



COMMERCIAL PROPERTY SECRETS

Living the instant cash flow dream lifestyle



Commercial Quiz

Question 1:

“Fantastic Freehold with upside opportunities. Owner asking a yield of 7%.....

Net. Income is \$60,000 per annum excl. GST.”

What is the Asking Price?



Question 2:

What is the asking yield?

FOR SALE - Sale by Negotiation

SALE PRICE

3009/27 Garden Street

\$890,000

Southport, QLD 4215

Shop & Retail

 Land area
97.0m²

 Floor area
97.0m²

 Tenure type
Tenanted Investment

Tenanted by Southport Centrals Longest Trading Business

- Total Area: 97m²*
- Net income: \$53,412 + GST
- Outgoings 100% recoverable

Question 3:

What is the asking price?

- Contact Agent!
- Call the agent
- Agent says \$550,000

What is the yield?

FOR SALE - Auction Wed 7 Aug

143 Patrick Street

Laidley, QLD 4341

Shop & Retail

SALE PRICE
Contact Agent

 Property extent
Whole

 Tenure type
Tenanted Investment

Tenanted Investment Details

Occupancy	Est. Income p.a. ⓘ	Number of Tenants
Fully Leased	\$49,350	1 Tenant
Tenants / Type		
NAB		

Question 4:

(Ques. 4 and Ques 5 relate to the same property)

The following information is taken from a property listing online. The property is in a high demand Metro Area:

- 3 Tenancies over 825m² on 1 title.
- Fully tenanted at \$139/m².
- Asking Price: 8% Yield

Calculate Asking Price based on listing Information:



Question 5: (Over 3 Slides)

- Asking Price from Listing = \$1,433K
- This is the Tenancy Schedule in the IM associated with the property
- Point out 3 discrepancies in the tenancy schedule
- Point out 3 issues with the lease terms
- Circle the potential issues and discrepancies

(Refer to next page for clearer copy.)

Tenant	Tenancy	Area	Rent (\$/Year)	Outs (\$/Year)	Total (\$/Year)	Rent (\$/Month)	Outs (\$/Month)	Total (\$/Month)
Wurtulla Electrical Systems	1A - Upstairs Office	91	16,380	2,275	18,655	180	25	205
	1B - Downstairs Office	44	7,920	1,100	9,020	180	25	205
	2A - Rear Shed	165	18,150	4,125	22,275	110	25	135
SUB TOTAL		300	42,450	7,500	49,950	142	25	167
Metroll	2B - Rear Shed	165	16,743	4,140	20,833	101	25	127
Raymond Ryan	1C - Front Shed	360	34,709	9,040	43,749	96	25	122
TOTAL		825	93,902	20,680	114,572	114	25	139

LEASE TERMS

Tenant	Lease Start	Lease End	Duration
Wurtulla Electrical Systems			3 + 3 + 3
Metroll	1/01/2017	31/12/2017	1 + 1
Raymond Ryan	29/01/2016	30/06/2018	3 + 3 + 3

Question 5:

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05 LEASE SCHEDULE

Question 5:

1) Is the Net Income advertised in the listing (Ques.4) correct?

2) If not, then what should the Net Income be?

3) What should the asking price be based on your answer above, and the asking yield in the listing?

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Metroll	1/01/2017	31/12/2017	1 + 1
Raymond Ryan	29/01/2016	30/06/2018	3 + 3 + 3

Question 6:

- 4 Tenancies over 1000m² on 1 title.
- All tenanted at \$120/m².
- Lease terms < 1year
- Asking Price: 9% Yield

1) Rental: = _____

2) Asking Price = _____

Question 6:

- Area Research shows Market Rental is \$85/m²
- Adjusted Value at 9% Yield is:

- Difference of _____ from asking price

Question 7:

How do we value vacant property?

A) What is the Valuation Method Called?

A) If Comparable Recent Sales show a range \$1500/sqm - \$1700/sqm, what is the likely value?

