


Queensland Property Investment Pty Ltd - Brisbane

PROPERTY INVESTMENT ANALYSIS

31-May-2010

Prepared for: Lot 21 Birdwood Sanctuary
 Consultant:
 Property: lot 21 Hilltop Drive Birdwood
 Description: lowset brick

SUMMARY

	Assumptions		Projected results over	10 yrs
	Property value	\$410,000	Property value	\$885,159
	Investment	\$5,000	Equity	\$461,087
	Gross yield	5.16%	After-tax return /yr	36.54%
	Net yield	3.46%	Net present value	\$312,909
	Growth rate	8.00%	IF SOLD	
	Inflation rate	3.00%	Selling costs & CGT	\$141,503
	Interest rate	6.75%	Equity	\$319,584
	Taxable income	\$80,000	After-tax return /yr	30.79%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2010	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$410,000	442,800	478,224	516,482	602,425	885,159
Purchase costs	\$13,775					
Investments	\$5,000					
Loan amount	\$424,072	424,072	424,072	424,072	424,072	424,072
Equity	\$-14,072	18,728	54,152	92,410	178,352	461,087
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	\$415	21,148	22,312	23,539	26,199	34,241
Cash deductions						
Interest (I/O)	6.75%	28,625	28,625	28,625	28,625	28,625
Rental expenses	32.25%	6,960	7,238	7,528	8,142	9,906
Pre-tax cash flow	\$-5,000	-14,436	-13,551	-12,614	-10,568	-4,290
Non-cash deductions						
Deprec.of building	2.50%	6,000	6,000	6,000	6,000	6,000
Deprec.of fittings	\$22,000	2,933	2,542	2,203	1,655	809
Loan costs	\$5,297	1,059	1,059	1,059	1,059	
Total deductions		45,577	45,465	45,415	45,481	45,340
Tax credit (single)	\$80,000	8,022	7,666	7,311	6,877	4,384
After-tax cash flow	\$-5,000	-6,414	-5,885	-5,303	-3,691	94
Rate of return (IRR)	36.54%	Your cost /(income) per week				
Pre-tax equivalent	60.40%	123	113	102	71	(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 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:	410,000
Total book value:	410,000
Property market value:	\$410,000

PURCHASE COSTS

Conveyancing costs:	1,000
Govt. Stamp duty:	12,775
Total Purchase costs:	\$13,775

LOAN COSTS

Establishment fees (0.50% of loan):	2,120
Mortgage insurance (0.32% of loan):	1,357
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$5,297

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	5,000	405,000	410,000
Renovation costs:	0	0	0
Purchase costs:	0	13,775	13,775
Furniture costs:	0	0	0
Loan costs:	0	5,297	5,297
Totals:	\$5,000	\$424,072	\$429,072

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.75
Loan:	\$424,072
Loan costs (written off over 5 yrs):	\$5,297
Monthly payment:	\$2,385
Annual payment:	\$28,625

RENT

Rent per week:	415
Potential annual rent:	21,580
Vacancy rate (%):	2.00
Annual rent:	\$21,148

CASH DEDUCTIONS

Loan interest:		\$28,625
Rental expenses		
Regular Expenses:		
Agent's commission (8.25%):	1,745	
Letting fees:	415	
Rates:	2,000	
Insurance:	1,000	
Maintenance:	1,800	
Special expenses:	0	
Total expenses:		\$6,960
Regular expenses as % of annual rent:		32.25%
Net yield or Capitalisation rate:		3.46%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		21,148	22,312	23,539	26,199	34,241
Cash invested	5,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		28,625	28,625	28,625	28,625	28,625
Expenses		6,960	7,238	7,528	8,142	9,906
Pre-tax cash	\$-5,000	\$-14,436	\$-13,551	\$-12,614	\$-10,568	\$-4,290

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)	
Property value:	\$410,000
Construction cost:	\$240,000
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$6,000

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):	\$5,297
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	28,625	28,625	28,625	28,625	28,625
Expenses	6,960	7,238	7,528	8,142	9,906
Deprec.-building	6,000	6,000	6,000	6,000	6,000
Deprec.-fittings	2,933	2,542	2,203	1,655	809
Loan costs	1,059	1,059	1,059	1,059	0
Total deductions	45,577	45,465	45,415	45,481	45,340

