

29 Young Street West

29 Young Street West
Waterloo, Ontario

\$585,000

\$44,000+ Gross Annual Income

Always Rented, One Block from WLU

Triplex with Three Rental Licenses (5, 2, 2)

Recent, Extensive Fire Code Improvements

Presented by

Royal LePage Grand Valley Realty

Mike Milovick

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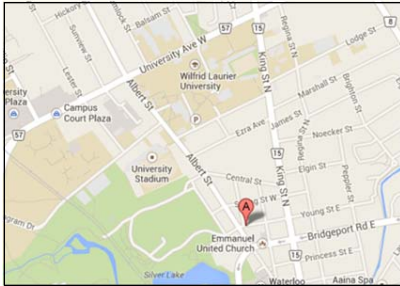
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370 Highland Road West

Kitchener, Ontario



Executive Summary



29 Young Street West

29 Young Street West
 Waterloo, Ontario



Income, Expenses & Cash Flow

Potential Rental Income	\$ 44,280
Other Income	
Total Vacancy and Credits	(886)
Operating Expenses	\$ (9,147)
Net Operating Income (NOI)	<u><u>\$ 34,247</u></u>
Debt Service:	\$ (26,136)
Cash Flow Before Taxes	\$ 8,111

Property Overview

Purchase/Asking Price	\$ 585,000	Property Type	Multi-Family
Improvements		No. of Units	1
Other	9,859	Price Per Unit	\$ 600,659
Closing Costs	5,800	Total Sq Ft	
Finance Points		Price Per Sq Ft	
Total Acquisition Cost	<u><u>\$ 600,659</u></u>	Income per Unit	\$ 44,280
Mortgage (s)	\$ 468,000	Expenses per Unit	\$ (9,147)
Down Payment / Investment	\$ 132,659		

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: \$ 132,659	22.68%	22.09%
Initial Loan Balance: \$ 468,000	80.00%	77.91%
<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term</u>
\$ 468,000	3.79%	30
		<u>Payment</u>
		\$2,178

Financial Measurements

Year 1

Year 3

Year 7

Notes / Discussion

Debt Coverage Ratio (DCR)	1.31	1.40	1.59
Loan-to-Value Ratio (LVR)	76.3%	69.0%	55.7%
Capitalization Rate Based on Cost	5.70%	6.08%	6.91%
Capitalization Rate Based on Resale Price	5.68%	5.71%	5.77%
Gross Rent Multiplier	13.21	13.63	13.69
Net Present Value (NPV) - B/ Taxes 6.00%	(18,432)	31,254	118,884
Cash on Cash Return - Before Taxes	6.11%	7.84%	11.60%
Internal Rate of Return - Before Taxes		14.17%	17.63%
Modified Internal Rate of Return - Before Taxes		13.44%	15.53%

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	\$ 44,280	\$ 45,564	\$ 46,885	\$ 48,245	\$ 49,644
Less: Vacancy & Credit Losses	(886)	(911)	(938)	(965)	(993)
Effective Gross Income	\$ 43,394	\$ 44,653	\$ 45,948	\$ 47,280	\$ 48,651
Less: Operating Expenses	(9,147)	(9,281)	(9,417)	(9,555)	(9,697)
Net Operating Income (NOI)	\$ 34,247	\$ 35,372	\$ 36,531	\$ 37,725	\$ 38,955
Less: Annual Debt Service	(26,136)	(26,136)	(26,136)	(26,136)	(26,136)
CASH FLOW Before Taxes	\$ 8,111	\$ 9,236	\$ 10,395	\$ 11,589	\$ 12,818

Property Resale Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Sales Price	\$ 602,550	\$ 620,627	\$ 639,245	\$ 658,423	\$ 678,175
Less: Selling Expenses	(30,128)	(31,031)	(31,962)	(32,921)	(33,909)
Adjusted Projected Sales Price	\$ 572,423	\$ 589,595	\$ 607,283	\$ 625,502	\$ 644,267
Less: Mortgage(s) Balance Payoff	(459,454)	(450,577)	(441,359)	(431,785)	(421,842)
SALE PROCEEDS Before Taxes	\$ 112,969	\$ 139,018	\$ 165,924	\$ 193,716	\$ 222,425

