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
    Additional Rent
	
	$18.00 per Sq. Ft per Yr
	$6.00 per Sq. Ft per Yr
		
		0.00%
			
			$20.00 per Sq. Ft per Yr
			$7.00 per Sq. Ft per Yr
				
				0.00%

Starbucks 1,500 Sq. Ft
    Base Rent
    Additional Rent
	
	$18.00 per Sq. Ft per Yr
	$6.00 per Sq. Ft per Yr
		
		0.00%
			
			$18.00 per Sq. Ft per Yr
			$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%

COMMERCIAL EXPENSES Folder

The expenses paid by the owner are:

Expenses	From Owner	Next Year
Recoverable Expenses TIM's	$6.00 per Sq Ft per Yr (Using Total Rentable Area)	$7.00 per Sq. Ft per Yr (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 PRO

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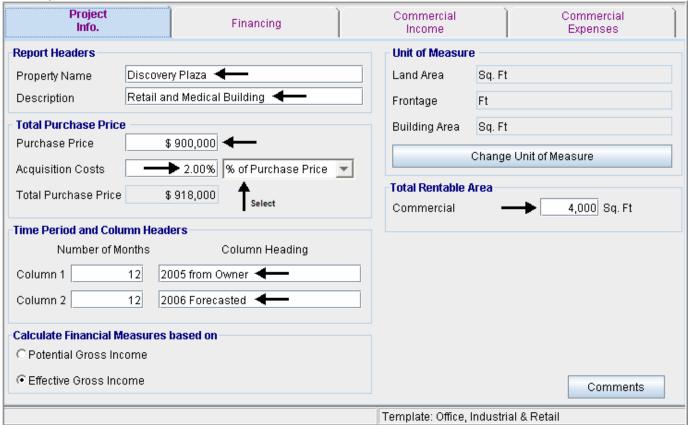The first step is to open the Analyzer Template "Office, Industrial & Retail" as follows:

1. Open Analyzer Pro.
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
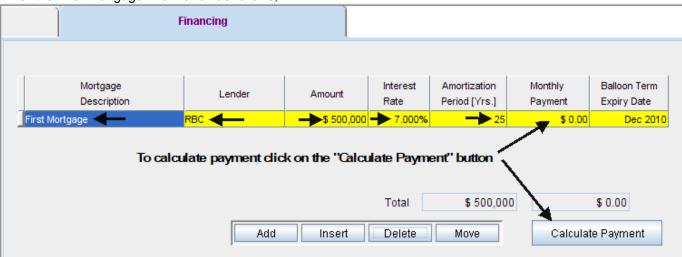
The Project Info screen should look like this;
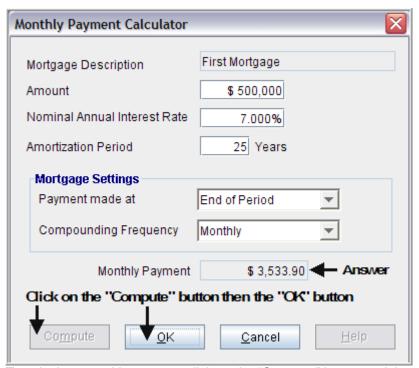
FINANCING Folder entries

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;

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

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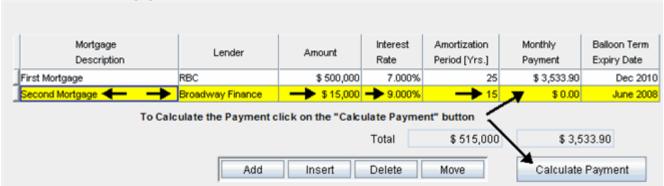
Second Mortgage
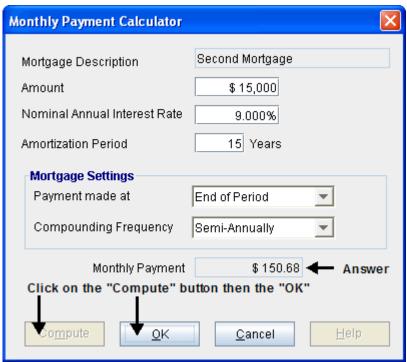
> Mortgage Description: Second Mortgage
> Lender: Broadway Finance
> Amount: $15,000
> Interest Rate: 9.00%
> Amortization: 15 years
> Term Expiry: June 2008

Enter the second mortgage as follows;

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

To Calculate the Payment click on the "Calculate Payment" button

Total | $ 515,000 | $ 3,533.90

| 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"

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				
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%

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;

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;

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

The grid will now appear like this;

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 Delete button

COMMERCIAL ENEXPENSES Folder

Expenses	From Owner	Next Year
Recoverable Expenses	$6.00 per Sq Ft per Yr (Using Total Rentable Area)	$7.00 per Sq. Ft per Yr (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