

Australian Property Investor - Melbourne

PROPERTY INVESTMENT CASH FLOW ANALYSIS - FIRST YEAR

07-May-2012

Prepared for:
 Consultant:
 Property: 1 Somewhere St, Elwood
 Description: 1 Bedroom Apartment

Investment Cost

Purchase price	400,000
Purchase costs	4,800
Loan costs	4,851
Total investment cost	409,651

Loan Details

Initial cash invested	40,000
Initial loan amount (total cost + any additional loan – cash invested)	369,651
Loan type	I/O (5.99%)
Interest payments	22,142
Total loan payments	22,142
Closing loan balance	369,651

Property Income and Expenditure

Rental income	19,365
Rental expenses	4,625
Net rental income (rent retained – expenses paid)	14,740

Pre-Tax Cash Flow (net rent – loan payments)

-7,402

Tax Deductions

Cash deductions	
Loan interest	22,142
Rental expenses	4,625
Non-Cash Deductions	
Depreciation – Building (\$200,000 @ 2.50%)	5,000
Depreciation – Furniture, fixtures & fittings	3,850
Loan cost write-off (\$4,851 over 5 yrs)	970
Total Tax Deductions	36,587

Tax Credit Calculation

Present taxable income	95,000
Rental income	19,365
Total income	114,365
Total deductions	36,587
New taxable income	77,777
Present tax	16,550
New tax	10,361
Tax credit or rebate	6,189

Annual after-tax investment (pre-tax cash flow + tax credit)

\$1,213

Weekly after-tax investment

\$23

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 Property Investor - Melbourne, its servants, employees or consultants..

Tabulated breakdown of items contributing to first year cash flow

INVESTMENT COST

Purchase price	400,000
Purchase costs	4,800
Loan costs	4,851
Total investment cost	\$409,651

Purchase Costs

Conveyancing costs:	2,000
Govt. Stamp duty:	2,800
Total Purchase costs:	\$4,800

Loan Costs

Establishment fees (0.50% of loan):	1,848
Mortgage insurance (0.32% of loan):	1,183
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$4,851

FINANCE

Initial cash invested	40,000
Initial loan amount (total cost + any additional loan – initial cash)	369,651
Loan type	I/O (5.99%)
Interest payments	22,142
Total loan payments	\$22,142
Closing loan balance	369,651

Initial Investment & Loan Amount

	Investment	Loan	Total Cost
Property cost:	40,000	360,000	400,000
Renovation costs:	0	0	0
Purchase costs:	0	4,800	4,800
Furniture costs:	0	0	0
Loan costs:	0	4,851	4,851
Totals:	\$40,000	\$369,651	\$409,651

Loan Details

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	5.99
Loan amount(\$):	\$369,651
Loan costs (written off over 5 yrs):	\$4,851
Monthly payment:	\$1,845
Annual payment:	\$22,142

PROPERTY INCOME & EXPENDITURE

Rental income	19,365
Gross yield (rental income/property value)	4.84%
Rental expenses	4,625
Net rental income (rent retained – expenses paid)	14,740
Net yield (net rental income/property value)	3.68%

Rental Income

Rent per week:	380
Potential annual rent:	19,760
Vacancy rate:	2.00%
Annual rent:	\$19,365

Rental Expenses**Regular Expenses:**

Agent's commission (7.70%):	1,491	
Letting fees:	380	
Rates:	1,200	
Insurance:	254	
Body corporate:	1,300	
Total regular expenses:	4,625	
Special expenses:	0	
Total expenses:	\$4,625	
Regular expenses as % of annual rent:	23.41%	
Net yield or Capitalisation rate:	3.68%	

PRE-TAX CASH FLOW

Item	Cash Amount
Rental income	19,365
Rental expenses	4,625
Loan interest	22,142
Principal payments	0
Cash investments	0
Pre-tax cash flow (year 1)	-7,402

TAX DEDUCTIONS

Cash deductions	
Loan interest	22,142
Rental expenses	4,625
Non-Cash Deductions	
Depreciation – Building (\$200,000 @ 2.50%)	5,000
Depreciation – Furniture, fixtures & fittings	3,850
Loan cost write-off (\$4,851 over 5 yrs)	970
Total Tax Deductions	\$36,587

Depreciation on the building (Capital allowance)

