



Sterling Plaza

21000 Sq. Ft Retail Center



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Development Profit
Sterling Plaza
21000 Sq. Ft Retail Center

June 10, 2008
Developer Pro
Quick Proforma Retail

			% of Revenue
SALE PRICE	7.50% Cap Rate & NOI of \$ 496,242	\$ 6,616,560	
LAND & DEVELOPMENT COSTS			
Land Costs		1,220,000	18.44%
Site Preparation		112,000	1.69%
Construction		2,482,500	37.52%
Professional Fees		350,395	5.30%
City Fees		217,000	3.28%
Miscellaneous		25,000	0.38%
	Land & Development Costs	4,406,895	66.60%
Interest Costs		154,332	2.33%
Contingency Allowance		319,286	4.83%
	Total Development Costs	4,880,513	73.76%
	GROSS DEVELOPMENT PROFIT	1,736,047	26.24%
SELLING EXPENSES			
Real Estate Commissions		330,828	5.00%
Marketing & Advertising		30,000	0.45%
Legal fees		25,000	0.38%
Leasing Fees		75,000	1.13%
	Total Selling Expenses	460,828	6.96%
	DEVELOPMENT PROFIT (Before Operating Income & Expenses)	1,275,219	
	% of Total Development Costs	26.13%	
	% of Sale Revenue	19.27%	
	Return on Equity	182.17%	
OPERATING INCOME & EXPENSES during lease up and sales period			
Net Operating Income. Lease Up period of 6 months		124,000	1.87%
Net Operating Income. Sales period of 7 months		289,475	4.38%
		413,475	6.25%
Less: Interest costs during Lease up & Sale Period		344,696	5.21%
	OVERALL DEVELOPMENT PROFIT	1,343,998	
	% of Total Development Costs	27.54%	
	% of Sale Revenue	20.31%	
	Return on Equity	192.00%	
	Land to Building Cost Ratio	38.28%	
	Land to Total Development Cost Ratio	25.00%	



Total Development Costs
Sterling Plaza
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		Hard Costs	Soft Costs	Total	
Land Costs					
Land		1,200,000	-	1,200,000	24.59%
Legal Fees		-	12,000	12,000	0.25%
Appraisal Fees		-	8,000	8,000	0.16%
		1,200,000	20,000	1,220,000	25.00%
Site Preparation					
Site Clearing		15,000	-	15,000	0.31%
Site Servicing Costs		85,000	-	85,000	1.74%
Miscellaneous Site Costs		12,000	-	12,000	0.25%
		112,000	-	112,000	2.29%
Construction					
Building	\$ 85.00 per Sq. Ft x 22,500 Sq. Ft	1,912,500	-	1,912,500	39.19%
Parking & Landcaping		150,000	-	150,000	3.07%
Leasehold Improvement Allow.	\$ 20.00 per Sq. Ft x 21,000 Sq. Ft	420,000	-	420,000	8.61%
		2,482,500	-	2,482,500	50.87%
Professional Fees					
Architectural & Engineering	7.00% of Construction & Site Prep. Costs	-	181,615	181,615	3.72%
Project Management Fees	4.00% of Construction & Site Prep. Costs	-	103,780	103,780	2.13%
Mortgage Brokerage Fees		-	65,000	65,000	1.33%
		-	350,395	350,395	7.18%
City Fees					
Permits & Fees		-	47,000	47,000	0.96%
Impact Fees		-	95,000	95,000	1.95%
Property Taxes		-	75,000	75,000	1.54%
		-	217,000	217,000	4.45%
Miscellaneous					
Miscellaneous Dev. Costs		25,000	-	25,000	0.51%
		25,000	-	25,000	0.51%
LAND & DEVELOPMENT COSTS		3,819,500	587,395	4,406,895	
Financing Interest Costs					
Construction Loan		-	154,332	154,332	3.16%
Contingency Allowance		-	319,286	319,286	6.54%
TOTAL DEVELOPMENT COST		3,819,500	1,061,013	4,880,513	
% of Total Development Cost		78.26%	21.74%	100.00%	
Cost per Sq. Ft of Building		169.76	47.16	216.91	
Land to Building Cost Ratio		38.28%			
Land to Total Development Cost Ratio		25.00%			



