

Executive Summary

Property Description

Name	123 Sample St.
# of Units	2
# of Bedrooms	5
Purchase Price	\$ 730,000.00
Rent	\$ 4,800.00

Finance Overview

Down Payment	\$ 146,000.00
Mortgage	\$ 584,000.00
Loan-to-Value	80.00%
Closing Costs	\$ 23,400.00

Finance Analysis

First Year Cap Rate	6.41%
First Year Cash-on-Cash Return	-35.89%
First Year Yield	6.62%
Debt Service Coverage Ratio	1.66
Unlevered Before Tax IRR	9.66%
Levered Before Tax IRR	19.53%
Levered After Tax IRR	15.53%
Effective Tax Rate	20.50%
Operating Expense Ratio	15.12%
NPV @ 6% discount	\$ 237,861.38

Resale Value

Sale Price in 10 Years	\$ 1,245,527.61
Sale Costs	\$ 49,821.10
Proceeds Before Tax	\$ 1,195,706.51
Tax Liability	\$ 99,139.34
Proceeds After Tax	\$ 1,096,567.17



Income, Expenses and Cash Flow (Year 1)

Gross Operating Income (GOI)	\$ 57,600.00
Total Expenses	-\$ 9,285.00
Net Operating Income (NOI)	\$ 48,315.00
Annual Debt Service	-\$ 29,104.32
1st Year - Rehabilitation	-\$ 80,000.00
Cash Flow Before Taxes (CFBT)	-\$ 60,789.32
Income Tax Liability	-\$ 7,960.34
Cash Flow After Taxes (CFAT)	-\$ 68,749.66

Income, Expenses and Cash Flow (Year 5)

Gross Operating Income (GOI)	\$ 67,383.85
Total Expenses	-\$ 10,862.14
Net Operating Income (NOI)	\$ 56,521.72
Annual Debt Service	-\$ 29,104.32
Cash Flow Before Taxes (CFBT)	\$ 27,417.40
Income Tax Liability	-\$ 9,077.19
Cash Flow After Taxes (CFAT)	\$ 18,340.21



Operation Effectiveness

Annual Operating Statements

Year	Year 1	Year 3	Year 5	Year 8	Year 10
Gross Potential Rental Revenue	57,600.00	62,300.16	67,383.85	75,797.67	81,982.76
Less: Vacancy Allowance	-576.00	-623.00	-673.84	-757.98	-819.83
Less: Operating Expenses	-8,709.00	-9,419.65	-10,188.30	-11,460.45	-12,395.62
Net Operating Income (NOI)	48,315.00	52,257.50	56,521.72	63,579.24	68,767.31
Less: Capital Ex Reserve	-80,000.00	0.00	0.00	0.00	0.00
Cash Flow from Operations	-31,685.00	52,257.50	56,521.72	63,579.24	68,767.31
Proceeds from Sale	0.00	0.00	0.00	0.00	1,195,706.51
Unlevered Cash Flow	-31,685.00	52,257.50	56,521.72	63,579.24	1,264,473.82
Less: Interest	-16,671.16	-15,934.20	-15,153.56	-13,894.99	-12,993.47
Less: Principal	-12,433.16	-13,170.12	-13,950.76	-15,209.33	-16,110.85
Cash Flow after Financing	-60,789.32	23,153.18	27,417.40	34,474.92	39,662.99
Equity Before Tax Reversion	0.00	0.00	0.00	0.00	753,721.42
Equity	0.00	0.00	0.00	0.00	0.00
Equity Before Tax Cash Flow	-60,789.32	23,153.18	27,417.40	34,474.92	793,384.41
Add: Mortgage Amortization	12,433.16	13,170.12	13,950.76	15,209.33	16,110.85
Add: Capital Expenditures	80,000.00	0.00	0.00	0.00	0.00
Less: CCA	-8,900.00	-16,746.24	-15,433.33	-13,654.43	0.00
Taxable Income	22,743.84	19,577.06	25,934.82	36,029.83	55,773.84
Income Tax	-7,960.34	-6,851.97	-9,077.19	-12,610.44	-19,520.84
Equity CF from Operations AT	-68,749.66	16,301.21	18,340.21	21,864.48	20,142.15
Equity After Tax Reversion	0.00	0.00	0.00	0.00	654,582.08
Equity After Tax Cash Flow	-68,749.66	16,301.21	18,340.21	21,864.48	674,724.23