Property value:	400,000
Depreciable amount:	200,000
Depreciation allowance rate (%):	2.50
Depreciation claim:	\$5,000

Depreciation of fittings (diminishing value method)

Item	Value	Effective Life (yrs)	Depreciation
General fittings	12,000	15.00	1,600
Low-value pool	12,000	4.00	2,250
Total	\$24,000		\$3,850

TAX CREDIT CALCULATION

Present taxable income	95,000
Rental income	19,365
Total income	114,365
Total deductions	36,587
New taxable income	77,777
Present tax	16,550
New tax	10,361
Tax credit or rebate	6,189

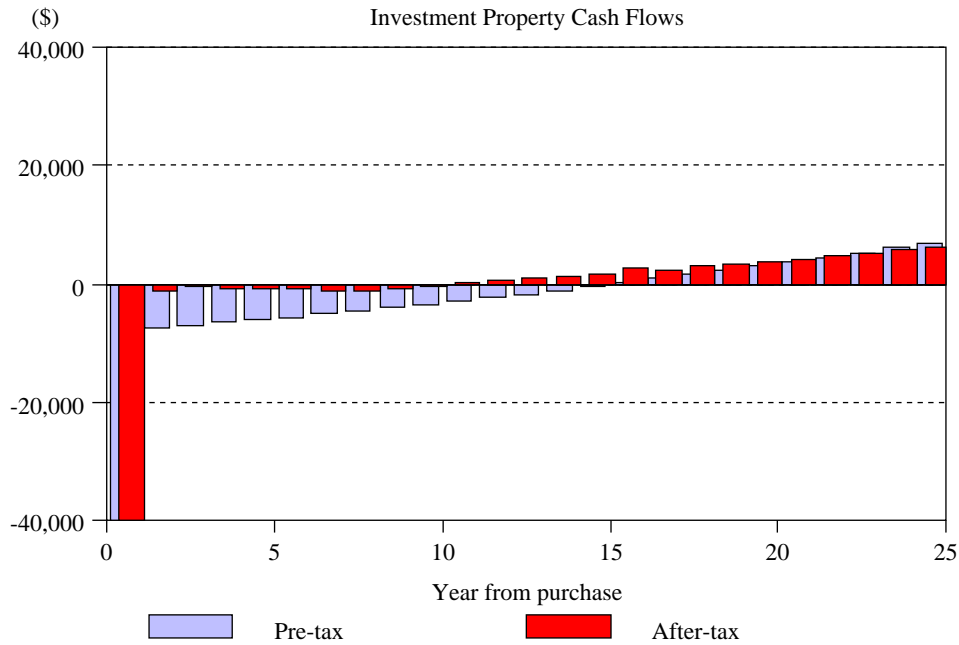
AFTER-TAX CASH FLOW

Annual after-tax investment (pre-tax cash flow + tax credit)	\$1,213
Weekly after-tax investment	\$23

CASH FLOW PROJECTIONS

To estimate future cash flows, assumptions have been made with regard to change over time in rental income, rental expenses and taxable income. Rental income is assumed to increase at 3.00% per year from year 1. Rental expenses are assumed to increase at 3.00% per year from year 1.

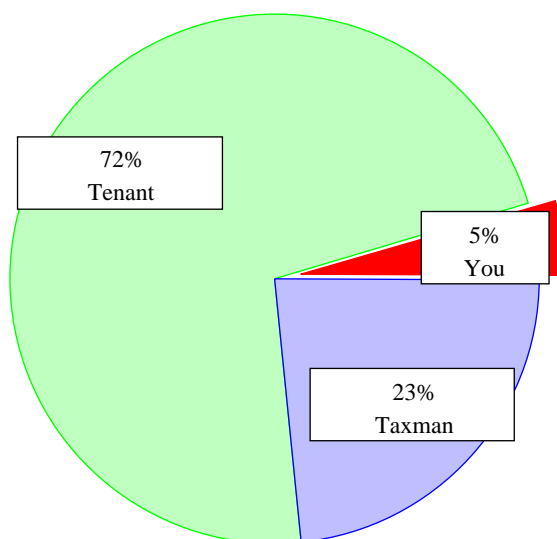
Cash flow items	Initial	1yr	2yr	3yr	5yr	10yr
Rental income		19,365	19,946	20,544	21,795	25,267
Cash invested	40,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest payments		22,142	22,142	22,142	22,142	22,142
Rental expenses		4,625	4,764	4,907	5,206	6,035
Pre-tax cash flow	-40,000	-7,402	-6,960	-6,505	-5,552	-2,910
Tax deductions		36,587	37,919	36,506	35,113	33,703
Tax credits		6,189	6,466	5,688	4,568	3,037
After-tax cash	-40,000	-1,213	-494	-817	-984	127
After-tax cash flow	-40,000	-1,213	-494	-817	-984	127
Cost/(income) per week		23	10	16	19	(2)



