

119 University Avenue West

119 University Avenue West
Waterloo, Ontario, N2L 3E2

\$1,394,000

\$99,000+ Gross Annual Cash Flow

Optimally Located between Two Universities and 56,000 Students

Fully Rental Licensed Triplex for 17 Bedrooms

Corner of Lester and University - Most Desirable Streets in Town

Presented by

Royal LePage Grand Valley Realty

Mike Milovick

519 745-7000

mike@teammilovick.com

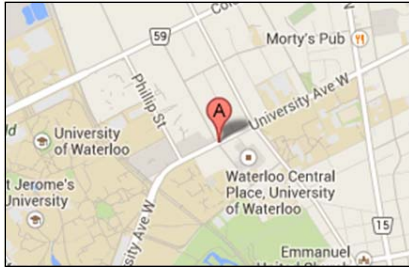
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370 Highland Road West

Kitchener, Ontario



Executive Summary



119 University Avenue West

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Income, Expenses & Cash Flow

Potential Rental Income	\$ 99,780
Other Income	
Total Vacancy and Credits	(1,996)
Operating Expenses	\$ (26,372)
Net Operating Income (NOI)	\$ 71,412
Debt Service:	\$ (61,900)
Cash Flow Before Taxes	\$ 9,512

Property Overview

Purchase/Asking Price	\$ 1,394,000	Property Type	Multi-Family
Improvements		No. of Units	17
Other	26,487	Price Per Unit	\$ 84,358
Closing Costs	13,600	Total Sq Ft	
Finance Points		Price Per Sq Ft	
Total Acquisition Cost	\$ 1,434,087	Income per Unit	\$ 5,869
Mortgage (s)	\$ 1,115,200	Expenses per Unit	\$ (1,551)
Down Payment / Investment	\$ 318,887		

Assumptions

Rental Growth Rate:	2.90%
Expense Growth Rate:	1.00%
Appreciation Rate	3.00%

Loan Information

	<u>% of Asking</u>	<u>% of Cost</u>
Down Payment: \$ 318,887	22.88%	22.24%
Initial Loan Balance: \$ 1,115,200	80.00%	77.76%
<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term</u>
\$ 1,115,200	3.74%	30
		<u>Payment</u>
		\$5,158

Financial Measurements

Year 1

Year 3

Year 7

Notes / Discussion

Debt Coverage Ratio (DCR)	1.15	1.23	1.41
Loan-to-Value Ratio (LVR)	76.2%	69.0%	55.6%
Capitalization Rate Based on Cost	4.98%	5.33%	6.10%
Capitalization Rate Based on Resale Price	4.97%	5.02%	5.10%
Gross Rent Multiplier	13.97	14.42	14.47
Net Present Value (NPV) - B/ Taxes 6.00%	(55,790)	45,370	223,203
Cash on Cash Return - Before Taxes	2.98%	4.56%	8.02%
Internal Rate of Return - Before Taxes		10.94%	15.05%
Modified Internal Rate of Return - Before Taxes		10.64%	13.96%

Disclaimer: All information presented is believed to be accurate.

The information, calculations and data presented in this report are believed to be accurate but are not guaranteed. The information contained in this report shall not be considered as a substitution for legal, accounting or other professional advice. Please seek proper legal and tax advice as appropriate before making investments.

Cash Flow Analysis

Rental Activity Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Potential Rental Income	\$ 99,780	\$ 102,674	\$ 105,651	\$ 108,715	\$ 111,868
Less: Vacancy & Credit Losses	(1,996)	(2,053)	(2,113)	(2,174)	(2,237)
Effective Gross Income	\$ 97,784	\$ 100,620	\$ 103,538	\$ 106,541	\$ 109,630
Less: Operating Expenses	(26,372)	(26,731)	(27,095)	(27,467)	(27,845)
Net Operating Income (NOI)	\$ 71,412	\$ 73,890	\$ 76,443	\$ 79,074	\$ 81,786
Less: Annual Debt Service	(61,900)	(61,900)	(61,900)	(61,900)	(61,900)
CASH FLOW Before Taxes	\$ 9,512	\$ 11,990	\$ 14,543	\$ 17,174	\$ 19,886

Property Resale Analysis					
Projected Sales Price	\$ 1,435,820	\$ 1,478,895	\$ 1,523,261	\$ 1,568,959	\$ 1,616,028
Less: Selling Expenses	(71,791)	(73,945)	(76,163)	(78,448)	(80,801)
Adjusted Projected Sales Price	\$ 1,364,029	\$ 1,404,950	\$ 1,447,098	\$ 1,490,511	\$ 1,535,227
Less: Mortgage(s) Balance Payoff	(1,094,659)	(1,073,336)	(1,051,202)	(1,028,225)	(1,004,375)
SALE PROCEEDS Before Taxes	\$ 269,370	\$ 331,614	\$ 395,897	\$ 462,286	\$ 530,852

