INVESTOR USA
20 UNIT CONDOMINIUM DEVELOPMENT EXAMPLE

INTRODUCTION
This example uses the Development Condominium template.

This practice example consists of two Sections;
1. The input information for the project
2. Explanation of Developer special features for carrying out development analysis
3. The instructions for entering the project data

PROJECT INFORMATION
Property Name: Arcadia Place
Description: 20 Unit Condominium Project
Analysis Period: 2 years
Starting Date: Year 1 Jan
Building Area 22,000 Sq Ft
Total No. of Units: 20

INVESTOR INFORMATION
Discount Rate or Desired Return on Investment (Before Tax): 17.00%
Short Term Rates Before Tax for calculating the Modified Internal Rate of Return (MIRR)
    Financing Rate: 8.000%
    Reinvestment Rate: 2.50%

INVESTMENT INFORMATION

Land
Description: Land
Amount: $1,200,000 Year 1 Jan

DEVELOPMENT EXPENSES by EXPENSE TYPE

Expense Type	Site Preparation		Construction			Prof. Fees	
	Site Clearing	Site Servicing	Construction Costs	Parking	Landscaping	Arch & Eng Fees	Geo-scientists
Year 1							
Jan	$20,000	$30,000				$80,000	$15,000
Feb	20,000					40,000	
Mar			$300,000			20,000	
Apr			400,000	$100,00		8,000	
May			400,000			8,000	
June			450,000			8,000	
July			300,000			8,000	
Aug			350,000			8,000	
Sept			435,000			8,000	
Oct			450,000	15,000	$25,000	8,000	
Nov			450,000	15,000	15,000		
Dec							

Expense Types	Prof. Fees		City Fees		Contingency Allowance	Marketing	
	Mortgage Brokerage Fees	City Permits & Fees	Development Cost Charges	Property Taxes	Contingency Allowance	Advertising	Real Estate Fees
Year 1 Jan	$60,000	$35,000	$200,000		$4,000		
Feb					4,000		
Mar					4,000		
Apr					4,000		
May					4,000		
June				$35,000	4,000		
July					4,000		
Aug					4,000		
Sept					4,000		
Oct					4,000	$10,000	
Nov					4,000	10,000	
Dec						10,000	
Year 2 Jan						10,000	$100,000
Feb						10,000	

SALES REVENUE

	Revenue Types	Date	Price per Unit	Quantity
One Bedroom Units	Units	Year 1 Dec	$300,000	2
		Year 2 Jan	$325,000	2
		Year 2 Feb	$350,000	2
Two Bedroom Units	Units	Year 1 Dec	$340,000	8
		Year 2 Jan	$345,000	8

FINANCING

Land Loan
Description: Land Loan
Amount: $600,000
Type: Interest Only Payment
Start Date. Year 1 Jan
Interest: Fixed
Interest Rate: 8.00%
Time: 1 Year, 1 Month
Payment Frequency: Monthly
Compounding Frequency: Monthly

Construction Loan
Description: Construction Loan
Type: Construction Loan. Interest Only Payment
Start Date. Year 1 Jan
Interest: Fixed
Interest Rate: 7.50%
Time: 1 Year, 2 Months
Compounding Frequency: Monthly

Based on the terms of the construction loan the developer anticipates the following construction draws and repayment schedule.

Construction Loan Schedule		
Date	**Borrowing (Draw)**	**Payment**
Year 1		
Jan	$150,000	
Feb	50,000	
Mar	230,000	
Apr	360,000	
May	310,000	
June	510,000	
July	240,000	
Aug	320,000	
Sept	370,000	
Oct	420,000	
Nov	-	
Dec	-	$2,300,000
Year 2		
Jan	-	660,000
Total	$2,960,000	$2,960,000

INSTRUCTIONS FOR ENTERING THE PROJECT INTO INVESTOR PRO

Getting started
The first step is to open the Investit Pro Template "Development Condominiums" as follows:

