
Commercial/Industrial Development
Version 6

User's Guide

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Commercial/Industrial Development Version 6

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Chapter 1. General Information

Thank you for purchasing RealData's *Commercial/Industrial Development*, Version 6. We are certain that you will find this easy-to-use application to be a powerful and versatile partner in your real estate development activities.

Please review this manual and, in particular, read this section completely before you begin working with the program. This introduction will provide you with important information about the program's capabilities.

Commercial/Industrial Development has been designed to assist you in evaluating the development of virtually any type of income-producing property. The program provides you with a straightforward budget pro forma, where you can itemize your project's expected soft costs, hard costs, land, financing, and other essential information. You can also make assumptions about revenue and expenses from the completed project and even estimate its resale value to a new buyer. Your assumptions and other data are then reorganized by *Commercial/Industrial Development* to produce a report ready for presentation to a client, customer, partner, or lender.

Commercial/Industrial Development operates in conjunction with Microsoft Excel. You do not need to be an expert user of your spreadsheet software to make effective use of this model. On the contrary, you can simply "fill in the blanks" to produce a complete report in just minutes.

We do assume that you are familiar with some of the basic features and functions of your computer, such as connecting and using your printer, starting up your computer and copying files. With regard to Excel, this User's Guide will review some of its essential functions with which you should be acquainted. These functions include loading, printing, and saving files. For a detailed discussion of these topics and the many additional features of Excel, we recommend that you consult Excel's documentation.

System Requirements

Commercial/Industrial Development is an Excel workbook that takes up approximately 5 megabytes of space on your hard disk. Each completed analysis that you save will also take up another 5 megabytes. You can copy analyses onto CDs for archive purposes or to reclaim disk space. Other requirements include:

- Windows XP/Vista/7 running Excel 2000/2002/2003/2007/2010 or Mac OS X running Excel 2004
- 700 Mhz computer or greater
- 512 MB of RAM or more recommended
- A laser or ink-jet printer

New for Version 6

This latest release adds a complete new mode of analysis to CID. You can still utilize the “classic” analysis – the style that has been popular for so many years – but now you can also choose a new month-by-month mode, where you can take advantage of these unique features:

Projecting Monthly Cash Flow

You enter your estimated costs, rental revenue and operating expenses on a monthly basis. The program takes into account the time value of money, and reports your internal rate of return as well as the net present value of your cash flows.

Flexible Timeline

In this mode, the program doesn't assume a rigid timeline with a development period followed by a lease-up period. Your project may have some units being leased up in parallel with others being developed.

Development Loan Draws and Repayments

The development loan is a revolving loan. The program automatically makes draws as needed to meet development costs. You can have a percentage of net operating income each month applied to loan repayment.

Partnership Analysis

You can specify how much cash and land each partner is contributing to the project, and how profits will be split. You can give limited partners a preferred return on their unreturned capital. The program will generate reports tailored to individual partners.

License Agreement

IMPORTANT: YOU SHOULD READ THE FOLLOWING TERMS AND CONDITIONS CAREFULLY BEFORE YOU INSTALL THE PROGRAM. BY INSTALLING THE PROGRAM, YOU INDICATE THAT YOU HAVE READ THIS AGREEMENT, UNDERSTAND IT, AND ACCEPT THE TERMS AND CONDITIONS HEREIN. YOU FURTHER ACKNOWLEDGE THAT THIS LICENSE CONSTITUTES A LEGALLY BINDING AGREEMENT BETWEEN YOU AND REALDATA AND SUPERCEDES ANY PRIOR AGREEMENT OR PROPOSAL, ORAL OR WRITTEN. THIS SOFTWARE IS NOT RETURNABLE AND NONREFUNDABLE.

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If any provision of this License Agreement is held to be invalid or unenforceable by any court or other authority, such invalidity or unenforceability shall in no way affect the validity or enforceability of any other provision of this License Agreement.

Installing *Commercial/Industrial Development*

All RealData software products are easy to install on your computer. You can begin using the software in a matter of minutes. Simply follow the instructions below.

If you purchased the program online:

1. Locate the file you downloaded (setupcid6.exe)
2. Double-click on setupcid6.exe.
3. Follow the directions on the screen.

If you purchased a boxed program for Windows 2000/XP/Vista:

1. Place the CD in the CD-ROM drive
2. Select Start and choose Run
3. Type d:setup (where d: represents the CD-ROM drive on your computer)
4. Select OK
5. Follow the directions on the screen.

Technical Support

Introduction

RealData provides technical support to licensed users of the latest release of each RealData product at no additional charge. We are very generous with our support but limit its scope according to the guidelines below, which shall be interpreted at our own discretion to ensure that we can provide a high level of support to all our customers.

What we provide

- Assistance with installation of RealData software and upgrades, as well as assistance with reinstallation in the event of hard drive failure or other computer malfunction.
- Answers to questions regarding RealData software functionality, data entry, and calculations performed by the software.
- Introductory instruction on using RealData software, including navigation, data entry, and printing reports.
- Basic review of customer analysis files to help the customer understand specific calculations.

What we do not provide

- Instruction regarding the use of Microsoft Excel. We can orient the user with data entry and navigation within our programs, but we do not teach Excel functionality beyond the minimum extent necessary to use our software.
- Entering or reentering data into a customer's analysis.
- Support for individuals other than the licensed user(s). RealData reserves the right to refuse support to individuals whom it believes to be in violation of our software license agreement.
- Customization or modification of our software models. We may refuse to provide any assistance with analyses that have been unprotected or modified in any way.
- Project costing, market analysis, due diligence, legal advice, tax advice, or investment advice.

What we can provide at an hourly fee

RealData can assist customers (time and resources permitting) with data entry, or modification, troubleshooting, or rapid preparation of project analyses. Please contact us for further information.

Other RealData® Products

RealData offers several other software products, each with a unique approach to analyzing real estate investments and development projects.

These include our very popular *Real Estate Investment Analysis* for cash flow and resale analysis of income property; *On Schedule* for subdivision and condominium development; *Personal Financial Statement* to aid in loan applications; and *Comparative Lease Analysis* to evaluate competing lease scenarios.

Users frequently find that our *Real Estate Investment Analysis* product complements *Commercial/Industrial Development* when developing a new income property. The *Commercial/Industrial Development* program handles the development stage, up to the point where the project becomes a stabilized income stream; and the *Real Estate Investment Analysis* program then extends the income stream into the future to help evaluate the project's viability and profitability over the long term.

You can obtain more information about *Real Estate Investment Analysis* and our other products by visiting our website, <http://realdata.com>

Chapter 2. Program Use & Orientation

Opening and Using Files and Worksheets

You may have chosen during the installation to place an icon on the desktop. If so, you can simply double-click that icon to start the program.

Alternatively, select Start from the Windows desktop, then All Programs and then RealData. From there, select C / I Development or any other RealData program you may have installed.

NOTE

You may see an alert message when you start up *Commercial/Industrial Development*. The message warns you that you are loading a workbook that contains macros and that malevolent individuals can embed viruses in such files to harm your computer. Excel displays this message when it loads any file that contains macros. It is not reacting to a security threat that it has found in our program. If you obtained your *Commercial/Industrial Development* program directly from RealData or from an authorized dealer or if you downloaded it from our secure web site, you have no cause for concern. You must select Enable Macros for Commercial Industrial Development to function.

All RealData software now ships with a digital signature that allows you to enable macros for our programs permanently, while maintaining your security preferences for other Excel files and programs. All you need to do is check the box to "Always trust macros from this publisher" when opening one of our programs. See Figure 1 below.

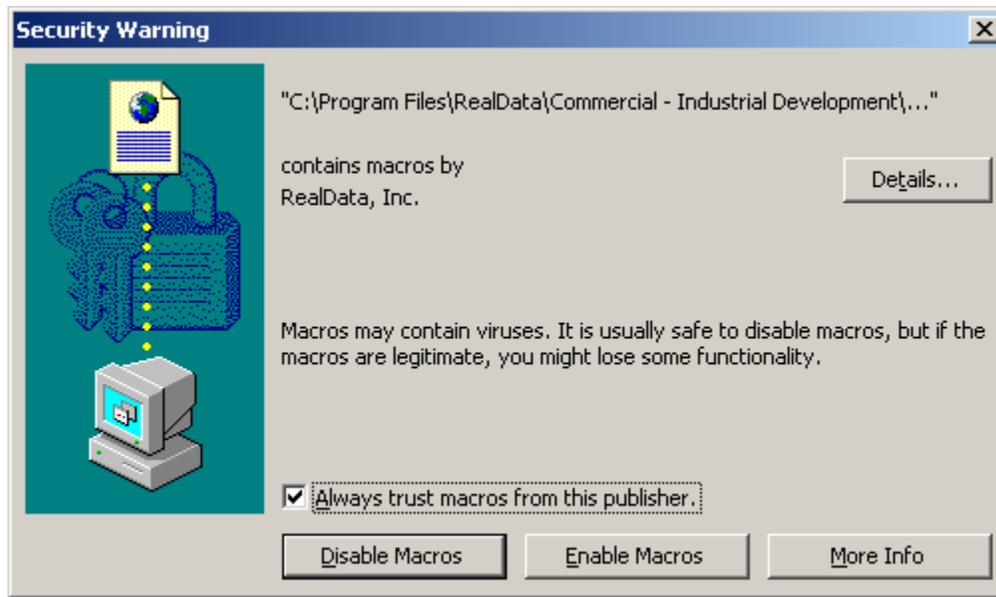


Figure 1 – Macro Security Warning Dialog

The entire *CID* analysis resides in one workbook file. The workbook is a collection of worksheets that have been bound together. Each sheet has a specific purpose and you “turn” the page to move from one part of the analysis to another.

While each sheet has a purpose, they are all also interconnected and share information. For example, the General worksheet provides information used on all of the other sheets and the Development worksheet provides data for the Development Pro Forma. The real advantage is that you don’t have to worry about keeping any of this straight; the program does it for you.