Cash Position					
Cash Generated in Current Year	\$ 9,512	\$ 11,990	\$ 14,543	\$ 17,174	\$ 19,886
Cash Generated in Previous Years	n/a	9,512	21,502	36,045	53,219
Cash Generated from Property Sale	269,370	331,614	395,897	462,286	530,852
Original Initial Investment	(318,887)	(318,887)	(318,887)	(318,887)	(318,887)
Total Potential CASH Generated	\$ (40,004)	\$ 34,229	\$ 113,054	\$ 196,618	\$ 285,069

Financial Measurements						
Debt Coverage Ratio (DCR)		1.15	1.19	1.23	1.28	1.32
Loan-to-Value Ratio (LVR)		76.2%	72.6%	69.0%	65.5%	62.2%
Capitalization Rate Based on Cost		4.98%	5.15%	5.33%	5.51%	5.70%
Capitalization Rate Based on Resale Price		4.97%	5.00%	5.02%	5.04%	5.06%
Gross Rent Monthly Multiplier (GRM)		167.65	172.85	173.01	173.18	173.35
Gross Rent Yearly Multiplier (GRM)		13.97	14.40	14.42	14.43	14.45
Value of Property Using this GRM	12.00	1,197,360	1,232,083	1,267,814	1,304,580	1,342,413
Break-Even Ratio		88.47%	86.32%	84.24%	82.20%	80.22%
Operating Expense Ratio		26.97%	26.57%	26.17%	25.78%	25.40%
Net Present Value (NPV) - Before Taxes	6.00%	(55,790)	(4,107)	45,370	92,745	138,115
Cash-on-Cash Return with Equity		-12.54%	27.56%	23.77%	21.11%	19.13%
Cash-on-Cash Return - Before Taxes		2.98%	3.76%	4.56%	5.39%	6.24%
Internal Rate-of-Return (IRR) - Before Taxes		-12.54%	5.31%	10.94%	13.28%	14.35%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		-12.54%	5.23%	10.64%	12.76%	13.62%

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Rent Roll Summary



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Unit Description	Number of Units	Per unit Sq Ft	Total Sq Ft	Percent of Total	Monthly Rev/ Sq Ft	Rent Per Unit	Monthly Rent	Annual Rent
Bedroom 11	1					\$ 480	\$ 480	\$ 5,760
Bedroom 12	1					\$ 480	\$ 480	\$ 5,760
Bedroom 14	1					\$ 480	\$ 480	\$ 5,760
Bedroom 15	1					\$ 480	\$ 480	\$ 5,760
Bedroom 16	1					\$ 480	\$ 480	\$ 5,760
Bedroom 21	1					\$ 510	\$ 510	\$ 6,120
Bedroom 22	1					\$ 500	\$ 500	\$ 6,000
Bedroom 23	1					\$ 500	\$ 500	\$ 6,000
Bedroom 24	1					\$ 525	\$ 525	\$ 6,300
Bedroom 25	1					\$ 500	\$ 500	\$ 6,000
Bedroom 26	1					\$ 500	\$ 500	\$ 6,000
Bedroom 31	1					\$ 480	\$ 480	\$ 5,760
Bedroom 32	1					\$ 480	\$ 480	\$ 5,760
Bedroom 33	1					\$ 480	\$ 480	\$ 5,760
Bedroom 34	1					\$ 480	\$ 480	\$ 5,760
Bedroom 35	1					\$ 480	\$ 480	\$ 5,760
Bedroom 36	1					\$ 480	\$ 480	\$ 5,760
Totals	17					8,315	\$ 8,315	\$ 99,780

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Annual Expenses



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Expense Description	Annual Amount	Annual Increase	Per Unit	Per Sq Ft	% of Expenses	% of Revenue
Insurance	2,449	1.0%	144.06		9.3%	2.5%
Rental License Renewal	1,126	1.0%	66.24		4.3%	1.2%
Maintenance	3,552	1.0%	208.94		13.5%	3.6%
Management Fee	4,989		293.47		18.9%	5.1%
Property Taxes	9,096	1.0%	535.06		34.5%	9.3%
Total Utilities	5,160	1.0%	303.53		19.6%	5.3%
<hr/>						
Total Annual Operating Expenses	<u>\$ 26,372</u>		<u>\$ 1,551</u>	-	<u>100.0%</u>	<u>27.0%</u>

