

# **Project Pro-forma**

Example

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## **Part 1: Retail and Office Space**

## Assumptions

### ASSUMPTIONS: Physical Specifications

	Input Measure	
Gross Land Area	43,560	Sq. Ft.
Gross Building Area	128,000	Sq. Ft.
Gross Leasable Area	128,000	Sq. Ft.
"Office" Tenant Area	96,000	Sq. Ft.
"Shops" Tenant Area	32,000	Sq. Ft.
Parking	400	Spaces

### Assumptions: Income & Expense

	Input Measure	
Major Rental Rate	\$ 4	\$ / Sq. Ft.
Shops Rental Rate	\$ 3	\$ / Sq. Ft.
Office Rental	\$ 2.9	\$ / Sq. Ft.
Monthly Parking Revenue	\$ 0.00	\$ / Space
Vacancy/Bad Debt Reserve	5.00%	Percent
Property Tax Rate	1.00%	Percent
Management Fee	2.00%	Percent
Annual CAM	\$ 0.35	\$ / Sq. Ft.
Annual Operation Expense	\$ 0.22	\$ / Sq. Ft.
Absorption Period	12	Months
Reimb. Exp — NNN enter 0	\$ 0.22	\$ / Sq. Ft.
Pre Lease Percent	50.00%	Percent
Annual Exp. Inclr. Factor	4.00%	Pct/ Year
First Yr. Of Rent Adjust	1	Year #

### ASSUMPTIONS: Financing & Valuation

	Input Measure	
Capitalization Rate	8.25%	Percent
Perm. Loan Int. Rate	7%	Percent
Amortization	20	Years
Loan To Value Ratio	70.00%	Percent
Debt Service Coverage	120.00%	Percent
Permanent Loan Fees	1.00%	Percent
Appraisal Fees (perm.)	\$ 50,000	\$
Construction Loan Fees	1.00%	Percent
Closing Costs	\$ 25,000	
Appraisal Fees (construction)	\$ 5,000	\$
Costruction Loan Int. Rate	7.00%	Percent
Construction Loan Term	18	Months
Avg. Outstanding Balance	55.00%	Percent

## ASSUMPTIONS

### ASSUMPTIONS: Land & Holding Cost

	<b>Input</b>	<b>Measure</b>
Initial Land Cost	\$ 40	\$ / Sq. Ft.
Land Holding Period	12	Months
Land Holding Costs	\$ 11,000	\$ / MO

### ASSUMPTIONS: "Hard" Construction Costs

	<b>INPUT</b>	<b>MEASURE</b>
Offsite Land Improvements	\$ 150,000	\$
Onsite Land Improvements	\$ 400,000	\$
Shell Construction	\$ 125.00	\$ / Sq. Ft.
Tenants Improvements Allow.	\$ 20.00	\$ / Sq. Ft.
Tenant Impr. Lead Time	3	Months
Permits & Fees	\$ 4	\$ / Sq. Ft.
Construction Period	12	Months
Construction Loan Payoff	6	Months

### ASSUMPTIONS: "Soft" & Other Development Costs

	<b>Input</b>	<b>Measure</b>
Predevelopment Costs	\$ 600,000	\$
Archit. & Eng'g & Consult.	6.00%	Percent
Legal Accounting & Taxes	\$ 50,000	\$
Space Planning	\$ 0	\$
Advertising & Marketing	\$ 1,000,000	\$
Leasing Commission Rate	3.00%	Percent
Average Lease Term	3	Years
Developer G & A/OH	1.00%	Percent
Contingencies	8.00%	Percent
Developer Fee/ Subsidy	\$ 0	\$

**NET OPERATING INCOME  
AT STABILIZED OCCUPANCY (200XX \$'S)**

**OPERATING REVENUES**

Major – Base Rental Income	\$ 64,000 / MO
Shops – Base Rental Income	\$ 48,000 / MO
Office – Base Rental Income	\$ 278,400 / MO
Parking	0

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<b>SCHEDULED GROSS INCOME</b>	<b>\$ 4,684,800/ YR</b>
PLUS: Reimbursed Charges	
LESS: Vacancy/Bad Debt Reserve	\$ 234,240