1. Open Investor Pro.
2. Select Template for New Project, which is the default screen
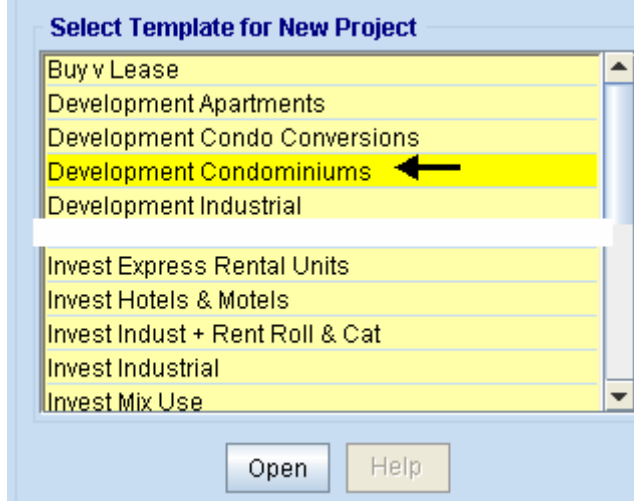
3. Open the Investit template "Development Condominiums". The analysis period dialog will open at this point.
4. Enter 2 years and click OK

PROJECT INFO Folder
1. Enter the Property Name: Arcadia Place
2. Enter Description: 20 Unit Condominium Project
3. Enter Building Area: 22,000 Sq. Ft
4. Enter Total No. of Units: 20

INVESTOR Folder

1. Enter the Discount Rate Before Tax: 17.00%
   Notes:
   The Discount Rate is used to calculate the Net Present Value and Net Effective Rent
   The program automatically calculates the Discount Rate After Tax

2. Enter Short Term Rates Before Tax
        Financing Rate: 8.00%
        Reinvestment Rate: 2.50%

INVESTMENT Folder

The Investment folder should appear like this;

First Row

1. Enter the Amount: $1,200,000

Your entries in the Investment folder should look like this;

DEVELOPMENT EXPENSES folder

Expense Type	Site Preparation		Construction			Prof. Fees	
	Site Clearing	**Site Servicing**	**Construction Costs**	**Parking**	**Landscaping**	**Arch & Eng Fees**	**Geo-scientists**
Year 1							
Jan	$20,000	$30,000				$80,000	$15,000
Feb	20,000					40,000	
Mar			$300,000			20,000	
Apr			400,000	$100,00		8,000	
May			400,000			8,000	
June			450,000			8,000	
July			300,000			8,000	
Aug			350,000			8,000	
Sept			435,000			8,000	
Oct			450,000	15,000	$25,000	8,000	
Nov			450,000	15,000	15,000		
Dec							

Expense Types	Prof. Fees		City Fees		Contingency Allowance	Marketing	
	Mortgage Brokerage Fees	**City Permits & Fees**	**Development Cost Charges**	**Property Taxes**	**Contingency Allowance**	**Advertising**	**Real Estate Fees**
Year 1 Jan	$60,000	$35,000	$200,000		$4,000		
Feb					4,000		
Mar					4,000		
Apr					4,000		
May					4,000		
June				$35,000	4,000		
July					4,000		
Aug					4,000		
Sept					4,000		
Oct					4,000	$10,000	
Nov					4,000	10,000	
Dec						10,000	
Year 2 Jan						10,000	$100,000
Feb						10,000	

The Development Expenses folder should appear like this;

Development Expenses				
Description	Entry Choice	Qty	Expense Type	Year 1 Jan...
Site Clearing	Amount	—	Site Preparation	$ 0
Site Servicing	Amount	—	Site Preparation	$ 0
Building construction costs	Amount	—	Construction	$ 0
Parking	Amount	—	Construction	$ 0
Landscaping	Amount	—	Construction	$ 0
Arch & Eng Fees	Amount	—	Prof. Fees	$ 0
Geo-scientists	Amount	—	Prof. Fees	$ 0
Mortage Brokerage Fees	Amount	—	Prof. Fees	$ 0
Appraisal Fees	Amount	—	Prof. Fees	$ 0
City Permits & Fees	Amount	—	City Fees	$ 0
Impact Fees	Amount	—	City Fees	$ 0
Property Taxes	Amount	—	City Fees	$ 0
Insurance	Amount	—	Administration	$ 0
Contingency Allowance	Amount	—	Contingencies	$ 0
Advertising	Amount	—	Marketing	$ 0
Real Estate Fees	Amount	—	Marketing	$ 0

