INVESTMENT ANALYSIS RETAIL CANADIAN EXAMPLE USING RENT ROLL AND TWO CATEGORIES

INTRODUCTION

This comprehensive retail example uses the Rent Roll and Categories and includes all the lease features such as Free Rent, % Rent and the application of Rent Caps and Recoverable Expense Caps and Stops.

This example shows you how to set up your own Categories to create "Profit Centres"

For simplicity there are only two tenants.

Tenant Unit 1A Retail Space. Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft Tenant Unit 1B Food Court area. Cara Catering Gross Leasable Area: 12,000 Sq. Ft

The two Categories are;

Retail Food Court

Categories are Profit Centres, which means that the Income & Expense Statement is produced for the Retail Category, Food Court Category and the Combined Total.

The Investit Template used is "Invest Retail + Rent Roll & Cat"

This practice example consists of two Sections;

- 1. The input information for the project
- 2. The instructions for entering the project data

PROJECT INFO. Folder

Property Name: Park Royal Village Description: Investment Retail +Rent Roll & Categories Starting Date: Year 1 Jan Analysis Period: 9 Years Purchase Price: \$10,000,000 Building Area 36,000 Sq Ft Gross Leasable Area: 32,000 Sq. Ft Land Area: 128,000 Sq Ft Frontage: 320 Ft

INVESTOR Folder

Marginal Tax Rate: 42.00% Capital Gain: 50.00% Discount Rate: Before Tax 13.00% Short Term Rates Before Tax for calculating the Modified Internal Rate of Return (MIRR) Financing Rate: 8.000% Reinvestment Rate: 3.000%

INVESTMENT Folder

CCA Claim: Claim CCA up to Taxable Income

Land

Description: Land Amount: \$3,000,000 Year 1 Jan CCA Class: Land

Building

Description: Building Amount: \$7,000,000 Year 1 Jan CCA Class: Building CCA Rate: 4.00% First Year: 50.00% CCA Claim Last Year: Yes

EXPENSES Folder

Operating expenses paid for by the investor such as taxes, insurance, maintenance, property management etc.

For simplicity the total operating expenses are expressed as \$ per Sq. Ft per Yr which includes real estate taxes, insurance and maintenance.

The operating expenses are broken down between Retail and Food court in order to set up the Retail and Food Court profit centres.

Retail operating expenses. Gross Leasable Area 20,000 Sq. Ft

Op Expenses Retail

\$9.00 per Sq. Ft per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. Category: Retail

Food Court. Gross Leasable Area 12,000 Sq. Ft

Op Expenses Food Court

\$7.00 per Sq. Ft per Yr paid monthly for 12 months then increasing at 3.00% compounding per year **Category:** Food Court

Category: Food Court

GENERAL REVENUE Folder

General revenue is revenue that is not specific to an individual tenant such as public parking.

Public Parking

100 spaces \$50 per space per Mo for 12 months then increasing at 3.00% compounding per year **Category:** Retail

RENT ROLL REVENUE Folder

Used to enter the rent for each tenant

The rent paid by the tenant to the landlord is entered in the Rent Roll Revenue folder for each of the two tenants as follows;

Unit 1A Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft

Base Rent

\$20.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term is based on 3.00% compounding for five years **Category:** Retail

Free Rent

First three months. 100% of Base Rent.

% Rent

6.00% of retail sales

Retail Sales for the first year are as follows;

Year 1	Retail Sales
Jan	\$600,000
Feb	\$600,000
Mar	\$600,000
Apr	\$600,000
May	\$800,000
June	\$800,000
July	\$800,000
Aug	\$800,000
Sept	\$800,000
Oct	\$900,000
Nov	\$1,000,000
Dec	\$1,300,000

The retail sales are projected to increase at 4.00% compounding per year for remaining 9 years.

Additional Rent

\$7.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Subject to a Recoverable Expense Cap** of \$14,000 per month. This means that the maximum additional rent the tenant will pay is \$14,000 per month. **Category:** Retail

Unit 1B Cara Catering Food Court space. Gross Leasable Area: 12,000 Sq. Ft

Base Rent

\$20.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term base on 3.00 % compounding for five years **Category:** Food Court

Additional Rent

\$8.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years **Category:** Food Court

VACANCY Folder

This analysis assumes no vacancies

FINANCING Folder

The financing to buy the property is;

Description: First Mortgage Commencing: Year 1 January Type: Standard Mortgage Amount: \$7,500,000 Time Period: 10 years Amortization: 25 years Nominal Interest Rate: 8.00%% Compound

SALE Folder

Real Estate Commissions 6.00% of Sale Price

Selling Expenses

Selling Expenses 2.00% of Sale Price Legal Fees: \$15,000

Sale Price

Based on a Cap Rate of 7.50% using the Income for the year following the Sale i.e., based on the Income & Expenses for year 10.

