


Queensland Property Investment Pty Ltd - Brisbane

PROPERTY INVESTMENT ANALYSIS

31-May-2010

Prepared for: Lot 22 Birdwood Sanctuary
 Consultant:
 Property: lot 22 Hilltop Drive Birdwood
 Description: lowset brick large bedrooms

SUMMARY

	Assumptions		Projected results over	10 yrs
	Property value	\$440,000	Property value	\$949,927
	Investment	\$5,000	Equity	\$494,548
	Gross yield	4.92%	After-tax return /yr	35.34%
	Net yield	3.33%	Net present value	\$329,649
	Growth rate	8.00%	IF SOLD	
	Inflation rate	3.00%	Selling costs & CGT	\$150,863
	Interest rate	6.75%	Equity	\$343,685
	Taxable income	\$80,000	After-tax return /yr	29.53%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2010	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$440,000	475,200	513,216	554,273	646,504	949,927
Purchase costs	\$14,825					
Investments	\$5,000					
Loan amount	\$455,379	455,379	455,379	455,379	455,379	455,379
Equity	-\$15,379	19,821	57,837	98,894	191,125	494,548
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%	30,738	30,738	30,738	30,738	30,738
Rental expenses	31.73%	7,012	7,292	7,584	8,203	9,980
Pre-tax cash flow	-\$5,000	-16,092	-15,181	-14,216	-12,110	-5,652
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	\$5,554	1,111	1,111	1,111	1,111	
Total deductions		47,794	47,683	47,636	47,707	47,527
Tax credit (single)	\$80,000	8,628	8,263	7,898	7,379	4,922
After-tax cash flow	-\$5,000	-7,464	-6,918	-6,318	-4,731	-730
Rate of return (IRR)	35.34%					
Pre-tax equivalent	58.41%	Your cost /(income) per week				
		144	133	122	91	14

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:	440,000
Total book value:	440,000
Property market value:	\$440,000

PURCHASE COSTS

Conveyancing costs:	1,000
Govt. Stamp duty:	13,825
Total Purchase costs:	\$14,825

LOAN COSTS

Establishment fees (0.50% of loan):	2,277
Mortgage insurance (0.32% of loan):	1,457
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$5,554

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	5,000	435,000	440,000
Renovation costs:	0	0	0
Purchase costs:	0	14,825	14,825
Furniture costs:	0	0	0
Loan costs:	0	5,554	5,554
Totals:	\$5,000	\$455,379	\$460,379

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.75
Loan:	\$455,379
Loan costs (written off over 5 yrs):	\$5,554
Monthly payment:	\$2,562
Annual payment:	\$30,738

RENT

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

CASH DEDUCTIONS

Loan interest:		\$30,738
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:		3.33%

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		30,738	30,738	30,738	30,738	30,738
Expenses		7,012	7,292	7,584	8,203	9,980
Pre-tax cash	\$-5,000	\$-16,092	\$-15,181	\$-14,216	\$-12,110	\$-5,652

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)	
Property value:	\$440,000
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):	\$5,554
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	30,738	30,738	30,738	30,738	30,738
Expenses	7,012	7,292	7,584	8,203	9,980
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	1,111	1,111	1,111	1,111	0
Total deductions	47,794	47,683	47,636	47,707	47,527

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	-16,092	-15,181	-14,216	-12,110	-5,652
Tax credits		8,628	8,263	7,898	7,379	4,922
After-tax cash	-5,000	-7,464	-6,918	-6,318	-4,731	-730
Cost /(income) per week		144	133	122	91	14

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	35.34%
Pre-tax equivalent of IRR	58.41%
Internal rate of return (if sold)	29.53%
Net present value (NPV)	\$329,649
Cash on cash return	-149.28%
Cash positive by year	11

Cash neutral investment

\$175,485

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$440,000	\$-15,379			\$-5,000		\$-5,000
1yr	\$475,200	\$19,821	\$21,658	\$47,794	\$-16,092	\$8,628	\$-7,464
2yr	\$513,216	\$57,837	\$22,849	\$47,683	\$-15,181	\$8,263	\$-6,918
3yr	\$554,273	\$98,894	\$24,106	\$47,636	\$-14,216	\$7,898	\$-6,318
4yr	\$598,615	\$143,236	\$25,432	\$47,646	\$-13,194	\$7,590	\$-5,604
5yr	\$646,504	\$191,125	\$26,830	\$47,707	\$-12,110	\$7,379	\$-4,731
6yr	\$698,225	\$242,846	\$28,306	\$46,703	\$-10,963	\$6,815	\$-4,148
7yr	\$754,083	\$298,704	\$29,863	\$46,853	\$-9,747	\$6,594	\$-3,153
8yr	\$814,409	\$359,030	\$31,505	\$47,042	\$-8,460	\$6,137	\$-2,323
9yr	\$879,562	\$424,183	\$33,238	\$47,268	\$-7,096	\$5,542	\$-1,554
10yr	\$949,927	\$494,548	\$35,066	\$47,527	\$-5,652	\$4,922	\$-730
11yr	\$1.026m	\$570,542	\$36,995	\$47,819	\$-4,122	\$4,275	\$153
12yr	\$1.108m	\$652,616	\$39,030	\$48,140	\$-2,503	\$3,599	\$1,096
13yr	\$1.197m	\$741,255	\$41,176	\$48,491	\$-788	\$2,889	\$2,101
14yr	\$1.292m	\$836,986	\$43,441	\$48,870	\$1,028	\$2,145	\$3,173
15yr	\$1.396m	\$940,375	\$45,830	\$51,847	\$2,950	\$2,377	\$5,327
16yr	\$1.507m	\$1.052m	\$48,351	\$49,366	\$4,985	\$401	\$5,386
17yr	\$1.628m	\$1.173m	\$51,010	\$49,871	\$7,139	\$-450	\$6,689
18yr	\$1.758m	\$1.303m	\$53,816	\$50,396	\$9,419	\$-1,351	\$8,068
19yr	\$1.899m	\$1.444m	\$56,776	\$50,943	\$11,833	\$-2,304	\$9,529
20yr	\$2.051m	\$1.595m	\$59,898	\$51,511	\$14,388	\$-3,313	\$11,075

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	646,504	949,927	1.396m	2.051m
Loan	455,379	455,379	455,379	455,379
EQUITY	\$191,125	\$494,548	\$940,375	\$1.595m
Internal rate of return	59.41%	35.34%	26.92%	22.68%
Approximate costs if sold...				
Capital Gains Tax	40,888	119,495	229,594	386,279
Solicitor's fees	3,233	4,750	6,979	10,254
Sales commission	18,274	26,618	38,878	56,893
EQUITY (after sale)	\$128,731	\$343,685	\$664,925	\$1.142m
Internal rate of return (if sold)	44.13%	29.53%	23.66%	20.55%

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:	47,794	0	47,794
New taxable income:	53,864	30,000	83,864
Present tax:	19,050	2,700	21,750
New tax:	10,422	2,700	13,122
Tax saving:	\$8,628	\$0	\$8,628

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 \$21,838. 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):	10,422
New tax (partner):	2,700
Rental expenses:	7,012
Investment loan expenses:	30,738
Home loan payments:	18,249
Living expenses:	40,700
Total expenses:	\$109,820
Net surplus (first year of investment):	\$21,838
Total initial outlay required:	\$5,000