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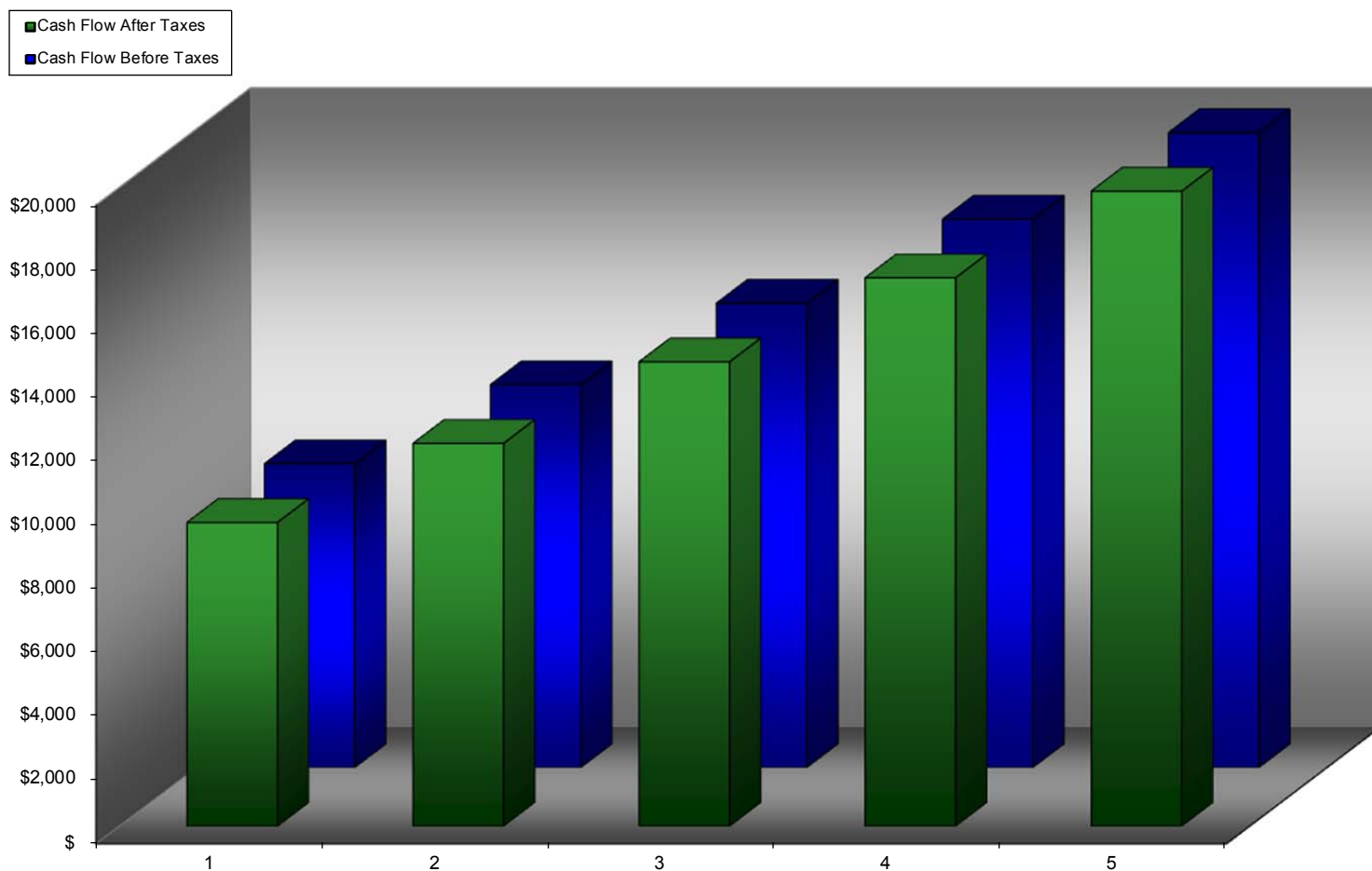
Annual Property Operating Data



