



Australian Home Loans Made Easy Pty Ltd - Charlestown

PROPERTY INVESTMENT ANALYSIS

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 Property: Investment Property
 Description: 4bdr Dbl LUG

SUMMARY

	Assumptions		Projected results over 10 yrs	
	Property value	\$400,000	Property value	\$716,339
	Investment	\$0	Equity	\$311,819
	Gross yield	6.18%	After-tax return /yr	54.82%
	Net yield	4.90%	Net present value	\$208,853
	Growth rate	6.00%	IF SOLD	
	Inflation rate	4.00%	Selling costs & CGT	\$93,388
	Interest rate	6.80%	Equity	\$218,431
	Taxable income	\$115,000	After-tax return /yr	48.52%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2011	2012	2013	2014	2016	2021
End of year						
Property value	\$400,000	424,000	449,440	476,406	535,290	716,339
Purchase costs	\$4,000					
Investments	\$0					
Loan amount	\$404,520	404,520	404,520	404,520	404,520	404,520
Equity	\$-4,520	19,480	44,920	71,886	130,770	311,819
Capital growth rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Inflation rate (CPI)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Gross rent /week	\$485	24,716	25,704	26,732	28,914	35,178
Cash deductions						
Interest (I/O)	6.80%	27,507	27,507	27,507	27,507	27,507
Rental expenses	20.24%	5,104	5,309	5,521	5,971	7,265
Pre-tax cash flow	\$0	-7,896	-7,112	-6,296	-4,565	406
Non-cash deductions						
Deprec.of building	2.50%	5,000	5,000	5,000	5,000	5,000
Deprec.of fittings	\$25,000	10,000	6,000	3,600	3,240	0
Loan costs	\$520	104	104	104	104	
Total deductions		47,716	43,920	41,732	41,823	39,772
Tax credit (joint)	\$115,000	5,928	5,053	4,260	3,786	1,723
After-tax cash flow	\$0	-1,968	-2,059	-2,036	-779	2,129
Rate of return (IRR)	54.82%					
Net present value	\$208,853	(38)	(40)	(39)	(15)	41
		Your income /(cost) per week				

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 Australian Home Loans Made Easy Pty Ltd - Charlestown, its servants, employees or consultants..

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 6.00% per year)

Property price:	400,000
Total book value:	400,000
Property market value:	\$400,000

PURCHASE COSTS

Conveyancing costs:	2,000
Govt. Stamp duty:	2,000
Total Purchase costs:	\$4,000

LOAN COSTS

Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$520

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	0	400,000	400,000
Renovation costs:	0	0	0
Purchase costs:	0	4,000	4,000
Furniture costs:	0	0	0
Loan costs:	0	520	520
Totals:	\$0	\$404,520	\$404,520

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.80
Loan:	\$404,520
Loan costs (written off over 5 yrs):	\$520
Monthly payment:	\$2,292
Annual payment:	\$27,507

RENT

Rent per week:	485
Potential annual rent:	25,220
Vacancy rate (%):	2.00
Annual rent:	\$24,716

CASH DEDUCTIONS

Loan interest:	\$27,507
Rental expenses	
Regular Expenses:	
Agent's commission (5.50%):	1,359
Letting fees:	485
Rates:	1,300
Insurance:	860
Mowing:	1,100
Special expenses:	0
Total expenses:	\$5,104
Regular expenses as % of annual rent:	20.24%
Net yield or Capitalisation rate:	4.90%

PRE-TAX CASH FLOW

Year	Initial	2012	2013	2014	2016	2021
Rent		24,716	25,704	26,732	28,914	35,178
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		27,507	27,507	27,507	27,507	27,507
Expenses		5,104	5,309	5,521	5,971	7,265
Pre-tax cash	\$0	\$-7,896	\$-7,112	\$-6,296	\$-4,565	\$406

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)			
Property value:			\$400,000
Construction cost:			\$200,000
Depreciation allowance rate (%):			2.50
Depreciation allowance:			\$5,000
Depreciation of fittings (diminishing value method)			
Item	Value	Effective Life	Depreciation
		(yrs)	
General fittings	25,000	5.00	10,000
Total	\$25,000		\$10,000
Loan costs (written off over 5 yrs):			\$520

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	2012	2013	2014	2016	2021
Interest	27,507	27,507	27,507	27,507	27,507
Expenses	5,104	5,309	5,521	5,971	7,265
Deprec.-building	5,000	5,000	5,000	5,000	5,000
Deprec.-fittings	10,000	6,000	3,600	3,240	0
Loan costs	104	104	104	104	0
Total deductions	47,716	43,920	41,732	41,823	39,772

