

52 Noecker Street

52 Noecker Street
Waterloo, Ontario, N2J 2R4

\$1,050,000

\$82,000+ Gross Annualized Income

Purpose Built, 15 Student, City Rental Licensed Triplex

Class A Building, Steps to Wilfrid Laurier University and Uptown

Walk Score of 90 - Walker's Paradise

Presented by

Royal LePage Grand Valley Realty

Mike Milovick

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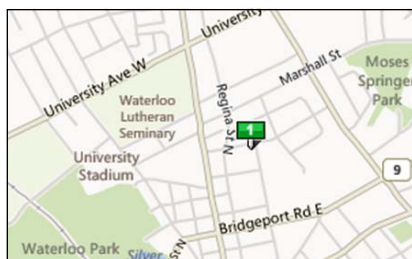
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370 Highland Road West

Kitchener, Ontario



Executive Summary



52 Noecker Street

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Income, Expenses & Cash Flow		Property Overview			
Potential Rental Income	\$ 82,620	Purchase/Asking Price	\$ 1,050,000	Property Type	Multi-Family
Other Income		Improvements		No. of Units	2
Total Vacancy and Credits	(1,652)	Other	18,794	Price Per Unit	\$ 538,772
Operating Expenses	\$ (26,225)	Closing Costs	8,750	Total Sq Ft	
Net Operating Income (NOI)	<u>\$ 54,743</u>	Finance Points		Price Per Sq Ft	
		Total Acquisition Cost	<u>\$ 1,077,544</u>	Income per Unit	\$ 41,310
Debt Service:	\$ (45,772)	Mortgage (s)	\$ 840,000	Expenses per Unit	\$ (13,112)
Cash Flow Before Taxes	\$ 8,971	Down Payment / Investment	\$ 237,544		

Assumptions		Loan Information			
Rental Growth Rate:	2.90%	Down Payment: \$ 237,544	<u>% of Asking</u>	<u>% of Cost</u>	
Expense Growth Rate:	1.00%	Initial Loan Balance: \$ 840,000	22.62%	22.04%	
Appreciation Rate	3.00%		80.00%	77.96%	
		<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Payment</u>
		\$ 840,000	3.59%	30	\$3,814

Financial Measurements	Year 1	Year 3	Year 7	Notes / Discussion
Debt Coverage Ratio (DCR)	1.20	1.29	1.48	
Loan-to-Value Ratio (LVR)	76.2%	68.9%	55.4%	
Capitalization Rate Based on Cost	5.08%	5.46%	6.29%	
Capitalization Rate Based on Resale Price	5.06%	5.13%	5.25%	
Gross Rent Multiplier	12.71	13.12	13.17	
Net Present Value (NPV) - B/ Taxes 6.00%	(37,288)	43,011	184,889	
Cash on Cash Return - Before Taxes	3.78%	5.49%	9.26%	
Internal Rate of Return - Before Taxes		12.26%	16.00%	
Modified Internal Rate of Return - Before Taxes		11.85%	14.64%	

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	\$ 82,620	\$ 85,016	\$ 87,481	\$ 90,018	\$ 92,629
Less: Vacancy & Credit Losses	(1,652)	(1,700)	(1,750)	(1,800)	(1,853)
Effective Gross Income	\$ 80,968	\$ 83,316	\$ 85,732	\$ 88,218	\$ 90,776
Less: Operating Expenses	(26,225)	(26,565)	(26,912)	(27,264)	(27,622)
Net Operating Income (NOI)	\$ 54,743	\$ 56,750	\$ 58,820	\$ 60,954	\$ 63,154
Less: Annual Debt Service	(45,772)	(45,772)	(45,772)	(45,772)	(45,772)
CASH FLOW Before Taxes	\$ 8,971	\$ 10,979	\$ 13,048	\$ 15,182	\$ 17,382

