
Circle Software Limited

New Features

V2.04

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Synopsis

This document describes the new features contained in Visual Investor v2.04.

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DCF Appraisal

Override DCF Exit Yields

Previous Investor versions allowed users to enter different portfolio exit yields year on year for 5 years. Property exit yields were fixed and the same yield applied however long the cashflow ran.

V2.04 allows up to 24 exit yields at property and portfolio levels, each yield being applied for a period of months. A new option has been added to smooth, or graduate, the rates between periods. This should prove particularly useful when running Projections Analysis on a quarterly or monthly basis. DCF options have also been simplified.

Portfolio DCF Calculations

Portfolio cashflows previously comprised cashflow values from each of the property DCFs in one large table.

V2.04 builds up portfolio DCFs from individual property cashflows. This gives greater flexibility so that one property can exit on an initial yield basis and another hardcore, for example. It also allows the user to attach different stamp duty rates to each property within the portfolio cashflow.

Ultimately, all the property assumptions can now be drawn on when running portfolio cashflows to provide greater consistency between portfolio and property level results. A number of setup options have been altered to achieve this. These changes may have implications when exporting v.2.04 data to earlier Investor versions. Please refer to the Imports/Exports section of this document.

DCF Cashflow Report

The variables are now accessible for incorporation into Crystal reports designed by users. The 2.03 Detailed Valuation Report is written into the program code and is included in 2.04 versions.

Cashflow Discounting

Cashflow amounts are discounted daily or monthly over the total number of years, with the remaining days expressed as days divided by 365. Earlier Investor versions discounted amounts by the total number of days divided by 365. The earlier calculations did not take account of the extra day in each leap year. Although 2.04 discounting is more accurate, the difference is generally extremely small.

Finance

In addition to defining finance items linked to the purchase price or non-purchase items, loans can now also be defined as a spot amount. For auto regulating loans, users may specify a retention mode: on cashflow or on balance.

DCF Projection Page

Year 0

The running and equivalent yields on the year 0, purchase, are now included.

The Exit Net Rent/Present Value function provides a yield showing the net rent at each exit date divided by the purchase price in the first Projections column.

Performance Analysis

Performance Analysis automatically runs cashflows on each property and on grouped properties on request. Grouped results were previously calculated by weighting the results from each of the properties contained within it. The new approach provides greater accuracy.

The individual cashflow results are calculated according to the portfolio level DCF assumptions, although these are likely to refer to the property assumptions in many cases. Earlier Investor versions concentrated on the property level assumptions.

Scenario Builder

Scenario Builder includes the new features defined below:

- Separately adjust Current, Expiry and Renewal Void periods
 - set all voids the same
 - add a period to an existing void
 - remove all voids
- Adjust tenant rental values as a percentage

It will also be possible to access the following extra modules from this screen.

- Data Analysis available at property and portfolio levels
- Rent Analysis available at property and portfolio levels
- Performance Analysis available at portfolio level
- Category Analysis available at portfolio level

Guaranteed Minimum Uplifts

Users can stipulate a minimum percentage increase or rent to be achieved at review. Values are entered into the Lease Schedule and can be valued in traditional valuations and cashflows or just cashflows.

The option to allow minimum uplifts in traditional valuations and/or cashflows is found on the tenant, Valuation page.

Turnover Rents

Turnover rents can be calculated in DCFs and traditional valuations. Categories of commodity such as food, shoes and general can be attached to individual tenant records along with base turnover values and anticipated growth. A simple set of rules is defined to calculate the gearing of the turnover into actual rent.

Import / Exports

Export Factual Data Only

Users have the option of exporting only non-assumption data. Void periods, yields and ERVs, for example, are not exported. Some data such as turnover amounts will remain. We recommend users reload export files to check the necessary data has been removed.

V.2.04 data exports to v.2.03 or earlier

Please note the following limitations to the data export from Investor v.2.04 in v.2.03 or earlier CVL file format, as a result of the new features and functionality in v.2.04 which are not available in earlier versions.

Users should review this information carefully since it may impact upon valuation results. If the file is to be forwarded to another user it is recommended that this information is forwarded with the CVL file.

Portfolio DCF

Portfolio DCF settings, including rental growth and exit value assumptions, are not exported from 2.04 to 2.03.

Property DCF

Override exit yields. In 2.04 it is possible to define override exit yields for periods of less than or more than 12 months. In 2.03 varying exit yields may be defined on an annual basis only and so users should review the property override exit yield set-up on import into v.2.03.