INSTRUCTIONS FOR ENTERING THE PROJECT INTO INVESTOR PRO

Getting started

The first step is to open the Investit Pro Template "Invest Retail + Rent Roll & Cat" as follows:

- 1. Open Investor Pro.
- 2. Select the New Project Folder then select the Investit Template folder

	Select Template for New Project	
	Development Mixed Use	4
	Development Office Building	
	Development Retail	
	Development Single Family Home	
Ľ		
	Invest Office	
	Invest Office + Rent Roll & Cat	
	Invest Rental Units	
	Invest Rental Units + Rent Roll & Cat	
	Invest Retail	
	Invest Retail + Rent Roll & Cat 🛛 🖛 👘	

- 3. Select and open the Investit template "Invest Retail + Rent Roll & Cat". The analysis period dialog will open at this point.
- 4. Enter 9 years and click OK

PROJECT INFO Folder

- 1. Enter the Property Name: Park Royal Village
- 2. Enter Description: Investment Retail + Rent Roll & Categories
- 3. Enter Purchase Price: \$10,000,000
- 4. Enter Building Area: 36,000 Sq. Ft
- 5. Enter Gross Leasable Area (GLA): 32,000 Sq. Ft
- 6. Enter Land Area: 128,000 Sq. Ft
- 7. Enter Frontage: 320 Sq. Ft

The Project Info screen should look like this;

🗃 Investor Pro	
Elle Edit Reports Tools Utilites Investit Help	fo. Client Info. Goal Seeking Notes
Project Investor Investment Expenses General Revenue	Rent Roll Vacancy Financing Sale
Report Headers	Building
Property Name Park Royal Village	Building Area 36,000 Sq. Ft
Description Investment Retail •Rent Roll & Categories	Retail
Total Purchase Price	oross Leaseable Area (OLA) 32,000 Sq. FI
Purchase Price \$10,000,000	
Acquisition Costs 0.00% % of Purchase Price 💌	
Total Purchase Price \$10,000,000	
Analysis Time Period	
9 Years Change Analysis Time Period	
Entry Information	
Enter Revenue and Expenses Monthly Change Entry Information	
Starting Date January Year 1	
Calculate Financial Measures based on	Land
Potential Gross Income C Effective Gross Income	Land Area 128.000 So. Ft
Edit Unit of Measure	Frontage 320 Ft
	Template: Invest Retail + Rent Roll & Cat

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Investor Folder

1. Enter the Discount Rate Before Tax: 13.00%

Notes:

The Discount Rate is used to calculate the Net Present Value The program automatically calculates the Discount Rate After Tax

2. Enter Short Term Rates Before Tax Financing Rate: 8.00% Reinvestment Rate: 3.00%

INVESTMENT Folder

The Investment Folder should appear like this;

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📴 Investor Pro CND								×
<u>File Edit Reports Tools Util</u>	ites įnvestit	<u>H</u> elp						
	6	My Compa	any Info.	Property Info. Clie	nt Info.	Goal Seekir	g Notes	
Project Investor Investment Expenses General Rent Roll Vacancy Financing Sale								
CCA Claim Option: Claim CCA up to Taxable Income Purchase Price and Capital Improvements								
	Inflate	1		cc	A Claim Set	ting		
Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year	
Land	\$0	Year 1 💌	Jan 👱	Land 👱				
Building	\$0	Year1 👱	Jan 🗵	Building 🔄	4.00%	50.00%	V	
Land Improvements	\$0	Year1 👱	Jan 🖭	Furn/Equip 👱	20.00%	50.00%	V	
Add Insert Delete Move Comments								
				Template: Inve	st Retail + R	ent Roll & C	at	

First Row

1. Enter the Amount: \$3,000,000

Second Row

- Select row 2 'Building'
 Enter the Amount: \$5,500,000

Third Row

- 1. Select row 3 'Land Improvements'
- 2. Click on the Delete button

Your entries for the Investment should look like t	this;
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CCA Claim Option: Claim CCA up to Taxable Income										
Purchase Price and Capital Improvements										
	Inflate				CC/	A Claim Sett	ing			
Description	Amount	Year	Month	CCA Class		CCA Rate	First Year	Claim CCA in Last Year		
Land	\$ 3,000,000	Year 1 🖃	Jan 🗾	Land	-					
Building	\$ 7,000,000	Year 1 👱	Jan 📃	Building	-	4.00%	50.00%			

EXPENSES Folder

Retail operating expenses. Gross Leasable Area 20,000 Sq. Ft

Op Expenses Retail: \$9.00 per Sq. Ft per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Category:** Retail

Food Court . Gross Leasable Area 12,000 Sq. Ft

Op Expenses Food Court: \$7.00 per Sq. Ft per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Category:** Food Court

The Expenses folder should appear like this;

Investor Pro CND										
<u>File Edit Reports T</u> ools	<u>U</u> tilites Investit <u>H</u> elp									
D 😂 🖬 🚳 🖍 📭 💼 My Company Info. Property Info. Client Info. Goal Seeking Notes										
Project Investor Investment Expenses General Rent Roll Vacancy Financing Sale Sale										
Expenses										
Description	Entry Choice		Gty	Category	NO	Year 1 Jan	Year 1 Feb			
Taxes	\$ per Yr		—	Retail 🔄	2	\$0	\$(
Insurance	\$ per Yr	-	—	Retail 📃	\checkmark	\$0	\$0			
Maintenance	\$ per Mo	-	—	Retail 🗾	\checkmark	\$0	\$0			
Property Management	% of Effective Gross Income	-	—	Retail 📃	\checkmark	0.00%	0.00%			
Add Insert D	elete									
Projection Wizard Projection Description										
						C	omments			