Cash Position	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Generated in Current Year	\$ 8,111	\$ 9,236	\$ 10,395	\$ 11,589	\$ 12,818
Cash Generated in Previous Years	n/a	8,111	17,347	27,742	39,331
Cash Generated from Property Sale	112,969	139,018	165,924	193,716	222,425
Original Initial Investment	(132,659)	(132,659)	(132,659)	(132,659)	(132,659)
Total Potential CASH Generated	\$ (11,578)	\$ 23,706	\$ 61,008	\$ 100,389	\$ 141,915

Financial Measurements	Year 1	Year 2	Year 3	Year 4	Year 5
Debt Coverage Ratio (DCR)	1.31	1.35	1.40	1.44	1.49
Loan-to-Value Ratio (LVR)	76.3%	72.6%	69.0%	65.6%	62.2%
Capitalization Rate Based on Cost	5.70%	5.89%	6.08%	6.28%	6.49%
Capitalization Rate Based on Resale Price	5.68%	5.70%	5.71%	5.73%	5.74%
Gross Rent Monthly Multiplier (GRM)	158.54	163.45	163.61	163.77	163.93
Gross Rent Yearly Multiplier (GRM)	13.21	13.62	13.63	13.65	13.66
Value of Property Using this GRM	12.00	531,360	546,769	562,626	578,942
Break-Even Ratio	79.68%	77.73%	75.83%	73.98%	72.18%
Operating Expense Ratio	21.08%	20.78%	20.49%	20.21%	19.93%
Net Present Value (NPV) - Before Taxes	6.00%	(18,432)	6,939	31,254	54,562
Cash-on-Cash Return with Equity	-8.73%	31.23%	26.83%	23.73%	21.44%
Cash-on-Cash Return - Before Taxes	6.11%	6.96%	7.84%	8.74%	9.66%
Internal Rate-of-Return (IRR) - Before Taxes	-8.73%	8.82%	14.17%	16.29%	17.19%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	-8.73%	8.57%	13.44%	15.13%	15.66%

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Waterloo, Ontario

Annual Expenses



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Expense Description	Annual Amount	Annual Increase	Per Unit	Per Sq Ft	% of Expenses	% of Revenue
Insurance	1,162	1.0%	1,162.00		12.7%	2.7%
Landscaping	500	1.0%	500.00		5.5%	1.2%
Rental License Renewal	879	1.0%	879.00		9.6%	2.0%
Management Fee	2,214		2,214.00		24.2%	5.1%
Property Taxes	4,392	1.0%	4,392.00		48.0%	10.1%
Total Annual Operating Expenses	\$ 9,147		\$ 9,147	-	100.0%	21.1%

