Hudson Homes Pty Ltd - Sydney

PROPERTY INVESTMENT ANALYSIS (DESCRIPTIVE)

02-Sep-2025

Prepared for:	Advertising Purposes
Consultant:	
Property:	Woongarrah Central Coast
Description:	Dual Key 3+1 Bedroom, 2+1 Bath, 1+1 Car

SUMMARY

Assumptions		**Projected results over**	**5 yrs**
Property value	$1.136m	Property value	$1.450m
Initial investment	$0	Equity	$263,647
Gross rental yield (yr 1)	5.16%	After-tax return /yr	125.45%
Net rental yield (yr 1)	4.03%	Net present value	$211,335
Cap. growth rate	5.00%	**IF SOLD**	
Inflation rate	3.00%	Selling costs & CGT	$120,079
Interest rate	5.95%	Equity	$143,568
Taxable income (yr 1)	$100,000	After-tax return /yr	92.24%

PROJECTIONS

Investment Analysis		**Projections over 5 years**				
End of year	2025	1yr	2yr	3yr	4yr	5yr
Property value	$1.136m	1.193m	1.253m	1.316m	1.381m	1.450m
Purchase costs	$22,802					
Investments	$0					
Loan amount	$1.187m	1.187m	1.187m	1.187m	1.187m	1.187m
Equity	$-50,345	6,480	66,146	128,795	194,576	**263,647**
Capital growth rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /week	$1,150	58,604	60,362	62,173	64,038	65,959
Cash deductions						
Interest (I/O)	5.95%	70,617	70,617	70,617	70,617	70,617
Rental expenses	21.40%	12,795	13,179	13,575	13,982	14,401
Pre-tax cash flow	$0	-24,808	-23,434	-22,018	-20,560	-19,059
Non-cash deductions						
Deprec.of building	2.50%	27,162	27,162	27,162	27,162	27,162
Deprec.of fittings	$45,000	18,000	10,800	6,480	3,888	5,832
Loan costs	$1,100	220	220	220	220	220
Total deductions		128,794	121,978	118,053	115,869	118,232
Tax credit (single)	$100,000	21,249	19,717	18,129	16,724	16,823
After-tax cash flow	$0	-3,559	-3,717	-3,889	-3,836	-2,236
Rate of return (IRR)	**125.45%**	**Your cost /(income) per week**				
Pre-tax equivalent	184.49%	**68**	**71**	**75**	**74**	**43**

Disclaimer: Note that the projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Hudson Homes Pty Ltd - Sydney, its servants, employees or consultants. This information is intended as general advice only and does not take account of individual needs or financial circumstances. Intending purchasers should do their own assessment or consult a licensed investment adviser.

Detailed Notes on Spreadsheet Items

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

Property price:	1.136m
Renovation costs:	0
Total book value:	1.136m
Property market value:	**$1.136m**

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty and transfer of title fees. In Australia, stamp duty and transfer of title fees vary from State to State and are a function of purchase price whereas, in New Zealand, stamp duty has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

Conveyancing costs:	2,000
Stamp duty:	20,630
Transfer of title:	172
Total Purchase costs:	**$22,802**

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlayed at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

	Investments	**Loan**	**Total Cost**
Property costs:	0	1.136m	1.136m
Renovation costs:	0	0	0
Purchase costs:	0	22,802	22,802
Furniture package:	0	0	0
Holding costs:	0	26,443	26,443
Loan costs:	0	1,100	1,100
Totals:	**$0**	**$1.187m**	**$1.187m**

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

Average rate of inflation (%):	3.00
Average rate of capital growth (%):	5.00

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

Projected values over	**5 yrs**	**10 yrs**	**15 yrs**	**20 yrs**
Property value	1.450m	1.851m	2.363m	3.015m
Loan	1.187m	1.187m	1.187m	1.187m
EQUITY	**$263,647**	**$664,388**	**$1.176m**	**$1.829m**
Approximate costs if sold......				
Capital Gains Tax	79,706	207,986	361,394	546,234
Solicitor's fees	7,252	9,256	11,813	15,077
Sales commission	33,121	41,937	53,189	67,550
EQUITY (after sale)	**$143,568**	**$405,209**	**$749,450**	**$1.200m**

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which point they will move to principal and interest over the remaining term, the interest only loan is reapplied for, or the loan is refinanced to another lender to begin the interest only period again.

Loan type:	I/O
Interest rate (yr 1) (%)	5.95
Loan:	$1.187m
Loan costs (written off over 5 yrs):	$1,100
Monthly payment:	$5,885
Annual payment:	**$70,617**

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

Rent per week:	1,150
Potential annual rent:	59,800
Vacancy rate (%):	2.00
Actual annual rent:	**$58,604**

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

Normal Expenses:	
Agent's commission (7.50%):	4,395
Letting fees:	1,150
Rates:	3,750
Insurance:	2,500
Maintenance:	500
Other expenses:	500
Special expenses:	0
Total expenses:	**$12,795**

Normal expenses as % of annual rent (%):	21.40
Net yield or Capitalisation rate (%):	4.03

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

Year		**1yr**	**2yr**	**3yr**	**4yr**	**5yr**
Rent		58,604	60,362	62,173	64,038	65,959
Cash invested	0	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		70,617	70,617	70,617	70,617	70,617
Expenses		12,795	13,179	13,575	13,982	14,401
Pre-tax cash flow	**$0**	**$-24,808**	**$-23,434**	**$-22,018**	**$-20,560**	**$-19,059**

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

Property value:	$1.136m
Construction costs:	$1.086m
Depreciation allowance rate (%):	2.50
Depreciation allowance:	**$27,162**

DEPRECIATION OF FITTINGS (diminishing value method)

Item	Value	Effective Life (yrs)	Depreciation
General fittings	45,000	5.00	18,000
Total	**$45,000**		**$18,000**

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Establishment fees (0.03% of loan):	300
Valuation fees:	300
Search fees:	200
Other loan costs:	300
Total loan costs:	**$1,100**

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

Year	**1yr**	**2yr**	**3yr**	**4yr**	**5yr**
Interest claimed	70,617	70,617	70,617	70,617	70,617
Expenses	12,795	13,179	13,575	13,982	14,401
Deprec.-building	27,162	27,162	27,162	27,162	27,162
Deprec.-fittings	18,000	10,800	6,480	3,888	5,832
Loan costs	220	220	220	220	220
Total deductions	**$128,794**	**$121,978**	**$118,053**	**$115,869**	**$118,232**

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

Year	**2025**	**1yr**	**2yr**	**3yr**	**4yr**	**5yr**
Pre-tax cash flow	0	-24,808	-23,434	-22,018	-20,560	-19,059
Tax credits		21,249	19,717	18,129	16,724	16,823
After-tax cash	0	-3,559	-3,717	-3,889	-3,836	-2,236
Cost /(income) per week		**68**	**71**	**75**	**74**	**43**

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

Year	2025	1yr	2yr	3yr	4yr	5yr
After-tax cash flow	$0	$-3,559	$-3,717	$-3,889	$-3,836	$-2,236
Equity						$263,647

The total amount in your "account" (including interest) at the end of the period is the equity ($263,647) in the investment property. The IRR (125.45%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 184.49% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to $143,568 after taking account of selling costs and capital gains tax and the IRR after the sale would be 92.24%.

TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

	Investor
Current taxable income:	100,000
Rental income:	58,604
Total income:	158,604
Rental deductions:	128,794
New taxable income:	29,810
Current tax (on 100,000):	22,788
New tax (on 29,810):	1,539
Tax saving:	21,249
Total tax credits:	**$21,249**