

The following options only appear once you have selected a file in one of the folders:

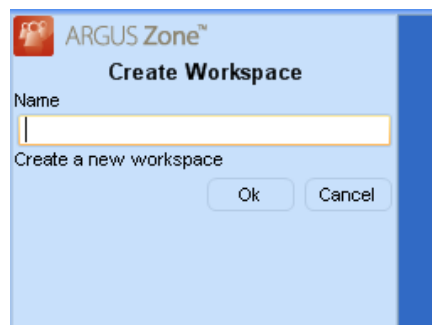
- **Open document button** - Use this button to open the currently selected file with the appropriate application.
- **Version history button** - Use this button to view the version history and owner of the file.
- **Check out button** - Use this button to check out the currently selected file. Checking out allows you version-control a file; this is particularly useful in collaborative or group projects where there are several people who will contribute to the data in a file.
- **Check in button** - Use this button to check a file in. This option only appears if you have performed a check out procedure on a file.
- **Undo check out button** - Use this button to undo a check out procedure. This option only appears if you have performed a check out procedure on a file.

Adding a workspace

A workspace is an area within the Zone where you can store files and folders.

To add a new workspace to the list in the workspace drop-down, click on the **Create** button.

The sidebar changes to show the following:



Type in a name for the new workspace and click on the **OK** button.

Note: If you wish to permit other users to access this workspace, you will need to open the **Workspace Explorer** in the ARGUS Zone website, and invite the other users as collaborators.

Opening a workspace

To open a workspace in the Zone, use the workspace drop-down. You can select a workspace from the list. If you have not yet defined a workspace, you will need to go onto the ARGUS Zone website to do so, or use the **Add** button.

Opening a folder in the Zone

To open a folder with the Zone website, first select the folder or sub-folder and click on the **Open with ARGUS Zone** button. This will take you directly to the appropriate folder in the workspace, displayed in a web browser window.

Note: If you do this and you are taken to the login page of ARGUS Zone instead, it means that you have been automatically logged out of the Zone (because of account inactivity). To fix this, log in again, and repeat the **Open with ARGUS Zone** action.

Checking a file out

To check a file out, select the file and click on the **Check out** button.

A padlock symbol will be displayed next to the file's name, indicating that the file is locked for editing purposes.



You will be able to open the file, edit it and save it without other users overwriting it. After you have finished editing the file, you should check the file back in, so that other users can use the file.

Each time you do this, a version-controlled backup of the file will be stored in the Zone.

If you wish to reverse a check out procedure, select the file and click on the **Undo check out** button.

Checking a file in

When you add a document to the Zone storage, it is checked in by default.

Each time you check a file in, a version-controlled backup of the file will be stored in the Zone.

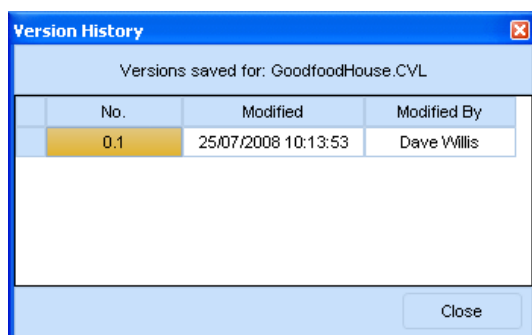
To check a file in when it has been checked out, select the file and click on the **Check in** button.

Viewing the change history of a file

The change history of a file shows how many times a file has been checked in after revision, and shows the names of the users who have done this.

To view the change history, select the file name and click on the **Version history** button.

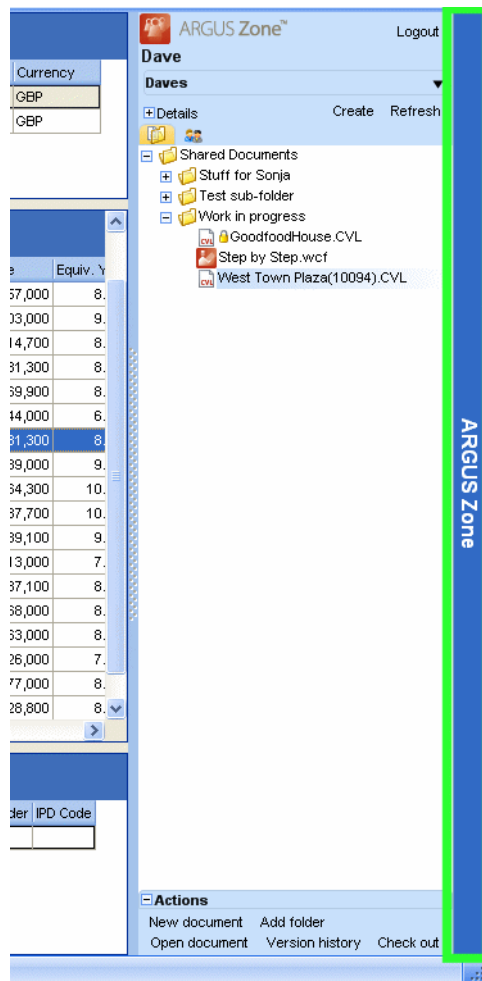
This opens the Version History window:



Note: If the document has gone through so many revised versions that you now have a very long list, you may wish to delete some of these minor versions, leaving the current version in place. You will only be able to do this by logging into the ARGUS Zone website.

Hiding the ARGUS Zone sidebar

On occasions when you are not using the ARGUS Zone sidebar, you can hide it by clicking on the vertical ARGUS Zone border that appears on the far right of the sidebar (shown here outlined in green for illustrative purposes).

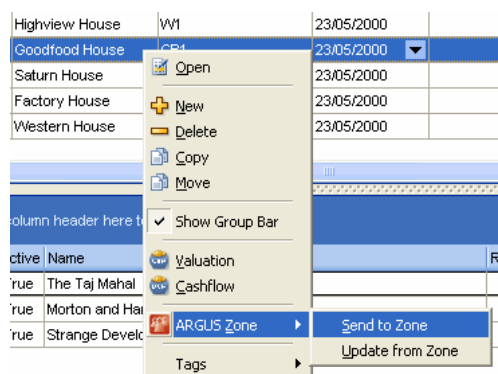


This is a toggle, so clicking on the border again will open the Zone sidebar.

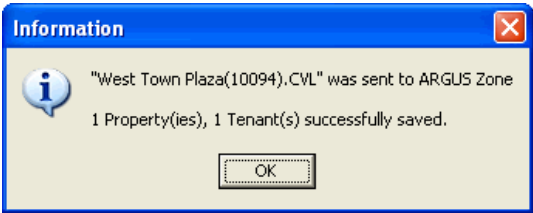
To resize the Zone sidebar, you can use the mouse to drag the left-hand edge of the Zone sidebar. The mouse cursor will change automatically to a resizing cursor when you position it over the line between the Zone sidebar and the tabs in the main window.

Sending a property or portfolio to the Zone

To send a property or portfolio to the Zone, select it and right-click to open the menu:



Select the **ARGUS Zone | Send to Zone** menu option and the item will be saved to a .CVL file on the Zone. A confirmation message will appear to tell you that the file was successfully uploaded:

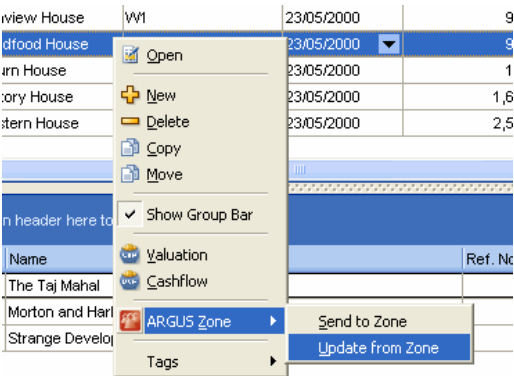


The item that has been sent to the Zone will be indicated by means of a green dot in the **Zone** column of the **Portfolios** or **Properties** list:

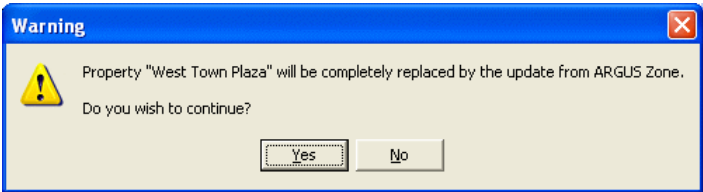
✓	True	18	Saturn House	YO1
✓	True	17	Goodfood House	CR1
✓	True	16	Highview House	W1
✓	True	15	Seaside House	
✓	True	14	Worcester Fields	HR1
✓	True	13	Development Place	
✓	True	12	Wiltshire House	
✓	True	11	West Town Plaza	
✓	True	10	Yorkshire Place	
✓	True	1	A Building	HR1

Updating a property or portfolio from a file on the Zone

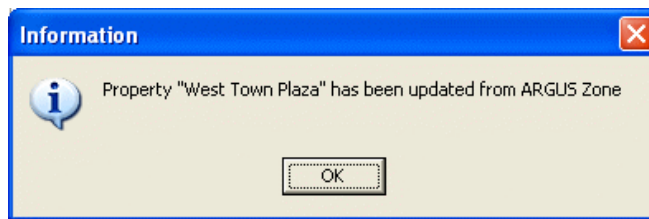
You can update a selected property or portfolio from a file that you have stored on the Zone. Select the record you wish to update, and right-click to open the menu:



Select the **ARGUS Zone | Update from Zone** menu option. You will be reminded that this action will overwrite the currently selected record:



Click on **Yes** to proceed. A message like the following will be displayed after the process has completed successfully:



CHAPTER 4

A simple start

This chapter is intended as a quick run through the basic steps to enter data and produce valuations.

Start on the Command Centre screen.

Defaults will have been initialised and assumptions set up; these may have been manually modified.

You can either add a new portfolio or select an existing one.

Step 1 Add or select portfolio

Click on the **Portfolios** list in the Command Centre screen.

Click on the **New** button.

Step 2 Name the Portfolio

Double-click the new row in the **Portfolios** list.

In the portfolio record window, type “My portfolio” in the **Portfolio name** field.

Step 3 Check the valuation date

Enter or accept the date in the **Valuation date** field.

Use the **File | Close** menu option to close down the window.

Step 4 Add or select a property

Click on the **Properties** list in the Command Centre screen.

Click on the **New** button.

Accept the default template.

Step 5 Building the property data

Double-click the newly created property row.

View page 1 of the property record (the **Address** tab).

Type a name and address to identify the property.

Step 6 Check the valuation date

Enter or accept the date in the **Valuation date** field.

Step 7 Editing property data

Ensure the **Tagged** and **Active record** boxes are checked ON.

Step 8 Adjusting Tenure

Click the tab marked **Tenure**.

By default, there should be one freehold listed on this tab.

Step 9 Tenants

Select the **Schedules | Tenants** menu option.

In the Tenancy Schedule, select the **Tenant | New** menu option or click on the **New** button.

Type a name in the **Tenant Name** column.

Enter a lease start date and duration. *Alternatively, you can enter a term and expiry date.*

Enter a Rent Review cycle (in the **RR Cycle** field), if any.

Set the Upward Only flag ON (**Up Only** check box) for a typical UK lease.

Enter “100000” in the **Current Rent pa** field.

Enter “120000” in the **Rental Value pa** field. *Alternatively, use the Area Schedule with menu option **Schedules | Areas**.*

Move along to the **Cap Rate Group** column.

Select “Private” from the **Cap Rate Group** drop-down.

Select “Hardcore” in the **Valuation Method** column.

Type “8.00” in the **Term/Hcore Rate** column.

Ignore all other fields.

Step 10 Applying Costs

In the Tenancy Schedule, select the **Schedules | Costs** menu option.

Click the “Acquisition Costs” item in the hierarchical “tree” on the left-hand side of the Costs Schedule.

Check the settings for Acquisition costs.

Click the “Freehold” item in the “tree”.

Select the **Edit | New** menu option or click on the **New** button.

A **Costs** section appears in the bottom half of the window.

Type “Repairs” in the **Name** field.

Type “Building Costs” in the **Category** field.

Beneath this, click on the left button (**Add/Insert category item**) to add the category.

Ensure the **Enable in DCF** and **Enable in Valuations** boxes are checked ON.

Ensure a Capital Expenditure item is selected (to find the correct line, look in the **Type of cost item** column). The **Details** tab will appear.

Click the **Details** tab.

Select “On Date” in the **Cost Trigger** drop-down.

Click the **Start Date** label (the blue underlined text).

In the date selector, increase the year by two.

Click on the **Select** button to select the new date for the cost trigger.

Type “20000” in the **Fixed Amount** field.

Locate the **Growth Group** label (the blue underlined text) in the **Inflation for DCF + Valuations** section.

Click the **Growth Group** label to open the Cost Growth/Inflation dialog.

Type “1” in the first row, then click on the **OK** button.

Select the **File | Save changes & Exit** menu option.

Step 11 Preparing for Valuation

The Tenancy Schedule should now be visible.

Click on the **Assumptions** button and select the **Valuation rules** option.

Check the various options.

Click on the **Save** button.

Step 12 Executing the valuation

In the Tenancy Schedule, select the **Valuation | Valuation** menu option.

The valuation results are displayed in the Property Valuation window.

Select the **File | Reports** menu option or click on the **Reports** button.

Highlight the “Detailed Valuation Report” option in the Reports window.

Select the **Tools | Preview** menu option.

View the report, and print by selecting the **File | Print** menu option.

Step 13 Preparing the DCF

Return to the Tenancy Schedule.

Select the **Valuation | DCF** menu option or click on the **DCF** button.

In the Property DCF window, on the **DCF Options** tab, make the duration 10 years.

Select the **Ungeared IRR** option. Leave all the other option boxes on the left hand side of the screen blank (off).

Click on the **ERV Growth** tab.

Choose “Override” from the **Basis** drop-down.

In the grid at the bottom of the tab, type “5.00” in the **Rate** column for Item 1.

Click on the **Exit Value** tab.

Choose “Override” from the **Basis** drop-down.

In the grid at the bottom of the tab, type “8.00” in the **Rate** column for Item 1.

Step 14 Generating the IRR

Click on the **Calculate** button.

View the IRR and Present Value fields at the top of the tab.

Explore this screen to understand the controls.

Place the mouse on the row with the tenant’s rent.

Double-click it the row and the tenant’s record opens.

Close the record.

Type a new IRR figure in the field at the top of the tab, then click the calculator (PV) button next to it to recalculate the DCF.

Do the same for **Manual PV Value** and **Use Value as PV**.

Select the **Tools | €/£ Graph** menu option.

Step 15 Cash Flow report

Select the **File | Reports** menu option or click on the **Reports** button.

In the Property DCF Print Settings dialog, choose “Schedule” in the **Type** drop-down.

Click on the **Proceed** button to view and print the report.

Step 16 Close session

Close down all dialogs and windows using the **File | Close** menu option or by clicking on the **Exit** button.

Close down Valuation-Capitalisation by clicking on the **Application** button and clicking on the **Exit** button.

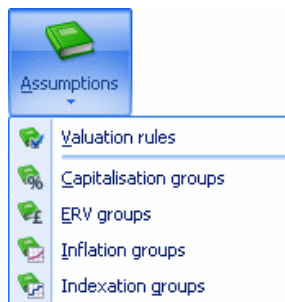
CHAPTER 5

Assumptions

The Valuation Assumptions provide the rules and controls for the valuation mathematics, valuation tables, roundings and indexation.

The Default Assumptions at system level provide a base setting for the calculation options. New portfolios inherit the system level assumptions. These portfolio level assumptions can then be changed record by record. New properties adopt the same assumptions as their parent portfolios. Each property level assumption can be over-written later as required.

The Assumptions dialog displays the settings for the currently focused level. If the current view is the tenant level, then the property Assumptions are shown.



Access the Assumptions dialog box by clicking on the **Assumptions** button and selecting the **Valuation rules** menu option.

When a portfolio is created, its default Assumptions switches are all ON and the settings are the same as the system defaults. They can then be modified to create an override set of default assumptions for the properties in the portfolio.

Property assumptions with checked default fields set to ON will apply the same settings as the portfolio level assumptions.

All assumptions can be reset to the parent defaults using the **Switch all defaults on** button.

The Assumptions screen is divided into two pages:

- **Options** (see [“Assumptions Page 1: Options” on page 68](#));
- **Rounding** (see [“Assumptions Page 2: Rounding” on page 70](#)).

Assumptions Page 1: Options

The first page holds several options controlling specific aspects of the mathematical processes.

Portfolio Assumptions : Sample Portfolio

DEFAULTS FOR PROPERTIES IN THIS PORTFOLIO

Options | Rounding

Use system default All ☒ ☒

Hardcore method	Apply single hardcore rate to all income slices	☒
Term and Reversion method	Reversion assumes next event/review date	☒
Next event/review definition	Any event (fixed step, market rent, etc)	☒
Initial Yield (Cap Rate) method	Allow valuation rent to be zero	☒
DCF Exit IY valuation	Valuation uses passing rent at DCF exit	☒
Equivalent Yield (EY) - Froth option	Solve EY using trial EY rates to value 'froth' rent	☒
EY - Cap Costs option	Solve EY using manual rates for capital cost discounting	☒
EY - Value target	EY targeted on net unrounded value	☒
Acquisition costs	Based on LOCKED (say) value	☐
Special case calculation	Ignore Double S.F. Correction (Pannell's method)	☒
Placement order in valuations	Capital Costs ordered before Acq Fees in valuations	☒
Target for Running Yields	Net Unrounded Value ☒ + Acq Costs ☒ + Cap. Ex. ☒	☐
Valuation tables	Annually in Arrears	☒
Leasehold Sinking Fund / Tax	4.000 % 40.000 %	☒

☒ Save ☒ Cancel

Portfolio Assumptions - Options

Hardcore Method

Hardcore valuations can use a single yield rate for valuing all rent at or beneath ERVs, or include a “marginal” or “layer” rate on top slice rents.

Term & Reversion Method

The reversion yield can apply on the next event or review in the tenants lease or the lease renewal date.

Next Event/Review Definition

The “Next Event” in a lease is assumed to be either an open market review or any event. This assumption is linked in with the Term & Reversion entry described above.

Initial Yield (Cap Rate) Method

If a tenant rent is zero at the valuation date, you have the option of substituting the zero rent with the ERV.

DCF Exit IY Valuation

DCF exit values are worked off the projected rents or projected rents and ERVs.

Equivalent Yield (EY) - Froth Option

The valuer can exclude over-rented froth from equivalent yield calculations. Froth is valued using the explicit yield input by you in such cases. More commonly, the equivalent yield is calculated off the entire cash flow and the froth is treated the same as hardcore rents.

EY - Cap Costs Option

When calculating equivalent yields, capital costs are either discounted at their explicit present value rates or, alternatively, using the equivalent yield rate. The capital cost figure *displayed* in the valuation result will not change when this option is on.

EY - Value Target

Equivalent yields can be calculated off Say values or Net Unrounded values.

Acquisition Costs

Acquisition costs can be calculated off the Net Unrounded Value or to the rounded “Say” value.

Special Case Calculation

Leasehold valuations naturally suffer from an inherent error of doubling the sinking fund element. This option applies Pannell’s method of sinking fund correction.

Placement Order in Valuations

Capital costs can be calculated off property values before or after the deduction of acquisition fees.

Target for Running Yields

The target for running yields is the net rent divided by the capital value for the property or portfolio. This function defines which capital value is to be used. For example, net value or capital value.

Valuation Tables

The original standard for UK valuations has been the use of Annually in Arrears maths tables for the calculation of Years Purchase factors. The Quarterly in Advance (Effective) table is a more recent change in the UK valuation market. The Valuation Tables option provides a choice of alternative tables.

Leasehold Sinking Fund / Tax

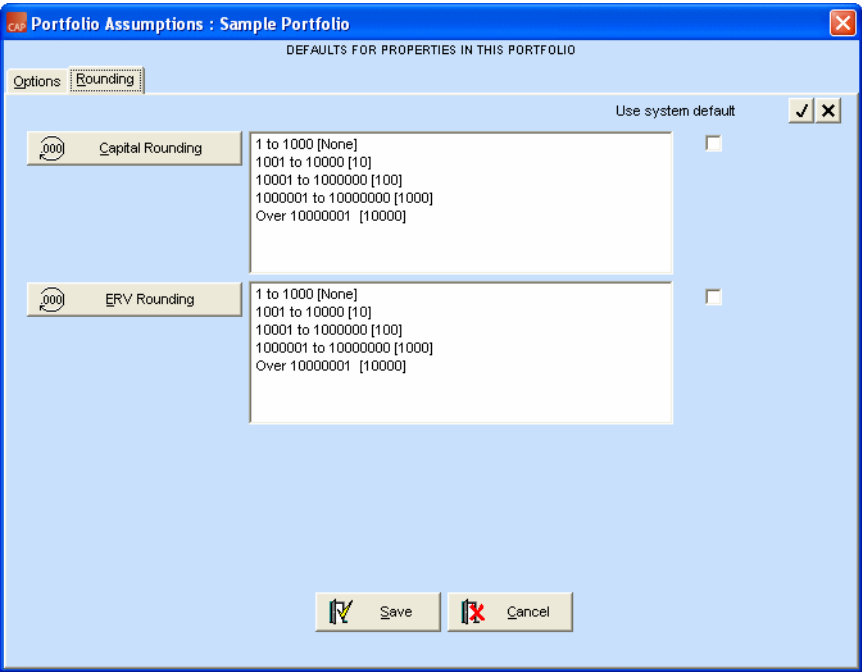
The interest and tax percentages relate to sinking fund contributions against leasehold property interests.

Sinking funds can be turned off by selecting zero rates for each parameter.

Sinking fund data is ignored when valuing freehold interests.

Assumptions Page 2: Rounding

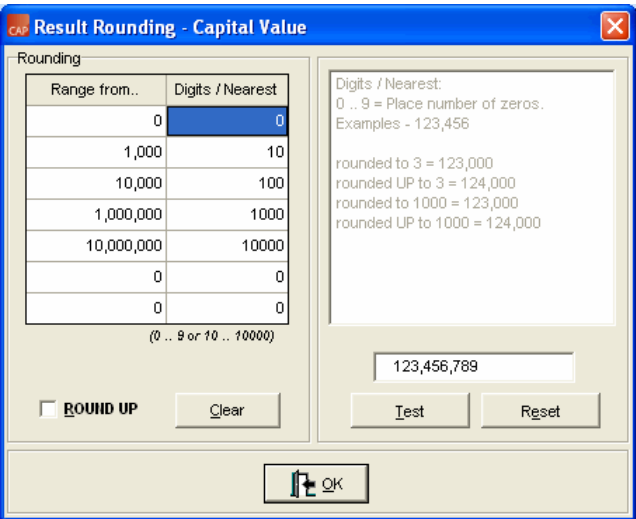
The second page holds information for Rounding:



Portfolio Assumptions scheduled settings

Capital Rounding and ERV Rounding

Both of these options work in the same way. The display shows the current setting for numeric rounding.



Rounding set up dialog box

The numeric ranges are shown on the left hand side of the rounding screens with the corresponding “nearest” level setting on the right. For example:

- 0 0 = No rounding
- 1000 10 = 0 to 1000 to nearest 10
- 10000 100 = 1000 to 10000 to nearest 100

1000000	1000	= 10000 to 1000000 to nearest 1000
10000000	10000	= 1000000 to 10000000 to nearest 10000
0	0	= All higher numbers to nearest 10000

A test box is available to test settings. You can Round Up or leave it unchecked to allow upward and downward rounding.

Assumptions: Loading, Saving, Copying and Moving Records

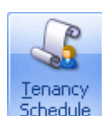
Valuation-Capitalisation is designed to maintain the Assumptions held against the original properties when property and portfolio records are saved, loaded, moved or copied.

The assumptions attached to portfolio records imported into existing portfolios in Valuation-Capitalisation will be lost. Since portfolio values are the sum of the individual property values, however, this will not affect the overall value. It will only have an impact when new properties are created within the combined portfolio record. New properties will adopt the assumptions against the original portfolio record rather than the assumptions against the imported portfolio.

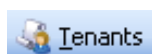
CHAPTER 6

Schedules

Tenancy Schedule



You can open the Tenancy Schedule by clicking on the **Tenancy Schedule** button in the main window.



Access to the Tenancy Schedule is also available from the Property and Quick Valuer windows using either the **Tenants** button or the **Schedules | Tenants** menu option.

Tag	Active	Tenant Name	File/Ref No.	Description	Parent Tenure	Sort Order	Covenant	Lease Start	Years	Months	Days	Expiry Date	Next Review	Breaks	RR Cycle	Up Only
✓	✓	The Taj Mahal			Leasehold	0	Secondary	31/01/1998	25	0	0	30/01/2023	31/01/2003	None	5	✓
✓	✓	Morton and Harket Limited			Leasehold	0		01/01/2000	25	0	0	31/12/2024	01/01/2005	None	5	✓
✓	✓	Strange Developments PLC			Leasehold	0		01/01/2000	25	0	0	31/12/2024	01/01/2005	None	5	✓

Each property can display a schedule of its tenants. This is especially important for multi-let properties when the tenant records are to be viewed and edited in blocks.

The Tenancy Schedule form has commands to add, delete, copy and edit tenant data as well as perform valuations and cash flows.

The Tenancy Schedule contains columns of data representing some of the most important fields in the tenant record (see [“Tenants” on page 117](#) for further information about these options).

Each row is a single tenant and can be edited in the schedule. Editing records in the schedule automatically updates the underlying full tenant record. At any time, the full record can be opened by double-clicking the row or using either of the menu options **Tenant | Name & Status**, **Tenant | Lease & Rent...**, **Tenant | Renewal...**, **Tenant | Valuation...** to open the required page in the record.

Once inside the Tenancy Schedule, the column headed **Parent Tenure** shows the tenure under which the tenant has been defined.

One of the main advantages of the tenancy schedule is the ability to copy and paste data down columns. For example, if you have 10 tenants and each is set with a lease term of 25 years and you want a block of tenants to have terms of 15 years then:

1. Place the cursor on the first tenant **Years** column you wish to change, and type “15”.
2. Use **Edit | Copy**.
3. Highlight the next 5 tenants’ years fields. To do this, **click and hold** the left mouse button on the first cell to be changed, and use the shift and down arrow keys to select 5 rows so they are highlighted, then use **Edit | Paste**.

File menu

Excel

If correctly configured, this exports the current schedule contents to Microsoft Excel based on any Excel template that may be defined.

Print

Opens a report preview window, allowing you to print a report.

Close

Closes the window.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls.

Re-number Manual Order (1,2,3.....)

Keeps the current tenant order, but renumbers the record’s sort order number as 1,2,3,4,...

Clear Manual Order

Keeps the sort order but renumbers sort order numbers to zero.

For a manual sort order, enter a numeric value in the column headed **Sort Order**. On entering a desired sort order, select the **Re-number Manual Order (1, 2, 3...)** command to revise the order in the schedule.

Tenant menu

New

Adds a new tenant record. If tenant templates have been defined, then the choice of templates is offered.

Delete

Deletes the selected tenant record

Copy

A dialog box appears and requests the number of tenant records required to be copied.

Name & Status, Lease & Rent, Turnover, Renewal, Valuation

Expands the current tenant row to select a page in the tenant record.

Previous

Move to the previous tenant record in the current sort sequence.

Next

Move to the next tenant record in the current sort sequence.

Schedules menu**Costs**

Displays the property Costs Schedule.

Rent schedule

Displays the tenant's Rent Schedule.

Areas

Displays the tenants Area Schedule.

Breaks Schedule

Displays the tenants schedule containing any break date options and whether exercised as Landlord/Tenant/Mutual.

The effect of a break option will only apply if one of the "Exercised" flags is ON. To ignore breaks, ensure the **None** flag is set.

Break penalties can be entered against each break in the Lease Breaks page. Penalties linked to floor areas, ERVs, rents passing (and so on) can be entered in the costs schedule using the **On Break** cost trigger.

Rent Pay Dates

Sets the precise dates (for the DCF) of rental payment dates.

Tenant Growth

Each tenant holds a rental growth schedule for the DCF when the option is chosen to apply Tenants Rental Growth. Rental growth rates can be entered manually or Inflation Groups can be attached.

Capitalisation groups

Displays the property Capitalisation Groups Schedule.

ERV groups

Displays the property Rental Value Groups Schedule.

Inflation groups

Displays the property Inflation & Growth Groups Schedule.

Indexation groups

Displays the property Indexation Groups Schedule.

Valuation menu**Valuation**

Opens the Property Valuation window and values the property.

DCF

Opens the DCF window to process the Cash Flow for the property.

Tools menu

Fixed Left Columns

The columns in the **Name and Status** section can be locked so they do not go out of view when scrolling horizontally through the schedule.

Using the Tenancy Schedule

Data can be typed directly in the schedule or each tenant record can be opened for editing. Both methods will keep the information updated and synchronised.

When entering dates, you can use a drop-down calendar to select a date:

Days	Expiry Date	Next Review	Breaks
0	22/05/2050	23/05/2006	Not Act

May 2050

M	T	W	T	F	S	S
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

Today Clear

The columns of data have colour indicators to show the status as follows:

- YELLOW is applied when the lease is defined to start in the future relative to the valuation date;
- RED is applied when the tenant is over-rented (where current rent exceeds rental value);
- LIGHT BLUE is applied if the lease expiry date has occurred before the valuation date.

As data is entered, the status bar at the bottom of the window updates with the total current rent and rental value. A colour key for the columns is also displayed on the status bar:

Valuation Date: 23/05/2000 Values: Gross Value: £769,145 Net/Say Value: £769,100 Fields: Future Over-rent Expired

Rent Schedule



Every tenant lease (and ground lease) has a Rent Schedule.

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type	Amount/%
31/01/1998	5	0	0	Market Rent (RR date)	☒	£78,500	None	0.00
31/01/2003	5	0	0	Market Rent (RR date)	☐	£78,500	None	0.00
31/01/2008	5	0	0	Market Rent (RR date)	☐	£78,500	None	0.00
31/01/2013	5	0	0	Market Rent (RR date)	☐	£78,500	None	0.00
31/01/2018	5	0	0	Market Rent (RR date)	☐	£78,500	None	0.00
31/01/2023	96	10	27	Renewal/Relet	☐	£0	None	0.00

The Tenant Rent Schedule (called “Base Rents Schedule” if it is a **Turnover lease**, or “Ground Lease Rent Schedule” if it is opened from the Ground Lease window) is accessible from the Command Centre, Quick Valuer screens, Tenancy Schedule and from inside the tenant record itself. All use the common **Rent Schedule** button shown above, or (in the Tenant record) the **Rents** button, or (in the Ground Lease window) the **Lease Schedule** button.

The schedule opens a window to view and modify the detailed event steps in the lease.

File menu

Print

Prints the Tenant Valuation report.

Save

Saves the content of the schedule and exits the screen.

Cancel

Cancels the changes to the schedule and exits the screen.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls.

Insert Line

Inserts a line within the first and last rows of the schedule.

Delete Line

Deletes the current selected line within the first and last rows of the schedule.

Tools menu

Reset Schedule

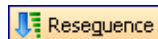
This option removes any changes made to the Rent Schedule page and returns the lease events to the basic details set out on the tenant, Lease & Rent screen.

Resequence

This option opens a new section at the top of the schedule (shown here outlined in green for illustrative purposes):

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type
31/01/1998	5	0	0	Market Rent (RR date)	☒	£78,500	None
31/01/2003	5	0	0	Market Rent (RR date)	☐	£78,500	None

You can also open this section by clicking on the **Resequence** button:



When a row is selected in the schedule, a new cycle in years, months and days can be entered to update the following periods to the required cycle. The future events can also be selected using the options in the **Set future events to** drop-down list. Click on the **DO IT** button to execute the resequencing process.

For example, the subject lease may feature 3 yearly reviews for the first 15 years. The review pattern then changes to 5 yearly for the remaining 10 years of the term. To perform the resequencing, click on the line in the Rent Schedule from which the first 5 yearly interval will begin counting. Select the **Tools | Resequence** menu option or click on the **Resequence** button.

The Resequence function can also be used where when regular lease events change to other events. For example, annually indexed rents at the beginning of the lease may be replaced by 4 yearly rent reviews after 6 years. As previously, click the relevant date line followed by **Resequence**, select the new interval and event type and the first new event will appear after the first interval has expired.

How the Rent Schedule Works

The schedule charts all of the events relating to a tenancy unit. These events include voids, rent free periods, rent indexation, rent reviews and minimum uplifts at review. A lease that starts after the valuation date shows a void period known as the pre-lease void. When the lease ends, the schedule shows any expiry void and the reversion event date.

The initial default position is determined by the Tenancy Schedule or Quick Valuer or Lease & Rent screens. Return to this default position by clicking the **Reset schedule** button at the top of the window. This will override any manual changes made to the Tenant Rent Schedule.

The Rent Schedule can be modified by changing dates (except first and last), the duration of each event, the event type, the rent and minimum uplift information at rent review. As you change dates or duration period, the schedule automatically adjusts. Lease start and expiry dates and void

periods cannot be modified to protect the integrity of the schedule. These items can be changed from the Tenancy Schedule or Quick Valuer or Lease & Rent screens.

Events such as Fixed Rent, Interim Step and Indexed allow typed entry of rent amounts. Amounts manually typed into the **Rent per annum/Rent per month** column are treated as if they are contractually written into the lease. They will not change in cashflows when rental values are subject to growth or the sensitivity analysis screens “test” different growth rates.

Cashflows will always use minimum rental uplift information if entered on the Rent Schedule screen. The values or amounts entered will form the lowest figure that review can be settled at. If you enter a lower rate of rental value growth in the DCF than the minimum uplift figure or percentage, the cashflow will assume the minimum in the Tenant Rent Schedule. Enter rental value growth that exceeds the minimum in the Tenant Rent Schedule, and Valuation-Capitalisation will use the cashflow growth rates. These simple rules also apply to the cashflow sensitivity analysis functions.

See also **“Minimum Uplifts” on page 81.**

Minimum uplifts can be counted in traditional valuations if you select the **Enable in Trad. Val.** option in the Tenant window, on the **Valuation** tab. Please be careful when choosing this option. The yield applied to the hardcore rent will probably already provide for anticipated changes in rental value. Valuing the guaranteed increases risks counting the implicit hardcore growth twice. There is no means to avoid double counting and the increases should arguably be capitalised at a high rate to lessen the effect.

The minimum uplift can be entered as either a percentage rate p.a. or an amount. Amounts under 100 are treated as percentages. Amounts in excess of 100 are amounts. Percentages are always annual percentages and are subject to compounding. A 3% rate therefore represents a 15.9% increase with a 5 year rent review pattern. Amounts entered are the final, guaranteed amounts on the review dates and are not annual increases.

The application of the **Upward Only** flag in the tenant’s lease will force open market events to be a minimum of the highest prior rent in the lease.

If the schedule gets out of sync, or you need to restore the information to the default basic set-up, use the **Reset schedule** function. This removes any changes made to the Tenant Rent Schedule and returns the lease events to the basic details set out on the **Lease & Rent** tab in the Tenant window.

Fix Events

This check box (located on the Tenant Rent Schedule’s toolbar) fixes the Lease events history so you cannot change the indexed periods. If you have any events that are indexed, they will be removed from the event history when you select this check box.

Lease events

Events are selected with the **Event** drop-down list:

Rent Valuation				
Mths	Days	Event (click to change)	Override	Rent pe
0	0	Market Rent (RR date)	☒	
0	0	Indexed	☐	
0	0	Indexed	☐	
0	0	Market Rent (RR date)	☐	
0	0	Fixed Rent (RR date)	☐	
0	0	Interim Step (non-RR)	☐	
0	0	Resume market (non-RR)	☐	
0	0	Rent Free	☐	
0	0	Indexed	☐	
0	0	Indexed	☐	

If you select “Indexed”, the **Override** check box will become active (note that this will only happen if you have the **Fix Events** check box unchecked).

Holding Over

Tenants holding over is a feature of the property market in the UK and few other nations. A lease is deemed to extend beyond the contractual lease expiry date if the tenant remains in occupation and the landlord has not taken legal action to ensure the tenant's removal. The holding over period itself is the term of occupation following the contractual lease expiry and is interpreted in Valuation-Capitalisation as the time required to negotiate a renewal lease. The assumed term will always run from the valuation date and should be entered as the **Current Void** setting found in the Tenancy Schedule, Quick Valuer or on the **Lease & Rent** tab in the Tenant window.

Enter a current void (months) to represent the estimated period during which the tenant will be holding over, then check the **H/O** (Holding Over) check box to enter the holding over rent.

Current Void

Void period at the valuation date. This is the estimated time that the unit will be vacant/will take to let from the valuation date.

Re-letting Void

Void period on expiry or lease break.

Market rent (RR date)

Rent review to Market Rental Value.

Fixed Rent (RR date)

Rent review to a Fixed Rental figure.

Interim Step (Non-RR date)

Interim/step rent change to a Fixed Rental figure.

Resume Market (non RR date)

Interim step change of rent to Market Rental Value.

Rent Free

Forced rent of zero during term of lease.

Indexed

Automatic indexation applied from the use of an Indexation Group. If you select this option, the check box in the **Override** column will become selectable.

Index Base

Start event for automatic rents using indexation.

Tenant Valuation tab

This tab displays the tenant valuation in traditional format. This is the partial valuation forming part of the final property valuation. Elements not appearing in this report are capital expenditure items and acquisition fees but they are included in the final property valuation report.

Buttons are provided to print, move between pages and zoom in and out.

Tenant Rent Schedule: The Taj Mahal

File Edit Tools Help

Save Cancel Reset schedule Resequence Fix Events Print Prev Page Next Page Zoom In Zoom Out

Dates / Rents / Events **Tenant Valuation**

Valuation

Property: Goodfood House,17,Eating Plaza,COVENTRY,West Midlands,CR1

The Taj Mahal

Valuation Date: 01/01/2008

(Hardcore)

Valuation Tables: Annually in Arrears

Current Rent	£175,000		
Less deduction for froth	-£171,860		
Valuation Rent		£3,140	
YP perp @ 10.0000%		10.0000	
			£31,400
Reversion @01/01/2033	£78,500		
Valuation Rent		£75,360	
YP perp @ 10.0000%	10.0000		
X PV 25yrs @ 10.0000%	X 0.0923	0.9230	
			£69,554
Gross Value			£100,954

Valn.Date: 01/01/2008 T.V. Min uplift: Enabled T.V. Index: Until Next Review

Minimum Uplifts

This feature is mainly seen in cashflows, which will always use the Minimum Uplift entered in the lease schedule to act as the minimum increase in rental value. If Rental Growth exceeds this amount, the grown value will be used instead. See also [“How the Rent Schedule Works” on page 78](#).

Minimum Uplifts can also be used in a Traditional Valuation, but you should take care, as any Core Yield used may already incorporate this growth. You can find this feature in the Tenant Rent Schedule window (see [“Rent Schedule” on page 77](#)); it is used to specify the lowest amount to which the next Rental Review can be set.

To enable this feature, open the Tenant record, select the **Valuation** tab and then set Minimum Uplifts to “Enable in Trad. Val”.

Minimum uplifts

Indexation method

Enable in Trad.Val
Disable in Trad.Val
Enable in Trad.Val

Now, by Viewing the Tenant Rent Schedule, you can enter the details of the uplift.

The following Uplift Types are available in the Tenant Rent Schedule:

Minimum	Minimum Uplift Type	Amount
£1,500	None	
£1,500	None	
£1,500	Minimum Rent PA	
£30,600	Increase %	
£30,600	Annual %	
£30,600	Indexation	

- **Minimum Rent PA**

This allows you to specify a Minimum Amount that you wish the rent to increase to. Enter the money amount you wish the rent to be Guaranteed Uplifted to. Rent will either uplift to Indexed Growth or Market Rental Value only if higher than the Minimum Uplift Value.

- **Increase %**

This will increase the Rental Value by the percentage you specify in the **Amount/%** field. This is a compounded amount. This value can be greater than 100%.
(example: 5yr RR, £175,000 x 5%).

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type	Amount/%
01/01/2008	5	0	0	Market Rent (RR date)	☒	£175,000	None	0.00
01/01/2013	5	0	0	Market Rent (RR date)	☐	£183,750	Increase %	5.00
01/01/2018	5	0	0	Market Rent (RR date)	☐	£192,937	Increase %	5.00
01/01/2023	5	0	0	Market Rent (RR date)	☐	£202,584	Increase %	5.00
01/01/2028	5	0	0	Market Rent (RR date)	☐	£212,713	Increase %	5.00
01/01/2033	0	0	0	Renewal/Relet	☐	£78,500	None	0.00

Valn.Date: 01/01/2008 T.V. Min uplift: Enabled T.V. Index: Until Next Review

- **Annual %**

Similar to **Increase %** above, but this increases the value by the specified percentage every year, simulating a percentage increase every year but only applying this amount on the Review date.

(example: 5yr RR, £175,000 x 5%⁵).

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type	Amount/%
01/01/2008	5	0	0	Market Rent (RR date)	☒	£175,000	None	0.00
01/01/2013	5	0	0	Market Rent (RR date)	☐	£223,349	Annual %	5.00
01/01/2018	5	0	0	Market Rent (RR date)	☐	£285,056	Annual %	5.00
01/01/2023	5	0	0	Market Rent (RR date)	☐	£363,812	Annual %	5.00
01/01/2028	5	0	0	Market Rent (RR date)	☐	£464,327	Annual %	5.00
01/01/2033	0	0	0	Renewal/Relet	☐	£200,000	None	0.00

Valn.Date: 01/01/2008 T.V. Min uplift: Enabled T.V. Index: Until Next Review

- **Indexation**

This is where the minimum uplift has indexation from the last period applied to it.

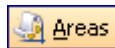
Minimum Uplift applies to all Rent (not just Current Rent up to the reversion to MRV as Indexation does). As such, if used in conjunction with Indexation, the Lease will Index for the first period until reversion to full market rental value, after which Minimum Uplifts will then come into effect.

Area Schedule

Each tenant record defines the floorspace or accommodation for itself, and forms part of the overall property area schedule available as one of the standard reports.

The Area Schedule is designed to hold unlimited description lines with mixed definitions, enabling both simple and complex areas.

The aim of the schedule is to build a format for inclusion in reports and calculate a rental value that can optionally be used by the tenant record.



From the Command Centre, Tenant record, Quick Valuer screen and Tenancy Schedule, the option to open the area schedule can be found by using the **Schedules | Area Schedule** menu option, or you can click on the **Areas** button.

File menu

Previous tenant

Move to previous tenant record.

Next tenant

Move to next tenant record.

Save changes & Exit

Save the content of the schedule and exits this screen.

Cancel & Exit

Cancels changes to the schedule and exits this screen.

Edit menu

Cut, Copy, Paste

Standard Windows clipboard controls.

New line

Add a line to the schedule. Choose the line type and number of lines. If you choose retail as the line type, you will need to enter the number of lines, reduction per zone % and the zone area.

Delete Line

Remove currently selected line.

Delete All

Remove all lines in schedule.

Repeat down

Duplicate the current line.

View menu

Lock left columns

Always show left hand columns whilst scrolling.

Column Selector

Allows a user to define their custom view of columns by dragging any column headings into the grey area of the Customisation window or back from the Columns tab to the Area Schedule.



Tools menu

Residual Zone A

For retail zoned areas that do not have an $ERV/ft^2/pt$ entered, you can enter a manual rental value in the bottom right-hand corner (in the **Rental value passed back to tenant** section) and then click **Zone A**; it will then calculate the residual Zone A rate.

Rental Value Groups

Access to the property Rental Value groups for selection of a suitable group item. To select, enter the Rent Group column and use the drop-down control.

Auto Zones

For retail units, Zoning lines can be added automatically by adding the format for number of rows and % per zone differential.

Display rents in group list

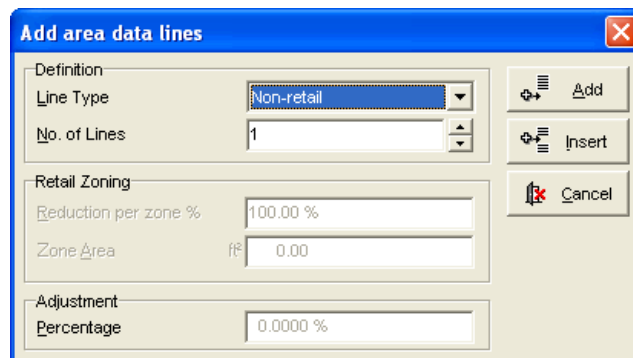
Shows the rent details of the group in the rent group column otherwise shows the name only.

How the Area Schedule Works

Area Lines

Rows in the Area Schedule must be built up to contain the full floor space definition and rent rate or unit rent to produce a total Rental Value figure. Each row must be defined as a Line Type.

These appear when adding lines using the **Add one or more lines** button  or **Edit | New line** menu option. This option opens the Add area data lines dialog:



The dialog box titled "Add area data lines" contains the following fields and buttons:

- Definition**
 - Line Type**: A drop-down menu currently showing "Non-retail".
 - No. of Lines**: A numeric input field set to "1".
- Retail Zoning**
 - Reduction per zone %**: A text input field set to "100.00 %".
 - Zone Area**: A text input field set to "0.00".
- Adjustment**
 - Percentage**: A text input field set to "0.0000 %".

On the right side of the dialog, there are three buttons: "Add" (with a plus icon), "Insert" (with a plus and list icon), and "Cancel" (with a red X icon).