RENTAL INCOME & EXPENSES DURING LEASE UP PERIOD

	Lease Up Period 6 months
Rental Income during Lease Up period	
Rental Income	\$ 181,000
Recoverable Expenses (TIM's)	67,000
	248,000
Operating Expenses during Lease Up Period	
Taxes	85,000
Insurance	16,000
Maintenance	8,000
Property Management	15,000
	124,000
Net Operating Income during Lease Up Period	124,000

RENTAL INCOME & EXPENSES DURING SALES PERIOD

	Stabilized Income 12 Months	Sale Period 7 Months
Potential Gross Income	\$ 777,000	\$ 453,250
Less: Vacancy & Credit Loss	38,850	22,663
Effective Gross Income	738,150	430,588
Operating Expenses	241,908	141,113
Net Operating Income during the Sale Period	496,242	289,475

SUMMARY

	Net Operating Income
Lease up Period: 6 months	124,000
Sales Period: 7 months	289,475
Total	413,475



Income & Expense Statement

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STABLIZED ANNUAL INCOME & EXPENSE

		<u>12 Months</u>
POTENTIAL GROSS INCOME		
Rental Income	\$ 27.00 per Sq. Ft per Yr x 21,000 Sq. Ft	\$ 567,000
Recoverable Expenses (TIM's)	\$ 10.00 per Sq. Ft per Yr x 21,000 Sq. Ft	210,000
		<u>777,000</u>
Less: Vacancy & Bad Debt Allowar		
Rental Income	5.00% x \$ 567,000	28,350
Recoverable Expenses (TIM's)	5.00% x \$ 210,000	10,500
		<u>38,850</u>
Effective Gross Income		738,150
OPERATING EXPENSES		
Taxes	\$ 145,000 per Yr	145,000
Insurance	\$ 18,000 per Yr	18,000
Maintenance	\$ 2.00 per Sq. Ft per Yr x 21,000 Sq. Ft	42,000
Property Management	5.00% of EGI of \$ 738,150	36,908
		<u>241,908</u>
Net Operating Income		496,242



Long Term Financing
Sterling Plaza
21000 Sq. Ft Retail Center

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LONG TERM FINANCING

Nominal Annual Interest Rate	6.75%
Amortization Period	25 Years
Payment Frequency	Monthly (End of Period)
Compounding Frequency	Semi-annually
Loan to Value Ratio	75.00%
Debt Service Ratio	1.25

NET OPERATING INCOME \$ 496,242

LOAN AMOUNTS & MONTHLY PAYMENTS

	<u>Loan Amount</u>	<u>Monthly Payment</u>	
Loan to Value Ratio: 75.00%	\$ 4,962,420	\$ 33,996	
Debt Service Ratio: 1.25	\$ 4,829,256	\$ 33,083	* Loan Amount

EQUITY REQUIRED BY THE BUYER

Market Value (Purchase Price)	\$	6,616,560
Less: Long Term Financing		4,829,256
Buyer's Equity		1,787,304
% of Market Value		27.01%

EQUITY REQUIRED BY THE DEVELOPER

Total Development Cost	4,880,513
Plus: Leasing fees	75,000
Financing costs during the lease-up period	163,761
Operating Costs during the lease-up period	124,000
Less: Income during the lease-up period	(248,000)
	4,995,274
Less: Long Term Financing	4,829,256
Developer's Equity	166,018
% of Market Value	2.51%



Input Data Summary
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Project Information

Building Area	22,500 Sq. Ft
Retail Gross Leasable Area	21,000 Sq. Ft
Land Area	80,000 Sq. Ft
Frontage	300 Ft

