

INVESTMENT ANALYSIS:

Seller Asking Price:	750 000
Agreed Purchase Price (OTP):	680 000
Estimated Transaction Costs:	35 000
5% Downpayment:	34 000
Initial Investment Basis:	715 000
Refurbishment Cost:	5000
Holding Cost During Refurb:	1208
Mortgage:	646 000
Initial Equity Required:	75 208

Cap Rate:	11,68%
Equity Reversion Rate (COC):	-1,59%
Break-Even Ratio:	97,55%
Debt Coverage Ratio:	102,98%
Loan to Value Ratio:	95,00%
Internal Rate of Return:	12,55%
Below Market Value%:	10,02%
Below Asking %:	9,33%



Monthly Cost Breakdown (1st year)		ST+3%	ST+5%
Monthly Rental Income:	7 900	7 900	7 900
Monthly Bond Cost (11,2% bond):	6425	7875	8880
Monthly Levies:	0	0	0
Monthly Prop Taxes:	374	374	374
Owners Insurance:	375	375	375
Vacancy Allowance - 10%:	75	75	75
Maintenance Allowance - 5%:	395	395	395
Overheads Allowance - 4.5%:	356	356	356
Management Fee - 11%:	0	0	0
Cashflow after deductions & Allowances:	-100	-1550	-2554
Cash on hand after expenses: (Assuming no expenses for Vacancy, Maintenance & Overheads)	726	-724	-1 729

Property Info:	
Property Address:	58 Cornelius Street
Scheme Name:	Micasa
Number of Units:	1
Unit Types:	0
Purchase price p/m2:	6296
All-in cost p/m2:	6678
Rental rate p/m2:	73
Size Erf:	108
Bedrooms:	2
Bathrooms:	1,5

Quick Ranking on Risk & Return

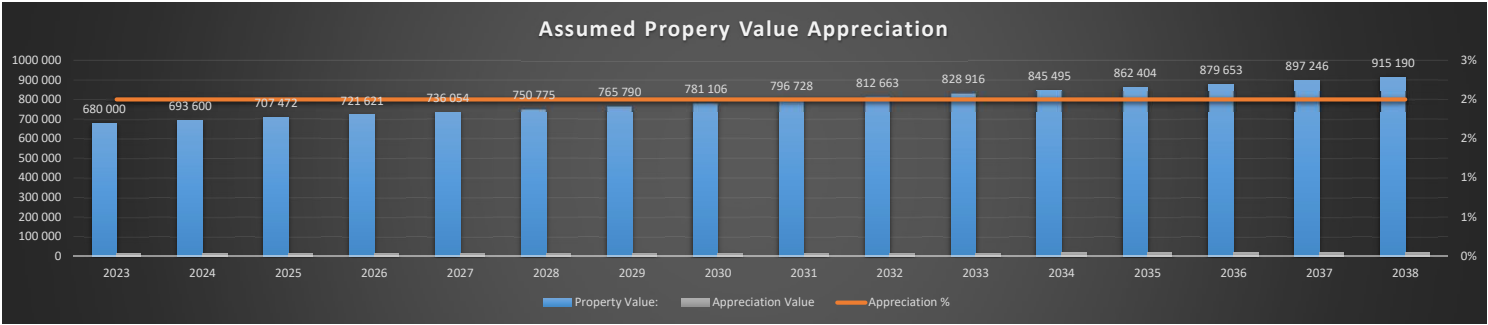
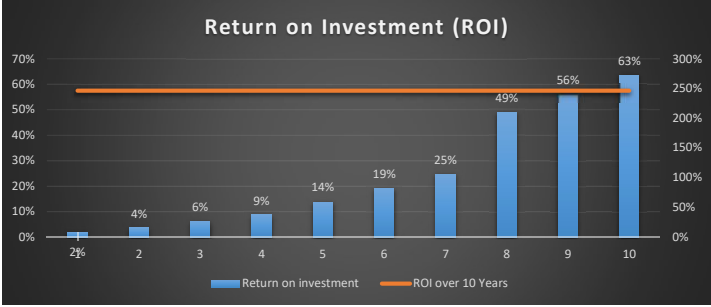
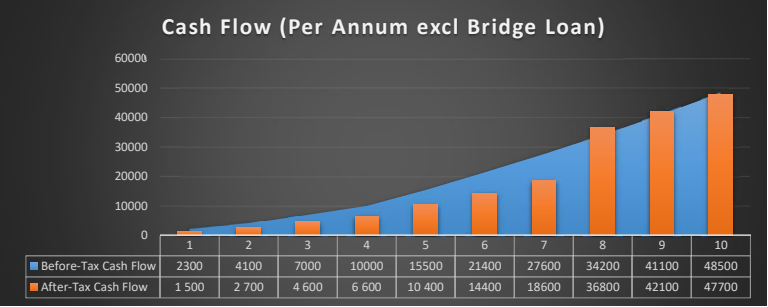
Stress Test Performance Rating:	Low
Returns Performance Rating:	Medium
Purchase Price Performance Rating:	Medium

Go / No-Go based on Quick Ranking

Go

Payback Period	0	1	2	3	4	5	6	7	8	9	10
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
ATCF:		1 500	2 700	4 600	6 600	10 400	14 400	18 600	36 800	42 100	47 700
ATER:		0	0	0	0	0	0	0	0	0	0
Total:	69 000	1 500	2 700	4 600	6 600	10 400	14 400	18 600	36 800	42 100	47 700
Cummulative:	69 000	67 500	64 800	60 200	53 600	43 200	28 800	10 200	26 600	68 700	116 400
Initial Calc:	0	1	2	3	4	5	6	7	-	-	-

Equity Reversion Payback Period: 7.00 years



Annual Operating Expense Increase:

4,5%

Management Fee (% of EGI):

0,0%

Transaction Costs: 6%:

0*

1

2

3

4

5

6

7

8

9

Increase in property taxes:

3,0%

3,0%

3,0%

3,0%

3,0%

3,0%

3,0%

3,0%

3,0%

(to the following and continuing years)

* fill in this box only if property taxes below need to be adjusted for the first year of operations

Potential Gross Rent
Less: Allowance for Vacancies @ 10%

		Current Expense Estimates (per annum):	
Operating Expenses			
Management Fee (% of EGI)			
Levies		R	-
Insurance		R	4 500,00
Maintenance & Repairs & Overheads (9,5% of Rental)		R	9 006,00
Property Taxes		R	374,00

10%

R	94 800,00
R	900,00
R	93 900,00
	-
R	93 900,00

R	14 500,00
R	79 400,00

Operating Statement

Operating Forecast

	1	2	3	4	5	6	7	8	9	10
Transaction Costs: 6%:										
1, Potential Gross Rent	94 800	101 400	108 500	115 000	121 900	129 200	137 000	145 200	153 900	163 100
2, Vacancy Allowance	900	5 100	8 700	11 500	12 200	12 900	13 700	14 500	15 400	16 300
3, Gross Rental	93 900	96 300	99 800	103 500	109 700	116 300	123 300	130 700	138 500	146 800
4, Other Income	0	0	0	0	0	0	0	0	0	0
5, Effective Gross Income	93 900	96 300	99 800	103 500	109 700	116 300	123 300	130 700	138 500	146 800
6, Operating Expenses										
7, Management Fee	0	0	0	0	0	0	0	0	0	0
9, Levies	0	0	0	0	0	0	0	0	0	0
10, Insurance	4 700	4 900	5 100	5 300	5 500	5 700	6 000	6 300	6 600	6 900
13, Maintenance & repairs	9 400	9 800	10 200	10 700	11 200	11 700	12 200	12 700	13 300	13 900
14, Property Taxes	400	400	400	400	400	400	400	400	400	400
15, Total Expenses	14 500	15 100	15 700	16 400	17 100	17 800	18 600	19 400	20 300	21 200
16, Net Operating Income	<u>79 400</u>	<u>81 200</u>	<u>84 100</u>	<u>87 100</u>	<u>92 600</u>	<u>98 500</u>	<u>104 700</u>	<u>111 300</u>	<u>118 200</u>	<u>125 600</u>

Forecasted Operating Expense Ratios

	1	2	3	4	5	6	7	8	9	10
	15,4%	15,7%	15,7%	15,8%	15,6%	15,3%	15,1%	14,8%	14,7%	14,4%

Mortgage Borrowing

Mortgage Amort:	R	646 000,00	
Transaction Costs: 6%:		25	(enter in years)
Interest Rate:		11,20%	(enter annual %)
Amortization:		12	(annual = 1, monthly = 12)
Deposit %:		5%	
Deposit:		34 000	
Asking Price:		680 000	

Mortgage calculator:		
Monthly Debt Service:	R	6 425,15
Annual Debt Service:	R	77 101,85

Annual Debt Service (ADS):	R	77 100,00
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Amortization Schedule

[illegible]

Mortgage Borrowing

Mortgage Amount:	R	646 000,00	
Transaction Costs: 6%:		25	(enter in years)
Interest Rate:		14,20%	(enter annual %)
Amortization:		12	(annual = 1, monthly = 12)
Deposit %:		5%	
Deposit:		34 000	
Asking Price:		680 000	

Mortgage calculator:		
Monthly Debt Service:	R	7 875,31
Annual Debt Service:	R	94 503,75

Annual Debt Service (ADS):	R	94 500,00
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Amortization Schedule

[illegible]

Mortgage Borrowing

Mortgage Amnt:	R	646 000.00	
Transaction Costs: 6%:		25	(enter in years)
Interest Rate:		16.20%	(enter annual %)
Amortization:		12	(annual = 1, monthly = 12)
Deposit %:		5%	
Deposit:		34 000	
Asking Price:		680 000	

Mortgage calculator:	
Monthly Debt Service:	R 8 879,96
Annual Debt Service:	R 106 559,51

Annual Debt Service (ADS): R 106 600,00

Amortization Schedule

[illegible]

Before-Tax Cash Flow (BTCF)

	1	2	3	4	5	6	7	8	9	10
Transaction Costs: 6%:	94 800	101 400	108 500	115 000	121 900	129 200	137 000	145 200	153 900	163 100
Vacancy Allowance	900	5 100	8 700	11 500	12 200	12 900	13 700	14 500	15 400	16 300
	93 900	96 300	99 800	103 500	109 700	116 300	123 300	130 700	138 500	146 800
Other Income	0	0	0	0	0	0	0	0	0	0
Effective Gross Income	93 900	96 300	99 800	103 500	109 700	116 300	123 300	130 700	138 500	146 800
Operating Expenses										
Management Fee	0	0	0	0	0	0	0	0	0	0
Levies	0	0	0	0	0	0	0	0	0	0
Insurance	4 700	4 900	5 100	5 300	5 500	5 700	6 000	6 300	6 600	6 900
Maintenance & Repairs	9 400	9 800	10 200	10 700	11 200	11 700	12 200	12 700	13 300	13 900
Property Taxes	400	400	400	400	400	400	400	400	400	400
Total Expenses	14 500	15 100	15 700	16 400	17 100	17 800	18 600	19 400	20 300	21 200
Net Operating Income	79 400	81 200	84 100	87 100	92 600	98 500	104 700	111 300	118 200	125 600
Debt Service	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100
Before-Tax Cash Flow	2 300	4 100	7 000	10 000	15 500	21 400	27 600	34 200	41 100	48 500

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Marginal Tax Rate:	28%				Tax
Transaction Costs: 6%:		Insurance	Management Fee		Deduction
Other Tax Deductibles	4 500	+	0	=	R 4 500,00

Projected After-Tax Cash Flows from Operations

Operating Expenses

Management Fee (% of	0	0	0	0	0	0	0	0	0	0
Management Fee (% of	0	0	0	0	0	0	0	0	0	0
Levies	0	0	0	0	0	0	0	0	0	0
Insurance	4 700	4 900	5 100	5 300	5 500	5 700	6 000	0	0	0
Maintenance & Repairs	9 400	9 800	10 200	10 700	11 200	11 700	12 200	0	0	0
Property Taxes	400	400	400	400	400	400	400	400	400	400
		0								
- Operating Expenses	14 500	15 100	15 700	16 400	17 100	17 800	18 600	400	400	400
Net Operating Income	79 400	81 200	84 100	87 100	92 600	98 500	104 700	130 300	138 100	146 400
- Debt Service	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100	77 100
Before-Tax Cash Flow	2 300	4 100	7 000	10 000	15 500	21 400	27 600	53 200	61 000	69 300
- Income Taxes	800	1 400	2 400	3 400	5 100	7 000	9 000	16 400	18 900	21 600

Property Disposition

Purchase price:	680 000	Selling price:	1 010 444
Transaction costs:	35 000	Selling costs:	101 044

Tax rate on capital gains:	18,65%
Tax rate on depreciation recapture:	18,65%

Anticipated holding period:	25
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Mortgage balance:	R 559 104,21
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Estimate of Investor's Adjusted Tax Basis

Purchase Price	R 680 000,00
+ Transaction Costs	R 35 000,00
Initial Tax Basis	R 715 000,00
- Cumulative Depreciation	R 51 587,46
Adjusted Basis Prior to Sale	R 663 412,54
+ Selling Costs	R 101 044,42
Adjusted Basis at Time of Sale	R 764 456,97

Transaction Costs Calculation	Initial	Sale
Bond Registration Cost	12 000	0
Bank Initiation Fee	6 500	0
FICA, Postage and Petties	3 000	0
Transfer Costs	11 500	
Transfer Duty	0	
FICA, Postage and Petties	2 000	0
	0	
Total	35 000	

Estimated Income Tax Consequences

Selling Price	R 1 010 444,23
- Adjusted Basis	R 764 456,97
Gain on Disposal	R 245 987,26
- Gain from depreciation recapture	R 51 587,46
Long-Term Capital Gain	R 194 399,81
Tax on depreciation recapture	R 9 600,00
Tax on capital gain	R 36 300,00
Total Tax Liability on Sale	R 45 900,00

Estimate of After-Tax Equity Reversion

Selling Price	R 1 010 444,23
- Selling Costs	R 101 044,42
Net Sales Proceeds	R 909 399,81
- Mortgage Balance	R 559 100,00
Before-tax Equity Reversion	R 350 299,81
- Taxes due on sale	R 45 900,00
After-Tax Equity Reversion	R 304 399,81

Ratio Analysis - Value

Income Multipliers

Transaction Costs: 6%:	Gross Rent Multiplier:	Market Price 680 000	/	Gross Rents 94 800	=	7,17
	Gross Income Multiplier:	Market Price 680 000	/	EGI 93 900	=	7,24
	Net Income Multilier:	Market Price 680 000	/	NOI 79 400	=	8,56

Using Multipliers to Estimate Market Value

Gross Rent Multiplier Method:	Gross Rents 94 800	x	Input GRM 5,23	=	R 495 593,33
Gross Income Multiplier Method:	EGI 93 900	x	Input GIM 6,50	=	R 610 350,00
Net income Multilier Method:	NOI 79 400	x	Input NIM 19,00	=	R 1 508 600,00

10%

Ratio Analysis - Financial & Profitability

Financial Ratios

Transaction Costs: 6%:	Operating Ratio:	OE 14 500	/	EGI 93 900	=	15%
	Break-even Ratio:	(OE + ADS) 91 600	/	EGI 93 900	=	98%
	Debt Coverage Ratio:	NOI 79 400	/	ADS 77 100	=	1,03
	Loan-to-value (LTV) Ratio:	Mortgage 646 000	/	Market Price 680 000	=	95%

Profitability Measures

Capitalization Rate:	NOI 79 400	/	Market Price 680 000	=	11,68%
Using Cap Rate to Estimate Market Value:	NOI 79 400	/	Return Rate 8,11%	=	R 978 904,11
Equity Dividend Rate: (before-tax)	BTCF 2 300	/	Initial Equity 75 208	=	3,06%
Equity Dividend Rate: (after-tax)	ATCF 1 500	/	Initial Equity 75 208	=	1,99%