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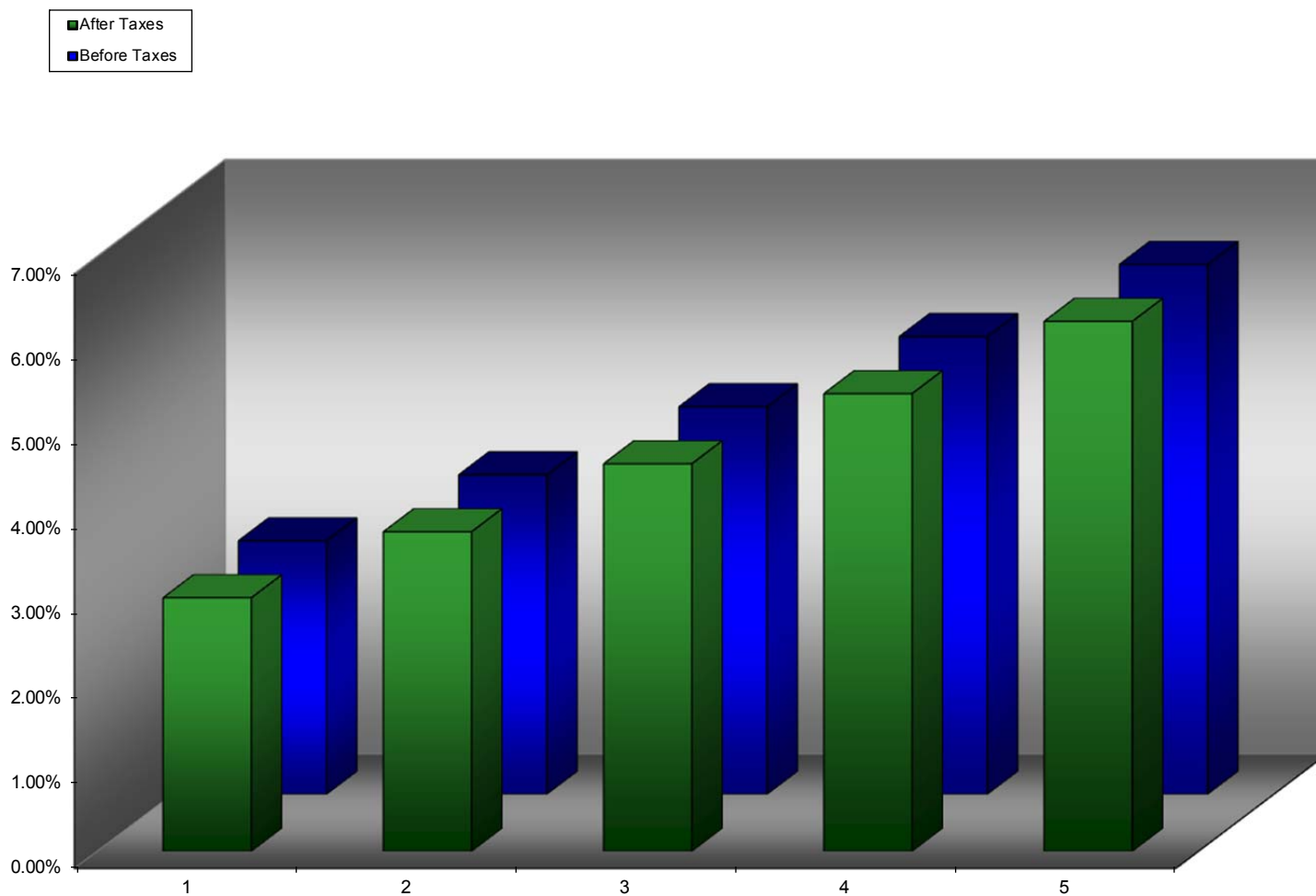
	Year 1			Year 2			Year 3			Year 4			Year 5		
	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit
Potential Rental Income	\$ 99,780		489.12	\$ 102,674	0.00	503.30	\$ 105,651		517.90	\$ 108,715		532.92	\$ 111,868		548.37
Less: Vacancy & Credit Losses	(1,996)		-9.78	(2,053)	0.00	-10.07	(2,113)		-10.36	(2,174)		-10.66	(2,237)		-10.97
Effective Gross Income	<u>\$ 97,784</u>		479.34	<u>\$ 100,620</u>	0.00	493.24	<u>\$ 103,538</u>		507.54	<u>\$ 106,541</u>		522.26	<u>\$ 109,630</u>		537.40
Operating Expenses															
Insurance	2,449		12.00	2,473		12.12	2,498		12.25	2,523		12.37	2,548		12.49
Rental License Renewal	1,126		5.52	1,137		5.57	1,149		5.63	1,160		5.69	1,172		5.74
Maintenance	3,552		17.41	3,588		17.59	3,623		17.76	3,660		17.94	3,696		18.12
Management Fee	4,989		24.46	5,134		25.17	5,283		25.89	5,436		26.65	5,593		27.42
Property Taxes	9,096		44.59	9,187		45.03	9,279		45.48	9,372		45.94	9,465		46.40
Total Utilities	5,160		25.29	5,212		25.55	5,264		25.80	5,316		26.06	5,370		26.32
Total Operating Expenses	<u>\$ 26,372</u>		129.27	<u>\$ 26,731</u>		131.03	<u>\$ 27,095</u>		132.82	<u>\$ 27,467</u>		134.64	<u>\$ 27,845</u>		136.49
Net Operating Income (NOI)	<u>\$ 71,412</u>		350.06	<u>\$ 73,890</u>		362.20	<u>\$ 76,443</u>		374.72	<u>\$ 79,074</u>		387.62	<u>\$ 81,786</u>		400.91
Less: Annual Debt Service	(61,900)		-303.43	(61,900)		-303.43	(61,900)		-303.43	(61,900)		-303.43	(61,900)		-303.43
Cash Flow Before Taxes	<u>\$ 9,512</u>		46.63	<u>\$ 11,990</u>		58.77	<u>\$ 14,543</u>		71.29	<u>\$ 17,174</u>		84.19	<u>\$ 19,886</u>		97.48