LAND & DEVELOPMENT COSTS

	<u>Entries</u>	
Land Costs		
Land	\$ 1,200,000	Hard Cost
Legal Fees	\$ 12,000	Soft Cost
Appraisal Fees	\$ 8,000	Soft Cost
Site Preparation		
Site Clearing	\$ 15,000	Hard Cost
Site Servicing Costs	\$ 85,000	Hard Cost
Miscellaneous Site Costs	\$ 12,000	Hard Cost
Construction		
Building	\$ 85.00 per Sq. Ft x 22,500 Sq. Ft	Hard Cost
Parking & Landcaping	\$ 150,000	Hard Cost
Leasehold Improvement Allow.	\$ 20.00 per Sq. Ft x 21,000 Sq. Ft	Hard Cost
Professional Fees		
Architectural & Engineering	7.00% of Construction & Site Prep. Costs	Soft Cost
Project Management Fees	4.00% of Construction & Site Prep. Costs	Soft Cost
Mortgage Brokerage Fees	\$ 65,000	Soft Cost
City Fees		
Permits & Fees	\$ 47,000	Soft Cost
Impact Fees	\$ 95,000	Soft Cost
Property Taxes	\$ 75,000	Soft Cost
Miscellaneous		
Miscellaneous Dev. Costs	\$ 25,000	Hard Cost
Contingency Allowance	7.00% of Land, Development & Financing Costs	Soft Cost

CONSTRUCTION FINANCING

Development Time	
Pre-construction Period	5 Months
Construction Time	9 Months
Sales Period	7 Months
Lease Up Period	6 Months
Developer's Equity	\$ 700,000
Financing	
Construction Loan. Interest Rate	8.000%

Financing Adjustment Factors used for construction loan interest calculations



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During the Development Period

Equity	1.00
Land Costs	1.00
Site Preparation	0.75
Construction	0.50
Professional Fees	0.75
City Fees	0.75
Miscellaneous	0.50

During the Sales Period

Selling Expenses	0.50
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Dev Costs during Sales Period	1.00
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During Lease Up Period

Dev Costs during Lease Up Period	1.00
Income	1.00
Operating Expenses	1.00
Leasing Expenses	0.50

SELLING EXPENSES

Selling Expenses

Marketing & Advertising	\$ 30,000
Legal fees	\$ 25,000

Real Estate Commissions	5.00%
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Leasing Fees	\$ 75,000
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INCOME & EXPENSES

Income & Expenses during the Lease Up Period

Lease Up Period	6 Months
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Income during the Lease Up Period

Rental Income	\$ 181,000
Recoverable Expenses (TIM's)	\$ 67,000

Expenses during the Lease Up Period

Taxes	\$ 85,000
Insurance	\$ 16,000
Maintenance	\$ 8,000
Property Management	\$ 15,000

Stabilized Income & Expenses

Entry Choice

**Vacancy &
Credit Loss
Allowance**

Income

Rental Income	\$ 27.00 per Sq. Ft per Yr x 21,000 Sq. Ft	5.00%
Recoverable Expenses (TIM's)	\$ 10.00 per Sq. Ft per Yr x 21,000 Sq. Ft	5.00%

Operating Expenses

Taxes	\$ 145,000 per Yr
Insurance	\$ 18,000 per Yr



Maintenance
Property Management

Input Data Summary
Sterling Plaza
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\$ 2.00 per Sq. Ft per Yr x 21,000 Sq. Ft
5.00% of EGI of \$ 738,150

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PERMANENT FINANCING

Loan to Value Ratio	75.00%
Debt Service Ratio	1.25
Mortgage Details	
Nominal Annual Interest Rate	6.75%
Amortization Period	25 Years
Payment Frequency	Monthly
Payment made at	End of Period
Compounding Frequency	Semi-annually