1. Select row with Description 'Appraisal Fees'
2. Click on the Delete button

3. Select row with Description 'Impact Fees'
4. Click on the Delete button

5. Select row with Description 'Insurance'
6. Click on the Delete button

The Development Expenses folder should now look like this;

Development Expenses				
Description	Entry Choice	Qty	Expense Type	Year 1 Jan...
Site Clearing	Amount	—	Site Preparation	$ 0
Site Servicing	Amount	—	Site Preparation	$ 0
Construction costs	Amount	—	Construction	$ 0
Parking	Amount	—	Construction	$ 0
Landscaping	Amount	—	Construction	$ 0
Arch & Eng Fees	Amount	—	Prof. Fees	$ 0
Geo-scientists	Amount	—	Prof. Fees	$ 0
Mortage Brokerage Fees	Amount	—	Prof. Fees	$ 0
City Permits & Fees	Amount	—	City Fees	$ 0
Development Cost Charges	Amount	—	City Fees	$ 0
Property Taxes	Amount	—	City Fees	$ 0
Contingency Allowance	Amount	—	Contingencies	$ 0
Advertising	Amount	—	Marketing	$ 0
Real Estate Fees	Amount	—	Marketing	$ 0

Steps for entering the Site Clearing

1. Enter $20,000 for Year 1 Jan and Feb on the entry grid

Development Expenses

Description	Entry Choice	Qty	Expense Type	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...
Site Clearing	Amount		Site Preparation	$ 20,000	$ 20,000	← $ 0
Site Servicing	Amount		Site Preparation	$ 30,000	$ 0	$ 0

Steps for entering the Site Servicing

1. Enter $30,000 for Year 1 Jan on the entry grid

Development Expenses

Description	Entry Choice	Qty	Expense Type	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...
Site Clearing	Amount		Site Preparation	$ 20,000	$ 20,000	$ 0
Site Servicing	Amount		Site Preparation	$ 30,000	← $ 0	$ 0

Steps for entering Construction Costs

1. Enter the data directly into the entry grid corresponding with the correct date

   a. Year 1 Mar: $300,000
   b. Year 1 Apr: $400,000
   c. Year 1 May: $400,000
   d. Year 1 Jun: $450,000
   e. Year 1 Jul: $300,000
   f. Year 1 Aug: $350,000
   g. Year 1 Sep: $435,000
   h. Year 1 Oct: $450,000
   i. Year 1 Nov: $450,000

Year 1 Mar...	Year 1 Apr...	Year 1 May...	Year 1 Jun...	Year 1 Jul...	Year 1 Aug...
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 300,000	$ 400,000	$ 400,000	$ 450,000	$ 300,000	$ 350,000

Entering the Parking

1. Enter the data directly into the entry grid corresponding with the correct date
   a. Year 1 Apr: $100,000
   b. Year 1 Oct: $15,000
   c. Year 1 Nov: $15,000

Entering the Landscaping

1. Enter the data directly into the entry grid corresponding with the correct date

   a. Year 1 Oct: $25,000
   b. Year 1 Nov: $15,000

Year 1 Jul...	Year 1 Aug...	Year 1 Sep...	Year 1 Oct...	Year 1 Nov...	Year 1 Dec...
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 300,000	$ 350,000	$ 435,000	$ 450,000	$ 450,000	$ 0
$ 0	$ 0	$ 0	$ 15,000	$ 15,000	$ 0
$ 0	$ 0	$ 0	$ 25,000	$ 15,000 ←	$ 0

Entering the Arch & Eng Fees

1. Click on the [Projection Wizard] button
   In the **Projection Wizard**
2. **Project Entry Using column:** Select "Single Entry. No Proj."
3. **Amount column:** Enter $80,000
4. Click on the [New Projection] button

On row 2

5. **Project Entry Using column:** Select "Single Entry. No Proj."
6. **Amount column:** Enter $40,000
7. Click on the [New Projection] button
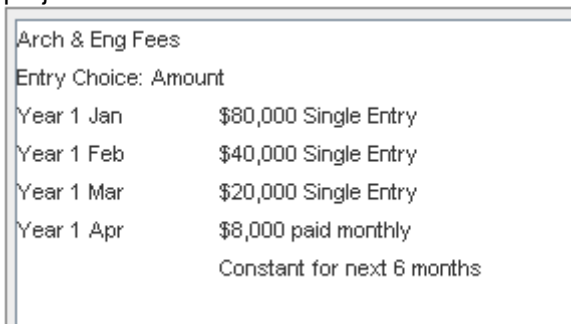
On row 3

