

Please refer to detailed Cash Flow Analysis x 2 comparing a Co-Living Property to a Standard Investment Property.

Assumptions Used:-

Co-Living Property Lot 163 The Banks Estate, Logan River

Land Cost:- \$235,000

Build Cost:- \$316,380

Comprehensive Furniture Package:- \$25,900

Combined Co-Living Package Cost:- \$577,280

(For the Co-Living Cash Flow Analysis, I have deducted the Furniture Package from the initial purchase price – making the Purchase Price **\$551,380** – but included the cost of the Furniture Package (\$25,900) on Page 2 within the “Investment & Loan” Section)

For the Standard (Non-Co-Living) Comparison of Lot 163

Land Cost:- \$235,000 (Same Cost as Co-Living Example)

Build Cost:- \$286,380 (\$30,000 cheaper cost to build since standard build configuration without 3 x separate individual En-Suite Bathrooms.)

Total Package Cost for Comparison Cash Flow Analysis:- \$521,380

Inputs Used:-

Personal Taxable income of \$100,000 pa.

An Interest Only Loan with **100% Borrowing (ie NO Cash Input)** at an interest rate of **4%** (have overcompensated the current interest rate.)

Assumed a Capital Growth Rate of 5% and an Inflation Rate of 3%

Assumed \$900 Gross Rental per week for the Co-Living Property and \$450 per week for the Standard Property with a 5% Vacancy Factor.

The Outcome works out to be **\$233 per week (\$12,119 per annum) Net in the Hand CASH FLOW POSITIVE** for the Co-Living Property

Compared to **\$10 per week (\$541 per annum) NEGATIVE** for the Standard Investment Property.

So the Differential between the 2 properties works out to be **\$243 per week** or **\$12,660 per annum**

Also attached above a graph which shows the Equity vs Cumulative Monies Invested in the Co-Living Example Analysis.

BUT PLEASE BE ADVISED THAT AS A REAL ESTATE AGENT WE ARE NOT ALLOWED TO GIVE INVESTMENT OR FINANCIAL ADVICE AND THAT THE FIGURES IN THESE REPORTS ARE JUST ESTIMATIONS ONLY AND ARE NOT INTENDED TO BE CONSTRUED AS FINANCIAL OR INVESTMENT ADVICE

Please feel free to ring me if you have any further questions relating to the above Cash Flow Analyses or The Co-Living Investment Concept in general.

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The Property Investment Company Pty Ltd - Sydney

PROPERTY INVESTMENT ANALYSIS (DESCRIPTIVE)

08-Sep-2021

Prepared for: Co-Living Example Cash Flow Analysis

Consultant:

Property: Lot 163 The Banks Estate, Logan River QLD

Description: Co-Living H & L Package with Total Package Cost \$577,280

SUMMARY

Assumptions		Projected results over 10 yrs	
Property value	\$551,380	Property value	\$898,140
Initial investment	\$0	Equity	\$301,802
Gross rental yield (yr 1)	8.06%	After-tax return /yr	??????%
Net rental yield (yr 1)	5.83%	Net present value	\$338,381
Cap. growth rate	5.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$127,061
Interest rate	4.00%	Equity	\$174,741
Taxable income (yr 1)	\$100,000	After-tax return /yr	??????%

PROJECTIONS

Investment Analysis	Projections over 10 years					
	2021	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$551,380	578,949	607,896	638,291	703,716	898,140
Purchase costs	\$9,058					
Investments	\$0					
Loan amount	\$596,338	596,338	596,338	596,338	596,338	596,338
Equity	-\$44,958	-17,389	11,558	41,953	107,378	301,802
Capital growth rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /year	\$46,800	44,460	45,794	47,168	50,040	58,010
Cash deductions						
Interest (I/O)	4.00%	23,854	23,854	23,854	23,854	23,854
Rental expenses	26.31%	12,312	12,682	13,062	13,858	16,065
Pre-tax cash flow	\$0	8,294	9,259	10,252	12,329	18,092
Non-cash deductions						
Deprec.of building	2.50%	6,271	6,271	6,271	6,271	6,271
Deprec.of fittings	\$65,545	9,832	8,357	7,103	5,132	2,277
Loan costs	\$10,000	2,000	2,000	2,000	2,000	
Total deductions		54,268	53,163	52,290	51,114	48,466
Tax credit (single)	\$100,000	3,825	2,874	1,998	419	-3,722
After-tax cash flow	\$0	12,119	12,133	12,250	12,748	14,370
Rate of return (IRR)	?????	Your income /(cost) per week				
Pre-tax equivalent	?????	233	233	236	245	276

Disclaimer: Note that the 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 The Property Investment Company Pty Ltd - Sydney, its servants, employees or consultants..