**EFFECTIVE GROSS INCOME (EGI)**      **\$ 4,450,560**

**OPERATING EXPENSES**

Property Tax on Cost	\$ 120,000
Management Fee (% of EGI)	\$ 89,011
Operating Expenses	\$ 100,000

<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 309,011</b>
(Equivalent to \$ / psf GLA)	2.4
<b>NET OPERATING INCOME (NOI)</b>	<b>\$ 4,141,549</b>

**DERIVATION OF SUPPORTABLE  
PERMANENT LOAN: FACTORS**

**CAPITALIZED VALUE ESTIMATE**

Stabilized Income	\$ 4,141,549
Capitalized Rate	8.25%
Capitalized Value	\$ 50,200,593

**ANNUAL LOAN SERVICE CONSTANT**

Assumed Interest Rate	7%
Assumed Amortization Term (Years)	20

**DERIVATION OF SUPPORTABLE  
PERMANENT LOAN: TWO METHODS**

**LOAN ANALYSIS METHOD 1**

**BASED ON LOAN -TO-VALUE RATIO**

Assumed Loan-to-Value Ratio (LVR)	70.00%
Market Value(by Capitalization)	\$ 50,200,593
Indicated Loan Amount	\$ 35,140,415
Loan Amount Rounded	\$ 35,000,000
Annual Debt Service	\$ 3,256,255

**LOAN ANALYSIS METHOD 2**

**BASED ON DEBT SERVICE COVERAGE**

Lender's Min. Debt Svc. Coverage	120.00%
Net Operating Income	\$ 4,141,549
Available for Debt Service	\$ 3,451,290
Max. Loan at Specified Coverage	\$ 37,011,000
Loan Amount Rounded	\$ 37,500,000
Annual Debt Service	\$ 3,442,320

**DERIVATION OF SUPPORTABLE LOAN**

**SUPPORTABLE LOAN**

**MINIMUM OF TWO METHODS**

Supportable Loan	\$ 35,000,000
Annual Debt Service	\$ 3,256,255
Debt Service Coverage	127.18%

## LAND AND CONSTRUCTION "HARD" COSTS

### LAND

Initial Land Cost, Incl Subsidy	\$ 1,299,000
Accrued Land Carrying Cost	\$ 132,000
<b>Total Land Cost</b>	<b>\$ 1,431,000</b>

### SITE IMPROVEMENT AND CONSTRUCTION COSTS

Off-Site Land Improvement	\$ 150,000
On-Site Land Improvement	\$ 400,000
Shell Construction	\$ 16,000,000
Tenant Improvements	\$ 2,560,000
Permits and Fees	\$ 600,000
<b>Total Site Improvements &amp; Construction</b>	<b>\$ 19,710,000</b>

### OTHER DEVELOPMENT COSTS

#### "SOFT" DEVELOPMENT COSTS

Predevelopment Costs	\$ 50,000
Archit., Engineering & Consulting	\$ 611,746
Interim Financing Costs (schedule A "construction Loan Costs")	\$ 2,000,750
Leasing Commission	\$ 460,000
Legal Accounting & Taxes	\$ 50,000
Advertising & Marketing, Space Planning	\$ 565,000
Permanent Financing Costs (Schedule B "Permanent Loan Costs")	

**TOTAL SOFT COSTS** **\$ 3,736,000**

Developer G&A /OH	\$ 300,000
Contingencies	\$ 1,800,000
Developer Fee	\$ 0.00

**Total other Development Costs** **\$ 5,836,000**

**TOTAL DEVELOPMENT COSTS** **\$ 25,546,000**

## LOAN COST SCHEDULES

### SCHEDULE A - CONSTRUCTION LOAN COSTS

Construction Loan Amount	\$ 18,000,000
Assume Loan Fees of:	1.00%
Loan Fees	\$ 180,000
Closing Costs (Budget)	\$ 25,000
Loan Appraisal Fee (Budget)	\$ 5,000

