

# Investor Pro

## Table of Contents

Investor Pro.....	3
Introduction.....	3
The fastest way to learn Investor Pro .....	4
Selecting a Template. Which Template should I use?.....	6
Setting and changing the Starting Date and Date Format .....	8
Revenue and Expense Folder Grids.....	9
Rent Roll and General Revenue Folders .....	10
Entry Choices and Creating You Own Entry Choices.....	11
Adding a User Defined Entry choice.....	14
Categories (Profit Centers) and Creating you own Categories .....	17
Projection Wizard.....	20
Free Rent , % Rent, Rent Caps and Expense Caps and Stops.....	23
Goal Seeking .....	27
To view the Goal Seeking Report.....	28
Important Graphs.....	30
Comparisons Reports .....	32
Differential or Incremental Cash Flow Analysis.....	33

## Investor Pro

### Introduction

#### Investor Pro

Is used to carry out long term investment analysis using discounted cash flow analysis over the long term and is used to determine the value of the property based Investor's desired return.

**Investor Pro** analyzes an investment or lease over the long term. **Analyzer Pro** analyzes the Income & Expense Statement at one point in time.

Investor Pro is use for;

- Long term Investment Analysis
- Buy v Lease Analysis
- Lease Analysis. Landlord's perspective
- Lease Analysis. Tenant's perspective
- Development Analysis for;
  - Land Subdivisions
  - Condo and townhouses
  - Condo conversions
  - Income properties such as office building, rental apartments etc
- Project comparison analysis

Templates are provided analysis of;

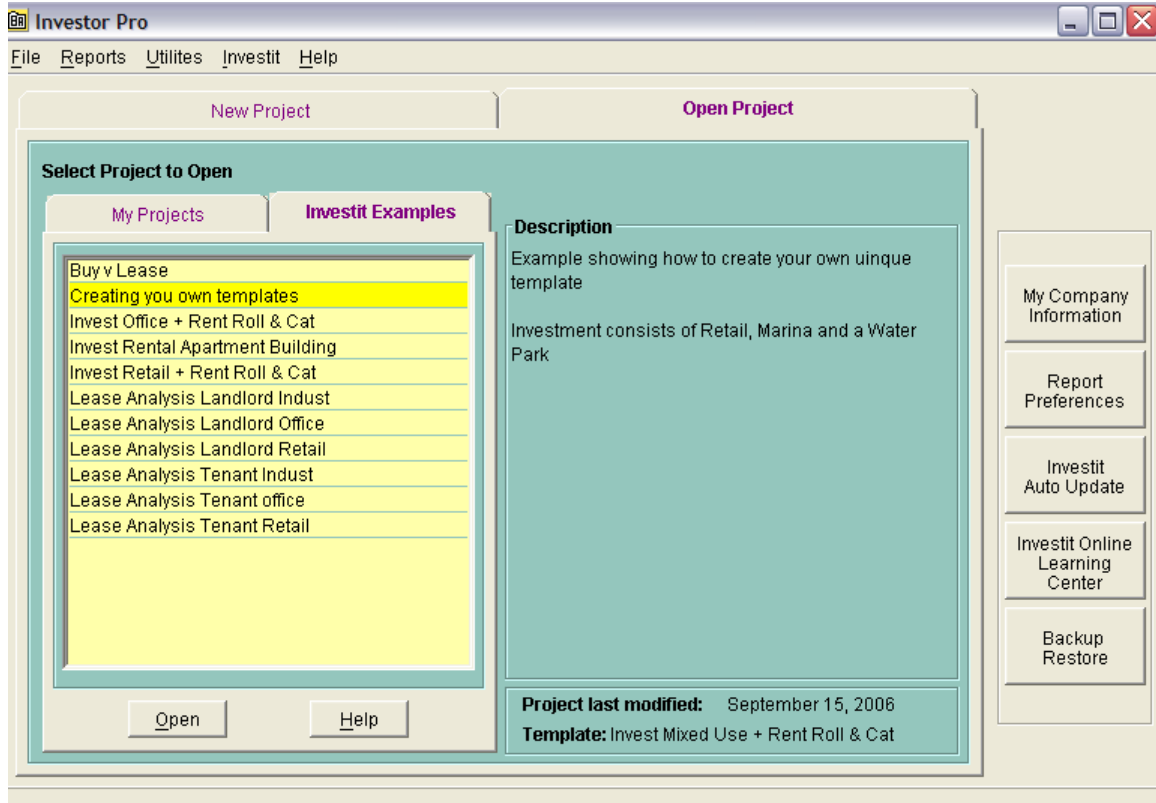
- Office buildings
- Retail and shopping centers
- Industrial Complexes
- Rental apartment buildings
- Mixed use buildings
- Hotel and Motels

Plus you wanted to analyze a Water Slide Park you can quickly create your own templates

To explore Investor Pro open up Investor Pro an then select an Investit Example and then view the various reports.

## The fastest way to learn Investor Pro

To help you learn Investor and Analyzer Pro, Investit Pro come with a wide variety of examples which are accessed from the Investit Panel by clicking on the Investit Panel Folder and then selecting and opening an example.



The input information with step by step instructions for each Investit Example are available on the Investit Online which can be accessed by clicking on the “Investit Online Learning Center” on the Investit Panel

A really quick way to learn Investit Pro is to;

1. Open up an Investit Example
2. View the folders and view and or all the reports, particularly the Graphs

If you do this you will see how Investor or Analyzer Pro works and gives you a sense of the program.

### Then

3. Go to the “Online Learning Center” and print out the example. The example includes all the input information followed by the step by step instructions on how to enter the project data.
4. Follow the example by entering all the information by following the steps outline in the example

The most comprehensive Investor example, which includes all Pro features is “Invest Retail + Rent Roll & Cat” This is the best example to learn Investor Pro.

Following this, print out the Investit Guide “**Projection Wizard User Guide**” and enter the practice examples in the Projection Wizard User guide.

### **To Quickly Learn Investor Pro**

1. Go to the Investit Online Learning Center and print out the “Invest Retail + Rent Roll & Cat” example and the user Guide “Projection Wizard User Guide”
2. Following the instructions enter the “Invest Retail + Rent Roll & Cat” example
3. At the same time you can open the Investit Example which you can use to compare and monitor your entries and results.

If you do this you will master all the features on Investor Pro.

### **Then**

**The heart and soul of Investor Pro is Projection Wizard** which is used to quickly enter and project the revenue and expenses. To fully utilize Investor Pro you need to master Projection Wizard

Using Projection Wizard you can quickly enter any kind of projection including even the most bizarre lease.

4. Using the Projection Wizard Guide enter the practice examples

If you diligently enter the Investit example “Invest Retail + Rent Roll and Cat” and practice using Projection Wizard by entering the examples in the Projection Wizard you will very quickly master Investor Pro.

## Selecting a Template. Which Template should I use?

The basic types of Investor Pro Templates are;

1. Development Analysis
2. Investment Analysis
3. Buy v Lease Analysis
4. Lease Analysis Landlord's perspective
5. Lease Analysis Tenant's perspective

Templates are available for office, Industrial, Retail and Mixed Use Properties

Templates are available with and without a Rent Roll & Categories. Examples;

Invest Industrial  
Invest Industrial + Rent Roll & Cat

**Rent Roll** allows you to set up the revenue for many tenants and allows multiple revenues for each tenant such as Base Rent, Additional rent, Parking etc.

**Categories** allows you to set up Profit Centers and produce an Income & Expense Statement for each Category and the combined Income & Expense Statement. As an example, in a mixed use building you could have the Categories "Retail" and "Rental Units".



## Which Template should I use?

1. For simple buildings with one tenant use templates without Rent Roll and Categories
2. If you have several tenants, complex leases or have a need to generate Income & Expense Statement for different components of the building select the appropriate template with "+ Rent Roll & Cat"

### Unsure?

Select a template with "+ Rent Roll & Cat" but **don't use the Rent Roll & Categories features.**

Using the Rent Roll increases the entry time and is unnecessary if there is only one tenant or for investments such as Apartment buildings. Use the General Revenue Folder not the Rent Roll Folder to enter the revenues.

For investments such as Apartment Buildings, and office buildings etc., Categories or Profit Centers aren't helpful.

Investit Software Inc. [www.investitsoftware.com](http://www.investitsoftware.com)

You can ignore the Categories by leaving the Categories at the default setting. If only one Category is used, this is the same as having "No Categories" and there will be one Income & Expense Statement generated.

## Setting and changing the Starting Date and Date Format

There are two formats for the Starting Date;

1. Year 1 Jan, Year 1 July etc.
2. 2006 Jan, 2006 July etc.

To set the format go to the Project Info Folder and click on the “Change Entry Information” Button to display the Date format options.

**Entry Information**  
 Enter Revenue and Expenses **Monthly** Change Entry Information  
 Starting Date **January Year 1**

3. Set the preferred Stating Date and preferred format. As an example;

**Entry Information** ✕

**Start Date**

Year 1, Year 2 etc.  2001, 2002 etc. 2006 ▼

Starting Month July ▼

OK      Cancel      Help

4. The “Starting Date” and “Date Format” being used is displayed in the Project Info folder

**Entry Information**  
 Enter Revenue and Expenses **Monthly** Change Entry Information  
 Starting Date **July 2006**

### Notes:

1. The Starting Date and Date format appears on the financial reports. As an example;

	Starting July	2006 Jul	2006 Aug	2006 Sep
CASH FLOW BEFORE TAX				
Potential Gross Income		31,667	31,667	31,667

2. You can change the Starting Date and Date Format at any time and all the reports will adjust to the new Starting Date and Date Format. In the example below the Starting Date has been changed from “July” to “Jan” and the Date Format from “2006 to “Year 1”



	Year 1 Jan	Year 1 Feb	Year 1 Mar
CASH FLOW BEFORE TAX			
Potential Gross Income	31,667	31,667	31,667

## Revenue and Expense Folder Grids

### Introduction

Revenue, Rent Roll and Expense Folders are used to enter and project the revenues and expenses using Projection Wizard.

Following is an example of the Expense Folder Grid for a Template that has Categories (Profit Centers)

Expenses						
Description	Entry Choice	Qty	Category	NOI	Year 1 Jan...	
Taxes	\$ per Yr		Office	<input checked="" type="checkbox"/>	\$ 0	
Insurance	\$ per Yr		Office	<input checked="" type="checkbox"/>	\$ 0	
Maintenance	\$ per Mo		Office	<input checked="" type="checkbox"/>	\$ 0.00	
Property Management	% of Effective Gross Income		Office	<input checked="" type="checkbox"/>	0.00%	
Parking Arcade Costs	\$ per Space per Mo	75	Office	<input checked="" type="checkbox"/>	\$ 0.00	

Depending on the Template selected, the grid can have following columns;

1. Description Column: A description of the Revenue source or Expenses E.g. Taxes
2. Entry Choice Column: Allows you to select how you want to enter the Information, such as \$ per Yr, \$ per Sq. Ft per Yr etc. You can also set up your own entry choices
3. Qty Column: Where the Quantity is entered. If the cell is grayed out quantity is entered
4. Category Column. This column is available if you open a template that has Categories which allows you to set up Profit Centers. As an example, a mixed use building could have "Retail" and "Rental Unit" Categories
5. NOI Column. NOI stands for Net Operating Income. If checked it indicates the item is included in the Net Operating Income. If unchecked the item appears below the Net Operating Income on the Income & Expense Statement. Generally non recurring or extraordinary revenue and expenses are excluded from the NOI. Revenues and Expenses identified as not being in the "NOI" calculation are not used when calculating Cap Rates or when using Cap Rates to determine the Sale Price.

Entry Choices and Quantity, Categories and NOI are explained in more detail below.

## Rent Roll and General Revenue Folders

### Introduction

Templates can be selected which have a “General Revenue” and “Rent Roll folder.

Rent Roll is used when there are many tenants and you wish to enter and project the rents or lease for each tenant. For a Single Tenant Building select a Template which doesn't have a Rent Roll such as “Invest Industrial” or “Invest Office” etc.

This section is focusing on template that use Rent Roll

### General Revenue Folder

Revenues that are not generated from individual tenants are entered in the General Revenue Folder. An example is public “Paid Public Parking”

### Rent Roll Folder

Has two purposes;

- 1) **Rent Roll: Tenancy Information Folder.**  
Used to set up the Tenants Name and record tenancy information such as when the lease expires, type of lease etc

Tenancy Information				Revenue			
Suite / Unit No.	Floor No.	Tenant Name	Rentable Area Sq. Ft	Pro Rata Expense Share	Start Date	Expiration Date	Lease
105	1	PSG & Associates	2,500	10.00%	Aug 2004	July 2007	Triple Net

The only information used in calculations is the “Rentable Area” The remaining information is information on the tenancy and the lease arrangement which can be printed out in the “Tenancy Information Report” on the Report Menu.

- 2) **Rent Roll: Revenue Folder**

Used to enter and project the rental income such as the Base Rent, Free Rent, Parking etc. for each tenant. As an example;

Tenancy Information		Revenue				
101 Star Financial Inc.	Rentable Area	5,900	Sq. Ft			
	Usable Area	5,000	Sq. Ft			
Revenues						
Description	Entry Choice	Qty	Category	NOI	Year 1 Jan...	Year 1 Feb...
Base Rent	\$ per Unit of Tenant's Rentable Area per Yr	5,900	Office	<input checked="" type="checkbox"/>	\$ 26.00	\$ 26.00
Free Rent	% of Rent				100.00%	100.00%
Additional Rent	\$ per Unit of Tenant's Rentable Area per Yr	5,900	Office	<input checked="" type="checkbox"/>	\$ 9.00	\$ 9.00
Recov. Exp. Cap	Amount				\$ 4,500	\$ 4,500
Parking	\$ per Space per Mo	10	Office	<input checked="" type="checkbox"/>	\$ 60.00	\$ 60.00

## Entry Choices and Creating You Own Entry Choices

Entry Choice allow you to chose how you which to enter a revenue or expense.

As an example, \$ per Sq ft per Yr, \$ per Sq. Ft per Mo etc

You can also create you own Entry Choices. Perhaps you wish to create templates to analyze a marina, nursing home and Trailer Park. You could set up the following Entry Choices;

- \$ per Boat per Day
- \$ per Bed per Day
- \$ per Pad per Mo

Investit Templates come pre-loaded with a wide variety of Entry Choices

General Revenue						
Description	Entry Choice	Qty	Category	NOI	Year 1 Jan...	Year 2
Rent	\$ per Unit of Total Gross Leasable Area per Yr	0	Retail	<input checked="" type="checkbox"/>	\$ 0.00	
	\$ per Unit of Total Gross Leasable Area per Yr					
	\$ per Unit of Total Gross Leasable Area per Mo					
	\$ per Unit of Total Rentable Area (Units) per Yr					
	\$ per Unit of Total Rentable Area (Units) per Mo					
	\$ per Unit x Total No.of Units per Yr					
	\$ per Unit x Total No.of Units per Mo					
	\$ per Sq. Ft per Yr					
	\$ per Sq. Ft per Mo					
	\$ per Unit per Yr					
	\$ per Unit per Mo					

## Special Entry Choices

**This is very important to know.**

There are Entry choices that are based on the Total Rentable Area, Total Gross Leasable Area, Total Number of Units etc. such as;

- \$ per Unit of Total Rentable Area per Yr
- \$ per Unit of Gross Leasable Area per Mo
- \$ per Unit of Total No. of Units per Mo

These special Entry Choices use the “Quantity” entered in the Project Info folder.

Following is an example of the “Quantity” entries in the Project Info folder for a Mixed Use Building template.

**Project Info.**

**Report Headers**

Property Name

Description

**Total Purchase Price**

Purchase Price

Acquisition Costs  % of Purchase Price

Total Purchase Price

**Building**

Building Area  Sq. Ft

**Rental Units**

Units. Rentable Area  Sq. Ft

Total No. of Units

**Retail**

Gross Leaseable Area (GLA)  Sq. Ft

If the Entry Choice "\$ per Unit of Total Gross Leaseable Area per Mo" is selected the Quantity displayed in the Quantity column is the Retail Gross Leaseable Area of 10,000 Sq. Ft

**General Revenue**

Description	Entry Choice	Qty
Base Rent	\$ per Unit of Total Gross Leaseable Area per Mo	10,000

The Total Gross Leaseable Area of 10,000 Sq Ft entered in the Property Info folder has been transferred to the Revenue Grid by selecting the Entry Choice "\$ per Unit of Total Gross Leaseable Area per Mo"

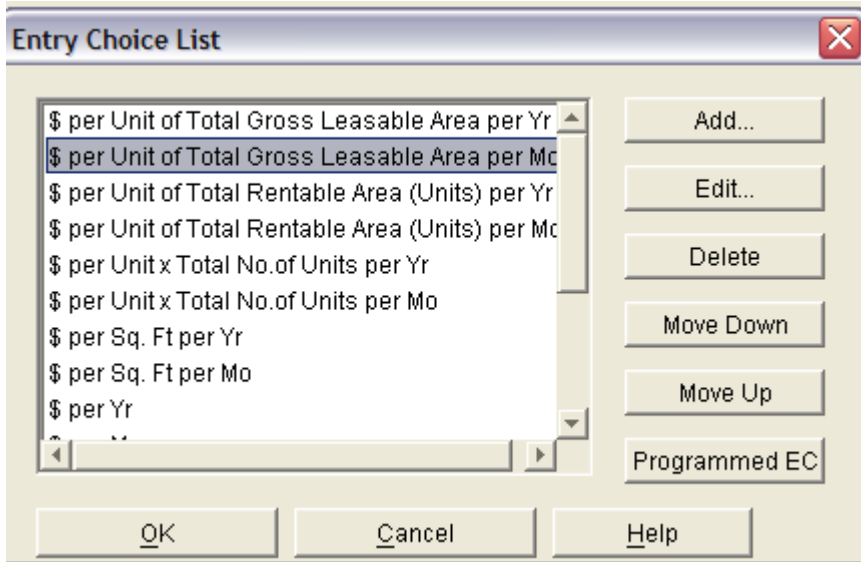
### Creating your own Entry Choices

1. Select Edit List at the bottom of the Entry choice List to Display the Entry Choice List

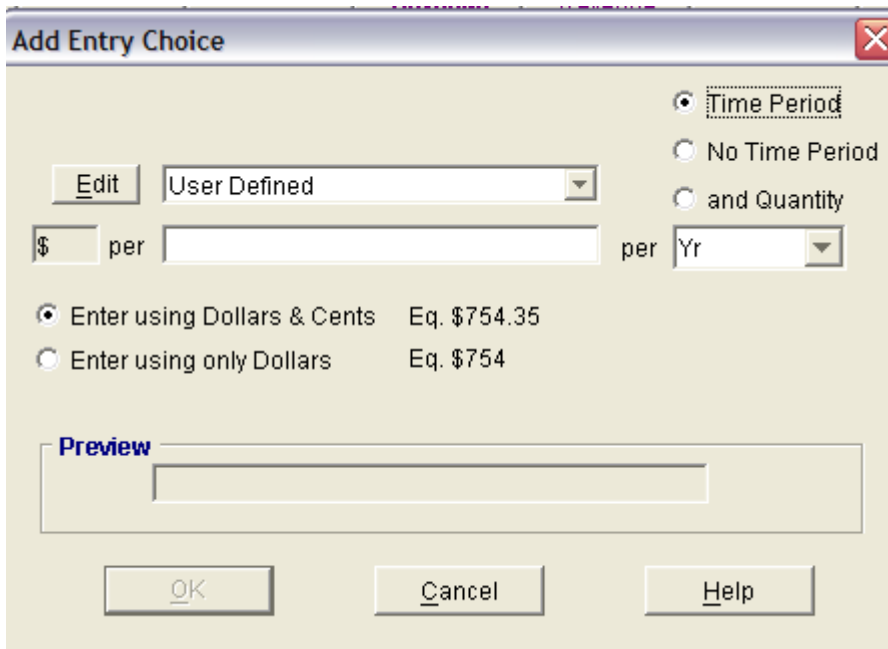
**Entry Choice**

- \$ per Unit of Total Gross Leaseable Area per Mo
- \$ per Unit of Total Rentable Area (Units) per Yr
- \$ per Unit of Total Rentable Area (Units) per Mo
- \$ per Unit x Total No.of Units per Yr
- \$ per Unit x Total No.of Units per Mo
- \$ per Sq. Ft per Yr
- \$ per Sq. Ft per Mo
- Edit list...

2. On the Entry Choice List click in the Add button



3. On the Entry Choice List click in the Add button to Display the Add Entry Choice dialog



## Adding a User Defined Entry choice

User Defined where you enter the Unit of Measures and select the time period

Example: You are setting up a template and want to analyze a marina and set up the Entry Choice “\$ per Boat per Mo” with decimals

**Add Entry Choice**

User Defined

\$ per Boat per Mo

Time Period  
 No Time Period  
 and Quantity

Enter using Dollars & Cents Eq. \$754.35  
 Enter using only Dollars Eq. \$754

**Preview**  
\$ per Boat per Mo

## Re-arranging the Entry Choice List

You can Add and delete Entry Choices and rearrange the ordering of the list using the Move Up and Move Down Button

### Important Notes:

1. The Entry Choice at the top of the list is the Default Entry Choice If you add a row in a grid the Entry Choice for the new row will be the first Entry Choice on the Entry Choice List
2. Entry Choices that come that come with the template cannot be edited or deleted
3. Entry Choices are set up for individual folders such as the Expense, General revenue, Rent Roll Revenue folders

### Adding an Entry choice based on entries in the Project Info Tab

Example: \$ per Unit of Total No. of Units per Day

**Add Entry Choice**

Time Period

per  per   No Time Period

Enter us  and Quantity

Enter us

- User Defined
- Not Entered
- Unit of Total Building Area
- Unit of Total Gross Leasable Area
- Unit of Total Rentable Area (Units)
- Unit x Total No.of Units

**Preview**

### Adding a “\$ per Unit and Quantity” Entry Choice

This is a special type of entry choice that allows you to enter the “\$ Per Unit” and “Quantity” in any Month by setting up two rows in the grid.

The most common application for the “\$ per Unit & Quantity” entry choice is development analysis where the \$ per Unit and Quantity change over time.

As an example, you are analyzing a land subdivision and expect to sell the “One acre lots” as follows;

Year 1 Dec      5 One Acre Lots at \$150,000 per lot  
 Year 2 Jan      9 One Acre Lots at \$180,000 per lot  
 Year 2 Feb      12 One Acre Lots at \$190,000 per lot

This would be entered using the Entry Choice “Price per Unit and Quantity” or by setting up your own Entry choice “\$ per One Acre Lot & Quantity” with no decimals.

The sales of the One Acre Lots would be entered by selecting the Entry Choice “\$ per One Acre Lot & Quantity” and the entering the Price per One Acre Lot and Quantity in the grid as follows;

Sales Revenue						
Description	Entry Choice	Qty	Year 1 Dec...	Year 2 Jan...	Year 2 Feb...	
One Acre Lots	\$ per One Acre Lot and Quantity		\$ 150,000	\$ 180,000	\$ 19,000	
	Quantity		5	9	11	



## Categories (Profit Centers) and Creating you own Categories

### Introduction

The Category feature allows you to set up profit centers where the Income & Expense Statement is generated for each Category as well as the combined total.

As an example, a mixed use building consists of a retail and rental units.

In this case the Categories are;

1. Retail
2. Rental Units

The Income & Expense Statement will consist

1. Retail
2. Rental Unit
3. Combines Total

**Important Note:** If only one Category is used, this is the same as having no Categories and there in one Income & Expense Statement

To use Categories you need to open up a template that uses Categories such as Mixed use Building, or templates that indicate that that Categories are available such as "Invest Retail' + Rent Roll & Cat" which has both a Rent Roll and Categories.

Categories have wide application. Some examples are;

Mixed Use Building: Retail, Offices, Rental Units  
 Shopping Center: Anchor Tenant, General tenants, Food Court  
 Hotel: Room Revenue, Food and Beverage,  
 Recreational Property: Restaurant, Marina, Marine Services

Categories are set up or selected in the Revenue and Expense folders

Following is as example of the use of Categories in the Expense folder in a retail project.

Expenses						
Description	Entry Choice	Qty	Category	NOI	Year 1 Jan...	
Op Expenses Retail	\$ per Sq. Ft per Yr	20,000	Retail	<input checked="" type="checkbox"/>	\$ 9.00	
Op Expenses Food Court	\$ per Sq. Ft per Yr	12,000	Food Court	<input checked="" type="checkbox"/>	\$ 7.00	

### Selecting Categories

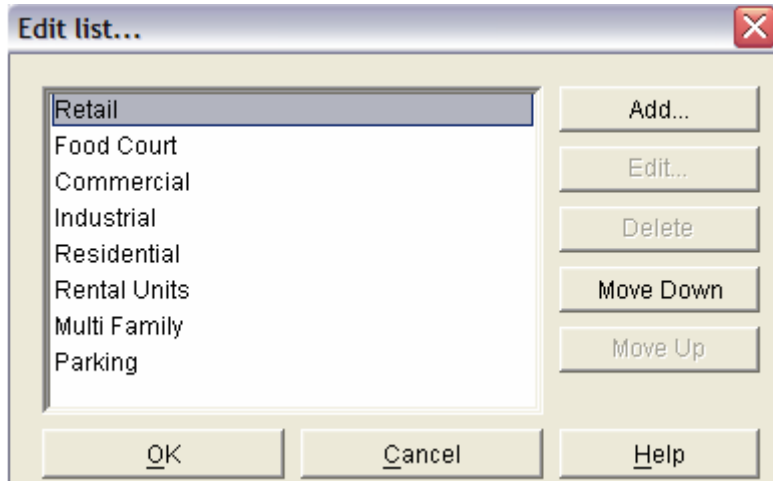
1. Click on the Categories to show the Category List



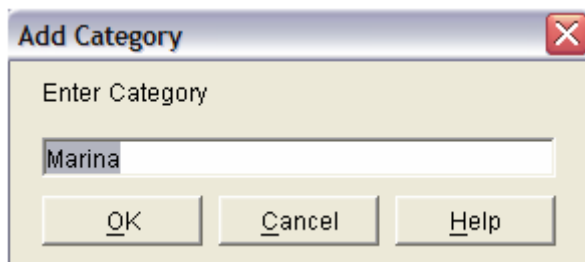
2. Select the appropriate Category and close

### Creating you own Categories

3. Click on the Categories to show the Category List and select Edit List which will display;



4. Click on the Add button and enter the new Category and close



The Marina Category has now been added to the Category list

The Move Up and Down button allows you to re-arrange the Category List

The Category at the top of the list is the Default Category. When you add a row the default Category is displayed.

## NOI Column Check Box. What does it do?

On The Revenue and Expense Grids there is a column labeled “NOI” which means “Net Operating Income”

If the” NOI” is checked for the row, the Expense or Revenue will be included in the Net Operating Income. If unchecked, the item will be below the Net Operating Income.

Revenues and Expenses identified as not being in the “NOI” calculation are not used when calculating Cap Rates or when using Cap Rates to determine the Sale Price.

Expenses					
Description	Entry Choice	Qty	Category	NOI	Year 1 Jan...
Operating Expenses	\$ per Sq. Ft per Yr	0	Office	<input checked="" type="checkbox"/>	\$ 8.00

As an example, you may wish to have an intermittent expense such as periodically painting the exterior of the building as an expense item but not include the expense in the Calculation of the Net Operating Income.

	Year 1
<b>REVENUE</b>	
One bedroom units	270,000
Two bedroom Units	198,000
Laundry	7,200
Parking	24,000
<b>Potential Gross Income</b>	<b>499,200</b>
Less: Vacancy & Credit Loss Allowance	11,556
<b>Effective Gross Income</b>	<b>487,644</b>
<b>Operating Expenses</b>	
Property Taxes	95,000
Insurance	45,000
Maintenance	16,000
Resident Caretaker	36,000
Property Management	19,506
Other Expenses	14,976
	226,482
<b>Net Operating Income</b>	<b>261,162</b>
<b>Less: Expense not included in NOI</b>	
Exterior Painting	12,000
	12,000
<b>Net Income</b>	<b>249,162</b>

## Projection Wizard

### Introduction

Projection Wizard is used to enter and project revenue and expenses.

The entry projection options available in Projection Wizard allow you to enter absolutely and any kind of lease or projection, no matter how complex.

### IMPORTANT NOTE

The key to using Investor Pro is learning to use Projection Wizard. It is the heart and soul of Investor Pro

Once you have learnt how to use Projection Wizard you can quickly enter and project even the most complex lease arrangements.

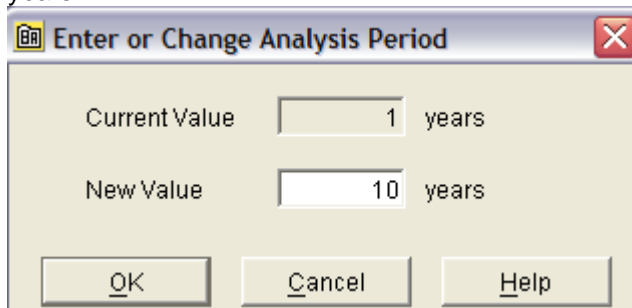
Following is a quick demonstration of Projection Wizard. To learn more about the extensive Projection Wizard features print out the Projection Wizard Guide on the Investit Online Learning center and then enter the practice examples.

### The quickest way to learn how Projection Wizard works is to enter the following simple example

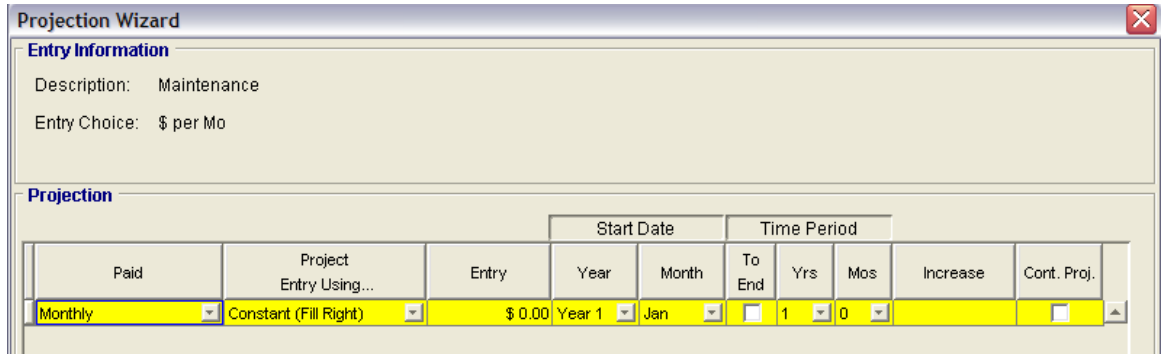
Template: Invest Rental Units  
Analysis Period: 10 years  
Folder: Expenses  
Description: Maintenance  
Entry Choice: Amount  
\$10,000 per Month for the 12 months then increasing at 3.00% compounding until the end of the Analysis Period

#### Steps

1. Open the template "Invest Rental Units" and enter the Analysis Period of 10 years



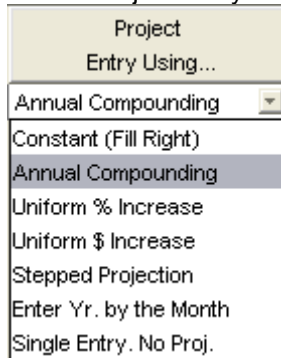
2. Open the Expenses Folder
3. Click on the Maintenance row
4. Click on the Projection wizard button to display the Projection Wizard



- In the "Paid" column" select the "Monthly for 12 Months" option



- In the "Project Entry Using..." column select the "Compounding" option




- In the Entry column enter the starting Amount of "\$10,000"
- In the "Time Period Column" click on the "To End Button" will automatically project until the end of the Analysis Period
- In the "Increase" column enter the Annual Compounding Rate of 3.00%

The completed Projection Wizard is;



- To see what you have entered and projected click on the Projection Description

button 



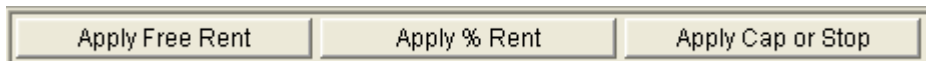
## Free Rent , % Rent, Rent Caps and Expense Caps and Stops

The following examples show how to enter:

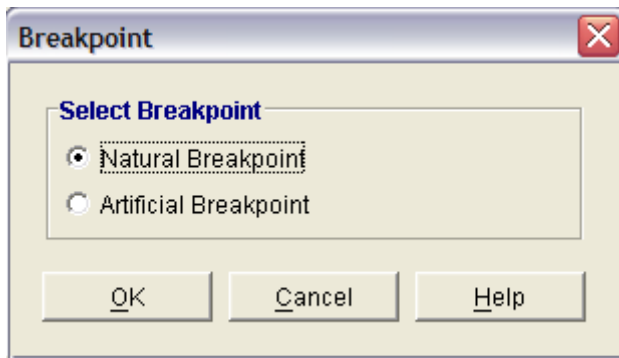
1. Free Rent
2. % Rent
3. Apply a Rent Cap that sets the maximum rent the tenant will pay

### Steps

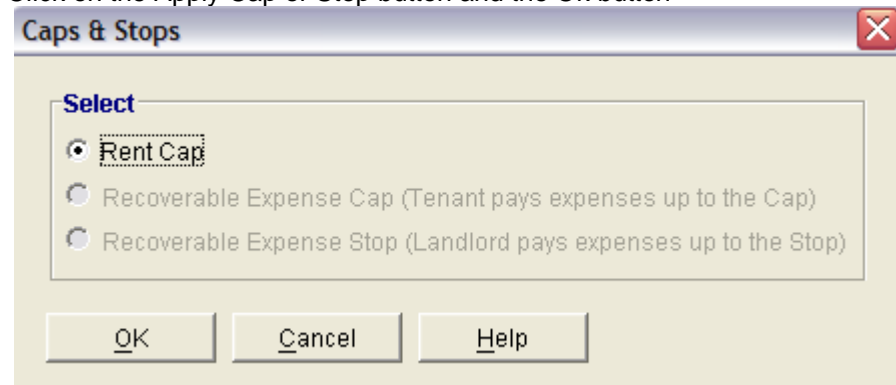
1. Open the Investit Template Invest Retail
2. Set the Analysis Period to 10 years
3. Click on the Revenue Folder
4. Select the first row "Base Rent"
5. You Apply Free Rents, % Rent, Caps and Stops by clicking on the appropriate button



6. Click on the Apply Free Rent button
7. Click on Apply % Rent button and the select either the Natural Break Point or Artificial; Break Point. The difference between the Natural break Point and Artificial Break Point are explained below.



8. Click on the Apply Cap or Stop button and the Ok button



We have now set up a tenant projection which has a Base Rent, Free Rent all subject to a Rent Cap. The results are;

Revenue						
Description	Entry Choice	Qty	NOI	Year 1 Jan...	Year 1 Feb...	
Base Rent	\$ per Sq. Ft per Yr	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	
% Rent				0.00%	0.00%	
Retail Sales	Amount			\$ 0	\$ 0	
Free Rent	% of Rent			0.00%	0.00%	
Rent Cap	Amount			\$ 0	\$ 0	
Additional Rent	\$ per Sq. Ft per Yr	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	
Parking	\$ per Space per Mo	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	

Notice that the “Group” consisting of Base Rent, % Rent, Retail Sales, Free Rent and Rent Cap are all highlight in yellow to the group

If you click on the Additional Rent row that row will now be highlighted in yellow as follows;

Revenue						
Description	Entry Choice	Qty	NOI	Year 1 Jan...	Year 1 Feb...	
Base Rent	\$ per Sq. Ft per Yr	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	
% Rent				0.00%	0.00%	
Retail Sales	Amount			\$ 0	\$ 0	
Free Rent	% of Rent			0.00%	0.00%	
Rent Cap	Amount			\$ 0	\$ 0	
Additional Rent	\$ per Sq. Ft per Yr	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	
Parking	\$ per Space per Mo	0	<input checked="" type="checkbox"/>	\$ 0.00	\$ 0.00	

You can decide how you want to enter and project the revenue by selecting the appropriate Entry Choice such as \$ per Sq. Ft per Yr or Month etc.