Cash flow projections over 25 years

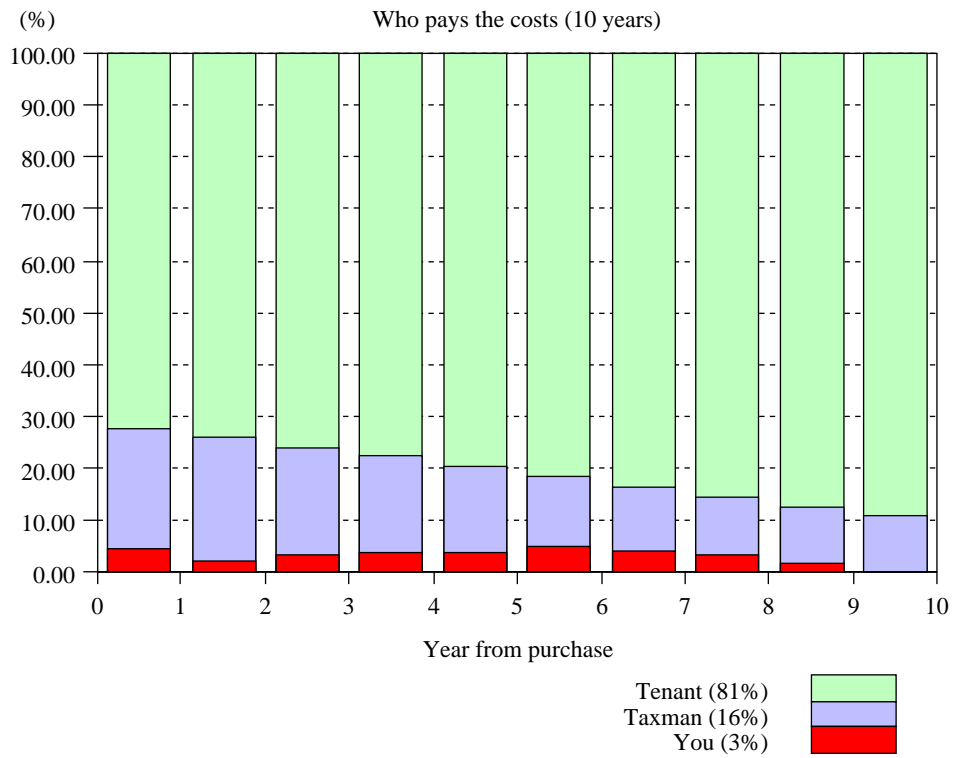
Year	Rental income	Loan payments	Rental expenses	Pre-tax cash flow	Tax credit	After-tax cash flow
				-\$40,000		-\$40,000
1yr	\$19,365	\$22,142	\$4,625	-\$7,402	\$6,189	-\$1,213
2yr	\$19,946	\$22,142	\$4,764	-\$6,960	\$6,466	-\$494
3yr	\$20,544	\$22,142	\$4,907	-\$6,505	\$5,688	-\$817
4yr	\$21,160	\$22,142	\$5,054	-\$6,036	\$5,070	-\$966
5yr	\$21,795	\$22,142	\$5,206	-\$5,552	\$4,568	-\$984
6yr	\$22,449	\$22,142	\$5,362	-\$5,055	\$3,788	-\$1,267
7yr	\$23,123	\$22,142	\$5,523	-\$4,542	\$3,401	-\$1,141
8yr	\$23,816	\$22,142	\$5,688	-\$4,014	\$3,142	-\$872
9yr	\$24,531	\$22,142	\$5,859	-\$3,470	\$3,081	-\$389
10yr	\$25,267	\$22,142	\$6,035	-\$2,910	\$3,037	\$127
11yr	\$26,025	\$22,142	\$6,216	-\$2,333	\$3,001	\$668
12yr	\$26,805	\$22,142	\$6,402	-\$1,739	\$2,770	\$1,031
13yr	\$27,610	\$22,142	\$6,594	-\$1,127	\$2,509	\$1,382
14yr	\$28,438	\$22,142	\$6,792	-\$496	\$2,246	\$1,750
15yr	\$29,291	\$22,142	\$6,996	\$153	\$2,524	\$2,677
16yr	\$30,170	\$22,142	\$7,206	\$822	\$1,638	\$2,460
17yr	\$31,075	\$22,142	\$7,422	\$1,511	\$1,380	\$2,891
18yr	\$32,007	\$22,142	\$7,645	\$2,220	\$1,099	\$3,319
19yr	\$32,967	\$22,142	\$7,874	\$2,951	\$809	\$3,760
20yr	\$33,956	\$22,142	\$8,110	\$3,704	\$512	\$4,216
21yr	\$34,975	\$22,142	\$8,353	\$4,479	\$206	\$4,685
22yr	\$36,024	\$22,142	\$8,604	\$5,278	-\$110	\$5,168
23yr	\$37,105	\$22,142	\$8,862	\$6,101	-\$435	\$5,666
24yr	\$38,218	\$22,142	\$9,128	\$6,948	-\$769	\$6,179
25yr	\$39,365	\$22,142	\$9,402	\$7,821	-\$1,114	\$6,707