Moving from one page to another is very simple. Excel uses notebook tabs as a means of guiding you to the various sheets that make up a file. A generic Excel workbook has tabs that look like those shown in Figure 1-1:

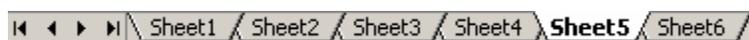


Figure 2 – Excel Worksheet Tabs

The *Commercial/Industrial Development* tabs have meaningful names but they are a bit long, so you may not be able to see more than four or five tabs at a time:

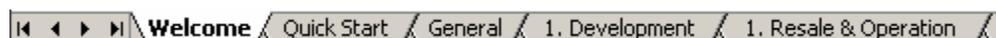


Figure 3 – Commercial/Industrial Development Worksheet Tabs

To move to a particular sheet, select its tab. You can also use the arrows to the left of the tabs to scroll through the rest of the tab names. These arrows will take you forward and back through all of the tabs.

If the tabs or any portion of your spreadsheet window ever become hidden from view, you can resize the window to restore them. Select the middle square in the upper right-hand corner of the window:



Figure 4 – Windows Screen Sizing Buttons

If you are still unable to view the worksheet tabs, select Window, then Arrange; then choose Tiled from the list. Select OK.

RealData Menu

At the top of the Excel window you will find the RealData Menu (Figure 1-4), which is added at the far right of the Excel menu bar. Whenever you open a *Commercial/Industrial Development* file with macros enabled, this menu will appear.

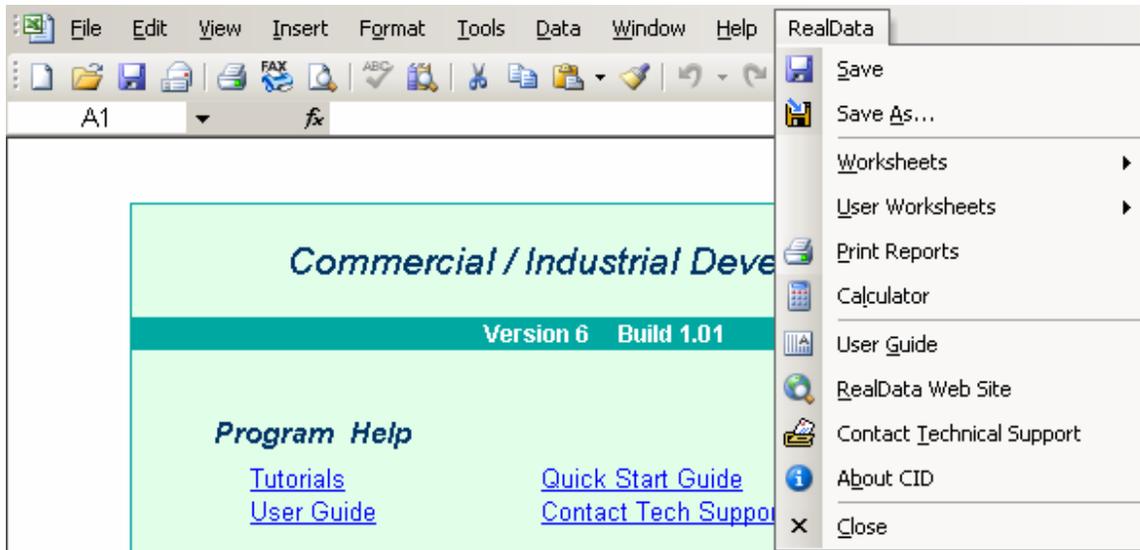


Figure 5 – Excel Menu Bar with RealData Menu

The first item on the **RealData** menu is **Save**. After you have given the template a new name (e.g., “54 Main Street”), use this to save your file as you work on it. Next is the **Save As...** choice. We recommend that you immediately use this command to save the template with a new name whenever you begin a new analysis. Doing so will preserve

the original blank template of the program. Should you accidentally overwrite the template, you must reinstall the software.

The **Worksheets** sub-menu displays convenient links to any section of the software. A second sub-menu, **User Worksheets**, provides functions which can add/delete/rename new, blank worksheets to your analysis for your additional calculations. Below that is **Print Reports**, which allows you to print any of 6 (classic analysis) or 15 (monthly analysis) pre-formatted reports immediately, regardless of which sheet is currently displayed on the screen (for more information, see Printing Reports below). Finally, we offer a quick link to the Windows **Calculator** to help you make simple mathematical computations outside of CID.

The next section gives you easy access to three valuable tools. The first is the **User Guide**, which you are reading right now. It requires Adobe Acrobat[®] to open. You can obtain the Acrobat Reader free from Adobe's website. The two items that follow allow you to seek web-based help from us (provided you are connected to the Internet). The first, **RealData Web Site**, will connect you to www.realdata.com, where you can check our Knowledge Base and Support section for information that might help you solve a particular problem. **Contact Technical Support** makes it easy to communicate with us if you have a specific question. **About CID** displays a window containing the program version and build, as well as user registration information.

Finally, you have the option to **Close** the program. While **Close** needs no explanation, be assured that you will be prompted to save your work if you choose this option.

Printing Reports

To print reports, pull down the RealData Menu, choose **Print Reports** and then select the reports you want to print.

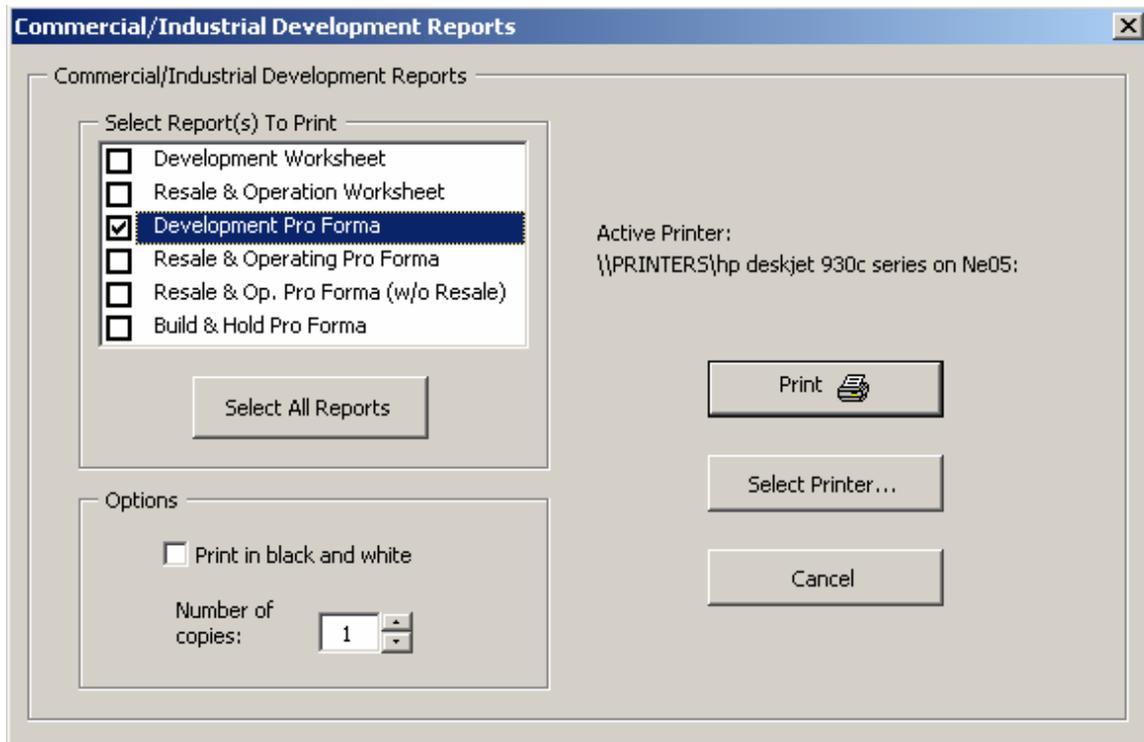


Figure 6 – Reports Menu (Classic Analysis)

You can also print parts of any visible worksheet by pulling down the Excel File menu and choosing Print. You will probably use this method only if you want to print a particular range or to select printing options that are not part of the standard report formats. Be aware that if you use the Excel Print menu, you will not have any of the built-in *Commercial/Industrial Development* reporting options or layouts available.

NOTE

***Commercial/Industrial Development* gives you the ability to create a PDF (portable document file) when printing from the RealData Menu. See below for more information.**

The Print Reports Dialog

The print dialog box gives you a number of options when you are creating reports. It allows you to choose which device to print to, the number of copies to print and whether the output should be in color or black and white.

NOTE

With some printers, rather than using the “Print in black and white” checkbox, you may have to use the printer’s own control panel to configure black and

white or color output. To do this, click the Select Printer button in the Print Reports dialog, choose your printer from the list and then click the Setup button.

Figure 6 shows the Print Reports dialog in classic mode. The first four reports listed (Development Worksheet, Resale & Operation Worksheet, Development Pro Forma and Resale & Operating Pro Forma) print the contents of the Development, Operation and Resale, Development Pro Form and Resale & Operating Pro Forma worksheets. The final item, Operating Pro Forma (without Resale, prints the Resale & Operating Pro Forma worksheet without details about the developer's potential sale of the property, in the event the developer wants to present just a first-year operating statement to a potential buyer.

Printing to the RealData PDF Printer

You can print reports to a PDF and send them to a client or colleague as an email attachment. A PDF is an exact digital image of a printed report and can be opened by the Acrobat Reader available free from Adobe®. Please keep in mind that you may *not* send your client a copy of the Excel *Commercial/Industrial Development* workbook. That Excel file is in fact the program, which is licensed only for use by you, the user.

Before you can print reports to a PDF, the RealData PDF Print Driver must be installed. Version 3 of this driver is installed automatically as part of *Commercial/Industrial Development Version 6.0* installation, but if you are in any doubt, you can go to the Welcome worksheet, find "RealData PDF Print Driver," and click **check**. Please note that the RealData PDF Print Driver will work only with those RealData software products that have been enabled for this purpose.