Steps for setting up the Expenses folder

- 1. Select row 1 'Taxes'
- 2. Enter Description "Op Expenses Retail"
- 3. Select Entry Choice "\$ per Sq. Ft per Yr"
- 4. Enter QTY: 20,000
- 5. Select row 2 'Insurance'
- 6. Enter Description "Op Expenses Food Court"
- 7. Select Entry Choice "\$ per Sq. Ft per Yr"
- 8. Enter QTY: 12,000

Entering Category 'Food Court' for row 2 'Insurance'

- 9. Click on the Category Choice scrolling menu
- 10. Select 'Edit List..." at the bottom

The Edit list... menu should come up;

Edit list	×
Retail Commercial Industrial Residential	Add Edit Delete
Multi Family Parking	Move Down Move Up
	Programmed Categories
<u>O</u> K <u>C</u> ancel	<u>H</u> elp

- 11. Click on the Add... button
- 12. Enter "Food Court" into the Add Category menu that pops up

Add Category	×
Enter Category	
Food Court	
<u>O</u> K <u>C</u> ancel	<u>H</u> elp

13. Press OK to return to the Edit list... menu

14. Press OK on the Edit list menu to return to the Expenses folder

- 15. Select row with Description 'Maintenance'
- 16. Click on the Delete button
- 17. Select row with Description 'Property Management'
- 18. Click on the Delete button

The Expenses folder should now look like this;

Eile Edit Reports Tools	s Utilites Investit Help Image: Second Sec	
Project Info. Investor	Investment Expenses General Rent Roll Revenue Vacancy Financing Sale	•
Expenses		
Description	Entry Choice Qty Category NOI Year 1 Jan Year 1 Fe	sbde
Op Expenses Retail	\$ per Sq. Ft per Yr 🔄 20,000 Retail 💌 🔽 \$ 0.00 \$	0.00
Op Expenses Food Court	\$ per Sq. Ft per Yr 🔄 12,000 Food Court 🗵 🗹 \$ 0.00 \$	0.00
	< <u>1</u>	•
Add Insert De	relete]	
	Projection Wizard Projection Description	
	Comments	

Steps for setting up Retail Operating Expenses

- 1. Select row 1 'Op Expenses Retail'
- 2. Click on the Projection Wizard button

In the Projection Wizard

- 3. Paid column: Select "Monthly for 12 Months"
- 4. Project Entry Using column: Select "Annual Compounding"
- 5. Entry column: Enter \$9.00
- 6. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
- 7. Increase column: Enter the Compounding Rate of 3.00%

To view your entries, click on the Projection Description button, which describes the entries and projections.

Projection Description	
Op Expenses Retail Entry Choice: \$ per Sq. Ft per Year Quantity: 20,000 Year 1 Jan \$9.00 per Sq. Ft per Year paid monthly for 12 months Compounding at 3.00% per year for next 9 years	\$
QK Print Report Help	

Press Ok to return to the Projection Wizard

Your entries in the Projection Wizard should look like this;

📴 Projection Wizard										X
 Entry Information 										
Description: Op Exp	enses Retail									
Entry Choice: \$ per Sq. Ft per Yr										
Projections										
Start Date Time Perind										
Paid	Project Entry Using	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly for 12 Months	Annual Compounding	\$ 9.00	Year 1 🔄	Jan 👱	7	10 🗹	0 🔟	3.00%		-
•									•	-
	New	Projection	Inser	Projection			Proje	ction Description		
		Destaution			_		<u> </u>			
	Delete Projection Delete All Projections									
	QK Cancel Help									

Press Ok to return to the Expenses Folder

Entering the Food Court Operating Expenses

- 1. Select row 'Op Expenses Food Court'
- 2. Click on the Projection Wizard button

In the Projection Wizard

- 3. Paid column: Select "Monthly for 12 Months"
- 4. Project Entry Using column: Select "Annual Compounding"
- 5. Entry column: Enter \$7.00
- 6. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
- 7. Increase column: Enter the Compounding Rate of 3.00%

To view your entries, click on the **Projection Description** button, which describes the entries and projections.

B Projection Description	×
Op Expenses Food Court Entry Choice: \$ per Sq. Ft per Year Quantity: 12,000 Year 1 Jan \$7.00 per Sq. Ft per Year paid monthly for 12 months Compounding at 3.00% per year for next 9 years	
<u>O</u> K <u>P</u> rint Report <u>H</u> elp	



Your entries in the Projection Wizard should look like this;

8	Projection Wiza	ard										\mathbf{X}
Γ	Entry Information											
	Description: Op Expenses Food Court											
	Entry Choice: \$p	oer So	ą. Ft per Yr									
h	Projections											
					Start	Date	Ti	me Per	iod			_
	Paid		Project Entry Using	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
	Monthly for 12 Month	ns 🔟	Annual Compounding	\$7.0	0 Year 1 👱	Jan 🕑	7	10 🔟	0 🗹	3.00%		
												-
Ŀ	•										•	
				New Projection	[nser	t Projection			Proje	action Description	-	
	Delete Projection Delete All Projections											
	Zarate relevant											
	QK Cancel Help											

Press Ok to return to the Expenses folder

GENERAL REVENUE

General revenue is revenue that is not specific to an individual tenant such as public parking.

