



Sterling Plaza

21,000 Sq. Ft Retail Center



CTA Realty Peter Jones
1234 Western Ave, Tuscon, Arizona 352647 USA
Bus 324-987-6789 Cell 324-877-8907
www.desertrealestate.com



			<u>% of Revenue</u>
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		2,355,000	35.59%
Professional Fees		336,370	5.08%
City Fees		217,000	3.28%
Miscellaneous		25,000	0.38%
	Land & Development Costs	4,265,370	64.47%
Interest Costs		149,876	2.27%
Contingency Allowance		309,067	4.67%
	Total Development Costs	4,724,313	71.40%
	GROSS DEVELOPMENT PROFIT	1,892,247	28.60%
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)	1,431,419	
	% of Total Development Costs	30.30%	
	% of Sale Revenue	21.63%	
	Return on Equity	204.49%	
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		333,639	5.04%
	OVERALL DEVELOPMENT PROFIT	1,511,255	
	% of Total Development Costs	31.99%	
	% of Sale Revenue	22.84%	
	Return on Equity	215.89%	
	Land to Building Cost Ratio	40.06%	
	Land to Total Development Cost Ratio	25.82%	



Total Development Costs
Sterling Plaza
21,000 Sq. Ft Retail Center

November 18, 2008
Developer Express
Income Property Development Example

		Hard Costs	Soft Costs	Total	
Land Costs					
Land		1,200,000	-	1,200,000	25.40%
Legal Fees		-	12,000	12,000	0.25%
Appraisal Fees		-	8,000	8,000	0.17%
		1,200,000	20,000	1,220,000	25.82%
Site Preparation					
Site Clearing		15,000	-	15,000	0.32%
Site Servicing Costs		85,000	-	85,000	1.80%
Miscellaneous Site Costs		12,000	-	12,000	0.25%
		112,000	-	112,000	2.37%
Construction					
Building	\$ 85.00 per Sq. Ft x 21,000 Sq. Ft	1,785,000	-	1,785,000	37.78%
Parking & Landcaping		150,000	-	150,000	3.18%
Leasehold Improvement Allow.	\$ 20.00 per Sq. Ft x 21,000 Sq. Ft	420,000	-	420,000	8.89%
		2,355,000	-	2,355,000	49.85%
Professional Fees					
Architectural & Engineering	7.00% of Construction & Site Prep. Costs	-	172,690	172,690	3.66%
Project Management Fees	4.00% of Construction & Site Prep. Costs	-	98,680	98,680	2.09%
Mortgage Brokerage Fees		-	65,000	65,000	1.38%
		-	336,370	336,370	7.12%
City Fees					
Permits & Fees		-	47,000	47,000	0.99%
Impact Fees		-	95,000	95,000	2.01%
Property Taxes		-	75,000	75,000	1.59%
		-	217,000	217,000	4.59%
Miscellaneous					
Miscellaneous Dev. Costs		25,000	-	25,000	0.53%
		25,000	-	25,000	0.53%
	LAND & DEVELOPMENT COSTS	3,692,000	573,370	4,265,370	
Financing Interest Costs					
Construction Loan		-	149,876	149,876	3.17%
Contingency Allowance					
	7.00% of Land, Development & Financing Costs	-	309,067	309,067	6.54%
	TOTAL DEVELOPMENT COST	3,692,000	1,032,313	4,724,313	
	% of Total Development Cost	78.15%	21.85%	100.00%	
	Cost per Sq. Ft of Building	175.81	49.16	224.97	
	Land to Building Cost Ratio	40.06%			
	Land to Total Development Cost Ratio	25.82%			



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

November 18, 2008
Developer Express
Income Property Development Example

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 & Credit Loss		
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

Nominal Annual Interest Rate	6.75%
Amortization Period	25 Years
Payment Frequency	Monthly (End of Period)
Compounding Frequency	Monthly
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	\$ 34,286	
Debt Service Ratio: 1.25	\$ 4,788,283	\$ 33,083	* Loan Amount

EQUITY REQUIRED BY THE BUYER

Market Value (Purchase Price)	\$ 6,616,560
Less: Long Term Financing	<u>4,788,283</u>
Buyer's Equity	1,828,277
% of Market Value	27.63%

EQUITY REQUIRED BY THE DEVELOPER

Total Development Cost	4,724,313
Plus: Leasing fees	75,000
Financing costs during the lease-up period	159,993
Operating Costs during the lease-up period	124,000
Less: Income during the lease-up period	<u>(248,000)</u>
	4,835,306
Less: Long Term Financing	<u>4,788,283</u>
Developer's Equity	47,023
% of Market Value	0.71%



Input Data Summary
 Sterling Plaza
 21,000 Sq. Ft Retail Center

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 Developer Express
 Income Property Development Example