Line Type

The **Line Type** drop-down contains the following options:

- **Non-retail** - Straightforward areas multiplied by ERV rate.
- **Retail** - Retail units using the Zoning method.
- **Car Parking** - Parking spaces based on a unit rent per space.
- **Site** - Site area size based on the unit rent pa.
- **Retail total** - Sub total of retail defined areas (information only).
- **Non-Retail total** - Sub total of non-retail defined areas (information only).
- **Overall Total** - Total of all areas (information only).
- **Retail Adjustment** - Overall % adjustment to retail lines only.
- **Total Adjustment** - Overall % adjustment to all lines.

The Add area data lines dialog box can automatically create multiple lines, and the Retail option generates zoned rows in accordance with standard practice.

Some columns are "greyed out" depending on the line type selected to protect the automatic formatting.

Retail rows require only one rental value rate ("Zone A rate") to be entered on the Zone A row. The other retail rows use the Zone A rate automatically and are reduced by the percentage in the "% position" column. Each row has a line type, and a label. Retail labels are entered for you, but all labels can be changed.

The schedule may be in Imperial or Metric mode. When the Convert option is used, you are actually changing the measurement mode in the property record so that all tenants in the property conform to the same standard.

Rental value rates can be entered manually in the **ERV Rate** column or can be selected from the ERV Group library.

The ERV group library holds unlimited groups and is useful for multi-let properties such as shopping centres. With several groups defined, tenants can be linked to a group and when the rental value needs to be updated, changing the group rent automatically updates all tenants in the group. In another instance, if a shopping centre has one or more master Zone A Rate(s) set as groups, then each tenant can set the column “% of rate” to reflect a percentage of the library rent.

Columns in the Area Schedule

PP

This column allows you to set an indicator that shows the Primary Part used by the tenant. This does not affect the calculations, but enables you to highlight which is the most valuable area item (in terms of rental value).

Line Type

Selected for the line to denote the calculation rules.

Label

This can be any text description label. Zoned rows automatically fill in the zone names (“Zone A”, “Zone B” and so on).

Floor

Either select or type the floor level for the row.

Area (m²) or Area (ft²)

This is the net area - this can be entered manually or calculated when Width and Depth figures exist.

ERV Group

Optional choice to use one of the Rental Value Rate Groups held for the property or select Manual Input to type in any required rate.

ERV/m²/p.a. or ERV/ft²/p.a.

The Estimated Rental Value can be input in rates per square foot or per square metre, and as per month or per annum. This depends on the switches in the property record.

Units

The number of physical units to be multiplied by the base rent. This is also used for the number of car parking spaces.

% of Rate

This is used with the ERV rate to grade the rental value tenant by tenant. Used with a Rent Group definition, you can create a “prime” rate, and setting the area as x% of the prime rate for individual tenants.

% Position

Determines how much of the Zone A rate is being used in the defined zones. The default position is Zone A=100%, Zone B=50%, Zone C=25%, and so on. When adding first floor or basement retail space, use this percentage to relate it to the Zone A rate.

+/- % adjust

Allows fine tuning to reflect advantages and disadvantages in specific zones. For example, a Zone A with a return frontage may need to be enhanced by say +5%. A shop with an obscured section of frontage may be negatively adjusted by perhaps –5%.

Adjusted Rate p.a.

Final ERV rate used in the ERV calculation.

Unit Rent p.a.

Displays the rent as per annum or per month to be multiplied by the number of units.

Rental Value p.a.

The calculated sum is presented on the far right.

The bottom portion of the Areas window displays result summary information (shown here outlined in green for illustrative purposes):

No	PP	Line Type	Label	Floor	Area (ft²)	ERV Group	ERV/ft²/pa	Units	% of Rate	% Position	+/- % adjust	Adjusted Rate pa	Unit Rent pa	Rental Value
1	✓	Retail	Zone A		777.00	MANUAL INPUT	£454.00	1	100.0000	100.0000	0.0000	454.00	£352,758	£352,758
2		Retail	Zone B		777.00	MANUAL INPUT	£454.00	1	100.0000	50.0000	0.0000	227.00	£176,379	£176,379
3		Retail	Zone C		777.00	MANUAL INPUT	£454.00	1	100.0000	25.0000	0.0000	113.50	£88,190	£88,190
4		Retail	Zone D		777.00	MANUAL INPUT	£454.00	1	100.0000	12.5000	0.0000	56.75	£44,095	£44,095
5		Retail	Zone E		777.00	MANUAL INPUT	£454.00	1	100.0000	6.2500	0.0000	28.38	£22,047	£22,047
6		Retail	Zone F		777.00	MANUAL INPUT	£454.00	1	100.0000	3.1250	0.0000	14.19	£11,024	£11,024
7		Retail	Zone G		777.00	MANUAL INPUT	£454.00	1	100.0000	1.5625	0.0000	7.09	£5,512	£5,512
8		Retail	Remainder		777.00	MANUAL INPUT	£454.00	1	100.0000	0.7813	0.0000	3.55	£2,756	£2,756

Summary		per annum
Non-Zoned ERV	£0	
Zoned ERV	£702,761	
Car Parking	£0	
Total ERV	£702,761	
Area ITZA	1,547.93	sq
Total Area	6,216.00	sq

Rental value passed back to tenant:
☒ Manual £78,500
☐ Rounded
☐ Unrounded

Rent input type: Rents Per Annum
 Area input type: Imperial

Valuation Date 23/05/2000
 Goodfood House, 17, Eating Plaza, COVENTRY, West Midlands, CR1

The results are summarised in Non-Zoned, Zoned and Car Parking rents with the final total. Also shown are the Area ITZA (in terms of zone A) and Total Area.

Passing back the Rental Value

When leaving the Area Schedule, choose one of the three rental value options to pass back to the tenant record:

Rental value passed back to tenant

☒ Manual £78,500
☐ Rounded
☐ Unrounded

Rent input type: Rents Per Annum
 Area input type: Imperial

use, 17, Eating Plaza, COVENTRY, West Midlands, CR1

Manual

Apply the manually-entered rental value figure.

Rounded

Use the calculated ERV ROUNDED (and edit the current rounding setup). Rounded ERV is the sum of the calculated ERVs, which is then rounded - based on rounding assumptions set up in the Valuation Assumptions.

Unrounded

Use the calculated ERV UNROUNDED. Unrounded ERV is the sum of the calculated ERVs.

Breaks Schedule



Every tenant unit record can have a Breaks schedule attached to the lease. In the Quick Valuer or tenant record screen, click the **Breaks** button or use the menu option **Schedules | Breaks**.

The screenshot shows the 'Breaks Schedule' window for 'The Old King's Pub'. It features an 'Active' selector on the left with radio buttons for 'None', '1st', '2nd', '3rd', '4th', and '5th'. Each date option has a 'Date' field, 'Landlord' and 'Tenant' checkboxes, and a 'Penalty Amount' field. The 'None' option is currently selected. Below the table, a note states: '* The Penalty only applies when a break cost is defined in the [Cost Schedule](#)'. A 'Done' button is at the bottom right.

Active	Date	Landlord	Tenant	Penalty Amount *
☒ None		☐	☐	£0
☐ 1st	Date 21/07/1997	☐	☐	£0
☐ 2nd	Date 21/07/2002	☐	☐	£0
☐ 3rd	Date 21/07/2007	☐	☐	£0
☐ 4th	Date 21/07/2012	☐	☐	£0
☐ 5th	Date 21/07/2017	☐	☐	£0

* The Penalty only applies when a break cost is defined in the [Cost Schedule](#)

[Done](#)

Breaks Schedule

On the left of the screen there is an **Active** selector, to apply the break on one of the five dates that can be entered.

The five date fields are available to input sequential dates for possible options to be exercised.

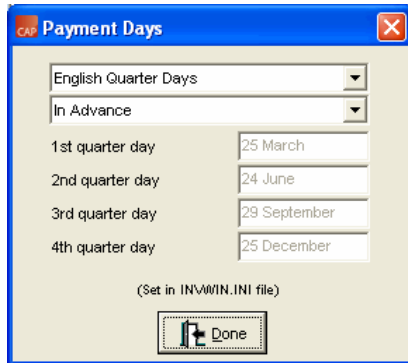
The **Landlord** and **Tenant** boxes dictate who will be allowed to break the contract, or if you select both, it will be a mutual break.

When the **None** option is selected, the schedule is ignored. When an active date is selected, the program requires a valid date and one or both Landlord and Tenant flags to be set. An error message will appear if they are not set properly.

Break penalties can now be entered against each break in the Lease Breaks page. Penalties linked to floor areas, ERVs, rents passing (and so on) can be entered in the costs schedule using the **On Break** cost trigger.

When a valuation is undertaken the tenants lease is checked for a break option and if found, the lease will terminate at the option date. Any expiry void set in the tenant record will apply.

Rent Payments Schedule



Payment Days dialog box

For cash flow purposes, it is most important to specify when rent is paid. Due to the option for precise measurement of days in the cash flow to allow for accurate discounting, rent can be timed precisely using this screen.

The selection using the drop-down box ranges from traditional quarter days to annually, half yearly, quarterly or monthly. If the latter options are chosen, the payment date has to be defined. Payments for traditional quarter days and other payment dates can be made either in arrears or advance by selecting the appropriate method.

To define precise quarter days that are not in the drop down menu, the supervisor must amend the INVWIN.INI file in the following section:

```
[QuarterDays]
```

```
Irish=01/02/2009,01/05/2009,01/07/2009,01/09/2009
```


CHAPTER 7

Properties

Each property in a portfolio is represented by a single data record. In some cases, a property might be regarded as a component unit within a larger property holding, otherwise it can be the whole property divided into sub-sections either by tenure and/or by tenants. This depends on the nature of the property and the complexity required to perform valuations and cash flows.

A property has a physical address and other attributes regarding ownership and structure.

Ownership attributes are defined as tenure interests, which may be freehold or leasehold. For valuation purposes, tenures represent legal entitlement to the receipt of income, subject to terms for outgoing ground rent, if any.

Properties also carry a burden of costs and expenditures associated with enhancement of value or maintenance of income.

In ARGUS Valuation-Capitalisation, the property is viewed as the “parent” for one or more **tenures**, each of which is a “parent” for any number of attached **tenants**.

A tenant can be an actual unit of occupation, or an element defining a portion of the property, with or without a value. In either case each tenant defines its own floor space, that builds into a full property floor space schedule.

Property activities are controlled through the menu bar:

File Menu

Save CVL...

Saves the property as a file in CVL file format. Also see “[CVL](#)” on page 28.

Reports

Opens the list of defined reports for selection. See [“Reports” on page 205](#).

Custom fields

The property record can contain Custom Fields, unique to the program installation. Special and personalised data fields can be added that extend the record information and provide additional components for portfolio analysis.

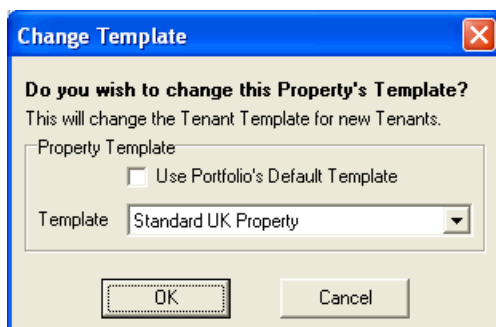
Custom fields appear in a sub-screen and can only be added by the Supervisor with special knowledge of setting up the new database fields and screen identifiers. Contact ARGUS Support for more details.

Definitions

Quick reference to the category lists used in the property form. Lists are Regions, Sectors and Use Types.

Template

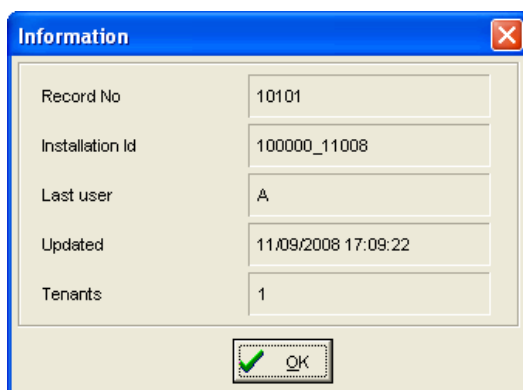
When adding new tenants, the default data comes from the current property template.



This option enables an alternative property template to be used when adding tenants.

Information

Displays brief information about the property.



Close

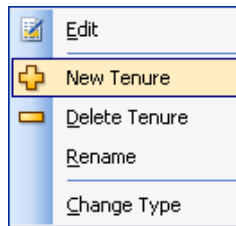
Closes down the window.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls.

Tenure



This option becomes active if you have clicked on the **Tenure** tab. A flyout menu provides options to add, delete and edit tenure interests. These options are also available on the Tenure page of the property record. The edit option works in conjunction with the tenure “tree” by adding and deleting tenures to a selected node. If leasehold, the tenure record can be edited.

Tenures can be concurrent (in the same vertical line in the tree) or sub-tenures (branching out from a parent tenure).

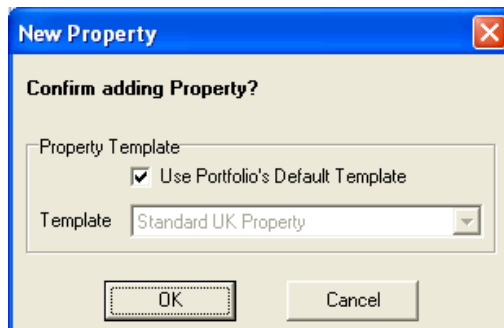
The base tenure is the root. In the tree, ensure the property item is highlighted to add a root tenure, and highlight any other item to add a sub tenure to it.

For more information, see [“Tenures” on page 109](#).

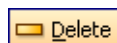
New



Creates a new property from a template. You are offered the current default template property, but can select any other specific template from the dialog box.



Delete



Removes the property, tenures, tenants and all attributes. This action is not reversible.

List & Search

Provides a list of properties in the current portfolio and in the entire system which can be searched. Select a property from the list.

Building Name	Str no	Street
Eric Lam Building	1	A Street
Poole Building	2	Any Avenue
London House	3	Some Street
Coventry Place	4	New Road
York Fields	5	Old Road
Lavender Fields	6	Some Avenue
Dockside Wharf	7	Wharf Street
Hereford Place	8	Goodview Road
Popat Plaza	9	Busy Street

List properties for selection

Previous property

Moves to the previous record in the current sort order.

Next property

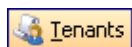
Moves to the next record in the current sort order.

Notes

Each property can store a page of notes up to 2000 characters.

Schedules menu

Tenants



The tenancy schedule can be opened for multi-tenant view enabling large scale editing of tenant data. Each row in the tenant schedule directly links to the main tenant record. The advantage of this schedule is the ability to carry out block copy and paste operations for large multi-let properties. See [“Tenancy Schedule” on page 73](#).

Costs



Opens the property costs schedule for the definition of capital and revenue expenditure at property, tenure and tenant level.

The Cost Schedule displays a “tree” structure containing details of Acquisition Fees, capital costs and revenues, running costs, fees, etc., single, repeated, related, date and event based. These can be defined and edited at the property, tenure and tenant level. See [“Costs Schedule” on page 155](#).

Capitalisation Groups

Opens the Capitalisation Groups schedule.

This is a list of Capitalisation Groups, defining sets of valuation methods and yields that builds into a library for the property. It is available to its tenures and tenants for selection. A tenure or tenant has the option of joining a capitalisation group or remaining independent using its PRIVATE group option. See [“Capitalisation Groups” on page 148](#).

ERV Groups

Opens the ERV Groups schedule.

This is a list of Rental Value Groups, defining rental rates that build into a library for the property. It is available to its tenants for selection in Area schedules. Rows in the tenants' area schedules can use a manual input rate or select from the library. See [“ERV Groups” on page 149](#).

Inflation Groups

Opens the Inflation & Growth Groups schedule in which rental growth rate sets for tenants can be defined. These rates are used in the cash flow when rental value growth is applied on a Per Tenant/Tenure basis in the DCF set-up screen. Inflation groups can also be defined in this schedule and applied to costs in the Cost Schedule. See [“Inflation Groups” on page 150](#).

Indexation Groups

Opens the Indexation Groups schedule. This is a list of Indexation Groups. See [“Indexation Groups” on page 151](#).

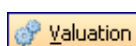
Valuation menu

Valuation rules

Opens the Assumptions form displaying calculation settings.

Assumptions are the various switches and rules used by the property during the valuation process. The property can adopt the default settings (based on its parent portfolio Assumptions) or change any of these to produce a varied default set for itself. See [“Assumptions” on page 67](#).

Valuation



Produces a full Traditional Valuation for the property. See [“Valuation” on page 167](#).

Log

Opens the Log Database showing historic valuation data. For more details, see [“Valuation Logs” on page 177](#).

Last Valuation Results

The most recent valuation results are stored in the database and displayed in this information box.

Property values	
Book Value	£200,000
Book Date	31/12/1994
Last calculated value	
Gross value	£228,791
Net value	£228,791
Initial Yield	-0.4371 %
Equivalent Yield	8.5794 %
Reversion Yield	10.4899 %
Last IRR	5.0000 %
Done	

Cash Flow menu

Cash Flow



Produces a DCF for the property. See [“Discounted Cash Flow” on page 181](#).

Finance

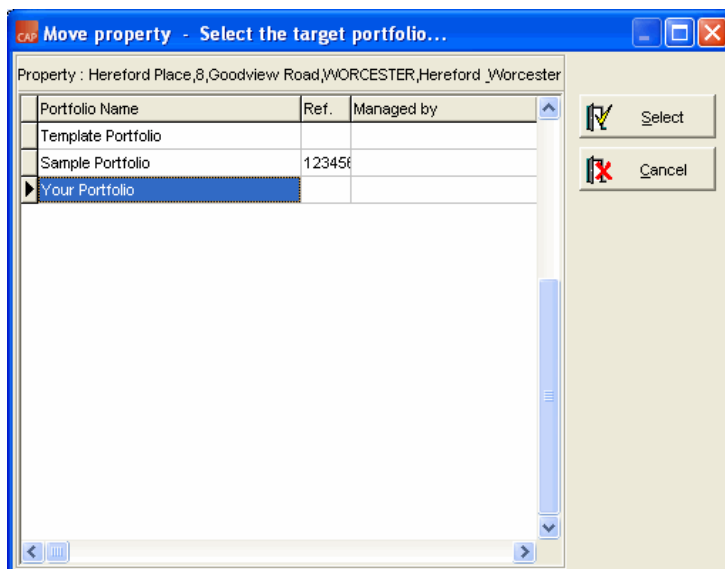
For DCF purposes, the property can define loans, mortgages and equity interests to apply to the Cash Flow. See [“Finance” on page 213](#).

Tools menu

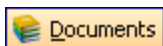
Move property to another portfolio

Requests a destination portfolio to move the property, all its tenures, tenants and other attributes.

Simply select the target portfolio.



Documents



Opens the document and image library for the current property. For more information, see [“Documents” on page 41](#).

Property Data Entry Fields

Address page

The screenshot shows the 'Property: Lavender Fields, 6, Some Avenue, IPSWICH, Norfolk, IP1' window. The 'Address' tab is selected, showing fields for 'Address / Location' (Bldg / Estate, Street number, Street name, District, Town, County, Postcode, Country, Currency) and 'General data' (Valuation date, File / Ref No, Supl. Ref No, U P R N, % owned, Area measure, Rent input view, Manager/Code, VAT Elected, Rate). The 'Categories for analysis' section includes Region, Sector, and Primary Use. The bottom status bar shows 'Val.Date: 23/05/2000', 'Default Assum.', and 'Values: Gross Value £1,166,839 Net/Say Value £1,103,000'.

Bldg / Estate

The name of the building, centre or estate. Max 30 characters.

Street number

Alphanumeric street number or building number. Max 20 characters.

Street name

Name of the street. Max 60 characters.

District

Name of district/suburb. Max 30 characters.

Town

A town name can be typed in manually. Alternatively, you can select the town from the town list by clicking the button at the end of the field. The town list can be edited through Systems Options (see [“Lists” on page 15](#)). The town list shows a list of town names with the option of showing the county name. If a county is present, it will automatically be placed in the county field.

Warning: Do not allow two identical town names or two empty space fields to exist in the list, or an error message will appear.

County

A county name can be typed in manually. Alternatively the county can be selected from the county list by clicking the button at the end of the field.

Warning: Do not allow two identical county names or two empty space fields to exist in the list, or an error message will appear.

Postcode

Manually typed alphanumeric string for the postcode.

Country

The name of the country for the property.

Currency

The currency assumption for monetary data entered for this property. The Currency hypertext link allows selection of the conversion rules to apply to this property.

Select the currency denomination from the drop-down list, then select the conversion rate at which to convert all currency data, either using a currency scenario or by entering a conversion factor. For more information, see [“Currency Scenarios and Codes” on page 13](#).

Region

A Region selected from the field list.

Sector

A Sector selected from the field list.

Primary Use

A Primary Use type selected from the field list.

Valuation date

The date for the valuation of the property.

File / Ref. No

A cross reference number to a manual file or property management record. Max 20 characters.

Supl. Ref. No.

A supplementary reference number field. Max 10 characters.

UPRN

Unique Property Reference Number.

% owned

Percentage representing the equity interest owned. Calculations produce results based on the specified percentage. 100% is normally assumed.

Area Measure

Choice of imperial, metric or a third measure such as Japanese Tsubos, if defined in the INVWIN.INI file. (This is a supervisor function. For further information see the Valuation-Capitalisation Administrator’s Guide.) All associations to feet/metres/other are automatically converted.

Rent Input View

Choice for setting up the rental viewing mode to Rents per annum or Rents per month. Screens associated with rental inputs (Tenants, Ground rents, Areas, Lease, etc.) accept rental figure inputs on the chosen basis.

Manager/Code

A sortable field for entering the name of the property manager.

VAT Elected

This check box allows you to include VAT as an option. You can specify the VAT rate in the entry field.

Tagged

Each property record can be switched on or off using this field, for the purpose of valuations and cash flows. This is also seen in the property listing in the Command Centre as a tick in the left-most column.

Tag	Active	Zone	Ref. No.	Building Name	PostCode	Valm date	Last Gross Value	Last Net Value	Currency	Say	Say Value	Equiv. Yield	Initial Yield	Revn. Yield	Manager/Code
True	True	10		Yorkshire Place		23/05/2000	1,562,500	1,477,366	GBP	False	1,477,000	8.0000%	8.0000%	8.0000%	
True	True	5		York Fields	YO1	23/05/2000	117,821	114,654	GBP	False	114,700	8.4874%	8.4874%	8.4874%	
True	True	14		Worcester Fields	HR1	23/05/2000	179,860	179,860	GBP	False	179,900	8.0000%	8.0618%	8.0618%	
True	True	12		Wiltshire House		23/05/2000	1,441,986	1,363,418	GBP	False	1,363,000	8.0000%	5.5479%	8.3219%	
True	True	11		West Town Plaza		23/05/2000	2,142,857	2,026,102	GBP	False	2,026,000	7.0000%	7.0000%	7.0000%	
True	True	15		Seaside House		23/05/2000	3,186,173	3,012,573	GBP	False	3,013,000	7.0000%	7.0617%	0.0000%	
True	True	18		Saturn House	YO1	23/05/2000	136,675	136,675	GBP	False	136,700	10.1815%	12.0724%	10.2433%	
True	True	9		Popat Plaza		23/05/2000	4,240,000	4,008,982	GBP	False	4,009,000	6.2500%	6.2500%	6.2500%	
True	True	2		Pool Building		23/05/2000	83,518	81,272	GBP	False	81,300	8.0000%	0.0000%	8.3815%	
True	True	20		Matthew Lobb House		23/05/2000	2,543,525	2,445,698	GBP	False	2,446,000	6.9608%	4.8751%	7.0375%	
True	True	3		London House	W1	23/05/2000	174,833	169,938	GBP	False	169,900	8.6093%	8.5895%	8.6124%	
True	True	6		Lavender Fields	IP1	23/05/2000	1,168,839	1,103,263	GBP	False	1,103,000	9.2429%	7.2846%	12.9552%	
True	True	16		Highview House	W1	23/05/2000	993,184	939,070	GBP	False	939,100	9.0000%	9.0617%	-0.0001%	
True	True	8		Hereford Place		23/05/2000	1,602,102	1,514,810	GBP	False	1,515,000	7.0862%	9.3627%	8.2418%	
True	True	17		Goodfood House	CR1	23/05/2000	769,145	769,145	GBP	False	769,100	10.0143%	10.0761%	10.0761%	
True	True	19		Factory House	IP1	23/05/2000	1,827,717	1,539,030	GBP	False	1,539,000	9.0000%	9.0618%	9.0618%	

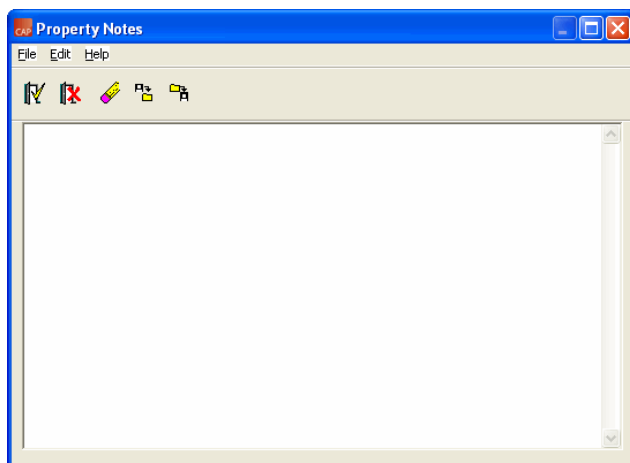
Tag	Active	Name	Description	Ref. No.	SIC Code	Registration No.	Manual Order	IPD Code
True	True	Office Fitters Plc						

Active record

Regardless of the Tag setting, a property can be ignored always by setting the Active record flag OFF. This is also seen in the property listing in the Command Centre as a tick in the second leftmost column (see image above).

Notes

A read-only view of any notes appears on the form but the editable form can be opened by clicking the Notes hypertext link. This can be used to enter any property notes; these will be included in the Detailed Valuation Report.



If standard text is to be applied to a number of properties, this can be saved as a template using the **File | Save Template** menu option or by clicking on the **Save template file** button. Text can be loaded from a template using the **File | Load Template** menu option or with the **Load template file** button.



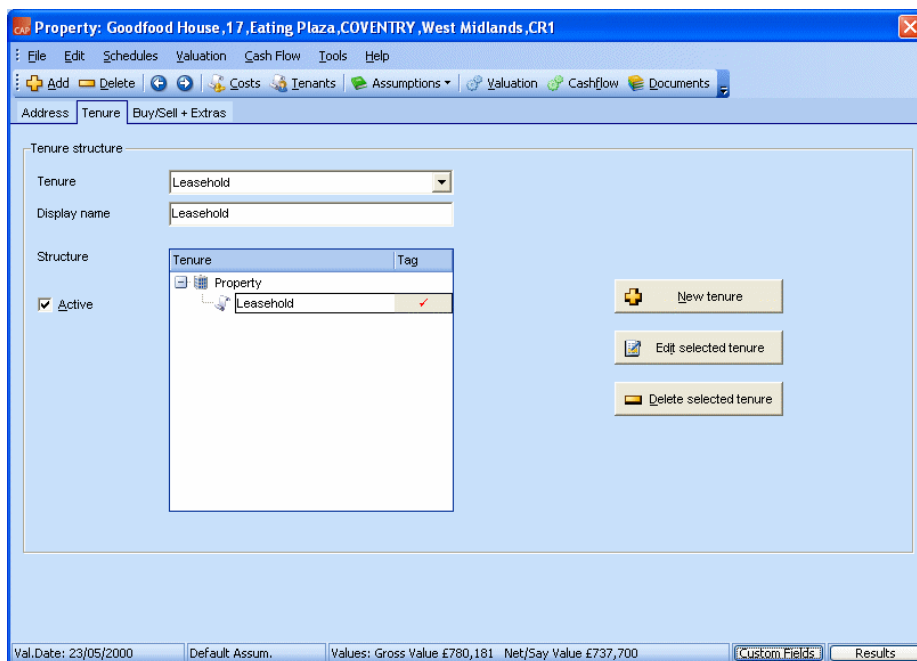
Custom Fields

If Custom Fields have been created for your system, then this button opens the additional display screen. For information about custom fields see your System Supervisor or contact ARGUS Software Support.

Results

This button displays the last calculated valuation results.

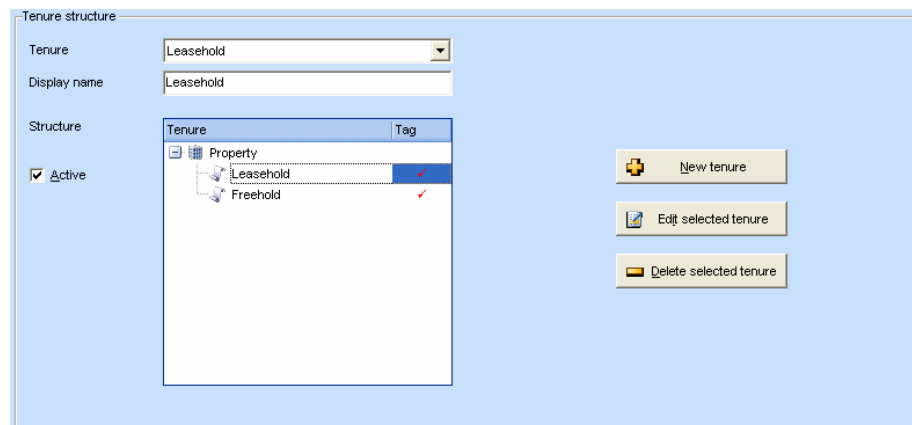
Tenure page



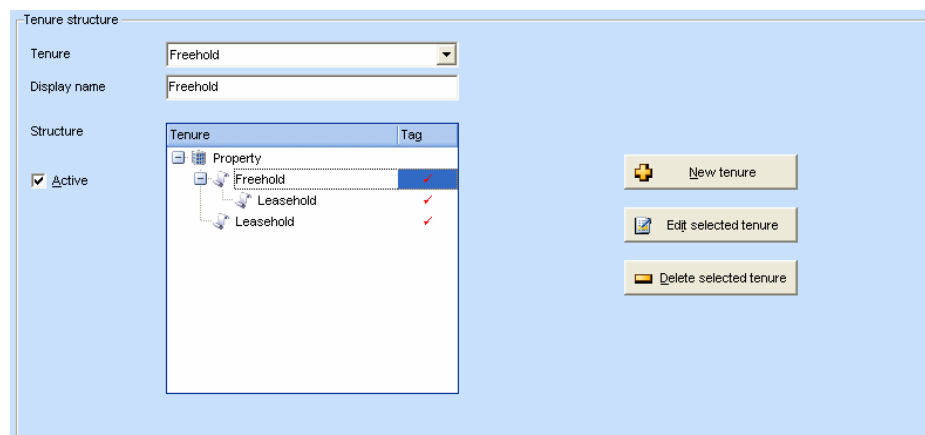
The Tenure Page displays the tenure structure in a graphical form for ease of use. The Property interest, represented by a small building, is the highest interest that you may want to value.

- If you own the property freehold, or the interest you wish to value is the freehold, you will attach a freehold interest to the Property icon
- If you own a long leasehold interest, or the interest you wish to value, you will attach your leasehold record to the icon.
- If you own a long lease against the property but are considering buying the freehold interest, you may need to run marriage valuations and should enter a freehold interest against the Property icon with your headlease hanging off the freehold.

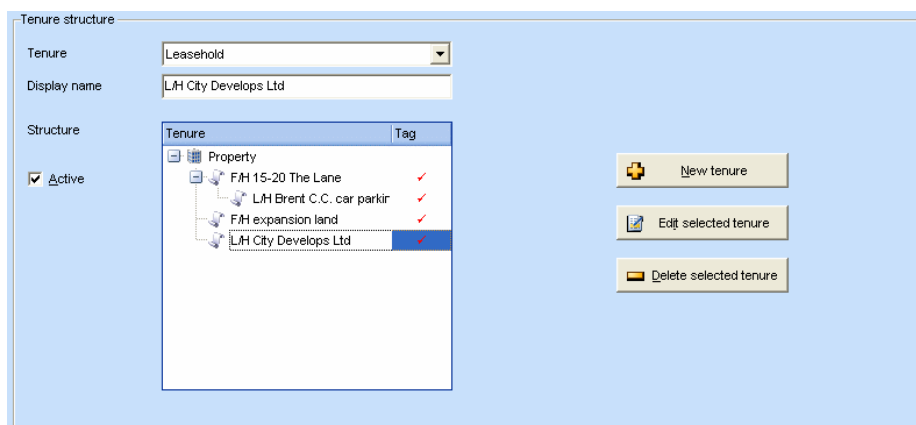
Tenure interests which hang one directly beneath the other are equivalent interests owned by the same individual or company. Interests that branch off to the right are inferior interests. There are several simple examples below.



The Tenure Tree above describes the property as being owned part freehold and part long leasehold.



In this instance, the property is owned part freehold and part leasehold. The second leasehold interest branching off to the right indicates that all or part of the freehold interest has been granted to another party as a subsidiary long leasehold interest.



It may be worth relabelling the interests if there are two or more of any one type.

Tenure

Select freehold or leasehold for the selected tenure item.

Display name

In multi-tenure properties, use this option to give a name or label to each tenure interest so that no two tenures have the same name.

Active

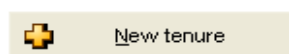
The valuation will ignore tenures that are not active.

Structure

This section displays the tenure structure of the property and is seen in the form of a “tree” or “directory”. This enables complex tenures to be built by adding concurrent tenures to the vertical “root” or by adding sub-tenures to the branches of the tree.

Note that if the **Tag** option is not ticked, the interest will be ignored and not valued.

New tenure



Adds a new tenure item to the current highlighted tenure in the “tree”. There must be a minimum base tenure leading down from the PROPERTY item. To add another base tenure item, the word PROPERTY must be selected. To add a sub-tenure, highlight the tenure required to be the parent and use the menu option **Edit | Tenure | Add Tenure**, or click the **New Tenure** button.

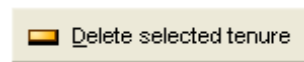
Edit selected tenure



For leasehold properties, you can enter terms of a ground lease, rent and gearing options and valuation basis. For more information, see [“Leaseholds” on page 109](#).

Remember that Tenants are connected to parent tenures. A valuation undertaken at the root level is the sum of all root tenures. Individual tenure interests can be valued separately by tagging the interests to be valued. Where it is a multi-tenure, the programme will value all tagged and active tenures.

Delete tenure



Highlight the tenure to be deleted and execute this command. You cannot delete the base root tenure, but any concurrent or sub-tenures can be removed. Please note that, when a tenure interest is deleted, all the associated tenants and sub-data attached to it are also deleted.

Buy/Sell + Extras page

Apply Purchase

This option is normally unchecked to indicate the property is assumed to be purchased on the DCF start date.

Ticking the option allows you to assume the property is purchased during a DCF rather than at its start. You can run scenarios where they assess the effect of trading property within a portfolio cash flow.

Acquisition Date

The date for the purchase of the property. The property is assumed to be purchased at the DCF start date if the DCF starts after the Acquisition Date.

Total Acquisition Cost

The price required to represent the purchase price or value.

Apply Disposal

Activates the process of including this disposal data in a DCF.

Ticking the option allows you to assume the property is sold during a DCF rather than at its end. You can run scenarios where they assess the affect of trading property within a portfolio cash flow.

Disposal Date

The date for the disposal of the property.

Disposal Price

The price required to represent the sale price or value in the DCF.

Auto-Calculate in DCF

This overrides the Disposal Price and informs the DCF to produce a valuation based on the DCF exit criteria.

Finance

If the purchase is subject to a loan, it can be specified here. See [“Finance” on page 213](#).

Apply locked value (Say)

Fixes the valuation result to the “Say” value.

Locked or rounded net value

The result produced by the valuation engine is an accurate number. It is often necessary to *round* the result. This is done by the rounding process in the valuation Assumptions.

In some cases the final value needs to be represented by a manually input figure. This is the purpose of the SAY value. The check box is designed to lock the figure in place. This ensures it will not vary when the valuation is recalculated.

Note also the switch in the valuation Assumptions that controls the acquisition fee calculation so that it is based on the Say value rather than the net residualised value.

Property IRR

The most recent IRR generated for the property in the last DCF operation.

Re-letting Probability

A percentage that can be applied to Initial Yield (Cap Rate) valuations at the exit date in a DCF. This anticipates the level of income that will actually be available as income-producing at the future capitalisation date.

Market Rental Value

This field is for use in connection with special reports.

Property Valuations and Cash Flows

The property valuation process automatically understands the income flow at any given valuation date. Changing the valuation date requires current rents and rental values to be double-checked to ensure the correct values apply at the valuation date. Alignment of leases and lease events are adjusted automatically for any valuation date. A property valuation processes only those tenant records that have the “tag” switch ON and are “active”. The tenancy schedule and Command Centre display tenant record tags in the listing.

When valuing a specific tenure, it is important to review the chapter on Tenures. See [“Leasehold Valuation Setup page” on page 113](#).

Valuation Date

The valuation date is held individually for each property and portfolio record.

Valuing a property assumes the valuation date held in the record.

Valuing a portfolio assumes each property is being valued at the portfolio valuation date, and not its individual date.

The individual property valuation date can be forced to hold the portfolio valuation date by applying the Date Alignment option through the Valuation menu in the Command Centre at Portfolio level. See [“Align properties to portfolio date” on page 139](#).

There are important checks to be made before proceeding to the valuation.

- Check tenant data;
- Capitalisation Groups and Rental Value Groups (if used);
- Valuation date;
- Costs;
- Assumptions.

Valuation

The valuation command displays the property valuation and summary screen with functions to print a report, perform targeting sensitivity and to store results on the log database. For further information see [“Valuation” on page 167](#).

For a property with multiple tenures, a prompt will appear asking you to select a valuation of the whole (root tenures) or a selected tenure branch.

On completion of a property valuation the results are held in the computer memory and are lost when the next valuation is performed. Since the information is stored in a database, updating and modifying data records overwrites current information and cannot be recovered unless a backup of the database has been stored.

To preserve a record to replicate a valuation there are several procedures that can be followed:

1. A CVL file can be saved for the property. This holds all the information to replicate the valuation on re-loading the data. This is available in the Command Centre’s **Application** menu; see [“CVL” on page 28](#).
2. A Log record can be saved preserving the information in a special format for later retrieval. For more details, see [“Valuation Logs” on page 177](#).
3. A bitmap image of the valuation report can be saved but all the underlying data is not saved with it. Each valuation report, when previewed, has a menu command **File | Reports** to export the image as an ARGUS report (.RP2 file); see [“Export Reports” on page 208](#). The Command Centre’s **Application** menu also has an option to load these files for viewing.

Discounted Cash Flow

To produce a discounted cash flow, all the property criteria should be in place as indicated above for a traditional valuation.

The DCF screen requires setting up additional parameters:

- Time scale and calculation options;
- Rental growth;
- Exit value capitalisation;
- Entering the Spreadsheet.

After changing any parameters or settings, you must always click on **Calculate** to display the cashflow results.

The process of undertaking cash flows is explained in [“Discounted Cash Flow” on page 181](#).

Copying and Moving Property Records

Copying properties

Operations involving the duplication of property records are performed in the Command Centre. The **Copy records** function will duplicate the properties in their entirety, including all tenures and tenants, and create new records with the name adjusted to “Copy of.”.

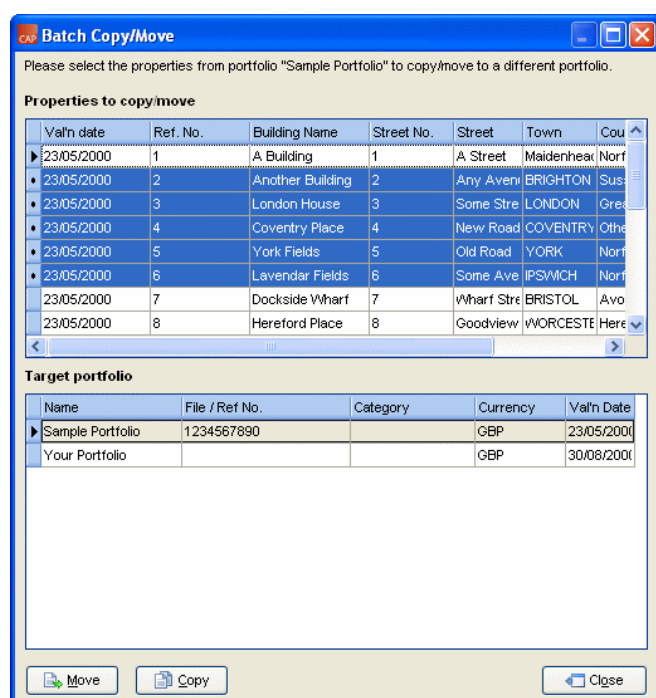
To copy a single property, click on the **Copy records** button in the Command Centre or right-click on the property record and select **Copy record**.

Check the address of the newly created property and enter the record to change the address if required.

Copying or Moving properties between portfolios

To copy or move single or multiple properties between portfolios, you can either select the portfolio record or the various properties. You can click on the **Move records** button, or you can right-click on the portfolio and use the **Move records** menu option.

Also see **“Copying & moving properties between portfolios” on page 140**. This opens the Batch Copy/Move window:



Select the properties that are to be copied or moved, from the list at the top of the dialog.

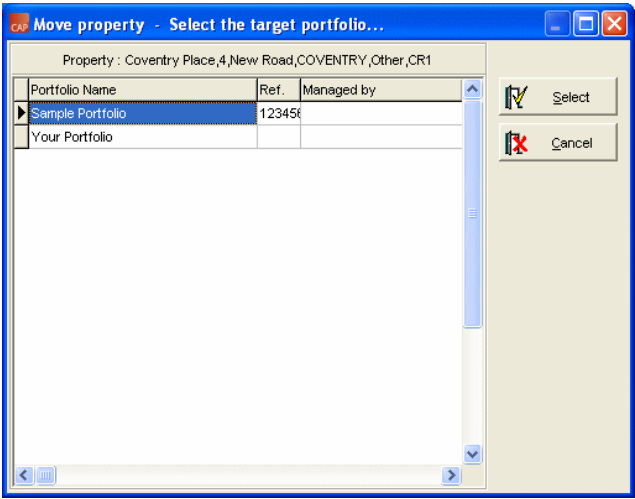
Select the properties by highlighting them. To select all records, use the **Select All** button. To highlight specific properties from the list, hold down the Shift or Control keys whilst selecting properties by clicking with the mouse.

In the list at the bottom of the dialog, select the target portfolio into which the selected properties are to be copied or moved, then click **Copy** or **Move** to complete the process.

When you have finished the process, click on the **Close** button to exit from the dialog.

Moving an open property to another portfolio

If you currently have a Property form open, and you would like to move that property to another portfolio, you can use the **Tools | Move property to another portfolio...** menu option. This displays a dialog like the following:



Select the portfolio name and click on **Select**.

CHAPTER 8

Tenures

A property is represented in ARGUS Valuation-Capitalisation as a legal ownership entity.

Ownership can take the form of a freehold interest, a leasehold interest, or a combination of freehold and leasehold interests with additional inferior interests.

Valuation processes regard tenure as the valuation object, measuring income receivable against costs and outgoings. The property value is the sum of the interests at the root or base level.

Valuations of partial or “sub” interests can also be performed.

The property record stores the tenure structure definition which can also be viewed and accessed from the Command Centre. See [“Tenure page” on page 100](#).

Freeholds

Mathematical processing of a freehold interest involves the capitalisation of net income, assuming a right to receive income in perpetuity, with allowances for anticipated future income flows and costs.

Calculations apply standard formula definitions for Years Purchase and Present Value factors for specific terms as defined by the chosen valuation method. Valuation-Capitalisation measures timescale in days and so the accuracy of the calculations is very high.

Amortisation using Sinking Fund and Tax on Sinking Fund is always ignored for freehold interests, regardless of the setting in the Assumptions, Options tab.

In some cases it may be useful to divide a property in multiple freehold blocks, for example to solve issues of complex cost structures. In this case, tenants can be connected to separate freehold interests in the tenure tree and different costs can then be set up for each tenure node.

Leaseholds

Leasehold tenure can be simple or very complex. There are certain accepted standard generic types of ground lease, but also some complex and more random types of ground leases. These latter cases often require individual manual calculation as they cannot easily be computed.

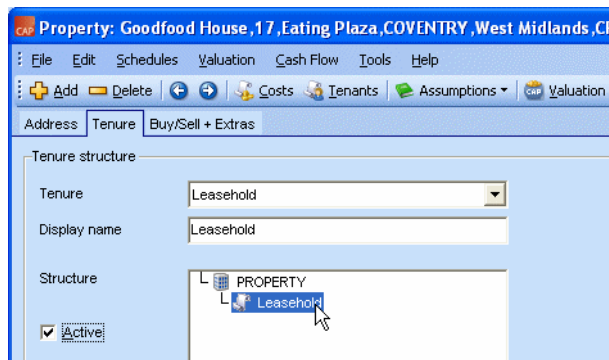
ARGUS Valuation-Capitalisation is able to represent the majority of generic ground leases and calculate ground rents automatically, however the tenure Lease Schedule can be used for random leases.

Ground Lease

To open the Ground Lease form, use the following procedure:

1. Open the Property form for the selected property.
2. In the Property form, click on the **Tenure** tab.

- The Ground Lease window can only be opened if the tenure is leasehold. Double-click on the **Leasehold** entry in the **Structure** list, or select it and use the right-click **Edit...** menu option (see following picture).



Ground Lease page

The ground lease form has two main pages. The first displays the ground lease terms and the second page display is for the selection of ground lease valuation options.

File menu

Close

Closes the ground lease window.