Public Parking

100 spaces

\$50 per space per Mo for 12 months then increasing at 3.00% compounding per year **Category:** Retail

Steps for setting up the Expenses folder

- 1. Select row 1
- 2. Enter Description "Public Parking"
- 3. Select Entry Choice "\$ per Space per Mo"
- 4. Enter QTY: 100
- 5. Click on the Projection Wizard button

In the Projection Wizard

- 6. Paid column: Select "Monthly for 12 Months"
- 7. Project Entry Using column: Select "Annual Compounding"
- 8. Entry column: Enter \$50.00
- 9. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
- 10. Increase column: Enter the Compounding Rate of 3.00%

To view your entries, click on the Projection Description button, which describes the entries and projections.

Public Parking	
Entry Choice: \$ per	Space per Month
Quantity: 100	
Year 1 Jan	\$50.00 per Space per Month paid monthly for 12 months
	Compounding at 3.00% per year for next 9 years

Press OK to return to the Projection Wizard

Your entries in the Projection should look like this;

💼 Projection Wizard	Projection Wizard							
Entry Information	Entry Information							
Description: Public F	Parking							
Entry Choice: \$ per S	pace per Mo							
Projections								
			Start	Date	Ti	me Per	iod	
Paid	Project	Entry	Year	Month	То	Yrs	Mos	Increase
	Entry Using				End			
Monthly for 12 Months 👱	Annual Compounding	\$ 50.00	Year 1 👱	Jan 🗾	V	10 🔟	0 🔟	3.00%

Press OK to return to the General Revenue folder

Click on the Rent Roll Revenue folder

RENT ROLL REVENUE Folder

Tenancy Information Sub-Folder

First row enter the following information for Sport's Affair's space;

- 1. Suite/Unit No: 1A
- 2. Tenant's Name: Sport's Affair
- 3. Gross Leasable Area: 20,000 Sq. Ft

Click on the Add button to add a second row and enter the following information on the Cara Catering space;

Second row enter the following for Cara Catering's space

- 1. Suite/Unit No: 1B
- 2. Tenant's Name: Cara Catering
- 3. Gross Leasable Area: 12,000 Sq. Ft

Note: For each tenant you can enter information on the tenancy and lease arrangements by completing the Tenancy Information grid.

Expiration Date	Lease Term	Renewal Options	Estimated Renewal Rate

The only information that needs to be entered is the Tenant Name and Tenant's Rentable Area

Click on the Revenue sub-folder

Revenue Sub-Folder

The Revenue folder is used to enter the Tenant's rent and other payments to the Landlord.

You can use the following buttons to enter Free Rent, % Rent, Rent Caps and Recoverable Expense Caps and Stops.

Apply Free Rent	Apply % Rent	Apply Cap or Stop
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The <u>Projection Wizard</u> button provides access to the Projection Wizard, which allows you to enter and project the revenues.

Follow these steps to enter and project the revenues; Select Tenant 1A from the scroll down menu

The Revenue Sub-folder should appear like this;

💼 Investor Pro 💷					
<u>File Edit Reports T</u> ools	Utilites Investit Help				
🗅 📽 🖬 🍯 👗	🐚 💼 🛛 My Company Info.	Property Info.	Client Info.	Goal Seeking	Notes
Project Info. Investor	Investment Expenses Gene	ral Rent R nue Reven	ue Vacanc	y Financing	Sale
	Tenancy Information		Rev	enue	
1A Sport's Affair	Tenant's Gross Leasable	e Area	20,000 Sq. Ft		
Revenues					
Description	Entry Choice	Qty	Category	NOI Year 1 Jan	Year 1 Feb
Base Rent	\$ per Unit of Tenant's GLA per Yr	20,000	Retail 🔄	\$ 0.00	\$ 0.00
Free Rent	% of Rent	<u> </u>		0.00%	0.00%
Additional Rent	\$ per Unit of Tenant's GLA per Yr	20,000	Retail 🔄	\$ 0.00	\$ 0.00
Parking	\$ per Space per Mo	x 0	Retail 📃	\$ 0.00	\$ 0.00
					•
Add Insert	Delete Apply Free Rent	Apph	% Rent	Apply Cap or St	op
		Project	ion Wizard	Projection Descrip	otion

The above rows appear automatically for the first tenant to allow the user to enter their data more quickly

- 1. Select Row 1 Base Rent
- 2. Click on the <u>Apply % Rent</u> button to add the % Rent and Retail Sales rows. Select Natural Breakpoint from the breakpoint dialog that pops up

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Breakpoint		×
Select Breakp Natural Breach C Artificial Breach	oint akpoint akpoint	
<u>0</u> K	<u>C</u> ancel	<u>H</u> elp

- 3. Click on the row with the Description "Additional Rent"
- 4. Click on the Apply Cap or Stop bottom to access the Rent Cap & Stop dialog and select "Recoverable Expenses Cap" and click Ok.