Property Resale Analysis					
Projected Sales Price	\$ 1,081,500	\$ 1,113,945	\$ 1,147,363	\$ 1,181,784	\$ 1,217,238
Less: Selling Expenses	(54,075)	(55,697)	(57,368)	(59,089)	(60,862)
Adjusted Projected Sales Price	\$ 1,027,425	\$ 1,058,248	\$ 1,089,995	\$ 1,122,695	\$ 1,156,376
Less: Mortgage(s) Balance Payoff	(824,125)	(807,670)	(790,615)	(772,938)	(754,615)
SALE PROCEEDS Before Taxes	\$ 203,300	\$ 250,577	\$ 299,380	\$ 349,757	\$ 401,761

Cash Position					
Cash Generated in Current Year	\$ 8,971	\$ 10,979	\$ 13,048	\$ 15,182	\$ 17,382
Cash Generated in Previous Years	n/a	8,971	19,950	32,998	48,180
Cash Generated from Property Sale	203,300	250,577	299,380	349,757	401,761
Original Initial Investment	(237,544)	(237,544)	(237,544)	(237,544)	(237,544)
Total Potential CASH Generated	\$ (25,273)	\$ 32,983	\$ 94,834	\$ 160,393	\$ 229,779

Financial Measurements						
Debt Coverage Ratio (DCR)		1.20	1.24	1.29	1.33	1.38
Loan-to-Value Ratio (LVR)		76.2%	72.5%	68.9%	65.4%	62.0%
Capitalization Rate Based on Cost		5.08%	5.27%	5.46%	5.66%	5.86%
Capitalization Rate Based on Resale Price		5.06%	5.09%	5.13%	5.16%	5.19%
Gross Rent Monthly Multiplier (GRM)		152.51	157.23	157.39	157.54	157.69
Gross Rent Yearly Multiplier (GRM)		12.71	13.10	13.12	13.13	13.14
Value of Property Using this GRM	12.00	991,440	1,020,192	1,049,777	1,080,221	1,111,547
Break-Even Ratio		87.14%	85.09%	83.08%	81.13%	79.23%
Operating Expense Ratio		32.39%	31.89%	31.39%	30.91%	30.43%
Net Present Value (NPV) - Before Taxes	6.00%	(37,288)	3,703	43,011	80,712	116,880
Cash-on-Cash Return with Equity		-10.64%	28.66%	24.68%	21.90%	19.84%
Cash-on-Cash Return - Before Taxes		3.78%	4.62%	5.49%	6.39%	7.32%
Internal Rate-of-Return (IRR) - Before Taxes		-10.64%	6.84%	12.26%	14.46%	15.43%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		-10.64%	6.72%	11.85%	13.77%	14.49%

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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	2,900	1.0%	1,450.00		11.1%	3.6%
Landscaping/Snow	2,040	1.0%	1,020.00		7.8%	2.5%
Rental License Renewal	683	1.0%	341.38		2.6%	0.8%
Management Fee	4,131		2,065.50		15.8%	5.1%
Property Taxes	9,729	1.0%	4,864.50		37.1%	12.0%
Total Utilities	6,742	1.0%	3,371.00		25.7%	8.3%
<hr/>						
Total Annual Operating Expenses	<u>\$ 26,225</u>		<u>\$ 13,112</u>	-	<u>100.0%</u>	<u>32.4%</u>