Detailed Notes on Spreadsheet Items

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	551,380
Renovation costs:	0
Total book value:	551,380
Property market value:	\$551,380

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty and transfer of title fees. In Australia, stamp duty and transfer of title fees vary from State to State and are a function of purchase price whereas, in New Zealand, stamp duty has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	2,000
Stamp duty:	6,650
Transfer of title:	408
Total Purchase costs:	\$9,058

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlaid at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	Loan	Total Cost
Property costs:	0	551,380	551,380
Renovation costs:	0	0	0
Purchase costs:	0	9,058	9,058
Furniture package:	0	25,900	25,900
Loan costs:	0	10,000	10,000
Totals:	\$0	\$596,338	\$596,338

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.00
Average rate of capital growth (%):	5.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	703,716	898,140	1.146m	1.463m
Loan	596,338	596,338	596,338	596,338
EQUITY	\$107,378	\$301,802	\$549,941	\$866,637

Approximate costs if sold.....				
Capital Gains Tax	32,842	89,702	157,592	241,048
Solicitor's fees	3,519	4,491	5,731	7,315
Sales commission	26,025	32,869	41,603	52,751
EQUITY (after sale)	\$44,992	\$174,741	\$345,015	\$565,524

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O
Interest rate (yr 1) (%)	4.00
Loan:	\$596,338
Loan costs (written off over 5 yrs):	\$10,000
Monthly payment:	\$1,988
Annual payment:	\$23,854

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	900
Potential annual rent:	46,800
Vacancy rate (%):	5.00
Actual annual rent:	\$44,460

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agents commission (8.80%):	3,912
Letting Fee:	900
Council Rates:	2,000
Insurance:	2,500
Maintenance:	1,000
Misc Buffer:	2,000
Special expenses:	0
Total expenses:	\$12,312
Normal expenses as % of annual rent (%):	26.31
Net yield or Capitalisation rate (%):	5.83

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		1yr	2yr	3yr	5yr	10yr
Rent		44,460	45,794	47,168	50,040	58,010
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		23,854	23,854	23,854	23,854	23,854
Expenses		12,312	12,682	13,062	13,858	16,065
Pre-tax cash flow	\$0	\$8,294	\$9,259	\$10,252	\$12,329	\$18,092

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	\$551,380
Construction costs:	\$250,821
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$6,271

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Rate	Depreciation (yrs)
Furniture package	25,900	15.00	3,885
Plant & Equipment	39,645	15.00	5,947
Total	\$65,545		\$9,832

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Misc Loan Costs (0.50% of loan):	3,000
Interest Costs while Building (1.17% of loan):	7,000
Total loan costs:	\$10,000

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	1yr	2yr	3yr	5yr	10yr
Interest	23,854	23,854	23,854	23,854	23,854
Expenses	12,312	12,682	13,062	13,858	16,065
Deprec.-building	6,271	6,271	6,271	6,271	6,271
Deprec.-fittings	9,832	8,357	7,103	5,132	2,277
Loan costs	2,000	2,000	2,000	2,000	0
Total deductions	\$54,268	\$53,163	\$52,290	\$51,114	\$48,466

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	2021	1yr	2yr	3yr	5yr	10yr
Pre-tax cash flow	0	8,294	9,259	10,252	12,329	18,092
Tax credits		3,825	2,874	1,998	419	-3,722
After-tax cash	0	12,119	12,133	12,250	12,748	14,370
Income /(cost) per week		233	233	236	245	276

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2021	1yr	2yr	3yr	5yr	10yr
After-tax cash flow	\$0	\$12,119	\$12,133	\$12,250	\$12,748	\$14,370
Equity						\$301,802

The total amount in your "account" (including interest) at the end of the period is the equity (\$301,802) in the investment property. The IRR (?????) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get ?????% before tax.

