

CASE STUDY

Apartments at Block C Number 12

The Property

THE property consists of a detached house on one title which has been converted into four serviced apartments:

- § **Apartment 1** – two bedrooms ground floor with 2 bathrooms, kitchen-living, thatched patio.
- § **Apartment 2** – Two bedrooms, two bathrooms (both bedrooms ensuite), kitchen/dining room, extensive roofed patio.
- § **Apartment 3** – Split level, 2 bedrooms, 2 bathrooms (both ensuite) kitchen/dining, living room, 2 roofed terraces overlooking pool.
- § **Apartment 4** – 2 bedrooms, 2 bathrooms (both ensuite), kitchen-living room, dining-family room, big thatched terrace overlooking pool.

All apartments are:

- § **FULLY FURNISHED**, including kitchen appliances (microwave, fridge, rice cooker, toaster etc), crockery, cutlery, pots and pans and utensils, bedding and bed linens, towels etc. The tenant can move in with a suitcase of clothes and personal effects and live comfortably.
- § **FULLY WIRED** – satellite TV services and decoder (about 60 channels including BBC, Australia TV, CNN, Discovery, Discovery Travel & Living, Nat Geographic, Star Sports, ESPN et etc); Telephone landline connections; ADSL and Wireless Internet links.
- § **FULLY SERVICED** – Maid service six days a week or as required by tenant (included in rental).
- § **AIR CONDITIONED** – Split system air conditioners to all bedrooms and living areas.

Utilities

Mains electricity supply - 35 amps to each apartment with sub-meters to measure consumption to each apartment.

Mains water is augmented by a pressure pump system and is being supplemented by two 1,500 litre storage tanks to provide up to 24 hours emergency supply in the event of an interruption to mains supply.

Bottled LPG Gas is used for cooktops with replacement bottles available for installation by our maintenance staff as required.

Hot Water reticulated to all apartments from a roof-mounted solar heating unit.

Rental Revenues

BASE rentals (net of Government rents tax) are SGD\$1,850 per month (Apartment 1), SGD\$1,750 per month (Apartment 2) and SGD\$2,050 per month (Apartment 4) and SGD\$1,850 (Apartment 4). There have been less than 3% vacancies since their completion. Tenants **PAY OUTGOINGS** for electricity, water, bottled LPG gas, satellite TV fees and Internet provider. They also pay for laundry services and bulk drinking water (large plastic bottles for dispensers). Outgoings are billed monthly in arrears.

The rents payable **INCLUDE** maid service six days a week, waste removal, maintenance, night-time security patrols, pool membership and annual Land and Building tax.

Leases provide for annual inflation adjustments of rents.

Property Fees and Charges

MANAGEMENT services are provided by the related company PT Smiling Hill Hospitality. This company provides cleaning services, waste collection and security services, handles utilities billings and payments, keeps records and accounts, retains maintenance staff, operates the bar and restaurant and maintains most common areas (including the swimming pool).

Management fees, charges and deductions for C 12 are accounted internally WITHIN THE Smiling Hill Group as related company transactions but for the purposes of this Case Study are being assessed "as though from a non-related third party" on the following annual basis:



Property Management fee (Includes Security Services) -

10% of base rental	SGD	\$9,000.00
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Cleaning/Maid Service; waste removal, gardening, routine maintenance -

4 x 2br Apartments @ \$75 month	SGD	\$3,600.00
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Repairs & Maintenance -

4 x 2br Apartments @ \$50 month	SGD	\$2,400.00
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Vacancy Factor (2 weeks allowed - well in excess of actual to date)

SGD	\$4,500.00
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SGD	<u>\$19,500.00</u>
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Rates of Return

Rental returns per annum (net of outgoings for electricity, water, Bottled gas, drinking water, satellite TV and Internet)

SGD	\$90,000
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Property Fees and Charges (See above)

SGD	\$19,500
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NET RENTAL REVENUES

SGD	\$70,500
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Cost of acquisition, renovation, fit-out & furnishings

SGD	\$285,000
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Net Rate of return 24.7%

(Property Management is in-house. If fee above added back rate of return is **27.9%**)