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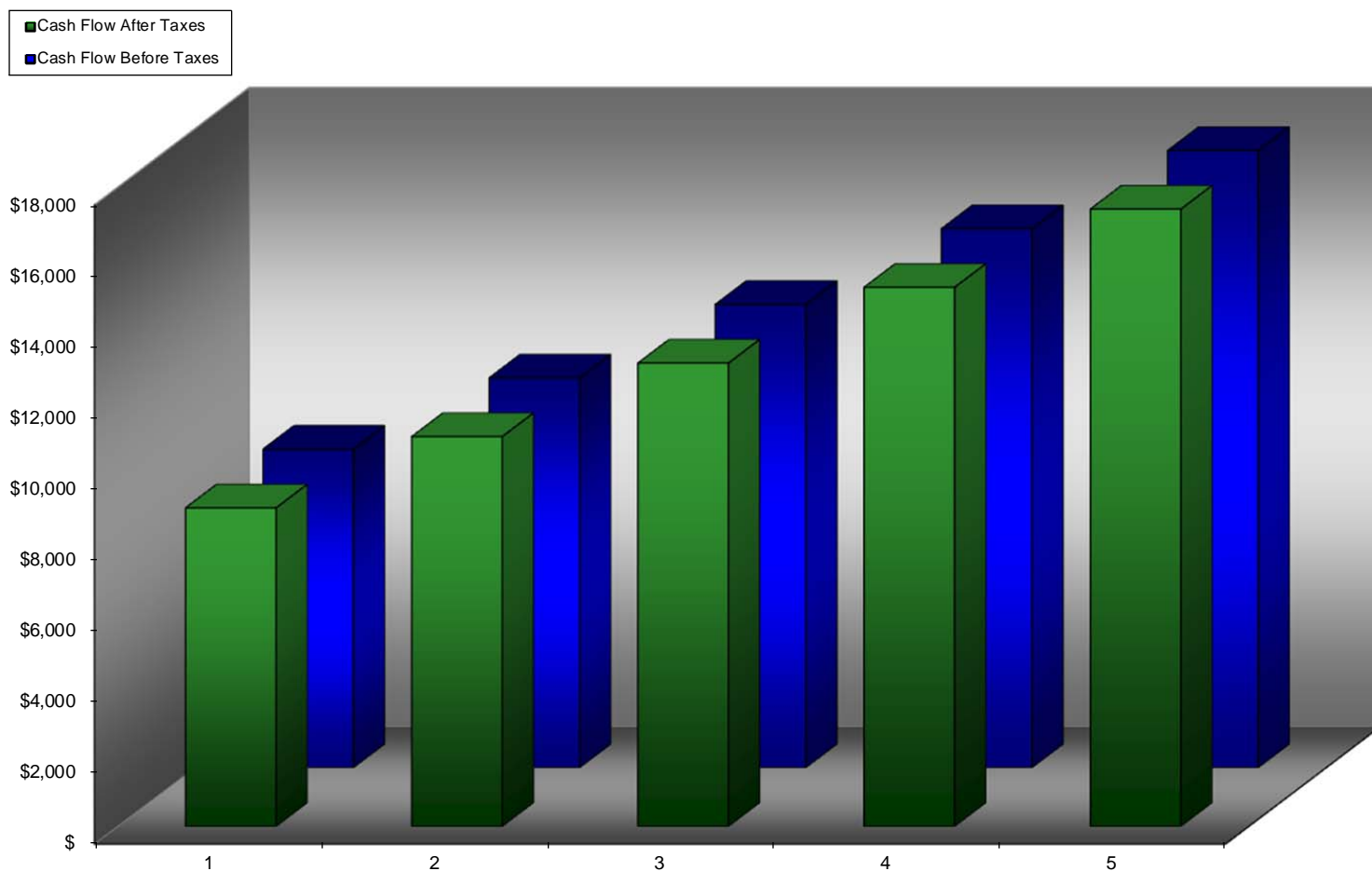
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Annual Property Operating Data