Who pays the cost (1st year)?



Projections over 25 years

Year	Interest costs	Rental expenses	Total cost	Rent (tenant)	Tax credit (taxman)	Cash (you)
1yr	\$22,142	\$4,625	\$26,767	\$19,365	\$6,189	\$1,213
2yr	\$22,142	\$4,764	\$26,906	\$19,946	\$6,466	\$494
3yr	\$22,142	\$4,907	\$27,049	\$20,544	\$5,688	\$817
4yr	\$22,142	\$5,054	\$27,196	\$21,160	\$5,070	\$966
5yr	\$22,142	\$5,206	\$27,348	\$21,795	\$4,568	\$984
6yr	\$22,142	\$5,362	\$27,504	\$22,449	\$3,788	\$1,267
7yr	\$22,142	\$5,523	\$27,665	\$23,123	\$3,401	\$1,141
8yr	\$22,142	\$5,688	\$27,830	\$23,816	\$3,142	\$872
9yr	\$22,142	\$5,859	\$28,001	\$24,531	\$3,081	\$389
10yr	\$22,142	\$6,035	\$28,177	\$25,267	\$3,037	\$-127
11yr	\$22,142	\$6,216	\$28,358	\$26,025	\$3,001	\$-668
12yr	\$22,142	\$6,402	\$28,544	\$26,805	\$2,770	\$-1,031
13yr	\$22,142	\$6,594	\$28,736	\$27,610	\$2,509	\$-1,382
14yr	\$22,142	\$6,792	\$28,934	\$28,438	\$2,246	\$-1,750
15yr	\$22,142	\$6,996	\$29,138	\$29,291	\$2,524	\$-2,677
16yr	\$22,142	\$7,206	\$29,348	\$30,170	\$1,638	\$-2,460
17yr	\$22,142	\$7,422	\$29,564	\$31,075	\$1,380	\$-2,891
18yr	\$22,142	\$7,645	\$29,787	\$32,007	\$1,099	\$-3,319
19yr	\$22,142	\$7,874	\$30,016	\$32,967	\$809	\$-3,760
20yr	\$22,142	\$8,110	\$30,252	\$33,956	\$512	\$-4,216
21yr	\$22,142	\$8,353	\$30,496	\$34,975	\$206	\$-4,685
22yr	\$22,142	\$8,604	\$30,746	\$36,024	\$-110	\$-5,168
23yr	\$22,142	\$8,862	\$31,004	\$37,105	\$-435	\$-5,666
24yr	\$22,142	\$9,128	\$31,270	\$38,218	\$-769	\$-6,179
25yr	\$22,142	\$9,402	\$31,544	\$39,365	\$-1,114	\$-6,707



Average contribution (10 years)