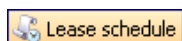
Edit menu

Lease schedule

Geared ground leases automatically produce events in the lease schedule, and show the geared rental amounts on each date. In some cases the rents can be manually modified to reflect special or unrelated events.

Non-geared ground leases offer greater flexibility to manually set dates, events and rents. This can also be used for complex, random ground leases for which the ground lease must be calculated manually and input into the lease schedule.

This option can also be opened by clicking on the **Lease Schedule** button:



For details of the operation of the Ground Lease Rent Schedule, see [“Rent Schedule” on page 77](#).

Capitalisation Groups

These are the property Capitalisation Groups that are available for selection when the Capitalisation by Method option is chosen in the tenure Valuation setup screen. See [“Capitalisation Groups” on page 148](#).

Payment Days

The frequency of ground rent payments can be entered here. This is not used in traditional valuations but is applied in the DCF.

Assumptions

This option displays the property Valuation Assumptions.

Note: Check the current setting for **Leasehold Sinking Fund and Tax on Sinking Fund**.

Note also that there is a switch to apply Double Sinking Fund Correction if required, under Special Case Calculation in the Assumptions, Options tab.

Tools Menu

Document & Image Library...

See [“Documents” on page 41](#) for further information.

Options on the Ground Lease page (Ground Lease)

Tenure Name

The text name defined to identify the tenure.

Parent

The level or superior interest to which the current tenure belongs.

Superior Landlord

The name of the superior landlord for this tenure. Max. 60 characters.

File/Ref No

A cross reference number to a manual file or property management record. Max. 20 characters.

Start date

The start date of the ground lease term.

Term – Years Months Days

Duration of the ground lease in years, months and days.

Expiry date

The date of the expiry of the ground lease. Entering an expiry date will ask you to specify if you want to update the start date or the term.

Unexpired

Duration from valuation date to expiry of lease.

Review Cycle Yrs

The periodic frequency (in years) of ground rent reviews in the ground lease.

This applies only where the ground rent is not geared, or where gearing is to Rental Value or Rent Passing.

Review type

Allows ground rent on review to be adjusted upward and downward or to be set to an upward only basis.

Assumptions

Access to the property Assumptions settings.

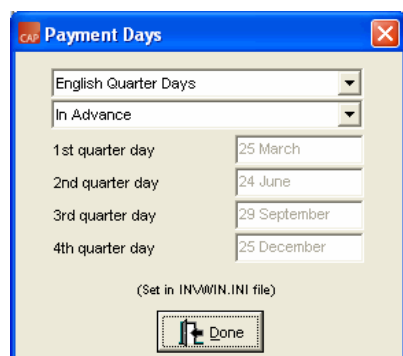
Active Record

This is used to enable or ignore the leasehold data.

Options on the Ground Lease page (Ground Rent)

Payment timing

Clicking onto the **Payment timing** hypertext link on the Ground Lease page opens the dialog box with the defined rental payment date and timing options for selection:



Current ground rent p.a.

Annual ground rent payable at the valuation date.

Renewal Ground Rent p.a.

When the ground lease is not geared, a market rental value for the ground lease is required (when geared, on the expiry of the ground lease, this rent would be regarded as the ultimate lease rent assuming the ground lease is renewed on expiry). This field is used only if the ground rent is not geared.

Geared Ground Rent

Sets a flag to denote that the ground lease has a geared ground rent. When switched OFF all gearing fields are disabled.

Fixed Core Ground Rent p.a.

A fixed base rent figure to which any other geared ground rent is added.

Minimum Ground Rent p.a.

The lowest annual ground rent payable under the terms of the ground lease.

Geared to Rental Value

If selected, the ground rent is based on the specified percentage of tenants' rental value, when tenants' rental value exceeds the figure in the **on rental value exceeding** field.

Ground rent changes on ground rent review dates only.

Geared to Passing Rents

If selected, the ground rent is based on the specified percentage of tenants' rent passing, when tenants passing rent exceeds the figure in the **on rent paid exceeding** field.

Ground rent changes on ground rent review dates only.

Note: Ground rent gearing can be set to include both a % tenants' rental value and a % tenants' rent passing at the same time.

Geared As and When

If selected, then Gearing to Rental Value and Gearing to Passing Rents are disabled.

Gearing "As-and-When" (side by side) follows the flow of tenants' rents. The ground rent changes whenever tenant rents change, to the specified percentage of tenants' total rents passing. A threshold can be set so that the ground rent gearing will only apply when tenant rents exceed the specified amount.

Gear to Rents net of revenue costs

If selected then the ground rent is based on tenants' rents net of any revenue costs defined.

Use tenant rental value if rent is zero

This is a "safety valve" so that Gearing to Passing Rent and Gearing As and When will be geared to rental value if no rent is paid or payable.

Leasehold Valuation Setup page

Two main valuation approaches are available:

- Valuation by deduction from gross income;
- Value by capitalisation by method.

Value By Deduction from gross income

Ground rent is deducted from gross tenant income to arrive at a "net" rental figure for capitalisation in the valuation process.

In a multi-tenanted property a proportion of the ground rent is deducted from each tenant's gross income. This apportionment of the ground rent may be calculated in a number of ways (set out below).

Percentage based on tenant rental values

Ground rent is apportioned based on each tenant's rental value as a percentage of the rental value of the property as a whole.

Percentage based on tenant floor areas

Ground rent is apportioned based on each tenant's floor area as a percentage of the total floor area of the property.

Shared equally between number of tenants

Ground rent is apportioned between tenants based on the fraction:

$$\frac{1}{\text{number of tenants in property}}$$

Percentage of rents paid (As & When only)

Ground rent is calculated by reference to the actual rent paid by the tenant as a percentage of the total rent passing for the property.

Percentage of rents paid is reserved only for As-And-When geared ground leases.

Minimum Uplift

You can use this drop-down to enable or disable the Minimum Uplifts for the ground lease feature in the Traditional Valuation.

Value By Capitalisation by method

If this basis is chosen, ground rent is not deducted from tenant income, but is capitalised separately. The final property valuation is arrived at by deducting the capitalised ground rent from the gross capitalisation of tenant income.

Ground Lease: Goodfood House,17,Eating Plaza,COVENTRY,West Midlands,CR1

File Edit Tools Help

Lease schedule Payment Days Assumptions Capitalisation Groups Document & Image Library...

Ground Lease Valuation setup

Basis
Capitalisation by method

Capitalisation for Traditional Valuation Only

Capitalisation Group PRIVATE

Valuation Method Hardcore

Hardcore 8.0000%

Froth rate 10.0000%

DCF Exit rate 10.0000%

Froth Disabled ☒

Froth duration First Review

Brk'thru growth

Manual froth date

Froth SF / Tax

Minimum Uplift Disable in Trad.Val

Valuation date 23/05/2000 As and When is not compatible with Gear ERV/Passing

Capitalisation Group and fields

Ground leases are valued “by method” in a similar way to tenant leases, and the same range of options - valuation method, capitalisation rates - are available.

Capitalisation of the ground rent produces a negative figure which is offset against the capitalised tenant income in the property valuation. One of the property Capitalisation Groups may be selected, if defined, or “PRIVATE” may be selected to manually specify the required method and yields.

Group, method and yield settings are virtually the same as at tenant level. For more information, [“Valuation page” on page 130](#)

Froth

For the rare occasion when valuing a non-gearred over-rented ground lease, the additional Froth section provides options as follows:

- **Disabled**
When this flag is set, froth is not capitalised separately.
- **Froth Duration**
The period selection for froth to be valued.
- **Breakthrough Growth**
Ground lease rental value growth is applied when using the “Breakthrough froth duration” option. The annual growth rate is applied to calculate the breakthrough date when the ground lease rental value is equal to current ground rent.
- **Manual Froth Date**
The froth period end date when Manual duration is selected.
- **Froth SF**
Sinking Fund applied to the froth valuation.

- **Tax on SF**
Tax on the Sinking Fund as applied to the froth valuation.

Headleases With Short Residual Terms

Valuation-Capitalisation's treatment of headleases nearing their expiry has largely been determined by its users.

- You are permitted to input details of occupational leases expiring after the headlease has come to an end. The program will value the occupational tenant rent without a head rent deduction during this period.
- Occupational leases that expire before the headlease are generally assumed to renew or relet to expire at the same time as the headlease.

CHAPTER 9

Tenants

A tenant may be regarded as a unit of occupation, or as defining a portion of the property with or without an income stream or value.

In some cases, a tenant can be regarded as a whole building or as an occupational element of a building. This depends on the nature of the property and the complexity required to perform valuations and cash flows.

Floor areas can be defined for each tenant that build into a full property floor area schedule.

Each tenant has a “parent” tenure for the purpose of the property structure and the valuation processes.

The tenant name could be the name of the occupier or a descriptive name such as “Substation” or “Waste Ground”.

Costs that relate to all tenants, or group of tenants under a specific tenure parent, are defined at property level and the option “apply to all tenants” is selected. Capital and revenue costs applying specifically to an individual tenant are defined at tenant level.

Tenant functions are controlled through the tenant menu bar:

File menu

Reports

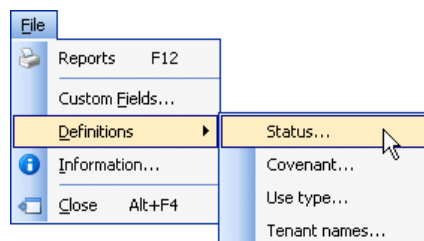
Opens the list of defined reports for selection. Reports can be produced at any time, and apply current data as the basis for output information. See [“Reports” on page 205](#).

Custom Fields...

User-defined fields providing capacity for more specific details to be attached to the tenant record. This is set up by the system supervisor and is a protected function. Information can be obtained from the system supervisor or by calling ARGUS support.

Definitions

Provides access to a library of lists to define Tenant Status, Covenant, Use types and Tenant Names.



These lists can be updated by the system supervisor. See [“Lists” on page 15](#).

Information...

Provides useful information used normally for support purposes.

Close

Closes down the Tenant window.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls applying to field contents.

New



Adds a new tenant record. If more than one tenant template has been defined then the choice of templates is offered.

Delete



Deletes the current tenant record.

List & Search



Displays a list of tenants. Allows search and selection of another tenant record from the current property, current portfolio or entire system.

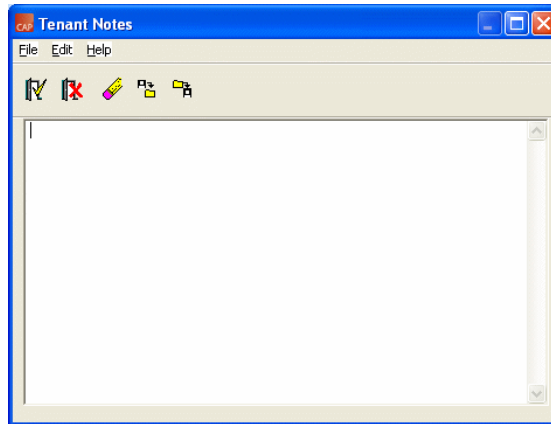
Sort

Provides an option to sort tenants in one of the available sort orders. You can select a pre-defined sort order from the list:



Notes

Tenant notes page with capacity for up to 2000 characters:



Previous tenant



Move to the previous tenant record.

Next tenant



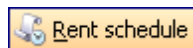
Move to the next tenant record.

Next review date

This accesses the date dialog box for the next rent review field. Normally, this is the next open market review date, with reference to the rent review cycle in the lease, but if there is an outstanding rent review then the automatic assumption is that the next review date is the outstanding review date.

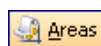
Schedules menu

Rents



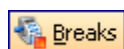
Displays the tenant's Rent Schedule. See [“Tenancy Schedule” on page 73](#).

Areas



Displays the tenant's Area Schedule. See [“Area Schedule” on page 83](#).

Breaks Schedule



Displays the list of break dates in the tenant's lease. Any break date can be exercised for valuation purposes by setting the Active flag for that date. The break option must be defined as Landlord, Tenant or Mutual. See [“Breaks Schedule” on page 88](#).

Break penalties can be entered against each break in the Lease Breaks page. Penalties linked to floor areas, ERVs, rents passing (and so on) can be entered in the costs schedule using the **On Break** cost trigger.

Payment Days

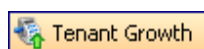


The **Payment Days** dialog box shows settings for rent payment days. It includes dropdowns for 'English Quarter Days' and 'In Advance'. Below are four rows for quarter days with their respective dates: 1st quarter day (25 March), 2nd quarter day (24 June), 3rd quarter day (29 September), and 4th quarter day (25 December). A note indicates '(Set in IN\WIN.INI file)' and a 'Done' button is at the bottom.

Each tenant record can specify the precise days on which rent is due to be paid. This is not used in traditional valuations but is used for the Cash Flow option “Daily Discounting” which discounts from the specified rent payments days (compared to Monthly Discounting which assumes rent payment on the first of the month).

See [“Rent Payments Schedule” on page 89](#).

Tenant Growth



Rental value growth may be applied on a tenant by tenant basis in cash flow functions when this basis is selected in the DCF Setup screen, Rental Growth tab. Tenant rental growth rate is defined in the rental growth schedule accessed from the Tenant form.

The **Tenant Rental Growth** dialog box shows settings for rental growth. It includes a 'Group' dropdown set to 'PRIVATE'. Under 'Start from..', 'Valuation date' is selected with a date of '04/08/2008'. Under 'Calculation Mode..', 'Mode' is set to 'Standard' and 'Anniversary' is set to '/'. A table lists growth rates for 8 periods.

No.	Rate	Months
1	2.000 %	12
2	2.500 %	24
3	3.000 %	0
4	0.000 %	0
5	0.000 %	0
6	0.000 %	0
7	0.000 %	0
8	0.000 %	0

If the group is set as “Private” and the tenant growth schedule is empty, the DCF applies the Override rate.

To force a growth rate of zero, set the first rate to zero and number of months to 1.

The rental growth editor can define a single growth rate or multiple rates varying over monthly periods. Growth can start from the valuation date or from a defined seed date. Rates can be positive or negative rate. The month period determines the duration of the corresponding growth rate. A zero month definition is treated as perpetuity.

Rental growth rates can be entered manually into the editor form with the group set as “Private” or a Rental Growth Group can be attached by selecting a group from the drop-down menu. See [“Inflation Groups” on page 150](#).

Costs



Displays the property Costs Schedule. See [“Costs Schedule” on page 155](#).

Capitalisation Groups

Displays the property Capitalisation Groups Schedule. See [“Capitalisation Groups” on page 148](#).

ERV Groups

Displays the property Rental Value Groups Schedule. See [“ERV Groups” on page 149](#).

Inflation Groups

Displays the property Inflation and Growth Groups. See [“Inflation Groups” on page 150](#).

Indexation Groups

Displays the property Indexation Groups. See [“Indexation Groups” on page 151](#).

Tools menu

Valuation Rules

The Valuation Assumptions as defined for the parent Property. Any changes made to the Assumptions at tenant level will apply to all tenants in the property. See [“Assumptions” on page 67](#).

Documents

Document storage area for graphic and file content for the individual tenant. See [“Documents” on page 41](#).

Name & Status page

The screenshot shows a software window titled "Tenant: Croydon Offices Ltd (Freehold)". The window has a menu bar (File, Edit, Schedules, Tools, Help) and a toolbar with icons for various functions. Below the toolbar are tabs: "Name & Status" (selected), "Lease & Rent", "Renewal", and "Valuation".

The "Name & Status" tab is divided into two main sections: "Tenant" and "General".

Tenant Section:

- Name:** A text field containing "Croydon Offices Ltd".
- Description:** An empty text field.
- Tenant Status:** A drop-down menu showing "Occupied and Let".
- Main Use Type:** A drop-down menu showing "Office suite".
- Tenant Covenant:** A drop-down menu showing "FT-100".
- Guarantor Covenant:** An empty drop-down menu.
- D&B SIC Code:** An empty text field.
- Registration No:** An empty text field.

General Section:

- File/Ref No:** An empty text field.
- Manual Sort Order:** A text field containing "0".
- IPD Activity Code:** An empty text field.
- Parent tenure:** A text field containing "Freehold".
- Tagged (enabled for valuations and filters):** A checked checkbox.
- Active record (Alive, non-archived):** A checked checkbox.
- Notes:** A large empty text area with a scroll bar.

At the bottom of the window, there is a status bar with the following information: "Val. Date 23/05/2000", "Status Normal", "Event: Reversion", "South East Plaza, 9, Busy Street, CROYDON, Greater Lond", and a "Customise..." button.

Name

An identifying name for the occupier. This could also be Vacant, Site, etc. Max. 30 characters. Tenant names can be stored and selected from the Tenant Names database accessed by clicking the "Name" hypertext label or menu **File | Definitions | Tenant names**.

Description

Any required description for this tenant. Max. 60 characters.

Tenant Status

Select from the user-defined list in the drop-down menu for a suitable tenant category. This is used only for reporting and analysis. Setting a unit to vacant or occupied status for example, does not have any effect on the valuation.

Main Use Type

Select from the user-defined list for a suitable tenant category.

Tenant Covenant

Select from the user-defined list for a suitable tenant category.

Guarantor Covenant

Select from the user-defined list for a suitable tenant category.

D&B SIC Code

Enter a suitable text string if required

Registration No

Enter a tenant company registration number if required

File / Ref. No

A cross reference number to a manual file or property management record. Max 20 characters

Manual Sort Order

Used primarily in the Tenancy Schedule, the tenant records can be sorted in an order determined by the numeric value of this field. The current sort order used in the tenant records is set in the Command Centre.

IPD Activity Code

A special code as specified by Investment Property Databank to monitor this tenant record

Parent tenure

This is shown on the tenant form but can be changed in the tenancy schedule.

Tagged

Each tenant record can be switched on or off (included/excluded) using this field, for valuation and cash flow purposes.

This is also seen in the tenant listing in the Command Centre as a tick in the leftmost column.

Active record

Regardless of the Tag setting, a tenant can be permanently excluded from valuations and cash flows by setting the Active record flag OFF.

Notes

A read-only view of any notes appears on the form. This can be opened for editing by clicking the Notes hypertext label. For further information on the Notes form please see [“Notes” on page 99](#).

Customise...

If Custom Fields have been created for your system, then this button opens the additional display window. This is a Supervisor controlled function. Call ARGUS Support for more information about Custom Fields.

Lease and Rent page

Start date

The lease start date. ARGUS Valuation-Capitalisation stores all periods for the whole term of the lease. This field assumes the defined lease is:

Current - if the start date is before the valuation date and the expiry date is after the valuation date

Historic - if the expiry date calculates to a date before the valuation date.

Future - if the start date is after the valuation date. In this case the system interprets the period until the lease start as a Current Void (the default assumption) or, if selected, Holding Over (based on the status of the Holding Over flag).

Term Years / Months / Days

Duration of the term of the lease in Years, Months and Days.

Expiry Date

The lease expiry date. This is calculated automatically when a lease start date and term are specified. Note that, for example, if the lease start date is 1st January for a term of a whole number of years, the expiry date is 31st December. The 1st January is the lease renewal date. Changing this field prompts to select either an update to the term or start date.

Unexpired term

Period from the valuation date to the lease expiry date. This is calculated automatically.

Break exercised

The date of the next break option exercised in the lease (if any) as set in the Break Option Schedule. This schedule can be opened for updating by clicking on the Break Exercised hypertext link.

Next Review

The next rent review date in accordance with the tenant's lease terms. Generally this is the next open market review date, based on the defined rent review cycle. If there is an outstanding rent review then the default assumption is that the next review date is the outstanding review date.

Market Rent Review cycle (Yrs)

This is the periodic frequency of rent reviews in the lease in years.

Review type

Sets the rent review basis.

“Upward only” assumes open market reviews in a lease are upward only from the rent passing at the review date. If an intervening fixed review is agreed above ERV, then all subsequent open market reviews will be upwards only from this new rent base. “Upward and Downward” allows rents to fall as well as rise on review dates based on the market rental value.

Lease type

The choice of lease types available are:

- **Standard Lease**
Assumes a typical UK style lease with periodic rent reviews.
- **Indexed lease (Val+DCF)**
Rents are subject to annual indexation based on the Indexation rate setting on the tenant form. Indexation is applied to rents in both traditional valuations and cash flows.
- **Indexed lease (DCF only)**
Rents are subject to annual indexation based on the Indexation rent setting on the tenant form. Indexation is plotted included in cash flows but ignored in traditional valuations.
- **Turnover lease**
Inclusion of Turnover rents calculation in DCF and Traditional Valuation.

Categories of commodity (food, shoes, general) can be attached to individual tenants along with base turnover values and anticipated growth. A simple set of rules are defined to calculate the gearing of that turnover into actual rent. The extra rent is then valued using a specific yield rate in traditional valuations.

Rent

Payment dates

Dates for the payment of rent. This is not used in traditional valuations but applies to the accuracy of rents in the Cash Flow.

Note: Rent input typing mode is controlled by the option in the property record. This can be: RENT PER ANNUM or RENT PER MONTH.

Current Rent

Rent receivable at the valuation date.

Note: If the unit is vacant with a future lease start date, or there is a fixed pre-lease void period or a rent free period at the valuation date, the current rent is forced to zero.

Holding over

This applies where lease renewal negotiations have not been finalised at the valuation date. The proposed new lease should have a future date assuming the grant of new lease terms in future (to enable this check box, you must first have entered a **Start Date** that is in the future). The tenant is assumed to be still in occupation at the valuation date, paying the rent based on the previous lease.

To enter a “holding over” rent, check the **Holding over** box and enter the rental figure. This will be assumed to be the new current rent.

Outstanding RR (*Rent review*)

This condition will apply when a rent review is still under negotiation at the valuation date. Click the Outstanding RR flag, and enter the rent likely to be agreed. Since the rent will ultimately be backdated to the review date, this rent is assumed to be the current rent for valuation purposes.

Rental Value

This can be entered as a **manual** typed figure when the ERV mode is Manual, or it can be calculated in the **Area Schedule** according to the ERV mode setting (see below).

ERV Mode

This confirms whether the Rental Value has been determined by a manual entry, or whether it is calculated through the Area Schedule which can return the result as a rounded or unrounded number.

Geared ERV

Where required, the rent reviews in a lease can be set to be calculated to a percentage of full market rental value.

Indexation Group

For indexed leases, the indexation rates can be applied by choosing an Indexation Group from the drop-down. Each Indexation Group contains a profile with details of rates.

Current Void months

A fixed duration of months between the valuation date and the lease start date. When a current void is defined the lease start date is automatically calculated as offset from the valuation date. This field must be set to zero to enable manual change of the lease start date.

Expiry Void months

A duration of months from lease expiry date or break option date allowing for re-letting before the renewal lease start date.

Rent Free months

Period at the start of the lease during which the rental income is forced to zero.

Turnover Rents page

This tab only becomes visible when you select the “Turnover lease” option from the **Lease type** drop-down on the **Lease & Rent** tab.

Tenant: The Taj Mahal (Leasehold)

File Edit Schedules Tools Help

Costs Rents Areas Assumptions Payment days Breaks Schedule Tenant Growth

Name & Status Lease & Rent **Turnover Rents** Renewal Valuation

Calculation

Calculation Mode: Turnover + Base

Anniversary Date: 23/05/2000

Anniversary Mode: Start of Year

DCF Renewal

At Renewal: Continue Turnover

Base Rent Mode: Use Gearing ERV

Base Rent Gearing: 100.00 %

+ Add Category - Delete Category

Category	Date	T.O. pa	Growth	Description	T.O. %	T.O. Threshold
Turnover 1	23/05/2000	£500,000	PRIVATE	None	15.000%	£250,000

Val. Date 23/05/2000 Status Normal Event: Review Goodfood House,17,Eating Plaza,COVENTRY,West Midlar Customise...

Calculation Mode

- **Turnover Only**
Only turnover is valued. In traditional valuations on lease determination there will always be a reversion to open market rental value or the provisions made in the Tenant, Renewal page. In the DCF the renewal basis is determined by the At Renewal option on the Turnover Rents page (see below).
- **Turnover + Base**
The tenant pays a turnover rent plus base rent.
- **Turnover + Base as Minimum**
The tenant pays a turnover rent subject to a minimum payment. The minimum payment is the base rent.

Anniversary Date

Determines when the turnover rent is recalculated. Calculations are always on an annual basis.

Anniversary Mode

- **Start of Year**
Turnover rent is based on the anticipated turnover at the beginning of that year. This will be the Anniversary Date.
- **End of Year**
Turnover rent is based on the anticipated turnover at the end of the year. This is one year from the Anniversary Date or calculation date.
- **Mid Year**
Turnover rent is based on anticipated turnover 6 months ahead of the Anniversary Date or calculation date.

At Renewal

- **Disable Turnover**
The renewal lease is determined by the setting on the Tenant, Renewal page. The renewal lease is without turnover.
- **Continue Turnover**
The renewal lease provides for a continuation of turnover rent.

Base Rent Mode

- **Use Gearing ERV**
Base rent reviews are geared to the Geared ERV percentages on the Tenant, Lease & Rent page.
- **Use Override %**
Base rent reviews are geared to the Base Rent Gearing percentage entered on the Turnover Rents page.

Base Rent Gearing

Used in conjunction with the Use Override percentage described above.

Add Category

You can add single turnover category items where a fixed gearing is applied against all sales. Alternatively, you can create several lines representing different commodities. For example, a department store may have one gearing percentage against retail sales and another against the restaurant turnover.

Delete Category

Removes a Category.

Category

The name or description of the turnover type.

Columns in the Turnover Rents schedule

Category

Use this entry field to type in a name for the Turnover Rent category.

Date

The date on which the turnover amount was established. The turnover amount will grow from this date.

T.O.p.a.

Annual turnover amount.

Growth

The growth may be determined by using the PRIVATE setting and entering the percentage amounts on the Tenant, Rental Growth page. Alternatively, growth can be determined as an Inflation/Growth Group.

Description

Describes the growth provision.

T.O.%

The percentage gearing applied to the turnover amount to calculate the rent.

T.O.Threshold

The turnover amount not liable for rent calculation. For example, 100,000 turnover @ 50% with a 20,000 T.O.Threshold calculates to 40,000 turnover rent, being $(100,000 - 20,000) * 50\%$.

Renewal page

Rent Basis

Options for selecting the basis of the tenant lease renewal are:

- **Full Rental Value**
The default assumption for the new lease on renewal to revert to full Rental Value.
- **Continue rent % gearing**
If the current lease has a Geared ERV on reviews, then this condition can be continued in the renewed lease by applying this renewal option.
- **Specific Rent**
This option allows a new lease start rent to be specified for lease renewal. Selecting this option displays an Annual Rental entry field.
- **Specific value**
The reversion part of the valuation can be represented by a single capital sum, for example, reversion to site value. No valuation processing is carried out after the renewal start date. The reversion can be specified as a value of zero to end the tenant's valuation at this point, or as a lump sum plus a discount rate to calculate a present value figure for this capital sum.

Review Cycle (yrs)

The term of the renewed lease will be based on the Renewal Review Cycle. If the Renewal Review Cycle is zero the term of the expiring lease is assumed.

Rent Free (months)

A rent free period at the start of the new lease on reversion.

Re-letting probability

Field for the option used in the DCF exit valuation when applying a CapRate valuation to determine the probability of re-letting at the valuation date.

Renewal Lease Basis

- **Single Lease Renewal**

This option assumes that, on renewal, the new lease will be on the same terms as the current lease defined in the tenant lease and rent record.

- **Multi Lease Renewal**

This option enables the terms of the renewal leases to be defined in the next two fields.

New lease (yrs - mths)

The term duration for the renewal leases when the “Multi Lease Renewal” option is selected.

Expiry Void (months)

The optional re-letting period on expiry of each of the renewal leases when the “Multi Lease Renewal” option is selected.

Indexation Group

When the current lease is indexed, indexation can also be applied to the renewal lease rent. This can be at the same rate as the current lease indexation or at a different specified indexation rate.

Use this drop-down to select an Indexation Group containing the appropriate indexation rate settings.

Valuation page

Tenant: The Taj Mahal (Leasehold)

File Edit Schedules Tools Help

Costs Rents Areas Assumptions Payment days Breaks Schedule Tenant Growth

Name & Status Lease & Rent Turnover Rents Renewal **Valuation**

Capitalisation

☐ Fixed Value (Overrides calculations)

[Capitalisation Group](#) Private

Valuation Method Hardcore

Hardcore Cap. Rate 10.000%

Froth Cap. Rate 10.000%

DCF Exit Cap. Rate 9.000%

Minimum uplifts Disable in Trad. Val

Indexation method Disable in Trad. Val

Froth Over-Rent (when Rent exceeds Rental Value)

☐ Disabled

Froth Basis Manual

[Froth End date](#) / /

Breakthrough Growth 0.0000%

Years - Mths - Days 0 0 0

Sinking Fund 0.0000%

Tax on S F 0.0000%

Assumptions

[Assumptions](#)

Tables: Annualy in Ayears SF:4.000% TAX:40.000%

DCF Rental Growth

[Growth Group](#) PRIVATE

None

Val. Date 23/05/2000 Status Normal Event: Review Goodfood House, 17, Eating Plaza, COVENTRY, West Midlar Customise...

Fixed Value

This allows a fixed value to be defined for the tenant. This capital sum is substituted in the valuation process as the value of this tenant. No capitalisation of rental income takes place.

Capitalisation Group

Valuation-Capitalisation capitalises rental income tenant by tenant. The valuation process applies the valuation method and yield according to the settings in this field. When set to PRIVATE, the

method and yields are chosen manually for the tenant. When a group is selected, the tenant is valued according to the details contained in the chosen group.

Valuation Method

Available methods of valuation are:

- Term & Reversion;
- Hardcore;
- Initial Yield;
- Short Cut DCF.

Yields

When Term & Reversion method is selected:

- Term Cap. Rate;
- Reversion Cap. Rate;
- Froth Cap. Rate.

When Hardcore method is selected:

- Hardcore Cap. Rate;
- Layer Cap. Rate (if set in Assumptions);
- Froth Cap. Rate.

When Initial Yield method is selected:

- Initial Yield (Cap. Rate).

When Short Cut DCF is selected:

- All Risks Yield;
- Target Yield;
- Implied Growth

This figure is calculated using the All Risks and Target Yields. The comparable tenant is assumed to have 5 yearly rent reviews.

Other:

- DCF Exit Cap. Rate
This is the rate used in the DCF to capitalise this tenant income when the exit capitalisation option is set to apply Tenant Individual Exit Rates.

Minimum Uplifts

You can stipulate the percentage increase or rent achieved at review. Values are entered into the Rent Schedule and can be valued in traditional valuations and cashflows or just cashflows.

Indexation method

You can select the indexation method that will be used. Choices available are: “Disable in Trad. Value”, “Value Until Next Review” and “Value Until End of Lease”.

Assumptions

Property Assumptions can be accessed by clicking onto the hypertext label. A summary of the chosen valuation settings is shown on the Tenant Valuation screen.

Froth Over-Rent

When a tenant’s rent payable exceeds rental value the excess is termed Froth. This can arise at any time during the period of the lease. Due to the effect of an upward only rent review pattern, when

using Term and Reversion or Hardcore methods of valuation, an assumption is made for the duration of over-rent for valuation purposes.

Disabled

When selected, this flag denotes that the froth income is not differentiated from the core rental income for valuation purposes and no special processing shall take place.

Froth Basis

When enabled, Froth income can be assumed to be for any duration, but certain auto-settings are available to set the Froth period end date:

- **Manual**
A manual date, set in the Froth End date field.
- **1st Review**
The first open market rent review or lease event date following the valuation date.
- **2nd Review**
The second open market rent review or lease event date following the valuation date.
- **End of lease**
The expiry date of the lease or active break option date.
- **Break Thru**
Allowing for rental growth at the rate set in the Breakthrough Growth field, the froth end date is the date on which the market rental value equals the rent passing.
- **1st after Break Thru**
Allowing for rental growth (at the rate set in the **Breakthrough Growth** field) the froth end date is the date of the next open market rent review or lease event following the date when the market rental value equals the current rent passing.
- **1st Event**
The date of the next event in the lease after the valuation date.
- **2nd Event**
The date of the second event in the lease after the valuation date.

Froth End Date

Manually input or calculated date for the end of Froth capitalisation.

Breakthrough Growth

The rate of growth applied to the market rental value when using the Breakthrough options above.

Froth Duration (Years, Months, Days)

The calculated Froth duration period.

Sinking Fund + Tax on Sinking Fund

These fields allow for an adjustment to the capitalisation of the Froth income so that the value of the Froth at the end of the period can be recovered.

DCF Rental Growth

Rental growth rate setting for the tenant. This is defined in the Tenant Rental Growth dialog accessed from the tenant form, by clicking the “Growth Group” hypertext link, the **Tenant Growth** button or selecting menu **Schedules | Tenant Growth**.

When set to PRIVATE, the rental growth rates are entered manually for the tenant. When an inflation group is selected, the tenant is valued according to the details contained in the chosen group.

In the Tenant Rental Growth dialog, clicking on the hypertext link “Group” opens the Inflation & Growth Groups editor. See [“Inflation Groups” on page 150](#).

Stepped Rents

Stepped Rents can be defined for a tenant in the Tenant Rent Schedule (see [“Rent Schedule” on page 77](#)). To open this schedule, click on the **Rents** button in the Tenant window:



Tenant Rent Schedule: The Taj Mahal

File Edit Tools Help

Save Cancel Reset schedule Resequence Fix Events

Dates / Rents / Events Tenant Valuation

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type	Amount/%
01/01/2008	5	0	0	Market Rent (RR date)	☒	£100,000	None	0.00
01/01/2013	5	0	0	Fixed Rent (RR date)	☐	£200,000	None	0.00
01/01/2018	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2023	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2028	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2033	0	0	0	Renewal/Relet	☐	£200,000	None	0.00

Valn.Date: 01/01/2008 T.V. Min uplift: Enabled T.V. Index: Until Next Review

The Tenant Rent Schedule can be edited to define the stepped rents either by editing the **Date** or **Yrs**, **Mths** and **Days** columns, or by selecting the **Edit | Insert Line** menu option. The stepped rent per annum can then be entered for each date.

Tenant Rent Schedule: The Taj Mahal

File Edit Tools Help

Save Cancel Reset schedule Resequence Fix Events

Dates / Rents / Events Tenant Valuation

Date	Yrs	Mths	Days	Event (click to change)	Override	Rent per annum	Minimum Uplift Type	Amount/%
01/01/2008	1	0	0	Market Rent (RR date)	☒	£100,000	None	0.00
01/01/2009	1	0	0	Interim Step (non-RR)	☐	£110,000	None	0.00
01/01/2010	1	0	0	Interim Step (non-RR)	☐	£120,000	None	0.00
01/01/2011	1	0	0	Interim Step (non-RR)	☐	£130,000	None	0.00
01/01/2012	1	0	0	Interim Step (non-RR)	☐	£140,000	None	0.00
01/01/2013	5	0	0	Fixed Rent (RR date)	☐	£200,000	None	0.00
01/01/2018	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2023	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2028	5	0	0	Market Rent (RR date)	☐	£200,000	None	0.00
01/01/2033	0	0	0	Renewal/Relet	☐	£200,000	None	0.00

Valn.Date: 01/01/2008 T.V. Min uplift: Enabled T.V. Index: Until Next Review

To finish, click on the **Save** button.

CHAPTER 10

Portfolios

IGNORE THIS CHAPTER IF THE PORTFOLIO MODULE HAS NOT BEEN PURCHASED

A portfolio represents a group of properties. In Valuation-Capitalisation, there is no specific limit to the number of portfolios, nor to the number of properties that can be held in a portfolio.

Using Filtering and Tagging, a portfolio can be configured from unlimited viewpoints, and multiple portfolios can be copied together to form a “master” or “super” portfolio.

To view a portfolio record, double-click on the portfolio name in the Command Centre (or click to select the portfolio and click on the **Open** button).

The screenshot displays the 'Portfolio : Sample Portfolio' window. It features a menu bar (File, Edit, Tools, Help) and a toolbar with icons for New, Delete, and various functional areas (Assumptions, Valuation, Cashflow, Security, Portfolio Fees). The main area is divided into several sections:

- Details:** Fields for Portfolio name (Sample Portfolio), File / Ref No (1234567890), Manager / Contact, Owner / Contact No, Portfolio owner (A), and Category.
- Portfolio valuation date:** A field for Valuation date (23/05/2000) and a button 'Align properties to portfolio date'.
- Property (and tenant) template when adding new records:** A dropdown for Template default (Standard UK Property) and a checked checkbox 'Apply the System-level default Template'.
- Currency:** Fields for Default (GBP - Pound Sterling) and Scenario default (Default Currency Scenario), with a button 'Align properties to portfolio currency settings'.
- General:** Buttons for 'Align Equity % for properties' and 'Reset property assumptions to default'.

At the bottom, a status bar shows 'Val.Date: 23/05/2000', 'Private Assumptions', and 'Values: Gross Value £26,555,671 Net/Say Value £26,459,100'. A 'Custom Fields' button is also present.

Portfolio record

At portfolio level, properties are “batch-valued” to provide a single summary valuation. This valuation process opens each property data record, aligns the valuation date to the portfolio date and brings the results together in a single output. All the property data is merged internally into one income and expenditure profile to produce the overall yields for the portfolio.

The default process for portfolio valuation is to apply required portfolio valuation date and other assumptions without altering the actual property records. To ensure property valuations are brought up to date following a portfolio valuation, there is a menu command available on the Valuation screen to “update all properties” - **Tools | Update values for all properties in portfolio** (see [“Valuation Screen” on page 167](#)).

An important point to remember with portfolio valuations is that the *portfolio* valuation date is used and all properties are assumed to be valued at this single date.

To actually reset all property valuation dates to the portfolio valuation date, click on the **Align properties to portfolio date** button.

Here is a summary of the commands in the Portfolio window:

File menu

Save CVL

Saves the portfolio in CVL format.

Reports

Opens the list of defined reports for selection. Reports can be produced at any time, and apply current data as the basis for output information. Where a report is set up with special internal commands, valuations will be carried out automatically. See [“Reports” on page 205](#).

Custom Fields...

This is only active if you have custom fields set up in your database.

Information

Basic information about the portfolio primarily for support purposes.

Close

Exits the window.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls.

New

Creates a new portfolio record.

Delete

Deletes the currently-selected portfolio. For extra protection, you are required to type the word `DELETE` in upper case characters to complete this action. See [“Deleting a portfolio” on page 140](#).

List & search

Lists all portfolios to which you have access. This list can be searched to locate a specific portfolio.

Sort

This option is disabled in Valuation-Capitalisation 2.50. Record sorting is now done by clicking on the column headings and filtering the record lists. See [“Sorting items in the lists” on page 45](#) and [“List Filters” on page 45](#).

Previous

Select previous portfolio in sort order.

Next

Select next portfolio in sort order.

Notes...

The portfolio record has a Notes form to enter up to 2000 characters with text information. For further information on the Notes form please see [“Notes” on page 99](#).

Tools menu

Assumptions

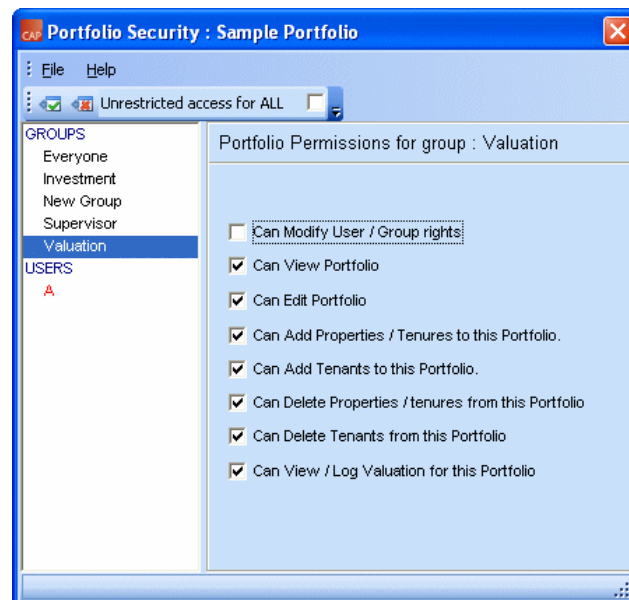
System default settings can be used for the portfolio or these can be modified to produce a varied default set for its properties. See [“Assumptions” on page 67](#).

Security



Allows you to enter security for the portfolio. Every portfolio has an “owner”, being the individual who created the portfolio. The owner can set security levels to allow other users, or members of secure groups, specific rights to view and apply changes to the portfolio.

Further information on security settings is also provided in the Valuation-Capitalisation Administrator’s Guide.



Portfolio security

Portfolio security provides control for the portfolio owner and system supervisor to restrict access to and activities in the portfolio. Use the **Tools | Security** menu option.

The **Unrestricted access for all** check box must be OFF for security to be applied.

Individual users and groups of users can be restricted to limited rights of access in the portfolio. These users can be selected from the list on the left hand side of the screen. The set of rights and restrictions are listed on the right hand side of the screen. These determine rights to view the portfolio, to edit records, to add properties, to add tenants, to delete properties, to delete tenants, to view the valuation log, and to modify user/group rights.

Setting the “Can View Portfolio” option to OFF prevents the selected user or group from seeing the record in the Command Centre portfolio listing by making it invisible.

Valuation

This produces a full Valuation for the “tagged” properties in the portfolio. See [“Valuation” on page 167](#).

Cash Flow

Produces a cash flow for the “tagged” properties in the portfolio. See [“Discounted Cash Flow” on page 181](#).

Portfolio Fees



Opens the Portfolio Fees window, where you can define fees that can be applied generally to the portfolio. See [“Portfolio Fees” on page 141](#).

Portfolio Data Entry Fields

Portfolio name

The name of the portfolio. Max. 40 characters.

File / Ref. No

A file or record reference. Max. 10 characters.

Manager / Contact

The name of the individual manager for the portfolio. Max. 30 characters.

Owner / Contact No

For recording contact and phone numbers for quick reference. Any alphanumeric data may be used. Max 30 characters.

Portfolio Owner

The person who created the portfolio record and has control of portfolio security. Where available, the owner or supervisor can modify security access rights for the portfolio.

Category

A category can be selected from the list or a new customised option created. Portfolio categories can be used to sort the Command Centre portfolio list or to filter this list when portfolio filter is enabled. See [“Tag Filters” on page 38](#).

To create a new category simply type the category name into the category field.

Default

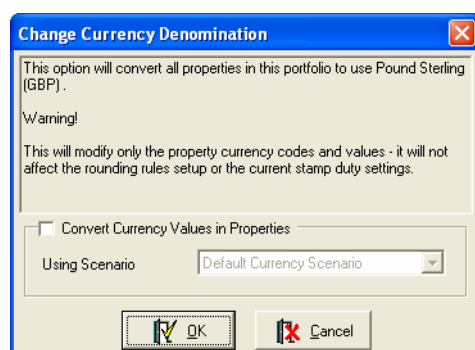
The default currency for the portfolio. This is the conversion base in portfolio valuations. See [“Currency Scenarios and Codes” on page 13](#).

Scenario default

The default currency conversion factors scenario. This is applied at the valuation date to align all property currencies to the portfolio default currency for the portfolio valuation. See [“Currency Scenarios and Codes” on page 13](#).

Align properties to portfolio currency settings

This changes all property currencies to the default portfolio currency.



Valuation Date

The date used for portfolio valuations and cash flows.

Align properties to portfolio date

Changes all property record valuation dates to the current portfolio valuation date.

Template Default

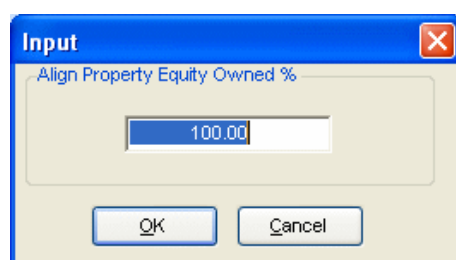
The default template used when creating new properties (and tenants) in the portfolio.

Apply the System-level default Template

Apply the system level default property template for creating new properties.

Align Equity % for properties

Percentage representing the equity interest owned. Calculations produce results based on the specified percentage. 100% is normally assumed.



Enter the percentage equity owned, then click **OK**. This changes all property equity percentages to the specified percentage owned.

Reset Property Assumptions to Default

Resets all property assumptions to the default assumption settings.

Portfolio Valuation and Cash Flow

Portfolio Valuation Date

Ensure the portfolio valuation date is correct. This overrides any individual property valuation dates.

If you wish to actually change all property valuation dates to the same date as the portfolio, click the **Align properties to portfolio date** button.

Assumptions

It is recommended that the Assumptions are checked before any valuation, especially where properties are using the default settings. These are found in portfolio menu option **Tools | Assumptions**. See [“Assumptions” on page 67](#).

Valuation

The valuation command produces a complete portfolio valuation. The valuation screen provides functions to print a report, perform targeting sensitivity and to store results on the log database. To value the portfolio use the menu option **Tools | Valuation** or click on the **Valuation** button. See [“Valuation” on page 167](#).

Discounted Cash Flow

The DCF function requires a range of variables for calculation options, rental growth and exit values to be set up. To run a portfolio cash flow, use the menu option **Tools | Cashflow** or click on the **Cashflow** button. See [“Discounted Cash Flow” on page 181](#).

Multi-portfolio operations

Operations requiring duplication and interaction between portfolios are performed in the Command Centre.

Copying portfolios

Ensure you are in the **Command Centre**.

Select the portfolios to be copied and click on the **Copy records** button, or right-click on the portfolio and select the **Copy records** option.