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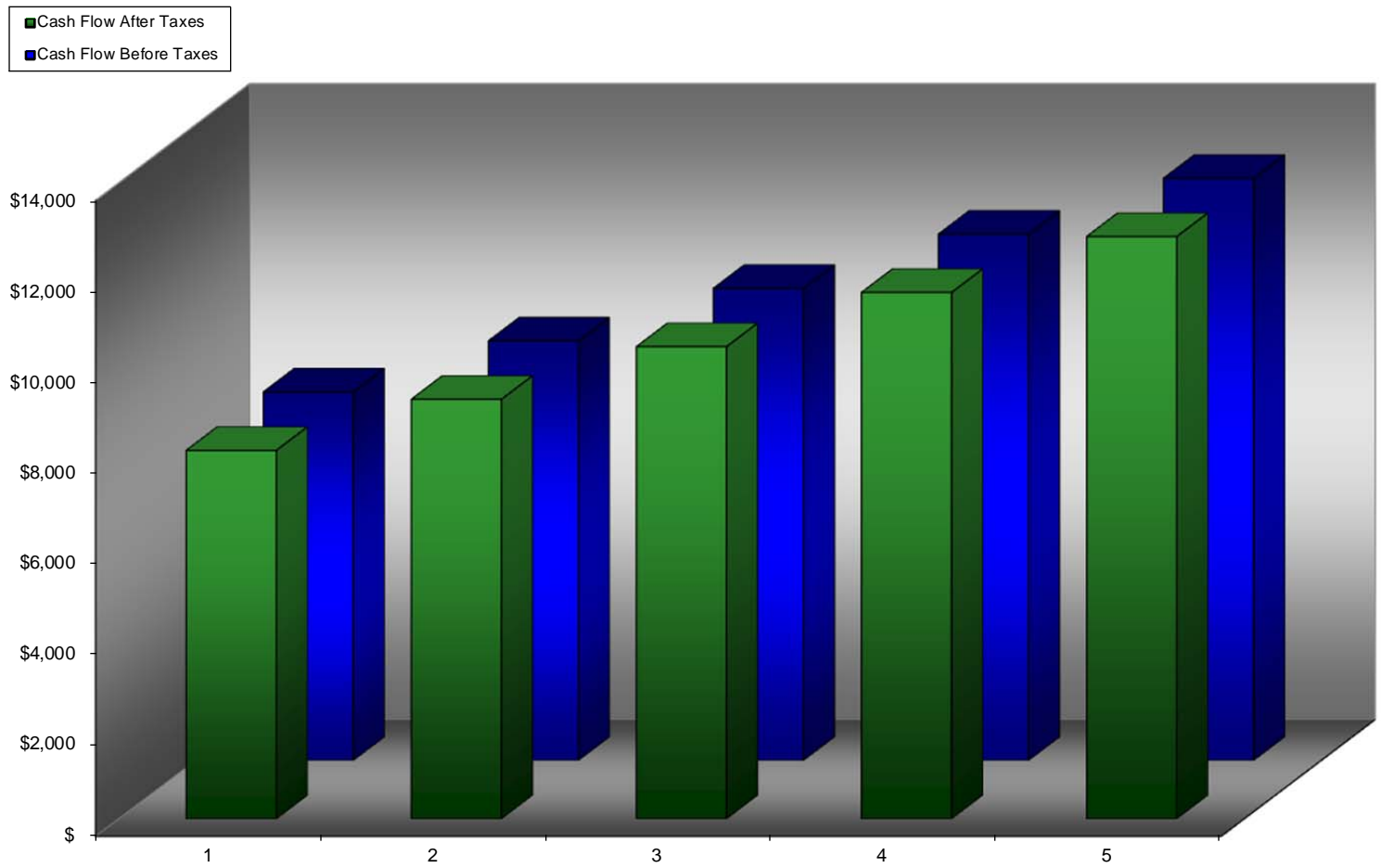
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Waterloo, Ontario

