

## ANALYZER COMMERCIAL EXAMPLE USA

### INTRODUCTION

This example shows how to use Analyzer to determine the value or purchase price for an office, retail or industrial building.

#### Steps

Enter the information into the following folders

1. **Project Info Folder**  
Basic property information such as Property Name, Rentable Area etc
2. **Financing Folder**  
Used to set up the financing
3. **Commercial Income**  
Used to enter the commercial income
4. **Commercial Expenses**  
Used to enter the commercial expenses

### QUESTION

How much should the buyer pay for the property using next years projected income & expenses to achieve a 7.50% Cap Rate?

#### PROJECT INFO. Folder

Property Name: Discovery Plaza  
Description: Retail and Medical Building  
Total Rentable Area: 4,000 Sq. Ft  
Purchase Price: \$900,000 (The asking price)  
Acquisition Costs: 2.00% of the Purchase Price  
Column 1 Header: From Owner  
Column 2 Header: Next Year

#### FINANCING Folder

##### First Mortgage

Mortgage Description: First Mortgage  
Lender: RBC  
Amount: \$500,000  
Interest Rate: 7.00%  
Amortization: 25 years  
Term Expiry: Dec 2010

##### Second Mortgage

Mortgage Description: Second Mortgage  
Lender: Broadway Finance  
Amount: \$15,000  
Interest Rate: 9.00%  
Amortization: 15 years  
Term Expiry: June 2008

**COMMERCIAL INCOME Folder**

The tenancy information and rental income provided by the owner and the projected income for the next year is;

| Tenancy                | From Owner                |         | Next Year                 |                       |
|------------------------|---------------------------|---------|---------------------------|-----------------------|
|                        | Income                    | Vacancy | Income                    | Vacancy & Credit Loss |
| Clinic. 2,500 Sq. Ft   |                           |         |                           |                       |
| Base Rent              | \$18.00 per Sq. Ft per Yr | 0.00%   | \$20.00 per Sq. Ft per Yr | 0.00%                 |
| Additional Rent        | \$6.00 per Sq. Ft per Yr  |         | \$7.00 per Sq. Ft per Yr  |                       |
| Starbucks 1,500 Sq. Ft |                           |         |                           |                       |
| Base Rent              | \$18.00 per Sq. Ft per Yr | 0.00%   | \$18.00 per Sq. Ft per Yr | 0.00%                 |
| Additional Rent        | \$6.00 per Sq. Ft per Yr  |         | \$7.00 per Sq. Ft per Yr  |                       |
| Parking 15 Spaces      | \$50 per Space per Mo     | 0.00%   | \$55 per Space per Mo     | 0.00%                 |

**COMMERCIAL EXPENSES Folder**

The expenses paid by the owner are:

| Expenses                      | From Owner   | Next Year   |
|-------------------------------|--|---|
| Recoverable Expenses<br>TIM's | \$6.00 per Sq Ft per Yr<br>(Using Total Rentable Area) | \$7.00 per Sq. Ft per Yr<br>(Using Total Rentable Area) |
| Property Management           | 5.00% of Effective Gross Income                        | 5.00% of Effective Gross Income                         |
| Legal & Office                | \$5,000  | \$6,000   |

## INSTRUCTIONS FOR ENTERING THE PROJECT INTO ANALYZER EXPRESS

### Getting started

The first step is to open the Analyzer Template "Office, Industrial & Retail" as follows:

1. Open Analyzer Express.
2. Select the New Project Folder then select the "Office, Industrial & Retail" template

### Entering the project data and information

#### PROJECT INFO Folder entries

1. Enter Property Name: Discovery Plaza
2. Enter Description: Retail and Medical Building
3. Enter Total Rentable Area: 4,000 Sq. Ft
4. Enter Purchase Price: \$900,000 (The asking price)
5. Enter Acquisition Costs: 2.00% of the Purchase Price
6. Enter Column 1 Header: From Owner
7. Enter Column 2 Header: Next Year