Caps & Stops	×
Select	_
C Rent Cap	
Recoverable Expense Cap (Tenant pays expenses up to the Cap)	
C Recoverable Expense Stop (Landlord pays expenses up to the Stop)	
OK Cancel <u>H</u> elp	

- 5. Select the row with the Description Parking
- 6. Click on the Delete button

The Revenue sub-folder should look like this;

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Investor Pro								
<u>File Edit Reports Tools</u>	Utilites Investit	<u>H</u> elp						
	b 6	My Company	r Info. Pr	perty Info.	Client Info.		Goal Seeking	Notes
Project Info. Investor	Investment	Expenses	General Revenue	Rent R Revent	oli Vacani	cy]	Financing	Sale
	Tenancy Information		Ì		Re	venue	•	l l
1A Sport's Affair	т т	enant's Gross I	Leasable Are		20,000 Sq. Ft			
Properties								
Nevenues								
Description		Entry Choice		Qty	Category	NO	Year 1 Jan	Year 1 Feb
Base Rent	\$ per Unit of Tenan	t's GLA per Yr	2	20,000	Retail 👱		\$ 20.00	\$ 20.00
% Rent				-			6.00%	6.00%
Retail Sales	Amount		-	—			\$ 600,000	\$ 600,000
Free Rent	% of Rent			— I			100.00%	100.00%
Additional Rent	\$ per Unit of Tenan	t's GLA per Yr	2	20,000	Retail		\$7.00	\$7.00
Recov. Exp. Cap	Amount		-	I —			\$ 14,000	\$14,000
					4 (11)			
					• Da1			
Add Insert	Delete	Apply Free	Rent	Apply	% Rent	A	pply Cap or Sto	p
				<u>P</u> rojecti	on Wizard	Pro	jection Descrip	tion

The next step is the enter and project the revenues, Free Rent, % Rent, Caps and Stops using

Projection Wizard

Unit 1A Sport's Affair Retail space. Gross Leasable Area: 20,000 Sq. Ft

Base Rent

\$20.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term based on 3.00% compounding for five years **Category:** Retail

Free Rent

First three months. 100%.

% Rent

6.00% of retail sales

Retail Sales for the first year are as follows;

Year 1	Retail Sales
Jan	\$600,000
Feb	\$600,000
Mar	\$600,000
Apr	\$600,000
May	\$800,000
June	\$800,000
July	\$800,000
Aug	\$800,000
Sept	\$800,000
Oct	\$900,000
Dec	\$1,000,000

The retail sales are projected to increase at 4.00% compounding per year for remaining 9 years.

Additional Rent

\$7.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Subject to a Recoverable Expense Cap** of \$14,000 per month. This means that the maximum additional rent the tenant will pay is \$14,000 per month.

Category: Retail

Following are the steps for entering the for tenant Unit 1A Sport's Affair Retail

- 1. Select row 1: 'Base Rent'
- 2. Click on Projection Wizard button
- 3. Project Entry Using.. column: select "Stepped Proj. (Lease)

Project Entry Using
Constant (Fill Right) 💿 📃
Constant (Fill Right)
Uniform % Increase
Uniform \$ Increase
Stepped Proj. (Lease) 🗲
Enter Yr. by the Month
Single Entry. No Proj.

Stepped Projection									
New value at "End of Term" based on:									
 Annual Compounding Rate Increase 									
C Enter Value									
⊂\$ Increase									
C % Increase									
No. of Terms: 2									
□Show Example ->									
<u>O</u> K <u>C</u> ancel <u>H</u> elp									

4. Set the No. of Terms to 2, which is the default setting and click OK

- 5. Entry column: Enter the lease rate \$20.00
- 6. **Time Period column:** Set Term 1 (the first row) to 5 years and Term 2 (second row) to 5 years (or check the "To End" box).
- 7. Increase column: Enter the Annual Compounding Rate at 3.00%

To view your entries, click on the <u>Projection Description</u> button, which describes the entries and projections.

1A Sport's Affair	
Base Rent	
Entry Choice: \$ per	Unit of Tenant's GLA per Year
Quantity: 20,000	
Year 1 Jan	Stepped Projection (Lease)
	Term 1: \$20.00 per Unit of Tenant's GLA per Year paid monthly for 5 years
	Term 2: Increased by 3.00% compounding per year to \$23.19 per Unit of Tenant's GLA per Year paid monthly for 5 years

Press OK to return to the Projection Wizard

The Projection Wizard should look like this;

📴 Projection Wizard											\mathbf{X}
Entry Information											
Unit/Suit No.: 1A Sport's Affair											
Description: Base Rent											
Entry Choice: \$ per U	nit of Tenant's GLA per Yr										
Projections											
				Start	Date	Т	me Pe	riod			_
Paid	Project Entry Using	Entry	Term	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly ·	Stepped Proj. (Lease) 🔄	\$ 20.00	1	Year 1 🖃	Jan 👱		5 ど	0 -	3.00%		
			2	Year 6	Jan	7	<u>5</u>	0 -			
•										•	Ť
Edit Stepped Projection Insert Projection Projection Delete Projection Delete All Projections Projection											
	<u>Q</u> K <u>C</u> ancel <u>H</u> elp										

Press Ok to return to the Revenue sub-folder

Entering the % Rent (second row)

- 1. Revenue Folder: Select row 2: '% Rent'
- 2. Click on Projection Wizard which displays the Projection Wizard
- 3. % column: Enter 6.00%
- 4. Time Period column: Click on the "To End" check box

The projection wizard entries should look like this;

📴 Projection Wizard										X
Entry Information										
Unit/Suit No.: 1A Spor	t's Affair									
Description: % Rent										
Entry Choice: % Rent										
Projections										=
			Start Date		Time Period		iod			_
Enter	Project Entry Using	%	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly -	Constant (Fill Right)	6.00%	Year 1 🔄	Jan 📩	7	10 🔟	0 🗹			
										-
						_			•	
	New	Projection	Inser	Projection			Proje	ction Descriptio	n	
	Delet	Projection	Delete	II Projectio	ne					
Delete All Projections										
QK Cancel Help										

The Retail Sales for the first year have to be entered as follows;

Year 1	Retail Sales
Jan	\$600,000
Feb	\$600,000
Mar	\$600,000
Apr	\$600,000
May	\$800,000
June	\$800,000
July	\$800,000
Aug	\$800,000
Sept	\$800,000
Oct	\$900,000
Dec	\$1,000,000
Dec	\$1,300,000

- 1. Revenue Folder: Select row 3: 'Retail Sales'
- Projection Wizard
- Click on <u>Projection Wizard</u> which displays the Projection Wizard
 Project Entry Using... column: Select "Enter Year by the Month" and enter the retail sales as follows;

Note: For repeating entries highlight the necessary boxes and press "Fill Down"

📴 Enter Year by	the Month	
Starting Year Starting Month	Year 1 💌	
Month	Amount	Fill Dawn
Year 1 - Jan	600,000	Fill Down
Year 1 - Feb	600,000	
Year 1 - Mar	600,000	
Year 1 - Apr	600,000	
Year 1 - May	800,000	
Year 1 - Jun	800,000	
Year 1 - Jul	800,000	
Year 1 - Aug	800,000	
Year 1 - Sep	800,000	
Year 1 - Oct	900,000	
Year 1 - Nov	1,000,000	
Year 1 - Dec	1,300,000	
Total	9,600,000	
<u>0</u> k	<u>Cancel</u>	lelp

To project the Retail Sales at 4.00% Compounding per year for the remaining 9 years

- Check the "Cont. Proj." box
 Project Entry Using column: Select "Annual Compounding"
 Time Period column: Check the "To End" box
 Increase column: enter 4%

The projection wizard entries should look like this;

Projection Wizard										\mathbf{X}
- Entry Information										
Unit/Suit No.: 1A Sport's Affair										
Description: % Rent Retail Sales										
Entry Choice: Amount										
Projections										
			Start	Date	Tì	me Per	iod			_
Paid	Paid Project Entry Using		Year Month		To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly	Enter Yr. by the Month		Year 1 👱	Jan 🔄					2	
1	Annual Compounding		Year 2	Jan	V	<mark>9</mark> _	0 🔟	4.00%		
×.									•	-
Edit Enter Year by the Month New Projection Insert Projection Delete Projection Delete All Projections										
	<u>Q</u> K <u>C</u> ancel <u>H</u> elp									

Entering the Free Rent.

100% of the Base Rent for the for the first three months

1. Enter 100% in Year 1 Jan, Feb and March on the entry grid

Description	Entry Choice	Qty		NO	Year 1 Jan	Year 1 Feb	Year 1 Mar
Base Rent	\$ per Unit of Tenant's GLA per Yr	20,000	-	$\overline{}$	\$ 20.00	\$ 20.00	\$ 20.00
% Rent		—			6.00%	6.00%	6.00%
Retail Sales	Amount 👻	—			\$ 600,000	\$ 600,000	\$ 600,000
Free Rent	% of Rent 👻	—			100.00%	100.00%	100.00%

Additional Rent

\$7.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year.

Subject to a Recoverable Expense Cap of \$14,000 per month. This means that the maximum additional rent the tenant will pay is \$14,000 per month. **Category:** Retail

Entering the Additional Rent

- 1. Select row with Description "Additional Rent"
- 2. Click on Projection Wizard which displays the Projection Wizard

In the Projection Wizard

- 3. Paid column: Select "Monthly for 12 Months"
- 4. Project Entry Using column: Select "Annual Compounding"
- 5. Entry column: Enter \$7.00
- 6. **Time Period column:** Check the "To End" box.
- 7. **Increase column:** Enter the compounding rate of 3.00%

Your entries in the projection wizard should look like this:

Projection Wizard										\times
Entry Information										
Unit/Suit No.: 1A Sport's Affair										
Description: Additional Rent										
Entry Choice: \$ per U	Entry Choice: \$ per Unit of Tenant's GLA per Yr									
Projections										=
			Start Date		Ti	me Peri	od			_
Paid	Project Entry Using	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly for 12 Months -	Annual Compounding 🔄	\$ 7.00	Year 1 👱	Jan 🗾	7	10 🔟	0 🔟	3.00%		1
									•	Ť
New Projection Insert Projection Projection Description Delete Projection Delete All Projections Projection										
QK <u>Cancel</u> <u>H</u> elp										

Press Ok to return to the Revenue sub-folder

Entering the Recoverable Expense Cap

- 1. Select the row with the entry choice: Rec. Exp. Cap
- 2. Click on Projection Wizard which displays the Projection Wizard
- 3. Amount column: Enter \$14,000
- 4. Check the "To End" box

Your entries in the projection wizard should look like this;

Projection Wizard										\mathbf{X}
Entry Information										
Unit/Suit No.: 1A Sport's Affair										
Description: Recoverable Expense Cap										
Entry Choice: Amount	t									
Projections										=
		[Start	Date	Time Period		iod			_
Paid	Project Entry Using	Amount	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly	Constant (Fill Right)	\$ 14,000	Year 1 🕑	Jan 🔄	7	10 🔟	0 🗹			
Delete Projection Delete All Projections										
QK <u>C</u> ancel <u>H</u> elp										