To print a PDF (after the driver has been installed as described above):

1. Go to the RealData Menu and choose Print Reports...
2. From the Print dialog box used to initiate printing, select the reports to print and then click Select Printer. See Figure 1-6 below.
3. Select PDF-XChange RealData.
4. Click OK.
5. Select whether you want to print in black and white or in color. Note that you can logically create only one copy of a file at a time, so "number of copies" has no effect here.
6. Select Print. The program will then begin creating the file.
7. You will be prompted to name the file and to select a location where it should be saved. Name the file something meaningful, like MainStreetOfficeTower.pdf or

TranquilApartments.pdf. This file can be saved anywhere on your computer. Once saved, this file can be easily attached to an email message.

8. To view your PDF file, you need the Adobe Acrobat Reader, available at no charge at www.Adobe.com (the exact link was <http://www.adobe.com/products/acrobat/readstep2.html> when this guide was published). Once this software is installed, just double-click on the PDF file and Acrobat will open the file automatically.

NOTE

The Print Dialog Box lets you easily select the printer you want to use, e.g., the RealData PDF Printer. Once you have clicked OK, this printer will remain active for this analysis as long as you have it open or until you change the selected printer. However, if you close the workbook then the next time you open it, the printer choice will revert to the default printer for your computer. Also be aware that this selection only applies to *Commercial/Industrial Development*; it does not change the printer for any non-*Commercial/Industrial Development* worksheets you are working on or any other program you have open.

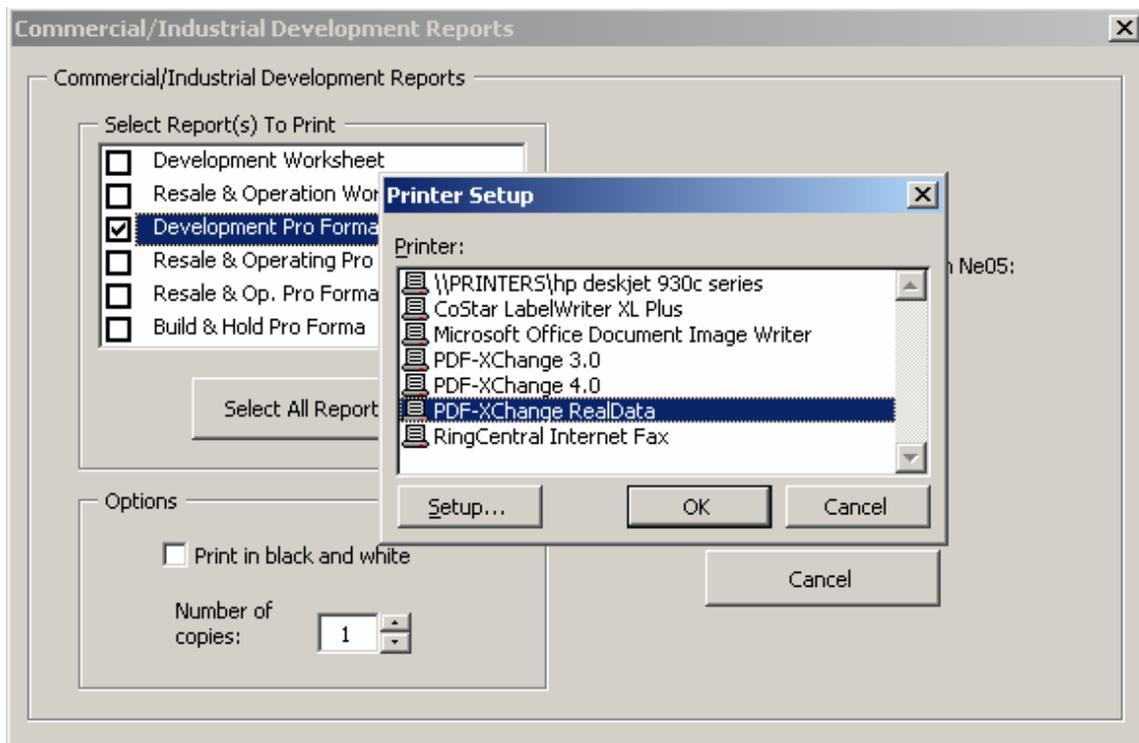


Figure 7 – Selecting the RealData PDF Print Driver

The Welcome Worksheet

The Welcome worksheet gives you access to several useful resources. Under “Program Help,” “Tutorials” will take you to online animated tutorials about *Commercial/Industrial Development* and other RealData products. “Quick Start Guide” will take you directly to a worksheet with introductory information about the program. If the file containing your program documentation should ever be lost, click on “User Guide” to download a new copy. If you have a question or a problem, help is only a click away – “Contact Tech Support.” Finally, you can check to see if a newer version of the program is available.

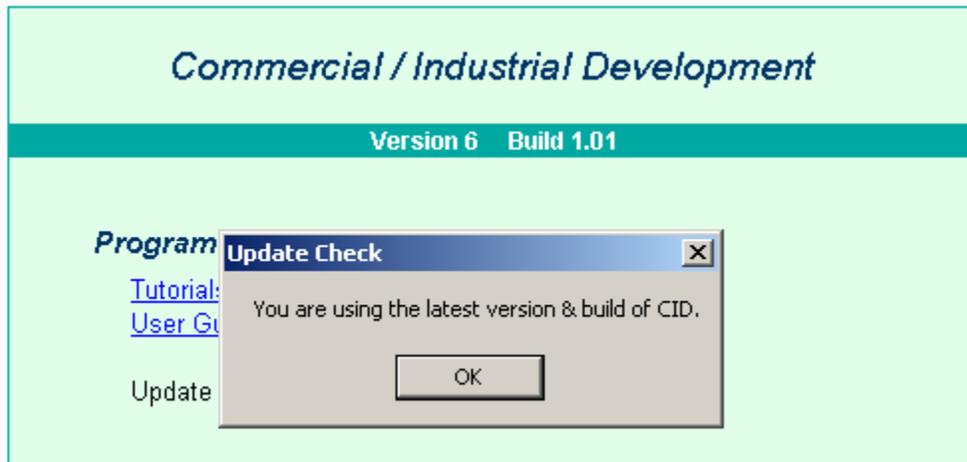


Figure 8 – Version Check Feature

Under “RealData.com” you can click links to go to our home page, get information about other software products, sign up for our newsletter, and access the “Learn” section of our website, where we provide educational articles and other resources for investors and developers.

To make sure the PDF driver discussed above is installed on your computer, you can click the status button. If it is not installed, you’ll receive information about how to download it.

The proper operation of this program requires that Excel’s macro functionality be enabled. You can confirm that macros are enabled by clicking the status button provided.

Switching Modes

New to version 6 is the ability to switch between two modes: the first is the “classic” mode with features and reports - the style that has been popular for many years and five versions – and the new “monthly” mode which allows you to enter costs and other inputs on a monthly basis for up to 10 years.

Switching modes takes place on the General worksheet. See discussion of the General worksheet in Chapter 3 for more information.

Entering Data

Each worksheet, except for those designed as informational or report-only, has areas that you will use to enter data. Much of the rest of this User's Guide is devoted to discussing the information that you will enter. Depending upon the property you are analyzing, you'll use some, but probably not all, of the data fields.

Most of the fields in *Commercial/Industrial Development* are spreadsheet cells containing formulas and formatting that you would certainly not want to erase accidentally. On the visible worksheets, we've displayed these cells in black, locked them, and protected the worksheets (without a password) to prevent you from accidentally changing any formulas or formatting.

Enter all data on the General, Development and Operation & Resale worksheets.

The Welcome and Quick Start worksheets provide resources and introductory information only and the Development Pro Forma and Operation Pro Forma sheets serve strictly as reports.

We recommend that you begin with the General sheet and then proceed to Development and Operation & Resale. Select the General worksheet from the tabs in the lower left hand corner of the Excel screen, which is slightly above the Windows Start button. If the worksheet tabs are not visible, adjust the Excel screen size in the upper right corner of the screen. Select the middle button just to the right of the X in the gray Excel menu bar.

To make entering information easier, we have also color-coded the data-entry cells. Cells that appear blue or purple are generally available for input, as follows:

- The blue cells are empty or contain 0. They are used for items such as the first-month development costs, amount of working capital. They may also contain labels that you can edit.
- The purple cells each contain an erasable formula. These erasable formulas serve as a typing shortcut by copying information from other cells. We use this "purple cell" convention extensively in some of our other RealData programs, but only in a few cells in *Commercial/Industrial Development*. For example, on the Development sheet we assume that you will want the reports to show the developer's name and address in the "prepared by" section. If this is not the case, then you can overwrite what appears in the "prepared by" cells to suit your needs.

Recalculation and Iteration

Commercial/Industrial Development is set for automatic recalculation. If you notice that your worksheet does *not* fill in with calculated values as you make each entry, then the automatic recalculation has been turned off.

To turn recalculation back on, select **Options** from the **Tools** drop-down menu. Select the **Calculation** tab. Select **Automatic**. In Excel 2007, select the **Formulas** tab in the Ribbon, then select **Calculation Options** in the **Calculation** section.

Commercial/Industrial Development, Version 6.0 does not require that iteration be enabled. The software will function properly whether it is on or off. By default it is off,

but you may want to turn it on temporarily if you are copying data from an older saved workbook based on Version 5.0 build 1.13 or earlier, which required iteration to be enabled.

Saving Your Work – Changing File Names

To save your work, you may choose Save or Save As from the RealData Menu. The Save command automatically overwrites the previous version of the file and uses its original name. The Save As command allows you to specify a new file name and/or a different disk, directory, or folder.

NOTE

Use Save As when creating a new analysis. Use Save when updating an existing analysis.

Using Save As means that the file you originally loaded will remain as it was before you loaded it (i.e., it will not have any of the data you entered); but also that a new file will be created wherever you specify.