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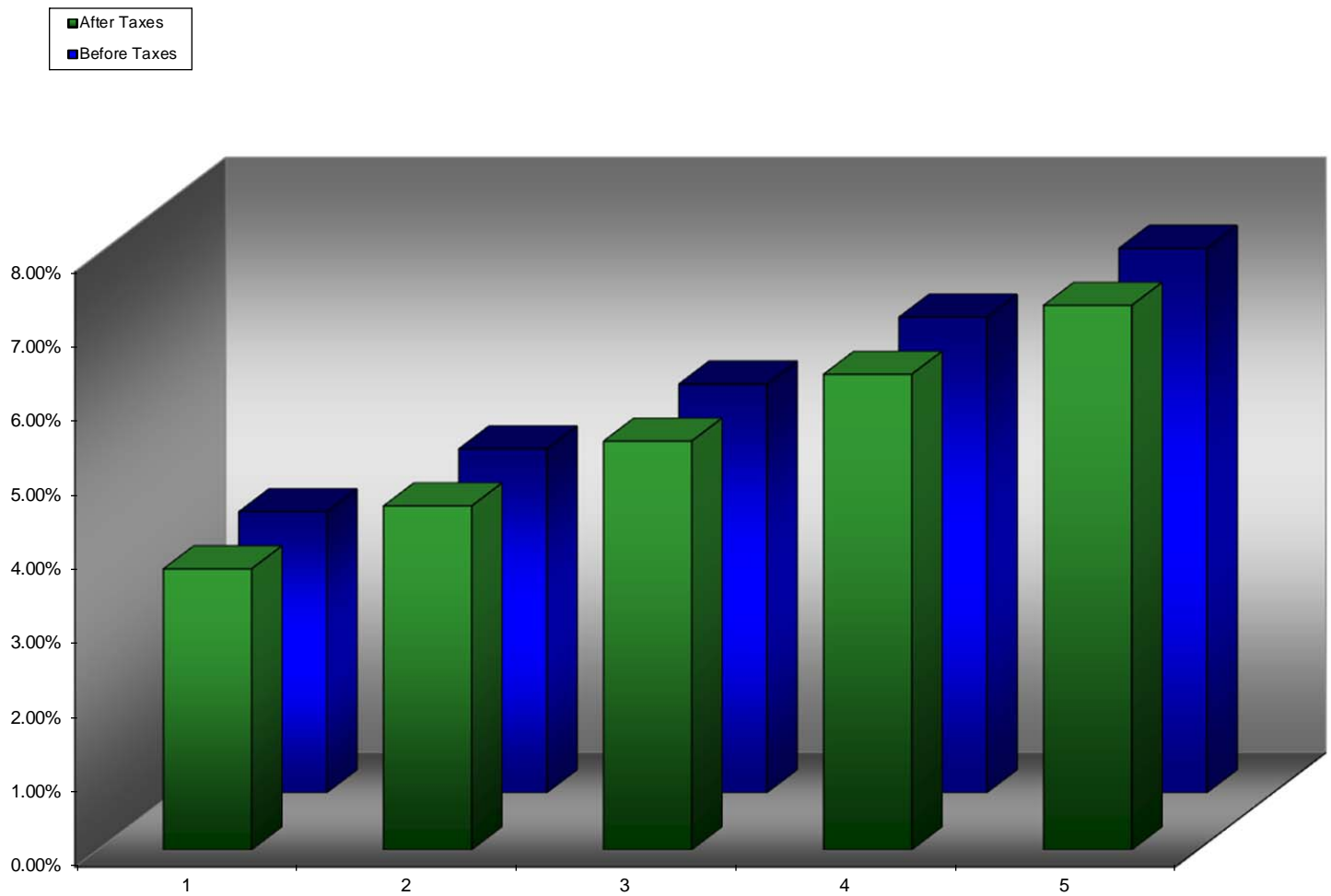
	Year 1			Year 2			Year 3			Year 4			Year 5		
	Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit	
Potential Rental Income	\$ 82,620	3,442.50		\$ 85,016	0.00 3,542.33		\$ 87,481	3,645.06		\$ 90,018	3,750.77		\$ 92,629	3,859.54	
Less: Vacancy & Credit Losses	(1,652)	-68.85		(1,700)	0.00 -70.85		(1,750)	-72.90		(1,800)	-75.02		(1,853)	-77.19	
Effective Gross Income	<u>\$ 80,968</u>	3,373.65		<u>\$ 83,316</u>	0.00 3,471.49		<u>\$ 85,732</u>	3,572.16		<u>\$ 88,218</u>	3,675.75		<u>\$ 90,776</u>	3,782.35	
Operating Expenses															
Insurance	2,900	120.83		2,929	122.04		2,958	123.26		2,988	124.49		3,018	125.74	
Landscaping/Snow	2,040	85.00		2,060	85.85		2,081	86.71		2,102	87.58		2,123	88.45	
Rental License Renewal	683	28.45		690	28.73		696	29.02		703	29.31		710	29.60	