Cash Flow Projections



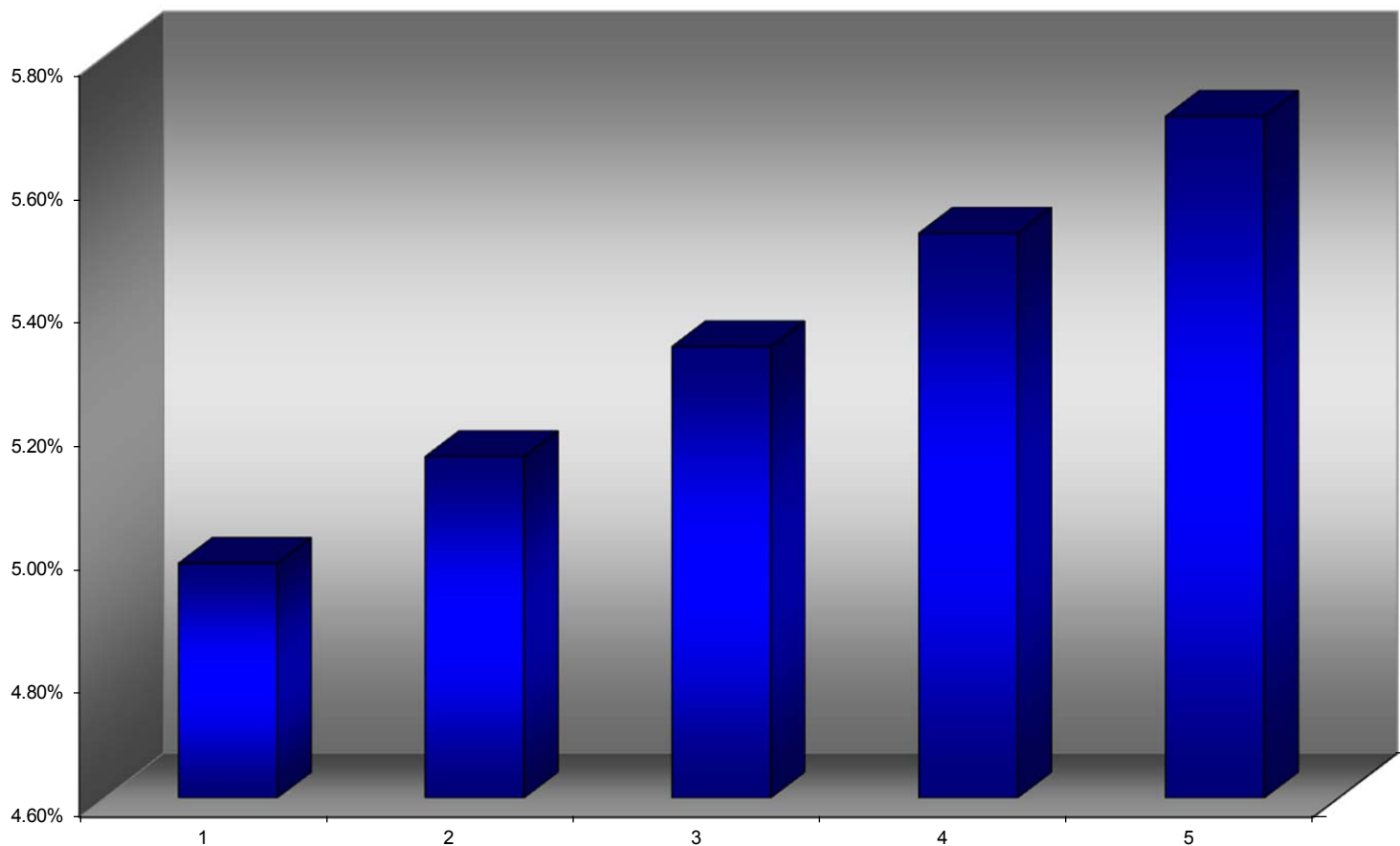
Time Period	Net Operating Income	MIP Payments	Debt Service	Cash Flow Before Tax	Incomes Taxes	Cash Flow After Tax
Int Investment				\$ (318,887)		\$ (318,887)
Year 1	71,412	-	(61,900)	9,512	-	9,512
Year 2	73,890	-	(61,900)	11,990	-	11,990
Year 3	76,443	-	(61,900)	14,543	-	14,543
Year 4	79,074	-	(61,900)	17,174	-	17,174
Year 5	81,786	-	(61,900)	19,886	-	19,886