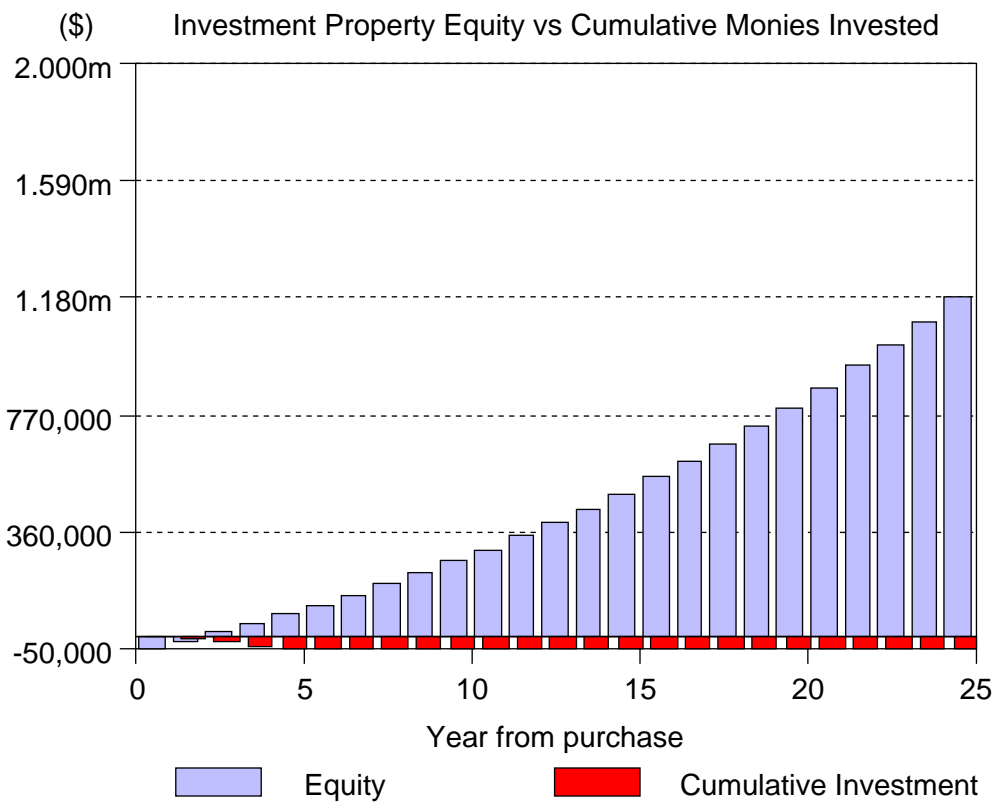
If the property were to be sold at the end of the period, the after-sale equity would be reduced to \$174,741 after taking account of selling costs and capital gains tax and the IRR after the sale would be ?????%.

TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

	Investor
Current taxable income:	100,000
Rental income:	44,460
Total income:	144,460
Rental deductions:	54,268
New taxable income:	90,192
Current tax (on 100,000):	26,947
New tax (on 90,192):	23,122
Tax saving:	3,825
Total tax credits:	\$3,825