Annual Property Operating Data

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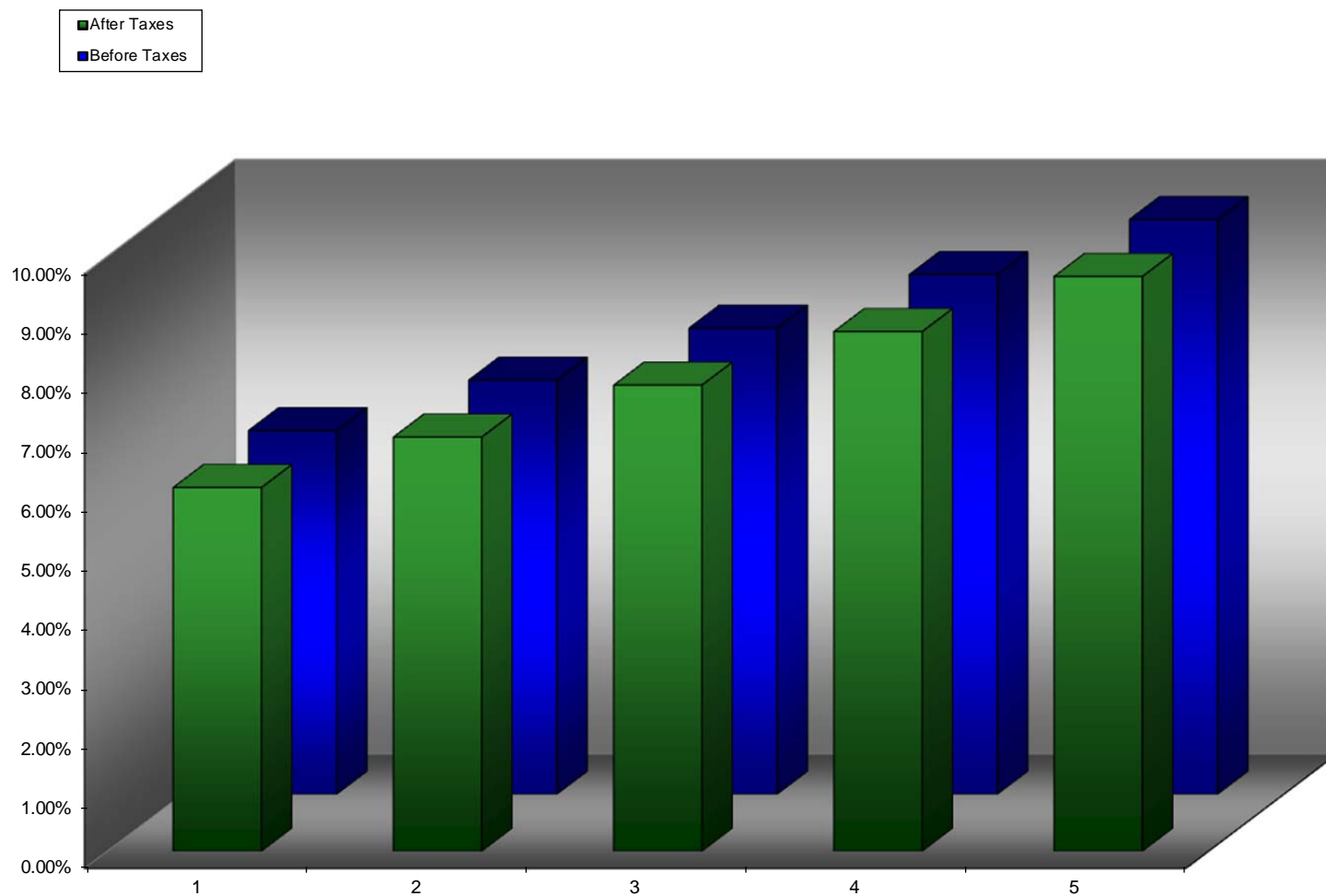
	Year 1			Year 2			Year 3			Year 4			Year 5		
	Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit		Sq Ft	Per Unit	
Potential Rental Income	\$ 44,280	3,690.00		\$ 45,564	0.00 3,797.01		\$ 46,885	3,907.12		\$ 48,245	4,020.43		\$ 49,644	4,137.02	
Less: Vacancy & Credit Losses	(886)	-73.80		(911)	0.00 -75.94		(938)	-78.14		(965)	-80.41		(993)	-82.74	
Effective Gross Income	<u>\$ 43,394</u>	3,616.20		<u>\$ 44,653</u>	0.00 3,721.07		<u>\$ 45,948</u>	3,828.98		<u>\$ 47,280</u>	3,940.02		<u>\$ 48,651</u>	4,054.28	
Operating Expenses															
Insurance	1,162	96.83		1,174	97.80		1,185	98.78		1,197	99.77		1,209	100.77	
Landscaping	500	41.67		505	42.08		510	42.50		515	42.93		520	43.36	
