

Sterling Plaza

21,000 Sq. Ft Retail Center



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SALE PRICE 7.50% Cap Rate & NOI of \$ 496,242 \$ 6,616,560 LAND & DEVELOPMENT COSTS 1.220,000 118,44%, Site Preparation 1.12,000 118,44%, Site Preparation 1.12,000 35,59%, Construction 2,355,000 35,59%, Professional Fees 2,17,000 3,28%, Construction 2,355,000 3,28%, Miscellaneous 217,000 3,28%, 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%, SELLING EXPENSES 75,000 1,892,247 28,60%, SELLING EXPENSES 330,828 5,00%, 30,000 0,45%, Leasing Fees 75,000 1,33%, 75,000 1,33%, Leasing Fees 1,441,419 % of Total Development Costs 30,30%, 21,53%, DEVELOPMENT PROFIT (Before Operating Income & Expenses) 1,441,419 28,9475				% of Revenue
Land Costs 1.220,000 18.44% Site Preparation 112.000 16.9% Construction 2.355,000 35.59% Professional Fees 336,370 5.08% City Fees 336,370 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 1,822,247 28.60% SELLING EXPENSES 330,828 5.00% Marketing & Advertising 330,000 0.45% Legal fees 25,000 0.38% Legal fees 25,000 0.38% DEVELOPMENT PROFIT (Before Operating Income & Expenses) 11.33% 75,000 Met Operating Income. Sales period of 7 months 124,000 1.87% Net Operating Income. Sales period of 7 months 124,000 1.87% Net Operating Income. Sales period of 7 months 124,000 1.87% Less: Interest costs during Lease up & Sale Period 333,639 5.04% OVERALL DEVELOPMENT PROFIT	SALE PRICE	7.50% Cap Rate & NOI of \$ 496,242	\$ 6,616,560	
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413,4756.25%Less: Interest costs during Lease up & Sale Period333,6395.04%OVERALL DEVELOPMENT PROFIT1,511,255% of Total Development Costs % of Sale Revenue Return on Equity31.99% 215.89%Land to Building Cost Ratio40.06%			289,475	4.38%
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%			413,475	6.25%
% of Total Development Costs 31.99% % of Sale Revenue 22.84% Return on Equity 215.89% Land to Building Cost Ratio 40.06%	Less: Interest costs during Lease up & Sale	e Period	333,639	5.04%
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Return on Equity 215.89% Land to Building Cost Ratio 40.06%		% of Total Development Costs	31.99%	
Land to Building Cost Ratio 40.06%		% of Sale Revenue	22.84%	
		Return on Equity	215.89%	
		Land to Building Cost Ratio	40.06%	
			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		1 - 000			
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		3,032,000	575,570	4,200,070	
Construction Loan		-	149,876	149,876	3.17%
Contingency Allowance	7.00% of Land, Development & Financing Costs	-	309,067	309,067	6.54%
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	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	40.00 <i>%</i> 25.82%			
		23.02 /0			



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

	I	tabilized Income 2 Months	 le Period Months
Potential Gross Income Less: Vacancy & Credit Loss	\$	777,000 38,850	\$ 453,250 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



STABLIZED ANNUAL INCOME & EXPENSE

		12	2 Months
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
			777,000
Less: Vacancy & Bad Debt Allowa	ar		
Rental Income	5.00% x \$ 567,000		28,350
Recoverable Expenses (TIM's)	5.00% x \$ 210,000		10,500
			38,850
Effective Gross Income	e		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
			241,908
Net Operating Income	e		496,242



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

LOAN AMOUNTS & MONTHLY PAYMENTS

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

\$ 496,242

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	4,724,313
Plus: Leasing fees	75,000
Financing costs during the lease-u	ip period 159,993
Operating Costs during the lease-	up period 124,000
Less: Income during the lease-up period	(248,000)
	4,835,306
Less: Long Term Financing	4,829,256
Develo	per's Equity 6,050
% of N	Market Value 0.09%



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
	\$ 1 <u>2</u> ,000	
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
0//		
City Fees	¢ 17.000	Coff Coot
Permits & Fees	\$ 47,000 # 05,000	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		
	8 000¥/	

Construction Loan. Interest Rate 8.000%

Financing Adjustment Factors used for construction loan interest calculations



During the Development Period

1.00
1.00
0.75
0.50
0.75
0.75
0.50
0.50
1.00
1.00
0.50
0.50
0.50
\$ 30,000
\$ 25,000
5.00%
\$ 75,000

Income & Expenses during the Lease Up Period

INCOME & EXPENSES

Lease Up Period

	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	
		Vacancy &
Stabilized Income & Expenses		Credit Loss
	Entry Choice	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	

6 Months



Maintenance Property Management

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%

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



Finance Interest Calculations Sterling Plaza 21,000 Sq. Ft Retail Center November 18, 2008 Developer Express Income Property Development Example

	Interest Cost Calculation	Interest Cost
INTEREST COSTS DURING PRE-CONSTRUCTION & CONSTRUCTION PERIOD Construction Loan		
Assuming 100% Financing using Construction Loan	© 4,000,000 × 44 × × × 0,000% × 4/40 × 4,00	¢ 440.007
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
		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)	(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
		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)	(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	(34,447) 11,289
Operating Expenses during the Sales Fellou	\$ 241,300 X 7 mo. X 0.000 /0 X 1/12 X 1.00	206,313
Adjusting for interest not paid on Developer's Equity		200,313
Adjusting for interest not paid on Developer's Equity	$(\$ 700,000 \times 7 \text{ mo} \times 8,000\% \times 1/12 \times 1.00)$	(20 667)
Equity	(\$ 700,000 x 7 mo. x 8.000% x 1/12 x 1.00)	(32,667) 173,646
		175,040
		483,515



Desired Development Profit	Total Land Cost			
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 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 21,000 Sq. Ft Retail Center

Property Taxes Ir Assessment Date Property Taxes Roll or Identification		January \$ 43,000 2127596 -120)-198	8		
Assessed Value	Land Improvements			\$	898,00 898,00	-
Land Frontage Land Area	250 Ft x 267 Ft Dee 300 80,000	ep Ft Sq. Ft				
Building Age No of Floors		24	0	Years		
Building Area Retail Gross Leas Parking	able Area			Sq. Fi Sq. Fi		
	Uncovered Covered Other Total Parking				_	56 - - 56
Heating System	Heat					
Construction	Wood Frame					
Building Equipment & Systems						

Elevators

No. of Elevators 0	
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