Management Fee	4,131	172.13		4,251	177.12		4,374	182.25		4,501	187.54		4,631	192.98	
Property Taxes	9,729	405.38		9,826	409.43		9,925	413.52		10,024	417.66		10,124	421.83	
Total Utilities	6,742	280.92		6,809	283.73		6,878	286.56		6,946	289.43		7,016	292.32	
Total Operating Expenses	<u>\$ 26,225</u>	1,092.70		<u>\$ 26,565</u>	1,106.90		<u>\$ 26,912</u>	1,121.33		<u>\$ 27,264</u>	1,136.01		<u>\$ 27,622</u>	1,150.93	
Net Operating Income (NOI)	<u>\$ 54,743</u>	2,280.95		<u>\$ 56,750</u>	2,364.59		<u>\$ 58,820</u>	2,450.83		<u>\$ 60,954</u>	2,539.75		<u>\$ 63,154</u>	2,631.42	
Less: Annual Debt Service	(45,772)	-1,907.15		(45,772)	-1,907.15		(45,772)	-1,907.15		(45,772)	-1,907.15		(45,772)	-1,907.15	
Cash Flow Before Taxes	<u>\$ 8,971</u>	373.80		<u>\$ 10,979</u>	457.44		<u>\$ 13,048</u>	543.68		<u>\$ 15,182</u>	632.59		<u>\$ 17,382</u>	724.27	