### Entering Free Rent

The best way to enter Free Rent is to use the default Entry Choice which is the “% of Rent”

As an example,;

Base Rent for Year 1 Jan is \$12 per Sq. Ft per Yr

Area: 10,000 Sq. Ft

Free Rent: 100.00% which means that no rent is paid in Year 1 Jan

The Base Rent for Jan is  $\$12/12) \times 10,000 \text{ Sq. Ft} = \$10,000$

The rent paid for Year 1 Jan is;


	Year Jan
Base Rent	\$10,000
Less: Free Rent Adjustment	<u>10,000</u>
	\$ 0

If the Free rent was for ½ month the % of Rent = 50.00%

This is the easiest and quickest way to enter “Free Rents”



## Caps and Stops

The  button allows you apply Rent Caps or Recoverable Expenses Caps and Stops

A Rent Cap was illustrated in the above example

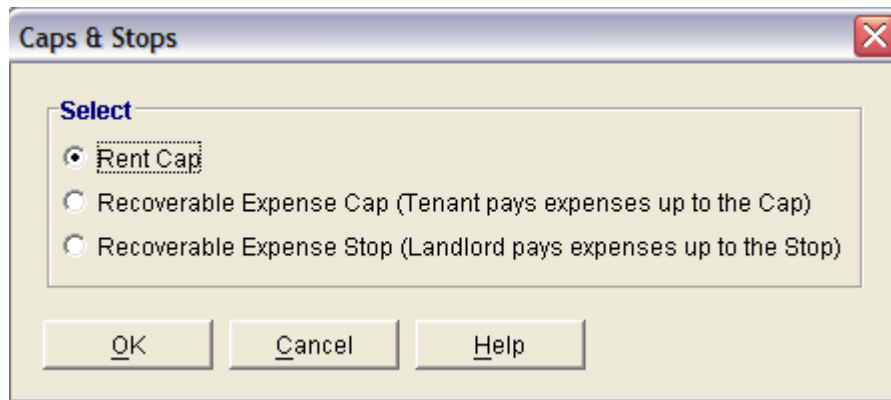
**Expenses Cap and Stops** can be applied to recoverable expenses such as the tenant paying their proportional share the landlord's expenses such as Taxes, Insurance and Maintenance according to the terms spelled out in the lease. There are three cases;

1. Tenants pay 100.00% their proportional share of the landlord's maintenance cost for maintaining the building in good condition. In this case Expense Caps and Stops are not used.
2. The Tenant pays their proportional share of maintenance expenses up to certain level called the **Recoverable Expense Cap**.

As an example, the Tenant pays their share on maintenance up to \$3.00 per Sq Ft per year. If the maintenance costs exceed \$3.00 Sq. Ft per Yr the landlord pays the costs beyond the \$3.00 per Sq. Ft per Yr

3. The landlord pays the maintenance up to certain level called the **Recoverable Expense Stop**.

As an example, the Landlord pays their share on maintenance up to \$3.00 per Sq Ft per year. If the maintenance costs exceed \$3.00 Sq. Ft per Yr the tenant pays the costs beyond the \$3.00 per Sq. Ft per Yr



## **% Rent. Natural and Artificial Break Points**

The Natural Break Point method of calculating a % Rent is based on the following;

“The tenant pays the Base Rent or the % Rent, whichever is the larger”

As an example;

Gross Leaseable Area: 10,000 Sq. Ft

Base Rent; \$20 per Sq. Ft per Yr

Retail Sales for January: \$180,000

% Rent: 4.00%

Base Rent =  $(\$20 \times 10,000)/12 = \$16,667$

% Rent =  $\$180,000 \times 4.00\% = \$7,200$

In this case there is no % Rent paid because the % Rent of \$7,200 is less than the Base Rent of \$16,667

If the Retail Sales were \$900,000 the % Rent is  $\$900,000 \times 4.00\% = \$36,000$  and the % Rent of \$36,000 is greater the Base Rent of \$16,667 and the % Rent kicks in.

The rent paid for the months is;

Base Rent: \$16,667

% Rent: \$19,333 which is  $(\$36,000 - 16,667 \text{ Base Rent})$

## Goal Seeking

Goal Seeking allows you to determine how much;

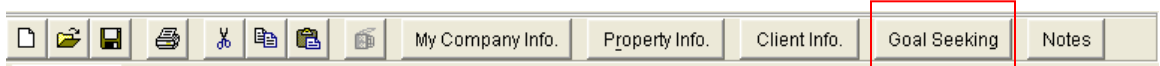
1. to pay for a property
2. the property has to appreciate each year
3. to sell for at the end of the Analysis

to provide the Desired Return (Internal Rate of Return)

1. Before Tax with and without Financing
2. After Tax with and without Financing

### To use Goal Seeking;

1. Click on the "Goal Seeking" button on the Menu Bar



2. Enter the Internal Rate of Return (IRR) before Tax and then click on the "Display Results" button

**Goal Seeking**

**Desired Return on Investment (Discount Rate)**

Internal Rate or Return (IRR) Before Tax:   Analysis Period: 9 years

Internal Rate or Return (IRR) After Tax:

**Goal Seeking Results: Before Tax**

To achieve an Internal Rate of Return (IRR) of 13.000% before tax

**With financing**

a) Buy the property for  or

b) Sell the property for  which is a  Annual Compounding Appreciation Rate

**Without financing**

a) Buy the property for  or

b) Sell the property for  which is a  Annual Compounding Appreciation Rate

**Goal Seeking Results: After Tax**

To achieve an Internal Rate of Return (IRR) of 8.320% after tax

**With financing**

a) Buy the property for  or

b) Sell the property for  which is a  Annual Compounding Appreciation Rate

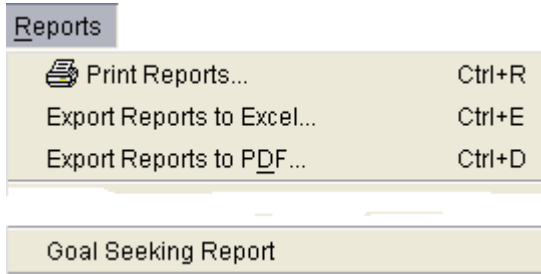
**Without financing**

a) Buy the property for  or

b) Sell the property for  which is a  Annual Compounding Appreciation Rate

To view the Goal Seeking Report

1. Select "Goal Seeking Report" on the Report Menu



<b>Goal Seeking Results</b>				August 27, 2006
		Park Royal Village		Investor Pro
		Investment Retail +Rent Roll & Categories		Invest Retail + Rent Roll & Cat
Currency: \$				
<b>SUMMARY</b>				
	<b>Internal Rate of Return (IRR)</b>	<b>Buy</b>	<b>Sell</b>	<b>Compounding Appreciation Rate</b>
<b>BEFORE TAX</b>				
<b>With Financing</b>				
Based on data entered	12.70%	\$ 8,500,000	\$ 11,607,643	3.52%
Goal seeking results for IRR	13.00%	\$ 8,423,687	\$ 11,607,643	3.63%
	13.00%	\$ 8,500,000	\$ 11,856,822	3.77%
<b>Without Financing</b>				
Based on data entered	10.51%	\$ 8,500,000	\$ 11,607,643	3.52%
Goal seeking results for IRR	13.00%	\$ 7,312,473	\$ 11,607,643	5.27%
	13.00%	\$ 8,500,000	\$ 15,485,227	6.89%
<b>AFTER TAX</b>				
<b>With Financing</b>				
Based on data entered	9.90%	\$ 8,500,000	\$ 11,607,643	3.52%
Goal seeking results for IRR	8.32%	\$ 9,016,740	\$ 11,607,643	2.85%
	8.32%	\$ 8,500,000	\$ 10,375,222	2.24%
<b>Without Financing</b>				
Based on data entered	7.64%	\$ 8,500,000	\$ 11,607,643	3.52%
Goal seeking results for IRR	8.32%	\$ 8,080,608	\$ 11,607,643	4.11%
	8.32%	\$ 8,500,000	\$ 12,607,885	4.48%