Cash on Cash Return



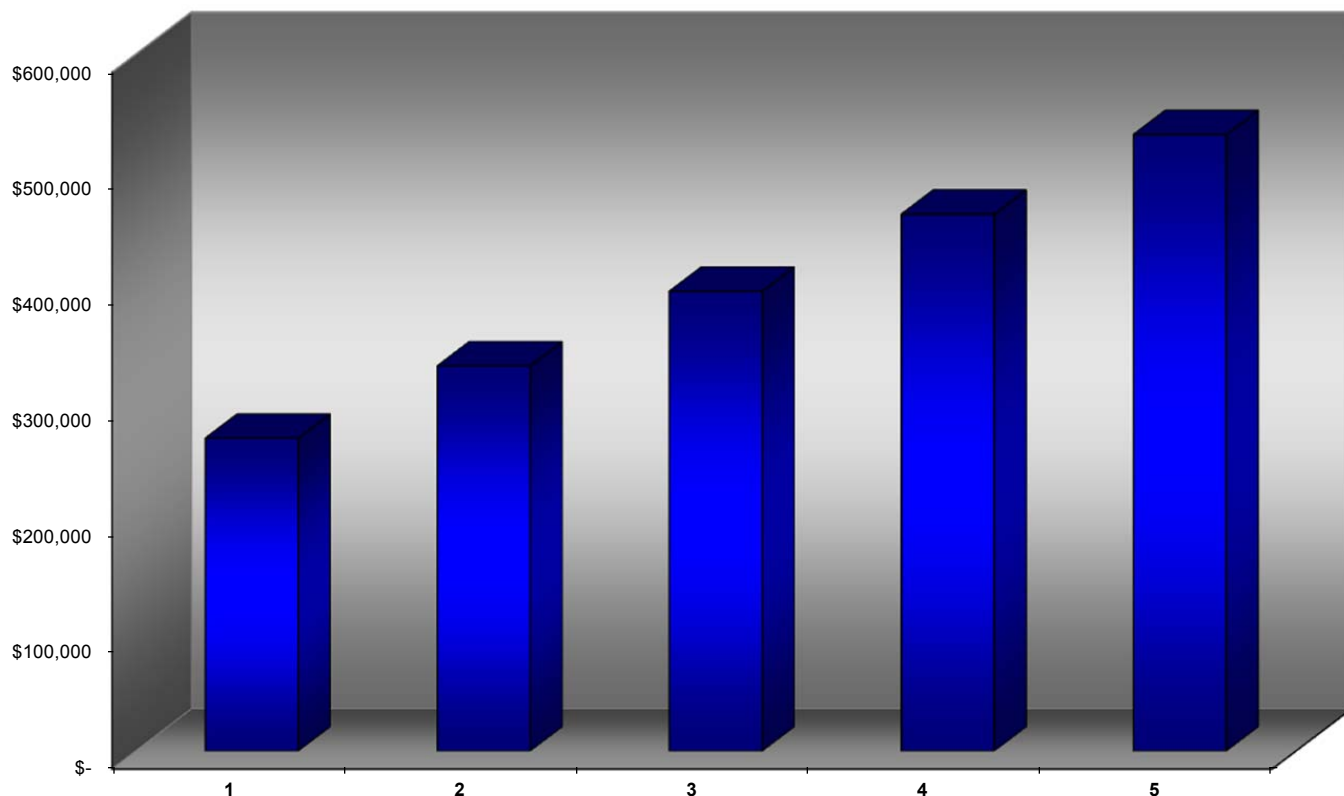
Time Period	Initial Investment	Cash Flow	Cash on Cash	Income	Cash Flow	Cash on Cash
	Adj for Refinance	Before Taxes	Before Taxes	Taxes	After Taxes	After Taxes
Year 1	\$ 318,887	\$ 9,512	2.98%	\$ -	\$ 9,512	2.98%
Year 2	318,887	11,990	3.76%	-	11,990	3.76%
Year 3	318,887	14,543	4.56%	-	14,543	4.56%
Year 4	318,887	17,174	5.39%	-	17,174	5.39%
Year 5	318,887	19,886	6.24%	-	19,886	6.24%