Check the name of the newly created portfolio and open the record to change the name if required.

Copying & moving properties between portfolios

To copy or move properties around within portfolios, click on the **Move records** button or right-click on the portfolio and use the **Move records** menu option.

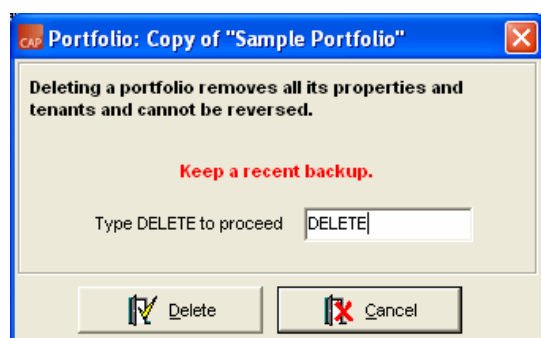
This function enables selection of one or more properties in a source portfolio to be copied or moved to a destination portfolio.

For further details, see [“Copying or Moving properties between portfolios” on page 106](#).

Deleting a portfolio

To delete a portfolio, select it from the Portfolios list and click on the **Delete** button. Alternatively, you can right-click on the portfolio and use the **Delete** menu option.

This opens a dialog like the following:



Type in the word **DELETE** (all in upper case), and click on the **Delete** button. The portfolio will be removed from the Portfolios list.

Portfolio Fees



This feature allows you to create a collection of fees (payable to a managing agent who is looking after the portfolio) that will be associated with the selected portfolio. Any fees you set up here will be displayed in the DCF under the “Summary Portfolio Fees” heading.

You can use this feature by clicking on the **Portfolio Fees** button either in the Command Centre or by clicking the **Portfolio Fees** button in the Portfolio window.

This opens the Portfolio Fees window:

Name	Enable	Starts	Delay	Start Date	Repeated	Every (mths)	Until	Until (mths)
Fee 1	☒	Start Date		16/09/2008	☒	1	Perpetuity	
Fee 2	☒	Valuation Date	1		☒	1	Perpetuity	
Fee 3	☒	Manual Distribution						

Definition

Details...

Name: Fee 2

Payment Timings: Valuation Date

Fee Starts...

Start Date: [dropdown]

Delay month(s): 1

Repeat...Until

Repeat every: [dropdown] 1 month(s)

Perpetuity: [dropdown]

Amount Based On...

Based On: Fixed Amount

Type: [dropdown]

Specified As

☐ Periodic ☒ Annual

Fixed

Amount: £0

Inflation Rate: 0.0000 %

3 portfolio fees defined Valuation Date: 23/05/2000

This window allows you to set up fees and payment timings for asset management purposes.

The window contains the following options:

Name

Use this entry field to type in a descriptive name for the fee.

Enable

This check box allows you to turn the fee on or off.

Starts

This drop-down allows you to select the type of payment timing that will be used for the fee. Whatever you select here will determine what fields and options are available in the **Definition** tab at the bottom of the window. You have the following choices:

- **Start Date** - with this option, you can define a date that will be when the fee starts.
- **Valuation Date** - with this option, you can specify that the fee will start at the valuation date.

- **Manual Distribution** - this option allows you to specify payment amounts on a monthly timing grid in the **Definition** tab. See **“Definition tab” on page 143**.

Delay

Here, you can specify a time delay in months (this is only applicable to the Valuation Date timing).

Start Date

This field is only active if you have specified a start type of “Start Date”. This allows you to type in a date or select one from the drop-down calendar:

The screenshot shows a form with two tabs: "Start Date" and "Repeated". The "Repeated" tab is selected, and a checkbox is checked. Below this, the date "23/09/2008" is displayed next to a dropdown arrow. A calendar is open, showing the month of September 2008. The date 23 is highlighted. At the bottom of the calendar is a "Today" button.

Repeated

Use this check box to switch repeating on or off. If enabled, you can specify the repeat frequency with the **Every (mths)** and **Until** options.

Every (mths)

Here, you can specify a number of months that will be used as the repeat frequency.

Until

Here, you can specify the limits of the fee repeat cycle's duration. You have the following options:

- **Perpetuity** - if you select this option, the fee will be repeated for an indefinite period.
- **Fixed** - if you select this option, you can specify a number of months during which the fee will be repeated. You can specify the number in the **Until (mths)** field.

Until (mths)

Here, you can specify the number of months during which the fee will be repeated.

Basis

This drop-down allows you to specify whether the fee will be based on a fixed amount of money or on a percentage. There are several different percentage types available for you to choose:

- % of Gross Value;
- % of Gross Rent;
- % of Net Rent;
- % of Change in Gross Value.

If you select a percentage type, you will be able to further refine your choice with the fields and options that follow.

Type

This drop-down allows you to select the type of percentage that will be used - this can be either a simple percentage amount, or a percentage based on thresholds (bands that you can specify).

Specified As

This drop-down allows you to specify whether the fee will be periodic or annual.

This specifies how the **Amount**, **Amount %** or **Thresholds** are interpreted.

“Periodic” uses the period you have set in the **Every (mths)** field.

Amount

This field is active if you selected “Fixed Amount” in the **Basis** drop-down.

Here, you can type in the amount of money for the fee.

Amount %

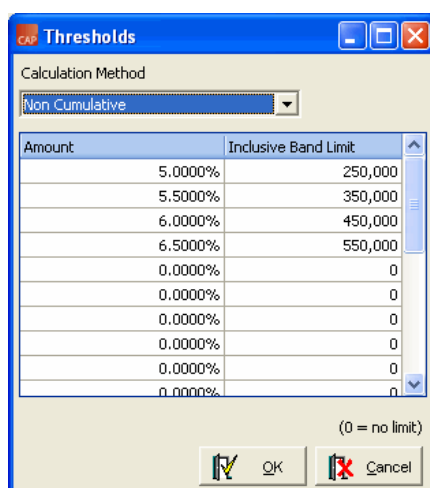
This field is only available if you selected “Simple” in the **Type** drop-down.

Here, you can type in the percentage amount for the fee.

Thresholds

This control is active if you selected “Thresholds” in the **Type** drop-down.

Click on the  (ellipsis) button to open the Thresholds dialog:



You can use this dialog to set up several bands at different percentage amounts.

If you select a calculation method of “Cumulative”, part of the fee up to a certain amount will be paid at each rate band.

If you select a calculation method of “Non Cumulative”, the fee will be paid at the maximum rate band (in other words, the last rate in the **Amount %** column).

Inflation %

This is an annual inflation percentage that will inflate the **Amount** figure every year. This option is only available if you selected the “Fixed Amount” option in the **Basis** drop-down.

Definition tab

The **Definition** tab contains options and controls that perform the same function as the options that you can set in the grid in the top half of the window. **This functionality is as described above.**

The contents of this tab will change according to the options you have chosen. This section will describe some of the changes that may occur.

Date timings

For example, if you have chosen to enter a payment timing based on a date, you will see something similar to the following:

The screenshot shows the 'Definition' window for 'Fee 1'. The 'Payment Timings' dropdown is set to 'Start Date'. The 'Fee Starts...' section shows a 'Start Date' of 23/09/2008 and a 'Delay month(s)' of 0. The 'Repeat...Until' section shows 'Repeat every' as 3 months and 'Fixed' as 0. The 'Amount Based On...' section shows 'Based On' as 'Fixed Amount' and 'Type' as 'Periodic'. The 'Specified As' section shows 'Periodic' selected. The 'Fixed' section shows 'Amount' as £0 and 'Inflation Rate' as 0.0000 %.

Manual distribution

If you have chosen to base your payment timings on a manual distribution, you will see something like the following:

The screenshot shows the 'Definition' window for 'Fee 1'. The 'Payment Timings' dropdown is set to 'Manual Distribution'. The 'Manual Distribution' section shows a grid for months from 01/2008 to 08/2008. The grid contains fee amounts for each month: £0, £0, £0, £0, £0, £0, £0, £0. The 'Clear' and 'Expand' buttons are visible.

To use this **Manual Distribution** grid, just type in the fee amounts for the months where you wish the fee to be paid. This shows a monthly grid, where each cell represents a month's fee payments.

If you need to clear the grid, click on the **Clear** button. Note that if you do this, you will lose all your settings in the grid.

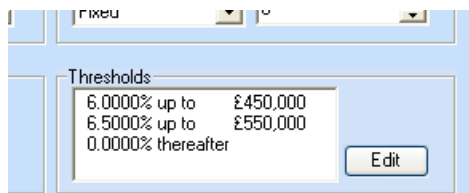
Each cell represents a month, but can be expanded to enter costs on specific days by double-clicking within a cell or by clicking on the **Expand** button. This will open a window like the following:

Date	Amount
01/02/2008	£550,000
02/02/2008	£0
03/02/2008	£0
04/02/2008	£500,000
05/02/2008	£0
06/02/2008	£0
07/02/2008	£0
08/02/2008	£450,000
09/02/2008	£0
10/02/2008	£0
11/02/2008	£550,000
12/02/2008	£0
13/02/2008	£0
14/02/2008	£0
15/02/2008	£0

This window allows you to enter payments on a daily time schedule - the grid shows each day until the end of the selected month. Any amounts you enter here will be shown as italicised amounts in the **Manual Distribution** grid shown on the **Definition** tab.

Thresholds

If you have specified “Thresholds” in the **Type** drop-down, part of the **Definition** tab will change to show a **Thresholds** grid:



This displays the thresholds you have set for fee percentage bands. To edit this grid, click on the **Edit** button. This will open a Thresholds dialog (see [“Thresholds” on page 143](#) for a picture).

CHAPTER 11

Groups

Groups are generally used in multi-tenanted properties to group tenants together for valuation purposes. These are:

- Capitalisation (or Yield) Groups - to set the valuation method and capitalisation rates.
- Rental Value (ERV) Groups - to set rental value rates that can be applied to tenant floor areas.
- Growth & Inflation Groups - to set rental growth/inflation rates that can be applied to a property, tenant ERVs and cost items.

These groups are stored at property level and are therefore available to all tenants in a property.

The following menu options are standard to all three groups forms:

File Menu

Excel

Exports the current schedule contents to Microsoft Excel.

Save or Cancel

Both of these options will close down the group form.

Edit Menu

Cut ,Copy and Paste

Standard Windows clipboard controls applying to field contents.

New

Adds a new group.

Delete

Deletes the selected group.

Copy

Copies the selected group.

Capitalisation Groups

Each property record has its own Capitalisation Groups Schedule which is able to store unlimited groups.



Access to the Yield Groups Schedule is generally available using the **Assumptions | Capitalisation Groups** menu option.

Capitalisation Group Columns

Group	Method	Cap. rate	N/A	N/A	DCF Exit Rate
Prime Tenants	Initial Yield	5.0000%			6.0000%
Central Mall	Short Cut DCF	5.0000%	5.0000%		5.0000%

Group

A text name that identifies the group. Provide a meaningful name such as “Prime tenants”, “Central Mall”, “Block B”, and so on.

Method

- **Term & Reversion**

Valuation of rental income in period steps applying the term rate to the whole of the current/ term lower risk income over the period of its duration. A reversion rate is applied to more uncertain future income, likely to be received on review or reversion, discounted to a present value.

- **Hardcore**

Valuation of rental income in layers, where the lowest risk “core” income is valued into perpetuity (or until the end of valid receipt) at the hardcore rate. Any anticipated future uplifts in income are valued at the same rate (or Layer rate if selected) and discounted to a present value.

- **Initial Yield**
Valuation applying a rate to the current income at the valuation date.
- **Short Cut DCF**
A special method applying All Risks, Target and Market rates used primarily to value overrented property more accurately than conventional valuation methods.

Yields

For Term & Reversion method

Rate 1 is **Term Yield**
Rate 2 is **Reversion Yield**
Rate 3 is **Froth Yield**

For Hardcore method

Rate 1 is **Hardcore Yield**
Rate 2 is **Blank** (or **Layer Yield** if set in Assumptions)
Rate 3 is **Froth Yield**

For Initial Yield method

Rate 1 is **Initial Yield**
Rate 2 is **Blank**
Rate 3 is **Blank**

For Short Cut DCF method

Rate 1 is **All Risks Yield**
Rate 2 is **Target Yield**
Rate 3 is **Market Yield**

DCF Exit Rate

In the DCF Setup screen, various exit value capitalisation bases are available. If the tenant basis is selected, and a yield group has been applied to a tenant then this rate is selected to capitalise the tenant's exit rent.

ERV Groups

Each property stores its own ERV Groups Schedule which can store unlimited definitions as required.

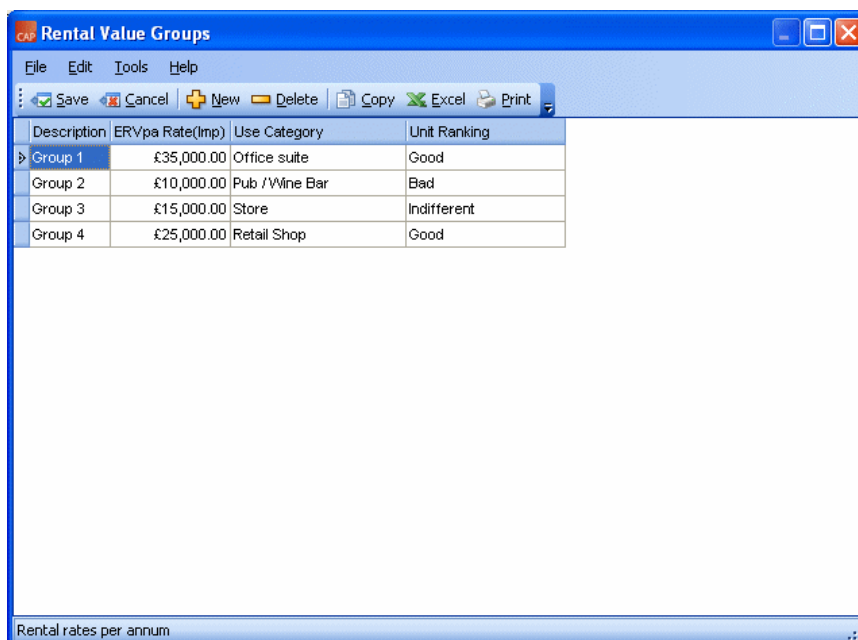
Access to the ERV Groups Schedule is generally available using the **Assumptions | ERV groups** menu option.



An Area (or floor space) Schedule can be created for each tenant, where individual units of accommodation are identified.

To calculate tenant ERV from the Area Schedule based on the floor areas identified, rental value rates can either be input manually or selected from the Rental Value Groups Schedule.

ERV Group columns



Description	ERVpa Rate(imp)	Use Category	Unit Ranking
Group 1	£35,000.00	Office suite	Good
Group 2	£10,000.00	Pub / Wine Bar	Bad
Group 3	£15,000.00	Store	Indifferent
Group 4	£25,000.00	Retail Shop	Good

Description

A name to identify the group, such as “Refurbished offices”, “Prime retail”, and so on.

ERV p.a. rate (Imp) or ERV p.a. rate (Met)

This is an ERV rate per square foot (Imperial) or square metre (Metric), per annum.

Use Category

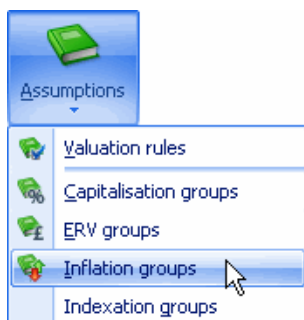
A Use Category selected from the field list.

Unit Ranking

A Unit Ranking selected from the field list.

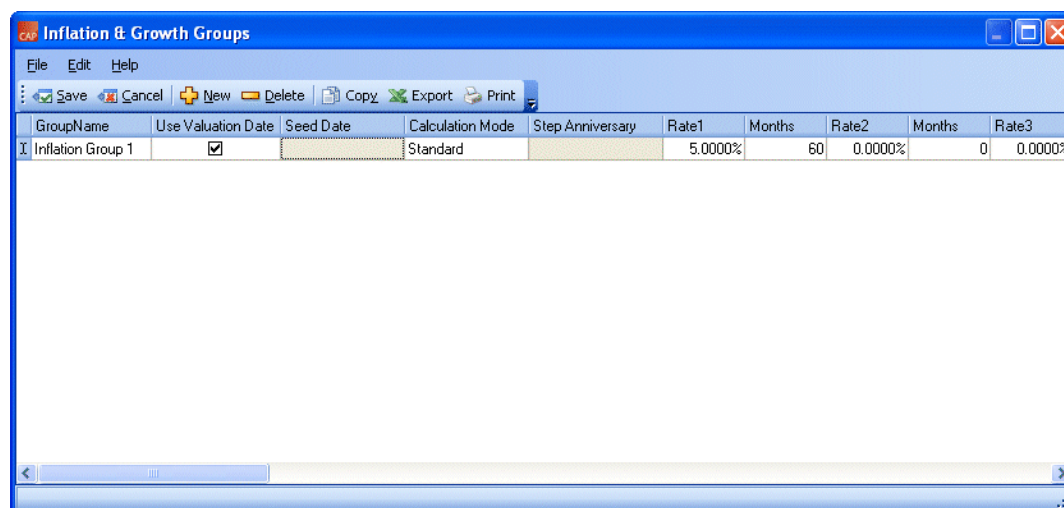
Inflation Groups

Each property record has its own Inflation Groups Schedule which is able to store unlimited groups.



Access to the Inflation Groups Schedule is generally available using menu **Schedules | Inflation groups** or by clicking on the **Inflation groups** button, or from the Command Centre by clicking on the **Assumptions** button and selecting the **Inflation groups** option.

Inflation & Growth Group Columns



GroupName	Use Valuation Date	Seed Date	Calculation Mode	Step Anniversary	Rate1	Months	Rate2	Months	Rate3
Inflation Group 1	☒		Standard		5.0000%	60	0.0000%	0	0.0000%

Group Name

A text name that identifies the group.

Use Valuation Date

Specifies that growth is to start from the valuation date.

Seed Date

Growth starts from a defined seed date which is entered in this field.

Calculation Mode

Stepped or Standard. Specifies whether rental growth is stepped or graduated/smoothed between periods.

Step Anniversary

When the Stepped Calculation Mode is chosen the anniversary date field becomes active. This enables a specific date for the growth to commence on each year to be defined.

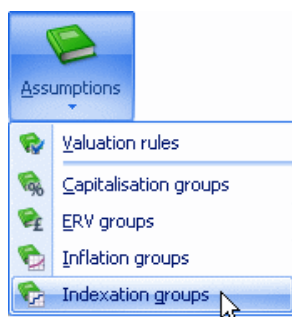
Rate and Months

The inflation editor can be used to define a single growth rate or multiple rates varying over monthly periods. The month period determines the duration of the corresponding growth rate. A zero month definition is treated as perpetuity.

Indexation Groups

Each property stores its own Indexation Groups Schedule which can store unlimited definitions as required.

Access to the Indexation Groups Schedule is generally available by clicking on the **Assumptions** button and selecting the **Indexation groups** menu option:



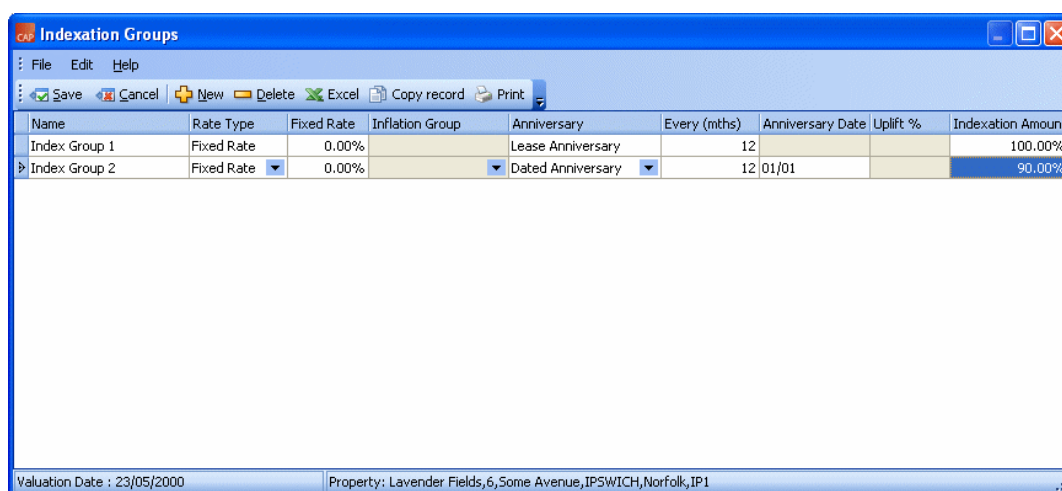
Indexation Group Columns

Indexed leases are always escalated on an annual basis.

In the discounted cash flow, both indexation and rental growth are applied together.

The indexation group editor allows you to enter ranges of indexation rates over variable monthly periods. The rates should always be entered as annual percentages.

The Indexation Group editor schedule allows a single rate or multiple indexation rates to be used. Rates entered for zero months will run in perpetuity. It is recommended that you enter the last rate for zero months to accommodate extended DCF periods of unexpired lease terms which may be entered later.



Name

A text name that identifies the group.

Rate Type

Allows you to select the type of rate that you wish to use with the group. You have the following options:

- **Fixed Rate** - This switches on the **Fixed Rate** column, where you can specify a percentage rate.
- **Inflation Group** - This switches on the **Inflation Group** column, allowing you to select an inflation group.

Fixed Rate

Allows you to specify a fixed percentage rate.

Inflation Group

Allows you to select an inflation group that has already been defined.

Anniversary

This drop-down allows you to select a type of anniversary for when the indexation commences.

You have a choice of the following:

- **Lease Anniversary** - This option allows you to specify that indexation will commence according to the timing of the lease anniversary (see **Every (mths)** field).
- **Dated Anniversary** - This option allows you to specify that indexation will commence according to the timing of a date (see **Every (mths)** field and **Anniversary Date** field).
- **When % Uplift Occurs** - This option allows you to specify that indexation will commence according to the timing of an uplift (see **Uplift %** field).

Every (mths)

Allows you to specify the repetition frequency of a lease anniversary in months.

Anniversary Date

This field enables you to type in a specific date for the indexation to commence on each year to be defined.

Uplift %

Allows you to specify a percentage that expresses the amount of uplift.

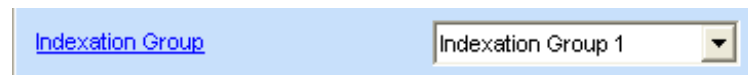
This becomes active if you select the “When % Uplift Occurs” option in the **Anniversary** drop-down.

Indexation Amount

Allows you to specify a percentage that expresses the amount of indexation.

Tenant Indexation Rate Settings

In the tenant record, on the **Lease & Rent** page, select the Indexation Group to be applied:



Selecting the Indexation group

The program assumes the indexation cycle either starts at the last event before the valuation date, or at a specific date. The Tenant Rent Schedule window allows an Index Base event to set the indexation start date.

CHAPTER 12

Costs

Costs Schedule

The Cost Schedule is available from the Command Centre screen and from Property and Tenant input forms and the Quick Valuer using the **Schedules | Costs** menu option.

A Costs Schedule is created automatically for every property in ARGUS Valuation-Capitalisation.

A property template record can be set up with default costs so that every new property record created automatically has some basic entries.

In all property records costs can be added by selecting from the Costs Library, if set up by the Supervisor, or can be added manually. For further information on the Costs Library, see [“Costs Library” on page 12](#).

To add costs manually, click on the branch of the “cost tree” where you want a new cost. Costs can be added at property, tenure or tenant level.

With the branch highlighted, select the menu option **Edit | New** or click on the **New** button to create a new cost. To select a predefined cost from the library, select **Edit | Library** or click on the **Library** button.

Costs Schedule Menus

File menu

Print

This option produces a print preview formatted listing of the schedule’s content.

Save changes & Exit

Exits this screen saving any changes that have been made.

Cancel and Exit

Exits this screen without saving any changes.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls.

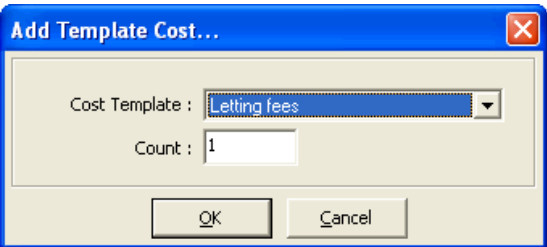
New

With the cursor over a property, tenure or tenant entry, select this option to add a cost item. Proceed then to define the cost as described below.

Library



With the cursor over a property, tenure or tenant entry, select this option to add a pre-defined cost definition located in the system Cost Template Library.

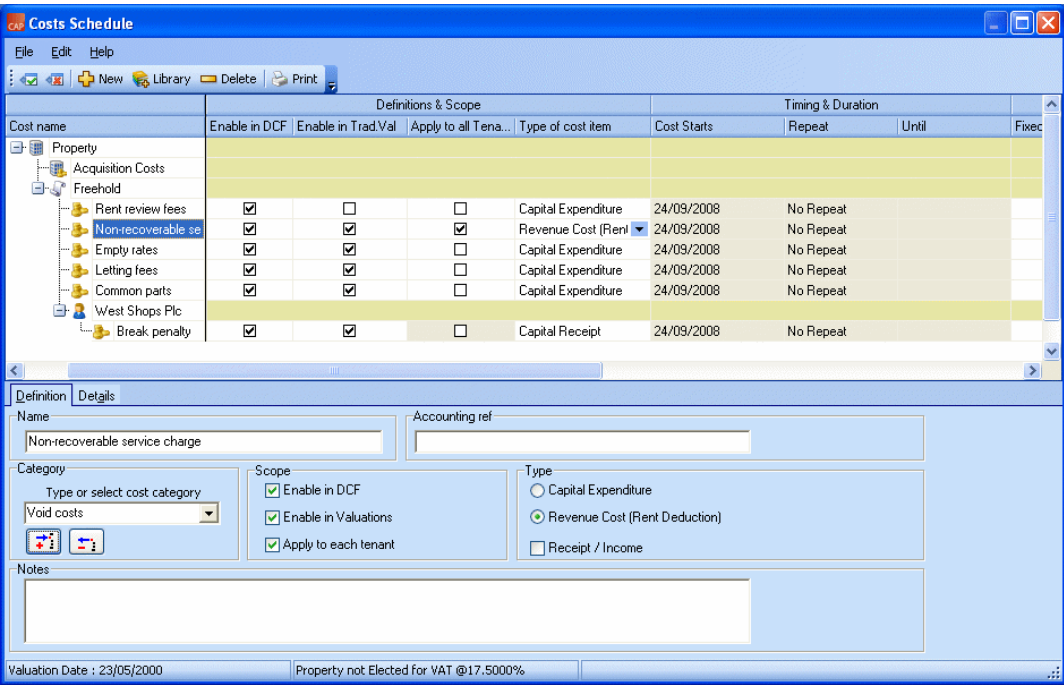


Select the cost template required from the drop-down list and the number of costs to be added.
Template costs are definable by the Supervisor. For further information on the Costs Library, see [“Costs Library” on page 12.](#)

Delete

This removes the currently highlighted cost item.

Definition Page



Cost definition

Name

A text string to identify the cost item.

Accounting ref

The name section holds a text cost name for the item and a Accounting Reference field optionally contains text required to link this cost to an accounting reference.

Cost Category

Any number of categories can be added to group costs together in the DCF. The DCF summary section provides totals for the groups of costs.

To allocate a Cost Category to a cost item, select it from the drop-down list labelled **Category**.



Add/Insert Category Item button



Delete Category Item button

To add a cost, type in the required name in the field provided and click the **Add/Insert Category Item** button below the field.

To remove a cost, select it from the drop-down list and click on the **Delete Category Item** button below the field.

Scope

Enable in DCF

The cost item appears in the cash flow if this option is checked.

Enable in Valuations

The cost item appears in valuations if this option is checked.

Apply to each tenant

Costs applied to all tenants will repeat the cost for each tenant record. The cost will **not** be divided between them.

For example, an annual property management charge input as 100,000 will deduct 100,000 from the first tenant rent, 100,000 from the second tenant, 100,000 from the third etc. If the total charge is 100,000 across the entire property, you will need to find a way to share the cost between the occupiers. This could be 100,000 divided by 50 tenants to give a fixed amount 2,000 deduction from each tenant. Alternatively the cost could be entered as a rate per sq.ft. or sq.m., or a percentage of the rental value.

Type

A revenue item is generally considered a cost or receipt arising in the normal course of the investment. A capital item tends to be something extraordinary that materially changes the property value or rental value.

Both cost types are treated the same in DCF cashflows. They are treated differently in traditional valuations and cashflow exit calculations.

Capital Expenditure

Capital costs are deducted from the gross capitalised value of the tenants within the property.

The usual valuation format in Valuation-Capitalisation is to calculate the gross capitalised value of the tenants. Capital costs are then deducted and acquisition costs are calculated on the remainder. Deducting acquisition costs provides the property net value.

You have the option to enter annual percentages to discount future costs and find their present value. Fail to enter discount rates and the costs will be discounted at zero percent so that the whole amount offsets the gross property value. There are two discount inputs in Valuation-Capitalisation. The first is used to discount capital costs in traditional valuations. The second is to discount costs

that fall after the cash flow comes to an end, where the costs are used to offset the gross property exit value. For further information please see [“Discounting & Inflation” on page 163](#).

Revenue Cost (Rent Deduction)

Valuation-Capitalisation nets down an income stream by the amount of the revenue cost and the resulting net rent is then capitalised. Tenants, rather than properties, produce an income stream and so revenue costs must be attached to tenant records.

Revenue items can be attached to individual tenants in the Costs Schedule “tree” or input at property or tenure level. Property and tenure inputs must be Applied to Each Tenant using the switch on the Definition page and in the “tree”. The costs will otherwise revert back to capital items. Please also see the comments set out above under the heading “Apply to each tenant”.

Receipt/Income

These are payments received by the property investor. They can be either revenue income or capital receipts and should be entered as normal amounts. Do not give the amounts a negative sum and opt for Receipts. The amount would be treated as a negative negative which is a positive or, in context, a cost.

Notes

You can use this entry field to type in some brief descriptive notes.

Applying Grouped Costs

Here is a useful way of applying different costs between groups of tenants. By splitting a freehold property into (for example) two or three freehold interests, and attaching the costs to tenures, the overall valuation processes are not affected, but costs can be set specifically for tenants in each freehold group.

Details page

Costs Schedule

File Edit Help

New Library Delete Print

Cost name	Enable in DCF	Enable in Trad.Val	Apply to all Tena...	Type of cost item	Cost Starts	Repeat	Until	Fixed Amount
Property								
Acquisition Costs								
Freehold								
Rent review fees	☒	☐	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Non-recoverable se	☒	☒	☒	Revenue Cost (Rent)	24/09/2008	Monthly	for 3 mths	£5000
Empty rates	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Letting fees	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Common parts	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£5000
West Shops Plc								
Break penalty	☒	☒	☐	Capital Receipt	24/09/2008	No Repeat		£0

Definition Details

Cost Trigger: On Date

Repeat...Until: Repeat every 1 month(s) For the next 3 month(s)

Discount rates: DCF (post 'Exit') 7.0000 % ☒ Include Trad.Val (future costs) 7.0000 %

Inflation for DCF+Valuations: Growth Group PRIVATE None

Finance source in DCF: ☐ Apply ☐ as loan offset only Finance None

Valuation Date: 23/05/2000 Property not Elected for VAT @17.5000%

Cost detail

Cost Trigger

Cost triggers are based on specific dates or events. The events correspond to events in tenant leases, enabling capital or revenue costs to be applied as and when triggers occur.

- **Manual Distribution**
The form changes to a time-line for manual monthly, or daily, inputs. For further details, see [“Manual Distribution” on page 160](#).
- **On date**
The cost is incurred on the date input. This is a fixed date value and will not automatically change if the property is revalued the following year. There is a chance the cost may fall before the valuation date as the valuation date is advanced year on year. Costs falling before the valuation date are ignored.
- **On valuation**
On the valuation date. The date of the cost will change as the valuation date is altered.
- **On all except voids**
Costs are triggered on all lease events with the exception of current, expiry or renewal voids. The cost can be set to repeat until lease expiry or in perpetuity. The cost can also be run for a defined term of months or until the “end of the event”. Costs running to the “end of event” will continue repeating until the next void period, the cost being revived when the next lease starts. Costs running for defined terms will be revived each time there is an event other than a void. The cost will recommence every time there is a rent review or indexed event for example. Costs for defined periods will cease repeating if the cost spans a void period.
- **On all voids**
On all events where voids occur.
- **On current voids**
Specifically on current pre-lease void periods.
- **On expiry voids**
On re-letting voids after expiry/break of the current lease.
- **On market rent reviews**
On open market rent reviews.
- **On fixed rent reviews**
On fixed, agreed rent review events as defined in the tenant Rent Schedule.
- **On all reviews**
On both open market and fixed rent reviews.
- **On rent free period**
On rent free periods within the lease.
- **On lease start/renewal**
On the start date of the defined lease (shown on the tenant Lease & Rent screen) and subsequent reversionary/renewal leases.
- **On lease start/renewal with void**
Costs are triggered if a letting or reletting is preceded by a void period. The assumption is that these lettings and relettings are not lease renewals. The investor may incur higher costs that would be incurred for a reletting since he, or she, has to go to the market to find a new tenant.

Leases starting on the valuation date are treated as leases without voids.

- **On lease start/renewal without void**

Costs are only triggered if there is no void period immediately before the lease start. The assumption is that lettings or relettings without voids are lease renewals rather than lettings to new tenants. You may assume renewals are cheaper than full lettings.

Leases starting on the valuation date are treated as leases without voids.

- **On initial lease start**

On the start date of the defined lease. The cost will not be triggered at the start of any subsequent renewals.

- **On lease end/break**

On the expiry or break of the defined lease and renewal leases.

- **On Break**

The cost is incurred on an active break option. Break penalties can now be entered against each break in the Lease Breaks form. See **“Break Penalty” on page 163** and **“Breaks Schedule” on page 88**. In addition, penalties linked to floor areas, ERVs (and so on) can be entered in the Costs Schedule using the **On Break** cost trigger.

- **On indexed**

For annual indexation events.

- **On renewal**

On start of the renewal or reversion lease, once the defined lease has come to an end.

- **On disposal (DCF)**

This charge applies in the DCF cashflow only. It will not appear in traditional valuations. The cost arises on the cashflow exit date or earlier if the property is sold beforehand.

Manual Distribution

The screenshot displays the 'Costs Schedule' application window. The 'Definitions & Scope' tab is active, showing a list of cost items under the 'Property' tree. The 'Manual Distribution' window is open, showing a timeline from 05/2000 to 01/2001. The 'Cost Trigger' is set to 'Manual Distribution'. The 'Manual Distribution' table shows values for each month, with £25,000 entered for 09/2000. The 'Discount rates' section shows 7.0000% for DCF (post 'Exit') and 7.0000% for Trad.Val (future costs). The 'Finance source In DCF' is set to 'None'.

Cost name	Enable in DCF	Enable in Trad.Val	Apply to all Tena...	Type of cost item	Cost Starts	Repeat	Until	Fixed Amount
Property								
Acquisition Costs								
Freehold								
Rent review fees	☒	☐	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Non-recoverable se	☒	☒	☒	Revenue Cost (Rent)	24/09/2008	Manual Distribution		£5000
Empty rates	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Letting fees	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Common parts	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£5000
West Shops Plc								
Break penalty	☒	☒	☐	Capital Receipt	24/09/2008	No Repeat		£0

Manual Distribution	05/2000	06/2000	07/2000	08/2000	09/2000	10/2000	11/2000	12/2000	01/2001
	£0	£0	£2,000	£50,000	£25,000	£0	£0	£0	£0

Discount rates:
 DCF (post 'Exit') 7.0000 % ☒ Include
 Trad.Val (future costs) 7.0000 %
 Finance source In DCF: ☐ Apply, ☐ as loan offset only, Finance: None

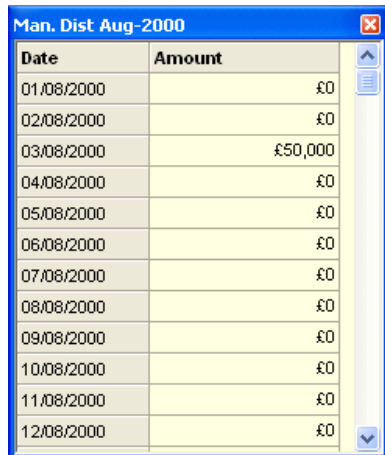
Valuation Date : 23/05/2000 Property not Elected for VAT @17.5000%

Manual distribution

When Manual Distribution is selected, the page changes to a time-line for manual data entry.

Each cell represents a month, but can be expanded to enter costs on specific days by double-clicking within a cell or by clicking on the **Expand** button.

This opens the Manual Distribution window:



Date	Amount
01/08/2000	£0
02/08/2000	£0
03/08/2000	£50,000
04/08/2000	£0
05/08/2000	£0
06/08/2000	£0
07/08/2000	£0
08/08/2000	£0
09/08/2000	£0
10/08/2000	£0
11/08/2000	£0
12/08/2000	£0

This window allows you to enter payments on a daily time schedule - the grid shows each day until the end of the selected month. Any amounts you enter here will be shown as italicised amounts in the **Manual Distribution** grid shown on the **Definition** tab.

ARGUS Developer Import Options

Cash flow files from ARGUS Developer can be imported using the time line. The time line is date-sensitive and matches the dates from incoming Developer files. Several lines may need to be added to represent any of three possible summary lines exported from ARGUS Developer. These are Expenditure, Revenue and Interest.

Multiple exports from ARGUS Developer can be imported and enabled or disabled to enable different scenarios to be quickly evaluated.

This mechanism is ideal where different properties have individual refurbishment profiles, and any property can import several lines for complex scenarios.

Select the data to be imported: expenditure, revenue or interest, then click on the **Import** button to locate the .DVL file exported from ARGUS Developer. The imported data is then displayed in the manual distribution time line.

Repeated Items

On all other trigger dates (other than Manual Distribution) there is an option to repeat items in the Costs Schedule using the **Repeat...Until** section.

Repeat

This defines how often the cost is to be repeated.

- **No repeat**
Single payment only.
- **Repeat every**
Repeated cost cycle of months. You are prompted to input how frequently payments are to be made. The frequency is entered in months.
- **When rent is paid**
Costs coincide with rental payments whether rents are paid monthly, quarterly etc.

Until

This determines how long the cost will be repeated.

- **For the next**
Duration period for the cost in months.

- **End of event**
The cost ceases at end of the Trigger event. For example, a cost triggered On All Voids until the end of event will repeat for the term of the void. Valuation-Capitalisation will automatically increase or reduce the number of payments if the tenant void periods are changed.
- **Lease expiry/break**
The cost ceases on the earlier of lease expiry or break date.
- **In perpetuity**
The cost continues in perpetuity. Perpetual costs are projected to the earlier of the lease tenure expiry and a 150 year period in Valuation-Capitalisation.

Amount

Amount Specified As

- **Annual**
The sum defined in the cost is assumed to be an annual amount. So, for example, if the cost is defined as repeating monthly the amount is divided down by 12.
- **Every month**
The sum defined in the cost is assumed to be a periodic amount. So, for example, if the cost is repeated monthly the amount would be multiplied by 12 to calculate an annual amount.

Amount definition

- **Fixed amount**
The amount entered is a fixed or lump sum.
- **Floor area rate**
A rate per square foot or metre applied to the defined floor areas in the tenant records.
- **% rental value**
Cost is applied as a percentage of the rental value.
- **% rent paid**
Cost is calculated as a percentage of rent paid at the date of application including rental growth.
- **Fix on Initial**
There are two Fix on Initial switches. One applies to the % rental value option and the other to the % rents paid. Ticking the **Fix on Initial** switches ensures the costs do not move as the rents paid and rental values change over time.
- **Non-recoverable VAT**
Non-recoverable Value Added Tax applicable to the cost.

Break Penalty

The screenshot shows the 'Costs Schedule' application window. The 'Definitions & Scope' tab is active, displaying a list of cost items. The 'Break penalty' item is selected, and its details are shown in the 'Details' tab. The 'Cost Trigger' is set to 'On Break'. The 'Repeat...Until' section shows 'Repeat every 1 month(s)' and 'For the next 3 month(s)'. The 'Amount' section shows 'Fixed amount £0.00 per ft²' and 'Use specified penalty' checked. The 'Discount rates' section shows 'DCF (post 'Exit') 7.0000 %' and 'Trad.Val (future costs) 7.0000 %'. The 'Inflation for DCF+Valuations' section shows 'Growth Group PRIVATE' and 'Finance source In DCF None'.

Cost name	Enable in DCF	Enable in Trad Val	Apply to all Tena...	Type of cost item	Cost Starts	Repeat	Until	Fixed Amount
Property								
Acquisition Costs								
Freehold								
Rent review fees	☒	☐	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Non-recoverable se	☒	☒	☒	Revenue Cost (Reni	On Active Break	Monthly	for 3 mths	£5000
Empty rates	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Letting fees	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Common parts	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£5000
West Shops Plc								
Break penalty	☒	☒	☐	Capital Receipt	24/09/2008	No Repeat		£0

When the “On Break” cost trigger is selected, break penalties entered against a break option in the Tenant Breaks form can be applied by checking the **Use specified penalty** check box (outlined in green in the picture above). For further information, also see [“Breaks Schedule” on page 88](#).

Discounting & Inflation

Discounting and inflation rates are available to provide present value figures for capital expenditure in the future.

These options apply selectively to discounted cash flows and traditional method based valuations.

DCF post ‘Exit’

You have the option to include or exclude expenditure which occurs beyond the “exit” date of the cash flow with the Include costs after DCF “exit” option. If included, a discount rate can be specified to bring the cost to a discounted figure at the DCF exit date that is then discounted to the valuation date at the IRR.

Trad. Val (future costs)

For traditional method valuations future capital sums are discounted at the rate specified.

Note the Assumptions rule that allows the equivalent yield to iterate applying this rate or the equivalent yield to obtain the final result. The cost amount itself is not affected. See [“EY - Cap Costs Option” on page 68](#).

Inflation for DCF+Valuations

Inflation can be applied to the current cost by clicking on the “Growth Group” hypertext link to access the inflation editor and enter a single or variable rates.

When set to PRIVATE, the inflation rates are entered manually. When an inflation group is selected from the drop-down list, the rates contained in the chosen group are applied to the cost

In the inflation editor form, clicking on the hypertext link “Group” opens the Inflation Groups Schedule. See [“Inflation Groups” on page 150](#).

Inflation can be forced to operate in valuations as well as cash flows by setting the INVWIN.INI file switch on. This must be used with care when exchanging data files to other users with a different setting.

Finance source in DCF

Apply

A loan can be attached to a cost as required.

As loan offset only

A specialised option for discounted cash flow.

With this option ON, the cost item is greyed out in the DCF lines - therefore, not discounted - but the sum is attached to the defined account and affects the loan balance.

The purpose of this is to enable surplus net cash balance funds to be used to reduce debt and not be re-injected into the cash flow. It could be used for shortfalls to be supplemented with additional borrowings from an account.

Finance

Selected finance account to be used for this cost item. This hyperlink takes you to the Finance window (see [“Finance Definition” on page 214](#)).

Copying and Moving Costs

Costs can be **dragged** in the “tree” using the mouse to enable items to be moved or copied.

To move a cost item from one position to another, place the mouse pointer over the cost item in the tree, hold the left mouse button down, drag the cost to its new branch and release the mouse.

To copy a cost, hold the Control key (Ctrl) down whilst dragging.

Acquisition Costs

The first row in the schedule is reserved for acquisition costs and cannot be changed. The lower part of the screen displays the Acquisition fields for Purchase Tax (Stamp Duty) and fees.

Cost name	Enable in DCF	Enable in Trad.Val	Apply to all Tena...	Type of cost item	Cost Starts	Repeat	Until	Fixed Amount
Property								
Acquisition Costs								
Stamp Duty	☒	☒		Acquisition Fee				
Acquisition Fee	☒	☒		Acquisition Fee				
Freehold								
Rent review fees	☒	☐	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Non-recoverable service charge	☒	☐	☒	Revenue Cost (Rent De	On Active Break	Monthly	for 3 mths	£5000
Empty rates	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Letting fees	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£0
Common parts	☒	☒	☐	Capital Expenditure	24/09/2008	No Repeat		£5000
West Shops Plc								

Valuation Date : 23/05/2000 Property not Elected for VAT @17.5000%

Acq Cost Scope

- **Enable in DCF**

Stamp Duty is applied in the cash flow if this option is checked. This option is also available in the DCF Setup page (see [“DCF Setup page” on page 188](#)).

- **Enable in Valuations**

Stamp Duty is applied in valuations if this option is checked.

Stamp Duty

Warning: Do not modify a “Stamp Duty set” when rates alter through government policy changes. Create a new one. This will enable properties to select the correct Stamp Duty set applicable to a specific valuation date. Changing an established rate will alter all valuations that used that setting.

Stamp Duty is the tax placed on property purchases. It is related to the purchase price on three different bases:

- **Fixed percentage.** A fixed percentage applied to all properties regardless of value. This would be expressed as a non-cumulative rate for Valuation-Capitalisation purposes.
- **Non-cumulative.** A percentage rate is charged against the entire price according to property value. Properties with values beneath 200,000 may be rated at 3%, for example, whilst properties over 200,000 may be chargeable at 4%.
- **Cumulative.** Different percentage rates are applied to different tranches of the overall property value. For example, one rate is applied to the value up to a certain limit, and another rate is then applied to the remainder of the value exceeding that limit.