Cash Flow Projections



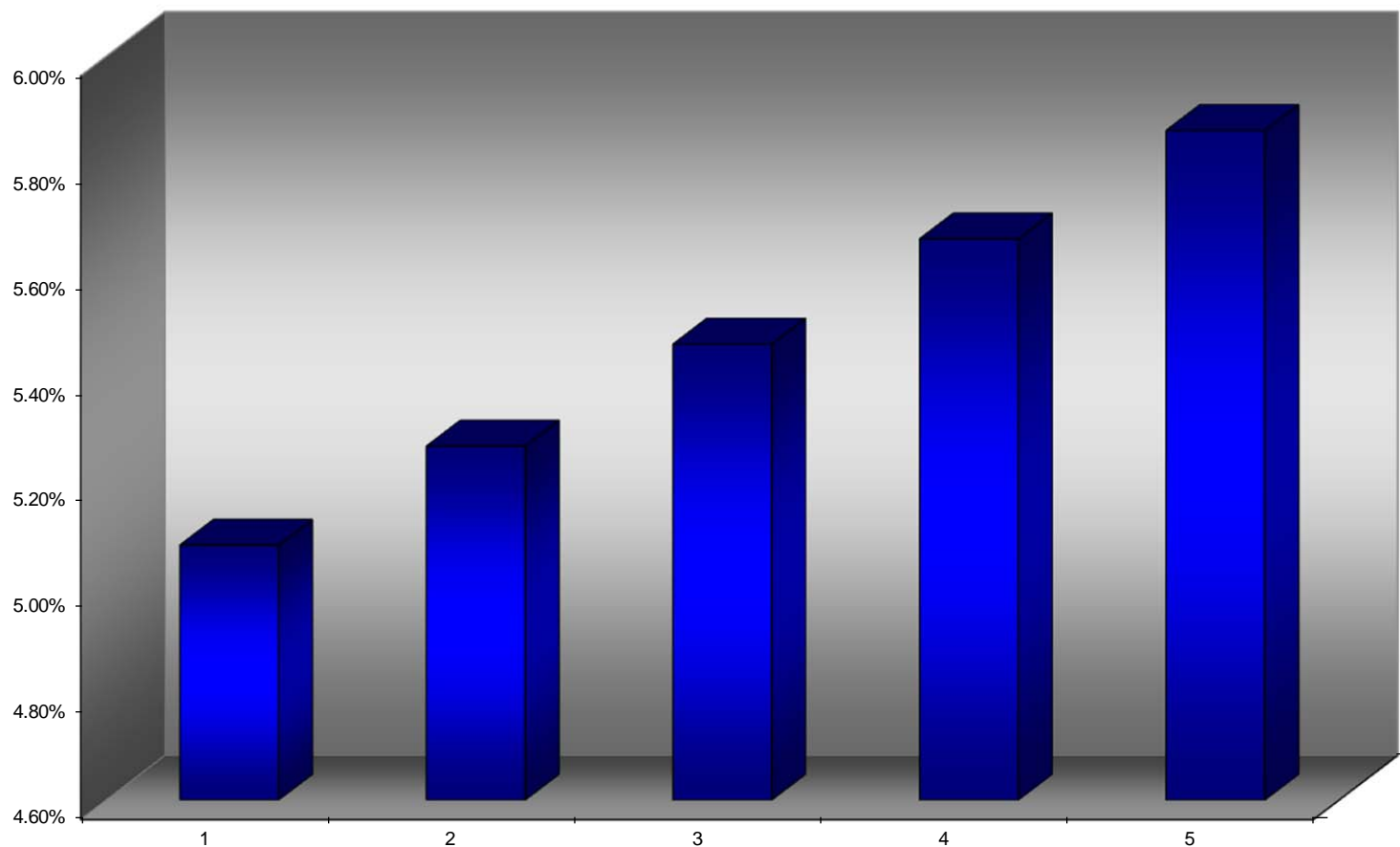
Time Period	Net Operating Income	MIP Payments	Debt Service	Cash Flow Before Tax	Incomes Taxes	Cash Flow After Tax
Int Investment				\$ (237,544)		\$ (237,544)
Year 1	54,743	-	(45,772)	8,971	-	8,971
Year 2	56,750	-	(45,772)	10,979	-	10,979
Year 3	58,820	-	(45,772)	13,048	-	13,048
Year 4	60,954	-	(45,772)	15,182	-	15,182
Year 5	63,154	-	(45,772)	17,382	-	17,382