You will typically open the blank template of *Commercial/Industrial Development*, enter your data, and then save the worksheet with the Save As command, giving it a new name, such as Whitney Towers. This gives you a new file, identified as containing information about the Whitney Towers property, and leaves the original, empty analysis model unchanged. If at some point you alter the Whitney Towers file, you will probably want to save it with the Save command, which overwrites the older version and replaces it with what is currently on the screen.

In short, the Save command replaces the file you loaded with what you have on your screen. The Save As command allows you to create a new file with a new name. The new file contains what you have on your screen. The old file remains on your disk, unchanged since the last time it was saved. The procedure is the same in virtually every Windows and Macintosh program that saves files.

Printing Reports

Version 6 allows you to print at the click of a button using the RealData Menu (see figure 5). Do not use the generic print menu choice in Excel (by selecting File=>Print). You may also select the gray “Print Reports” button on any worksheet (Classic Analysis only).

Cell Notes

If you see a red triangle in the upper-right corner of a cell, it signifies that there is a help message, or “cell note” embedded in the cell.

Financing	
Title recording & insurance	2,500
Legal fees, loans	0
Loan processing fee	0
Prepayment penalty	0
Appraisal fee	0
Course-of-construction insurance	0
Imputed interest	0
Other financing costs	0
Land	
Land title work	0
Engineering offsite costs	0
Zoning costs	3,500
Legal/consulting costs, land	0

This is a cost related to the pre-payment of any of the loans. The most likely situation is one where the land is owned subject to a mortgage, and that loan will be paid off when the takeout financing is placed on the completed project.

Figure 10 – Cell Note Example

When you move your mouse pointer over the label with the red triangle, you will see a comment pop up. The triangles do not appear when you print a report.

Quick Start Worksheet

The second worksheet within the program, whose worksheet tab is immediately to the right of the Welcome worksheet, contains brief explanations of the basic concepts of the program’s use, where to get help, printing reports, macros and other topics. Use this as a starting point for help and move on to the user guide and knowledgebase using the convenient links and instructions.

Using Commercial/Industrial Development

Commercial/Industrial Development helps you create a project cost analysis to evaluate the hard costs, soft costs, financing, lease-up, and operation and resale data for an income-producing property.

At the same time, you will develop an analysis of the potential profit from a sale of the project and a pro forma first-year operating statement. The structure of the program is very straightforward. You are presented with what amounts to a questionnaire that covers 3 worksheets (Classic Mode) or 4 worksheets (Monthly Mode). The first worksheet covers general information about the property, the parties involved and the units of measure to be used; the others cover financing, hard and soft costs, leasing, resale and other topics. These worksheets allow you to provide the information required to describe the project fully. The program then presents you with several reports based on your data including a 7-page development pro forma and a 1-page operating pro forma. You can quickly tab between the data-entry worksheets and the three pro forma worksheets by selecting the tabs in the bottom left corner of your spreadsheet screen.

Understanding the Time Line

In classic mode, the program assumes a time line with three segments. Understanding the program's time line will simplify your use and understanding of the application. Three time segments govern your data entry and the program's results:

1. The Development period – This is number of months that the development loan is in place, as you specify in row 204 of the Development worksheet. We assume that it represents the time from the start of the project through the completion of all development and construction activity.
2. The Lease-Up period – This is the number of months after completion of the development period during which you will continue to work on getting the project up to stabilized occupancy. You specify the length of the lease-up period on row 218 of the Development worksheet.

You may choose to continue to the development and land financing (if any) beyond the development period and have it cover the lease-up period. Alternatively, you can choose to put a new takeout loan in place which begins at the start of the lease-up period.

If the project is entirely pre-leased, you can enter zero as the length of the lease-up period.

3. The Long-Term hold or sell period – Once development and lease-up are complete, you may choose to hold the property long term or sell it to a third party. If you had a lease-up period and chose to put a takeout loan in place during lease-up, then you can elect to continue the takeout loan. You might do this if you plan to keep the property and already have that loan in place, or if you believe the new buyer will assume that loan. You can also choose to define an entire new long-term permanent loan if you prefer. If you did not have takeout loan then of course you can choose to continue it, so in that case you must define a new permanent loan.

Entering Data

Because you are operating within a spreadsheet program, you are really working in a what-you-see-is-what-you-get environment. You can scroll around the screen and see both your assumptions and the resulting calculations at any time. You can go directly to any piece of information that you have entered, change it and see at once how that change affects the report.

You will use the following worksheets for entering data:

General

- Developer
- Report
- Project Information
- Currency, Length and Area Settings

Development

- Soft Costs

Architectural and Engineering

- Financing
- Land
- Development
- Construction Overhead and Profit

Site

Hard Costs

- Construction
 - Short form
 - Detailed form

Financing

- Development Loan
- Land Loan
- Permanent Loan

Lease-Up

Operation and Resale

- First-Year Income
 - Method of Estimating Income
 - Rent Roll (optional)

Vacancy

First-Year Operating Expenses

Resale

You may find it helpful to print out blank copies of these sheets and use those copies to collect your data. In the following section, we will go through the data input items individually. Some are quite obvious, while others may benefit from explanation.

Chapter 3. Classic Mode - Worksheets

General

Mode

First you must choose between classic and monthly modes for your property analysis. Your choice will display different data entry and report worksheets; the two models are essentially two different programs in one. Please note that the two models do not share data – the data that you enter in one mode will not copy over to the other. Details as to the differences between the two modes can be found by clicking on the “More Info” button located in this section.

Developer

Company name, Address, City, State, Zip (postal) code. These items, of course, identify the developer of the project. They will appear in the Project Overview section of the finished report.

Report

1. Prepared for, Address, City, State, Zip (postal) code.
2. Prepared by, Address, City, State, Zip code. These terms appear on the title page of the report. Note that “Prepared by” fields contain formulas that default to the Developer’s name and address. However, these formulas are unprotected (which we indicate by displaying the contents in purple) so that you can type over what appears in these cells if you wish.

Project Information

Project name; Project type; Address; City, State, Zip Code; Map or block number; Lot or building number; Zoning; Construction type; Footprint; Number of floors; Total floor area; Number of suites or units; Number of parking spaces; Architect; Construction manager; Contractor; Buyer; Attorney(s); Leasing Agent; Lender.

All but two of these items are informational only and appear as descriptive information in the various reports. The project name appears as part of the header on each report page.

“Footprint” is the amount land that is covered by improvements. The program will use this information to calculate lot coverage. The program will use this information to calculate Floor Area Ratio (FAR).

“Total Floor Area” is usually defined by local zoning regulations. In most cases it is synonymous with “Gross Building Area.” Your entry here will automatically be duplicated in the Gross Building Area cell on the Development worksheet. However, if you need to specify a different Gross Building Area you can overwrite the number that appears in that cell (row 86 on the Development worksheet).

Currency, Length and Area Settings

These settings allow you to set the currency symbol and the measures of length and area to be used throughout the program. Begin by clicking the button that allows you to edit the settings. Pull down the box adjacent to “Select Currency.” The list that appears will allow you to choose the currency for virtually any country.

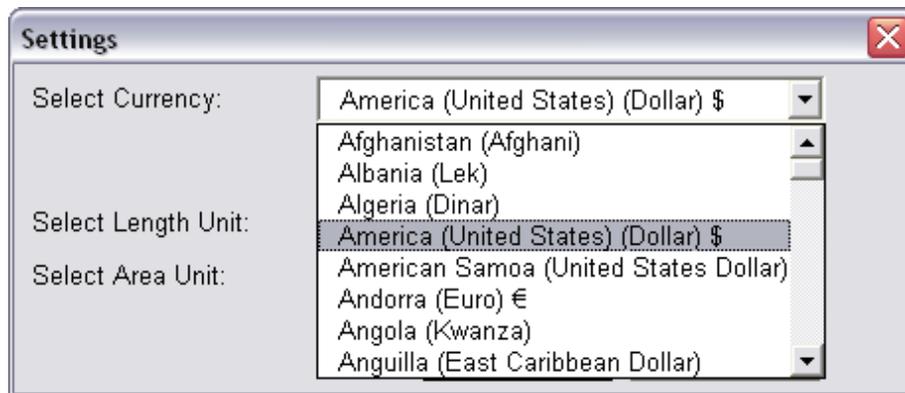


Figure 11 – Currency Symbol Selection

Use the next two pull-downs to choose the units of length and area that you wish to display and to print in reports.

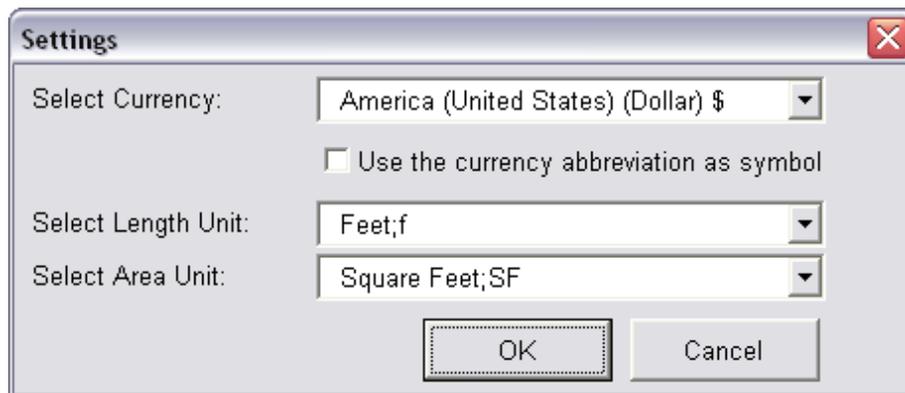


Figure 12 – Units of Length and Area

Copyright

The final item on this worksheet is a simple checkbox to regulate whether RealData copyright information will appear on your reports. If you wish to remove these copyright notices, you may deselect the checkbox.