There can be many cumulative percentages and limits. The following example assumes only one:

The property is valued at 500,000.

The first 200,000 of the 500,000 is rated at 3% = 6,000.

The remaining 300,000 of value is rated at 4% = 12,000.

The total tax on purchase is 18,000.

Required stamp duty rates cannot be input directly into the Costs Schedule. You must set up the stamp duty rates and thresholds at system level. The stamp duty settings can then be selected from the library of rates in the Costs Schedule.

Creating and amending stamp duty rates is a Valuation-Capitalisation supervisor function; see **“Stamp Duty” on page 11**. The supervisor must click on the **Application** button in the Command Centre window (the round button), followed by **System Options** and **Stamp Duty**. The input screen features the same **Add** and **Delete** buttons as the rest of the program to signify record creation and record deletion.

Enter an upper limit of zero to indicate there is no limit. This is an easier and neater alternative to typing 999999999 (and so on) in the upper limit box.

Give new stamp duty rates suitable names to describe the rates, dates applicable or country they might be used. This will make Valuation-Capitalisation easier to use for others.

Property templates are used to create the basic structure of new property records. The templates include a default stamp duty rate which can be altered by Valuation-Capitalisation supervisors.

Acq Cost Scope

- **Enable in DCF**

Acquisition costs are applied in the cash flow if this option is checked. This option is also available in the DCF Setup page (see **“DCF Setup page” on page 188**).

- **Enable in Valuations**

Acquisition costs are applied in valuations if this option is checked.

Agent Fee

Fees paid to the acquiring agent. These may be defined as a percentage of the acquisition price or as a fixed amount.

Legal Fee

Legal fees paid to solicitors on acquisition. These may be defined as a percentage of the acquisition price or as a fixed amount.

Vendors Fee: Amount

This field becomes available if you select the “Vendors Fee %” option in the **Amount Type** drop-down. A fee agreed to be paid to the vendor’s representatives on purchase, including non-recoverable VAT. This may be defined as a percentage of the acquisition price or as a fixed amount.

Net Value Rounding

This field becomes available if you select the “Vendors Fee %” option in the **Amount Type** drop-down. Allows you to specify rounding on the Net Realisable Value; in other words, after deduction of Vendors Fees.

Warning: Only under special circumstances will the Vendor’s Fees with special rounding apply, so use with caution.

Acquisition Costs for Portfolio DCF

Valuation-Capitalisation version 2.50 builds up portfolio cash flows from individual property cash flows.

This gives greater flexibility, so that one property can exit on an initial basis and another hardcore, for example. It also overcomes issues such as stamp duty rates against residual gross values when targeting specific IRRs. Target a 12% IRR in v.2.03 or earlier and Valuation-Capitalisation calculates a gross residual value across the entire portfolio.

The valuer must then assume a stamp duty rate to apply to that single gross value. Version 2.50 will calculate a gross residual value for every property, allowing Valuation-Capitalisation to calculate the correct stamp duty rate for each individual property.

CHAPTER 13

Valuation

Traditional Valuations involve the capitalisation of net income carried out at property level, although a portfolio can produce an amalgamated valuation of a large number of properties. The viewpoint is generally assumed to be that of the landlord, in receipt of tenant income and making deductions for ground rents and running costs. The net income is then valued to a capital figure, through recognised capitalisation methods, which is finally reduced by capital expenditure and incidental fees to produce a valuation or purchase price.

The traditional valuation command in the system is available in several locations.

To open the Valuation window, select the appropriate portfolio or property and click on the **Valuation** button in the Command Centre's toolbar.

Valuation Screen

Property Valuation: Seaside House, 15, Seaview Road, BRIGHTON, Sussex, BN1

File Tools Sensitivity Log Help

Reports Checklist Costs Assumptions Save Log View log Force EY Calculate **Active Scenario**

Valuation date: 31/01/2005

Gross Value: £6,260,222

Capital costs: £0

Acquisition costs: -£341,088

Net Value: £5,919,134

"Say": £5,919,000

No Vendor's fees defined

Equivalent Yield Annually in Arrears: 6.0548%

Equiv. Yld (Gtr.In.Adv): 6.2674%

Initial Yield: 4.5366%

Reversion Yield: 6.3257%

Gross Current rent p.a.: £285,000

Net Current rent p.a.: £284,000

Gross Rental Value p.a.: £397,000

Goal Seek Target

Item: No Target (Normal) Target result: £0 Calculate

Gross Value / 0.00 ft² = £0.00 / ft²

Date	Gross Rent pa	Net Rent pa	Yield (Ann)	Yield (Gtrly)
01/01/2005	285,000	284,000	4.5366 %	4.6682 %
31/12/2005	395,000	394,000	6.2937 %	6.5493 %
31/07/2007	60,000	59,000	0.9425 %	0.9480 %
01/01/2008	62,000	61,000	0.9744 %	0.9804 %
31/01/2008	397,000	396,000	6.3257 %	6.5839 %
01/01/2018	335,000	334,000	5.3353 %	5.5180 %
01/07/2018	397,000	396,000	6.3257 %	6.5839 %
28/12/2119	0	0	0.0000 %	0.0000 %

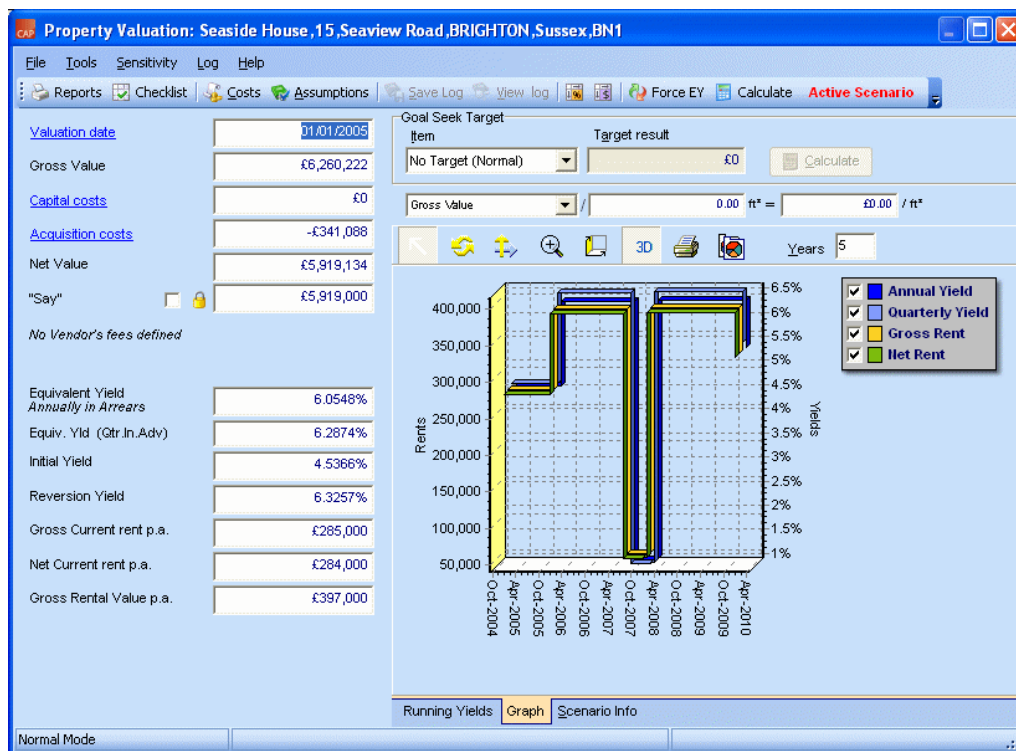
Running Yields Graph Scenario Info

Normal Mode

Valuation window for a property (Running Yields tab)

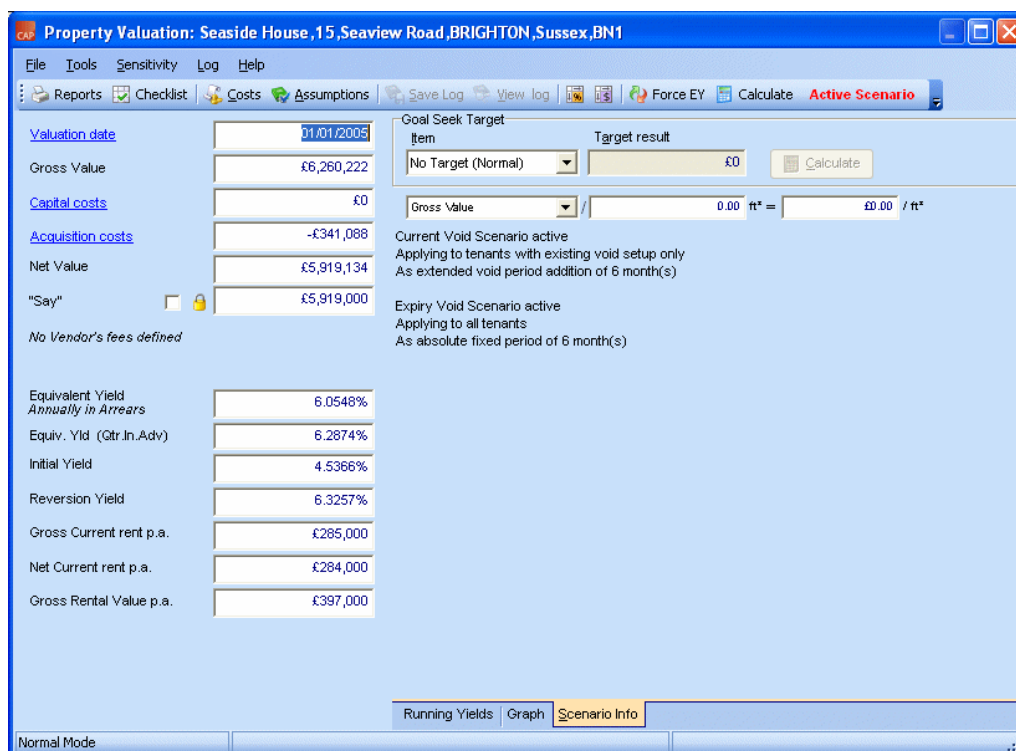
The valuation window is very similar for both properties and portfolios, and calculates the current valuation as soon as the screen is opened. The only difference is that the property valuation screen displays a section below the Goal Seek Target section to calculate the capital value per square foot or metre. Here, you can choose between gross, net and rounded values.

The data displayed is a summary of the final figures, with a full report available for inspection showing the fine details.



Valuation window for a property (Graph tab)

The **Graph** tab shows a graphical depiction of the valuation.



Valuation window for a property (Scenario Info tab)

The **Scenario Info** tab shows details of any scenario settings that have been included in the valuation (this tab is only visible if you do a valuation from the Scenario Builder). To find out how to set scenarios, please see [“Scenario Builder” on page 38](#).

File menu

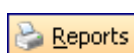
Reports

This option presents a list of the standard and user-defined reports available for selection. The valuation reports produce the details required in a preview window, although any report can be viewed at any time.

Note that the supplied valuation reports automatically adjust when selected for property and portfolio levels.

For more details about reports, see [“Reports” on page 205](#).

This function can also be opened by clicking on the **Reports** button:



Take Snapshot

This option takes a “snapshot” of the data. This freezes the data so you can print a report; it is particularly useful if you have multiple users using the same database on Valuation-Capitalisation.

Close

Closes the window.

Tools menu

Show Currency Information

This option adds a section to the screen to display currency information. An example is here (shown outlined in green):



You can use the drop-down lists in this section to choose the currency and currency conversion scenario. This allows you to see what the figures will appear like when converted to different currencies.

Record Filter

A record filter provides the ability to select a component element of the valuation by category (see Record Filter).

Replace Yields with EY% (Force EY)

When targeting the Equivalent Yield by entering a desired yield, the yield inputs from Capitalisation Groups and Tenant records can be forced to change automatically to hold the target percentage.

This is a non-reversible change, and the recommendation is for you to make a copy of the property record first before executing this command.

This feature can also be opened by clicking on the **Force EY** button:



Update values for all properties in portfolio *(portfolio level only)*

When undertaking a portfolio valuation, each of the property records can optionally be updated with the individual valuation results.

Assumptions

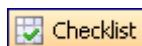
Opens the Assumptions screen for the current level.

Costs *(property level)*

Opens the property Costs Schedule.

Checklist

Opens the Data Checklist for the current portfolio or property level. This function can also be opened by clicking on the **Checklist** button:



Calculate

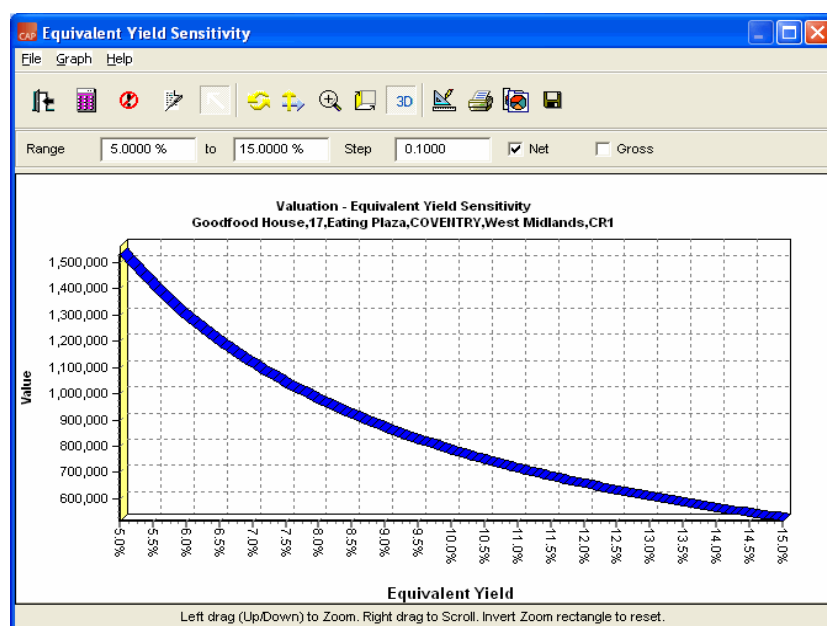
Performs a calculation with the current settings.

Sensitivity menu

Equiv. Yield -v- Value

This function enables the definition of a range of equivalent yields, and proceeds to display a graphic curve showing all the corresponding capital values on a gross and net basis.

A preview report is available for printing, which expands the graph data to display the running yields for each value, using a user-defined time cycle.



Sensitivity Graph Equivalent Yield -v- Value

The graph sets Equivalent Yields steps between 1% and 50% in variants from 0.001% upwards.

Access this window from the Valuation window using the **Sensitivity | Equiv. Yield -v- Value** menu option, or by clicking on the **Equiv. Yield -v- Value** button:



The screen that is displayed has fields to enter the yield range and separation steps. You can also choose to show Gross and Net value curves.

Click the “Calculator” button to plot the curve(s).

Note the control commands at the bottom of the screen.

To move the graph around in the box, hold the right mouse button down and move the mouse.

To zoom in on a particular part of a curve, draw a small rectangle over the curve by holding the left mouse button whilst dragging from left to right diagonally downward over a small section of the curve. Release the mouse button to zoom in.

To zoom out, draw a rectangle in the reverse direction, that is, holding the left mouse button down and drawing a small rectangle from right to left diagonally upwards, and release the button.

Equivalent Yield / Value Sensitivity Report

A sensitivity report can be produced from the Graph screen by clicking the **Reports** button or selecting the **File | Reports** menu option. Further detail can be added in the form of a Running Yield profile for each Yield step.

15 columns of running yields are displayed.

The yields are shown based on the step defined, and the value is always the NET value. The frequency of the Running Yield Profile can be All (as per true schedule), monthly, quarterly, 6 monthly and annually.

Hint: For a brief report, choose a step such as 0.5 or 0.25.

Rental Value v Yields

To open this function, use the **Sensitivity | Rental Value -v- Yields** menu option, or click on the **Rental Value -v- Yields** button:



This function allows entry of Rental Value steps as a relative percentage, and Capitalisation Yield steps as either relative or absolute percentages. For capitalisation yields, you may choose to step yields either on a tenant-by-tenant basis or to step the equivalent yield.

The number of steps can be varied for each.

	ERV £76,930 -2.0000% (Relative)	ERV £77,715 -1.0000% (Relative)	ERV £78,500 0.0000% (Relative)	ERV £79,285 1.0000% (Relative)	ERV £80,070 2.0000% (Relative)
Yield (Absolute) -0.5000%	Net £792,256 Init.Yld 9.7622% Equiv.Yld 9.5223% Revn.Yld 9.7622%	Net £800,466 Init.Yld 9.6819% Equiv.Yld 9.5220% Revn.Yld 9.6819%	Net £808,675 Init.Yld 9.5836% Equiv.Yld 9.5218% Revn.Yld 9.5836%	Net £815,904 Init.Yld 9.4987% Equiv.Yld 9.5213% Revn.Yld 9.4974%	Net £822,246 Init.Yld 9.4254% Equiv.Yld 9.5213% Revn.Yld 9.4230%
Yield (Absolute) -0.2500%	Net £772,127 Init.Yld 10.0372% Equiv.Yld 9.7721% Revn.Yld 10.0372%	Net £780,128 Init.Yld 9.9343% Equiv.Yld 9.7719% Revn.Yld 9.9343%	Net £788,128 Init.Yld 9.8334% Equiv.Yld 9.7717% Revn.Yld 9.8334%	Net £795,153 Init.Yld 9.7466% Equiv.Yld 9.7711% Revn.Yld 9.7453%	Net £801,296 Init.Yld 9.6718% Equiv.Yld 9.7711% Revn.Yld 9.6693%
Yield (Absolute) 0.0000%	Net £752,995 Init.Yld 10.2922% Equiv.Yld 10.0220% Revn.Yld 10.2922%	Net £760,797 Init.Yld 10.1867% Equiv.Yld 10.0217% Revn.Yld 10.1867%	Net £768,598 Init.Yld 10.0833% Equiv.Yld 10.0215% Revn.Yld 10.0833%	Net £775,429 Init.Yld 9.9945% Equiv.Yld 10.0209% Revn.Yld 9.9932%	Net £781,384 Init.Yld 9.9183% Equiv.Yld 10.0209% Revn.Yld 9.9157%
Yield (Absolute) 0.2500%	Net £734,787 Init.Yld 10.5473% Equiv.Yld 10.2718% Revn.Yld 10.5473%	Net £742,400 Init.Yld 10.4391% Equiv.Yld 10.2716% Revn.Yld 10.4391%	Net £750,013 Init.Yld 10.3332% Equiv.Yld 10.2714% Revn.Yld 10.3332%	Net £756,659 Init.Yld 10.2424% Equiv.Yld 10.2708% Revn.Yld 10.2411%	Net £762,434 Init.Yld 10.1648% Equiv.Yld 10.2708% Revn.Yld 10.1622%
Yield (Absolute) 0.5000%	Net £717,439 Init.Yld 10.8023% Equiv.Yld 10.5217% Revn.Yld 10.8023%	Net £724,872 Init.Yld 10.6915% Equiv.Yld 10.5215% Revn.Yld 10.6915%	Net £732,304 Init.Yld 10.5830% Equiv.Yld 10.5213% Revn.Yld 10.5830%	Net £738,774 Init.Yld 10.4904% Equiv.Yld 10.5206% Revn.Yld 10.4890%	Net £744,380 Init.Yld 10.4114% Equiv.Yld 10.5206% Revn.Yld 10.4087%

Sensitivity matrix for Rental Value -v- Yields after calculation

The screen plots Rental Value variations against Yield Variations as a 5 X 5 matrix.

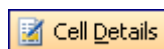
Step values for Rental Value are relative, so that changes can be seen as overall percentages.

Step values for Yields can be relative or absolute - “Relative %” changes alter yields by a percentage variation; “Absolute” changes yields by actual amounts.

Set the required parameters and click the **Calculate** button. The matrix will be generated in the window; this can be previewed and printed.

A report can be generated by using the **File | Report** menu option or by clicking the **Report** button.

The result on any cell in the grid can be viewed by selecting the cell and clicking the **Cell Details** button:



This displays a dialog like the following:

Sensitivity Detail

Sensitivity Details
ERV: -1.0000% Yield: -0.2500%(absolute)

Valuation

Gross Rental Value	£77,715	Valuation date	23/05/2000
Gross Value	£780,128		
- Acquisition fees	£0		
- Capital Expenditure	£0		
Net Value	£780,128	Equivalent Yield (for say value)	9.7719%
'Say'	£780,100		
Initial Yield	9.9343%		
Reversion Yield	9.9343%		

OK

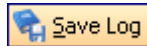
Log menu

Save Log

On completion of a valuation, the results can be stored in the Valuation Log. This is suitable for keeping final “signed off” valuations as well as sensitivity and scenario valuations.

See [“Valuation Logs” on page 177](#).

You can also open this function by clicking on the **Save Log** button:



View Log

The Log database can contain many valuation records, and these can be inspected with this function.

You can also open this function by clicking on the **View Log** button:



Valuation Fields

The Valuation fields display capital values and main results on the left and a running yield schedule on the right.

Valuation Results

Valuation Date

This is the date held in the property or portfolio record.

Gross Value

This is the capitalisation of the net income before deduction of any capital costs or fees. If a ground lease exists and has been valued on a capitalisation basis, this will already have been deducted to produce the Gross Value.

Capital Costs

Costs defined for the property to be deducted from the Gross Value. These will be shown as discounted if set in the Costs Schedule. Revenue costs are deducted from rent and provide net rents in the Running Yield Schedule.

Acquisition Costs

The ordering of Capital Costs and Acquisition Costs is determined by the option in the Assumptions. See [“Placement Order in Valuations” on page 69](#).

This item defaults to the *residual* calculated acquisition fees, using the Stamp Duty, Agents and Legal fee percentages defined in the Costs Schedule. This in turn produces the *residual* Net Value.

With the opportunity to round the net valuation result and to enter a fixed “Say” value, there is a switch in the Assumptions for forcing the acquisition fees to be based on the “Say” value. See [“Acquisition Costs” on page 69](#).

The presumption here is that the purchase of a property will be based on the “Say” value as the actual purchase price, on which the fee will be calculated, the Net Value being merely the guide figure.

Note that the Running Yields can be optionally based on any combination of price, fees and costs.

Net Value

This is the exact residual value as a result of the deduction of capital costs and acquisition fees from the gross value.

“Say”

This would normally represent the rounded value, based on capital rounding as set up in the Assumptions. If the Lock is on, then any fixed sum can be typed in to represent the final valuation figure. This is a manual input that does not automatically update other fields.

The Say Value can be forced to provide a special target for the Equivalent Yield. There is an option in the Assumptions called “EY based on Say value”. When this is ON, the Gross Value is assumed to be the result of the Say value + recalculated fees + costs. The equivalent yield is then found, based on this new Gross Value.

Lock the value



When this option is checked, this forces the “Say” value to hold a manually entered figure. If it is not checked, the “Say” value shows the auto-rounded capital value.

Note that a portfolio valuation does not have this switch as it assumes only the sum of all property “Say” values.

If “Vendors Costs” are entered in the Costs Schedule, the field layout in this window will be as follows:

Rounded Net Value

This is the residual Net Value adjusted with capital rounding set up.

Vendor’s Fees

The calculated fees based on the settings in the Costs Schedule.

“NRV” (Net Realisable Value)

The result of the valuation, similar to the Say value above.

Lock the value

This forces the “NRV” value to hold a manually entered figure. If this is not selected, the “NRV” value shows the auto-rounded capital value.

Equivalent Yield [Nominal] (+ named valuation tables)

The display of this field varies, depending on the selected valuation tables set in the Assumptions.

If Annually in Arrears tables are selected then this field shows the Nominal Equivalent Yield.

Equivalent Yield [True] (Quarterly in Advance)

If the Nominal Equivalent Yield is based on Annually in Arrears mathematical formula, then the True Equivalent Yield is also shown. The True Equivalent Yield is based on the capitalisation rate that process the same results as the Annual Tables, but using the Quarterly in Advance formula.

This field disappears when the Quarterly in Advance tables are selected in Assumptions.

Initial Yield

The first annual yield seen in the Running Yield Schedule.

Reversion Yield

The final annual yield seen in the Running Yield Schedule.

Gross Current Rent p.a.

Total gross current rent receivable for the property or portfolio.

Net Current Rent p.a.

Total net current rent receivable for the property or portfolio.

Gross Rental Value p.a.

Total gross rental value for the property or portfolio.

Valuation Assumptions

The right-hand side of the screen displays a two-page folder containing the Running Yield schedule and Assumption sheet.

The Assumptions show the current settings for the Property. In a portfolio context, each property may have different settings, so no display appears in that case.

Note in particular the target basis for Running Yields, and the Equivalent Yield target as there are several options that need to be carefully checked.

Running Yields

The Running Yield Schedule follows closely every change in income flow as a result of rent reviews, rent steps, cost changes and interaction with ground rent reviews and changes.

Each step is represented by the date and the display of the Gross and Net amounts.

The final column can be switched to show Annual return yields or the equivalent based on Quarterly in Advance by selecting the “Quarterly” option.

The target value for running yields can be selected in the Assumptions.

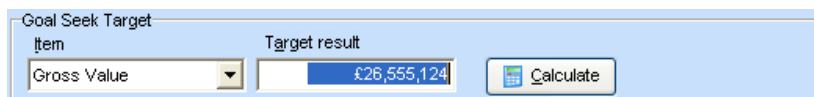
Almost any combination of result values can be used, from the Gross Value (unrounded) to the Say value, with or without Costs and Fees adjustments.

Graph

A graphic representation of the running yield is available by selecting the **Show Graph** button.

Valuation Targets

The valuation results can be manipulated using the **Goal Seek Target** function in the Valuation window:



Item	Target result	Calculate
Gross Value	£26,555,124	Calculate

On entering the valuation screen, the valuation process always starts with a normal valuation.

Target settings are temporary only and designed to conduct sensitivity and scenario functions.

- **No Target (Normal)**
Updates current valuation for the normal data set
- **Gross Value**
Enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed.
- **Net Value**
Enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed.

- **Equivalent Yield %**
Enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed.
- **Initial Yield %**
Enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed.
- **Reversion Yield %**
Enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed.
- **Running Yield %**
Select a row in the Running Yield Schedule, enter a target sum and then click **Calculate** to force a new set of results based on the input amount. No record data is changed. You can also double-click the mouse on any row to target a date.

Reports for Target Valuations

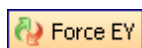
It is to be noted that when a target valuation is produced, the reports represent the new results, and will provide output showing the new figures.

However, since only capital values change during the target process and not the originating data records, it is logical to suppose that a meaningful report will show capitalisation yields at the equivalent yield rate, thus enabling a display of calculations.

If this were not the case, the calculation at original yields would always show the normal result values.

Re-Setting Yields from a Target Valuation

Equivalent Yield feedback



The **Force EY** button provides a utility to replace all input yields used in the valuation process with the Equivalent Yield.

This is a destructive non-reversible process which replaces yields, whether PRIVATE or in Capitalisation Groups, with the equivalent yield.

Warning: This function will change your data inputs. You are advised to make a copy of the record first if you wish to preserve individual yield inputs.

Valuation Reports

REPORT		Summary Valuation	
Report Date	19 August 2008		
Valuation Date	23 May 2000		
Property			
Address	South East Plaza, 9, Busy Street, CROYDON		
File/Ref No	9		
Gross Valuation			£4,240,000
Capital Costs			£0
Net Value Before Fees			£4,240,000
Net Valuation			£4,240,000
	Say	£4,240,000	
Equivalent Yield	6.2500%	True Equivalent Yield	6.5020%
Initial Yield (Deemed)	6.2500%	Initial Yield (Contracted)	6.2500%
Reversion Yield	6.2500%		
Total Contracted Rent	£265,000	Total Current Rent	£265,000
Total Rental Value	£265,000	No. Tenants	1
Capital value per ft ²	£0.00		
Running Yields			
Date	Gross Rent	Net Rent	Annual
23-May-2000	£265,000	£265,000	6.2500 %
			Quarterly
			6.5020 %
Yields based on £4,240,000			

Sample Detailed Valuation Report preview

On completion of any valuation, a report can be generated in the preview screen.

Valuation-Capitalisation has three report generators. One is the ARGUS Standard generator, the others are Crystal reports and SSRS. See [“Reports” on page 205](#) for further details.

Whilst some standard reports are supplied with the system, the report generator is potentially capable of producing an almost infinite variety of user-defined reports.

To open the report selection list, use the **File | Reports** menu option or click on the **Reports** button.

You can go to the preview screen by double-clicking the report name or by clicking the **Preview** button.

Reports can be exported to a wide variety of formats ranging from simple text files to sophisticated Windows application formats, for example, Adobe Acrobat (PDF), text, MS Excel, RTF file (Rich Text Format), HTML, and others.

The final report is a scalable graphic image containing customised pages using variable fonts, styles, colour, boxes, shading and graphics. Graphic files output but the program and external sources such as logos and photographs can be set within a report.

Some reports also have advanced mathematical capabilities for undertaking valuations and applying formulas at the time of report generation.

Buttons are provided on the Report form to go to any page, zoom in and out, load and save report image files and print.

For more information and details on reports, see [“Reports” on page 205](#).

Valuation Logs

When a property is valued, all the results are stored in the data record.

When portfolio valuations are produced, individual valuations are carried out on each property. As well as storing results for each property, the portfolio holds a summary valuation result.

In the database environment changes to the data modify records, and older inputs are lost. To preserve records so that the information can be retrieved, the program includes a special database called the Log.

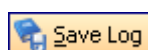
The Log holds every piece of information relating to the property or portfolio so it can be retrieved when required. The Log records also reveal the basic result data and so can be used to compare results between valuation dates.

The Log database has several functions:

1. It stores valuations for Professional Indemnity purposes ensuring that older valuations can be re-examined.
2. It provides a means of saving multiple scenario and sensitivity valuations at any time.
3. Additional records can be added where valuation information is available but may perhaps not have been the subject of valuation by the system.

In the main, this database should not be edited by anyone other than a Supervisor as it represents a “cast-in-stone” image of data records. Records can be retrieved as copies of the original so that all the originating data can be checked.

Saving a log record



The Log is a special database used to store valuations.

To save a log, from the Valuation screen select the **Log | Save Log** menu option or click on the **Save Log** button.

Logs can be Master valuations, relating to important or “signed off” valuations or these can be Scenarios to save interim or trial valuations for later retrieval.

Retrieving a log record



All valuation logs for a property or portfolio can be viewed by opening the log form with the **Log | View log** menu option or the **View log** button.

When the screen is opened, the “tree” is focused on the top row displaying the list of stored log records in date sequence. Clicking one of the dates reveals the main result data. The entire dataset for the record is stored in compressed format enabling the old record to be retrieved and loaded as new data field through the standard CVL import.

The appearance of the screen varies depending on the property or portfolio view. A portfolio view can display its own valuation log, as well as the logs for each property.

Database Valuation Log

File Edit View Help

Click date to show log entry

South East Plaza, 9, Busy Str

23/05/2000 £4,240,000

Property Log
South East Plaza, 9, Busy Street, CROYDON, Greater London

Category: MASTER

Valn Frequency:

User: A

Version: 2.50.000

Date Saved: 19/08/2008

Valuation Date: 23/05/2000

Gross Value: £4,240,000

Capital costs: £0

Acq fees: -£51,930

Value (Rnd'd/Say): £4,240,000

Current Rent (net): £265,000

Rental Value: £265,000

Equivalent Yield: 6.250%

Initial Yield: 6.250%

Reversion Yield: 6.250%

Notes:

Cash flow for year

#	Income	Cost
1		£11,111
2		
3	£22,222	
4		
5		£33,333
6		
7	£44,444	
8		
9		£55,555
10		
11	£66,666	
12		

Create CVL file

Generate record

Double click icons to expand/contract

Log data entry screen

The individual dates in the “tree” are specific records and can be viewed individually by selecting with the mouse.

A single log record view is obtained by clicking on a date in the “tree”.

The results of the valuation are visible in fields that cannot be changed by non-supervisor users.

There is a field for notes and a special section to enter actual revenue and cost data.

CHAPTER 14

Discounted Cash Flow

The DCF provides a chronological view of incomes and expenditure over the appraisal period. to calculate:

- Internal Rate of Return (IRR) using a given purchase price.
- The purchase price necessary to provide a target IRR.
- Statistical data for analysis purposes.

The Discounted Cashflow functionality is only available to users who have purchased the DCF module.

A property level DCF processes the current property, however complex, showing all income and costs over the required period. Only tagged and active tenants will feature.

A portfolio DCF sees only tagged and active properties and tenants.

The DCF can be accessed from several locations in the program. Highlight or open a property record and the cashflow will open a DCF for that property. Similarly, if you highlight or open a portfolio, a DCF will open for that portfolio. Cashflows can be opened using the following menu option:

Cash Flow | Discounted Cash Flow

The DCF Projections page is only available to users who have purchased the Analysis module. The Finance functions are also only available to users who have purchased the Finance module.

Single Characters in square brackets [H] are shortcut keys.

Cash Flow Menus

File menu

Excel

Exports the DCF Spreadsheet and Projections pages to Microsoft Excel. Data only is exported without any formulas, but will use a template for styles if present in the Template directory. This function will only work if the pages are in current view.

Valuation-Capitalisation will export the Spreadsheet and Projections values in the same form they appear onscreen.

The Net Cash Flow line on the Spreadsheet can be used to rework IRR results in Excel if required. You will calculate IRR values in Excel with greater accuracy if you export a monthly cashflow. The Start Date and period one columns must be added together in Excel for accuracy.

Reports

This option opens on to the reports selector page when the Spreadsheet is in view. It opens the Projections report when the Projections page is being viewed. See [“Generating a report from the Cashflow window” on page 209](#).

Close

Closes the DCF part of the program and returns you to the page open before the DCF was selected.

Edit menu

Cut, Copy and Paste

Standard Windows clipboard controls. The clipboard contents can be pasted to other program applications.

View menu

Calculate

This function recalculates the display to account for any settings or record changes which have not been implemented.

Column Width -

Make columns on current schedule more narrow.

Column Width +

Make columns on current schedule wider.

Lock first Column

The first column of the spreadsheet can be frozen so it remains in view whilst scrolling through the spreadsheet.

Lock top rows

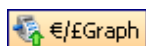
The top 2 rows of the spreadsheet can be frozen so they remain in view whilst scrolling through the spreadsheet.

Tools menu

This menu is only available if you have selected the **Goal Seek** tab.

Note: Graph menu at Portfolio Level.

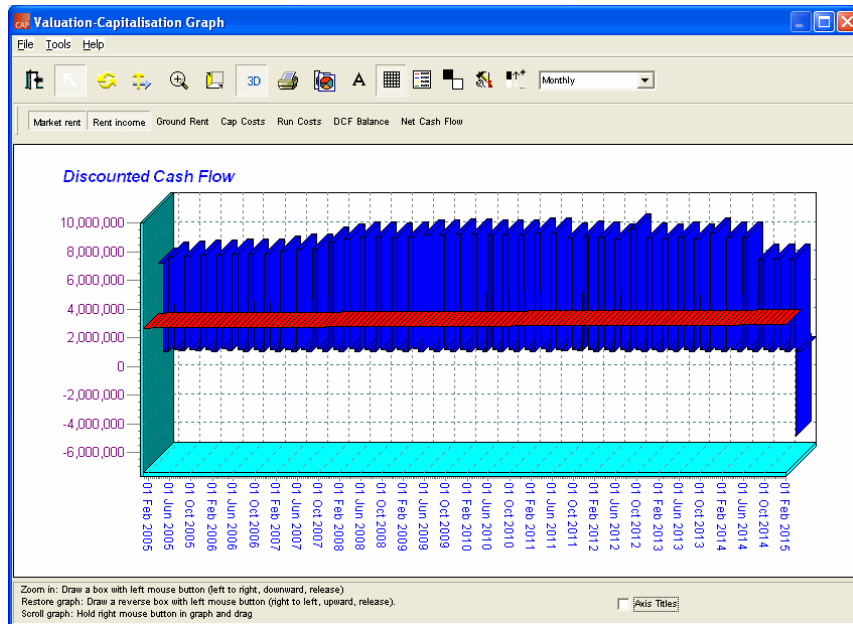
€/£ Graph



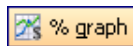
Displays the plotted curves for Rental Value with growth and the rents receivable.

Optional switches are available to show ground rent, capital costs, running costs and the net DCF line.

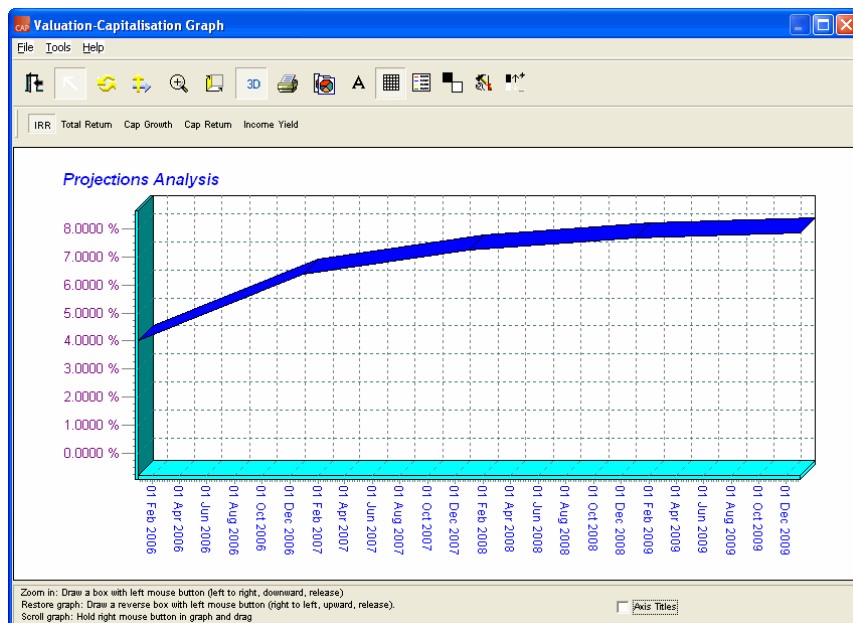
There is a wide range of controls over the graphic, its position, size, angle, depth, colour, labels and many other attributes. These can be examined in the **Graph** or **Edit** menu commands.



% Graph



This is an additional graph similar to the Amount Graph and is used in the Projections Analysis module (see **“Projections Analysis” on page 227**). It displays results of percentage data comprising IRR, Total Return, Capital Growth, Capital Return and Income Yield.



Rent Analysis (with rental growth)

Forming part of the Analysis module, this option enhances the basic Rent Analysis report function by including the rental growth assumptions as defined in the DCF. The standard Rent Analysis ignores rental growth. See **“Rent Analysis” on page 249**.

Calculation menu

Find Multiple IRRs for the PV

Sometimes a cash flow can generate more than one Internal Rate of Return. This function finds the multiple results when this condition is suspected.

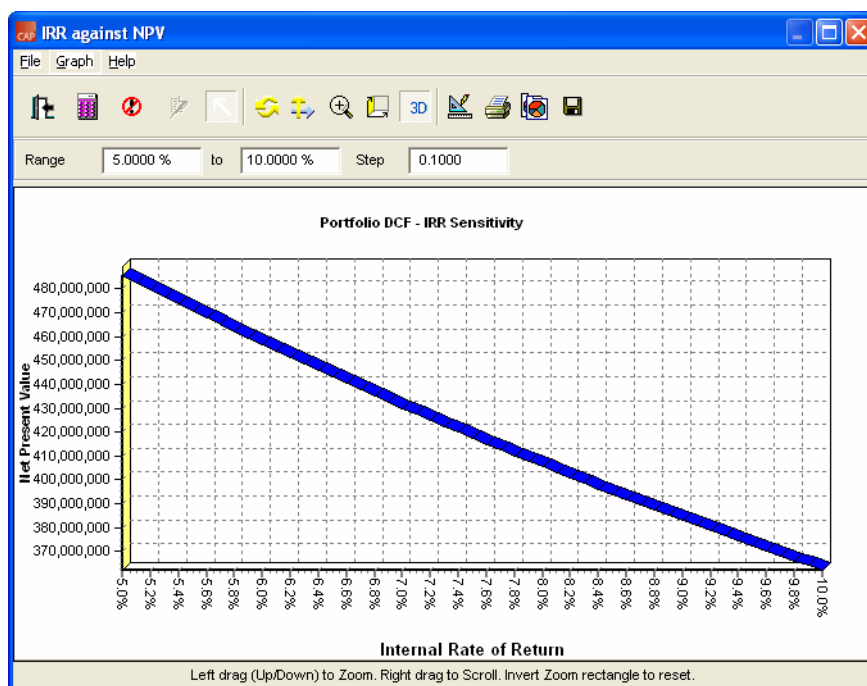
Autocalc on update

Updates the spreadsheet automatically when data is modified.

Sensitivity: IRR -v- NPV

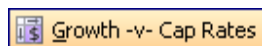


Plots a graph of IRR against Present Value by specifying a range of IRR percentages to track the values.



Make your settings and click on the calculator button to display the graph.

Sensitivity: Growth -v- Cap Rates



Residualises IRR or Present Value with variant inputs for rental growth and exit capitalisation rates, in a matrix format:

Here, you can enter settings for sensitivity and click on either the **Find PVs for IRR** or **Find IRRs for PV** button. This will generate a sensitivity matrix:

	Rental Growth -20.0000 % (Relative)	Rental Growth -10.0000 % (Relative)	Rental Growth 0.0000 % (Relative)	Rental Growth 10.0000 % (Relative)	Rental Growth 20.0000 % (Relative)
Exit.Yld (Relative) -20.0000 %	IRR 9.8374 %	IRR 9.9274 %	IRR 10.0186 %	IRR 10.1115 %	IRR 10.2059 %
Exit.Yld (Relative) -10.0000 %	IRR 8.7625 %	IRR 8.8515 %	IRR 8.9417 %	IRR 9.0333 %	IRR 9.1265 %
Exit.Yld (Relative) 0.0000 %	IRR 7.8243 %	IRR 7.9121 %	IRR 8.0013 %	IRR 8.0919 %	IRR 8.1840 %
Exit.Yld (Relative) 10.0000 %	IRR 6.9948 %	IRR 7.0817 %	IRR 7.1700 %	IRR 7.2596 %	IRR 7.3507 %
Exit.Yld (Relative) 20.0000 %	IRR 6.2545 %	IRR 6.3405 %	IRR 6.4278 %	IRR 6.5164 %	IRR 6.6065 %

Spreadsheet menu (Property level)

This menu is only available when the Spreadsheet page is open at **Property level**:

Group

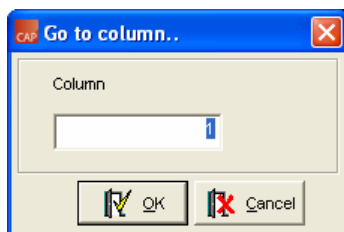
Allows you to group the columns into the following time periods - monthly, quarterly, six-monthly, annual and five years.

Expand Row

Opens the input record lying behind the highlighted row. Select a cost line and this function will open the Costs Schedule for example. On changing any data the spreadsheet can be updated with the new information.

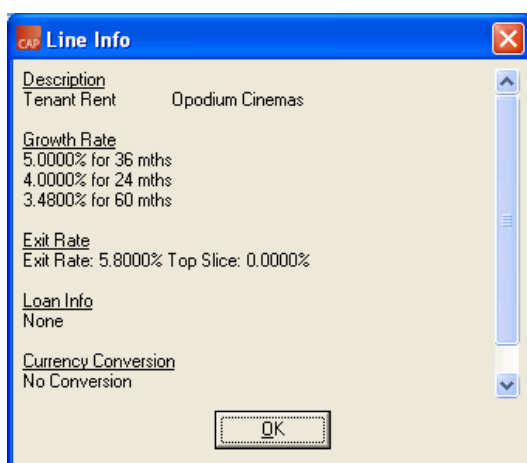
Go to column

You can select a column number and the screen focus will shift to the selected fields.



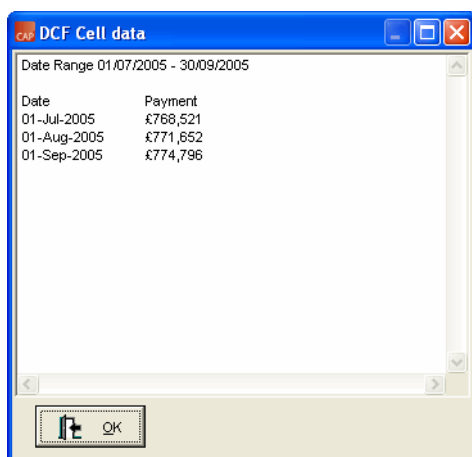
Line information

For any selected row in the spreadsheet, information is available about that row. Information includes the type of row and currency data:



Cell information

For any selected cell in the spreadsheet, information is available about the content of the cell. This displays a schedule with dates and amounts of the contents:



Show all rows

Displays all the detailed data rows in the spreadsheet.

Merge tenant + Exit value rows

Combines the rent and exit value lines for each tenant.

Show Summary and Tenant Rows

Shows summary and tenant rows only.

Show Summary Rows

Shows summary rows only.

Show Tenant Rental Values

Shows tenant rental value rows (“ERV pa for...”).

Show File/Ref No

Shows the **File/Ref No** column.

Show Line Type

Shows the **Type** column.

Spreadsheet menu (Portfolio level)

This menu is only available when the Spreadsheet page is open at **Portfolio level**:

Open Row Details

Opens individual property DCF depending on which property is highlighted.

Group

Allows you to group the columns into the following time periods - monthly, quarterly, six-monthly, annual and five years.

