

465 Hazel Street

465 Hazel Street
Waterloo, Ontario

\$549,900

\$48,000+ Annual Gross Income Available!

9 Student City-Approved, Rental Licensed Property

Desirable 5 and 4 Bedroom Lay Outs close to Both Universities

Spacious Bedrooms, Two Car Garage for Landlord or Tenant Storage

Presented by

Royal LePage Grand Valley Realty

Mike Milovick

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15C

370 Highland Road West

Kitchener, Ontario

ROYAL LEPAGE
Grand Valley Realty
BROKERAGE
INDEPENDENTLY OWNED AND OPERATED

Executive Summary



465 Hazel Street

465 Hazel Street
 Waterloo, Ontario



Income, Expenses & Cash Flow

Potential Rental Income	\$ 48,120
Other Income	
Total Vacancy and Credits	(962)
Operating Expenses	\$ (15,676)
Net Operating Income (NOI)	\$ 31,482
Debt Service:	\$ (23,971)
Cash Flow Before Taxes	\$ 7,511

Property Overview

Purchase/Asking Price	\$ 549,900	Property Type	Multi-Family
Improvements		No. of Units	2
Other	8,918	Price Per Unit	\$ 282,259
Closing Costs	5,700	Total Sq Ft	
Finance Points		Price Per Sq Ft	
Total Acquisition Cost	\$ 564,518	Income per Unit	\$ 24,060
Mortgage (s)	\$ 439,920	Expenses per Unit	\$ (7,838)
Down Payment / Investment	\$ 124,598		

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: \$ 124,598	22.66%	22.07%
Initial Loan Balance: \$ 439,920	80.00%	77.93%
<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term</u>
\$ 439,920	3.59%	30
		<u>Payment</u>
		\$1,998

Financial Measurements

Year 1

Year 3

Year 7

Notes / Discussion

Debt Coverage Ratio (DCR)	1.31	1.41	1.63
Loan-to-Value Ratio (LVR)	76.2%	68.9%	55.4%
Capitalization Rate Based on Cost	5.58%	6.00%	6.92%
Capitalization Rate Based on Resale Price	5.56%	5.63%	5.77%
Gross Rent Multiplier	11.43	11.79	11.84
Net Present Value (NPV) - B/ Taxes 6.00%	(17,068)	30,145	114,186
Cash on Cash Return - Before Taxes	6.03%	7.93%	12.09%
Internal Rate of Return - Before Taxes		14.37%	17.83%
Modified Internal Rate of Return - Before Taxes		13.64%	15.70%

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	\$ 48,120	\$ 49,515	\$ 50,951	\$ 52,429	\$ 53,949
Less: Vacancy & Credit Losses	(962)	(990)	(1,019)	(1,049)	(1,079)
Effective Gross Income	\$ 47,158	\$ 48,525	\$ 49,932	\$ 51,380	\$ 52,870
Less: Operating Expenses	(15,676)	(15,878)	(16,084)	(16,293)	(16,506)
Net Operating Income (NOI)	\$ 31,482	\$ 32,647	\$ 33,848	\$ 35,087	\$ 36,364
Less: Annual Debt Service	(23,971)	(23,971)	(23,971)	(23,971)	(23,971)
CASH FLOW Before Taxes	\$ 7,511	\$ 8,676	\$ 9,877	\$ 11,116	\$ 12,393

Property Resale Analysis					
Projected Sales Price	\$ 566,397	\$ 583,389	\$ 600,891	\$ 618,917	\$ 637,485
Less: Selling Expenses	(28,320)	(29,169)	(30,045)	(30,946)	(31,874)
Adjusted Projected Sales Price	\$ 538,077	\$ 554,219	\$ 570,846	\$ 587,971	\$ 605,611
Less: Mortgage(s) Balance Payoff	(431,606)	(422,989)	(414,057)	(404,799)	(395,203)
SALE PROCEEDS Before Taxes	\$ 106,471	\$ 131,231	\$ 156,789	\$ 183,173	\$ 210,408