Project Information

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

LAND & DEVELOPMENT COSTS

Entries

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 21,000 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
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Contingency Allowance

7.00% of Land, Development & Financing Costs	Soft Cost
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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
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Financing

Construction Loan. Interest Rate	8.000%
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Financing Adjustment Factors used for construction loan interest calculations



Input Data Summary
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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
Dev Costs during Sales Period	1.00

During Lease Up Period

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

SELLING EXPENSES

Selling Expenses

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

Real Estate Commissions 5.00%

Leasing Fees \$ 75,000

INCOME & EXPENSES

Income & Expenses during the Lease Up Period

Lease Up Period 6 Months

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
21,000 Sq. Ft Retail Center
\$ 2.00 per Sq. Ft per Yr x 21,000 Sq. Ft
5.00% of EGI of \$ 738,150

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Developer Express
Income Property Development Example

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	Monthly

SALE

Sale Price based on Cap Rate of 7.50%



Interest Cost Calculation **Interest Cost**

INTEREST COSTS DURING PRE-CONSTRUCTION & CONSTRUCTION PERIOD

Construction Loan

Assuming 100% Financing using Construction Loan

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	\$ 2,355,000 x 9 mo. x 8.000% x 1/12 x 0.50	70,650
Professional Fees	\$ 336,370 x 9 mo. x 8.000% x 1/12 x 0.75	15,137
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
		<hr/>
		215,209

Adjusting for interest not paid on Developer's Equity
 Equity

(\$ 700,000 x 14 mo. x 8.000% x 1/12 x 1.00)	<hr/>
	(65,333)
	149,876

INTEREST COSTS DURING LEASE UP PERIOD

Construction Loan

Assuming 100% Financing using Construction Loan

Total Development Costs	\$ 4,724,313 x 6 mo. x 8.000% x 1/12 x 1.00	188,973
Income during Lease Up Period	(\$ 248,000 x 6 mo. x 8.000% x 1/12 x 0.50)	(4,960)
Operating Expenses during the Lease Up Period	\$ 124,000 x 6 mo. x 8.000% x 1/12 x 0.50	2,480
Leasing Fees	\$ 75,000 x 6 mo. x 8.000% x 1/12 x 0.50	1,500
		<hr/>
		187,993

Adjusting for interest not paid on Developer's Equity
 Equity

(\$ 700,000 x 6 mo. x 8.000% x 1/12 x 1.00)	<hr/>
	(28,000)
	159,993

INTEREST COSTS DURING THE SALES PERIOD

Construction Loan

Assuming 100% Financing using Construction Loan

Total Development Costs	\$ 4,724,313 x 7 mo. x 8.000% x 1/12 x 1.00	220,468
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
		<hr/>
		206,313

Adjusting for interest not paid on Developer's Equity
 Equity

(\$ 700,000 x 7 mo. x 8.000% x 1/12 x 1.00)	<hr/>
	(32,667)
	173,646

483,515



Goal Seeking
Sterling Plaza
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Income Property Development Example

<u>Desired Development Profit</u>	<u>Total Land Cost</u>
25.00% of Total Development Costs	\$ 1,431,149
0% of Sale Price	\$ 2,408,791
0% Return on Equity	\$ 2,408,791

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



Property Information
Sterling Plaza
21,000 Sq. Ft Retail Center

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Developer Express
Income Property Development Example

Property Descript.

Local retail strip center

Address

297 Westview Ave
Tuscon, Arizona 233546
USA

Location Descr.

Close to middle class residential area with several hotels near by

Legal

Legal

12647 Lot 2634 DL2317-1

Zoning

Retail and commercial

Encumbrances

Construction draw mortgage



Property Information
 Sterling Plaza
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November 18, 2008
 Developer Express
 Income Property Development Example

Property Taxes Information

Assessment Date January
 Property Taxes \$ 43,000
 Roll or Identification Number 2127596 -120-198

Assessed Value

Land	898,000
Improvements	-
	<u>\$ 898,000</u>

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 21,000 Sq. Ft
 Retail Gross Leasable Area 21,000 Sq. Ft

Parking

Uncovered	56
Covered	-
Other	-
Total Parking	<u>56</u>

Heating System

Heat

Construction

Wood Frame

Building Equipment & Systems

Elevators

No. of Elevators 0



Client Information
Sterling Plaza
21,000 Sq. Ft Retail Center

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Developer Express
Income Property Development Example

Jay Norman

Pacific Holdings Inc.
1324 Westward Ave

Dallas, Texas 32545
USA

Contact Information

Office Tel: 321-845-7896

Mobile: 721-845-7777

Home Tel:

Fax:

E-mail: jaym@global.net