Press Ok to return to the Revenue sub-folder

5. Select Tenant 1B Cara Catering from the scroll down menu

Unit 1B Cara Catering Food Court. Gross Leasable Area: 12,000 Sq. Ft

Follow these steps to enter and project the revenues

- 1. Enter Description: 'Base Rent'
- 2. Entry Choice column: Select "\$ per Unit of Tenant's GLA per Yr"
- 3. Select Category: 'Food Court'

Note: The Food Court category created in the Expenses folder should appear in the Category scrolling menu on all folders

- 4. Press the Add button to add another row
- 5. Enter Description: 'Additional Rent'
- 6. Entry Choice column: Select "\$ per Unit of Tenant's GLA per Yr"
- 7. Select Category: 'Food Court'

The Revenue screen should look like this;

Investit Software Inc. www.investitsoftware.com

Investor Pro CND (MAS	TER VERSION) - Invest F	Retail + Rent Roll & C	at Pro					X			
<u>File Edit Reports T</u> ools	<u>U</u> tilites <u>I</u> nvestit <u>H</u> elp										
	🖻 🛍 🍈 My C	🐿 💼 My Company Info. Property Info. Client Info. Goal Seeking Notes									
Project Info. Investor	Investment Exper	Investment Expenses General Revenue Vacancy Financing									
Tenancy Revenue Information											
1B Cara Catering Tenant's Gross Leasable Area 12,000 Sq. Ft											
Revenues											
Description	Entry Ch	hoice	Gty	Category	NOI	Year 1 Jan	Year 1 Feb	Y			
Base Rent	\$ per Unit of Tenant's GLA p	per Yr 🔄	12,000	Food Court 👱		\$ 0.00	\$ 0.00				
Additional Rent	\$ per Unit of Tenant's GLA p	per Yr 🖃	12,000	Food Court 📃		\$ 0.00	\$ 0.00				
				•				Þ			
Add Insert	Delete	pply Free Rent	Apply	/ % Rent		Apply Cap or St	op				
,	,	<u>P</u> roject	otion								
	Template: Invest Mix Use										

Base Rent

\$20.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term based on 3.00 % compounding for five years. **Category:** Food Court

Following are the steps for entering the Revenue for tenant Unit 1B Cara Catering

- 1. Select row 1: 'Base Rent'
- 2. Click on Projection Wizard which displays the Projection Wizard
- 3. **Project Entry Using.. column**: select "Stepped Proj. (Lease)



Stepped Projection
New value at "End of Term" based on:
Annual Compounding Rate Increase
C Enter Value
C \$ Increase
C % Increase
No. of Terms: 2
☐ Show Example ->
<u>O</u> K <u>C</u> ancel <u>H</u> elp

- 4. Set the No. of Terms to 2, which is the default setting and click OK
- 5. Entry column: Enter the lease rate \$20.00
- 6. **Time Period column:** Set Term 1 (the first row) to 5 years and term 2 (the second row) to 5 years or check the "To End" box
- 7. Increase column: Enter the Annual Compounding Rate at 3.00%

The projection should look like this;

Projection Wizard											×
- Entry Information											
Unit/Suit No.: 1B Cara Catering											
Description: Base Rent											
Entry Choice: \$ per Unit of Tenant's GLA per Yr											
Projections											-
				Start	Date	Т	ime Per	iod			_
Paid	Project Entry Using	Entry	Term	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly	Stepped Proj. (Lease) 🔄	\$ 20.00	1	Year 1 🖃	Jan 👱		5 🖃	0 🖃	3.00%		
			2	Year 6	Jan	7	5 -	0 🔟			
											-
						_				•	
Edit Stepped Project	ction New	Projection		[nsert Pr	ojection		1	Projectio	on Description	1	
	Delete	Projection	īĒ	Delete All I	Projections	5 I					
	Delet	er rojecaon		Delete Mill	Tojecaona						
	QK		<u>C</u> a	ncel	He	lp					

Press OK to return to the Revenue sub-folder

Additional Rent

\$8.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years

Entering the Additional Rent

- 1. Select row with description: Additional Rent
- 2. Click on Projection Wizard which displays the Projection Wizard
- 3. Paid column: Select "Monthly for 12 months"
- 4. Project Entry Using... column: Select "Annual Compounding"
- 5. Entry column: \$8.00
- 6. **Time Period column:** select "To End" box
- 7. Increase column: Enter the Annual Compounding Rate at 3.00%

The projection should look like this;

Projection V	Vizard											\mathbf{X}
- Entry Informati	on											
Unit/Suit No.:	1B Cara	a Catering										
Description: Additional Rent												
Entry Choice:	\$ per U	nit of Tenant's GL	A per Yr									
Projections												-
					Start	Date	Tin	ne Peri	od			_
Paid		Project Entry Using		Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.	
Monthly for 12 M	ionths 🔟	Annual Compoundi	ng 🔟	\$ 8.00	Year 1 👱	Jan 🗾	V	10 🖂	0 🗹	3.00%		
K											•	-
New Projection Insert Projection Delete Projection Delete All Projections												
		[<u>0</u> K		<u>C</u> ancel		Help					

Click Ok to return to the Revenue sub-folder

Select the Financing tab

FINANCING Folder

Mortgage (Borrowing)