**Goal Seeking Results**

August 27, 2006

Park Royal Village

Investor Pro

Investment Retail +Rent Roll & Categories

Invest Retail + Rent Roll & Cat

**GOAL SEEKING RESULTS BEFORE TAX**

**With Financing**

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

- a) Buy the property for \$ 8,423,687 and sell for \$ 11,607,643 in 9 years which is 3.63% compounding increase in value per year.
- b) Buy the property for \$ 8,500,000 and sell for \$ 11,856,822 in 9 years which is 3.77% compounding increase in value per year.

**Without Financing**

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

- a) Buy the property for \$ 7,312,473 and sell for \$ 11,607,643 in 9 years which is 5.27% compounding increase in value per year.
- b) Buy the property for \$ 8,500,000 and sell for \$ 15,485,227 in 9 years which is 6.89% compounding increase in value per year.

**GOAL SEEKING RESULTS AFTER TAX**

**With Financing**

To achieve an Internal Rate of Return (IRR) of 8.32% after tax, you would have to either:

- a) Buy the property for \$ 9,016,740 and sell for \$ 11,607,643 in 9 years which is 2.85% compounding increase in value per year.
- b) Buy the property for \$ 8,500,000 and sell for \$ 10,375,222 in 9 years which is 2.24% compounding increase in value per year.

**Without Financing**

To achieve an Internal Rate of Return (IRR) of 8.32% after tax, you would have to either:

- a) Buy the property for \$ 8,080,608 and sell for \$ 11,607,643 in 9 years which is 4.11% compounding increase in value per year.
- b) Buy the property for \$ 8,500,000 and sell for \$ 12,607,885 in 9 years which is 4.48% compounding increase in value per year.

**INVESTMENT TAB ENTRIES.** Allocations of the Purchase Price between Land and Improvements to achieve the desired Internal Rate of Return (IRR)

	%	BEFORE TAX		AFTER TAX	
		With Financing	No Financing	With Financing	No Financing
Allocation		13.00% IRR	13.00% IRR	8.320% IRR	8.320% IRR
Land	35.29%	2,973,066	2,580,873	3,182,379	2,851,979
Building	64.71%	5,450,621	4,731,600	5,834,361	5,228,629
<b>Purchase Price (Year 1 Total)</b>	<b>100.00%</b>	<b>\$ 8,423,687</b>	<b>\$ 7,312,473</b>	<b>\$ 9,016,740</b>	<b>\$ 7,312,473</b>

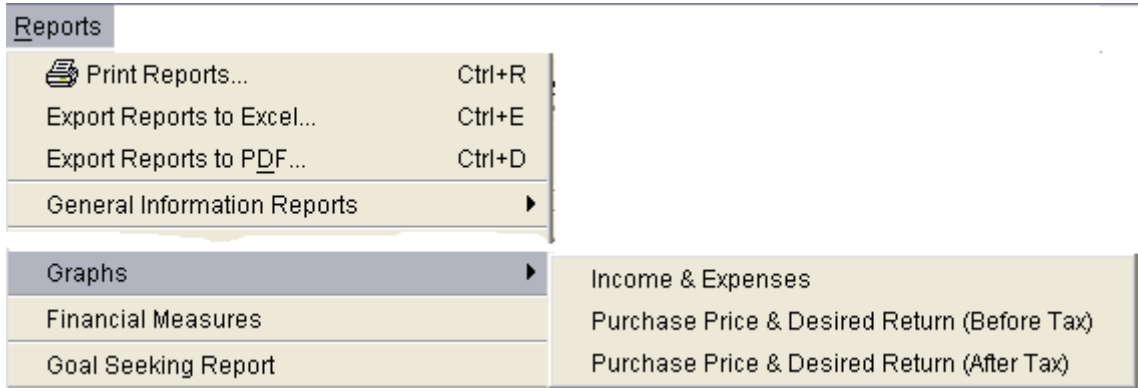
**Notes:**

## Important Graphs

There are a number of graphs that displays the financial results visually

To view these graph open up an Investit Example such as Invest Retail + Rent Roll & Cat''

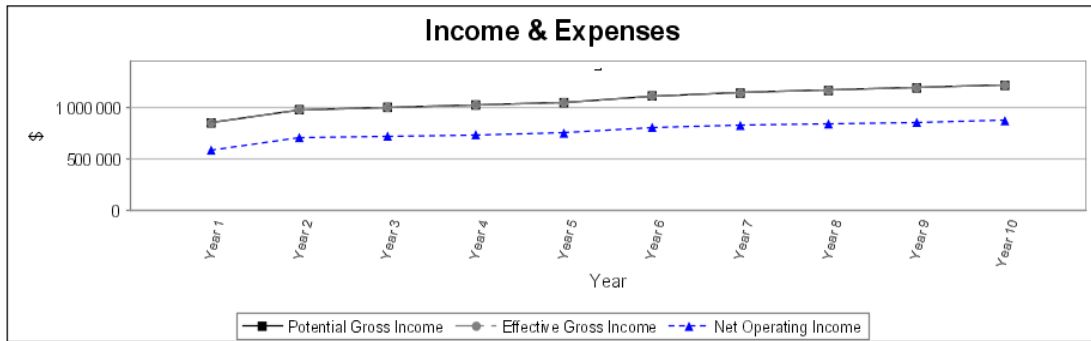
1. From the Report Menu select the Graph to view



## Income & Expense Graph

This graph not only shows how the Income and Expenses change over time but is very useful in spotting errors in your entries.

**TIP:** After entering a Project view the Income & Expense graph to see if the entries and projections appear to be correct.