Rental License Renewal	879	73.25		888	73.98		897	74.72		906	75.47		915	76.22	
Management Fee	2,214	184.50		2,278	189.85		2,344	195.36		2,412	201.02		2,482	206.85	
Property Taxes	4,392	366.00		4,436	369.66		4,480	373.36		4,525	377.09		4,570	380.86	
Total Operating Expenses	<u>\$ 9,147</u>	762.25		<u>\$ 9,281</u>	773.38		<u>\$ 9,417</u>	784.72		<u>\$ 9,555</u>	796.28		<u>\$ 9,697</u>	808.06	
Net Operating Income (NOI)	<u>\$ 34,247</u>	2,853.95		<u>\$ 35,372</u>	2,947.69		<u>\$ 36,531</u>	3,044.26		<u>\$ 37,725</u>	3,143.74		<u>\$ 38,955</u>	3,246.22	
Less: Annual Debt Service	(26,136)	-2,178.02		(26,136)	-2,178.02		(26,136)	-2,178.02		(26,136)	-2,178.02		(26,136)	-2,178.02	
Cash Flow Before Taxes	<u>\$ 8,111</u>	675.93		<u>\$ 9,236</u>	769.67		<u>\$ 10,395</u>	866.24		<u>\$ 11,589</u>	965.73		<u>\$ 12,818</u>	1,068.20	