**TOTAL** \$ 210,000

Interest Rate	7.00%
Term of Loan	18
Average Balance Drawn (%)	55.00%

Interest During Construction \$ 1,039,500

**Total Construction Loan Costs** \$ 1,249,500

### LOAN CONSTRUCTION SCHEDULES

#### SCHEDULE B - PERMANENT LOAN COSTS

Loan Amount	\$ 35,000,000
Fees as a % of Loan	1.00%
Loan Fees or Points	\$ 350,000
Loan Appraisal Fee	\$ 25,000

**Total Permanent Loan Cost** \$ 375,000

# **Project Pro-forma**

## **Part 2: Condominium Residential Living Space**

## Assumptions

### ASSUMPTIONS: Physical Specifications

	Input	Measure
Gross Land Area	65,340	Sq. Ft.
Gross Building Area	125,000	Sq. Ft.
Gross Leasable Area	000	Sq. Ft.
"Office" Tenant Area	00,000	Sq. Ft.
"Shops" Tenant Area	00,000	Sq. Ft.
Parking	000	Spaces

### Assumptions: Income & Expense

	Units	BdRm	Sq.Ft	Price
Major Rental Rate	20	1	800	\$600,000
Shops Rental Rate	30	2	1020	\$765,000
Office Rental	30	2	1200	\$900,000
Monthly Parking Revenue	20	Pent House	1950	\$975,000
Vacancy/Bad Debt Reserve				
Property Tax Rate				
Management Fee				
Annual CAM				
Annual Operation Expense				
Absorption Period				
Reimb. Exp -- NNN enter 0				
Pre Sale Percent				
Annual Exp. Inclr. Factor				
First Yr. Of Rent Adjust				

### ASSUMPTIONS: Financing & Valuation

	Input	Measure
Capitalization Rate	8.25%	Percent
Perm. Loan Int. Rate	7%	Percent
Amortization	20	Years
Loan To Value Ratio	70.00%	Percent
Debt Service Coverage	000.00%	Percent
Permanent Loan Fees	0.00%	Percent
Appraisal Fees (perm.)	000,000	\$
Construction Loan Fees	1.00%	Percent
Closing Costs	\$ 25,000	\$
Appraisal Fees (construction)	\$ 5,000	\$
Costruction Loan Int. Rate	7.00%	Percent
Construction Loan Term	18	Months
Avg. Outstanding Balance	55.00%	Percent

## ASSUMPTIONS

### ASSUMPTIONS: Land & Holding Cost

	<b>Input</b>	<b>Measure</b>
Initial Land Cost	\$ 40	\$ / Sq. Ft.
Land Holding Period	12	Months
Land Holding Costs	\$ 11,000	\$ / Mo.

### ASSUMPTIONS: "Hard" Construction Costs

	<b>INPUT</b>	<b>MEASURE</b>
Offsite Land Improvements	\$ 150,000	\$
Onsite Land Improvements		\$1,000,000
Shell Construction	\$ 150	\$ / Sq. Ft.
Tenants Improvements Allow.	\$ 30	\$ / Sq. Ft.
Tenant Impr. Lead Time	0	Months
Permits & Fees	\$ 6	\$ / Sq. Ft.
Construction Period	12	Months
Construction Loan Payoff	6	Months

### ASSUMPTIONS: "Soft" & Other Development Costs

	<b>Input</b>	<b>Measure</b>
Predevelopment Costs	\$ 150,000	\$
Archit. & Eng'g & Consult.		750,000
Legal Accounting & Taxes	\$ 50,000	\$
Space Planning	0	\$
Advertising & Marketing	\$ 265,000	\$
Leasing Commission Rate	3.00%	Percent
Average Lease Term	3	Years
Developer G & A/OH	1.00%	Percent
Contingencies	8.00%	Percent
Developer Fee/ Subsidy	\$ 0	\$

## LAND AND CONSTRUCTION "HARD" COSTS

### LAND

Initial Land Cost, Incl Subsidy	\$ 2,500,000
Accrued Land Carrying Cost	\$ 250,000