Capitalization Rate



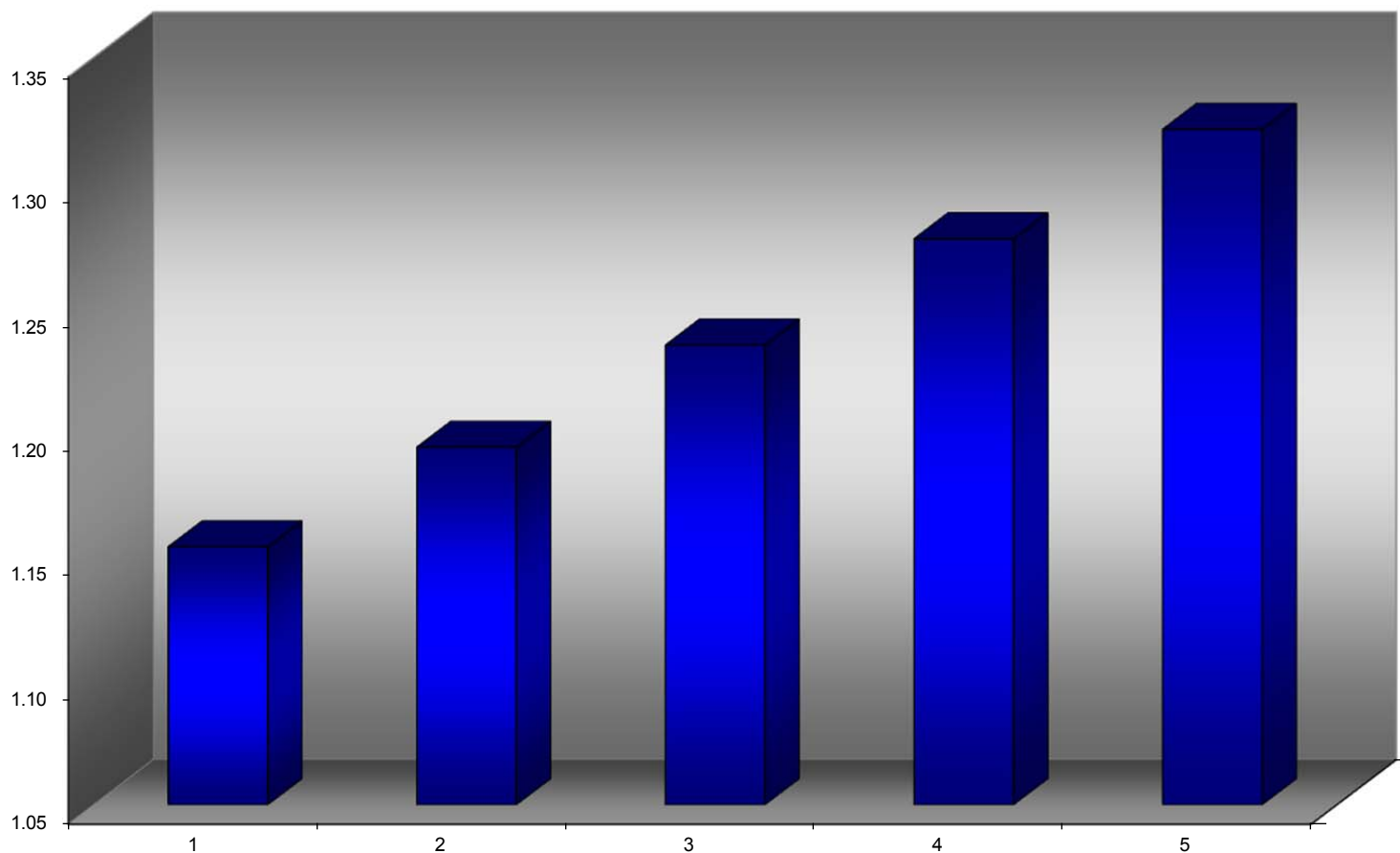
Time	Net Operating	Cap Rate on Cost	Resale
Period	Income (NOI)	\$ 1,434,087	Value
Year 1	\$ 71,412	4.98%	\$ 1,435,820
Year 2	73,890	5.15%	1,478,895
Year 3	76,443	5.33%	1,523,261
Year 4	79,074	5.51%	1,568,959
Year 5	81,786	5.70%	1,616,028