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	-14,436	-13,551	-12,614	-10,568	-4,290
Tax credits		8,022	7,666	7,311	6,877	4,384
After-tax cash	-5,000	-6,414	-5,885	-5,303	-3,691	94
Cost /(income) per week		123	113	102	71	-2

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	36.54%
Pre-tax equivalent of IRR	60.40%
Internal rate of return (if sold)	30.79%
Net present value (NPV)	\$312,909
Cash on cash return	-128.28%
Cash positive by year	10

Cash neutral investment

\$151,231

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$410,000	\$-14,072			\$-5,000		\$-5,000
1yr	\$442,800	\$18,728	\$21,148	\$45,577	\$-14,436	\$8,022	\$-6,414
2yr	\$478,224	\$54,152	\$22,312	\$45,465	\$-13,551	\$7,666	\$-5,885
3yr	\$516,482	\$92,410	\$23,539	\$45,415	\$-12,614	\$7,311	\$-5,303
4yr	\$557,800	\$133,728	\$24,833	\$45,423	\$-11,620	\$7,079	\$-4,541
5yr	\$602,425	\$178,352	\$26,199	\$45,481	\$-10,568	\$6,877	\$-3,691
6yr	\$650,618	\$226,546	\$27,640	\$44,527	\$-9,452	\$6,339	\$-3,113
7yr	\$702,668	\$278,596	\$29,160	\$44,674	\$-8,271	\$6,128	\$-2,143
8yr	\$758,881	\$334,809	\$30,764	\$44,861	\$-7,019	\$5,568	\$-1,451
9yr	\$819,592	\$395,520	\$32,456	\$45,083	\$-5,694	\$4,988	\$-706
10yr	\$885,159	\$461,087	\$34,241	\$45,340	\$-4,290	\$4,384	\$94
11yr	\$955,972	\$531,900	\$36,125	\$45,628	\$-2,802	\$3,754	\$952
12yr	\$1.032m	\$608,377	\$38,111	\$45,947	\$-1,228	\$3,095	\$1,867
13yr	\$1.115m	\$690,973	\$40,207	\$46,294	\$440	\$2,404	\$2,844
14yr	\$1.204m	\$780,177	\$42,419	\$46,670	\$2,206	\$1,680	\$3,886
15yr	\$1.301m	\$876,517	\$44,752	\$49,644	\$4,075	\$1,933	\$6,008
16yr	\$1.405m	\$980,564	\$47,213	\$47,159	\$6,054	\$-22	\$6,032
17yr	\$1.517m	\$1.093m	\$49,810	\$47,660	\$8,150	\$-849	\$7,301
18yr	\$1.638m	\$1.214m	\$52,550	\$48,182	\$10,368	\$-1,725	\$8,643
19yr	\$1.769m	\$1.345m	\$55,440	\$48,724	\$12,716	\$-2,653	\$10,063
20yr	\$1.911m	\$1.487m	\$58,489	\$49,288	\$15,201	\$-3,634	\$11,567

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	602,425	885,159	1.301m	1.911m
Loan	424,072	424,072	424,072	424,072
EQUITY	\$178,352	\$461,087	\$876,517	\$1.487m
Internal rate of return	61.30%	36.54%	27.85%	23.47%
Approximate costs if sold...				
Capital Gains Tax	38,725	112,240	215,485	362,102
Solicitor's fees	3,012	4,426	6,503	9,555
Sales commission	17,062	24,837	36,261	53,047
EQUITY (after sale)	\$119,553	\$319,584	\$618,268	\$1.062m
Internal rate of return (if sold)	46.00%	30.79%	24.63%	21.37%

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:	21,148	0	21,148
Total income:	101,148	30,000	131,148
Rental deductions:	45,577	0	45,577
New taxable income:	55,571	30,000	85,571
Present tax:	19,050	2,700	21,750
New tax:	11,028	2,700	13,728
Tax saving:	\$8,022	\$0	\$8,022

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 \$22,887. 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:	21,148
Total income:	\$131,148

Expenses

New tax (investor):	11,028
New tax (partner):	2,700
Rental expenses:	6,960
Investment loan expenses:	28,625
Home loan payments:	18,249
Living expenses:	40,700
Total expenses:	\$108,261
Net surplus (first year of investment):	\$22,887
Total initial outlay required:	\$5,000