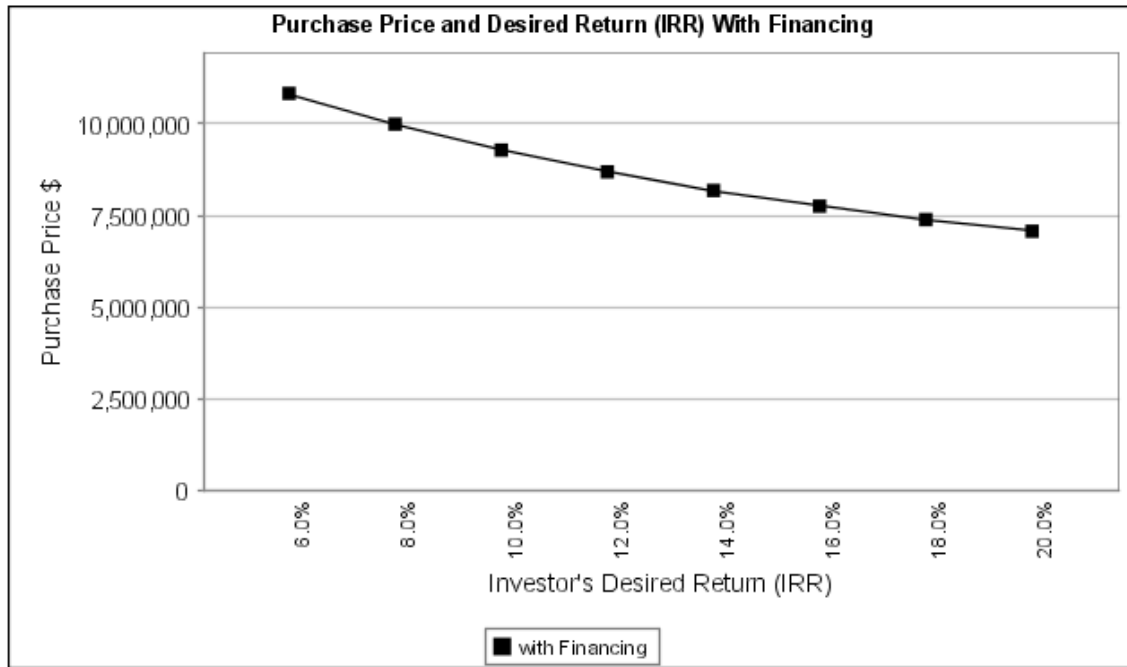
## Example showing an input error

The graph below illustrates a mistake was made in year 4 in the Expense entries and projections which need to be corrected



**Graph: Purchase Price v Desired Return**

This graph allows you to determine the Purchaser Price the will provide the desired Internal Rate of Return (IRR).



## Comparisons Reports

### Introduction

Comparison Reports Allows you to compares up to four projects or leases before and after tax and also carry out differential or incremental cash flow analysis.

There are three types of comparison reports;

1. Project Comparison Report. Allows you to compare up to four projects
2. Lease Comparison Report. Compare up to four leases

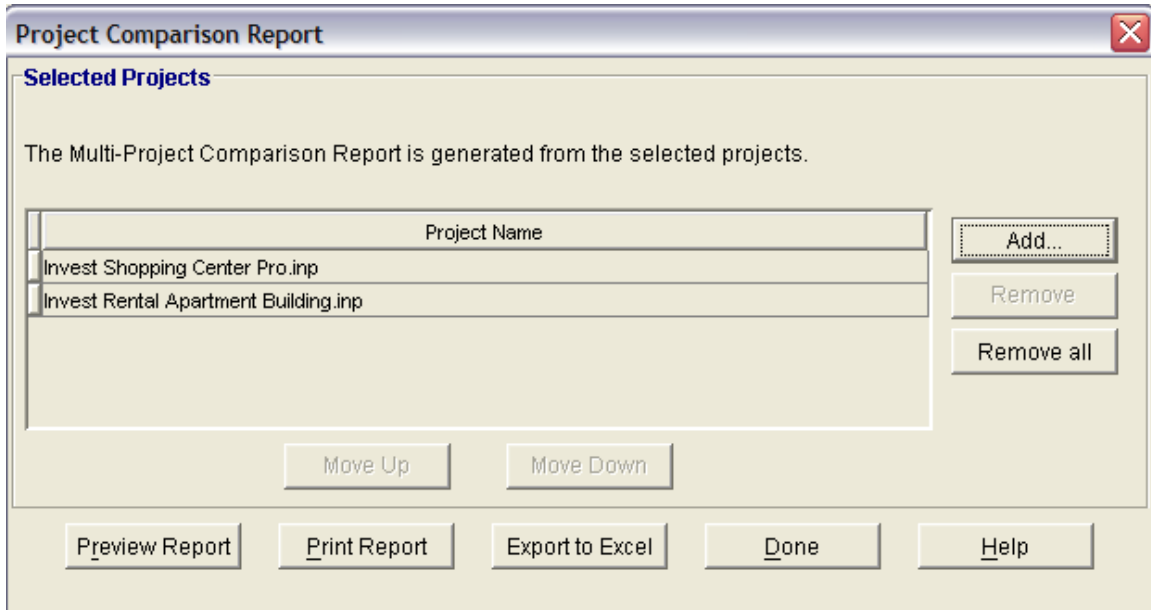
### Creating a Project or Lease comparison report

Go to the reports menu and select either the Project Comparison or Lease Comparison Report



The Comparison reports screen is displayed. Using the Add Button you can select the reports you wish to compare.

To see the report click on the Preview Report button





## Differential or Incremental Cash Flow Analysis

### Introduction

Differential Cash Flow Reports allows you to add and subtract the Net Cash Flow for up to four projects.

This allows you to carry out differential or incremental Cash Flow Analysis to answer such question as;

Should I rent to one tenant or three smaller tenants?  
Buy one large building or several smaller buildings?  
Buy v Lease?  
Sell now or Keep?

### Steps

1. Go to the reports menu and select Differential Cash Flow Report.
2. Enter the Investor's Marginal Tax rate, Discount Rate (Before Tax) and if you wish to calculate the Modified Internal Rate of Return (MIRR) enter the Short Tem Financing and Reinvestment Rates.
3. Use the Add button to Add the projects
4. Select whether to add or subtract the project

In the example below, a landlord has 100,000 square feet to rent and has a proposal from Tenant A who will rent the 100,000 Sq Ft. and a proposal from Tenant B for 40,000 Sq Ft and Tenant C for 60,000 Sq Ft.

He want s to know whether he should rent to Tenant A or Tenant B and C?

To answer this question the lease arrangement for each tenant is entered and saved as a project.

Using the Differential Cash Flow report you select Tenant A, Tenant B and Tenant C and subtract the cash flow for Tenants B and C from Tenant A to create the differential cash flow report.

If the Net Present Value is negative, from a financial perspective, he should rent the 40,000 Sq Ft to Tenant B and 60,000 Sq Ft to Tenant C. If the Net Present Value is positive he should rent the 100,000 Sq. Ft to Tenant A

✕
**Differential Cash Flow Report**

**Investor's Rates. Applied to all selected projects**

<b>Investor</b>	<b>Short Term Rates (Before Tax)</b>
Investor Marginal Tax Rate <input style="width: 80%;" type="text" value="35.00%"/>	Financing Tax Rate <input style="width: 80%;" type="text" value="7.50%"/>
Discount Rate (Before Tax) <input style="width: 80%;" type="text" value="13.00%"/>	Reinvestment Rate <input style="width: 80%;" type="text" value="2.50%"/>

**Selected Projects**

The Differential Cash Flow Report is created by 'Adding' or 'Subtracting' the cash flows for the selected Projects.

Project Name	Add Cash Flow	Subtract Cash Flow	
Tenant A.inp	<input checked="" type="radio"/>	<input type="radio"/>	Add...
Tenant B.inp	<input type="radio"/>	<input checked="" type="radio"/>	Remove
Tenant C.inp	<input type="radio"/>	<input checked="" type="radio"/>	Remove all

<input type="button" value="Preview Report"/>	<input type="button" value="Print Report"/>	<input type="button" value="Export to Excel"/>	<input type="button" value="Done"/>	<input type="button" value="Help"/>
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