



## **Sterling Plaza**

21,000 Sq. Ft Retail Center



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			<u>% of Revenue</u>
<b>SALE PRICE</b>	7.50% Cap Rate & NOI of \$ 496,242	<b>\$ 6,616,560</b>	
<b>LAND &amp; DEVELOPMENT COSTS</b>			
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%
	<b>Total Development Costs</b>	<b>4,724,313</b>	<b>71.40%</b>
	<b>GROSS DEVELOPMENT PROFIT</b>	<b>1,892,247</b>	<b>28.60%</b>
<b>SELLING EXPENSES</b>			
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%
	<b>Total Selling Expenses</b>	<b>460,828</b>	<b>6.96%</b>
	<b>DEVELOPMENT PROFIT (Before Operating Income &amp; Expenses)</b>	<b>1,431,419</b>	
	<b>% of Total Development Costs</b>	<b>30.30%</b>	
	<b>% of Sale Revenue</b>	<b>21.63%</b>	
	<b>Return on Equity</b>	<b>204.49%</b>	
<b>OPERATING INCOME &amp; EXPENSES during lease up and sales period</b>			
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%
	<b>OVERALL DEVELOPMENT PROFIT</b>	<b>1,511,255</b>	
	<b>% of Total Development Costs</b>	<b>31.99%</b>	
	<b>% of Sale Revenue</b>	<b>22.84%</b>	
	<b>Return on Equity</b>	<b>215.89%</b>	
	<b>Land to Building Cost Ratio</b>	<b>40.06%</b>	
	<b>Land to Total Development Cost Ratio</b>	<b>25.82%</b>	



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

November 18, 2008  
Developer Express  
Income Property Development Example

		<b>Hard Costs</b>	<b>Soft Costs</b>	<b>Total</b>	
<b>Land Costs</b>					
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%
		<b>1,200,000</b>	<b>20,000</b>	<b>1,220,000</b>	<b>25.82%</b>
<b>Site Preparation</b>					
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%
		<b>112,000</b>	<b>-</b>	<b>112,000</b>	<b>2.37%</b>
<b>Construction</b>					
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%
		<b>2,355,000</b>	<b>-</b>	<b>2,355,000</b>	<b>49.85%</b>
<b>Professional Fees</b>					
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%
		<b>-</b>	<b>336,370</b>	<b>336,370</b>	<b>7.12%</b>
<b>City Fees</b>					
Permits & Fees		-	47,000	47,000	0.99%
Impact Fees		-	95,000	95,000	2.01%
Property Taxes		-	75,000	75,000	1.59%
		<b>-</b>	<b>217,000</b>	<b>217,000</b>	<b>4.59%</b>
<b>Miscellaneous</b>					
Miscellaneous Dev. Costs		25,000	-	25,000	0.53%
		<b>25,000</b>	<b>-</b>	<b>25,000</b>	<b>0.53%</b>
	<b>LAND &amp; DEVELOPMENT COSTS</b>	<b>3,692,000</b>	<b>573,370</b>	<b>4,265,370</b>	
<b>Financing Interest Costs</b>					
Construction Loan		-	149,876	149,876	3.17%
<b>Contingency Allowance</b>					
	7.00% of Land, Development & Financing Costs	-	309,067	309,067	6.54%
	<b>TOTAL DEVELOPMENT COST</b>	<b>3,692,000</b>	<b>1,032,313</b>	<b>4,724,313</b>	
	<b>% of Total Development Cost</b>	<b>78.15%</b>	<b>21.85%</b>	<b>100.00%</b>	
	<b>Cost per Sq. Ft of Building</b>	<b>175.81</b>	<b>49.16</b>	<b>224.97</b>	
	<b>Land to Building Cost Ratio</b>	<b>40.06%</b>			
	<b>Land to Total Development Cost Ratio</b>	<b>25.82%</b>			



**RENTAL INCOME & EXPENSES DURING LEASE UP PERIOD**

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

**RENTAL INCOME & EXPENSES DURING SALES PERIOD**

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

**SUMMARY**

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



## Income & Expense Statement

November 18, 2008  
Developer Express  
Income Property Development Example

### STABLIZED ANNUAL INCOME & EXPENSE

		<u>12 Months</u>
<b>POTENTIAL GROSS INCOME</b>		
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>
 <b>Less: Vacancy &amp; Bad Debt Allowar</b>		
Rental Income	5.00% x \$ 567,000	28,350
Recoverable Expenses (TIM's)	5.00% x \$ 210,000	10,500
		<u>38,850</u>
<b>Effective Gross Income</b>		<b>738,150</b>
 <b>OPERATING EXPENSES</b>		
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>
<b>Net Operating Income</b>		<b>496,242</b>



**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	
<b>Debt Service Ratio: 1.25</b>	<b>\$ 4,829,256</b>	<b>\$ 33,083</b>	* Loan Amount

**EQUITY REQUIRED BY THE BUYER**

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

**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	(248,000)
	<u>4,835,306</u>
Less: Long Term Financing	4,829,256
<b>Developer's Equity</b>	<b>6,050</b>
<b>% of Market Value</b>	<b>0.09%</b>



**Input Data Summary**  
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 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

<b>Developer's Equity</b>	\$ 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**  
Sterling Plaza  
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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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**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>
<b>INTEREST COSTS DURING PRE-CONSTRUCTION &amp; CONSTRUCTION PERIOD</b>		
<b>Construction Loan</b>		
<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	\$ 2,355,000 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
		<u>215,209</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>
		<b>149,876</b>
<b>INTEREST COSTS DURING LEASE UP PERIOD</b>		
<b>Construction Loan</b>		
<i>Assuming 100% Financing using Construction Loan</i>		
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
		<u>187,993</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>
		<b>159,993</b>
<b>INTEREST COSTS DURING THE SALES PERIOD</b>		
<b>Construction Loan</b>		
<i>Assuming 100% Financing using Construction Loan</i>		
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
		<u>206,313</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>
		<b>173,646</b>
		<u><b>483,515</b></u>



**Goal Seeking**  
Sterling Plaza  
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<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  
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**Property Descript.**

Local retail strip center

**Address**

297 Westview Ave  
Surrey, BC V8T 1M1  
Canada

**Location Descr.**

Close to middle class residential area adjacent to the freeway exit

**Legal**

**Legal**

12647 Lot 2634 DL2317-1

**Zoning**

Retail and commercial

**Encumbrances**

Construction draw mortgage



**Property Information**  
 Sterling Plaza  
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 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



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