The Project Info screen should look like this;

| Project Info.   | Financing                       | Commercial Income   | Commercial Expenses                     |  |                  |                |          |                                 |  |          |                                 |  |
|---|---------------------------------|---|---|--|------------------|----------------|----------|---------------------------------|--|----------|---------------------------------|--|
| <b>Report Headers</b><br>Property Name <input type="text" value="Discovery Plaza"/> ←<br>Description <input type="text" value="Retail and Medical Building"/> ←   |                                 | <b>Unit of Measure</b><br>Land Area <input type="text" value="Sq. Ft"/><br>Frontage <input type="text" value="Ft"/><br>Building Area <input type="text" value="Sq. Ft"/><br><input type="button" value="Change Unit of Measure"/> |   |  |                  |                |          |                                 |  |          |                                 |  |
| <b>Total Purchase Price</b><br>Purchase Price <input type="text" value="\$ 900,000"/> ←<br>Acquisition Costs <input type="text" value="2.00%"/> → <input type="text" value="% of Purchase Price"/> ▾<br>Total Purchase Price <input type="text" value="\$ 918,000"/> ↑ <small>Select</small>  |                                 | <b>Total Rentable Area</b><br>Commercial <input type="text" value="4,000"/> → <input type="text" value="Sq. Ft"/>   |   |  |                  |                |          |                                 |  |          |                                 |  |
| <b>Time Period and Column Headers</b> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th>Number of Months</th> <th>Column Heading</th> </tr> </thead> <tbody> <tr> <td>Column 1</td> <td><input type="text" value="12"/></td> <td><input type="text" value="2005 from Owner"/> ←</td> </tr> <tr> <td>Column 2</td> <td><input type="text" value="12"/></td> <td><input type="text" value="2006 Forecasted"/> ←</td> </tr> </tbody> </table> |                                 |   |   |  | Number of Months | Column Heading | Column 1 | <input type="text" value="12"/> | <input type="text" value="2005 from Owner"/> ← | Column 2 | <input type="text" value="12"/> | <input type="text" value="2006 Forecasted"/> ← |
|   | Number of Months                | Column Heading  |   |  |                  |                |          |                                 |  |          |                                 |  |
| Column 1  | <input type="text" value="12"/> | <input type="text" value="2005 from Owner"/> ←  |   |  |                  |                |          |                                 |  |          |                                 |  |
| Column 2  | <input type="text" value="12"/> | <input type="text" value="2006 Forecasted"/> ←  |   |  |                  |                |          |                                 |  |          |                                 |  |
| <b>Calculate Financial Measures based on</b><br><input type="radio"/> Potential Gross Income<br><input checked="" type="radio"/> Effective Gross Income   |                                 |   |   |  |                  |                |          |                                 |  |          |                                 |  |
|   |                                 |   | <input type="button" value="Comments"/> |  |                  |                |          |                                 |  |          |                                 |  |
| Template: Office, Industrial & Retail   |                                 |   |   |  |                  |                |          |                                 |  |          |                                 |  |

**FINANCING Folder entries**

**First Mortgage**

Mortgage Description: First Mortgage  
Lender: RBC  
Amount: \$500,000  
Interest Rate: 7.00%  
Amortization: 25 years  
Term Expiry: Dec 2010

Enter the First Mortgage information as follows;

The screenshot shows a window titled "Financing" with a table containing the following data:

| Mortgage Description | Lender | Amount     | Interest Rate | Amortization Period [Yrs.] | Monthly Payment | Balloon Term Expiry Date |
|----------------------|--------|------------|---------------|----------------------------|-----------------|--------------------------|
| First Mortgage       | RBC    | \$ 500,000 | 7.000%        | 25                         | \$ 0.00         | Dec 2010                 |

Below the table, there is a text instruction: "To calculate payment click on the 'Calculate Payment' button". Below this instruction, there are two input fields for "Total" with values "\$ 500,000" and "\$ 0.00". At the bottom, there are buttons for "Add", "Insert", "Delete", "Move", and "Calculate Payment".

To calculate the monthly payment click on the "Calculate Payment" button to display the Monthly Payment calculator

The screenshot shows a dialog box titled "Monthly Payment Calculator" with the following fields and settings:

- Mortgage Description: First Mortgage
- Amount: \$ 500,000
- Nominal Annual Interest Rate: 7.000%
- Amortization Period: 25 Years
- Mortgage Settings**
  - Payment made at: End of Period
  - Compounding Frequency: Monthly
- Monthly Payment: \$ 3,533.90 (labeled as "Answer")

Below the fields, there is a text instruction: "Click on the 'Compute' button then the 'OK' button". At the bottom, there are buttons for "Compute", "OK", "Cancel", and "Help".