Key Operating Indicators

Operating Expense Ratio 15.12%



Mortgage Table

Mortgage Inputs

Loan	\$	584,000.00
Compounding		Semi-Annual
Nominal Interest Rate		2.90%
Amortization		30 Years
Monthly Payments	\$	2,425.36
Annual Payments	\$	29,104.32

Year	Principal Payments	Interest Payments	Loan Balance
1	-12,433.16	-16,671.16	571,566.84
2	-12,796.33	-16,307.99	558,770.51
3	-13,170.12	-15,934.20	545,600.39
4	-13,554.82	-15,549.50	532,045.57
5	-13,950.76	-15,153.56	518,094.81
6	-14,358.27	-14,746.05	503,736.55
7	-14,777.67	-14,326.65	488,958.87
8	-15,209.33	-13,894.99	473,749.54
9	-15,653.60	-13,450.72	458,095.94
10	-16,110.85	-12,993.47	441,985.09



Proforma Discussion

Vacancy Rate	<2%	3%-4%	>5%
	Central neighbourhood with easy access to transportation and amenities	Above average neighbourhood with poor access to transportation and amenities	Below average neighbourhood with poor access to transportation and amenities
Property Appreciation	<5%	5%-8%	>7%
	Stable and moderate inflation with minimal economic growth	Stable and moderate inflation with moderate economic growth	Stable and moderate inflation with rapid economic growth
Rental Price Growth	2%	3%	4%
	According to Residential Landlord and Tenant Boards	Moderate vacancy rates (3%-4%)	Low vacancy rates (<2%)
Expense Growth	2%	3%	4%
	Low inflationary pressures	Moderate inflationary pressures	High inflationary pressures
Discount Rate	3%	6%	9%
	Conservative investor Savings accounts, GICs and Government Bonds	Moderate investor with some stocks and ETFs	Frequent investor with majority of capital in equity markets
Marginal Tax Rate	32%	37%	44%
	Incremental earnings between \$25,000 - \$78,000	Incremental earnings between \$78,000 - \$85,000	Incremental earnings between \$85,000 - \$1445,000



Property Inputs

Basic Information

Property Address	123 Sample St.
# of Units	2
# of Bedrooms	5
First Time Home Buyer	No

Purchase Details

Purchase Price	\$	730,000.00
Lawyer + Fees	\$	2,000.00
Land Transfer Tax	\$	21,400.00
FTHB Tax Rebate	\$	-
Initial Improvement	\$	80,000.00

Mortgage Details

Down Payment	20%
Interest Rate	2.90%
Amortization Period	30 Years

Proforma Estimates

Vacancy Rates	1.00%
Appreciation	5.00%
Rent Increase	4.00%
Expense Growth	4.00%
Cost to Sell	4.00%
CCA Rate	4.00%
Exit Cap Rate	6.41%
Income Tax Rate	35.00%
Building / Land Ratio	50.00%
Discount Rate	6.00%

Monthly Property Revenues

Unit #1	\$	2,900.00
Unit #2	\$	1,550.00
Unit #3	\$	350.00
Unit #4	\$	-
Unit #5	\$	-
Unit #6	\$	-
Unit #7	\$	-
Unit #8	\$	-
Unit #9	\$	-
Unit #10	\$	-
Additional Income	\$	-
Total Income	\$	4,800.00

Monthly Property Expenses

Maintenance	\$	-
Heat (gas)	\$	125.00
Water & Waste	\$	125.00
Hydro	\$	125.00
Property Taxes	\$	260.75
Insurance	\$	90.00
Total Expense	\$	725.75