Cash Flow Projections



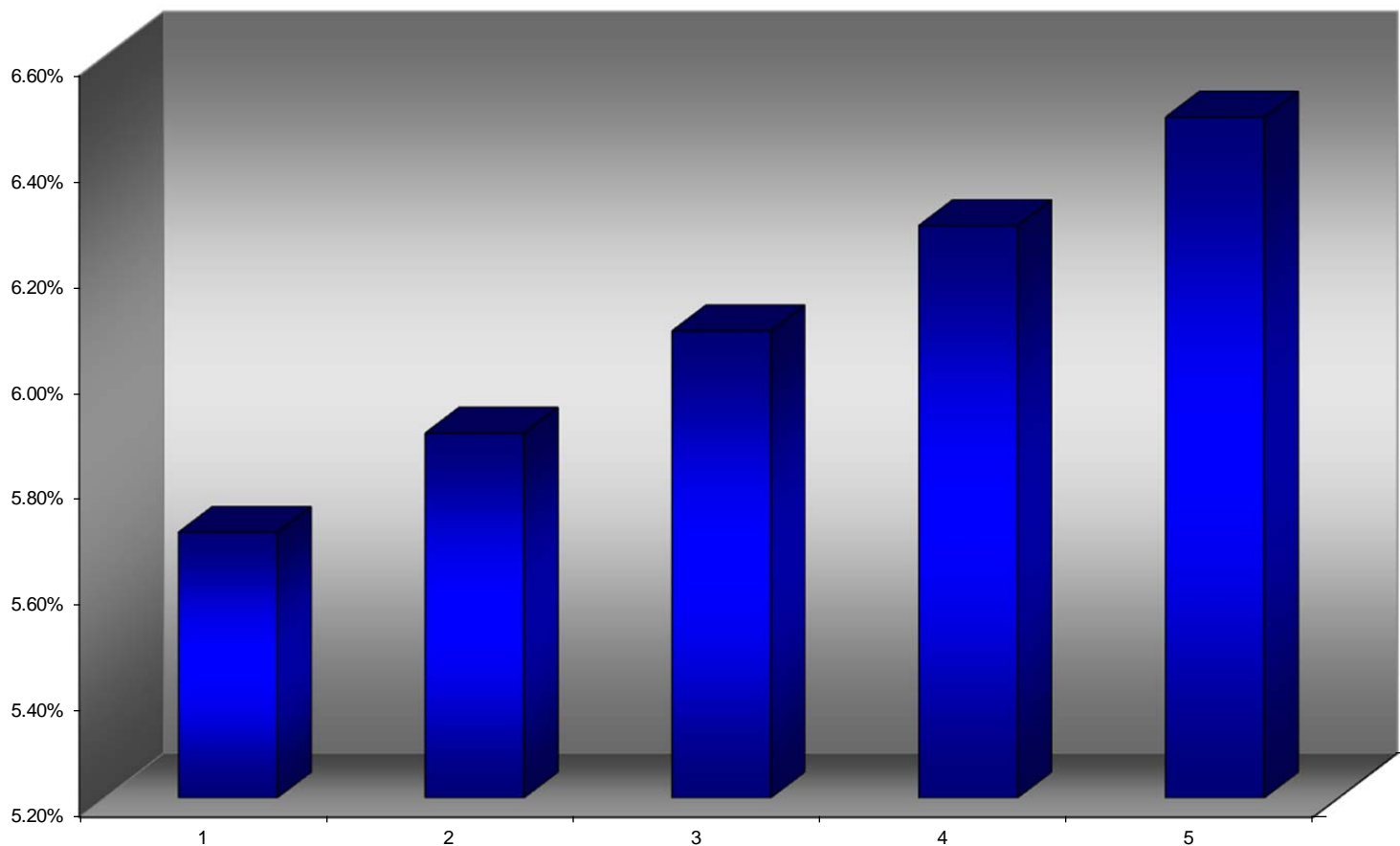
Time Period	Net Operating Income	MIP Payments	Debt Service	Cash Flow Before Tax	Incomes Taxes	Cash Flow After Tax
Int Investment				\$ (132,659)		\$ (132,659)
Year 1	34,247	-	(26,136)	8,111	-	8,111
Year 2	35,372	-	(26,136)	9,236	-	9,236
Year 3	36,531	-	(26,136)	10,395	-	10,395
Year 4	37,725	-	(26,136)	11,589	-	11,589
Year 5	38,955	-	(26,136)	12,818	-	12,818