To calculate monthly payment click on the "Compute" button and then the OK button as follows;

The monthly mortgage payment has been calculated and transferred to the Financing tab

The completed entries for the “First Mortgage” are;

| Mortgage Description | Lender | Amount     | Interest Rate | Amortization Period [Yrs.] | Monthly Payment | Balloon Term Expiry Date |
|----------------------|--------|------------|---------------|----------------------------|-----------------|--------------------------|
| First Mortgage       | RBC    | \$ 500,000 | 7.000%        | 25                         | \$ 3,533.90     | Dec 2010                 |

Enter the “Second Mortgage”

Click on the “Add” button to add a second row. Enter the mortgage details and use the “Payment Calculator” to calculate the monthly payment

**Second Mortgage**

Mortgage Description: Second Mortgage  
 Lender: Broadway Finance  
 Amount: \$15,000  
 Interest Rate: 9.00%  
 Amortization: 15 years  
 Term Expiry: June 2008

Enter the second mortgage as follows;

To Calculate the Payment click on the “Calculate Payment” button

Total \$ 515,000 \$ 3,533.90

Buttons: Add, Insert, Delete, Move, Calculate Payment

To calculate the monthly payment click on the “Calculate Payment” button to display the Monthly Payment calculator

**Monthly Payment Calculator**

Mortgage Description: Second Mortgage

Amount: \$ 15,000

Nominal Annual Interest Rate: 9.000%

Amortization Period: 15 Years

**Mortgage Settings**

Payment made at: End of Period

Compounding Frequency: Semi-Annually

Monthly Payment: \$ 150.68 ← Answer

Click on the "Compute" button then the "OK"

Buttons: Compute, OK, Cancel, Help

To calculate monthly payment click on the "Compute" button and then the OK button as follows;

The monthly mortgage payment has been calculated and transferred to the Financing tab  
 The completed entries for the "First Mortgage" are;

| Mortgage Description | Lender           | Amount     | Interest Rate | Amortization Period [Yrs.] | Monthly Payment | Balloon Term Expiry Date |
|----------------------|------------------|------------|---------------|----------------------------|-----------------|--------------------------|
| First Mortgage       | RBC              | \$ 500,000 | 7.000%        | 25                         | \$ 3,533.90     | Dec 2010                 |
| Second Mortgage      | Broadway Finance | \$ 15,000  | 9.000%        | 15                         | \$ 0.00         | June 2008                |

**COMMERCIAL INCOME Folder**

| Tenancy  | From Owner  |         | Next Year   |                       |
|--|---|---------|---|-----------------------|
|  | Income  | Vacancy | Income  | Vacancy & Credit Loss |
| Clinic. 2,500 Sq. Ft<br>Base Rent<br>Additional Rent   | \$18.00 per Sq. Ft per Yr<br>\$6.00 per Sq. Ft per Yr | 0.00%   | \$20.00 per Sq. Ft per Yr<br>\$7.00 per Sq. Ft per Yr | 0.00%                 |
| Starbucks 1,500 Sq. Ft<br>Base Rent<br>Additional Rent | \$18.00 per Sq. Ft per Yr<br>\$6.00 per Sq. Ft per Yr | 0.00%   | \$18.00 per Sq. Ft per Yr<br>\$7.00 per Sq. Ft per Yr | 0.00%                 |
| Parking 15 Spaces                                      | \$50 per Space per Mo                                 | 0.00%   | \$55 per Space per Mo                                 | 0.00%                 |

1. Select row 1 'Income'
2. Enter Description: "Clinic. Base Rent"
3. Enter Qty: "2,500"
4. Enter Actual Income: "\$18.00"
5. Enter Next Year Income: "\$20.00"

Your entries in the grid should look like this;

| Income Description  | Entry Choice          | Qty     | Income     | Vac & Cr. Loss | Income     | Vac & Cr. Loss |
|---------------------|-----------------------|---------|------------|----------------|------------|----------------|
| Clinic. Base Rent ← | \$ per Sq. Ft. per Yr | → 2,500 | → \$ 18.00 | 0.00%          | → \$ 20.00 | 0.00%          |