Cash on Cash Return



Time Period	Initial Investment Adj for Refinance	Cash Flow Before Taxes	Cash on Cash Before Taxes	Income Taxes	Cash Flow After Taxes	Cash on Cash After Taxes
Year 1	\$ 237,544	\$ 8,971	3.78%	\$	\$ 8,971	3.78%
Year 2	237,544	10,979	4.62%	-	10,979	4.62%
Year 3	237,544	13,048	5.49%	-	13,048	5.49%
Year 4	237,544	15,182	6.39%	-	15,182	6.39%
Year 5	237,544	17,382	7.32%	-	17,382	7.32%

Capitalization Rate



Time	Net Operating	Cap Rate on Cost	Resale
Period	Income (NOI)	\$ 1,077,544	Value
Year 1	\$ 54,743	5.08%	\$ 1,081,500
Year 2	56,750	5.27%	1,113,945
Year 3	58,820	5.46%	1,147,363
Year 4	60,954	5.66%	1,181,784
Year 5	63,154	5.86%	1,217,238

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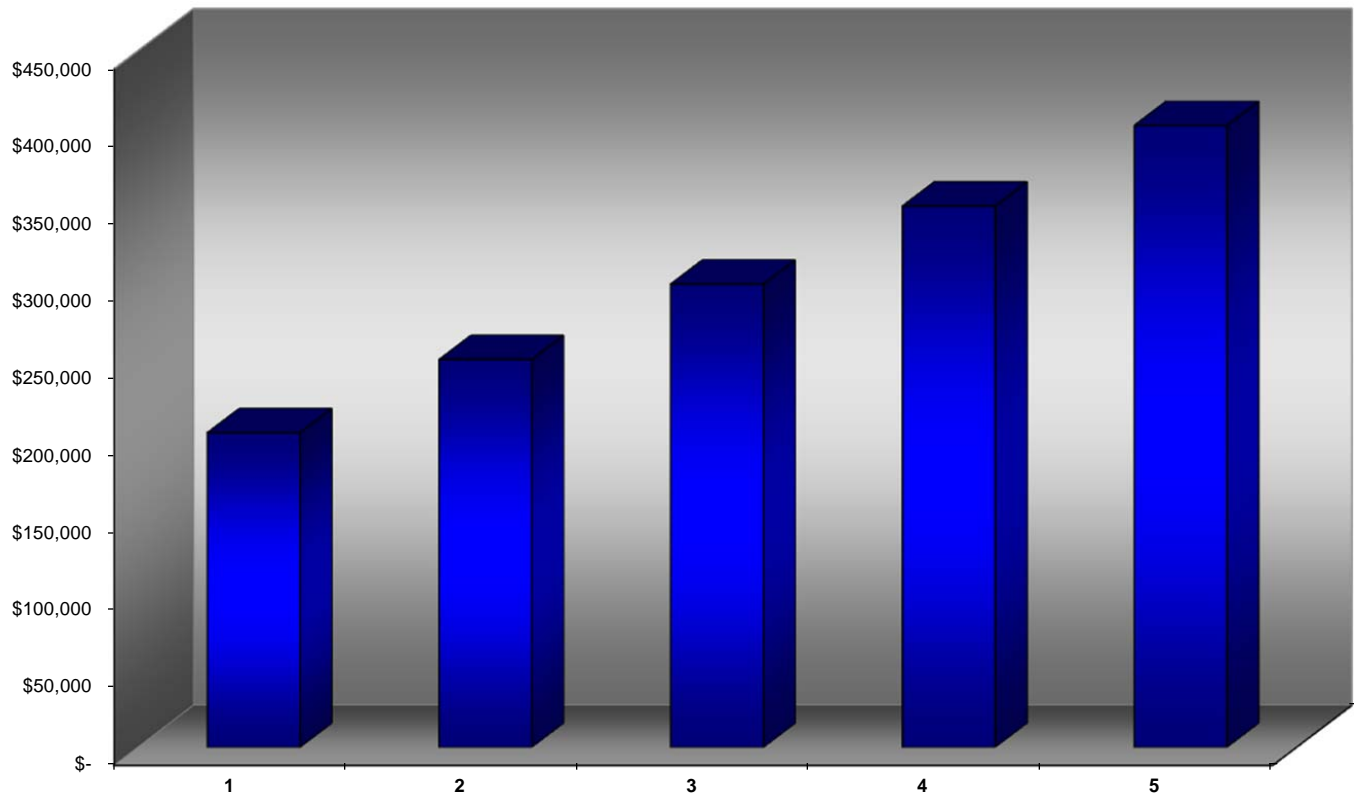
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Property Equity Analysis