Cash Position					
Cash Generated in Current Year	\$ 7,511	\$ 8,676	\$ 9,877	\$ 11,116	\$ 12,393
Cash Generated in Previous Years	n/a	7,511	16,186	26,063	37,179
Cash Generated from Property Sale	106,471	131,231	156,789	183,173	210,408
Original Initial Investment	(124,598)	(124,598)	(124,598)	(124,598)	(124,598)
Total Potential CASH Generated	\$ (10,616)	\$ 22,819	\$ 58,255	\$ 95,754	\$ 135,382

Financial Measurements						
Debt Coverage Ratio (DCR)		1.31	1.36	1.41	1.46	1.52
Loan-to-Value Ratio (LVR)		76.2%	72.5%	68.9%	65.4%	62.0%
Capitalization Rate Based on Cost		5.58%	5.78%	6.00%	6.22%	6.44%
Capitalization Rate Based on Resale Price		5.56%	5.60%	5.63%	5.67%	5.70%
Gross Rent Monthly Multiplier (GRM)		137.13	141.38	141.52	141.66	141.80
Gross Rent Yearly Multiplier (GRM)		11.43	11.78	11.79	11.80	11.82
Value of Property Using this GRM	12.00	577,440	594,186	611,417	629,148	647,394
Break-Even Ratio		82.39%	80.48%	78.61%	76.80%	75.03%
Operating Expense Ratio		33.24%	32.72%	32.21%	31.71%	31.22%
Net Present Value (NPV) - Before Taxes	6.00%	(17,068)	7,004	30,145	52,397	73,796
Cash-on-Cash Return with Equity		-8.52%	31.40%	27.00%	23.92%	21.63%
Cash-on-Cash Return - Before Taxes		6.03%	6.96%	7.93%	8.92%	9.95%
Internal Rate-of-Return (IRR) - Before Taxes		-8.52%	9.02%	14.37%	16.49%	17.39%
Modified Internal Rate-of-Return (MIRR) - Before Taxes		-8.52%	8.77%	13.64%	15.32%	15.85%

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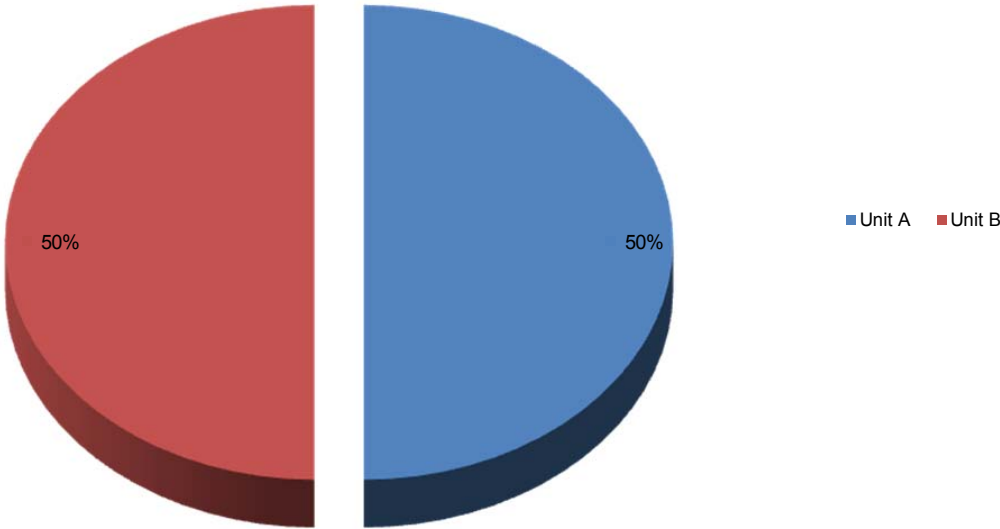
Rent Roll Summary



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519 745-7000

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
Unit A	1					\$ 2,200	\$ 2,200	\$ 26,400
Unit B	1					\$ 1,810	\$ 1,810	\$ 21,720
Totals	2					4,010	\$ 4,010	\$ 48,120