Cash on Cash Return



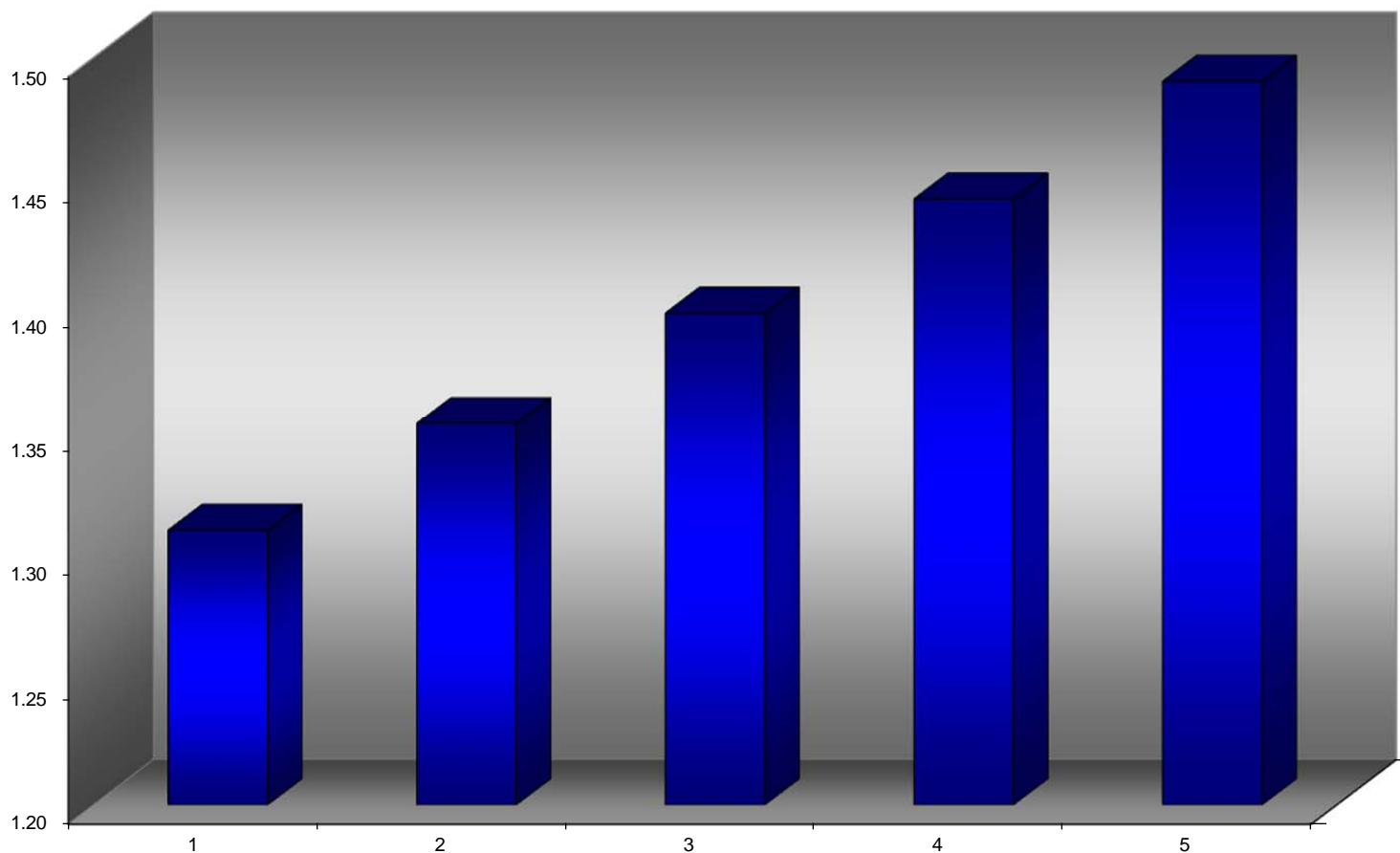
Time Period	Initial Investment Adj for Refinance	Cash Flow Before Taxes	Cash on Cash Before Taxes	Income Taxes	Cash Flow After Taxes	Cash on Cash After Taxes
Year 1	\$ 132,659	\$ 8,111	6.11%	\$	\$ 8,111	6.11%
Year 2	132,659	9,236	6.96%	-	9,236	6.96%
Year 3	132,659	10,395	7.84%	-	10,395	7.84%
Year 4	132,659	11,589	8.74%	-	11,589	8.74%
Year 5	132,659	12,818	9.66%	-	12,818	9.66%