Projected total investment and equity over 25 years

Year	After-tax cash flow	Cumulative investment	Property value	Amount owing	Equity
	\$0	\$0	\$551,380	\$596,338	-\$44,958
1yr	\$12,119	-\$12,119	\$578,949	\$596,338	-\$17,389
2yr	\$12,133	-\$24,252	\$607,896	\$596,338	\$11,558
3yr	\$12,250	-\$36,502	\$638,291	\$596,338	\$41,953
4yr	\$12,458	-\$48,960	\$670,206	\$596,338	\$73,868
5yr	\$12,748	-\$61,708	\$703,716	\$596,338	\$107,378
6yr	\$12,329	-\$74,038	\$738,902	\$596,338	\$142,564
7yr	\$12,757	-\$86,794	\$775,847	\$596,338	\$179,509
8yr	\$13,242	-\$100,036	\$814,639	\$596,338	\$218,301
9yr	\$13,781	-\$113,817	\$855,371	\$596,338	\$259,033
10yr	\$14,370	-\$128,187	\$898,140	\$596,338	\$301,802
11yr	\$15,004	-\$143,192	\$943,047	\$596,338	\$346,709
12yr	\$15,681	-\$158,873	\$990,199	\$596,338	\$393,861
13yr	\$16,399	-\$175,273	\$1.040m	\$596,338	\$443,371
14yr	\$17,156	-\$192,429	\$1.092m	\$596,338	\$495,357
15yr	\$17,951	-\$210,380	\$1.146m	\$596,338	\$549,941
16yr	\$18,782	-\$229,161	\$1.204m	\$596,338	\$607,255
17yr	\$19,648	-\$248,810	\$1.264m	\$596,338	\$667,435
18yr	\$20,550	-\$269,359	\$1.327m	\$596,338	\$730,624
19yr	\$21,486	-\$290,845	\$1.393m	\$596,338	\$796,972
20yr	\$22,456	-\$313,301	\$1.463m	\$596,338	\$866,637
21yr	\$23,462	-\$336,763	\$1.536m	\$596,338	\$939,786
22yr	\$24,502	-\$361,264	\$1.613m	\$596,338	\$1.017m
23yr	\$25,577	-\$386,841	\$1.694m	\$596,338	\$1.097m
24yr	\$26,689	-\$413,530	\$1.778m	\$596,338	\$1.182m
25yr	\$27,836	-\$441,366	\$1.867m	\$596,338	\$1.271m

The Property Investment Company Pty Ltd - Sydney

PROPERTY INVESTMENT ANALYSIS (DESCRIPTIVE)

08-Sep-2021

Prepared for: Standard Comparson Lot 163 Banks Estate Logan River

Consultant:

Property: Lot 163 The Banks Estate, Logan River QLD

Description: Standard Comparison H & L without Furn Package

SUMMARY

Assumptions		Projected results over 10 yrs	
Property value	\$521,380	Property value	\$849,273
Initial investment	\$0	Equity	\$308,835
Gross rental yield (yr 1)	4.26%	After-tax return /yr	75.62%
Net rental yield (yr 1)	2.36%	Net present value	\$226,335
Cap. growth rate	5.00%	IF SOLD	
Inflation rate	3.00%	Selling costs & CGT	\$116,920
Interest rate	4.00%	Equity	\$191,915
Taxable income (yr 1)	\$100,000	After-tax return /yr	65.36%

PROJECTIONS

Investment Analysis	Projections over 10 years					
	2021	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$521,380	547,449	574,821	603,563	665,428	849,273
Purchase costs	\$9,058					
Investments	\$0					
Loan amount	\$540,438	540,438	540,438	540,438	540,438	540,438
Equity	\$-19,058	7,011	34,383	63,125	124,990	308,835
Capital growth rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /year	\$23,400	22,230	22,897	23,584	25,020	29,005
Cash deductions						
Interest (I/O)	4.00%	21,618	21,618	21,618	21,618	21,618
Rental expenses	42.33%	9,906	10,203	10,509	11,149	12,925
Pre-tax cash flow	\$0	-9,294	-8,924	-8,543	-7,747	-5,538
Non-cash deductions						
Deprec.of building	2.50%	5,521	5,521	5,521	5,521	5,521
Deprec.of fittings	\$39,645	5,947	5,055	4,297	3,104	1,377
Loan costs	\$10,000	2,000	2,000	2,000	2,000	
Total deductions		44,991	44,396	43,944	43,392	41,441
Tax credit (single)	\$100,000	8,753	8,317	7,924	7,165	4,850
After-tax cash flow	\$0	-541	-607	-619	-582	-688
Rate of return (IRR)	75.62%	Your income /(cost) per week				
Pre-tax equivalent	123.98%	(10)	(12)	(12)	(11)	(13)

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Detailed Notes on Spreadsheet Items