Enable Property Expansion

Switches on the property expansion feature. Once enabled, you can use the **Expand Row**, **Expand All Properties** and **Collapse All Properties** options.

Expand Row

Opens the input record lying behind the highlighted row. Select a cost line and this function will open the Costs Schedule for example. On changing any data, the spreadsheet can be updated with the new information.

Go to column

You can select a column number and the screen focus will shift to the selected fields.

Expand All Properties

Allows you to expand all properties if the **Enable Property Expansion** option is checked.

Collapse All Properties

Allows you to collapse all properties if the **Enable Property Expansion** option is checked.

Show all rows

This option shows all rows.

Property Cash Flow and Totals

This option shows only the property cashflow and total rows (summarises Totals for each property and lists individual costs within each property).

Show summary rows

This option shows only the summary rows.

Show Acquisition Price

Shows the rows containing information about acquisition costs for each property.

Show Ref.No.

Shows File / Ref No from Property Level.

Show Summary Rows

Switches on summary rows for entire portfolio.

Projections menu

This menu is only available at the Property level when the **Projections** tab is open.

Show shaded rows

Colours each alternate row in the schedule to assist readability.

Show row numbers

Displays row order numbers.

Cash Flow Data Entry

DCF Setup page

Cash Flow Setup page

Start Date

Commencement of the DCF time cycle. This can be changed to any date as the DCF engine will read property and tenant data at any date, if it exists within the scope of the data inputs.

Until

The date when the DCF ends.

Duration: Years - Months - Days

The duration of the cash flow.

DCF Calculating Options (Property Level)

Discounting

Choice of Monthly discounting and Daily discounting

- **Daily**
Works on an exact base of precise days.
- **Monthly**
Works on a “First of Month” principle.

Ignore rent apportionments

This switch causes the DCF to ignore the rent adjustment calculations at the start and end of the cash flow. Normally the DCF assumes true “balancing rents” are calculated to keep the correct net cash sums within the DCF period.

Apply cap ex. defined after exit

At the DCF exit date, any future capital costs can offset the exit value or be ignored.

Ignore Acquisition Fees

Ignores the acquisition fees on the initial value in the spreadsheet.

ARGUS Developer Link

Apart from the ability to import multiple ARGUS Developer project data files through the Costs Schedule screen, this section allows you to import a single ARGUS Developer project data file directly into the spreadsheet.

Attach data from file

Check this option if you wish to specify a file to be imported. The other options in this section become active if you check this option, and you can use the controls to browse for a file.

Include interest

The DVL file contains interest payments and these can optionally be excluded from the import.

Include other revenue

The DVL file contains revenue items and these can optionally be excluded from the import so that the file only imports costs.

Options (Portfolio Level)

Discounting

- **As set up in properties**
Discounting will filter through as set up at property level. Choosing another option will override the any property selections when running a portfolio level cashflow.

Ignore Acquisition Fees

Ignores the acquisition fees on the initial value in the spreadsheet.

Rental Growth (Property Level)

Basis

- **Override**

Growth Options

Basis: **Override**

Start from..: **DCF Start Date**

Manual start date: 15/09/2008

Growth variant: ☐ 0.000

Absolute

Calculation Method: **Stepped**

Anniversary Date: 01/01

Item	Rate	Months
1	2.0000 %	12
2	2.5000 %	12
3	3.0000 %	12
4	0.0000 %	0
5	0.0000 %	0
6	0.0000 %	0
7	0.0000 %	0
8	0.0000 %	0

This option uses a Growth Rates Schedule held in this page and seen on the left-hand side of the form.

The schedule is designed to hold up to 24 variable changes in growth rates. The first column shows the item number. The second column holds the annual growth rate. The third column contains the duration of months for the corresponding rate.

When the rate is not zero and the months figure is zero, the rate is seen as continuing without time limit. To stop the growth rate, there must be a finite limit period in the months column.

- **Per Tenant/Tenure**

Growth Options

Basis: **Per Tenant/Tenure**

Start from..: **DCF Start Date**

Manual start date: 15/09/2008

Growth variant: ☐ 0.000

Absolute

Edit schedule

Tenant Settings

Active	Tenant Name
True	The Taj Mahal
True	Morten & Harket Ltd
True	Strange Developments PLC

Ungeared ground leases always apply override rate settings.
If a tenant rate is zero, the default override setting will apply.

Each tenant holds a Rental Growth Schedule that can be individually adjusted. If the tenant rates are zero, the Override rates are used.

Rental growth rates can be entered separately for each tenant or inflation groups can be attached. See **“Inflation Groups” on page 150**.

- **Category File**

Standard Forecast File editor

Standard Forecast File help

See **“Rental Growth Category File” on page 195**.

- **Forecast File**

See **“Forecast File”** on page 197.

- **None**
No growth applied to the cash flow.

Growth options

Start from...

- **DCF Start Date**
Rental growth definitions commence from the DCF start date.
- **Manual Date**
Rental growth definitions commence from the date specified. Enter the date in the field next to the switch.

Growth Variant

An amount by which the rental growth can be sensitised by an overall specific amount or percentage. The percentage shift in growth rates is applied on an Absolute or Relative basis.

Absolute steps will add the variation percentage to the original. Relative changes apply a proportional change to the original percentage, the growth percentage is being multiplied by a percentage adjustment.

Calculation Method

- **Stepped**
When stepped method is chosen the **Anniversary Date** field becomes active. Rental values are revised on the anniversary date only. Incremental growth is not shown.
- **Standard**
The rental growth editor can define a single growth rate or multiple rates varying over monthly periods. Growth can start from the valuation date or from a seed date. Rates can be positive or negative rate and the month period determines the growth curve for that duration. A zero month definition is regarded as perpetuity.

Rental Growth (Portfolio Level)

Basis

- As set up in properties
Rental Growth will filter through as set up at property level. Other selections will override the property level assumptions and assume portfolio wide growth.

Growth Variant

- As set up in properties.
Growth Variant will filter through as set up at property level. Adjusts the assumed growth rates on an absolute or relative basis.

Exit Value (Property Level)

Calculation Target & Results

☐ Ungeared IRR 1.9917%
☒ Geared IRR 1.9917%
☐ Manual PV Value £0
☒ Use Valuation as PV ☐ Update Value
 Say/Rounded £548,900

Exit Calculation Options

Basis: **Override**
 Method: **Hardcore**
 Vendor's fees: 0.0000%
 Purchaser's costs: 0.0000%
 Froth cap.rate: 0.0000%

Override Exit Yield Schedule

Calc method: **Stepped**

Item	Rate	Months
1	0.0000%	0
2	0.0000%	0
3	0.0000%	0
4	0.0000%	0
5	0.0000%	0
6	0.0000%	0

Navigation tabs: DCF Options | ERY Growth | **Exit Value** | Finance | Projections | Goal Seek

Basis

- Override rates**
This option uses the Exit Rates Schedule to provide annual step rates for a single capitalisation rate to apply at the exit date.
The schedule is designed to hold up to 24 active variable changes in exit rates, each being applied for a period of months. The first column shows the item number. The second column holds the exit capitalisation rate. The third column contains the duration of months for the corresponding rate.
When the rate is not zero and the month figure is zero, the rate is seen as continuing without time limit.
- Per Tenant/Tenure**
The exit rates for each exit valuation is set in the tenant record. If a tenant is a member of a capitalisation group, then the rate is found in the group definition. If the tenant has a PRIVATE capitalisation group setting, then the rate is found from the Tenant record DCF Exit rate field. If the tenant has no individual setting, the override is used.

- **Fixed Sum**
A lump sum figure ignoring all calculations.
- **Forecast File**
This exit value option provides sophisticated exit rate assumptions and predictions. See [“Forecast File” on page 197](#).

Method

There is a choice of Hardcore, Term & Reversion and Initial Yield methods to calculate DCF exit values.

For Hardcore and Term & Reversion, an equivalent yield approach is used, therefore the result from both methods is the same, but the presentation of the exit value is based on the standard method format.

Basic methods available are:

- **Hardcore**
- **Term & Reversion**

Hardcore and Term & Reversion both use an Equivalent Yield.

- **Initial Yield (or Cap Rate)**
Values the net income only at the exit date. Probability multiplier rates can be applied to factor the capital results. The probability rates are mainly used in mainland Europe. Initial yield valuations work in conjunction with the Assumptions for the valuation. See [“Initial Yield \(Cap Rate\) Method” on page 68](#).

Vendor's fees

On the exit date, if the vendor has any agents or legal fees to be calculated, then this is entered here as a single percentage figure.

Purchaser's costs

On the exit date, if there are any purchaser's costs to be deducted, then this field represents any stamp duty, agents and legal fees as a single percentage figure.

Froth cap rate

If applicable, where a tenant is overrented at the exit date, then this froth rate can be applied to the froth income. Any froth present will not be valued if the froth rate is set to zero. Running sensitivity analysis which affects rental values or rental growth can trigger over-rented scenarios.

Probability

An assumption can be made as to the probability of income receivable at the exit date. This only applies to the Initial Yield Cap.Rate method. Whilst every property and tenant record holds a re-letting probability field, an override can be selected in a drop-down list that appears when this valuation method is selected. Options for probability are 100%, a specific override, tenant rates and property rates.

Exit Values (Portfolio Level)

Basis

- **As set up in properties**
Exit values will filter through as set up at property level. The property setup can be overridden at portfolio level.

Fees

- **As set up in properties**
Fees will filter through as set up at property level. The property level assumptions can be overridden when running portfolio level cash flows.

Rental Growth Category File

The Forecast File is a special type of text document (.GRE file) that can be created and modified to reflect rental growth patterns based on categories.

The categories are found in the Property and Tenant records and this type of growth can offer both simple and complex rental growth assumptions.

With this option, the left-hand side of the form displays a text editor pane. Buttons are as follows:

- **New** - creates an empty .GRE file.
- **Open** - loads an existing .GRE file.
- **Edit** - opens the file in the Edit Advanced Forecast File window.

Data helpers

To assist with entering information into the file, there are two lists provided:

- **Text/headers**
Text items required to identify the category type plus some standard text formats.
- **Listings**
Current lists can be displayed for the selections. Since the file categories must match the record categories exactly, this ensures correct case and spelling.

GRE File Editor

The rental growth file applies to Rental Value as calculated for each tenant. These figures are modified over the timescale of the DCF so that rents payable under the terms of leases pick up the projected rental value on rent reviews, ERV events and reversions. Exit calculations also use the grown rental values as part of the future valuation processes.

Each definition item in the file requires a new line.

Rental growth relates to:

Regions, Sectors, Towns, Use types.

Regions match the Property Region field.

Sectors match the Property Sector field.

Towns match the Property Town field.

Use types can match the Property Primary Use Type field or the Tenant Primary Use Type field.

The format of the file is based on selecting major definition(s) followed by sub-definition(s).

Major definitions

To select all Regions, use the * (asterisk) character as follows:

REGION=*

To select all Towns, use the * (asterisk) character as follows:

TOWN=*

For a specific region type, for example:

REGION=SOUTH EAST

For a specific town type, for example:

TOWN=London

If you have defined London as a region, and have used Towns to define suburbs, then you might have something like:

REGION=London
TOWN=Chiswick

Sub-definitions

These follow immediately after a major definition line.

Sectors

To select a Sector, type the title SECTOR: followed by the sector name, and the growth curve script.

Example 1

To define 5% perpetual growth for Offices:

SECTOR:Offices=0#5.00

The text on the right of the equals sign has the following meaning:

0 (months/perpetuity)

(separator)

5.00 (growth rate)

To build a curve, add more elements separated by commas.

Example 2

To define 5% for 1 year, 6% for next year, 7% thereafter:

SECTOR:Offices=12,12,0#5.00,6.00,7.00

Use Types

Use types can use the property use type or the tenant use type.

The default position is to use the Property Primary Use Type field. If you wish to use the Tenant Primary Use Type field then you must add a line at the top of the definitions:

[USE=TENANT]

As well as using specific growth rates for each sub-definition, there is another form that use percentage adjustments to a master setting.

In this case, you must define a master setting for all Regions or Towns and then apply one of the relationship options to a specific region or town.

Example 3

Presume a master growth rate setting for all sectors in all towns, but apply a different growth assumption for Manchester.

TOWN=*
SECTOR:Offices=0#5.00
SECTOR:Industrial=0#4.00
SECTOR:Retail=0#6.00
TOWN=Manchester
SECTOR:Offices=ABS,0.25
SECTOR:Industrial=0#4.50
SECTOR:Retail=REL,10.00

Here the master assumption is that all towns will have the Offices sector grown at 5%, Industrial at 4% and Retail at 6%. In Manchester however, Offices are fixed 0.25% above the standard rate at 5.25%, Industrial is 4.5% and Retail is 10% higher than the standard rate at 6.6%.

The above example works just as well using Use Type categories.

Example 4

[USE=TENANT]
TOWN=*

```

USE:Retail Shop=0#5.00
USE:Retail Warehouse=0#4.00
USE:Supermarket=0#6.00
TOWN=Manchester
USE:Retail Shop=ABS,0.25
USE:Retail Warehouse=0#4.50
USE:Supermarket=REL,10.00

```

The rental growth is based on the Primary Use Type for each tenant.

Here, the master assumption is that all towns will have Retail Shops grown at 5%, Retail Warehouses at 4% and Supermarkets at 6%. In Manchester, however, Retail Shops are fixed 0.25% above the standard rate at 5.25%, Retail Warehouses are 4.5% and Supermarkets are 10% higher than the standard rate at 6.6%.

Forecast File

Rental Growth and Exit Capitalisation Rates

To edit and add forecast options, select “Forecast File” in the **Basis** drop-down (shown on the **ERV Growth** tab).

To add or edit forecast an advanced forecast file, click on either the **New** or **Edit** button.

This rental growth option goes further than the standard forecast file into sophisticated rental growth assumptions and predictions.

This rental growth mode requires the creation of a file that records growth rates for both rental value and exit capitalisation rates.

The growth rates work by holding a basic default (optional) and generating “exceptions” to specify how particular groups and classes of properties and tenants can be given unique rates.

For example, assuming it is necessary to provide rental growth of 6% for retail properties in London West End region and 5% for London City, select the “Default” in the left-hand pane and check that the growth rates are zero. Next, click the **Add** button to add an exception. Rename it “London WE shops”.

Set the “level” to property, and category to “Region”. In the **Matching Values** box, click inside it to produce the drop-down list of regions. You can use the **Select...** button to see all defined items together to make group selections. Select London WE if it exists in the list.

In the **Growth Rates** section, you can add more lines for changes in rates, and can type a number of months or a date for the period of growth. Perpetuity allows growth as a straight line without change. Type in growth rate(s). The **Adjust** column specifies whether the rate represents an Override (i.e. a rate to be used instead of a default rate), Relative (i.e. a percentage variation of a default rate) or Absolute (i.e. a fixed amount adjustment to a default rate).

Additional exceptions can be added at any level to describe quite complex rental growth structures if required.

Forecast File editor

Edit Advanced Forecast File

File Edit Help

Default
London VWE shops
Exception 2

Details Description

Exception: London VWE shops

Level: Property

Category: Region

Select... Add Delete

Matching Values: London City, London VWE

Growth Rates

Months/End Date	Rate	Adjust
Perpetuity	6.0000%	Override

Add Delete

Exit Rates

Months/End Date	Rate	Adjust
Perpetuity	6.0000%	Override

Add Delete

Adjust options are:
 Override = Rate replaces default/parent rate
 Relative = Rate adjusts the default/parent rate by (+/-) percentage
 Absolute = Rate adjusts the default/parent rate by (+/-) amount

C:\Program Files\ARGUS Software\ARGUS Valuation Capitalisation\REPORT\Test1.gre

Edit Advanced Forecast File

File Edit Help

Default
London VWE shops
Exception 2

Details Description

Exception: Exception 2

Level: Tenant

Category: Primary Use

Select... Add Delete

Matching Values: Office suite

Growth Rates

Months/End Date	Rate	Adjust
12	9.0000%	Override
Perpetuity	9.5000%	Override

Add Delete

Exit Rates

Months/End Date	Rate	Adjust
Perpetuity	9.0000%	Override

Add Delete

Adjust options are:
 Override = Rate replaces default/parent rate
 Relative = Rate adjusts the default/parent rate by (+/-) percentage
 Absolute = Rate adjusts the default/parent rate by (+/-) amount

C:\Program Files\ARGUS Software\ARGUS Valuation Capitalisation\REPORT\Test1.gre

Descriptions Page

The above description applies equally to exit capitalisation rates where structures can be built to produce varying yields for exit valuations whether required to be a simple change over time, or to denote different rates at any one valuation date.

Finance in the Cash Flow

If the Finance module is active, then loans, mortgages and equity partners can be represented in the DCF spreadsheet as individual blocks of data rows.

Loans and finance arrangements are attached to individual properties as required. Arrangements attached to one property can be edited from another property record, or applied to several properties at once.

The Finance window can be accessed here to select or define loans. You can select loans in the **Select Accounts** section of the **Finance** tab:

Finance for the DCF

To add loans to the DCF, use the **Create/Edit** button (this opens the Finance window - see **“Finance Definition” on page 214**). The list holds the names of the defined accounts.

Any one or more of the defined loans on the left can be passed to the area on the right using the arrow button. The box on the right contains the accounts that will be used in the spreadsheet.

To arrange the loans in order of priority, you can use the **Up** and **Down** buttons.

To remove a loan from the selected list, click the mouse on the account item and click the delete button below.

Enable finance

This switch enables the Finance section to be applied, if the Finance module has been installed.

Select accounts

Lists the loans attached to the property record. Check the boxes for those that you wish to be applied when running the cashflow.

Spreadsheet

Spreadsheet page

DCF Spreadsheet screen

The Discounted Cash Flow cells are displayed in the Spreadsheet page.

On entering this page, the program calculates data from the records. This means that all data is dynamic and current. Changes to data in the property and tenant records will update the spreadsheet accordingly. To preserve a particular set of data, you must save the property record as a CVL file first or copy the property or portfolio record within Valuation-Capitalisation.

The two primary target fields appear in the palette section at the top to the spreadsheet.

IRR - Internal Rate of Return

This is the discount rate which, when applied to each positive and negative amount in the cash flow, results in a figure (called the Net Present Value) equal to zero. The IRR function relies on the dates for the occurrence of each item. This depends on the mode chosen for the calculation in the Setup page. Monthly discounting sees each all items in each month added together as at the first of the month date. Daily discounting provides the discounting factor for each separate item on the day recorded for its payment or receipt.

On entering a target PV figure, the IRR button (or menu option **Calculation | Find Multiple IRRs for the PV**) forces the DCF to re-calculate the IRR, updating the IRR field and re-generating the spreadsheet.

PV - Present Value

The initial value (or purchase price) at the start of the cash flow period. It is not the Net Present Value, since this should be zero for any given IRR, but when an IRR is targeted, the PV is residualised to a figure representing the initial value or price.

On entering a target IRR figure, the PV button (or menu **Calculation | Find Multiple IRRs for the PV**) forces the DCF to re-calculate the Present Value, updating the PV field and re-generating the spreadsheet.

IMPORTANT

Sometimes the IRR will be an impossible number or cannot be sensibly calculated, and therefore will show –99999.9999% as the error indicator.

In these situations, you can try and enter adjusted PV figures to see if the IRR comes into range. This is not an accurate solution but will give an indication of the extent of the calculation error.

Also, you should be aware of a potential error when the capital value of a property falls close to the stamp duty limit. Mathematically, there is a range at which a value or IRR cannot exist given the effect of stamp duty band range jumps.

Settings Palette

Calculation Target & Results

☐ Ungeared IRR 39.1657%

☐ Geared IRR 39.1657%

☐ Manual PV Value £0

☒ Use Valuation as PV ☐ Update Value

Say/Rounded £548,900

Duration

Years Cycle Val Date ☐

Annual

Money weighted

Projections options

Purch.costs: Apply

Vendor's fees: Apply

Returns Calculations

☒ Use total acquisition costs (net value+ fees) at start

Projections View

Decimals

DCF Options | ERY Growth | Exit Value | Finance | Projections | Goal Seek

Duration of cashflow

The period for the DCF. This is the same as the setting on the set up page.

View Cycle

This defines the number of months represented in each column of the spreadsheet. The dates of each column are full months from the first of a month to the last day of a month. Periods can be Monthly, Quarterly, Six-monthly, Annual and 5-yearly.

Column Month 0 isolates the sum for acquisition and fees and any finance data as at the Valuation date but forms part of the total sum for the first month of the cash flow.

Discounting is not affected by the view cycle setting.

Lock left columns

Freezes the first column of the spreadsheet when scrolling horizontally. This option facilitates dragging over the entire spreadsheet for copying to the Windows clipboard as well as being useful to continually display line headers whilst scrolling.

Lock Top Rows

Freezes the top two rows of the spreadsheet when scrolling vertically. This option facilitates dragging over the entire spreadsheet for copying to the Windows clipboard.

Ignore Rent Apportionments

Same as Setup page here for convenience.

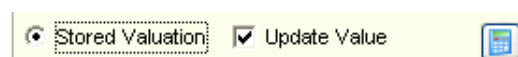
Show tenant rental values

Same as Setup page here for convenience.

Other options



Drop-down for monthly, quarterly, 6-monthly, annual and 5-yearly views

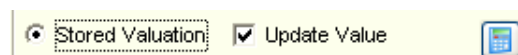


Data refresh button [F5] and automatic update on changed inputs or controls



Views for spreadsheet - Show all rows, Merge tenant and Exit value rows, Show summary and Tenant rows and Summary rows.

Auto Update after edit



Each time a row is modified by drilling through to the source record, the spreadsheet needs to be refreshed. This function automatically refreshes the spreadsheet each time the spreadsheet is re-entered.

Costs in the DCF

Cost Categories need to be allocated to the inputs for expenditure items. Valuation-Capitalisation checks for missing categories while generating the spreadsheet. These are highlighted with an asterisk for each cost and an indicator on the lower button bar.

Projections Analysis

See [“Projections Analysis” on page 227](#).

Goal Seek

Property DCF: Goodfood House, 17, Eating Plaza, COVENTRY, West Midlands, CR1

File Edit View Tools Calculation Spreadsheet Projections Help

Reports Excel IRR -v- NPV Growth -v- Cap Rates €/£ graph % graph Checklist Calculate Group Quarterly

Calculation Target & Results

☐ Ungearred IRR 999.9999%
☐ Geared IRR 999.9999%
☐ Manual PV Value £0
☒ Use Valuation as PV ☐ Update Value
 Say Rounded £548,900

Goal Seek

Type new results to find average growth and cap rate

Internal Rate of Return 999.9999%

Present Value £0

Enter spreadsheet to reset IRR & PV

Find average growth rate
Residualised rental growth applying current DCF exit setup

(Default exit setup) ?

Find average exit cap rate
Residualised exit cap rate applying current DCF growth setup

(Default growth setup) ?

Valuations

	Initial Valuation	Exit Value (A)	Exit Value (B)	Exit Value (C)
Gross Value	548,888	1,277,778	1,277,778	1,277,778
Net value	548,888	1,277,778	1,277,778	1,277,778
Initial yield	20.9514%	9.0000%	9.0000%	9.0000%
Equivalent yield	9.3846%	0.0000%	0.0000%	0.0000%
Reversion yield	-0.1822%	6.0652%	6.0652%	6.0652%
Initial Say Value	548,900			
Net Exit Rent	115,000			
Net Exit ERV	77,500			

Net Value = Gross Value less (Capital Costs + Purch Fees). Run Yields calc'd from Net Value

Net Value = as (A) + Vendors Fees. Run Yields calc'd from Net Value

Net Value = as (A). Run Yields calc'd from Gross Value

Results have 0.001% rounding tolerance

Val.Date : 23/05/2000 Discount : Monthly Target : Stored value - £548,900 Over-rented Tenants at Exit Dev. File not found

Valuations Section

The Gross Value, Net Value, Initial Yield, Equivalent Yield and Reversionary Yield results are displayed for each of the four columns:

- Initial Valuation: Purchase values at the beginning of the DCF.
- Exit Value A: The net value field is the Gross Value less Capital, Purchaser's and Vendor's Costs. This value is sometimes referred to as the net, net value.
- Exit Value B: The Net Value is the Gross Value less Capital and Purchaser's costs. The difference between Net Exit Value A and Net Exit Value B is Vendor's costs. This figure is the standard definition of a net value.
- Gross Value: The yield values on the Goal Seek page are calculated against the gross DCF exit value.

New IRR and Present Value targets can be entered to find the following residuals:

Find Average growth rate

Calculates the average rental growth rate based on the target IRR / PV combination. The IRR and PV targets can be changed to calculate new growth rates.

The Average Growth figure makes reference to the target IRR and Present Value and the exit yields entered against the DCF Setup tab. Average Growth and Average Exit Cap Rate results are mutually exclusive.

Find Average exit cap. rate

Calculates the average exit capitalisation rate based on the target IRR / PV combination. The IRR and PV targets can be changed to calculate new growth rates.

The Average Exit Cap Rate figure makes reference to the target IRR and Present Value and the ERV growth rates entered against the DCF Setup tab. Average Growth and Average Exit Cap Rate results are mutually exclusive.

CHAPTER 15

Reports

Reports in Valuation-Capitalisation

A report can be generated at any time. Whilst some standard reports are supplied with the system, the ARGUS report generator is capable of producing an almost infinite variety of reports under user control.

Reports cover a variety of situations, where information needs to be presented in a readable format. Some functions in Valuation-Capitalisation use pre-formatted reports, whilst others use the highly flexible user-defined reports.

A supplementary guide to writing reports in Valuation-Capitalisation is available on request.

Locating a report

To open the report function from the Command Centre, click on the **Application** button and select the **Report** menu option:



Alternatively, you may also open the report function from within an open Portfolio or Property record, Property DCF and Valuation windows by using the **File | Reports** menu option, or by pressing the F12 button.

In some windows (such as the Quick Valuer), the report function can be selected by using the **File | Print** menu option.

Report list

The reports appearing in the selector form are stored in the folder referred to in the `INVWIN.INI` file.

A report file can be loaded from anywhere the **Report** button appears.

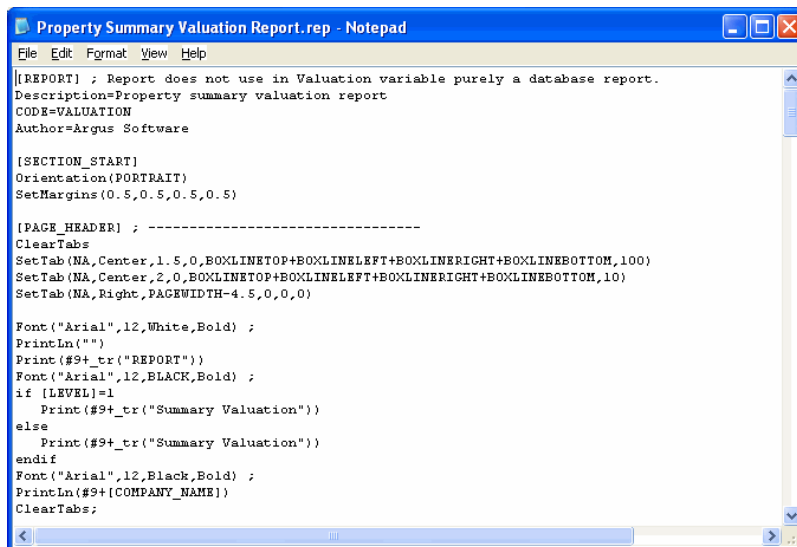
The list can contain a mixture of Standard Reports, Crystal Reports and SSRS Reports in alphabetical order.

The report output form has a menu option to save report results for later retrieval.



Report files can be edited, for example, to add a standard company caveat or to create new report templates based on existing files, using the **Edit** button. This should generally only be carried out by the System Supervisor or by a user with report writing experience.

Clicking on the **Edit** button opens the report template in a Notepad window:



```

Property Summary Valuation Report.rep - Notepad
File Edit Format View Help

[[REPORT] ; Report does not use in Valuation variable purely a database report.
Description=Property summary valuation report
CODE=VALUATION
Author=Argus Software

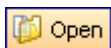
[SECTION_START]
Orientation(PORTRAIT)
SetMargins(0.5,0.5,0.5,0.5)

[PAGE_HEADER] ; -----
ClearTabs
SetTab(NA,Center,1.5,0,BOXLINETOP+BOXLINELEFT+BOXLINERIGHT+BOXLINEBOTTOM,100)
SetTab(NA,Center,2.0,BOXLINETOP+BOXLINELEFT+BOXLINERIGHT+BOXLINEBOTTOM,10)
SetTab(NA,Right,PAGEWIDTH-4.5,0,0,0)

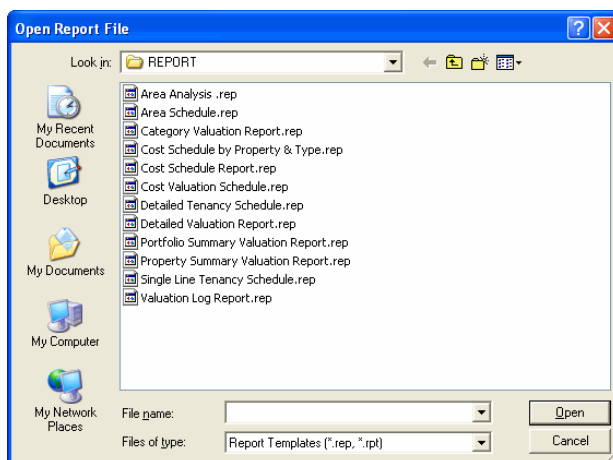
Font("Arial",12,White,Bold) ;
PrintLn("")
Print(#9+_tr("REPORT"))
Font("Arial",12,BLACK,Bold) ;
if [LEVEL]=1
    Print(#9+_tr("Summary Valuation"))
else
    Print(#9+_tr("Summary Valuation"))
endif
Font("Arial",12,Black,Bold) ;
PrintLn(#9+[COMPANY_NAME])
ClearTabs;

```

Example of report template

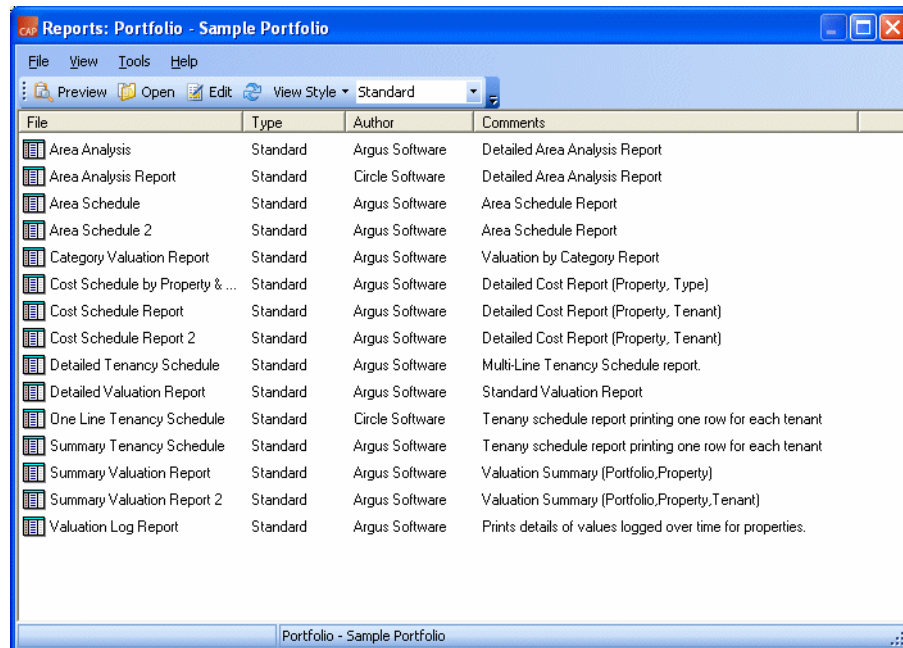


To open existing report files, click on the **Open** button or use the **File | Open** menu option. This displays a window that allows you to select the report you wish to open:



The usual way of opening reports that are held in the default REPORT folder is to double-click on the reports listed in the Reports window (see [“Standard Reports” on page 207](#), [“Crystal Reports” on page 207](#) and [“SSRS Reports” on page 207](#)).

Standard Reports



File	Type	Author	Comments
Area Analysis	Standard	Argus Software	Detailed Area Analysis Report
Area Analysis Report	Standard	Circle Software	Detailed Area Analysis Report
Area Schedule	Standard	Argus Software	Area Schedule Report
Area Schedule 2	Standard	Argus Software	Area Schedule Report
Category Valuation Report	Standard	Argus Software	Valuation by Category Report
Cost Schedule by Property & ...	Standard	Argus Software	Detailed Cost Report (Property, Type)
Cost Schedule Report	Standard	Argus Software	Detailed Cost Report (Property, Tenant)
Cost Schedule Report 2	Standard	Argus Software	Detailed Cost Report (Property, Tenant)
Detailed Tenancy Schedule	Standard	Argus Software	Multi-Line Tenancy Schedule report.
Detailed Valuation Report	Standard	Argus Software	Standard Valuation Report
One Line Tenancy Schedule	Standard	Circle Software	Tenancy schedule report printing one row for each tenant
Summary Tenancy Schedule	Standard	Argus Software	Tenancy schedule report printing one row for each tenant
Summary Valuation Report	Standard	Argus Software	Valuation Summary (Portfolio,Property)
Summary Valuation Report 2	Standard	Argus Software	Valuation Summary (Portfolio,Property,Tenant)
Valuation Log Report	Standard	Argus Software	Prints details of values logged over time for properties.

ARGUS Standard Report list

This is the traditional file format used in Valuation-Capitalisation that can generate flexible files for any reporting purpose, such as listings, schedules, valuations and general information.

The file format is a standard ASCII text file using a structure that defines the layout, style and content.

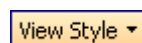
Crystal Reports

These reports use the technology devised by the Crystal Reports Company. They offer the opportunity for a sophisticated report definition interface, and a wide range of export formats.

SSRS Reports

These reports use the technology in the Microsoft SQL Server Reporting Services. They offer the opportunity for a sophisticated report definition interface, and a wide range of export formats. They are only available in the Reports window if you are using SQL Server.

To change the display of the report list, click on the **View Style** button and select one of the options in the drop-down:

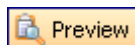


The options available are List, Report and Small Icons. These options simply change how the list of reports is presented in the window.

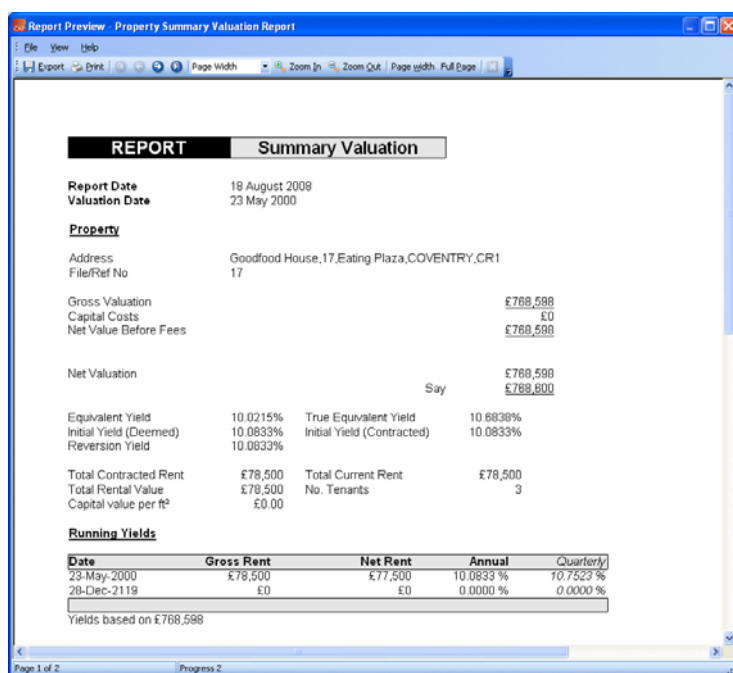
Report Preview & Export

Preview Reports

For each type of report, there is a preview screen to view the report as a graphic image. This is opened by double-clicking on the required report or by clicking onto the **Preview** button:



The report file cannot be edited, but can be exported out to other applications for editing.



Example of a report preview

Reports can be paged, zoomed in and out, exported or printed using the buttons.



Export and Print



First page, Previous page, Next page and Last page



Zoom In, Zoom Out and other page resizing options

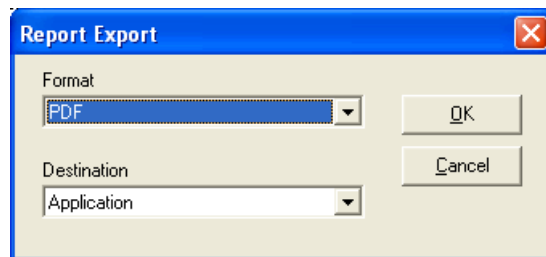
Export Reports

Standard reports can be saved as an image file and exported in several formats:

- **PDF** exports the report in the Adobe Acrobat PDF file format, which can be read using the Adobe Acrobat viewer.

- **Rich Text Format (RTF)** can be loaded into Microsoft Word for Windows, but note the graphics capabilities of RTF are limited.
- **HTML** - this can be read in any Web browser.
- **Text** generates an unformatted ASCII text file.
- **Excel** produces a tab-delimited file suitable for loading into Microsoft Excel.

Reports can be exported by using the menu option **File | Export** or by clicking onto the **Export** button.



You are prompted to select an export format (as outlined above) and destination. Options in the **Destination** drop-down are:

- **Application** - Exports the report directly into the selected application (for example, Microsoft Word for a RTF format file).
- **Disk File** - Opens the standard Windows Save As dialog box. Browse to the selected destination folder to save the file.
- **Mail** - Opens a new email with the report file already attached. You can then type in an email address and any text message required.

Please note that email systems do vary, and we regret that not all are compatible with Valuation-Capitalisation. If yours is not, you will need to use the “Disk File” option in the **Destination** drop-down to save the file outside of Valuation-Capitalisation. The file can then be attached to an email.

Crystal Reports

Crystal reports have a wide variety of export options, including multiple Excel and Word versions.

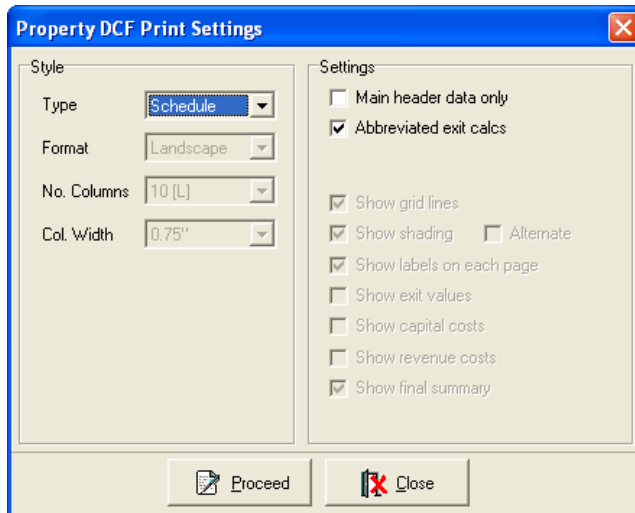
An additional feature in the Crystal report viewer is the ability to search and find text in the report, and to break the report into sub sections using the tree on the left of the screen.

Double-click on an item in the tree to extend the view.

Generating a report from the Cashflow window

In the Cashflow window, after performing a calculation, when you click on the **Reports** button, you will see additional options that will allow you to configure a report more precisely. The examples shown here are for a property cashflow; the equivalent dialog opened from a portfolio cashflow will be different - it has fewer options.

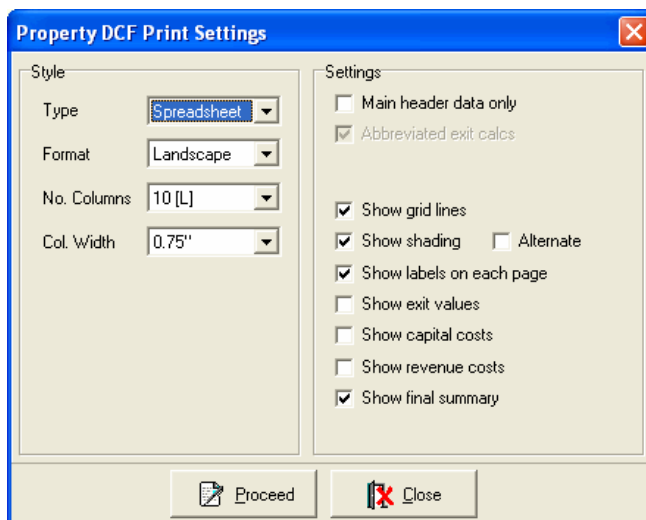
A dialog like the following will be displayed:



The **Type** drop-down allows you to select a report type. Depending upon the option you select here, different options will become available.

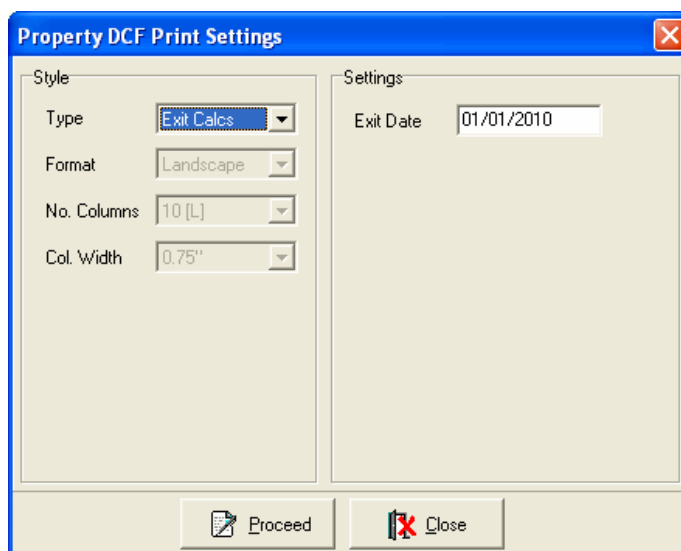
The **Schedule** type allows you print out what you see in the DCF schedule.

The **Spreadsheet** type opens up the following options:



These options allow you greater control over how the report is presented. This allows you to print the report in a spreadsheet-like grid. You can switch various sections and presentation attributes on or off with the **Settings** options.

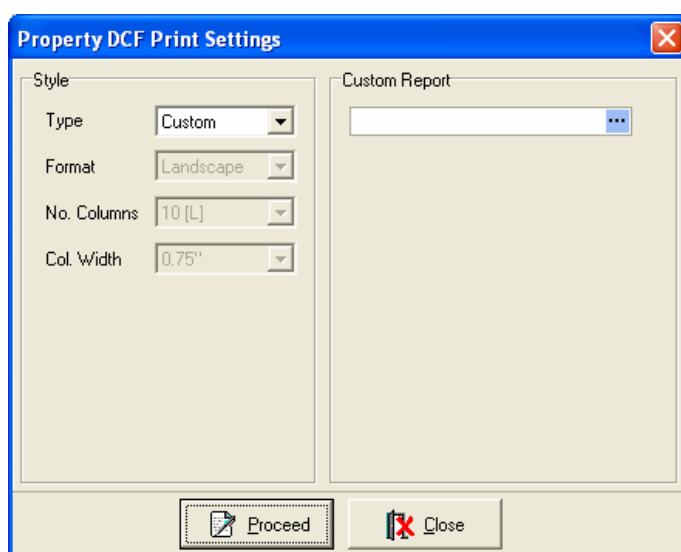
The **Exit Calcs** type opens up the following options:



The 'Property DCF Print Settings' dialog box is shown. It has a blue title bar with a close button. The dialog is divided into two main sections: 'Style' and 'Settings'. The 'Style' section contains four dropdown menus: 'Type' (set to 'Exit Calcs'), 'Format' (set to 'Landscape'), 'No. Columns' (set to '10 [L]'), and 'Col. Width' (set to '0.75"'). The 'Settings' section contains a text field for 'Exit Date' with the value '01/01/2010'. At the bottom, there are two buttons: 'Proceed' (with a document icon) and 'Close' (with a red X icon).

This allows you to generate a report based on an exit date that you specify.

The **Custom** type opens up the following options:



The 'Property DCF Print Settings' dialog box is shown with the 'Type' dropdown set to 'Custom'. The 'Style' section remains the same. The 'Settings' section is replaced by a 'Custom Report' section, which contains a text field for specifying a custom report file name, followed by a blue ellipsis button (...). The 'Proceed' and 'Close' buttons are at the bottom.

In the **Custom Report** section, you can specify the name of a custom report file that will be used as a template for generation of your report.

Please contact ARGUS Support for further information about custom reports.

CHAPTER 16

Finance

Debt can be included in cashflows using the Finance module. The module allows you to input an unlimited number of debt arrangements at property and portfolio levels, choosing from Loans, Mortgages and Equity deals.

The Finance module is enabled or disabled from the **Finance** tab in the Property DCF window (this window is opened by selecting a property and clicking on the **Cashflow** button in the Command Centre).

Details of the arrangements are entered in the Finance window, which is opened by clicking on the **Create/Edit** button in the **Finance** tab (in the Property DCF window) or, alternatively, by clicking on the **Finance** button in the Command Centre.

Finance: Property Cash Flow

You can access this screen by selecting a property, clicking on the **Cashflow** button in the Command Centre and clicking on the **Finance** tab. The options here allow you to enable or disable any finance arrangements and to tell Valuation-Capitalisation which arrangements will be effective in the cashflow at any one time.