8. **Project Entry Using column:** Select "Single Entry. No Proj."
9. **Amount column:** Enter $20,000
10. Click on the [New Projection] button

On row 4

11. **Amount column:** Enter $8,000
12. **Time Period column:** Select "7 Mos"

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

Arch & Eng Fees	
Entry Choice: Amount	
Year 1 Jan	$80,000 Single Entry
Year 1 Feb	$40,000 Single Entry
Year 1 Mar	$20,000 Single Entry
Year 1 Apr	$8,000 paid monthly
	Constant for next 6 months

Press OK to return to the Projection Wizard

Your entries in the Projection Wizard should look like this;

Press OK to return to the Development Expenses folder

Entering the Geo-scientists

1. Enter $15,000 for Year 1 Jan on the entry grid

Entering the Mortgage Brokerage Fees

1. Enter $60,000 for Year 1 Jan on the entry grid

Entering the City Permits & Fees

1. Enter $35,000 for Year 1 Jan on the entry grid

Development Expenses

Description	Entry Choice	Qty	Expense Type	Year 1 Jan...	Year 1 Feb...
Site Clearing	Amount	—	Site Preparation	$ 20,000	$ 20,000
Site Servicing	Amount	—	Site Preparation	$ 30,000	$ 0
Construction costs	Amount	—	Construction	$ 0	$ 0
Parking	Amount	—	Construction	$ 0	$ 0
Landscaping	Amount	—	Construction	$ 0	$ 0
Arch & Eng Fees	Amount	—	Prof. Fees	$ 80,000	$ 40,000
Geo-scientists	Amount	—	Prof. Fees	$ 15,000	$ 0
Mortgage Brokerage Fees	Amount	—	Prof. Fees	$ 60,000	$ 0
City Permits & Fees	Amount	—	City Fees	$ 35,000	$ 0

Entering the Development Cost Charges

1. Enter $200,000 for Year 1 Jan on the entry grid

Development Expenses

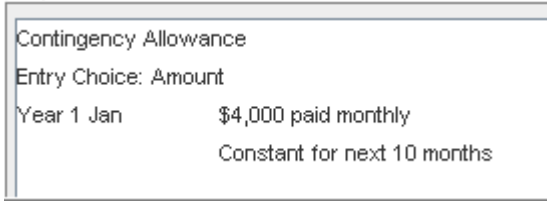| Description	Entry Choice	Qty	Expense Type	Year 1 Jan...	Year 1 Feb...
Site Clearing	Amount	—	Site Preparation	$ 20,000	$ 20,000
Site Servicing	Amount	—	Site Preparation	$ 30,000	$ 0
Construction costs	Amount	—	Construction	$ 0	$ 0
Parking	Amount	—	Construction	$ 0	$ 0
Landscaping	Amount	—	Construction	$ 0	$ 0
Arch & Eng Fees	Amount	—	Prof. Fees	$ 80,000	$ 40,000
Geo-scientists	Amount	—	Prof. Fees	$ 15,000	$ 0
Mortgage Brokerage Fees	Amount	—	Prof. Fees	$ 60,000	$ 0
City Permits & Fees	Amount	—	City Fees	$ 35,000	$ 0
Development Cost Charges	Amount	—	City Fees	$ 200,000	$ 0

Entering the Property Taxes

1. Enter $35,000 for Year 1 Jun on the entry grid

Development Expenses

Description	Entry Choice	Qty	Year 1 May...	Year 1 Jun...	Year 1 Jul...
Site Clearing	Amount	—	$ 0	$ 0	$ 0
Site Servicing	Amount	—	$ 0	$ 0	$ 0
Construction costs	Amount	—	$ 400,000	$ 450,000	$ 300,000
Parking	Amount	—	$ 0	$ 0	$ 0
Landscaping	Amount	—	$ 0	$ 0	$ 0
Arch & Eng Fees	Amount	—	$ 8,000	$ 8,000	$ 8,000
Geo-scientists	Amount	—	$ 0	$ 0	$ 0
Mortgage Brokerage Fees	Amount	—	$ 0	$ 0	$ 0
City Permits & Fees	Amount	—	$ 0	$ 0	$ 0
Development Cost Charges	Amount	—	$ 0	$ 0	$ 0
Property Taxes	Amount	—	$ 0	$ 35,000	$ 0