Property Equity Analysis



Time Period	Projected Adj Resale Value	Projected Increase	Refi Proceeds (if any)	Mortgage(s) Balance Payoff	Sale Proceeds Before Taxes	Income Taxes From Sale	Sale Proceeds After Taxes	Property Equity	Year / Year Equity Increase
Year 1	\$ 1,364,029	-2.15%	\$ -	\$ (1,094,659)	\$ 269,370	\$ -	\$ 269,370	\$ 269,370	\$ (49,517)
Year 2	1,404,950	3.00%	-	(1,073,336)	331,614	-	331,614	331,614	62,244
Year 3	1,447,098	3.00%	-	(1,051,202)	395,897	-	395,897	395,897	64,283
Year 4	1,490,511	3.00%	-	(1,028,225)	462,286	-	462,286	462,286	66,389
Year 5	1,535,227	3.00%	-	(1,004,375)	530,852	-	530,852	530,852	68,566

Debt Coverage Ratio



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 71,412	\$ (61,900)	1.15
Year 2	73,890	(61,900)	1.19
Year 3	76,443	(61,900)	1.23
Year 4	79,074	(61,900)	1.28
Year 5	81,786	(61,900)	1.32

Input Data Screen

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I. Rental Income & Expenses

Rental Income / Rent Roll:

Enter Rent Roll

Operating Expenses:

Enter Expenses

II. Property Costs & Characteristics

Select Property Type from Drop-Down Menu:

Multi-Family

Purchase Price of Property:

Contract Purchase Price

\$ 1,394,000

Initial Improvements

Closing Costs

13,600

Land Transfer Tax

24,355

Other Initial Costs

2,132

% of Cost Allocated to Land

20.00%

\$ 1,434,087

Reserves & Specific Improvements

Reserve Amount

1.00%

Annual Increase

Expense Portion

50.00%

Description

Amount

Select Year

Increase FMV?

1

No

1

No

1

No

1

No

1

No

1

No

1

No

Total

\$

III. Resale Valuation Method

Choose Resale Method

- ☒ Enter FMV and Use One Appreciation Rate for All Years
- ☒ Enter FMV and Enter Different Annual Appreciation Rates
- ☒ Use Cap Rate Based on Current Year's NOI
- ☒ Use Cap Rate Based on Following Year's NOI

Current Fair Market Value (FMV):

\$ 1,394,000

Enter Property's Appreciation Rate

3.00%

Future Selling Expense (% of Selling Price):

5.00%

IV. Financing

Use % on Contract Price

Mortgage #1

Mortgage #2

Mortgage #3

Down Payment Percentage

20.0%

20.0%

Amount Borrowed or Assumed:

\$ 1,115,200

Interest Rate:

3.740%

Enter Loan Rate

Enter Loan Rate

Term / Remaining Term of Loan (In Months):

360

360

360

Interest Calculation Type:

Simple Interest

Simple Interest

Simple Interest

Start Month:

Month 1

Month 1

Month 1

Start Year:

Year 1

Year 1

Year 1

Refinance Mortgage #1 or #2?

No - New Loan

No - New Loan

Additional Monthly Payment:

Monthly Mortgage Payment: (Formula)

\$ 5,158

\$

\$

Finance Points

☒ Yes ☒ No

Loan Origination Points

-

-

-

Loan Origination Points (In Dollars)

\$

\$

\$

Amortization Type

12 Months First Year

Initial Investment or Down Payment (Cost less Debt - Automatically Calculated)

\$ 318,887

MIP Payments?

☒ Yes ☒ No

Down Payment as a % of Cost

22.24%

Down Payment as a % of FMV

22.88%

V. Income Taxes

Before-Tax Presentation?

☒ Yes ☒ No

Province of Residence:

Ontario

Federal & Provincial Combined Marginal Income Tax Rate:

0.00%

Are Your Losses Limited by the Passive Loss Rules?

Yes

Like-Kind Exchange on Disposition?

No

About Me



Mike Milovick

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Grand Valley Realty Kitchener's Top Salesperson, 2004-2007, 2009-2013

Royal LePage Diamond Award Recipient, 2012-2013 (Top 3% of the Royal LePage Network)

Prudential Legend Award Recipient, 2010 (Top 1% of the Prudential Network)

Prudential Chairman's Circle Award Recipient, 2005-2010

Prudential President's Circle Award Recipient, 2004

Member, Ontario Real Estate Association's Commercial Council

Registrant, Real Estate Council of Ontario, 2002 - Present (over 500+ trades)

President, Waterloo Regional Apartment Manager's Association

President, Protecting Rental Options Waterloo

Owner, Student Income Properties, 1998 - Present

Certified Commercial Investment Member (CCIM)