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	521,380
Renovation costs:	0
Total book value:	521,380
Property market value:	\$521,380

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty and transfer of title fees. In Australia, stamp duty and transfer of title fees vary from State to State and are a function of purchase price whereas, in New Zealand, stamp duty has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	2,000
Stamp duty:	6,650
Transfer of title:	408
Total Purchase costs:	\$9,058

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlaid at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	Loan	Total Cost
Property costs:	0	521,380	521,380
Renovation costs:	0	0	0
Purchase costs:	0	9,058	9,058
Furniture package:	0	0	0
Loan costs:	0	10,000	10,000
Totals:	\$0	\$540,438	\$540,438

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.00
Average rate of capital growth (%):	5.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	665,428	849,273	1.084m	1.383m
Loan	540,438	540,438	540,438	540,438
EQUITY	\$124,990	\$308,835	\$543,474	\$842,938

Approximate costs if sold.....				
Capital Gains Tax	30,545	81,525	144,860	222,845
Solicitor's fees	3,327	4,246	5,420	6,917
Sales commission	24,677	31,148	39,408	49,949
EQUITY (after sale)	\$66,440	\$191,915	\$353,786	\$563,228

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

Loan type:	I/O
Interest rate (yr 1) (%)	4.00
Loan:	\$540,438
Loan costs (written off over 5 yrs):	\$10,000
Monthly payment:	\$1,801
Annual payment:	\$21,618

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	450
Potential annual rent:	23,400
Vacancy rate (%):	5.00
Actual annual rent:	\$22,230

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agents commission (8.80%):	1,956
Letting Fee:	450
Council Rates:	2,000
Insurance:	2,500
Maintenance:	1,000
Misc Buffer:	2,000
Special expenses:	0
Total expenses:	\$9,906
Normal expenses as % of annual rent (%):	42.33
Net yield or Capitalisation rate (%):	2.36

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		1yr	2yr	3yr	5yr	10yr
Rent		22,230	22,897	23,584	25,020	29,005
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		21,618	21,618	21,618	21,618	21,618
Expenses		9,906	10,203	10,509	11,149	12,925
Pre-tax cash flow	\$0	\$-9,294	\$-8,924	\$-8,543	\$-7,747	\$-5,538

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	\$521,380
Construction costs:	\$220,821
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$5,521

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Rate	Depreciation (yrs)
Plant & Equipment	39,645	15.00	5,947
Total	\$39,645		\$5,947

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Misc Loan Coasts (0.56% of loan):	3,000
Interest Costs while Building (1.30% of loan):	7,000
Total loan costs:	\$10,000

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	1yr	2yr	3yr	5yr	10yr
Interest	21,618	21,618	21,618	21,618	21,618
Expenses	9,906	10,203	10,509	11,149	12,925
Deprec.-building	5,521	5,521	5,521	5,521	5,521
Deprec.-fittings	5,947	5,055	4,297	3,104	1,377
Loan costs	2,000	2,000	2,000	2,000	0
Total deductions	\$44,991	\$44,396	\$43,944	\$43,392	\$41,441

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	2021	1yr	2yr	3yr	5yr	10yr
Pre-tax cash flow	0	-9,294	-8,924	-8,543	-7,747	-5,538
Tax credits		8,753	8,317	7,924	7,165	4,850
After-tax cash	0	-541	-607	-619	-582	-688
Income /(cost) per week		(10)	(12)	(12)	(11)	(13)

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2021	1yr	2yr	3yr	5yr	10yr
After-tax cash flow	\$0	\$-541	\$-607	\$-619	\$-582	\$-688
Equity						\$308,835

The total amount in your "account" (including interest) at the end of the period is the equity (\$308,835) in the investment property. The IRR (75.62%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 123.98% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to \$191,915 after taking account of selling costs and capital gains tax and the IRR after the sale would be 65.36%.

TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

	Investor
Current taxable income:	100,000
Rental income:	22,230
Total income:	122,230
Rental deductions:	44,991
New taxable income:	77,239
Current tax (on 100,000):	26,947
New tax (on 77,239):	18,194
Tax saving:	8,753
Total tax credits:	\$8,753