Development

The next worksheet deals with items that are specific to development of the project. Its main sections are Soft Costs, Site, Hard Costs, Financing and Lease-up

Soft Costs

Items connected with the project but that are not a part of the physical construction are usually referred to as soft costs. Some of the items listed below are sufficiently general to permit you to expand their definitions to fit your project. For those items that appear in blue, you can rename them to suit your needs. In all cases, you should enter the total amount to be spent during the development period.

Architectural & Engineering

1. General architectural & engineering costs. Expenses related to the design and planning stages of the project.
2. Blueprints. Enter here the cost of blueprints and drawings.
3. Other architectural & engineering costs. This and other soft cost sections provide an “other” category you can rename.

Financing

1. Title recording and title insurance. These fees are typically associated with closing the land acquisition loan or with transferring title (for example, from an individual developer to his or her development company or partnership).
2. Legal fees, loans. Enter here all legal fees related to closing development, land and takeout loans.
3. Imputed interest. If money is tied up in the ownership of the land while the project is being planned and developed, then that money is earning no interest—it is unproductive. The lost interest may be considered a cost of development and entered here.
4. Pre-payment penalty. This is a cost related to the pre-payment of any of the loans. The most likely situation is one where the land is owned subject to a mortgage, and that loan will be paid off when the permanent financing is placed on the completed project.
5. Loan processing fee. Fee or fees that may be related to processing applications for any of the loans, including points and application fees.
6. Appraisal fee. This cost is usually related to securing the financing. However, an appraisal may also be sought as part of a disclosure to potential partners.
7. Course-of-construction insurance. This insurance typically covers various liabilities as well as materials on site and materials in transit.

8. Other financing costs. A catch-all category to account for other costs related to financing. The name of this cost can be changed to suit a particular project financing cost.

Land

1. Land title work. Enter here the legal costs to search and, if necessary, establish clear title to the land.
2. Engineering offsite costs. This item includes the fees, permits, and connections to offsite items such as water or utility services, sewers, etc.
3. Zoning costs. These are the legal and architectural costs for work needed to demonstrate compliance with zoning regulations and to secure any required permits, approvals, exceptions or variances.
4. Legal/consulting costs, land. This item can be used to account for the assistance of experts in specialized areas, such as environmental remediation.
5. Land taxes. These are the taxes to be paid during the development period. They should be for the land alone, since the structure would typically have to be completed and granted a certificate of occupancy before it would be assessed and taxed.
6. Soil tests. This is the cost of geo-technical tests to determine soil composition, density, and drainage.
7. Land survey. Costs to survey the property and prepare drawings.
8. Environmental survey, Phase 1. This is a standardized property review (required by law at transfer of title in some states) to determine areas of environmental concern and potential contamination on a property.
9. Environmental survey, Phase 2. This is a second round of assessments, which typically involves the collection of soil, groundwater, and other samples to determine if environmental contaminants are present on the property.
10. Other land costs. Another general description to include any miscellaneous land-related expenses. The user may modify the name of this cost to suit the particular project.

Development

1. Accounting. Accounting fees related to any aspect of the project
2. Legal. Legal fees related to any aspect of the project
3. Feasibility. The cost of any preliminary studies to determine the project's potential for economic success
4. Permits. Fees paid to municipalities for permission to construct, development, etc.
5. Marketing. Costs related to advertising and promotion. If the developer is not using an outside leasing agent, he or she may have costs for brochures or advertising.

6. Travel. An expense that may accrue if the developer needs to travel to and from the job site in another city or state
7. Signage. Costs related to purchasing and posting signs on the property for advertising and/or informational purposes
8. Development fee. The fee that the developer takes for putting the project together
9. Project Management. A fee that a developer pays to himself or a third party for general oversight of a project
10. Soft cost contingency. An allowance for unanticipated additional soft costs.
11. Other development cost. Another general category to account for miscellaneous development costs. Four lines are provided for your use. You may modify the names to suit the particular project.

Construction Overhead and Profit

There are several ways you may choose to handle the reporting of construction overhead and profit.

1. If you are the builder as well as the developer, you may want to enter your line item construction expenditures at your cost and then apply a markup percentage in this cell.

After you do so you can then use the radio buttons below to choose from two options in regard to how this information is handled on the Development Pro Forma Report:

a) If you select “Show overhead and profit as a separate line item,” then the Pro Forma will show the construction costs as you entered them and will also show a separate line item for the amount of overhead and profit.

b) If you select “No line item,” then the Pro Forma will mark up each of the hard costs by the percentage above; it will show these marked-up amounts and show no line for construction profit.

2. If you are developer using third-party contractors or simply prefer to treat your own construction company as if it were a third party for the purposes of this presentation, then you may prefer to enter each construction cost as the amount you will actually pay to that third party. In this case you would enter 0% as the construction profit and select the radio button for “No line item.”

Site

1. On the left side of this section you will choose how the lot size will be represented in the Development Pro Forma report. You may choose to express the size in acres, hectares, square feet or square meters. On the General worksheet you elected to describe areas either in square feet or square meters. If you choose the third radio button here, the program will describe the lot size – consistent with your earlier choice – in either square feet or square meters.

2. Lot size. Enter the lot size in acres, hectares, square feet or square meters. But sure your entry is consistent with your choice radio button to the left.
3. Lot frontage (feet). Number of feet of road frontage.
4. Land cost or value. The amount you enter here works in conjunction with the choice you make at the bottom of this section, in "Treat land cost as..." (See #5, below) If you choose to treat land cost as project equity, then the amount you enter here will be treated as developer's equity. If you choose to treat land cost as a development cost, then this amount will be included as part of the total project cost.

If the land is leased, leave as zero.

5. Indicate that you want to treat the land cost either as project equity or as a development cost. Note: The project equity choice assumes that you own the land free and clear or are financing it with a separate land loan. By choosing development cost, you indicate that the land cost is financed within the development loan, and you should not enter a separate land loan in row 211.

Hard Costs

Items that are a part of the physical construction are usually referred to as hard costs. In this data-entry section, some of the items are not the hard costs themselves, but factors related to the estimation of those costs.

Construction

1. Gross Building Area (Shell). This is the Gross Building Area of the total structure, including unrentable areas. It is typically the same as the "Total Floor Area" shown in the Project Information on the "General" worksheet; hence this cell will default to the value you entered for Total Floor area, but you can overwrite it if you choose.
2. Construction contingency. If you wish to build in a contingency allowance for possible construction cost overruns, enter the percentage here. The percentage is applied to the sum of "Total cost of interior finish" and "Total site costs" to yield a dollar amount intended to cover the cost of the unexpected. This field is functional whether you use the short or detailed form for construction cost.
3. You can choose between a "Short Form" and a "Detailed Form" to itemize construction costs. (Note: Regardless of your choice, you must still make entries for the two items above.) Select the appropriate radio button in the upper left corner of the two forms to make your choice. You may enter data in both sections, but the program will use the data in the chosen section only.
 - (a) Construction, Short Form
 - 1) Gross Building Area (Shell). The program will read the area itself from the entry above; you must enter the average cost per unit of area to construct the shell.
 - 2) Interior finish. The cost of finishing the interior is figured separately from the cost of the shell. In this program, you may break the interior into as many as 8 different areas, each with a different average cost per square unit of area. You do not, of course, have to use all 8. The total cost of the interior finish and the total size of the improved area are

both calculated and displayed below the last entry. The total area of the interior finish should equal your entry for the total area of the building shell.

- 3) Miscellaneous construction costs (structure). This is a general category to enter miscellaneous costs in addition to the shell costs and interior finish costs. This cost category applies to the short form only. Note that you can edit the label.
- 4) Site costs. Enter various site costs, such as preparation, improvement, utilities and environmental remediation. Note again that you can edit the labels.

(b) Construction, Detailed Form

Select this radio button if you want to use the detailed form instead. Version 6 allows you to describe construction in considerably greater detail than in previous releases of the software.

There are 12 main headings, each with its own subcategories. The figure below shows the first portion of this section:

Use Detailed Form for Construction Costs:

▾ Detailed Form:

General Project Costs	
Dumpsters	5,000
Portable toilets	3,000
Equipment rental	0
Security	8,000
Temporary facilities	0
Site Work	
Demolition, removal & recycling	0
Site preparation, excavation, fill	129,000
Site improvements	22,000
Site civil / mechanical utilities	0
Site electrical utilities	14,000
Environmental remediation	0
Other site construction	0
Substructure	
Foundations	375,000
Basement/slab construction	0
Other substructure	0

Figure 13 – Detailed Hard Cost Data Entry

Enter total costs for each of the appropriate categories. Again, you may edit the category and subcategory names.

Development Financing

Commercial/Industrial Development deals with four possible loans: Development, Land, Takeout and Permanent. (A note for users of previous versions of *Commercial/Industrial Development*. The function of the Permanent loan as it was used in Version 4 and earlier has now been divided into the Takeout and Permanent.)

Development Loan

This is a short-term loan used during the development period. The program gives you four ways to estimate the amount of this loan. Select the radio button of the desired choice.

NOTE

The value shown for each item in this section may change depending upon your selection. You should consider only the value of the selected item as being valid.

1. Loan equals a percent of total project cost. It is unlikely that a lender would fund 100 percent of a development project. However, the developer may own the land free and clear and bring that land to the deal as equity. If that is your intent, be sure you elect to treat the land as project equity (see above). For purposes of calculating the development loan, the total project cost used here includes any net cost or income from the lease-up period.
2. Loan based on required capitalization rate and loan-to-value ratio. Enter a cap rate (typically 6 to 14 percent) and a loan-to-value ratio (typically 60 to 80 percent). The program will capitalize the stabilized Net Operating Income to arrive at market value, and then apply the loan-to-value ratio to estimate the loan amount.
3. Based on maximum takeout loan supported by rent income. You may want to know how large a loan can be supported by the projected income stream (even if you elect to ask for a lesser amount) and choosing this option will give you an estimated maximum loan. If the income is strong enough to support a loan greater than the development cost, then keep in mind that this calculation is not dependent on the actual cost to develop the project and that the lender is unlikely to underwrite more than 100 percent of the actual project cost.