**Total Land Cost** **\$ 2,750,000**

### SITE IMPROVEMENT AND CONSTRUCTION COSTS

Off-Site Land Improvement	\$ 150,000
On-Site Land Improvement	\$ 1,250,000
Shell Construction	\$ 18,750,000
Tenant Improvements	\$ 3,750,000
Permits and Fees	\$ 575,000

**Total Site Improvements & Construction** **\$ 24,475,000**

### OTHER DEVELOPMENT COSTS

#### "SOFT" DEVELOPMENT COSTS

Predevelopment Costs	\$ 150,000
Archit., Engineering & Consulting	\$ 750,000
Interim Financing Costs (schedule A "construction Loan Costs")	\$ 2,265,750
Leasing Commission	\$ 1,500,000
Legal Accounting & Taxes	\$ 50,000
Advertising & Marketing, Space Planning	\$ 265,000
Permanent Financing Costs (Schedule B "Permanent Loan Costs")	

**TOTAL SOFT COSTS** **\$ 4,980,000**

Developer G&A /OH	\$ 250,000
Contingencies	\$ 2,000,000
Developer Fee	\$ 0.00

**Total other Development Costs** **\$ 7,230,000**

**TOTAL DEVELOPMENT COSTS** **\$ 34,455,000**

## LOAN COST SCHEDULES

### SCHEDULE A - CONSTRUCTION LOAN COSTS

Construction Loan Amount	\$ 33,000,000
Assume Loan Fees of:	1.00%
Loan Fees	\$ 330,000
Closing Costs (Budget)	\$ 25,000
Loan Appraisal Fee (Budget)	\$ 5,000

**TOTAL** **\$ 33,360,000**

Interest Rate	7.00%
Term of Loan	18
Average Balance Drawn (%)	55.00%

Interest During Construction \$ 1,905,750

**Total Construction Loan Costs** **\$ 2,265,750**

## FINACIAL SUMMARY

### FINANCIAL RETURNS

Total Project Costs \$ 36,721,000

Less: Amount of Permanent Loan:

Required Equity (STATIC DERIVATION) \$ 7,344,000

Sale \$ 60,000,000

### RATES OF RETURN

Return on Total Cost Equals:

Cash Return on Equity 316%

### VALUE ADDED COMPUTATION

Capitalization Rate fro NOI 8.25%

Total Value of Project \$ 57,357,326

GROSS RESALE PRICE \$ 57,357,326

Less: Sales, Closing Costs at 3% \$ 1,720,720

NET SALES PRICE \$ 55,636,606

Less: Total Cost \$ 37,856,854

**NET PROFIT (VALUE ADDED) \$ 23,279,000**

## FINACIAL SUMMARY

### FINANCIAL RETURNS

Total Project Costs	\$ 25,546,000
Less: Amount of Permanent Loan: (we don't want to take cash out)	\$ 18,000,000
Required Equity (STATIC DERIVATION)	\$ 7,546,000
Net Operating income	\$ 4,141,549
Annual Debt Service	\$ 1,674,645
Net Cash Flow (Spensible)	\$ 2,466,904

### RATES OF RETURN

Return on Total Cost Equals:	
Implicit Cap Rate	16.21
Cash Return on Equity	32.69

### VALUE ADDED COMPUTATION

Capitalization Rate fro NOI	8.25%
Total Value of Project	\$ 50,200,593
GROSS RESALE PRICE	\$ 50,200,593
Less: Sales, Closing Costs at 3%	\$ 1,500,000

NET SALES PRICE	\$ 48,700,593
Less: Total Cost	\$ 25,546,000

NET PROFIT (VALUE ADDED)	\$ 23,154,593
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# **Project Pro-forma**

## **Part 3: Parking Garage**

### **Assumptions**

The Parking Garage is expected to cost approximately ten-million dollars (\$10,000,000). This is based upon the following calculation:

Five hundred (500) parking spaces at a cost of twenty-thousand dollars (\$20,000) each, totaling ten-million dollars (\$10,000,000).

We believe this amount is a close approximation. A closer projection will be available after final architectural plans have been finished.