Type: Standard Mortgage Year 1 January, \$7,500,000 Time Period 10 years, 25 year Amortization, Interest Rate 6.00%

Setting up a mortgage

- 1. Click on the Financing folder tab
- 2. Click on the Add Mortgage button Add Mortgage Edit Mortgage Delete Mortgage Move
- 3. Amount box: \$7,500,000
- 4. Description box: "First Mortgage"
- 5. Time Period box: 10 Years
- 6. Amortization box: 25 Years
- 7. Nominal Interest Rate box: 6.00%

The mortgage dialog should look like this;

Analysis Period: Year 1 Jan to Year 9 Dec	No of (E	i <mark>nd Amortiz</mark> Balloon) Ter	rms 1	s		
	1	Time	Period	Amort	ization	-
Type Standard Mortgage	Term No	Years	Months	Years	Months	Nominal Interest Rate
Amount \$7,500,000 Indiced Rate Fixed 💌		10	0	25	0	6.0009
Description First Mortgage						
Mortgage Settings						
Payment Frequency Monthly						
Payment Frequency Monthly						
Payment Frequency Monthly Additional Payments/Borrowing Payment Rounded Up to Nearest Cent						
Payment Frequency Monthly Additional Payments/Borrowing Payment Rounded Up to Nearest Cent Compounding Frequency Semi-annually						
Payment Frequency Monthly Additional Payments/Borrowing Payment Rounded Up to Nearest Cent Compounding Frequency Semi-annually						

- 8. Press the Compute button
- 9. Press the OK button to return to the Financing folder

The financing folder should now look like this;

wordgage (borrowing)				
Description	n	Туре	Amount	Start Date
First Mortgage		Standard Mortgage	\$ 7,500,000	Year 1 Jan
	Add Mortgage	Edit Mortgage Delete Mortgage Move		
Tenant Loans				
Description	1	Туре	Amount	Start Date

Select the Sale folder

SALE Folder

Real Estate Commissions

6.00% of Sale Price

The Real Estate Commission should appear like this;

Real Estate Commission	
Fixed Percentage of Sale Price	•
0.00%	

Entering the Real Estate Commission

1. Enter 6.00% in the appropriate box

The Real Estate Commission	should now	look like this;
----------------------------	------------	-----------------

Real Estate Commission	
Fixed Percentage of Sale Price	•
6.00%	

Selling Expenses

Selling Expenses 2.00% of Sale Price Legal Fees: \$15,000

The Selling Expenses should appear like this;

Selling Expenses						
Description	Entry Choice	Expense				
Selling Expenses	Amount 🔄	\$0				
Legal Fees	Amount 🔄	\$0				
Add Insert Delete Move						

Entering the Selling Expenses

- 1. Select row 1 'Selling Expenses'
- 2. Entry Choice: "% of Sale Price"
- 3. Enter Expense: 2.00%
- 4. Select row 2: 'Legal Fees'
- 5. Enter Expense: \$15,000

The Selling Expenses should now appear like this;

Selling Expenses						
Description	Entry Choice		Expense			
Selling Expenses	% of Sale Price	\mathbf{z}	2.00%			
Legal Fees	Amount	×	\$15,000			
Add Insert Delete Move						

Sale Price

Based on a Cap Rate of 7.50% using the Income for the year following the Sale i.e., based on the Income & Expenses for year 10.

The Sale Price Estimator should appear like this;

Sale Price Estimate	or
Sal	e Price Wizard
	\$ 0
1 Press the	Sale Price Wiza

The Sale Price Wizard dialog will pop up;

Sale Price Wizard			X
Financial Measure	Based on the income for the last year Sale Price	Based on the income for the year following the Sale Sale Price	
Potential Gross Income Multiplier	.00 \$0 @	0.00	\$0
Effective Gross Income Multiplier	0.00 \$ 0 C	0.00	\$0 C
Cap Rate 0.	\$0 \$0	0.00%	\$0 C 🔶
Net Income Multiplier	0.00 \$ 0 C	0.00	\$ O C
Compound Annual Growth Rate	\$0	C Enter Your Own Estimation	
Uniform Annual Increase 0.	\$0 \$0	2	
QK	Cancel	Help	

For this example we are using a Cap Rate

Row 1

1. In the second entry field to the right of Cap Rate: enter 7.50%

Note: the field with the red box around it is the correct field on the above screenshot The Sale Price should now automatically appear in the field to the right

2. Click on the selection box next to the Sale Price

Note: the correct field is circled in red on the above screenshot

nancial Measure	Based on the income for the last year Sale Price		Based on the income for the year following the Sale Sale Price			
otential Gross Income Multiplier	0.00	\$ 0	C	0.00	\$0	C
ffective Gross Income Multiplier	0.00	\$ 0	0	0.00	\$0	C
ap Rate	0.00%	\$ 0	C	7.50% 🗲 💲 15	,004,206	•
et Income Multiplier	0.00	\$ 0	C	0.00	\$0	0
ompound Annual Growth Rate	0.00%	\$10,000,000	c	C Enter Your Own Estim	nation	
niform Annual Increase	0.00%	\$10,000,000	С			

The Sale Price Wizard should now look like this;

Press OK to return to the Sale folder

The Sale Price Estimator should now look like this;

Sale Price Estimator						
Sale Price Wizard						
	\$15,004,206					

SAVE YOUR PROJECT