Unit Mix



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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	1,387	1.0%	693.50		8.8%	2.9%
Landscaping (estimate)	1,000	1.0%	500.00		6.4%	2.1%
Rental License Renewal	683	1.0%	341.38		4.4%	1.4%
Management Fee	2,406		1,203.00		15.3%	5.1%
Property Taxes	4,985	1.0%	2,492.50		31.8%	10.6%
Gas	894	1.0%	447.00		5.7%	1.9%
Electricity	3,212	1.0%	1,606.00		20.5%	6.8%
Water	1,109	1.0%	554.50		7.1%	2.4%
<hr/>						
Total Annual Operating Expenses	<u>\$ 15,676</u>		<u>\$ 7,838</u>	-	<u>100.0%</u>	<u>33.2%</u>

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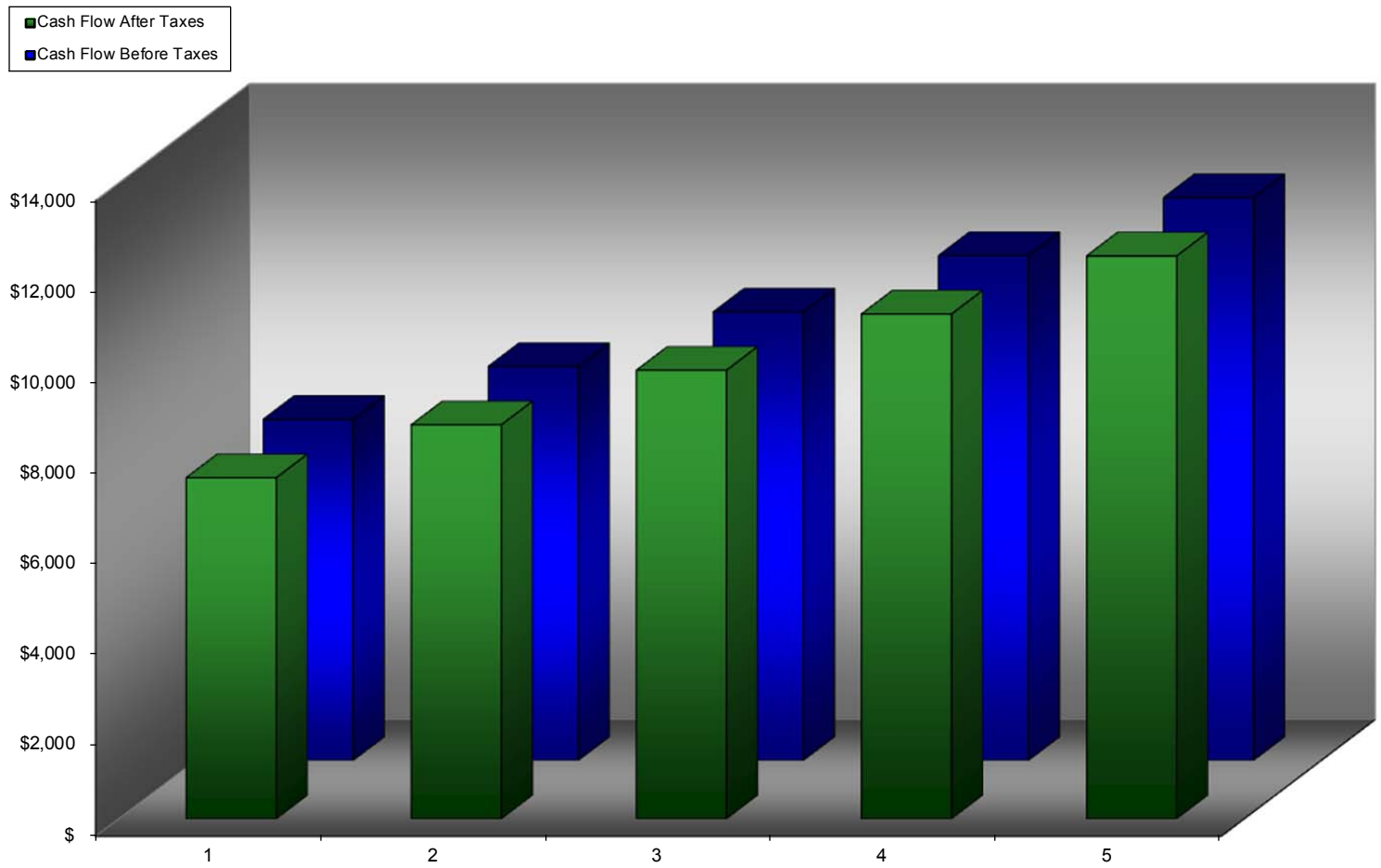
Annual Property Operating Data