Property DCF: Lavender Fields, 6, Some Avenue, IPSWICH, Norfolk, JP1

File Edit View Tools Calculation Spreadsheet Projections Help

Reports Excel IRR -v- NPV Growth -v- Cap Rates €/£ graph % graph Checklist Calculate

Calculation Target & Results

Ungeared IRR 16.8460%

Gearing IRR 16.8460%

Manual PV Value £1,103,264

Use Valuation as PV Update Value

Say/Rounded £1,103,000

Finance

☒ Enable finance

Select Accounts

☒ RBS Interest only

☒ RBS Mortgage

☐ HSBC Interest only

☒ Shareholder Equity

Create/Edit

Headings	Start date 23/05/2000	Months 1 - 3 May '00-Jul '00	Months 4 - 6 Aug '00-Oct '00	Months 7 - 9 Nov '00-Jan '01	Months 10 - 12 Feb '01-Apr '01	Months 13 - 15 May '01-Jul '01
Lavender Fields, 6, Some Avenue, IPSWICH, Norfolk, JP1						
A Bloggs & Co	0	28,723	21,250	21,250	21,250	24,768
A Bloggs & Co Exit Value	0	0	0	0	0	0
Future Holdings	0	0	0	8,472	12,500	12,500
Future Holdings Exit Value	0	0	0	0	0	0
Overall data						
Total Rental income	0	28,723	21,250	29,722	33,750	37,268
Total LH Ground Rent payments	0	0	0	0	0	0
*Undefined	0	0	0	0	0	0
Total Operating revenues	0	0	0	0	0	0
Total Capital receipts	0	0	0	0	0	0
Total Operating costs	0	0	0	0	0	0
Total Capital expenditure	-1,103,000	0	0	0	0	0
SUMMARY						
Interest/service	0	0	0	0	0	0
Total Debt/Equity	0	0	0	0	0	0
Net Cash Flow	-1,103,000	28,723	21,250	29,722	33,750	37,268
Net Cash Balance	-1,103,000	-1,074,277	-1,053,027	-1,023,305	-989,555	-952,287

Val.Date : 23/05/2000 Discount : Daily Target : Stored value - £1,103,000 * Cost item category undefined

Property DCF Finance Setup

Enable finance

This check box switches debt arrangements on and off.

Create/Edit

Click on the **Create/Edit** button on the **Finance** tab to open the Finance window and input debt arrangements or modify existing items.

Finance Definition



The Finance window is opened by clicking on the **Finance** button in the Command Centre, or by clicking on the **Create/Edit** button in the **Finance** tab of the Property DCF window.

The Finance window displays a table of finance items and configuration options. The table lists items with their respective interest rates and durations. Below the table, there are fields for configuring the finance arrangement, including Lending Type, Linked to, Capital, Retention Mode, Cashflow Surplus Retained, Term start at valuation date, Start date, and Duration.

Name	Debit % 1	Credit % 1	Months 1	Debit % 2	Credit % 2	Months 2	Debit % 3	Credit % 3	Months 3	Debit % 4	Credit % 4	Months 4	Debit % 5	Credit % 5	Months 5
RBS Interest only	6.00%	0.00%	12	6.25%	0.00%	12	6.50%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0
RBS Mortgage	0.00%	0.00%	6	6.25%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0
HSBC Interest only	6.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0
Shareholder Equity	2.00%	0.00%	12	2.50%	0.00%	60	3.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0

Effective rate - final rate at year end incl compounding.
Nominal rate - rate compounded to an effective rate

Finance

Lending Type: Interest only loan (simple)
Linked to: Purchase+fee
Capital (£/€): 10.00
Retention Mode:
Cashflow Surplus Retained (£/€): 0.00
Term start at valuation date: ☒
Start date: 23/05/2000
Duration (Years, months): 0, 0
(0,0 = DCF duration)

Equity at end of DCF (£/€): ☐ 0.00
Equity % on monthly balance: 0.00%
Rate type: Nominal
Payments: Monthly
Interest rolled up to end: ☐

[£/€] : Over 100 = amount 100 or less = percentage

Creating & deleting arrangements

Create a new finance arrangement by clicking the **Add Finance Item** button at the top of the page. Arrangements are removed by highlighting the relevant line from the menu of finance items and selecting **Delete Finance Item**.

Entering interest rates

You are able to enter up to five debit and five credit interest rates against each finance arrangement. The debit rate is the interest charged by the financier and represents money leaving the cash flow. The credit rate is interest earned where the finance arrangement is in credit. It is new money entering the cash flow.

Each rate will be effective for the number of months input except for rates entered for zero months. Rates for zero months are assumed to run in perpetuity. We generally recommend the last interest rate input against each debt is allowed to run into perpetuity. This will ensure interest continues to be charged if you decide to extend the DCF term or the repayment period.

Lending Type

The four choices are:

- Interest Only Loan (simple);
- Mortgage (Int + Cap);

- Equity Investor;
- Auto-Regulating Loan.

The Mortgage, Equity Investor and Auto-Regulating Loan options are discussed in greater detail later in this chapter.

Note: The Auto-Regulating Loan cannot be used in conjunction with other loan types.

Linked to...

Debts can be offset against a Non-Purchase item or the Purchase cost with or without fees. Loans can also be created as Spot Amounts.

Capital £/%

Values over 100 are assumed to be cash amounts. Smaller amounts are assumed to be percentages. The percentages are applied to the **Linked to...** item.

Retention Mode

Used in conjunction with the Auto-Regulating Loan option, options are on cash flow or on balance.

Cashflow Surplus Retained £/%

The Retained Surplus refers to the part of the cash flow credits retained by the investor rather than being used to offset the capital borrowed. This can be expressed as either a fixed amount or a percentage.

Values over 100 are assumed to be cash amounts. Smaller amounts are assumed to be percentages.

Term start at valuation date: Start date

This states when the loan will start. The cash borrowed will be paid across on that date and interest calculations will begin.

The default assumption, "Term Start at Valuation Date", is that the loan starts on the DCF start date. The default can be over-ridden by removing the tick.

Duration (Years, Months)

Describes the term of the loan. The default assumption of zero years and zero months implies the loan will be redeemed at the end of the DCF term. The finance can be called in early by entering a term of years and months. If the loan duration extends beyond the exit date, the loan will be repaid at exit.

You may be tempted to enter a 60 month loan term if running a 5 year DCF. This will produce the correct result over the 5 year term, but you will find you are redeeming the loan early if you trial a 10 year cashflow. If you intend to continue the loan until the end of the cashflow, it is worth leaving the Duration as zero months and years. Mortgages are the exception for the reason set out below.

Always enter the finance term when entering mortgage details. In the absence of a stated term, Valuation-Capitalisation will adopt the DCF term. DCF terms are generally shorter than a true mortgage term and the IRR results will be unrealistic.

Equity at end of DCF £/%

This represents the final settlement of an equity arrangement. Values in excess of 100 are assumed to be cash settlements. Lesser values are calculated as a percentage of the net exit value.

Equity % on monthly balance

The equity function allows a percentage of the net period to period cashflow to be paid to an equity investor. The equity account will only receive a percentage of what remains after the service of higher loans.

The hierarchy of the loans is ordered on the Property DCF, **Finance** tab as shown in the **Select Accounts** list. If there is not enough income to service the higher loans, an extra burden falls on the equity account to balance the cashflow.

Rate type

An **Effective** rate or APR is the final rate achieved at the end of the year including compounding. 10% interest per annum, paid quarterly would produce...

$$(1 + (10\% / 4 \text{ quarters}))^4 = 10.38\% \text{ Effective rate}$$

A **Nominal** rate is the 10% which produces the 10.38% effective rate above.

Compounding

This is only displayed if the “Effective” option has been chosen in the **Rate Type** drop-down. The choices are Annually, Half Yearly, Quarterly or Monthly.

Payments

The choices are Annually, Quarterly or Monthly.

Interest rolled up to end

If this box is ticked, no payments will be made during the course of the loan. Interest will be compounded every year, quarter or month and become payable at the end of the loan. Interest will be paid annually, quarterly or monthly during the course of the loan when the box is unticked.

Mortgage (Int & Cap)

The Net Interest line in the cash flow describes the interest payments made. The Capital Repayments line shows the capital payments used to offset the cash borrowed. The Total Payments line shows the total payment made in that period.

Always enter the finance term when entering mortgage details. In the absence of a stated term, Valuation-Capitalisation will adopt the DCF term. DCF terms are generally shorter than a true mortgage term and the IRR results will be unrealistic.

Some lending schemes require the property owner to redeem only part of the sum borrowed during the term of the loan. These schemes should be entered as two loans. Depending on the exact nature of the scheme, the first may be treated as a mortgage to repay part of the borrowings early. The second is a standard loan.

Equity Arrangement

The **Priority Income** row in the cashflow relates to the **Equity % on Monthly Balance** input box in the Finance window (this row only appears if you have defined equity amounts in the Finance window). This is the financier’s split of the net, credit income in that period. The **Equity at End of DCF £/%** input on the Finance window is the financier’s share of the net DCF exit value. The third element of an equity scheme in Valuation-Capitalisation is interest on the amount borrowed. Interest rates are entered in the usual manner and switched off by entering a zero percentage rate for zero months on the Finance window. The zero months will run the zero interest into perpetuity.

Where there is already a loan or there is more than one equity scheme in place, Valuation-Capitalisation will service the schemes in the order they appear on the DCF Setup, **Finance** tab . Interest payments will be met under each scheme although the equity entitlement element will be reduced if there are insufficient funds left over from the cashflow after payments have been settled against any superior schemes and interest has been paid against the equity deal in question.

The **Equity at End of DCF** split is calculated at the DCF exit date even if the duration of the arrangement in years and months is shorter or longer than the DCF term. You will probably choose to apply the zero years and zero months setting to ensure the scheme runs for the whole of the DCF.

The financier’s split of the end equity can be entered as a fixed amount or a percentage. Percentage settlements are calculated on the net value after vendor’s costs (i.e. gross value minus purchaser’s costs and vendor’s costs). This equity split is adjusted by the financier’s entitlement to a share of

the monthly cash flow credits. For example, the apportioned rent at exit is 20,000. This sum is payable to the purchaser on completion of the sale and the current financier is not entitled to a share of this amount. The financier's 300,000 equity split is therefore reduced by his 30% Equity % on Monthly Balance and the financier's total payment at exit is $300,000 - 6,000 = 294,000$.

Auto-Regulating Loan

This loan acts in a similar manner to an overdraft. The investor is able to offset an outstanding debt with all, or a proportion, of a credit cash flow balance. The **Cashflow Surplus Retained** field determines this proportion. The borrowing will be extended to make up the difference if the cash flow is in deficit or interest against the loan cannot be met.

An Auto-regulating loan cannot be used in conjunction with other loan types.

Loans can be set up to fund particular items of expenditure. The loan is created in the usual manner and it is attached to the cost through the Costs schedule. In the Costs schedule, click on the **Costs** section of the cost in question, check the **Enable in DCF** box on the bottom left-hand side of the screen and pick out the required Account name.

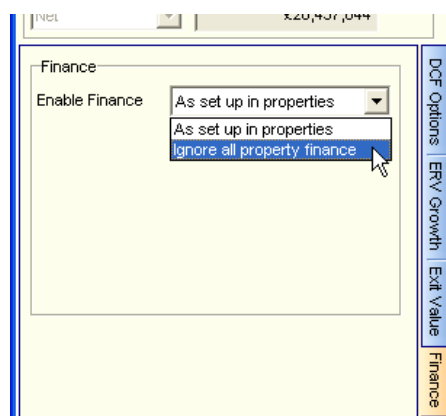
The loan can be linked to a Purchase, Purchase & fees or Non purchase item. Valuation-Capitalisation will always fund 100% of the cost even it is attached to a Purchase of Purchase & fees loan where only a proportion of the price is financed.

Late Purchases & Early Sales

Properties can be purchased late and/or sold early in a DCF. The dates and amounts are entered against the properties in question on the **Buy/Sell + Extras** tab (in the Property window - see [“Buy/Sell + Extras page” on page 103](#)) where the investor can also specify whether the purchases should be financed and the net sale value used to offset any borrowing.

Finance: Portfolio Cash Flow

In the Portfolio DCF Setup, on the **Finance** tab, you can choose to apply finance arrangements defined in the property cash flows to the portfolio cash flow, or to ignore all property finance:



CHAPTER 17

Category Analysis

Property and Portfolio Analysis is a suite of analytical tools.

The program builds scenarios, makes measured adjustments, tests sensitivity and produces formatted reports.

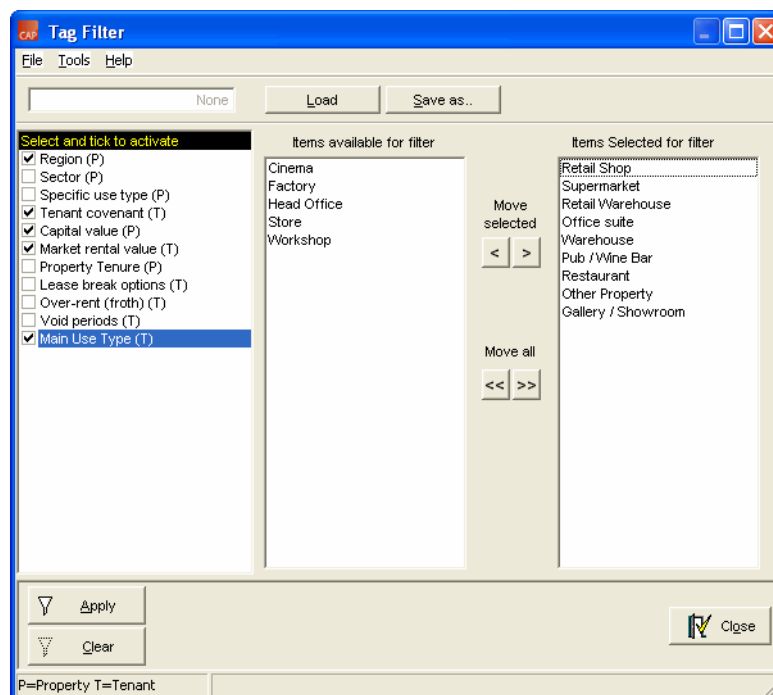
Analysis can operate on a single property through to a large portfolio. In a portfolio grouping, a property can be included or excluded manually or automatically through filtering.

Tag Filters



To open this function, click on the **Tag Filters** button in the Command Centre.

The Tag Filter window sets records on and off by category selection.



Tag Filter window

The Tag Filter window contains option categories in a list on the left, and selected entries on the right.

The right side of the window changes when a category type is chosen.

The above example shows the Use Type list. The middle pane contains a list of use types available for selection. The pane on the right holds the use types that have been selected.

The first four items, Region, Sector, Specific Use type, and Tenant Covenant operate in the same way.



To move one or more items from the available list to the selected list, highlight the labels to be moved and click the single arrow buttons to move items across.



To move all items from one side to the other, click the double arrow buttons.

The filter marks records that are to be included in the analysis. The effect of a filter is to set the property and tenant “tags”. The analysis, valuation and cash flow processes see only those records where the tags are set ON.

If you click on some of the other option categories in the list on the left, the window will change to display fields and switches:

☒ Region (P) ☒ Sector (P) ☒ Specific use type (P) ☒ Tenant covenant (T) ☒ Capital value (P) ☒ Market rental value (T) ☒ Property Tenure (P) ☒ Lease break options (T) ☒ Over-rent (froth) (T) ☒ Void periods (T) ☐ Main Use Type (T)	Include properties with Gross Value between.. <table> <tr> <td>Minimum</td> <td>Maximum</td> </tr> <tr> <td>£1,000,000</td> <td>£2,000,000</td> </tr> </table>	Minimum	Maximum	£1,000,000	£2,000,000
Minimum	Maximum				
£1,000,000	£2,000,000				

Capital Value lower and upper limit filter

☒ Region (P) ☒ Sector (P) ☒ Specific use type (P) ☒ Tenant covenant (T) ☒ Capital value (P) ☒ Market rental value (T) ☒ Property Tenure (P) ☐ Lease break options (T) ☒ Over-rent (froth) (T) ☒ Void periods (T) ☐ Main Use Type (T)	Include tenants with rental value between.. <table> <tr> <td>Minimum</td> <td>Maximum</td> </tr> <tr> <td>£0</td> <td>£100,000</td> </tr> </table>	Minimum	Maximum	£0	£100,000
Minimum	Maximum				
£0	£100,000				

Rental Value lower and upper limit filter

☒ Region (P) ☒ Sector (P) ☒ Specific use type (P) ☒ Tenant covenant (T) ☒ Capital value (P) ☒ Market rental value (T) ☒ Property Tenure (P) ☐ Lease break options (T) ☒ Over-rent (froth) (T) ☒ Void periods (T) ☐ Main Use Type (T)	Include records by tenure ☐ Include properties with Freehold tenure ☒ Include properties with Leasehold tenure
--	--

Tenure inclusion/exclusion filter

☒ Region (P)
☒ Sector (P)
☒ Specific use type (P)
☒ Tenant covenant (T)
☒ Capital value (P)
☒ Market rental value (T)
☒ Property Tenure (P)
☒ **Lease break options (T)**
☒ Over-rent (froth) (T)
☒ Void periods (T)
☐ Main Use Type (T)

Include tenant records that contain active break options

☒ Include all tenants with breaks
☐ Exclude all tenants with breaks

☐ Apply to breaks operating within..
 [0] years

Break option selection and time limit filter

☒ Region (P)
☒ Sector (P)
☒ Specific use type (P)
☒ Tenant covenant (T)
☒ Capital value (P)
☒ Market rental value (T)
☒ Property Tenure (P)
☐ Lease break options (T)
☒ **Over-rent (froth) (T)**
☒ Void periods (T)
☐ Main Use Type (T)

Include tenant records that are overrented

☒ Include (Overrented units)
☐ Exclude Overrented (Market rent only)

Tenants with Froth include/exclude filter

☒ Region (P)
☒ Sector (P)
☒ Specific use type (P)
☒ Tenant covenant (T)
☒ Capital value (P)
☒ Market rental value (T)
☒ Property Tenure (P)
☐ Lease break options (T)
☐ Over-rent (froth) (T)
☒ **Void periods (T)**
☐ Main Use Type (T)

Include tenant records that contain void periods

☐ Include voids specified below
☒ Exclude voids specified below

☐ Pre-Lease FIXED void period
☐ Expiry/breaks void period
☐ Rent free period at lease commencement

Tenants with Void include/exclude by type filter

Once a filter has been set up, it must be applied to the records. At the bottom of the Tag Filter screen, click on the **Apply** button. The number of records selected by the filter is shown to the right.

If you need to clear the filter and reset all records, click on the **Clear** button.

Loading and Saving Filters

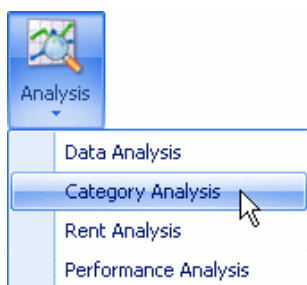
Filter settings can be saved for later retrieval. At the top of the filter window, click on the **Save As...** button to store the filter.

To open a previously-saved filter, click on the **Load** button.

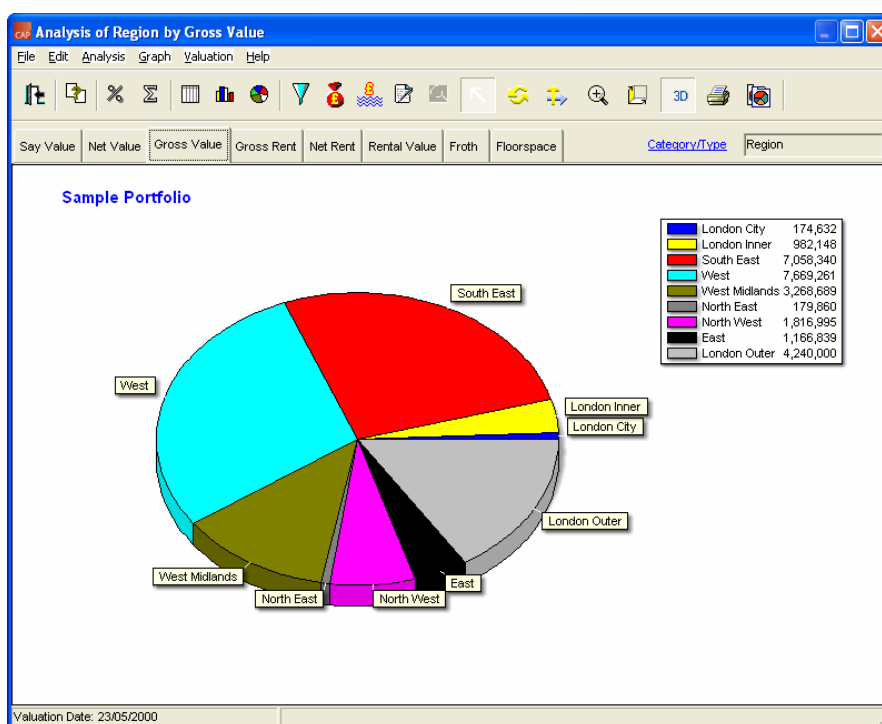
Category Analysis

Category Analysis displays the structure of a portfolio using multiple viewpoints and selected categories applying the current set of filtered records.

From the Command Centre, you can open this section of the program by clicking on the **Analysis** button and selecting the **Category Analysis** option:



This opens the Portfolio Analysis window:



Category Analysis screen

By default, this window is empty when you first use Valuation-Capitalisation. To generate a graph, click on the **Category/Type** link (the blue text on the right-hand side of the window) and select the type of analysis you wish to perform. See **“Category/Type” on page 225** for further details about the use of this feature.

For this feature to work, properties and tenants must have categories filled in on their data input forms. If a record has blank analysis fields, the program classifies these as Undefined.

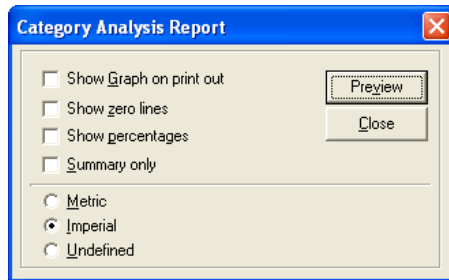
File menu

Save Chart As..

The current graphic can be saved as a bitmap, metafile or chart file for use in reports, other applications or later retrieval.

Print Report





Print report options

Generates a report in both graphic and schedule format based on the options you have selected.

Exit

Closes the window. The configuration is saved so the graphic appears the same when re-entering the window.

Edit menu

Copy table to clipboard

Copies the highlighted selection in the Schedule view to the Windows clipboard.

Select All in table

Selects the whole schedule for copying.

Analysis menu

Category / Type

Opens the category list (see [“Category/Type” on page 225](#) for further information).

Filter

Opens the Filter screen (see [“Tag Filters” on page 219](#) for further information).

Sub-Analysis

When using schedule format, the selected item can be “drilled” down to the nested level, so that choosing “West” region for example, you can drill into it to sub-analyse, say, Tenants in that region in the new view.

When using pie or bar charts, double-click on the pie wedge or bar to drill down. This opens another analysis window.

As Percentage and As Amounts



Data appearing in the graphic can be either the percentage of the whole (total for current filter) or absolute amounts.

Viewpoints

The selection lists various view tabs available for graphic display, such as Say Value, Net Value and so on. For a full list of Viewpoints, see [“Viewpoints” on page 226](#).

Metric/Imperial/Tsubo areas

Display of Floor Space category in metric, imperial or tsubo standard.

Graph menu

Edit Graph

Opens the Graphic Editor to temporarily customise the graphic output.

Warning: Use with care. Deletions and unusual settings could create system errors.

Schedule, Bar Chart, Pie Chart



These options give you a choice of graphic presentation.

Legend

Show or hide the data legend appearing next to the graphic.

Labels

Show or hide labels for each pie wedge.

Patterns

Switch between colour and monochrome for output to black and white printers.

3-Dimensions

Switch to toggle between a flat graphic or 3-dimensional view.

More.. (Pie Chart)

Visual adjustments to the pie chart display.

Valuation menu

Valuation



Performs a valuation for the current filtered records.

Discounted Cash Flow



Performs a cash flow for the current filtered records.

Value Comparison



Displays the variation between the full record set and the filtered record set.

	Unfiltered	Filtered	Filter as % of total
Gross Value	£25,869,227	£25,869,227	100.000%
Capital costs	£0	£0	
Net Value	£25,771,400	£25,771,400	100.000%
Say Value	£25,772,700	£25,772,700	100.000%
Acquisition fees	-£97,827	-£97,827	
Equivalent Yield	7.6094%	7.6094%	
Initial Yield	7.3458%	7.3458%	

Close

Filter comparison result screen

Category/Type

Select Analysis Type

Type

- Region
- Sector
- Use Type (Property)
- Property
- Say Value
- Ground Lease
- Tenant Covenant
- Guarantor Covenant
- Use Type (Tenant)
- Status
- Breaks
- Over-rented
- Voids
- Lease Expiry
- Tenant Name
- ERV Tenant

Range

Edit Range

Start: 0

End: 0

Start values are inclusive

Delete

Apply

Undo

Category selector without ranges

Select Analysis Type

Type

- Region
- Sector
- Use Type (Property)
- Property
- Say Value
- Ground Lease
- Tenant Covenant
- Guarantor Covenant
- Use Type (Tenant)
- Status
- Breaks
- Over-rented
- Voids
- Lease Expiry
- Tenant Name
- ERV Tenant

Range

- less than £100,000
- between £100,000 & £200,000
- between £200,000 & £300,000
- £300,000 or more

Edit Range

Start: 0

End: 100000

Start values are inclusive

Delete

Apply

Undo

Category selector applying ranges

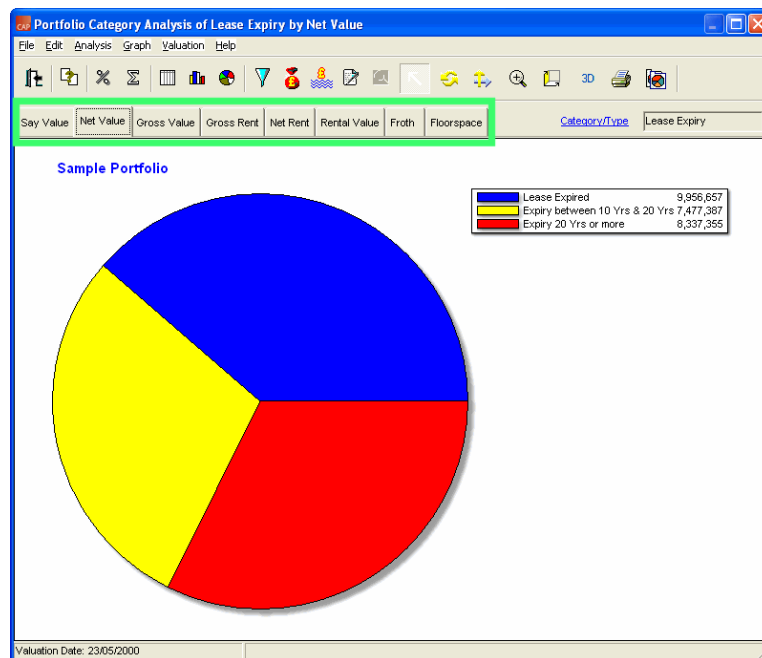
The Category/Type screen can be accessed using the hyperlink.

Some categories require setting ranges. This involves typing a numeric range into the **Start** and **End** fields below the right side window and selecting **Apply**. Ranges are positioned automatically in the list in size order. These ranges form the limits for each segment of the resulting graphic.

Apart from the basic category list as show above, any user-defined Custom fields that have been created can be added. This special feature allows personal and unique targets for the analysis.

Call ARGUS Support for information about Custom Fields.

Viewpoints



The viewpoint for the selected category is based on one of eight headings. These are represented as tabs or pages on the screen.

Selecting a tab changes the data results set in the graphic.

These viewpoints are:

- Say Value;
- Net Value;
- Gross Value;
- Gross Rent;
- Net Rent;
- Rental Value;
- Froth;
- Floorspace.

Froth is shown in a bar format showing the split between normal and overrent proportions.

Floor areas are shown as a whole without splitting down into use types. The figures are the total overall floor areas.

Sophisticated analysis can be done with a combination of Category, Viewpoint and Filter.

CHAPTER 18

Projections Analysis

The Discounted Cash Flow is the source of the data passed on to the Projections Analysis component of the DCF screen.

The Projections Analysis Schedule undertakes simultaneous cash flows to find data for each of the periods over the required period.

Monthly statistics take longer to process than annual figures since every year would require twelve cash flows in this case.

All the details for data entry, menus and the base information links with the main DCF spreadsheet are detailed in **“Discounted Cash Flow” on page 181**.

Dates: Start Exit Exit Exit ...	23 May 2000	22 May 2001	22 May 2002	22 May 2003	22 May 2004	22 May 2005
Rental Value pa at Exit	£2,107,840	£2,030,940	£2,032,692	£2,034,304	£2,035,591	£2,037,425
Average Growth	N/A	-3.65%	-1.80%	-1.18%	-0.87%	-0.68%
Growth in Period	N/A	-3.65%	0.09%	0.08%	0.06%	0.09%
Gross Income pa at Exit	£1,944,000	£2,003,959	£2,058,999	£2,058,999	£2,058,999	£2,123,824
Gross Income Received	N/A	£1,934,265	£2,033,298	£2,058,999	£2,058,999	£2,084,536
Ground Rent pa at Exit	-£8,000	-£7,000	-£7,000	-£7,000	-£7,000	-£7,250
Ground Rent Paid	N/A	-£7,000	-£7,000	-£7,000	-£7,000	-£7,104
Equiv. Grd Rent for ERV	N/A	-£7,000	-£7,000	-£7,000	-£7,000	-£7,250
Run Costs Paid	N/A	-£24,328	£0	£0	£0	£0
Run Costs pa at Exit	£0	£0	£0	£0	£0	£0
Equiv Run Costs for ERV	N/A	£0	£0	£0	£0	£0
Net Income pa at Exit	£1,936,000	£1,996,959	£2,051,999	£2,051,999	£2,051,999	£2,116,574
Net Income Received	N/A	£1,902,937	£2,026,298	£2,051,999	£2,051,999	£2,077,432
Cap Expenditure Paid	-£22,639,534	£0	£0	£0	£0	£0
Gross Value	£22,639,535	£16,623,499	£16,681,421	£16,742,142	£16,805,320	£16,859,566
Exit Cap Rate	N/A	N/A	N/A	N/A	N/A	N/A
Disc Exit Cap Costs	£0	£0	£0	£0	£0	£0
Notional Exit Fees	-£46,766	-£18,347	-£18,991	-£19,777	-£20,728	-£21,883
Net Value after Vendor's Costs	£22,592,769	£16,605,152	£16,662,430	£16,722,364	£16,784,593	£16,837,683
Net Value Change %	N/A	-26.50%	0.34%	0.36%	0.37%	0.32%
Gross Value Change %	N/A	-26.57%	0.35%	0.36%	0.38%	0.32%
Net Value Change	N/A	-£5,987,617	£57,278	£59,935	£62,228	£53,091
Gross Value Change	N/A	-£6,016,036	£57,922	£60,721	£63,179	£54,246
Cap Exp. to Exit	N/A	-£22,639,534	-£22,639,534	-£22,639,534	-£22,639,534	-£22,639,534
Income Return on Capital	N/A	8.79%	13.00%	13.12%	13.07%	13.19%
Comp Mean Ave Income Return	N/A	8.79%	10.87%	11.62%	11.98%	12.22%
Total Return	N/A	-18.87%	13.36%	13.51%	13.47%	13.53%

Annual Running costs at date based on ERV

Val.Date: 23/05/2000 Discount: Quarterly Target: £5

DCF Projections Schedule

To start performing a projections analysis, click on the **Cashflow** button in the Command Centre to open the Cash Flow for the portfolio or property, and click on the **Projections** tab. To populate the window, click on either of the **Calculate** buttons.

This page calculates and displays periodic sequential results from periodic cash flows, carrying out valuations and snapshots of income at the target dates, during the intervening periods and from start to target dates. Results start from the Year 0, valuation column. The running and equivalent yields will be included.

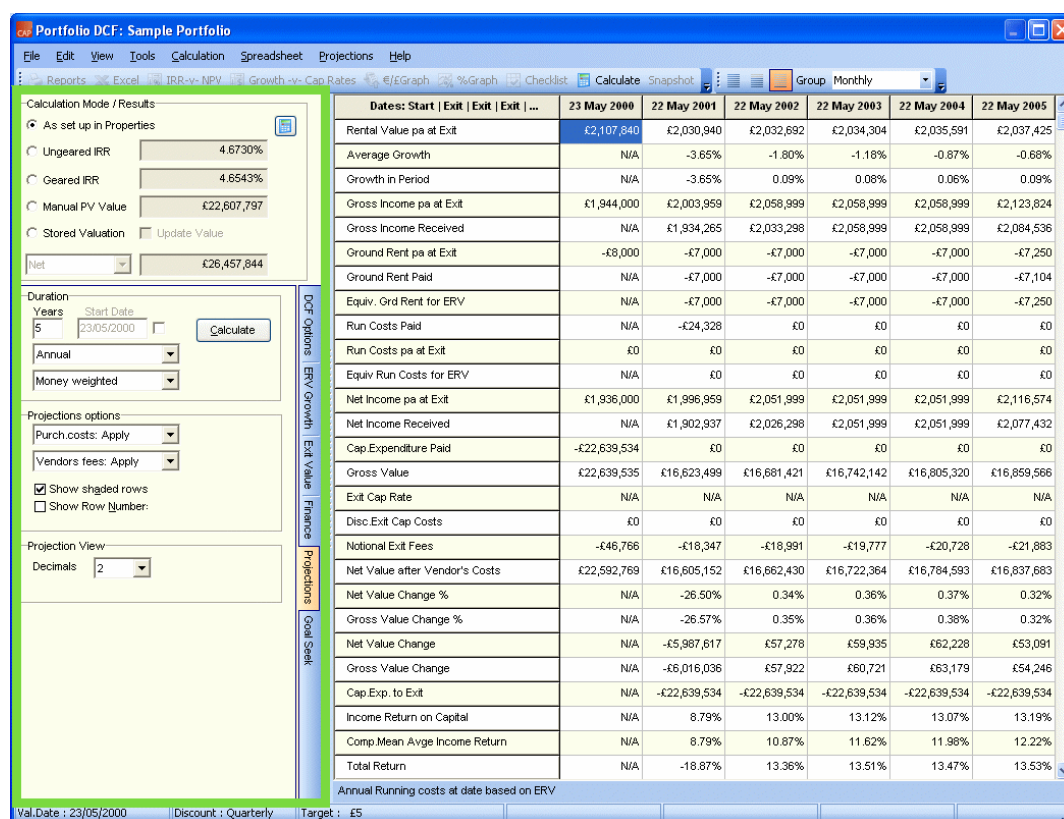
The grid contains rows of data with date information displayed in columns. For a summary of this data, see [“Analysis data” on page 231](#).

The starting date for the schedule is the current cash flow start date with following dates based on monthly, quarterly and annual dates. The manual date option allows for alignment to a fiscal year or specific anniversary, with the first period being the balance period.

Projections Analysis

Left-hand palette

The schedule is controlled by the palette on the left of the screen (shown outlined in green in the following illustration):



The palette can be hidden and un-hidden by clicking onto the textured vertical bar located between the tabs and the spreadsheet grid.

The palette contains the following controls:

Years

The maximum period for analysis is 100 years.

Cycle Val Date

Optional resetting of the start for the period cycle to coincide with a fiscal or anniversary period.

Cycle

Projections can be displayed:

- Monthly;
- Quarterly;
- Annually.

Weighting

- **Money weighted**
For the purpose of calculating the returns statistics, the assumption is that the capital employed averages out costs and income over the period.
- **Time Weighted**
For the purpose of calculating the returns statistics, the assumption is that each month's returns are calculated on a money weighted basis and then compounded over the whole period.

Projections menu

The Projections menu contains the following options:

Show shaded rows

Colours each alternate row in the schedule to assist readability.

Show Row Numbers

Displays a number before each row label.

Projections Options

Purchaser's Costs

Options here are:

- Apply at each sale/value point;
- Ignore always;
- Apply on final analysis period only.

Vendor's Fees

Options here are:

- Apply at each sale/value point;
- Ignore always;
- Apply on final analysis period only.

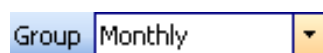
Returns calculations

This option is determined by the settings in DCF Setup page in Valuation-Capitalisation 2.50.

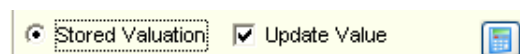
Decimals

Numbers defined as percentages can be displayed with a choice of 2, 3 or 4 decimal places.

Other controls



Group drop-down for monthly, quarterly, six-monthly, annual and five year views



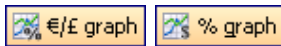
Data refresh button [F5] and automatic update on changed inputs or controls.

Projections Report

The schedule can be printed using menu **File | Reports** to produce a special formatted presentation of the data. See [“Generating a report from the Cashflow window” on page 209](#).

Alternatively, the “Excel” function **File | Excel** generates the information as an export to Microsoft Excel.

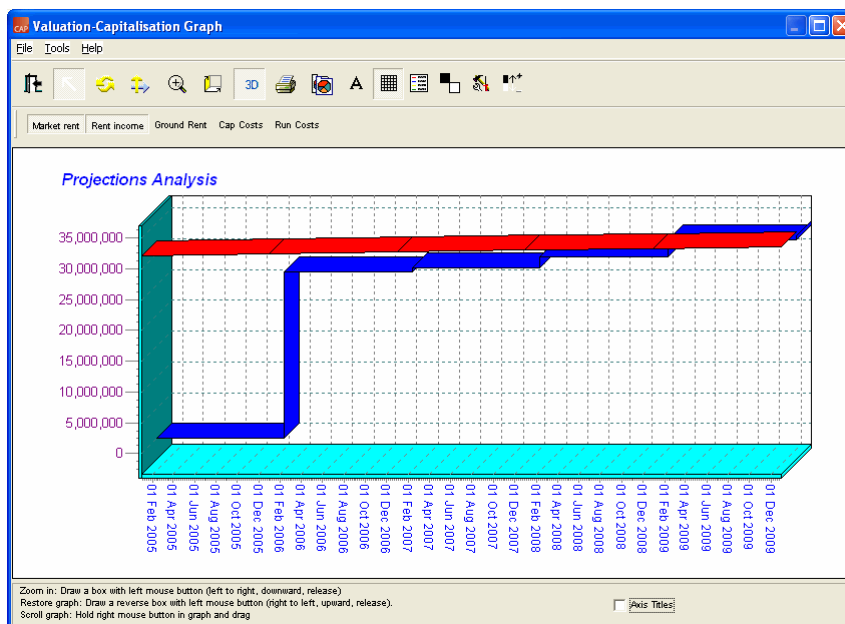
Graphics



There are two main graph options in the **Tools** menu:

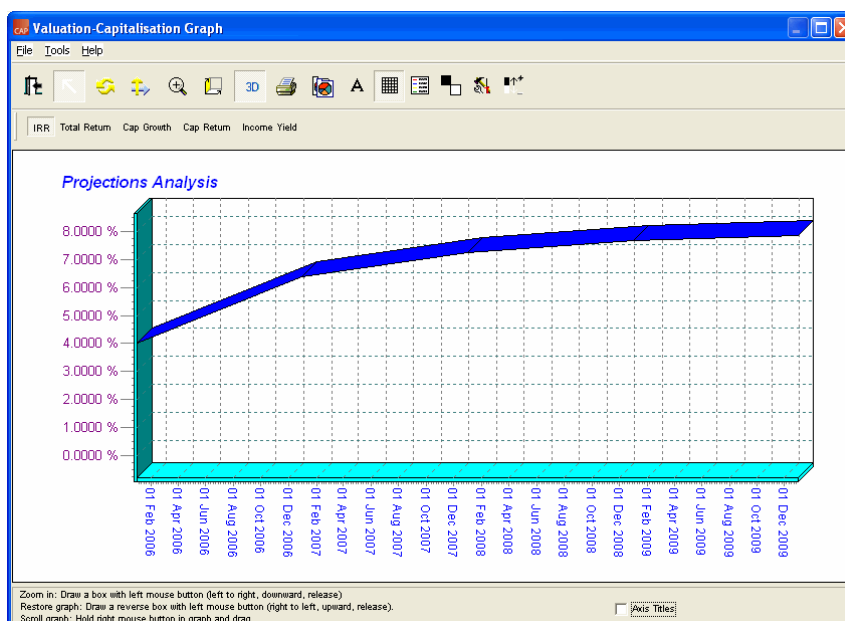
€/£ Graph

A selection of options to show the periodic changes in rent and costs.



% Graph

A selection of options to show the periodic changes in yields and returns.

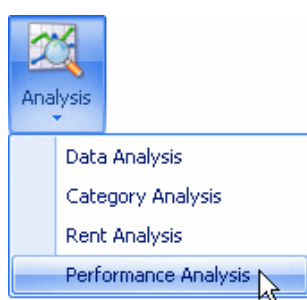


CHAPTER 19

Performance Analysis

Performance Analysis

Performance Analysis extends the Projections Analysis function in Discounted Cash Flow by producing the total portfolio view, based on the filtered property-by-property analysis statistics.



To access the Performance Analysis screen, click on the **Analysis** button in the Command Centre and select the **Performance Analysis** option.

The Projections Analysis sets out a range of detailed information that is presented in the Performance Data Schedule.

Analysis data

1. **Rental Value p.a. at exit**
Rental value with growth at the cyclic exit date.
2. **Average Growth**
Rental Growth averaged over the analytical period.
3. **Growth in period**
Sequential growth since end of previous period.
4. **Gross Income p.a. at exit**
Income payable before deductions with growth at the cyclic exit date.
5. **Gross Income received**
Income paid before deductions received for the preceding year or quarter.
6. **Ground Rent p.a. at exit**
Ground rent payable with growth at the cyclic exit date.
7. **Ground Rent paid**
Ground rent paid for the preceding year or quarter.
8. **Equiv. Grd Rent for ERV**
Hypothetical assumed ground rent based on ERV.
9. **Run Costs paid**
Non-recoverable costs as deductions from tenant rents paid for the preceding year or quarter.
10. **Run Costs p.a. at exit**
Non-recoverable costs as deductions from tenant rents payable at the cyclic exit date.

11. **Equiv Run Costs for ERV**
Hypothetical assumed non-recoverable costs based on exit ERV.
12. **Net Income p.a. at exit**
The net rent receivable at the cyclic exit date.
13. **Net Income received**
The net rent receivable at the cyclic exit date.
14. **Cap. Expenditure paid**
Capital expenditure paid during the preceding year or quarter.
15. **Gross Value**
The gross valuation as at the cyclic exit date.
16. **Exit Cap Rate**
The exit value capitalisation rate (if not complex).
17. **Disc. Exit Cap Costs**
Capital costs discounted at the cyclic exit date.
18. **Notional exit fees**
Vendors/Purchaser's costs at the cyclic exit date, as notional when an actual disposal does not take place.
19. **Net Value after Vendors Costs**
Valuation at the cyclic exit date after deductions for costs.
20. **Net Value Change %**
The change in Net Value between cycle periods expressed as a %.
21. **Gross Value Change %**
The change in Gross Value between cycle periods expressed as a %.
22. **Net Value Change £**
The change in Net Value between cycle periods expressed as amount.
23. **Gross Value Change £**
The change in Gross Value between cycle periods expressed as amount.
24. **Cap. Exp. to date**
Capital expenditure paid throughout the total cycle period.
25. **Income Return on Capital**
Period Net Income divided by the Capital Employed.
26. **Comp.Mean Average Income Return**
Cumulative compounded Income Return over whole analysis period.
27. **Total Return**
Annual return measurement applying changes in value plus income over period less costs over period divided by the Capital Employed.
Both the Money Weighted and Time Weighted figures are available using the options on the form.
28. **Comp. Mean Average Total Return**
Cumulative compounded Total Return over the whole analysis period.
29. **Capital Growth**
Growth in capital value measured as change in value less capital expenditure divided by Capital Employed.
30. **Comp.Mean Average Capital Growth**
Cumulative compounded Capital Growth over whole analysis period.
31. **Capital Employed**
Start value plus capital costs less average income over period.

32. I R R (from start)

Internal Rate of Return for the increasing period from the present valuation date to the cyclic exit date.

33. Exit Initial Yield

Initial yield based on % of annual net income payable to Gross Value at the cyclic exit date.

34. Exit Equivalent Yield

Equivalent Yield producing the Gross Value at the cyclic exit date.

35. Exit Reversion Yield A

Reversion yield at the cyclic exit date based on Gross Value allowing for deduction of ground rent and running costs.

36. Exit Reversion Yield B

Reversion yield at the cyclic exit date based on Gross Value allowing for deduction of ground rent only.

37. Exit Net Rent / Present Value

The net rent at exit expressed as a percentage of the net purchase price at start.

38. Yield on actual income

Yield based on % of actual net income for the period paid to Gross Value at the cyclic exit date.

39. ERV (gross) Yield

Yield based on % of rental value to Gross Value at the cyclic exit date.

40. Accumulated Income

Accumulation of rent received throughout the total cycle period.

41. Vacancy % at Exit

Vacant ERV as a proportion of total ERV at exit.

