

Executive Summary for “My Fruit & Veg Market”

GEM Lease Analytics™ provides insight into My Fruit & Veg Market’s lease by presenting it alongside a ‘body of evidence’ comprised of comparable leases, averages, benchmarks, an analysis of key business metrics from the Profit & Loss statement, and special 'apples to apples' comparisons that allow you to see clearly how the lease being analysed compares to others.

The following suggestions for annual gross rent are based on the entire, cross-referenced analysis of the information collected and supplied by the user... Adjustments upwards or downwards should be made to account for future changes not encompassed by GEM Lease Analytics™ such as economic outlook, competitive pressures, local demographic trends, lease tenure/security, etc.

What Is a ‘Reasonable Rent’ for ‘My Fruit & Veg Market’?

GEM Lease Analytics™ provides several different ‘guideposts’ in answer to this question, each relying on a different analysis method. They include:

- The ‘GEM Lease Eval™’ or ‘GEM Eval™’ Effective Annual Gross Rent;
- The ‘P&L Evaluation’ or ‘P&L Eval™’ Effective Annual Gross Rent; and
- An Industry Benchmark-supported Effective Annual Gross Rent.

The most sophisticated of these is the GEM Lease Eval™ Effective Annual Gross Rent which is calculated only after the other various analyses have been done... The GEM Lease Eval™ calculation provides a weighted interpretation of what a 'reasonable rent' for My Fruit & Veg Market might be.

- The GEM Lease Eval™ calculation suggests that a ‘reasonable’ Effective Annual Gross Rent for this business is \$115,917, plus or minus 10%.

The P&L Eval™ method starts with My Fruit & Veg Market's ... prediction of annual sales its operators believe are sustainable through the lease period ahead. It then analyses key figures from My Fruit & Veg Market's Profit & Loss...

- The P&L Eval™ suggests an Effective Annual Gross Rent of \$107,139.

The third analysis method ... calculates what the rent would be if My Fruit & Veg's business had the same Occupancy Cost as that of the primary Benchmark used in the analysis...

- The Effective Annual Gross Rent suggested by the ATO Large Bus. Benchmark occupancy cost of 5.00% is \$109,940.

GEM Lease Analytics™ Results Summary for “Downtown Pharmacy”

A summary of the analysis results produced by GEM Lease Analytics™ highlights important similarities and differences between Downtown Pharmacy's business and that of the other evidence provided, and supports the figures detailed above. Colour coding throughout the GEM Lease Analytics™ Graphs makes it easy to identify different types of evidence, and quickly see how Downtown Pharmacy compares to the ‘body of evidence’ collected.

Several of the comparisons made by GEM Lease Analytics™ involve “per square metre” values, e.g., “rent per Sq Mtr” and “sales per Sq Mtr”. It is important to understand that these values are often *misused* – because they are often used to compare *different types of businesses*. The only situation in which it is appropriate to use them is when you are comparing businesses that share the same or *very similar* business models and thus which have similar labour costs, margins, cost of capital, etc.

GEM Lease Analytics™ has been designed to ensure that every business used as “comparable evidence” has the same or similar business model to the business whose lease is being analysed. This ensures the validity of the comparisons being made and provides accurate and consistent results.

Effective Annual Gross Rent & Rent Per Sq Mtr

- Downtown Pharmacy's current Effective Annual Gross Rent for 265 Sq Mtr is \$282,500 while its newly proposed rent would start at \$175,000. These figures equate to a current rent per Sq Mtr of \$1066 and a proposed rent per Sq Mtr of \$660.
- The Effective Area of the comparable lease evidence provided ranges from 102 to 392 Sq Mtr with an average shop size of 265 Sq Mtr. A large range can indicate that some shops are using their space more or less efficiently than others and where your shop size falls within the range will highlight your position.
- Current Effective Annual Gross Rents for the comparable evidence provided range from \$67,837 to \$402,625 with the averages in different evidence categories as follows:
 - ✓ Average of Tenant Evidence = \$227,641 per annum
 - ✓ Average of Landlord Evidence = \$402,625 per annum
- Rent per Sq Mtr for the comparable lease evidence ranges from \$648 to \$1,342. The overall average of ALL comparable evidence is \$889, with sub-group averages as follows:
 - ✓ Average of Tenant Evidence = \$854 per Sq Mtr
 - ✓ Average of Landlord Evidence = \$1,342 per Sq Mtr

Annual Sales or ‘Turnover’ & Store Productivity on a Per Sq Mtr Basis

Because of the large variation in shop sizes and Annual Sales, even for the same business type, using sales per Sq Mtr (per annum) allows you to compare businesses *with the same or similar business models* more effectively, showing clearly those that are performing above or below the norm. Where Downtown Pharmacy falls within this group gives one insight into how it compares to other Pharmacies...

Report continues with bulleted list of the results, as in section above.

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CONFIDENTIAL REPORT prepared exclusively for Downtown Pharmacy located at 100 Main Street, Brisbane, QLD 4000.

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Occupancy Cost Comparisons & Analysis

Occupancy Costs, calculated by dividing Effective Gross Rent by Annual Sales or 'Turnover', are a primary basis of comparison in all segments of the retail sector. Benchmark Occupancy Costs for specific types of business, some sourced internally (e.g., 'top 10' store average of a franchise) and others provided by third-party sources such as the Australian Tax Office or listed company filings, provide valuable insight into the viability of the business being analysed. In general, the lower the Occupancy Cost (with respect to applicable business type) the more viable the business...

Report continues with bulleted list of the results, as in top section above.

Using Actual Rent Per Sq Mtr to Create Standardised Comparisons

The final step employed by GEM Lease Analytics™ to show how Downtown Pharmacy compares to other Pharmacies, is to create *standardised comparisons* so that all of the evidence is *equivalent* to Downtown Pharmacy's business in several key variables, namely Effective Area (in this case 265 Sq Mtr) and Future Maintainable Sales (in this case \$3,350,000). By equalising these two variables, one can use the ***actual rent per Sq Mtr evidence*** to calculate...

Report continues with bulleted list of the results, as in top section above.

Analysis of Individual GEM Lease Analytics™ Graphs

This section of the report explains the calculations used to create each of the 4 to 6 graphs delivered as part of your GEM Analysis™ and gives a detailed description of each graphs and its significance.

The number of graphs you receive depends on the options you select in the GEM Software™.

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