Entering the Contingency Allowance

1. Click on the [Projection Wizard] button
   In the **Projection Wizard**
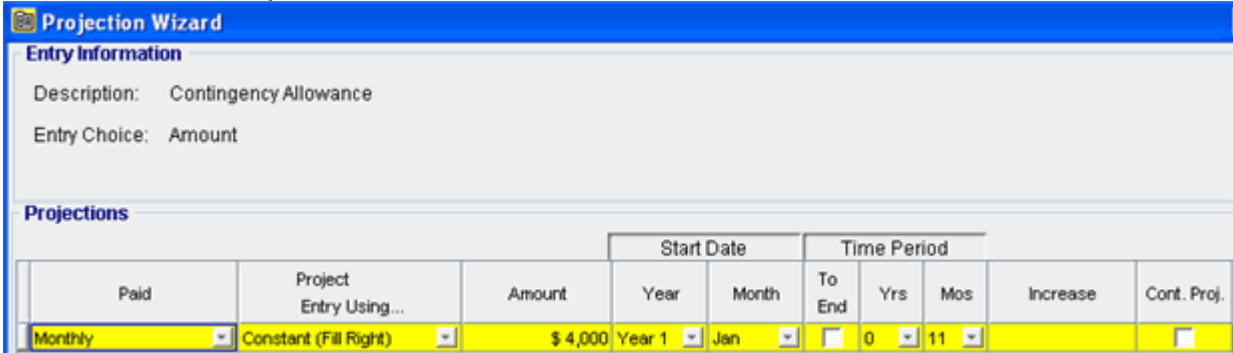2. **Amount column:** Enter $4,000
3. **Time Period column:** Select "11 Mos"

10

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

Contingency Allowance

Entry Choice: Amount

Year 1 Jan $4,000 paid monthly

                    Constant for next 10 months

Press OK to return to the Projection Wizard

Your entries in the Projection Wizard should look like this;

Projection Wizard

Entry Information

Description: Contingency Allowance

Entry Choice: Amount

Projections

Paid	Project Entry Using...	Amount	Start Date		Time Period			Increase	Cont. Proj.
			Year	Month	To End	Yrs	Mos		
Monthly	Constant (Fill Right)	$ 4,000	Year 1	Jan	☐	0	11		☐

Press OK to return to the Development Expenses folder

Entering the Advertising

1. Enter $10,000 into the entry grid for Year 1 Oct, Nov, Dec. And Year 2 Jan, Feb

Year 1 Oct...	Year 1 Nov...	Year 1 Dec...	Year 2 Jan...	Year 2 Feb...	Year 2 Mar...
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 450,000	$ 450,000	$ 0	$ 0	$ 0	$ 0
$ 15,000	$ 15,000	$ 0	$ 0	$ 0	$ 0
$ 25,000	$ 15,000	$ 0	$ 0	$ 0	$ 0
$ 8,000	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 4,000	$ 4,000	$ 0	$ 0	$ 0	$ 0
$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000 ←	$ 0

Entering the Real Estate Fees

1. Enter $100,000 for Year 2 Jan on the entry grid

Click on the Sales Revenue folder

SALES REVENUE Folder

	Revenue Types	Date	Price per Unit	Quantity
One Bedroom Units	Units	Year 1 Dec	$300,000	2
		Year 2 Jan	$325,000	2
		Year 2 Jan	$350,000	2
Two Bedroom Units	Units	Year 1 Dec	$340,000	8
		Year 2 Jan	$345,000	8

The Sales Revenue folder should look like this;

Steps for setting up the Sales Revenue folder

1. Select row 1 with Entry Choice 'Price per Unit and Quantity'
2. Enter Description 'One Bedroom Units'
3. Select Revenue Type "One Bedrooms"