1. Select row 2 'Additional Rent (TIM's)'
1. Enter Description: "Clinic. Additional Rent"
2. Enter Qty: "2,500"
3. Enter Actual Income: "\$6.00"
4. Enter Next Year Income: "\$7.00"

Your entries in the grid should look like this;

| Income Description        | Entry Choice          | Qty     | Income    | Vac & Cr. Loss | Income    | Vac & Cr. Loss |
|---------------------------|-----------------------|---------|-----------|----------------|-----------|----------------|
| Clinic. Base Rent         | \$ per Sq. Ft. per Yr | 2,500   | \$ 18.00  | 0.00%          | \$ 20.00  | 0.00%          |
| Clinic. Additional Rent ← | \$ per Sq. Ft. per Yr | → 2,500 | → \$ 6.00 | 0.00%          | → \$ 7.00 | 0.00%          |

1. Select row 3 'Parking'
2. Press the  button 2 times. (This will add two rows above Parking)

The grid will now appear like this;

| Income Description      | Entry Choice                | Qty   | Income   | Vac & Cr. Loss | Income   | Vac & Cr. Loss |
|-------------------------|-----------------------------|-------|----------|----------------|----------|----------------|
| Clinic. Base Rent       | \$ per Sq. Ft. per Yr       | 2,500 | \$ 18.00 | 0.00%          | \$ 20.00 | 0.00%          |
| Clinic. Additional Rent | \$ per Sq. Ft. per Yr       | 2,500 | \$ 6.00  | 0.00%          | \$ 7.00  | 0.00%          |
|                         | \$ per Sq. Ft. per Yr       | 0     | \$ 0.00  | 0.00%          | \$ 0.00  | 0.00%          |
|                         | \$ per Sq. Ft. per Yr       | 0     | \$ 0.00  | 0.00%          | \$ 0.00  | 0.00%          |
| Parking                 | \$ per Parking Space per Mo | 0     | \$ 0.00  | 0.00%          | \$ 0.00  | 0.00%          |
| Other Income            | \$ per Sq. Ft. per Yr       | 0     | \$ 0.00  | 0.00%          | \$ 0.00  | 0.00%          |

3. Select the new row 3 (it is highlight in the above screenshot)
4. Enter Description: "Starbucks. Base Rent"
5. Enter Qty: "1,500"
6. Enter Actual Income: "\$18.00"

7. Enter Next Year Income: "\$18.00"

Your entries in the grid should look like this;

| Income Description      | Entry Choice          | Qty     | Income     | Vac & Cr. Loss | Income     | Vac & Cr. Loss |
|-------------------------|-----------------------|---------|------------|----------------|------------|----------------|
| Clinic. Base Rent       | \$ per Sq. Ft. per Yr | 2,500   | \$ 18.00   | 0.00%          | \$ 20.00   | 0.00%          |
| Clinic. Additional Rent | \$ per Sq. Ft. per Yr | 2,500   | \$ 6.00    | 0.00%          | \$ 7.00    | 0.00%          |
| Starbucks. Base Rent ←  | \$ per Sq. Ft. per Yr | → 1,500 | → \$ 18.00 | 0.00%          | → \$ 18.00 | 0.00%          |

1. Select row 4
2. Enter Description: "Starbucks. Additional Rent"
3. Enter Qty: "1,500"
4. Enter Actual Income: "\$6.00"
5. Enter Next Year Income: "\$7.00"

Your entries in the grid should look like this;

| Income Description           | Entry Choice          | Qty     | Income    | Vac & Cr. Loss | Income    | Vac & Cr. Loss |
|------------------------------|-----------------------|---------|-----------|----------------|-----------|----------------|
| Clinic. Base Rent            | \$ per Sq. Ft. per Yr | 2,500   | \$ 18.00  | 0.00%          | \$ 20.00  | 0.00%          |
| Clinic. Additional Rent      | \$ per Sq. Ft. per Yr | 2,500   | \$ 6.00   | 0.00%          | \$ 7.00   | 0.00%          |
| Starbucks. Base Rent         | \$ per Sq. Ft. per Yr | 1,500   | \$ 18.00  | 0.00%          | \$ 18.00  | 0.00%          |
| Starbucks. Additional Rent ← | \$ per Sq. Ft. per Yr | → 1,500 | → \$ 6.00 | 0.00%          | → \$ 7.00 | 0.00%          |

