:	21,658
Total income:	\$131,658

Expenses

New tax (investor):	10,782
New tax (partner):	2,700
Rental expenses:	7,012
Investment loan expenses:	29,259
Home loan payments:	18,249
Living expenses:	40,700
Total expenses:	\$108,701
Net surplus (first year of investment):	\$22,957
Total initial outlay required:	\$5,000