4. Select row 3 with Entry Choice '$ per Unit'
5. Enter Description 'Two Bedroom Units'
6. Select Entry Choice 'Price per Unit and Quantity'
7. Select Revenue Type 'Two Bedrooms'

The Sales Revenue folder should now look like this;

Sales Revenue

Description	Entry Choice	Qty	Revenue Type	Year 1 Jan...
One Bedroom Units	Price per Unit and Quantity	—	One Bedrooms	$ 0
	Quantity	—		0
Two Bedroom Units	Price per Unit and Quantity	—	Two Bedrooms	$ 0
	Quantity	—		0

Steps for entering the One Bedroom Units

1. Select row 1 'One Bedroom Units'
2. Enter $300,000 into the entry grid for Year 1 Dec
3. Enter $325,000 into the entry grid for Year 2 Jan
4. Enter $350,000 into the entry grid for Year 2 Feb

Steps for entering the Quantity

1. Select row 2 with Entry choice 'Quantity'
2. Enter '2' into the entry grid for Year 1 Dec
3. Enter '2' into the entry grid for Year 2 Jan and Year 2 Feb

The Entry grid for the One Bedroom Units should appear like this;

Year 1 Nov...	Year 1 Dec...	Year 2 Jan...	Year 2 Feb...	Year 2 Mar...
$ 0	$ 300,000	$ 325,000	$ 350,000	$ 0
0	2	2	2	0

Steps for entering the Two Bedroom Units

1. Select row 3 with Entry Choice 'Two Bedroom Units'
2. Enter $340,000 into the entry grid for Year 1 Dec
3. Enter $345,000 into the entry grid for Year 2 Jan

Steps for entering the Quantity

1. Select row 4 with Entry choice 'Quantity'
2. Enter '8' into the entry grid for Year 1 Dec
3. Enter '8' into the entry grid for Year 2 Jan

The Entry grid for the Two Bedroom Units should look like this;

Sales Revenue

Description	Entry Choice	Qty	Year 1 Nov...	Year 1 Dec...	Year 2 Jan...	Year 2 Feb...
One Bedroom Units	Price per Unit and Quantity	—	$ 0	$ 300,000	$ 325,000	$ 350,000
	Quantity	—	0	2	2	2
Two Bedroom Units	Price per Unit and Quantity	—	$ 0	$ 340,000	$ 345,000	$ 0
	Quantity	—	0	8	8	0

Click on the Financing Tab

FINANCING Folder

Land Loan
Description: Land Loan
Amount: $600,000
Type: Interest Only Payment
Start Date. Year 1 Jan
Interest: Fixed