Also, if you choose this option, you must enter terms for the takeout loan even if you eventually choose not to use that loan. Those loan terms and debt coverage ratio, along with the expected rental income, are the basis for this calculation.
4. User-specified loan amount. Use this item to specify a particular loan amount.

Development Loan Amount		
<input type="radio"/> Loan = % of total project cost + net lease-up	<input type="text" value="70.00%"/>	n/a
<input type="radio"/> Loan based on required capitalization rate & loan-to-value ratio	Cap Rate : <input type="text" value="9.00%"/> LTV : <input type="text" value="80.00%"/>	n/a
<input type="radio"/> Based on maximum takeout loan supported by Net Operating Income		n/a
<input checked="" type="radio"/> User-specified loan amount	<input type="text" value="5,000,000"/>	
Loan amount selected		5,000,000

Figure 14 – Development Loan Data Entry options

Development financing, term in months: Enter here the expected length of the development period, in months. Do not include the lease-up period. (Please note that this is a change from the previous version of *Commercial/Industrial Development*, where you entered the term in years.).

Development financing, interest rate: Enter the annual rate.

Development financing, number of points: This is the number of points paid, if any, to secure the development loan. It is not the dollar amount of the points, which will be calculated by the program.

Development financing, average percent outstanding during development: You will not usually draw down the full development loan amount at one time, but rather in stages during the project. If you take the money in equal installments over the course of the project, then the average amount outstanding is 50 percent. This is so because you go in equal increments from 0 percent outstanding on the first day to 100 percent on the last day, thus averaging 50 percent. If you take more than half of the money during the first half of the project, then the average is over 50 percent; if you take less than half during that time, it is less than 50 percent. This entry is used to estimate your total interest cost during the project.

Land Loan

The land loan is used when the land is financed separately during the development period. This may occur if the land was owned subject to a mortgage, and subsequently the owner chose to develop the land. The land loan amount is always absorbed by the permanent financing (i.e., it is assumed that such a land loan would be paid off by an appropriately larger permanent mortgage).

Land loan amount, if separate from development loan: If the land is financed outside of the development loan (as with a preexisting loan), enter the amount of that loan here. This loan will be absorbed by the permanent loan (see above).

Land financing, interest rate: Enter the annual rate.

Land financing, number of points: This is the number of points paid, if any, to secure the land loan.

You will enter information about the Takeout Loan in the Lease-Up section of this worksheet and in the Resale section of the Resale & Operation worksheet.

Lease-Up

The lease-up period, if any, begins when development of the project is complete and lasts until you believe the project will achieve its stabilized occupancy. The purpose of this section is to estimate both the income and the costs that you believe you will have during that lease-up period. Costs will include leasing commissions, debt service and operating expenses.

The commission cost is the amount of lease commission that will have to be paid up front as a part of the cost of developing the project and achieving the stabilized occupancy. Enter only the commission amount that you will actually pay during the development and lease-up periods.

The program allows you to specify the commission amount in either of two ways:

1) Enter the commission rate as a percentage and the length of the lease in years. To calculate the total commission amount payable, the program will apply the commission rate to the annual rent calculated below, then multiply by the length of the lease in years.

Or...

2) Simply enter the total commission to be paid as a dollar amount. This entry will override any calculated commission.

1. % Lease commission. Enter the % commission paid for the total amount of leases during the length you set below.

2. Length of lease period (years). This is the length of lease that is commissionable, i.e., the number of years to which the commission rate above applies.

3. ...or enter the total commission as a dollar amount. Any entry you make here will override the commission calculated from data in the two cells above.

4. Miscellaneous leasing costs. Any leasing cost not already accounted for in another category. You may edit the label associated with this item.

5. Number of months (after development) to lease up. After development of the project is finished, it may be necessary to spend additional months to complete the lease-up of the property. It is these additional months that we call the "lease-up period." You should enter that number of months in this cell. The program will calculate estimated income, expenses and debt service for this period. If you enter zero as the number of months to lease up, then the program will report only the leasing commissions and miscellaneous lease-up costs. It will not report any income or debt service for the zero-

month lease-up period and it will ignore any entries you make for taxes, insurance and maintenance during the lease-up period.

6. Average percent occupancy during lease up. The lease-up period begins when development is finished and ends when you achieve what you believe is the project's stabilized occupancy. If you lease up at an even pace during that time, then your average occupancy during lease-up is easy to estimate. If you started the lease-up period at zero occupancy and ended at 100%, then your average occupancy would be 50%.

Assume instead that you pre-leased 30 percent of the space while you were developing the project, and will consider the property fully leased when you reach 96 percent occupancy. You start the lease up period at 30 percent and end at 96 percent. The average occupancy, therefore is $(30 + 96) / 2$, or 63 percent average occupancy.

7. Taxes for lease-up period. This is the dollar amount of real estate taxes to be paid during the lease-up period. Keep in mind that these taxes may or may not be based on the project's final tax assessment. Include only taxes paid by the owner, not by tenants. You may edit the labels associated with this and the next two items.

8. Insurance for lease-up period. Enter here the amount of insurance expense for the lease-up period. Include only insurance paid by the owner, not by tenants.

9. Maintenance for lease-up period. Enter here the amount of maintenance expense for the lease-up period. Include only maintenance paid by the owner, not by tenants.

Lease-Up Period Financing

You have two options in regard to financing during the lease-up period. You can extend the interest-only development and land loans or you can refinance them into a new amortized takeout loan. If you extend the development and land loans, they will continue with the same interest rate as before. If you choose to refinance with a takeout loan, you can specify new terms for that loan. However, the amount of the takeout loan will remain as the amount of the development loan plus the land loan, if any.

Your entries for the takeout loan are these:

1. Takeout financing, term in years. Enter here the length of the takeout loan, in years.
2. Takeout financing, interest rate. Enter the annual rate. Twelve percent should be typed as 0.12.
3. Takeout financing, number of points. This is the number of points paid, if any, to secure the takeout loan. It is not the dollar amount, which will be calculated by
4. Lender's minimum debt coverage requirement. The lender will almost certainly require that the project's expected Net Operating Income (NOI) be more than enough to service the debt on the permanent mortgage. How much more is expressed as a Debt

Coverage Ratio. If the lender expects the NOI to exceed the annual debt service by 20 percent, the required Debt Coverage Ratio would be 1.2.

NOTE

The terms of the takeout loan serve a secondary purpose. If you want the program to estimate the development loan amount based on the maximum takeout loan amount that could be supported by the project's Net Operating Income (row 198), then you must enter the takeout loan's interest rate, term and debt coverage ratio, all of which are needed to make this calculation.

A final choice you can make in the lease-up section concerns the financing that will be in place for the long term, i.e., after the lease-up period. Your choice is whether to keep the takeout loan (if you chose to have one) or to replace it with a new permanent loan.

You may be planning to keep the property or to sell it. If you did not chose to use a takeout loan (that is, if you extended the development loan through the lease-up period), then the choice is quite simple. You don't have a takeout loan so your only choice is to presume that a new permanent mortgage will be required for the long term. That permanent mortgage will be yours if this is a build-and-hold scenario, or it will belong to a new buyer if this is a build-and-sell situation.

If you did choose to use a takeout loan for the lease-up period, then you may opt to assume that loan will remain in place. In the case of a build-and-hold, this means you refinanced your development loan and any land financing into the takeout and that takeout will be your mortgage for the long term. In the case of a build-and-sell, it still means you refinanced into a takeout but that you believe the new buyer will assume this loan for the long term.

Resale and Operation

This worksheet accepts your assumptions about the resale of the property and subsequent first full year of operation, either by the developer in a build-and hold situation or by a new owner in a build-and-sell.

Resale

1. Estimate resale price (market value). You may select among four methods of estimating resale price or market value.

Estimate resale price or market value			
<input checked="" type="radio"/> by cap. rate	<input type="text" value="9.00%"/>	<input type="radio"/> User-specified amount	<input type="text" value="0"/>
<input type="radio"/> by \$ per SF	<input type="text" value="0.00"/>	<input type="radio"/> Total Project Cost Overall	8,234,200
		Resale amount selected	9,076,000

Figure 15 – Resale price Data Entry Options

- If you choose the “by cap. rate” option, then enter a rate and the program will calculate a resale price by capitalizing the property’s expected Net Operating Income. The program assumes that the property will be sold based upon its expected performance in its first full year of operation.
 - Similarly, you can choose “by (currency) per (unit of area),” e.g., “by \$ per SF” and estimate a resale price by a rental rate.
 - You can make your own estimate of the selling price and enter it in the user-specified section. Do not choose a user-specified amount of zero. The Development Pro Forma report is designed to zero out several of its calculations as being invalid if it sees no resale value.
 - Finally, you can choose that you will sell the project for the total cost overall to develop it.
2. Escrow and legal costs (resale). Enter estimated total escrow and legal costs associated with the resale of the property. If your entry is less than 1.00, the program will calculate the escrow and legal costs as a percentage of the resale price. If your entry is 1 or greater, the program will interpret it as the actual dollar amount to be used.
 3. Title insurance (resale). Enter estimated title insurance costs, if any, associated with the resale of the property. Again, if your entry is less than 1.00, the program will calculate the title costs as a percentage of the resale price. If your entry is 1 or greater, the program will interpret it as the actual dollar amount to be used.
 4. % Sales commission. Enter the sales commission you would expect to pay to resell the property. Your entry signifies a percentage of the selling price. To indicate four percent, enter 0.04.

New Permanent Financing

The last choice you made back on the Development worksheet was to select whether you would continue the takeout loan (assuming, of course, that you had opted to have a takeout loan) or to put new permanent financing in place for the long term after lease-up. The choice you made there is automatically selected for you here. You can change it

here if you choose to, and it at the same time it will change back on the Development worksheet. Keep in mind that it doesn't make any sense to say that you want to continue the takeout loan unless you earlier chose to have such a loan. If you try to continue a non-existent takeout loan, you will see a message that advises you of the error.