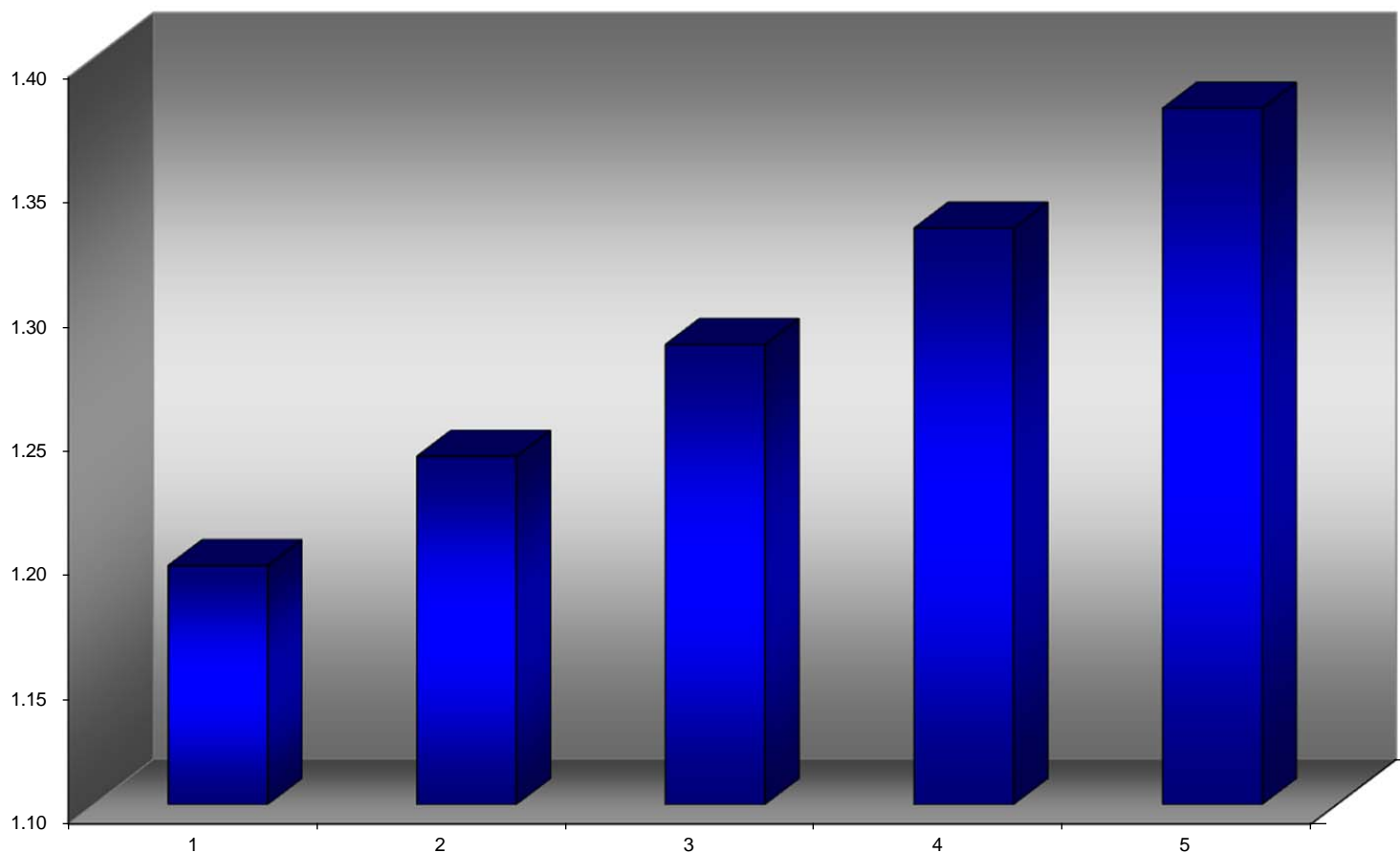
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<i>Time</i>	<i>Projected Adj</i>	<i>Projected</i>	<i>Refi Proceeds</i>	<i>Mortgage(s)</i>	<i>Sale Proceeds</i>	<i>Income Taxes</i>	<i>Sale Proceeds</i>	<i>Property</i>	<i>Year / Year</i>
<i>Period</i>	<i>Resale Value</i>	<i>Increase</i>	<i>(if any)</i>	<i>Balance Payoff</i>	<i>Before Taxes</i>	<i>From Sale</i>	<i>After Taxes</i>	<i>Equity</i>	<i>Equity Increase</i>
Year 1	\$ 1,027,425	-2.15%	\$	\$ (824,125)	\$ 203,300	\$	\$ 203,300	\$ 203,300	\$ (34,244)
Year 2	1,058,248	3.00%	-	(807,670)	250,577	-	250,577	250,577	47,277
Year 3	1,089,995	3.00%	-	(790,615)	299,380	-	299,380	299,380	48,802
Year 4	1,122,695	3.00%	-	(772,938)	349,757	-	349,757	349,757	50,377
Year 5	1,156,376	3.00%	-	(754,615)	401,761	-	401,761	401,761	52,004

Debt Coverage Ratio



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 54,743	\$ (45,772)	1.20
Year 2	56,750	(45,772)	1.24
Year 3	58,820	(45,772)	1.29
Year 4	60,954	(45,772)	1.33
Year 5	63,154	(45,772)	1.38

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

\$ 1,050,000

Initial Improvements

Closing Costs

8,750

Land Transfer Tax

17,475

Other Initial Costs

1,319

% of Cost Allocated to Land

20.00%

\$ 1,077,544

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):

\$ 1,050,000

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:

\$ 840,000

Interest Rate:

3.590%

[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)

\$ 3,814

\$

\$

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)

\$ 237,544

MIP Payments?

☒ Yes ☒ No

Down Payment as a % of Cost

22.04%

Down Payment as a % of FMV

22.62%

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, 2009-2012

Royal LePage Diamond Award Recipient, 2012 (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)

Graduate, Bachelor of Business Administration, Wilfrid Laurier University