SALE

Sale Price based on Cap Rate of 7.50%



	<u>Interest Cost Calculation</u>	<u>Interest Cost</u>
INTEREST COSTS DURING PRE-CONSTRUCTION & CONSTRUCTION PERIOD		
Construction Loan		
<i>Assuming 100% Financing using Construction Loan</i>		
Land Costs	\$ 1,220,000 x 14 mo. x 8.000% x 1/12 x 1.00	\$ 113,867
Site Preparation	\$ 112,000 x 9 mo. x 8.000% x 1/12 x 0.75	5,040
Construction	\$ 2,482,500 x 9 mo. x 8.000% x 1/12 x 0.50	74,475
Professional Fees	\$ 350,395 x 9 mo. x 8.000% x 1/12 x 0.75	15,768
City Fees	\$ 217,000 x 9 mo. x 8.000% x 1/12 x 0.75	9,765
Miscellaneous	\$ 25,000 x 9 mo. x 8.000% x 1/12 x 0.50	750
		<u>219,665</u>
<i>Adjusting for interest not paid on Developer's Equity</i>		
Equity	(\$ 700,000 x 14 mo. x 8.000% x 1/12 x 1.00)	<u>(65,333)</u>
		154,332
INTEREST COSTS DURING LEASE UP PERIOD		
Construction Loan		
<i>Assuming 100% Financing using Construction Loan</i>		
Total Development Costs	\$ 4,880,513 x 6 mo. x 8.000% x 1/12 x 1.00	195,221
Income during Lease Up Period	(\$ 248,000 x 6 mo. x 8.000% x 1/12 x 1.00)	(9,920)
Operating Expenses during the Lease Up Period	\$ 124,000 x 6 mo. x 8.000% x 1/12 x 1.00	4,960
Leasing Fees	\$ 75,000 x 6 mo. x 8.000% x 1/12 x 0.50	1,500
		<u>191,761</u>
<i>Adjusting for interest not paid on Developer's Equity</i>		
Equity	(\$ 700,000 x 6 mo. x 8.000% x 1/12 x 1.00)	<u>(28,000)</u>
		163,761
INTEREST COSTS DURING THE SALES PERIOD		
Construction Loan		
<i>Assuming 100% Financing using Construction Loan</i>		
Total Development Costs	\$ 4,880,513 x 7 mo. x 8.000% x 1/12 x 1.00	227,757
Real Estate Commissions & Selling Expenses	\$ 385,828 x 7 mo. x 8.000% x 1/12 x 0.50	9,003
Income during the Sales Period	(\$ 738,150 x 7 mo. x 8.000% x 1/12 x 1.00)	(34,447)
Operating Expenses during the Sales Period	\$ 241,908 x 7 mo. x 8.000% x 1/12 x 1.00	11,289
		<u>213,602</u>
<i>Adjusting for interest not paid on Developer's Equity</i>		
Equity	(\$ 700,000 x 7 mo. x 8.000% x 1/12 x 1.00)	<u>(32,667)</u>
		180,935
		<u>499,028</u>



Goal Seeking
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Desired Development Profit	Total Land Cost
25.00% of Total Development Costs	\$ 1,299,215
20.00% of Sale Price	\$ 1,236,273
150.00% Return on Equity	\$ 1,451,267

Note: Total Land Cost is the "Total Cost" that would be entered
in the Land Folder including acquisition costs etc.



Property Information
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Property Descript.

Location Descr.

Financing

	Lender	Amount	Interest Rate	Monthly Payment	Amort. Period (Yrs)	Term Expiry Date
Description1	Lender1	100,000	30.00%	1,999	5	date1
Description2	Lender2	200,000	40.00%	2,999	6	Date2
		<u>\$ 300,000</u>		<u>\$ 4,998</u>		

Legal

Zoning

Encumbrances



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Property Taxes Information

Assessment Date

Property Taxes \$ 0

Roll or Identification Number

Assessed Value

Land	-
Improvements	-
	<hr/>
	-

Land

	250 Ft x 267 Ft Deep	
Frontage	300	Ft
Land Area	80,000	Sq. Ft

Building

Age	0 Years
No of Floors	0

Building Area	22,500 Sq. Ft
Retail Gross Leasable Area	21,000 Sq. Ft

Parking

Uncovered	-
Covered	-
Other	-
	<hr/>
Total Parking	-

Construction

Building Equipment & Systems

Elevators

No. of Elevators	0
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Client Information
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Contact Information

Office Tel:

Mobile:

Home Tel:

Fax:

E-mail: