INVESTMENT OPPORTUNITY : HERTA CRESCENT, BRAKENFELL.

NOTE:

Investment in Property is subject to risk. It is advisable to consult your investment advisor before proceeding with any investment.

The following data is given only to supplement information enabling an investor to make an informed decision and is not to be construed as an inducement to invest in this property. The figures calculated are based on various financial formulae to be found in most spreadsheets, and are based on the following + rounded-off input data:

Financial:
Purchase Price: R   950 000-00
Cash investment: R   420 000-00 (Including costs and 40% deposit)
Financing required: R   570 000-00

Signed rental agreement in place (12 months – 10 to go) ; R 6 400-00/month, renewable;

Cost of Admin, Maintenance etc: R 16 200-00 per year.

Input Data:

Financing Period: 15 years (advisable max. for rental investment);
Finance Rate: 10%

Vacancy and Credit loss: 5%

Rental escalation: 8% p.a.;
Rental period assumed to be 5 years, thereafter sale of property for NPV & IRR calculation;
Cost Escalation: 5% p.a.
Growth Rate: 6% p.a.
Discount Rate: 17.5% (taking inflation and risk into account);

Output Data:

Cost of Bond: R 6 125 -00 p.m.;
Monthly costs: R 1 350-00 p.m.
Net Operating Income: R 53 100-00 p.a. for 1st year;

1st Year shortfall;   -R 1 080-00 p.m.
2nd Year shortfall: -R   630-00 p.m.
3rd Year shortfall: -R   150-00 p.m.
4th Year Shortfall: +R   375-00 p.m.
5th Year positive: +R   940-00 p.m.
Month 60 with sale   +R 1 282 000-00 Payout;

Financial Indicators:

Cap Rate: 5.6%; (Running costs taken into account);

NPV ;   R 115 000-00 (A value above R1-00 is a positive indicator for the investment – risk dependant);

IRR :   22% (If above Discount rate, (17.5%), a positive indicator – as above)

Depending upon the input data, the above will vary, and can be structured to suit the investors risk appetite.