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2011	2012	2013	2014	2016	2021
Pre-tax cash	0	-7,896	-7,112	-6,296	-4,565	406
NRAS tax credits		0	0	0	0	0
Tax credits		5,928	5,053	4,260	3,786	1,723
After-tax cash	0	-1,968	-2,059	-2,036	-779	2,129
Income /(cost) per week		-38	-40	-39	-15	41

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	54.82%
Pre-tax equivalent of IRR	89.86%
Internal rate of return (if sold)	48.52%
Net present value (NPV)	\$208,853
Cash on cash return	?????%
Cash positive by year	8
Cash neutral investment	\$38,222

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$400,000	\$-4,520			\$0		\$0
2012	\$424,000	\$19,480	\$24,716	\$47,716	\$-7,896	\$5,928	\$-1,968
2013	\$449,440	\$44,920	\$25,704	\$43,920	\$-7,112	\$5,053	\$-2,059
2014	\$476,406	\$71,886	\$26,732	\$41,732	\$-6,296	\$4,260	\$-2,036
2015	\$504,991	\$100,471	\$27,802	\$40,513	\$-5,447	\$3,677	\$-1,770
2016	\$535,290	\$130,770	\$28,914	\$41,823	\$-4,565	\$3,786	\$-779
2017	\$567,408	\$162,888	\$30,070	\$38,718	\$-3,647	\$2,590	\$-1,057
2018	\$601,452	\$196,932	\$31,273	\$38,966	\$-2,693	\$2,452	\$-241
2019	\$637,539	\$233,019	\$32,524	\$39,224	\$-1,700	\$2,382	\$682
2020	\$675,792	\$271,272	\$33,825	\$39,493	\$-668	\$2,126	\$1,458
2021	\$716,339	\$311,819	\$35,178	\$39,772	\$406	\$1,723	\$2,129
2022	\$759,319	\$354,799	\$36,585	\$40,063	\$1,522	\$1,304	\$2,826
2023	\$804,879	\$400,359	\$38,049	\$40,365	\$2,683	\$868	\$3,551
2024	\$853,171	\$448,651	\$39,570	\$40,680	\$3,891	\$416	\$4,307
2025	\$904,362	\$499,842	\$41,153	\$41,006	\$5,147	\$-55	\$5,092
2026	\$958,623	\$554,103	\$42,799	\$41,346	\$6,453	\$-549	\$5,904
2027	\$1.016m	\$611,621	\$44,511	\$41,700	\$7,811	\$-1,061	\$6,750
2028	\$1.077m	\$672,589	\$46,292	\$42,068	\$9,224	\$-1,594	\$7,630
2029	\$1.142m	\$737,216	\$48,144	\$42,450	\$10,693	\$-2,149	\$8,544
2030	\$1.210m	\$805,720	\$50,069	\$42,848	\$12,221	\$-2,726	\$9,495
2031	\$1.283m	\$878,334	\$52,072	\$43,261	\$13,811	\$-3,601	\$10,210

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	535,290	716,339	958,623	1.283m
Loan	404,520	404,520	404,520	404,520
EQUITY	\$130,770	\$311,819	\$554,103	\$878,334
Internal rate of return	120.41%	54.82%	38.35%	31.13%
Approximate costs if sold...				
Capital Gains Tax	29,710	72,837	134,730	219,881
Solicitor's fees	2,676	3,582	4,793	6,414
Sales commission	12,986	16,969	22,300	29,433
EQUITY (after sale)	\$85,397	\$218,431	\$392,281	\$622,606
Internal rate of return (if sold)	97.44%	48.52%	35.13%	29.16%

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: joint names	50.00%	50.00%	100%
Present taxable income:	85,000	30,000	115,000
Rental income:	12,358	12,358	24,716
Total income:	97,358	42,358	139,716
Rental deductions:	23,858	23,858	47,716
New taxable income:	73,500	18,500	92,000
Present tax:	20,850	2,550	23,400
New tax:	16,820	652	17,472
Tax saving:	\$4,030	\$1,898	\$5,928

INVESTMENT CAPACITY

Buying 1 such properties (registered in joint names), 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 \$58,681. Total initial outlay would be \$0.

Number of Properties: 1
 Ownership: Investor (50.00%) Registered: joint names
 Partner (50.00%)

Income

Present net income	
Current assessable income (investor):	85,000
Current assessable income (partner):	30,000
Total net income:	115,000
New rental income:	24,716
Total income:	\$139,716

Expenses

New tax (investor):	16,820
New tax (partner):	652
Rental expenses:	5,104
Investment loan expenses:	27,507
Home loan payments:	0
Living expenses:	30,950
Total expenses:	\$81,034
Net surplus (first year of investment):	\$58,681
Total initial outlay required:	\$0