Capitalization Rate



Time	Net Operating	Cap Rate on Cost	Resale
Period	Income (NOI)	\$ 600,659	Value
Year 1	\$ 34,247	5.70%	\$ 602,550
Year 2	35,372	5.89%	620,627
Year 3	36,531	6.08%	639,245
Year 4	37,725	6.28%	658,423
Year 5	38,955	6.49%	678,175

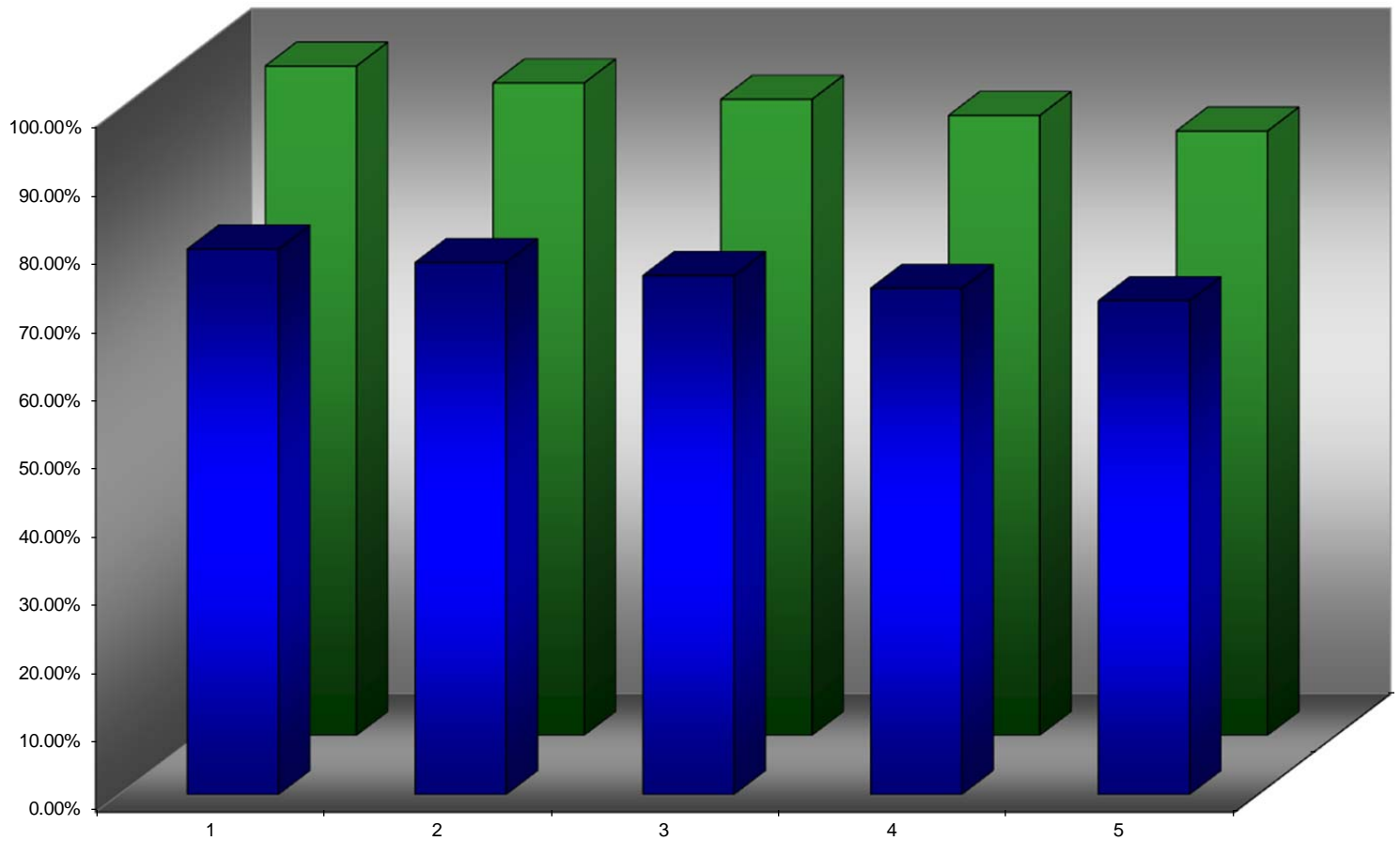
Debt Coverage Ratio



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 34,247	\$ (26,136)	1.31
Year 2	35,372	(26,136)	1.35
Year 3	36,531	(26,136)	1.40
Year 4	37,725	(26,136)	1.44
Year 5	38,955	(26,136)	1.49

BreakEven Occupancy

■ BreakEven Occupancy
■ BreakEven Occupancy with Cash on Cash Requirement



Cash on Cash Requirement	Time Period	Potential Rental Income	Operating, Debt, Reserve Expenses	Occupancy Rate (Existing)	BreakEven Occupancy Rate	Max Vacancy BreakEven Rate	BreakEven Occupancy Rate w/ Cash on Cash	Max Vacancy BreakEven Rate w/ Cash on Cash
6.00%								
	Year 1	44,280	(35,283)	98.00%	79.68%	20.32%	97.66%	2.34%
	Year 2	45,564	(35,417)	98.00%	77.73%	22.27%	95.20%	4.80%
	Year 3	46,885	(35,553)	98.00%	75.83%	24.17%	92.81%	7.19%
	Year 4	48,245	(35,692)	98.00%	73.98%	26.02%	90.48%	9.52%
	Year 5	49,644	(35,833)	98.00%	72.18%	27.82%	88.21%	11.79%

Input Data Screen

29 Young Street West
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Waterloo, Ontario

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

\$ 585,000

Initial Improvements

Closing Costs

5,800

Land Transfer Tax

8,175

Other Initial Costs

1,684

% of Cost Allocated to Land

20.00%

\$ 600,659

Reserves & Specific Improvements

Reserve Amount

Annual Increase

1.00%

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):

\$ 585,000

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:

\$ 468,000

Interest Rate:

3.790%

[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)

\$ 2,178

\$

\$

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)

\$ 132,659

MIP Payments?

☒ Yes ☒ No

Down Payment as a % of Cost

22.09%

Down Payment as a % of FMV

22.68%

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