Interest Rate: 8.00%
Time: 1 Year, 1 Month
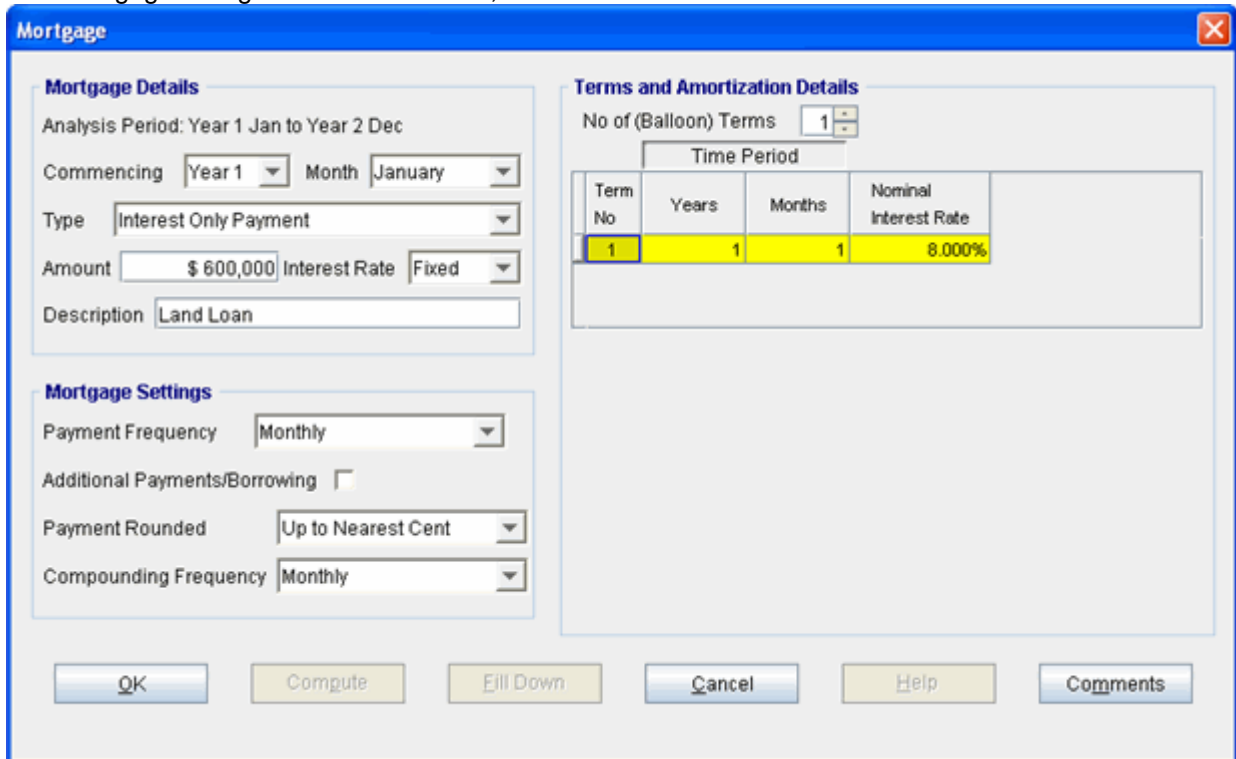Payment Frequency: Monthly
Compounding Frequency: Monthly

Setting up a mortgage

1.   Click on the Add Mortgage button

| Add Mortgage | Edit Mortgage | Delete Mortgage | Move |

2.   Type: Select 'Interest Only Payment'
3.   Amount box: $600,000
4.   Description box: "Land Loan"
5.   Time Period box: 1 Years, 1 Month
6.   Nominal Interest Rate box: 8.00%

The mortgage dialog should look like this;

7.   Press the **Compute** button
8.   Press the OK button to return to the Financing folder

Construction Loan
Description: Construction Loan
Type: Construction Loan. Interest Only Payment
Start Date. Year 1 Jan
Interest: Fixed
Interest Rate: 7.50%
Time: 1 Year, 2 Months

Compounding Frequency: Monthly

Based on the terms of the construction loan the developer anticipates the following construction draws and repayment schedule.

Construction Loan Schedule		
Date	**Borrowing (Draw)**	**Payment**
Year 1		
Jan	$150,000	
Feb	50,000	
Mar	230,000	
Apr	360,000	
May	310,000	
June	510,000	
July	240,000	
Aug	320,000	
Sept	370,000	
Oct	420,000	
Nov	-	
Dec	-	$2,300,000
Year 2		
Jan	-	660,000
Total	$2,960,000	$2,960,000
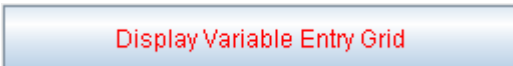
Setting up Construction Loan
1. Click on the Add Mortgage button

    Add Mortgage Edit Mortgage Delete Mortgage Move

2. Description box: "Construction Loan"
3. Time Period box: 1 Year, 2 Months
4. Nominal Interest Rate box: 7.50%
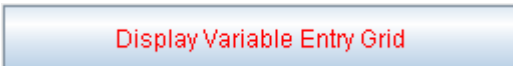
5. Click on the   Display Variable Entry Grid   button
6. Enter the data into the grid corresponding with the above chart

Term	Time Period	Borrow (Draw)	Payment
1	Year 1 Jan	$ 150,000	$ 0
1	Year 1 Feb	$ 50,000	$ 0
1	Year 1 Mar	$ 230,000	$ 0
1	Year 1 Apr	$ 360,000	$ 0
1	Year 1 May	$ 310,000	$ 0
1	Year 1 Jun	$ 510,000	$ 0

Scroll down to complete the rest of grid

The mortgage dialog should appear like this

7. Press the [Compute] button

8. Press the OK button to return to the Financing folder

SAVE YOUR PROJECT