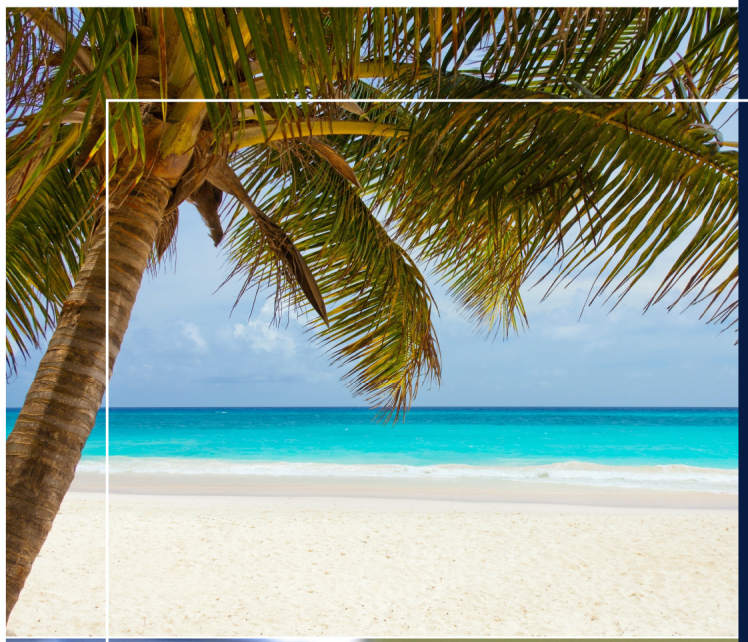

QUANTUM SHIFT

COMMERCIAL PROPERTY SECRETS

Living the instant cash flow dream lifestyle

I LOVE REAL ESTATE

Day 2 - Workbook: Commercial Numbers Activities + Homework

Breakout 1:

Activities in Breakout Room:

1) The target return that you would like to achieve as specified by your buyer's brief is 8.5%... What would a possible offer price be, based on a yield of 8.5%? _____

2) Calculate the new asking price based on the asking yield in the ad, if you find that the true Net Income is $74,000, and not the $79,709 advertised. _____

3) Calculate the yield from example if Owner is prepared to accept $800,000 after negotiating. _____

Breakout 2:

Activities in Breakout Room:

1) **Calculate the approximate Cap Rate in an area for 100sqm retail premises if:**

- Agent A says recent yields between 6.25% and 7.5%_____

- Agent B says recent yields in the range of 7% and 8%_____

- Agent C says recent yields as low as 6% and as high as 7.75%_____

Cap Rate = Average Yield = _____

W.A.L.E. The following is an exerpt from an I.M. (Assume all info correct.)

Tenancy	Lease term remaining	NLA	Income
Unit 1	2 Years	200sqm	$16,000
Unit 2	1 Year	100sqm	$10,000
Unit 3	5 Years	100sqm	$8,000
Total	8 Years	400sqm	$34,000

1) What is the W.A.L.E. based on N.L.A.?

2) What is the W.A.L.E. based on Net Income?

W.A.L.E. (NLA)	=	Unit 1			+	Unit 2			+	Unit 3		
		Lease term remaining	X	Unit 1 NLA / Total NLA		Lease term remaining	X	Unit 2 NLA / Total NLA		Lease term remaining	X	Unit 3 NLA / Total NLA

Working Out the Numbers HOMEWORK

Tenancy Schedule

Tenancy		Net Rent (pa)	Size (sqm)	Lease End	$psm	Yield	Current Value
1	SouthWest News	$ 12,450.00	60	monthly	$ 207.50		
3	Dominos Pizza	$ 19,600.00	70	19/09/2020	$ 280.00		
4	*vacant*	$ 12,750.00	50		$ 255.00		
5	NRMA	$ 25,200.00	120	30/06/2017	$ 210.00		
		$ 70,000.00	**300**				

Net Income: $70,000 p.a.

WALE (area): 1.27 years

Asking Price: $800,000

Numbers Worksheet – Sheet 1

1. Working out Purchase Price

A. Net Income:	$70,000 p.a.	
B. Asking Price:	$800,000	
C. Asking Yield:	%	([A ÷ B] × 100)

2. Working out Value

	Tenancy	Net Rent (p.a.)	Size (sqm)	Lease End	$psm	Yield	Current Value
1	SouthWest News	$ 12,450.00	60	monthly	$ 207.50	**8.3%**	D.
3	Dominos Pizza	$ 19,600.00	70	19/09/2020	$ 280.00	**8.0%**	E.
4	*vacant*	$ 12,750.00	50		$ 255.00	**8.5%**	F.
5	NRMA	$ 25,200.00	120	30/06/2017	$ 210.00	**8.0%**	G.
		$ 70,000.00	**300**				

3. Renegotiating Lease Term – extending Tenant 5 NRMA Lease

Offer to pay for $20,000 new fit out to sign new 5 year lease.

H. Net Income:	$25,200 p.a.	
I. Yield for longer WALE:	7%	
J. New Value:	$	(H ÷ I)
K. Payment to NRMA for fitout:	$20,000	
L. Profit:	$	(J – K – G)

4. Market Reviews of Expiring Lease

M. Market Rent: $260 psm

1 SouthWest News – releasing at market rent on a 3 year lease.

N. Tenancy Net Lettable Area (NLA): 60 sqm

O. New Income: $ p.a. (M × N)

P. Yield for longer WALE: 8%

Q. New Value: $ (O ÷ P)

R. Profit: $ (Q – D)

5. Leasing Vacant Space

Leasing Tenancy 4 to Knowledge Source at Market Rent of $13,000 p.a. on a 5 year lease

S. New Income:	$13,000 p.a.	
T. Yield for longer WALE:	8%	
U. New Value:	$	(S ÷ T)
V. Profit:	$	(U – F)

6. Adding new tenancy through space utilisation – Coffee Van

Installing pop-up Coffee Van in corner of Carpark on a 1 year lease

W. New Income:	$9,000 p.a.	
X.Yield for pop-up:	9%	
Y. New Value:	$	(X × 52weeks)
Z. Profit:	$	(Y)

7. Working out the Value

Total New Value:	$	(E + J + Q + U + Y)
Total Profit	$	(L + R + V + Z)

Working Out the Numbers

New, Improved Tenancy Schedule

	Tenancy	Net Rent (pa)	Size (sqm)	Lease End	$psm	Yield	New Value
1	SouthWest News	*$ 15,600.00*	60	*19/09/2019*	*$ 260.00*	*8.0%*	*$ 195,000.00*
3	Dominos Pizza	$ 19,600.00	70	19/09/2020	$ 280.00	8.0%	$ 245,000.00
	Knowledge Source	*$ 13,000.00*	*50*	*19/09/2021*	*$ 260.00*	*8.0%*	*$ 162,500.00*
5	NRMA	$ 25,200.00	120	*19/09/2021*	$ 210.00	7.0%	$ 360,000.00
	C Beans	*$ 9,000.00*	*10*	*19/09/2017*	*$ 900.00*	*9.0%*	*$ 100,000.00*
		$ 82,400.00	**310**				**$ 1,062,500.00**

WALE (area): 4.26 years

Market Yield: ~7.76%