The Stepped option under Rental Growth and Gradient option under Exit Yields are not available in version 2.03. 2.04 exports to 2.03 will always assume the Standard and Stepped settings for Rental Growth and Exit Yields respectively.

Finance

Loans where the capital borrowed has been defined as a spot amount are exported as a fixed amount linked to Purchase.

Costs

On Break cost trigger

The On Break cost trigger is not available in Investor version 2.03.

Costs using the On Break trigger are exported with a Manual Distribution cost trigger. No costs will be shown in the Manual Distribution spreadsheet. The cost amount details are exported and will be enabled when the cost trigger is changed in 2.03 however.

Costs linked to Break penalties

For On Break costs where the Use Specified Penalty has been selected, no penalty amount is exported. This feature is not available in 2.03.

Costs On Lease Start/Renewal With/Without Voids

Costs with the triggers On Lease Start/Renewal With Voids or On Lease Start/Renewal Without Voids are exported with a Manual Distribution cost trigger although costs will not be shown in the Manual Distribution spreadsheet. Cost amount details are exported and will be enabled when the cost trigger is changed in 2.03 however.

Costs with the cost trigger On Lease Start/Renewal are not affected.

Minimum uplifts

Minimum uplifts are not available in Investor v.2.03 and are not exported.

Turnover leases

Tenants with turnover leases are exported to 2.03 with the tenant Lease Type as Turnover Lease, however no turnover information is exported. Turnover leases are not available in 2.03.

Break Penalties

Break penalties are not available in Investor v.2.03 and are not exported.

Data Analysis

The average next review, earliest termination and lease expiry dates are shown at the foot of the screen along with the average period to termination. The values are weighted by ERV.

The new Lease Description column displays the Description field attached to tenant records.

Reports

DCF variables are now available for incorporation into Crystal based reports. The range of DCF reports issued with the program has also increased. The DCF, Exit Calcs report is based on the Detailed Valuation report used for traditional valuations.

Screen Changes

Tenant Screen

The Break Exercised field now displays None, Not Activated or the break date.

Tenancy Schedule

Additional columns have been added to the tenancy schedule.

- Breaks, showing active and inactive lease break options
- % Gearing

Property Screen

A flag appears at the bottom of the property page when the property assumptions deviate from the portfolio rules.

Portfolio Screen

A Category dropdown field has been added. Category names appear in the Command Centre when the category option is ticked in the View dropdown menu.

Command Centre

Users can order portfolio records alphabetically or by gross value etc. Portfolio column headings can be revealed or hidden using the View, Customise Columns option. The View, Show Portfolio Filters option allows users to hide or reveal records by Category type, Gross Value or Name for example.

Breaks Form

Break penalties can now be entered against each break option in the Lease Break Options form. Penalties linked to floor area rates, ERV's, rents passing etc. can be entered in the costs schedule using the new On Break cost trigger.

Costs

On Break cost trigger

The cost is triggered by an active break. Users have the option of using a specific break cost entered in the Tenant, Break Options form or a fixed sum, amount per unit area, percentage rent or percentage rental value entered in the Costs Schedule.

On Lease Start/Renewal With/Without Void cost triggers

The new On Lease Start/Renewal With Void trigger is activated when a vacant unit is let after a Current Void period or is relet following the lease expiry and a void period. On Lease Start/Renewal Without Void costs are triggered by letting on the valuation date or relettings without expiry voids. The implication is that lettings and relettings without voids may be lease renewals and therefore less expensive.

Stamp Duty

Costs can be calculated on Cumulative and Non-Cumulative bases. The Non-Cumulative basis is used in the UK and the Cumulative basis is used in Australia, for example. The Non-Cumulative method charges a percentage rate against the entire price according to the property value. The Cumulative method charges different rates to different elements or parts of the overall price.

Capitalisation of Revenue Costs

Revenue costs are rent adjustments and items falling on or after the valuation date or DCF expiry must be capitalised for one year to find their equivalent capital values. A new Invwin.ini switch allows users to value the residue of the 12 month period where the date of the cost has already passed. A cost falling three months ago would capitalise for 9 months from the valuation date for example. This helps avoid major steps in value when valuing on different dates but will mean that investors are still paying for one off costs such as letting fees when they happened in the past.

The Invwin.ini switch defaults not to value revenue costs accrued in the past and it therefore behaves the same as previous Investor versions.

Property Tenure

Users can only value the root level (most senior) property interest when using v.2.04. Investor previously allowed users to value from a freehold perspective and then immediately value an inferior leasehold, for example. Each interest is likely to attract different valuation yields and costs and this led to confusion, hence the change. We recommend users copy the original record and make changes to the copy to value different interests.