42. Rent Cover %

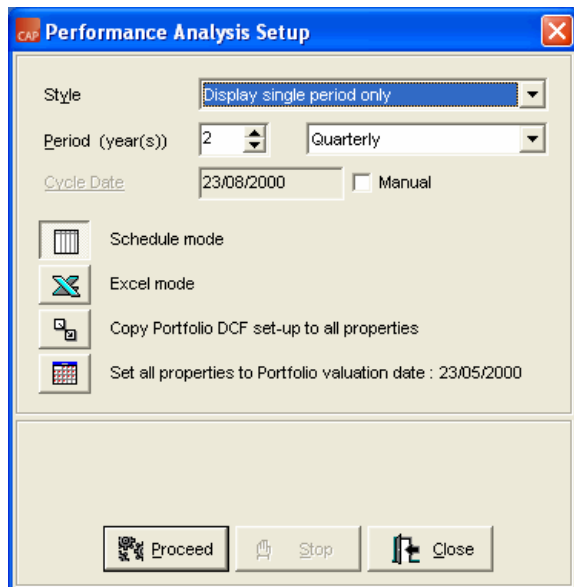
This is the Net Rent / Debt payment.

43. LTV %

This is the Outstanding Debt / Net Value at that point.

Performance Setup

Portfolio Performance offers a choice of previewing and manipulating the statistical data and exporting to Excel.



Performance Setup

Style

- **Display single period only**
Presents the schedule with one selected date period
- **Display multi periods**
Presents the schedule with all dates from start until end of the period specified

Period (years)

The period over which the analysis will run with a choice from Monthly, Quarterly or Annual.

Cycle Date

The first date after the valuation date and consequent dates can be placed on a cycle from a manual date when the **Manual** box is ticked. This can coincide with year end or fiscal dates.

Schedule mode

Proceeds directly to the generated Performance Analysis schedule.

Excel mode

Requires a file name for the generation of a worksheet containing all the result data, and optionally a template file to control the configuration of the spreadsheet layout.

For convenience, two functions are available to allow for portfolio updating:

- **Copy the portfolio DCF set up to all properties**

Warning: Do not use this unless you really want to change the property records to adopt the single DCF parameters used by the portfolio.

- **Set all properties to Portfolio Valuation Date**

Warning: This sets all properties to have the same valuation date as the portfolio. This is important to ensure a single date is being used for the analysis.

Performance Analysis Schedule

Performance Analysis : Sample Portfolio

FileColumnsToolsHelp

Customise...

Calculate

Checklist

Show Amounts

Show Changes

Show Percentages

Drag a column header here to group by that column

Fixed Columns	Grouping Columns				Rental Value pa at Exit		Average Growth		Growth
Property Name	Sector	Region	Primary Use	File Ref. No.	23 May 2000	22 May 2001	23 May 2000	22 May 2001	23 May 2000
Another Building, 2, Any Avenue, BRIGHTON, Sussex	Retail	South East	Retail Warehouse	2	£7,000	£7,350	0.00%	5.00%	0.00%
Coventry Place, 4, New Road, COVENTRY, Other, CR1	Retail	West Midlands	Retail Warehouse	4	£58,000	£58,000	0.00%	0.00%	0.00%
York Fields, 5, Old Road, YORK, Norfolk, YO1	Retail	North West	Retail Shop	5	£10,000	£10,000	0.00%	0.00%	0.00%
Lavender Fields, 6, Some Avenue, IPSWICH, Norfolk, IP1	Retail	East	Retail Shop	6	£150,000	£150,000	0.00%	0.00%	0.00%
West Town Plaza, 11, Gillespie Place, GLOUCESTER, Gloucestershire	Retail	West	Retail Shop	11	£150,000	£150,000	0.00%	0.00%	0.00%
Wiltshire House, 12, Some Avenue, SWINDON, Wiltshire	Retail	West	Retail Shop	12	£120,000	£120,000	0.00%	0.00%	0.00%
Worcester Fields, 14, Greenview Avenue, HEREFORD, Hereford & Worcester, HR1	Retail	North East	Retail Shop	14	£15,500	£15,500	0.00%	0.00%	0.00%
Saturn House, 18, York Street, YORK, North Yorkshire, YO1	Retail	North West	Retail Shop	18	£15,000	£15,000	0.00%	0.00%	0.00%
London House, 3, Some Street, LONDON, Greater London, WVI	Offices	London City	Office suite	3	£15,040	£15,040	0.00%	0.00%	0.00%
South East Plaza, 9, Busy Street, CROYDON, Greater London	Offices	London Outer	Office suite	9	£265,000	£265,000	0.00%	0.00%	0.00%
Development Place, 13, Office Road, GUILDFORD, Surrey	Offices	South East	Office suite	13	£175,000	£175,000	0.00%	0.00%	0.00%
Highview House, 16, London Wall, LONDON, Greater London, WVI	Offices	London Inner	Office suite	16	£90,000	£90,000	0.00%	0.00%	0.00%
Wetern House, 20, New Street, BRISTOL, Avon	Mixed Commercial	West	Other Property	20	£180,000	£180,000	0.00%	0.00%	0.00%
A Building, 1, A Street, Maidenhead, Norfolk, HR1	Leisure	West Midlands	Office suite	1	£25,000	£26,250	0.00%	5.00%	0.00%
Seaside House, 15, Seaview Road, BRIGHTON, Other	Leisure	South East	Pub / Wine Bar	15	£225,000	£225,000	0.00%	0.00%	0.00%
Goodfood House, 17, Eating Plaza, COVENTRY, West Midlands, CR1	Leisure	West Midlands	Restaurant	17	£78,500	£78,500	0.00%	0.00%	0.00%
Dockside Wharf, 7, Wharf Street, BRISTOL, Avon	Industrial	West	Factory	7	£156,300	£156,300	0.00%	0.00%	0.00%
Hereford Place, 8, Goodview Road, WORCESTER, Hereford & Worcester	Industrial	West Midlands	Warehouse	8	£100,000	£100,000	0.00%	0.00%	0.00%
Yorkshire Place, 10, Yorkshire Mews, BARNESLEY, West Yorkshire	Industrial	North West	Workshop	10	£125,000	£125,000	0.00%	0.00%	0.00%
Factory House, 19, Metal Avenue, IPSWICH, Norfolk, IP1	Industrial	South East	Factory	19	£147,500	£147,500	0.00%	0.00%	0.00%

Portfolio DCF projection analysis

Info...

£2,107,840

£2,109,440

0.00%

0.08%

0.00%

Valuation date 23/05/2000

3 ERRORS in checklist

Performance Analysis Schedule

The program traverses through the properties in the selected portfolio, seeing only those items that have been tagged. The data is presented as a schedule of properties row-by-row, each column displaying the statistical output from each of the property's Projections Analysis.

Columns display single or multiple years that can be changed using the menu commands.

File menu

Export...

Exports the data either to Excel or to a text file.



Opens Excel and sends the current data view to a worksheet.

Print Report



Generates a report containing all the current view information.

Close

Closes the screen.

Columns menu

Columns



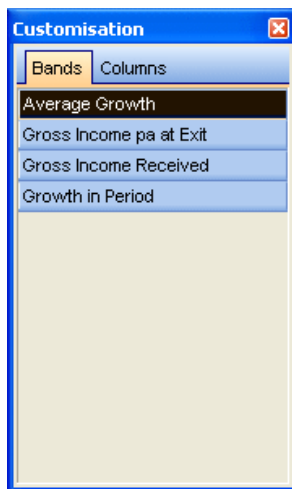
- Show Amounts**

Columns providing results based on amount information.

- **Show Changes**
Columns providing results based on data items expressed as changes from one period to the next.
- **Show Percentages**
Columns containing results by way of percentages.
- **Customise**



Opens the container to allow columns to be dragged in and out for custom views. Simply drag and drop the rows representing the column headers required into and out of the container.



Decimals

This option allows you to select the number of decimal places that will be shown in the schedule.

Restore Columns

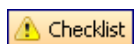
Resets all columns to the original default setting.

Best Fit for each Column

Finds the best width to display each column based on the widest contents of each column.

Tools menu

Checklist



Shows any hints, warnings and errors on the analysis. If there are any warnings, the **Checklist** button will flash red. This opens the Checklist window (see [“CheckList” on page 37](#)).

Using the Performance Schedule

As an example, the column for IRR or Total Return can show the position at say, year 5 alone or changes for each year from the valuation date through to the nth year.

Due to the number of column items that are generated by the DCF for performance analysis this can take some time to create especially with a large portfolio, but once displayed, produces a powerful and flexible object for manipulating results.

The schedule can be seen as a main view in any sort order. Items are ordered on any column by clicking the header for ascending and descending order.

The bottom row of the main view of the schedule shows the summary totals and weighted averages.

Using the sort function, it is easy to locate the best and worst performing properties.

Reporting of the schedule is instantly available with print preview together with export formats to Word Processors and Spreadsheets.

The operation of the screen is similar to Data Analysis - see “Data Analysis” on page 241.

As well as the main view, the schedule can be sub-divided by **Banding** (grouping) the data:

Property Name	Grouping Cc	Rental Value pa at Exit	Average Growth	Gross Income pa at Exit	Gross In
File Ref. No.	23 May 2000	22 May 2001	23 May 2000	22 May 2001	23 May 2000
Region : London Inner					
Sector : Offices					
Highview House,16,London Wall,LONDON,Greater London,W1	16	£90,000	£90,000	0.00%	0.00%
Sector : Offices		£90,000	£90,000	0.00%	0.00%
Region : London Inner		£90,000	£90,000	0.00%	0.00%
Region : London Outer					
Sector : Offices					
Popat Plaza,9,Busy Street,CROYDON,Greater London	9	£265,000	£265,000	0.00%	0.00%
Sector : Offices		£265,000	£265,000	0.00%	0.00%
Region : London Outer		£265,000	£265,000	0.00%	0.00%
Region : North East					
Sector : Retail					
Worcester Fields,14,Greenview Avenue,HEREFORD,Hereford & Worcester,HR1	14	£15,500	£15,500	0.00%	0.00%
Sector : Retail		£15,500	£15,500	0.00%	0.00%
Region : North East		£15,500	£15,500	0.00%	0.00%
Region : North West					
Sector : Retail					
York Fields,5,Old Road,YORK,Norfolk,YO1	5	£10,000	£10,000	0.00%	0.00%
Saturn House,18,York Street,YORK,North Yorkshire,YO1	18	£15,000	£15,000	0.00%	0.00%
Sector : Retail		£25,000	£25,000	0.00%	0.00%
Sector : Industrial					
Yorkshire Place,10,Yorkshire Mews,BARNSELEY,West Yorkshire	10	£125,000	£125,000	0.00%	0.00%
Sector : Industrial		£125,000	£125,000	0.00%	0.00%
Portfolio DCF projection analysis		£2,107,840	£2,030,940	0.00%	-3.65%
					£1,944,000

Expanded Performance Schedule grouped by region, and each region by sector

To band or group by say, Region, simply drag the “Region” column header into the group area indicated at the top of the schedule. The columns that can be dragged in this way are to be found under the Grouping Columns heading

Each band can be expanded and contracted, and individually sorted when the column headers are clicked with the mouse.

Sub-groups can be added. For example, “Sector” can be dragged next to the “Region” header to attach to it (see illustration above).

The final row of each of the groups shows the summary for that group, and the total portfolio summary appears at the bottom of the complete schedule.

Sub-dividing the data in this fashion can offer very flexible and wide-ranging viewing and data results.

All groupings can be opened by clicking on the **Expand all groupings** button:



All groupings can be collapsed by clicking on the **Collapse all groupings** button:

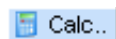


Note that each of the banded data totals provide the sums and weighted averages for the band.

At the bottom of the window, and for the totals of each band, you will see a **Calc...** button:



You can click on any of these buttons to recalculate the total for the band. The **Calc...** button at the bottom of the window controls the calculation for the overall total.



If there are any errors, messages or other information, the **Calc...** button will change to an **Info...** button.

This button may display different graphics, according to the level of importance and type of information generated:

Information - current details.



Warnings - drawing attention to items that appear inconsistent but could be deliberate.



Errors - absolute errors that will adversely affect calculations.



Hints - suggestions and recommendations for items that might be potential errors.



If you click on any of these buttons, a window similar to the following will be displayed:

Error class	File / Ref No	Portfolio / Property	Tenant	Message
Error		A Building, 1, A Street, Maiden		Grd. Lease Term & Revn Cap. Rates set
Error	20	Wetern House, 20, New Stree		COST : Alien Worshipping Cost has Leas
Error		Wetern House, 20, New Stree		Grd. Lease Hardcore Cap. Rate set to Z
Warning		A Building, 1, A Street, Maiden	Vacant	COST : New cost Capital Cost has no C
Warning		South East Plaza, 9, Busy Str	Croydon Offices Ltd	Current lease has expired
Warning		Yorkshire Place, 10, Yorkshir	Barnsley Holdings Lt	Current lease has expired
Warning		Seaside House, 15, Seaview	Pubs Are Us Plc	Current lease has expired
Warning		Highview House, 16, London	This Tenant	Current lease has expired
Warning	20	Wetern House, 20, New Stree		COST : Lift Addons Disabled in Trad. Ve
Warning	20	Wetern House, 20, New Stree		COST : Lift Addons Capital Cost has no
Warning	20	Wetern House, 20, New Stree		COST : Building mainenance Disabled in
Warning		Wetern House, 20, New Stree	Western Limited	COST : Specific Tenant Running Cost C
Warning		Wetern House, 20, New Stree	Western Limited	COST : Service Charge Disabled in Tra

Class	Error
Tenure	A Building, 1, A Street, Maidenhead, Norfolk, HR1
Description	Grd. Lease Term & Revn Cap. Rates set to ZERO

[Errors: 3] [Warnings: 10] [Hints: 8] [Info: 326]

This window provides a list of the various types of messages that have been generated as a result of unusual or incorrect settings in various records. You can use it as a troubleshooting guide to find out which records will need to be adjusted.

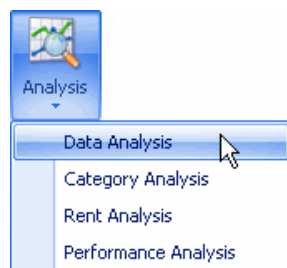
It is identical in operation to the Checklist window (see [“CheckList” on page 37](#)).

CHAPTER 20

Data Analysis

Data Analysis

This is available at both property and portfolio levels.



Access to this function can be found in the Command Centre by clicking on the **Analysis** button and selecting the **Data Analysis** option.

Portfolio Data Analysis - Sample Portfolio @ 23/05/2000

File View Columns Tools Help

Convert Customise Graph Excel Expand Collapse Tenant / Lease View Description Rent Lease Misc

Tenant / Lease View

Valuation

Gross value	'Say' value	Value / area	Equivalent Yield	Initial Yield	Reversion Yield
£26,555,671	£26,459,100	£19,491.06 / m ²	7.6811%	7.2903%	5.0134%

Drag a column header here to group by that column

Fixed Columns	Variable Columns						
Property Name	Tenant File/Ref No	Lease Name	Lease Type	Region	Sector	Primary Use	Covenant
A Building,1,A Street,Maidenhead,Norfolk,HR1		Vacant	Tenant	West Midlands	Leisure	Office suite	FT-100
Another Building,2,Any Avenue,BRIGHTON,Sussex		New Tenant	Tenant	South East	Retail	Retail Warehouse	Secondary
London House,3,Some Street,LONDON,Greater London,W1		Some Tenant	Tenant	London City	Offices	Office suite	Blue Chip
London House,3,Some Street,LONDON,Greater London,W1		This Tenant	Tenant	London City	Offices	Office suite	Tertiary
Coventry Place,4,New Road,COVENTRY,Other,CR1		An Occupier	Tenant	West Midlands	Retail	Retail Warehouse	Secondary
York Fields,5,Old Road,YORK,Norfolk,YO1		This Tenant	Tenant	North West	Retail	Retail Shop	Tertiary
Lavender Fields,6,Some Avenue,IPSWICH,Norfolk,IP1		A Bloggs & Co	Tenant	East	Retail	Retail Shop	Prime
Lavender Fields,6,Some Avenue,IPSWICH,Norfolk,IP1		Future Holdings	Tenant	East	Retail	Retail Shop	
Dockside Wharf,7,Wharf Street,BRISTOL,Avon		Bristol Crane Hire	Tenant	West	Industrial	Factory	Secondary
Hereford Place,8,Goodview Road,WORCESTER,Hereford,Worcester		Tenant Plc	Tenant	West Midlands	Industrial	Warehouse	Prime
South East Plaza,9,Busy Street,CROYDON,Greater London		Croydon Offices Ltd	Tenant	London Outer	Offices	Office suite	FT-100
Yorkshire Place,10,Yorkshire Mews,BARNESLEY,West Yorkshire		Barnsley Holdings Ltd	Tenant	North West	Industrial	Workshop	Tertiary
West Town Plaza,11,Gillespie Place,GLoucester,Gloucestershire		West Shops Plc	Tenant	West	Retail	Retail Shop	Prime
Wiltshire House,12,Some Avenue,SWINDON,Wiltshire		Swindon Sales Mart	Tenant	West	Retail	Retail Shop	Prime
Development Place,13,Office Road,GUILDFORD,Surrey		Office Fitters Plc	Tenant	South East	Offices	Office suite	Blue Chip
Worcester Fields,14,Greenview Avenue,HEREFORD,Hereford,Worcester,HR1		Shopping For All Ltd	Tenant	North East	Retail	Retail Shop	Secondary
Seaside House,15,Seaview Road,BRIGHTON,Other		Pubs Are Us Plc	Tenant	South East	Leisure	Pub / Wine Bar	Prime
Highview House,16,London Wall,LONDON,Greater London,W1		This Tenant	Tenant	London Inner	Offices	Office suite	Blue Chip
Goodfood House,17,Eating Plaza,COVENTRY,West Midlands,CR1		The Taj Mahal	Tenant	West Midlands	Leisure	Restaurant	Secondary
Saturn House,18,York Street,YORK,North Yorkshire,YO1		Tenant	Tenant	North West	Retail	Retail Shop	Secondary
Factory House,19,Metal Avenue,IPSWICH,Norfolk,IP1		Metal Holdings Plc	Tenant	South East	Industrial	Factory	Secondary
Western House,20,New Street,BRISTOL,Avon		Western Limited	Tenant	West	Mixed Commercial	Other Property	Prime

Number of Leases = 22

Valuation Date 23/05/2000

Data Analysis screen

The purpose of this type of analysis is to present data from properties in the current filter (or selected property) as a schedule of information with a wide variety of viewing options.

The schedule columns on the left display Property Name (Address), Lease name (Tenant or tenure) and Lease Type (Tenant or ground lease). The remaining columns comprise sets of data for:

- Description;
- Rent;
- Lease;
- Miscellaneous.

These are represented by four buttons:

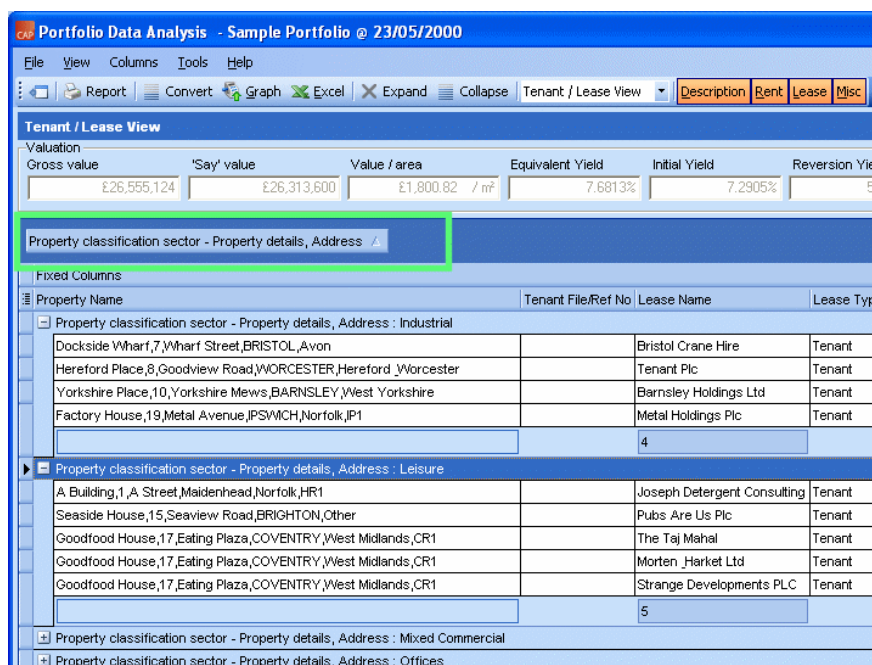


Clicking these buttons shows or hides the appropriate columns.

Arranging, sorting and grouping columns

Each column can be sorted in ascending and descending order by clicking the column header label.

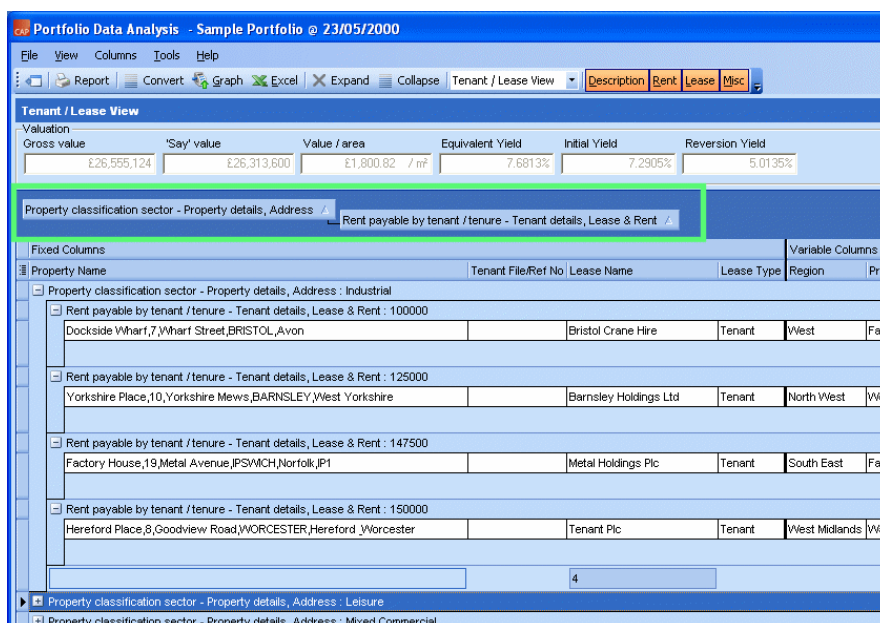
Any of the column items can be dragged to the space above the schedule to create a grouping:



Example of column header dragged to form a column grouping

For example, dragging the “Sector” column header into the space above the schedule organises the data in groups based on property sector category.

Dragging the “Current Rent” column header onto the “Sector” header connects to it, resulting in bands of similar current rent grouped by sector:



Example of primary and secondary column groupings

Clicking the “plus” symbol in the banded rows expands the category to show the details.

Any category can be sorted and sub-sorted by clicking the header for the item or column.

The Expand and Collapse function displays the maximum and minimum viewing levels.

If you need to do so, the original default column positions can be restored using the **Restore** function.

You can also sort the rows according to data in a selected column. Right-click on the column you have chosen as your sort criterion, and select either **Sort Ascending**, **Sort Descending** or **Not Sorted**:

This Tenant	Tenant	North
This Tenant	Tenant	London
The Taj Mahal	Tenant	West
Tenant Plc		West
Tenant		North
Swindon Sal		West
Strange Dev		West
Some Tenant		London
Shopping Fo		North
Pubs Are Us Plc	Tenant	South
Office Fitters Plc	Tenant	South

The Customise feature presents a container for column headers that can be dragged in and out of the schedule for specific views. To open this feature, use the **Columns | Columns | Customise** menu option.

Note that a report will copy precisely how the fields appear on screen. Narrow fields will cut text to the viewable size. To overcome this, use the menu option **Columns | Best fit all columns** to auto-adjust columns to suitable widths.

Valuation Summary

At the top of the screen, below the toolbar, there is a valuation results summary showing the most recent valuation figures for Gross Value, Say (rounded) Value, Capital Value per sq. ft (or mtr), Equivalent, Initial and Reversion yields:

Valuation					
Gross value	'Say' value	Value / area	Equivalent Yield	Initial Yield	Reversion Yield
£25,786,525	£25,690,000	£18,924.50 / m²	7.6116%	7.2073%	5.1629%

Property classification sector - Property details, Address					
Property Name	Tenant File/Ref No	Lease Name	Lease Type	Region	Prime
Property classification sector - Property details, Address : Industrial					
Yorkshire Place,10,Yorkshire Mews,BARNSELEY,West Yorkshire		Barnsley Holdings Ltd	Tenant	North West	Work
Hereford Place,8,Goodview Road,WORCESTER,Hereford ,Worcester		Tenant Plc	Tenant	West Midlands	Ware
Factory House,19,Metal Avenue,IPSWICH,Norfolk,IP1		Metal Holdings Plc	Tenant	South East	Fact

Valuation summary

File menu

Export

Information exports to an Excel spreadsheet in the current layout in the schedule.

Exit

Closes this screen.

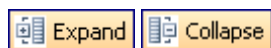
View menu

Property View

Switches extra information in and out relating to the property parent for each of the tenants. In Property View mode, a single line entry is displayed for each property with the summary information for tenants in the property. Individual tenant detail is hidden.

In Tenant View mode, all tenants are individually displayed for each property with all the detail available in the available columns.

Expand and Collapse



These options and buttons change the view to display categorised data nodes as fully expanded for viewing, or fully contracted to see headers only.

Show Group Panel

Shows or hides the panel at the top of the schedule used for dragging group headers.

Show Ground Lease

Displays ground rent data in addition to current tenant income.

Imperial, Metric, Japanese Tsubo

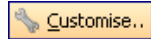


These options and the **Convert** button switch measurement standards for the production of area and area rate data, and convert all data.

Includes the Tsubo as the standard unit of measurement for Japan. An INWIN.INI setting is required to enable Tsubos as a unit of measurement - for further information, see the Valuation-Capitalisation Administrator's Guide. With a simple switch, a three-way conversion is possible between Imperial, Metric and Tsubo.

Columns menu

Columns



Choice of visible column selections for the schedule and access to the Custom Column selector.

Show filters

In this mode, all columns reveal a selection option to choose restricted filtered views for the column. Therefore, in the **Primary Use** column for example, selecting (for example) “Offices” will reveal only those records in this category.

Restore

Restores column layout to user default.

Best Fit All Columns

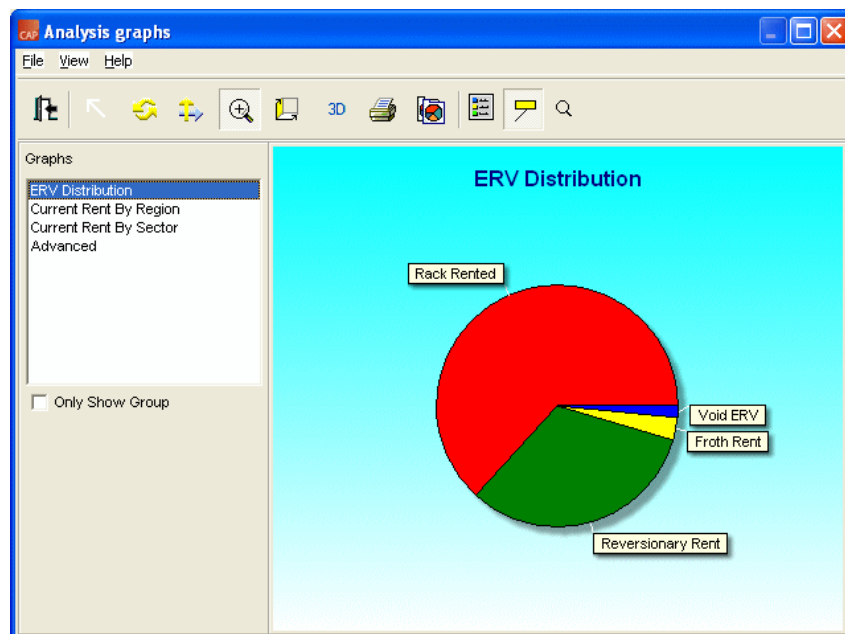
Sets each column to the widest position, so all data is visible in printouts.

Tools menu

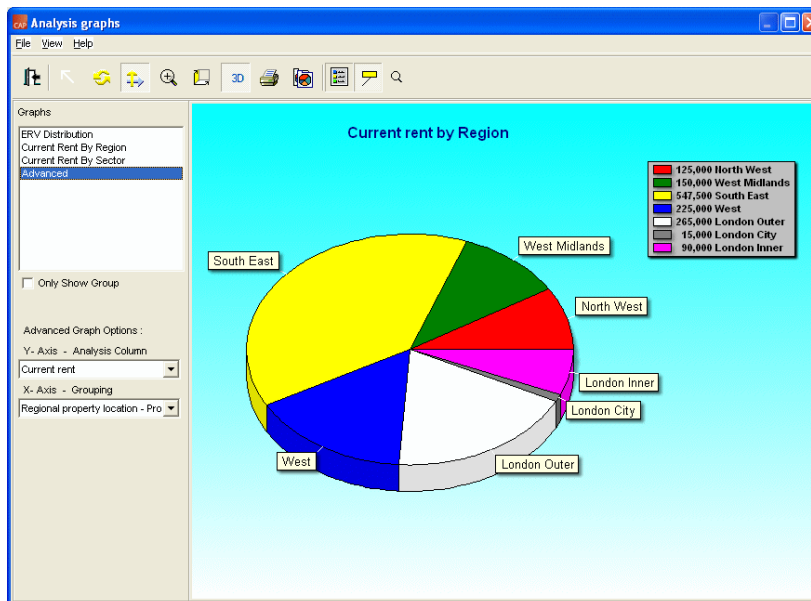
Graph

For Tenant View (not Property View) this option displays a graph representing the current data view.

Graphics associated with the schedule can be generated in a flexible manner by plotting one column against another. On selecting the graph option on the form, you can choose any two items but avoid combinations that have little usefulness or meaning.

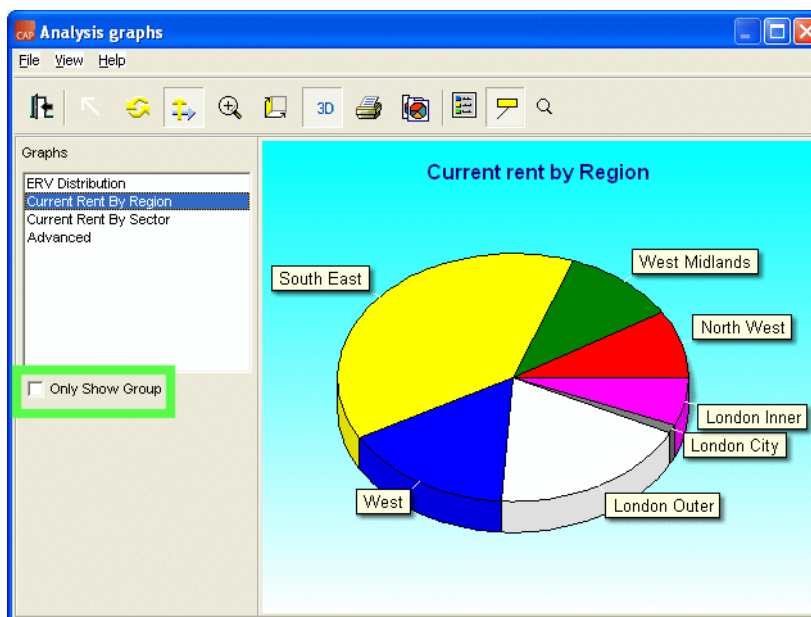


Sample graph in Data Analysis showing Market Rental Value distribution.



User definable example view for Rent by Region

If you have performed a grouping of items listed in the Property Data Analysis window (see [“Arranging, sorting and grouping columns” on page 242](#)), a further control will become available:

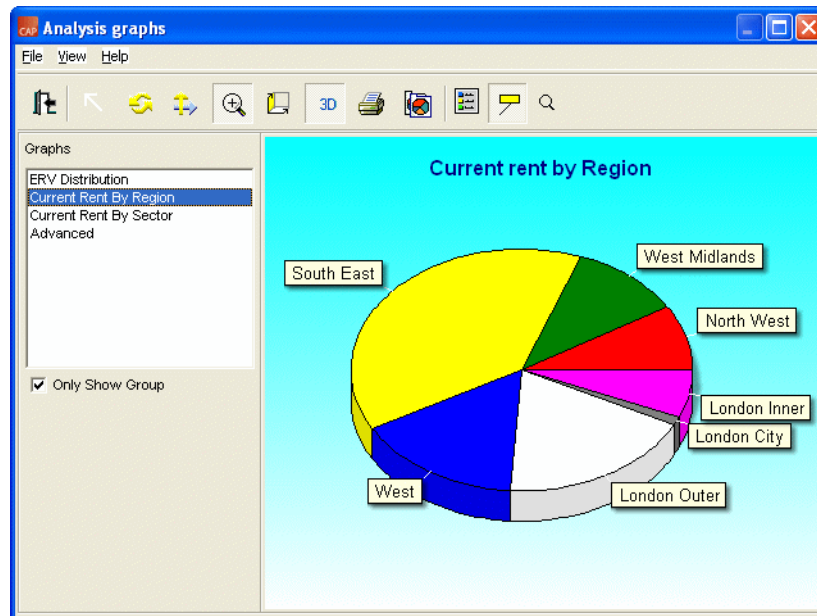


Graph window showing the Only Show Group check box

The **Only Show Group** check box will become visible if you have used the column grouping facility. If you check this check box, only the group that is currently selected will be shown in the graph. If you uncheck this check box, all properties listed in the currently selected portfolio will be represented in the graph (in other words, the column grouping that you have set up will not be used in the graph).

For example, you may have a portfolio of properties that are classified in different sectors and in different regions. You may have set up a list grouping of properties by sector.

When you display the graph, you may wish to see all properties displayed by region, or you may wish to see all properties displayed by region for the currently-selected sector - to do this, just select the “Current Rent by Region” option and check the **Only Show Group** check box.



An example graph showing properties in a sector grouping

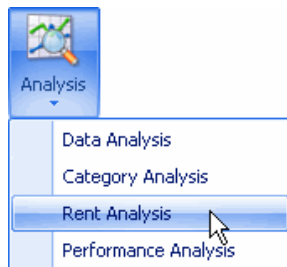
CHAPTER 21

Rent Analysis

This part of the analysis provides a form of measurement of future rental expectations, based on variable option scenarios. The schedule is available in two forms:

Rent Analysis in Valuation Mode

For this mode, the analysis must be opened outside the Discounted Cash Flow to ignore rental growth.



Access to this function can be found in the Command Centre by clicking on the **Analysis** button and selecting the **Rent Analysis** option.

Rent Analysis in Growth Mode

For this mode, the Rent Analysis window is opened from within the Discounted Cash Flow window, and includes all rental growth data settings in the current setup.

To open this form of analysis, generate the Discounted Cash Flow spreadsheet in the usual way (see **“Discounted Cash Flow” on page 181**), then select the **Tools | Rent Analysis (with rental growth)** menu option in the DCF window.

Doomsday Options

The Rental Analysis schedule looks at the continuity of guaranteed income flow.

The risk of loss of income is exaggerated in this schedule by assuming rent will fall to zero at points specified in the **Doomsday Options** menu (in the Rental Analysis schedule). These options are outlined under **“Doomsday Options menu” on page 251**.

Operation of the Schedule

Date	Tenant Name	Region	Sector	Initial	Event Type	Gross Rent	Change	Doomsday Rent	Doomsday Change
30/06/2000	Western Limited	West	Mixed Com	False	Market Rent (RF)	£2,006,000	£55,000	£1,364,000	£0
31/12/2000	New Tenant	South East	Retail	False	Market Rent (RF)	£2,056,000	£7,000	£1,364,000	£0
23/01/2001	Future Holdings	East	Retail	False	Market Rent (RF)	£2,081,000	£50,000	£1,364,000	£0
23/05/2001	Vacant	West Midla	Leisure	False	Market Rent (RF)	£2,096,000	£25,000	£1,364,000	£0
30/06/2001	A Bloggs & Co	East	Retail	False	Market Rent (RF)	£2,136,000	£15,000	£1,364,000	£0
29/12/2001	Swindon Sales Mart	West	Retail	False	Market Rent (RF)	£2,136,040	£40,000	£1,364,000	£0
19/02/2002	This Tenant	London City	Offices	False	Market Rent (RF)	£2,136,040	£40	£1,239,000	£0
31/12/2002	Barnsley Holdings Ltd	North West	Industrial	True	Renewal/Relet	£2,192,340	£0	£1,239,000	£-125,000
31/12/2004	Bristol Crane Hire	West	Industrial	False	Market Rent (RF)	£2,160,340	£56,300	£1,149,000	£0
25/12/2012	An Occupier	West Midla	Retail	False	Renewal/Relet	£2,160,340	£-32,000	£999,000	£-90,000
28/12/2014	West Shops Plc	West	Retail	False	Renewal/Relet	£2,160,340	£0	£919,000	£-150,000
29/12/2016	Swindon Sales Mart	West	Retail	False	Renewal/Relet	£2,157,840	£0	£901,500	£-80,000
31/12/2016	Tenant	North West	Retail	False	Renewal/Relet	£2,157,840	£-2,500	£886,000	£-17,500
25/12/2019	Shopping For All Ltd	North East	Retail	False	Renewal/Relet	£2,157,840	£0	£786,000	£-15,500
31/12/2019	Bristol Crane Hire	West	Industrial	False	Renewal/Relet	£2,107,840	£0	£636,000	£-100,000
31/12/2019	Tenant Plc	West Midla	Industrial	False	Renewal/Relet	£2,107,840	£-50,000	£626,000	£-150,000
31/01/2020	Some Tenant	London City	Offices	False	Renewal/Relet	£2,107,840	£0	£501,000	£-10,000
30/06/2020	Western Limited	West	Mixed Com	False	Renewal/Relet	£2,107,840	£0	£416,000	£-125,000
30/06/2021	A Bloggs & Co	East	Retail	False	Renewal/Relet	£2,107,840	£0	£406,000	£-85,000
31/12/2021	This Tenant	North West	Retail	False	Renewal/Relet	£2,107,840	£0	£258,500	£-10,000
31/12/2021	Metal Holdings Plc	South East	Industrial	False	Renewal/Relet	£2,107,840	£0	£180,000	£-147,500
31/01/2023	The Taj Mahal	West Midla	Leisure	False	Renewal/Relet	£2,107,840	£0	£175,000	£-78,500
01/05/2025	This Tenant	London City	Offices	False	Renewal/Relet	£2,107,840	£0	£0	£-5,000
03/09/2025	Office Filters Plc	South East	Offices	False	Renewal/Relet	£2,082,840	£0	£0	£-175,000
23/05/2050	Vacant	West Midla	Leisure	False	Re-letting Void	£2,107,840	£-25,000	£0	£0
23/05/2052	Vacant	West Midla	Leisure	False	Renewal/Relet	£0	£25,000	£0	£0

The schedule has two display formats:

- **Property/Portfolio mode**
Displays the income stream as a sequential flow over time without reference to the source of the changes.
- **Tenant mode**
Displays income stream as a sequential flow over time showing the source of the changes by tenant and lease event type. To display Tenant Mode, select the **Columns | Show Tenant Info** menu option or click on the **Show Tenant Info** button.

Events in leases such as steps, rent reviews, voids, rent free periods (and so on), are used to trigger rental changes and these are seen over the course of time.

The time-based approach of the schedule means the columns can be grouped by dragging column headers into the open section above the schedule.

File menu

Export

Data is exported as an Excel spreadsheet or directly as HTML in your current Internet browser (such as Internet Explorer).

Close

This option closes the window.

View menu

Grouping

Automatic grouping of the data using these options.

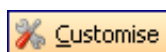
Using these options, data can be grouped by Region (**View | Grouping | Group By Region**) or by Sector (**View | Grouping | Group By Sector**), or by a combination of these two.

Also, if you wish to group data manually, you can drag column headers into the grouping panel above the schedule (see “Show Grouping Panel” below to turn this feature on or off).

Show Grouping Panel

You can select this option to display or hide the grouping panel (the panel appearing above the schedule).

Customise



Columns in the schedule can be selected by dragging headings from/to the selection box that appears with this command.

Columns menu

Rent Columns & Doomsday Columns



The two column selections that reveal items relating to Rental Income flow over time, and Rental Income disappearing due to the effect of the Doomsday event triggers.

Show Tenant Info



Tenant Information view. Displays the income flow over time showing changes by tenant and lease event type.

Show Property

When **Show Tenant Info** is on, you can select this menu option to include an additional column showing the property address for each tenant.

Best fit all columns

Automatically adjusts each column width to the widest data item.

Doomsday Options menu

The Doomsday effect is triggered by setting options for income to cease. These events are:

- **On expiry**
At the termination of the term of the lease.
- **On Active Break**
Where an active break is set in a tenant's record.
- **On Tenant Break**
On the next date specifically when a Tenant break option has been set.
- **On Landlord Break**
On the next date specifically when a Landlord break option has been set.
- **On Upward only Review**
On the next review where the lease contains upward only review clauses.
- **On Upward/Downward Review**
On the next rent review where the lease allows upward and downward review of rents.

Ignore Fixed Future Uplifts

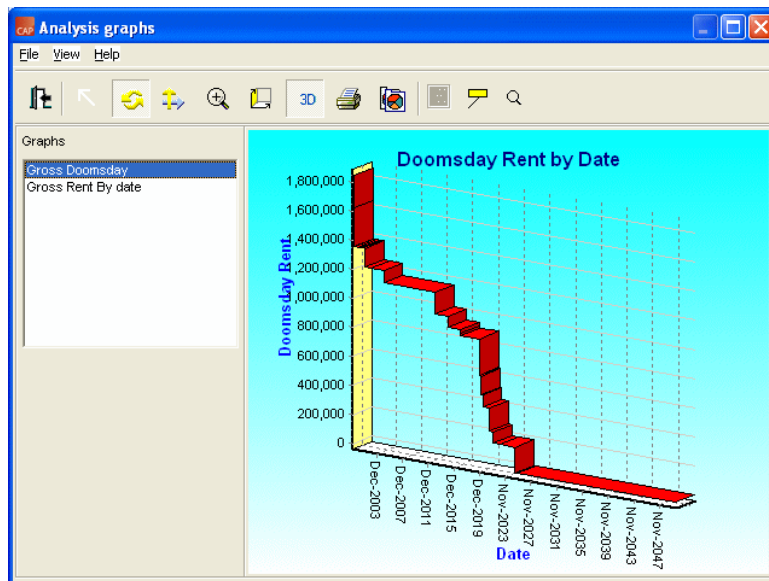
Where the lease events anticipate a fixed uplift or manual rent variation, these can be excluded as triggers for the Doomsday effect using this option.

Tools menu

Report

A report with the current view of the schedule can be generated in the print preview, and printed or exported.

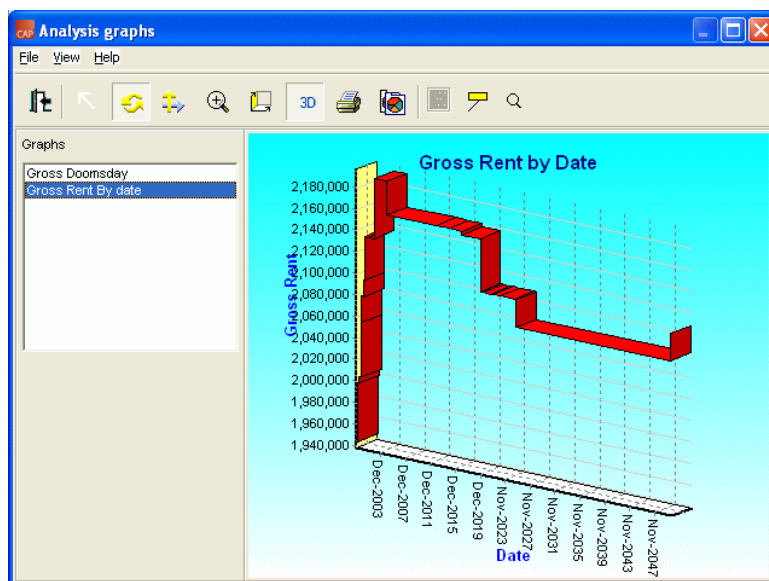
Graph



Gross Doomsday graph

This graph shows the fall-off of income over time until it reaches zero.

There are various options in the Rent Schedule menu to vary the graphic.



Gross Rent by Date graph

The alternative graph in the list displays an increasing rental profile over time, by applying the rent Schedule gross rent column.

CHAPTER 22

Appendices

INVWIN.INI File

This file is located in the directory containing the system executable, `INVWIN.EXE`, file.

The `INVWIN.INI` file provides defined, background information used throughout the system. This information is not normally modified by you but it is useful to be aware of its presence. The information is explained in more detail in the Administrator's Guide, but a brief overview is set out below. The general headings are:

1. [CONFIG]
Feature switches and controls.
2. [VALSET]
Default Valuation control.
3. [DATA]
Data directory and Database setup details.
4. [REPORT]
Locations for report scripts and basic data.
5. [QUARTERDAYS]
Alternative date settings for quarterly rent payment days.
6. [COMPANY]
User information.
7. [SIZE] & [SCREEN]
Screen size data.
8. [LANGUAGE]
Configuration for language and dictionaries.
9. [VALUATION]
Corporate special process options.
10. [DEFAULTS]
Corporate default settings.
11. [EXCEL]
Connection data for Microsoft Excel.
12. [CLIENTS]
Client-specific indicators for bespoke functions.
13. [CURRENCY]
International exchange rates information.
14. [DBPARAMETERS]
Database parameters.

CHAPTER 23

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