1. Select row 5 'Parking'
2. Enter Qty: "15"
3. Enter Actual Income: "\$50.00"
4. Enter Next Year Income: "\$55.00"

Your entries in the grid should look like this;

| Income Description         | Entry Choice                | Qty   | Income     | Vac & Cr. Loss | Income     | Vac & Cr. Loss |
|----------------------------|-----------------------------|-------|------------|----------------|------------|----------------|
| Clinic. Base Rent          | \$ per Sq. Ft. per Yr       | 2,500 | \$ 18.00   | 0.00%          | \$ 20.00   | 0.00%          |
| Clinic. Additional Rent    | \$ per Sq. Ft. per Yr       | 2,500 | \$ 6.00    | 0.00%          | \$ 7.00    | 0.00%          |
| Starbucks. Base Rent       | \$ per Sq. Ft. per Yr       | 1,500 | \$ 18.00   | 0.00%          | \$ 18.00   | 0.00%          |
| Starbucks. Additional Rent | \$ per Sq. Ft. per Yr       | 1,500 | \$ 6.00    | 0.00%          | \$ 7.00    | 0.00%          |
| Parking ←                  | \$ per Parking Space per Mo | → 15  | → \$ 50.00 | 0.00%          | → \$ 55.00 | 0.00%          |

1. Select row 6 'Other Income'
2. Press the  button

**COMMERCIAL ENEXPENSES Folder**

| Expenses             | From Owner   | Next Year   |
|----------------------|--|---|
| Recoverable Expenses | \$6.00 per Sq Ft per Yr<br>(Using Total Rentable Area) | \$7.00 per Sq. Ft per Yr<br>(Using Total Rentable Area) |
| Property Management  | 5.00% of Effective Gross Income                        | 5.00% of Effective Gross Income                         |
| Legal & Office       | \$5,000  | \$6,000   |

1. Select row 1 'Accounting & Legal'
2. Enter Description: "Recoverable Expenses"
3. Enter Entry Choice: "\$ per Unit of Total Rentable Area (Comm) per Yr"
4. Enter Expenses From Owner: "\$6.00"
5. Enter Expenses Next Year: "\$7.00"

Your entries in the grid should look like this;

| Expenses               | Entry Choice                                       | Qty   | 2005 from Owner | 2006 Forecasted |
|------------------------|--|-------|-----------------|-----------------|
| Recoverable Expenses ← | \$ per Unit of Total Rentable Area (Comm) per Yr ▾ | 4,000 | → \$ 6.00       | → \$ 7.00       |

1. Select row 2 'Property Management'
2. Enter Expenses From Owner: "5.00%"
3. Enter Expenses Next Year: "5.00%"

Your entries in the grid should look like this;

| Expenses              | Entry Choice                                       | Qty   | 2005 from Owner | 2006 Forecasted |
|-----------------------|--|-------|-----------------|-----------------|
| Recoverable Expenses  | \$ per Unit of Total Rentable Area (Comm) per Yr ▾ | 4,000 | \$ 6.00         | \$ 7.00         |
| Property Management ← | % of Effective Gross Income ▾                      |       | → 5.00%         | → 5.00%         |

1. Select row 3 'Other Expenses'
2. Enter Description: "Legal & Office"
3. Enter Expenses From Owner: "\$5,000"
4. Enter Expenses Next Year: "\$6,000"

Your Entries in the grid should look like this;

| Expenses             | Entry Choice                                       | Qty   | 2005 from Owner | 2006 Forecasted |
|----------------------|--|-------|-----------------|-----------------|
| Recoverable Expenses | \$ per Unit of Total Rentable Area (Comm) per Yr ▾ | 4,000 | \$ 6.00         | \$ 7.00         |
| Property Management  | % of Effective Gross Income ▾                      |       | 5.00%           | 5.00%           |
| Legal & Office ←     | Amount ▾   |       | → \$ 5,000      | → \$ 6,000      |

**SAVE YOUR PROJECT**