If you do continue the takeout loan, then there will be no new permanent financing and you can ignore the remaining entries in this section. The takeout loan terms will be used on the Resale & Operating Pro Forma and the Build & Hold report and to calculate the debt service for the first full year of operation.

If you elect to place new permanent financing, then this is the section where you will define its amount and terms. Your entries here will be used on the Resale & Operating Pro Forma and the Build & Hold report to show the terms of the new loan and to calculate its debt service for the first full year of operation.

This loan may be what you anticipate a new buyer will obtain when purchasing the project, or it may be what the developer will obtain if he or she chooses to refinance and hold the property long term. A common scenario is for the developer to keep the development loan in place for a short lease-up period and then secure long-term financing under more favorable terms once the property is fully leased.

1. You can specify the amount in any of three ways:
 - As a percentage of the resale price
 - As equal to the sum of the existing development and land loan (if any)
 - As a user specified amount
2. Enter the term of the permanent loan in years.
3. Enter the interest rate.
5. Enter the number of points, if any, to be charged to secure the loan.

The amount of long-term financing selected, whether through continuation of the takeout or placement of a new permanent loan, will be displayed on line 49.

First-Year Income and Expenses

The program will create operating pro formas for you a developer who builds and holds or for a new buyer who acquires the property after lease-up. These pro formas require information about the expect income and expenses during the first year after lease-up.

Method of Estimating Rental Income

1. Total rentable area . This is the total area for which rent may be charged. This amount is often less than the area of the shell because of unrentable spaces such as

hallways, stairways, etc. Enter a value here regardless of your entries in the user-specified rental income section below.

2. There are 3 methods from which you may choose to estimate the project's rental income. Choose one of the options by selecting the appropriate radio button.

Gross Scheduled Income

Short form; rental income by area and rate

10,000	SF @	30.00	\$ / SF / year =	300,000
8,000	SF @	32.00	\$ / SF / year =	256,000
8,000	SF @	36.00	\$ / SF / year =	288,000
4,000	SF @	42.00	\$ / SF / year =	168,000
0	SF @	0.00	\$ / SF / year =	0
0	SF @	0.00	\$ / SF / year =	0
0	SF @	0.00	\$ / SF / year =	0
0	SF @	0.00	\$ / SF / year =	0
30,000	SF @	33.73	average \$ / SF =	1,012,000

Rental income required to yield capitalization rate on total cost n/a

Total Income from Rent Roll section below

Amount selected 1,012,000

Miscellaneous first-year income

Figure 16 – Rental Income Data Input Options

- User-specified rental income. You can specify up to 8 different rental rates and the total square area that applies to each rate. The total area listed in these 8 rows should add up to the value entered above for total rentable square area. You need not use all 8 sections.
- Rental Income required to yield X percent capitalization rate on total project cost. Enter a value for the capitalization rate, and the program will seek a rental income required to achieve this cap rate based on the total project cost.
- Total Income from Rent Roll section (below). If you choose this option

Whichever option you select, you also have the opportunity to account for income from other sources:

3. Miscellaneous income (annual). Enter the dollar amount of any additional revenue that you expect, such as parking fees.

Rent Roll (Optional)

You can break down your sources of income on a rental-unit basis with this rent roll section.

On each of 20 rows, you can enter the number of units being defined; a description' and either the rental rate in currency per unit of area per year or the actual rent amount per

month. If you make an entry in this last column, the annual rent for that particular unit will be 12 times the amount you enter and the program will ignore any entries you make for this unit in the previous two columns (Unit sf or sm and rate per sf or sm per year).

Vacancy and credit loss

Enter the estimated percentage of vacancy and credit loss that the building will experience once it reaches its stabilized occupancy.

Operating Expenses

The operating expenses you enter represent the expenses you expect during the first full year of operation after the property has finished the lease-up period.

1. Annual property taxes (first year of operation). This is the dollar amount of real estate taxes to be paid during the first full year of operation. These taxes are likely to be based on the project's final tax assessment. Include only taxes paid by the owner, not by tenants. This information and the next three items are used for the pro forma operating statement.
2. Annual insurance cost (first year). Enter here the amount of insurance expense to be paid during the first full year of operation. Include only insurance paid by the owner, not by tenants.
3. Annual maintenance cost (first year). Enter here the amount of maintenance expense to be paid during the first full year of operation. Include only maintenance paid by the owner, not by tenants.
4. Management fee (dollar amount or percent). Enter your expected management expense. If your entry here is less than 1.00, the program will calculate the management fee as a percentage of Gross Operating Income. If your entry is 1 or greater, the program will interpret it as the actual dollar amount to be used.
5. All other operating expenses (first year). Enter the total annual amount of any other operating expenses paid by the owner.

Chapter 4. Classic Mode - Reports

The next three worksheets in the *Commercial/Industrial Development* program present a variety of pro formas based on the data you have entered. They are intended for review, presentation and printing only. There are no data-entry cells on these worksheets.

All reports can be printed by pulling down the RealData Menu at the far right of the Excel menu bar and choosing, "Print Reports." We strongly recommend that you use this method and not the Excel "File | Print" menu because our custom reports menu will provide the proper formatting and layout, as well as the option to create Adobe Acrobat-compatible PDF files.

Development Pro Forma

The Development Pro Forma is a 7-page report that includes a project summary and overview; funding, including debt and equity; lease-up period income and costs; project soft costs and hard costs; and a synopsis of the total project cost.

This report looks at the project through completion of the development phase and the process of leasing up the property to a stabilized level so that it is up, running and salable as an income property to a new investor.

Resale & Operating Pro Forma

The Resale & Operating Pro Forma summarizes the potential sale to a new investor and presents the property's estimated income and expenses as they might appear in the first year after development and lease-up have been completed.

Resale is assumed to occur at the end of the lease-up period; the operating statement represents the first full year thereafter.

This report can be printed without the "Resale" section if the developer wishes to present the income, expense and cash flow information to a prospective buyer.

Build & Hold Pro Forma

This report is for the benefit of a developer who wishes to build and hold the project.

It is a snapshot at the end of the lease-up period, when the property is at stabilized occupancy. The report considers the developer's current equity position, potential proceeds of an immediate sale, and likely income and expenses during the first full year of operation.

Chapter 5. Monthly Mode - Worksheets

General

The General worksheet does not change when switching from Classic Mode to Monthly Mode. See Chapter 3 on pages 22-23 for discussion of features in this worksheet.

Unit Types

Unit Type Definitions

You have the option of entering up to eight different unit types in your project. In this section, you can provide a common name for each such as “Two Bedroom Apartments” or “1000 sf Office.” Think of a unit type as a category, not an individual unit. You can have as many units in each unit type as you need. All units in a unit type have the same area, construction time, construction cost and rental rate. Every development will use at least one unit type; be sure to indicate in column E the number of months that it takes to construct the units. If your project is a single building, chances are that you will want to use the number of months it takes to complete the entire building.

Unit Construction Costs

In rows 23-26, indicate whether you will be entering your costs in total dollars or dollars per square foot or square meter. Your choice will be consistent across all construction costs.

Rows 34-61 allow you to itemize your unit-specific costs for each unit type. You can change the name of each expense item in column D. Any row with all zero values will automatically be left out of the printed report. In row 63, indicate the number of square feet (or square meters) for your unit types so the program can calculate your cost per square area in row 64.

Rows 72 through 95 allow you to allocate your unit costs for a single unit of each type over the months required to build it.

Different unit types may require different lengths of time to build, so if Unit Type A requires 4 months you will make entries in months 1 - 4, and if Unit Type B requires 6 months you will make entries in months 1 - 6. The program automatically grays out cells for months beyond the number of months to build that you entered at the top of this worksheet in rows 11-18.

Each entry in rows 72-95 represents the percentage of total unit construction cost allocated to that month of construction. For example, suppose you indicate that it will take 4 months to build a typical Unit Type A. You review the unit design with your project manager and decide that you will spend 20% of the total cost in month 1, 30% in month 2, 40% in month 3 and 10% in month 4. You will enter those percentages under Unit Type A in months 1-4, respectively.

Development

The Development worksheet allows you to enter information for hard costs, soft costs and financing for your project. Hard and soft costs on this worksheet are for the project overall and are separate from the unit-specific costs that you enter on the Unit Types worksheet.

Begin by entering the month and year that the analysis begins in cells F6 and F8.

Soft costs are entered in rows 18 through 59. The line-item names of costs in column D that appear in blue may be changed to suit your project. The budget total entries in column F are meant to be a check against the calculated total of your monthly entries which appear in column G and do not affect the overall calculations.

Construction Overhead and Profit options begin on row 63. There are several ways you may choose to handle the reporting of construction overhead and profit.

1. If you are the builder as well as the developer, you may want to enter your line item construction expenditures at your cost and then apply a markup percentage in this cell.

After you do so you can then use the radio buttons below to choose from two options in regard to how this information is handled on the Development Pro Forma Report:

a) If you select "Show overhead and profit as a separate line item," then the Pro Forma will show the construction costs and site hard costs as you entered them and will also show a separate line item for the amount of overhead and profit.

b) If you select "No line item," then the Pro Forma will mark up each of the hard costs by the percentage entered; it will show these marked-up amounts and show no line for construction profit.

2. If you are a developer using third-party contractors or simply prefer to treat your own construction company as if it were a third party for the purposes of this presentation, then you may prefer to enter each construction cost as the amount you will actually pay to that third party. In this case you would enter 0% as the construction profit and select the radio button for "No line item."

The Site section provides several straightforward options concerning your project's land. Enter the lot size on row 73 and select the corresponding unit of measure from the radio buttons below. Enter lot frontage in row 74; the unit of measure is based on the selection you made on the General worksheet. The Land Cost amount on row 75 works in conjunction with the choice you make below, in "Treat land cost as."

If you choose to treat land cost as project equity, then the amount you enter here will be treated as developer's equity. If you choose to treat land cost as a development cost, then this amount will be included as part of the total project cost.