FOR SALE

4/61 Burnett Street

Buderim, QLD 4556

Shop & Retail • Offices • Medical & Consulting

SALE PRICE


\$895,000 + GST

 Land area
193.0m²

 Floor area
193.0m²

 Parking info
Large on-site rear car park
and street parking in front

PRIME RETAIL SHOP, MEDICAL OR RESTAURANT IN THE CENTRE OF THE MAIN STREET OF BUDERIM



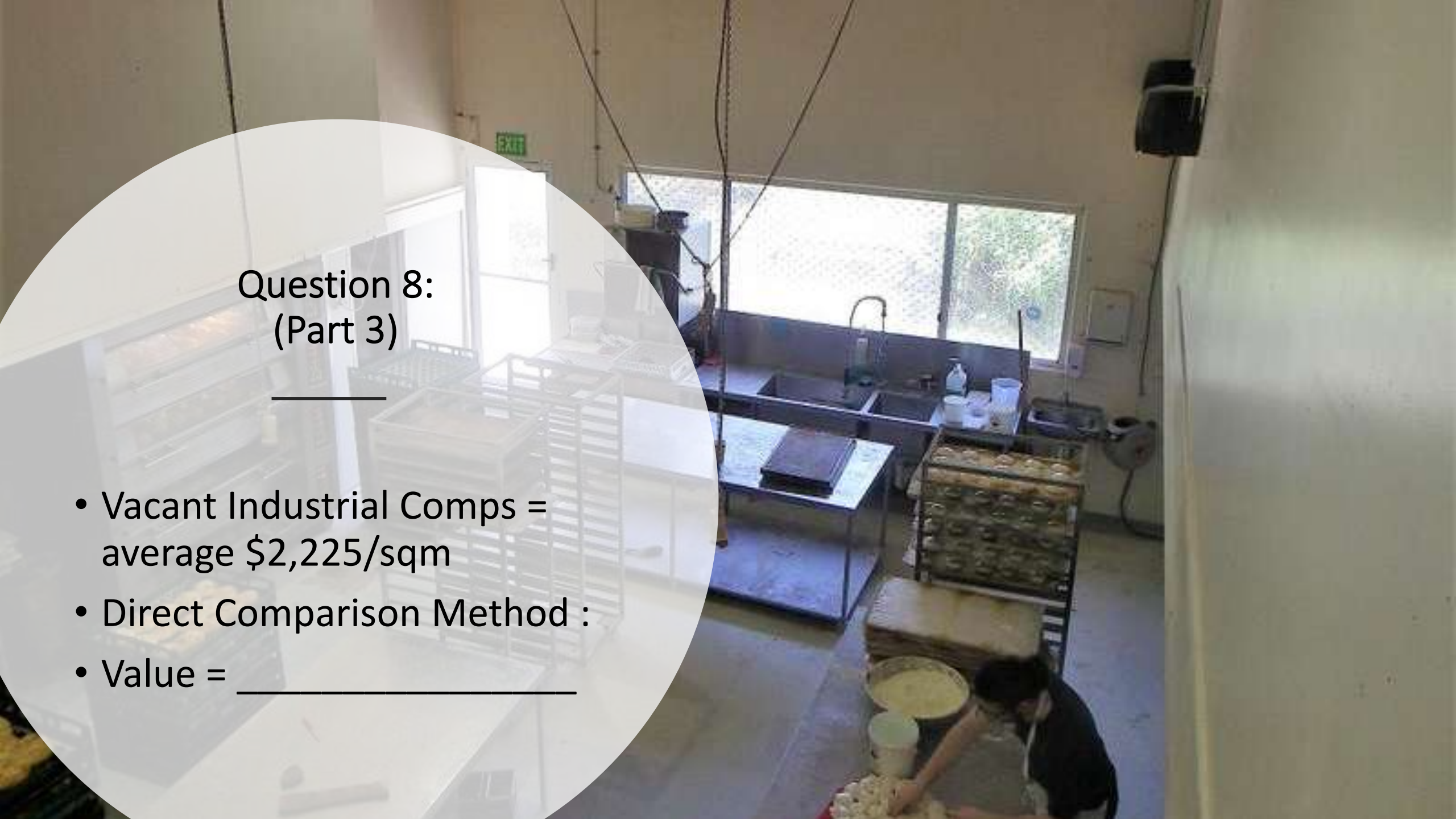
Question 8:
(Over 3 slides)

- 170m² Commercial Kitchen
- Long Term Tenant at \$220/m²
- Annual Net Rent = \$37,4K
- Yield Range in Area between 6.5% - 7.5%
- Asking Price = _____

Question 8: (Part 2)

- Area Research shows Market Rental is \$150/m²
- Net Adjusted Rent = _____
- Adjusted Value = _____





Question 8:
(Part 3)

- Vacant Industrial Comps = average \$2,225/sqm
- Direct Comparison Method :
- Value =

Question 9:

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

Unit	Expiry	Net Income p.a.
1	2.2	\$55,500
2	1.75	\$12,500
3	4.8	\$75,000
	Total:	\$143,000

Answer to Question 9:

$$\text{W.A.L.E} = \frac{\text{Unit 1}}{\text{Lease Expiry} \times \frac{\text{Unit 1 Income}}{\text{Total Income}}} + \frac{\text{Unit 2}}{\text{Lease Expiry} \times \frac{\text{Unit 2 Income}}{\text{Total Income}}} + \frac{\text{Unit 3}}{\text{Lease Expiry} \times \frac{\text{Unit 3 Income}}{\text{Total Income}}}$$

Question 10: (Over 2 Slides)

Current Net Income: \$208,537

Purchase Price: \$3,000,000

Cash Flow Opportunities

- Pushing Leases up to market rent (\$440psm). Added to Net Income: \$15,952
- Change of Use: Offices to Residences. Added to Net Income: \$20,822
- ATM on external wall (+\$10,000 pa). Added to Net Income: \$10,000

All together:

Total Added to Net Income: \$46,774

New Net Income: \$255,311

Yield on Purchase: 7%

New Value : \$3,647,300

Increase of \$647,300 by maximising Cash Flow Opportunities alone!

(Go to Next Slide)

Question 10 Continued:

Chunk Opportunities:

- Development (add 2 new offices) Value Add: \$941,000
- Strata Value Add: \$560,000
- Extending Lease Terms Value Add: \$208,000

New Value: \$5,356,300

Uplift in Value of \$2,356,300 from original purchase

New Cashflow: \$321,181

1) What size are the two new offices? _____



QUANTUM
SHIFT