If the land is leased, leave as zero.

If the developer owns the land and brings it into the project, then he or she can treat the value of that land as equity in the project.

If the land must be acquired, then typically its cost must be treated as a part of the project's cost.

Hard cost entries begin on row 88. These are costs for site work and building shells and are separate from the specific unit-type costs on the Construction worksheet. Be careful not to double-account for costs between these two worksheets.

If you wish to build in a contingency allowance for possible construction cost overruns, enter the percentage in row 90. This percentage is applied to the sum of *all* hard costs, including unit construction costs.

The data entry on this worksheet ends with Development Financing options that begin at row 176. First enter the method by which you are calculating the maximum loan commitment. You can choose between a percentage of total required funds, project capitalization rate and loan-to-value ratio or a dollar amount that you specify. Next enter dollar amounts for loan points, closing costs and working capital to be held in reserve, if any. The lender that provides the development loan may require that a portion of working capital be held back as a reserve. If so, enter this amount here; otherwise this value will be zero.

Row 196 provides a month-by-month configuration of net rental revenue that will be applied to loan repayment. Each month that rental revenue is received, a certain percentage of Net Operating Income may be applied toward the outstanding development loan balance if you wish. The portion not applied to the loan is retained as part of the developer's net cash. Your entry here is the percentage to apply to loan repayment for each month. By default, the value you enter for month 1 will propagate across the row. However, you may override this in any month by entering a new value.

On row 197 enter the annual rate that will be used to compute the amount of development loan interest for each month. Again, the value you enter for month 1 will propagate across the row. However, you may override this in any month by entering a new value.

Finally, you may optionally include a land loan in your project. Make an entry here only if there is a land loan that is separate from the development loan. The program assumes that the land loan is interest-only and that it will be retired and absorbed into the new permanent financing.

Absorption and Resale

The top portion of this worksheet provides inputs for rental absorption and revenue for up to 10 years. Other sections, below, allow you to configure leasing costs, miscellaneous income, vacancy rates and operating expenses. The final section provides options for resale valuation and new permanent financing.

Begin your data entry on row 17 to indicate when you begin building units, the total construction cost (which in month 1 comes over from the construction portion of the Unit Types worksheet), percentage of available units rented each month and the gross scheduled income. For the number of units rented, you need only use either row 22 or 23. The software will ultimately choose whichever amount is larger – use percentages for a quick configuration, or indicate exact numbers of units in row 23 for greater

precision. Note that for Gross Scheduled Income, only one row is available for editing; this row changes based on your radio button selection for the "Enter Monthly Gross Schedule Income As" selector located at rows 6-11. Changing this selector automatically changes the corresponding data input row for each unit type.

Repeat the data entry process in the Rental Absorption section for each unit type that you are utilizing. It is not necessary to fill out unit type sections if you are not using those types.

Proceed down to row 150 to begin entering Leasing Costs. Enter lease commission percentages and the length of the lease period in columns F and G, respectively. The commission is paid in its entirety in the month that the individual unit is leased and is calculated by multiplying the percentage times the entire value of the lease. Use the miscellaneous leasing costs entry in row 162 to include other leasing costs and to enter your own calculated commission amounts.

In rows 171 through 186 you can enter information about miscellaneous income, vacancy and credit loss, and operating expenses. Miscellaneous income includes items such as money from vending machines, parking and laundry. Miscellaneous income tends to be irregular, so the value you enter for month 1 does not repeat automatically across the row. You must actually make an entry in every month that you want to project such income. You can change the name in column D from "Miscellaneous Income" to whatever you like, and the change will be reflected on the reports

Enter vacancy and credit loss as a percentage of gross income, and operating expenses as dollar amounts.

In the next section, rows 193 through 208, you can make entries concerning resale or valuation. The resale value of the project when it is complete and has achieved stable occupancy can be specified in any of four ways:

- 1) by capitalizing its Net Operating Income;
- 2) by simply declaring a certain value;
- 3) by specifying its currency value per square foot or square meter; or
- 4) by using the total project cost overall (which includes the cost or value of the land).

In row 204, indicate the month when the resale or valuation of the project is expected to occur. You specify this as a month number between 2 and 120. The resulting month is displayed in the next row, in "mm-yyyy" form.

In rows 206-208, enter the expected costs of sale as a percentage of the selling price.

Finally, in rows 212 through 226 you will enter information about the new permanent financing that you expect to be in place when the project is completed or sold. Your entries here will be used on the Resale & Operating Pro Forma and the Build & Hold Pro Forma to show the terms of the new loan and to calculate the debt service for the first full year of operation.

This loan may be what you anticipate a new buyer will obtain when purchasing the project, or it may be what the developer will obtain if he or she chooses to refinance and hold the project long term.

Partnership Data

The partnership Data worksheet is optional and used for those projects where you have equity partners. You can quickly add a few data entries and print several reports just for partners.

Begin by choosing either a Limited Partnership or LLC structure in the area of cells E7 and F7. This affects labeling of cells throughout the partner calculations and reports. In a Limited Partnership you have a General Partner and Limited Partners; in a LLC you have a Managing Member, and Members.

At the top, in cell N5, enter the name of the General Partner or Managing Member. The cell for the allocation of cash to the General Partner / Managing Member is colored black instead of blue, so it is not a data entry. The program automatically calculates this cell as whatever is left over after the allocation of cash to all Limited Partners / Members.

The entry labeled “partner to analyze below” is a drop-down menu based on the list of partners that you can enter in rows 16 to 23. Hence, you should fill in this list of partners first, and then enter each partner’s cash and land contribution. The quantity entered under “#” should normally be 1, but you may want to set it to more than 1 if “Name” is something generic such as “10% investor.” When you choose a particular partner from the drop-down menu, the data displayed will be appropriate for that particular partner.

The program allocates cash flow first to pay preferred returns, then to return capital to all partners and finally to distribute the remaining cash to partners (i.e., the profit in excess of the preferred return). Your next entry, cell N11, is that percentage of remaining monthly cash flow to be paid to the entire group of Limited Partners / Members. The program will allocate the balance to the General Partner or Managing Member.

Next, indicate what percentage, if any, is the preferred return for the Limited Partners / Members.

For example, a 5.00% preferred return means that each Limited Partner is entitled to a 5% annual, non-compounded return on his or her investment before the General Partner receives any return at all. Each month, the amount due to the Limited Partner is calculated; if the partnership has not yet returned capital and does not earn enough to pay the 1/12th of 5% percent in a given month, or if there is simply no cash distribution planned for a particular month, then the cumulative amount owed to the partner remains due.

Your final row of entries allows you to specify when and to what extent you will distribute cash to the partners. Express the distribution as a percentage of available cash in a given month (row 33) or a dollar amount (row 34). The program shows you how

much cash is available each month, net of reserved working capital, but you will want to keep in mind that excessive early distributions will probably result in the need for additional borrowing and hence for greater interest costs.

In the program as delivered, the purple cells in cells H33 through DW33 contain erasable formulas that save you from the need to make repetitive entries. These formulas copy your first-month entry across the row unless you choose to interrupt that repetition by overwriting one or more of the purple cells.

In a development project (as opposed to an income-property investment) you may choose not to distribute cash until the project is done. In that case you would complete the analysis of the project first to estimate when it would be completed and distribute all of the cash at that time.

Remember that cash flows will be distributed according to your specified percentages only *after* the available cash has been used to pay the preferred return, if any is specified, and to return capital invested to both the General and Limited Partners. Paying the preferred return takes precedence over all other distributions. If there is not enough cash to pay the preferred return when the project is completed, then the Limited Partners receive as much of it as they can, to the extent of the funds that are available. In other words, the preferred return is not a guaranteed return.

Chapter 6. Monthly Mode - Reports

The next seven worksheets in the month-by-month mode of *Commercial/Industrial Development* present a variety of pro formas based on the data you have entered. They are intended for review, presentation and printing only. There are no data-entry cells on these worksheets.

All reports can be printed by pulling down the RealData Menu at the far right of the Excel menu bar and choosing, “Print Reports.” We strongly recommend that you use this method and not the Excel “File | Print” menu because our custom reports menu will provide the proper formatting and layout, as well as the option to create Adobe Acrobat-compatible PDF files. Please note also that there are several reports that you can print in addition to the following visible worksheets.

Cash Flow Plan

This worksheet displays your operating revenue and expenses on a month-by-month basis during development, as well as during the first full year after resale.

It also tracks your monthly cash flow in detail, the progress of your development loan, and your monthly leasing costs. It shows a summary of your monthly cash inflows and outflows, and of the distribution of cash at resale.

Development Pro Forma

The Development Pro Forma is a 8-page report that includes a project summary and graphical timeline; funding, including debt and equity; lease-up period income and costs; project soft costs and hard costs; and a synopsis of the total project cost.

This report is typically used to look at the project through completion of the development phase and through the process of leasing up the property to a stabilized level so that it is up, running and salable as an income property to a new investor.

Resale & Operating Pro Forma

The Resale & Operating Pro Forma summarizes the potential sale to a new investor and presents the property’s estimated income and expenses as they might appear in the first year after sale. The month of sale is specified on the Absorption and Resale Worksheet in row 204

Build & Hold Pro Forma

This report is for the benefit of a developer who wishes to build and hold the project.

It is a snapshot at the end of the month specified in the Absorption and Resale worksheet as the “resale or valuation month. The report considers the developer's current equity position, potential proceeds of an immediate sale, and likely income and expenses during the first full year of operation.

Project Executive Summary

This is a one-page report that summarizes key data, revenue; total hard costs, soft costs, land costs and leasing costs; project profit; and developer’s IRR.

Partnership Presentation

This report is very much like the Development Pro Forma, but also includes information about partner about contributions and distribution both for a particular partner and for the group.

Partner Executive Summary

This report includes key data about the project (as in the Project Executive Summary) but also displays information about a particular partner’s distributions and IRR.

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