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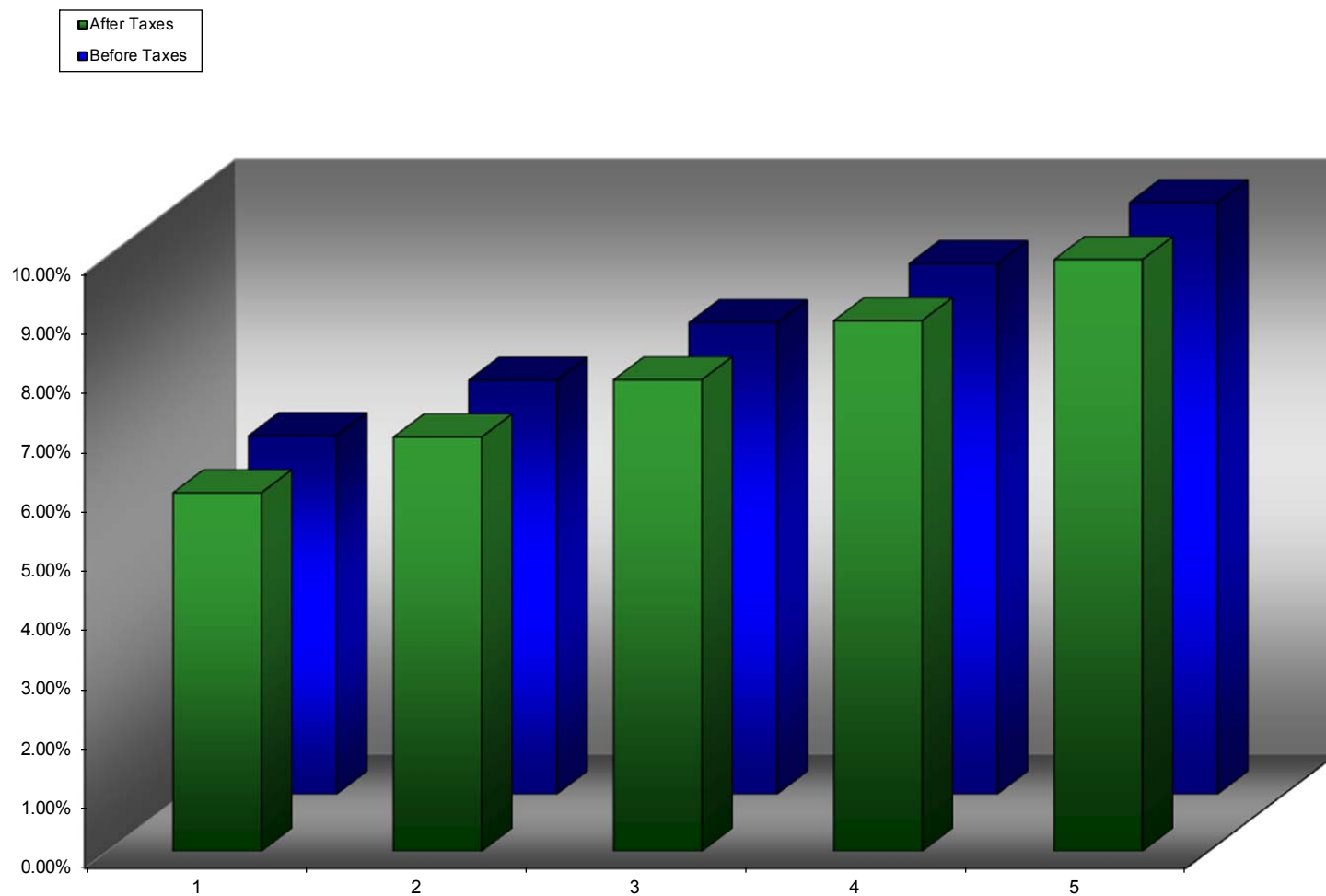
	Year 1			Year 2			Year 3			Year 4			Year 5		
	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit	\$	Sq Ft	Per Unit
Potential Rental Income	\$ 48,120		2,005.00	\$ 49,515	0.00	2,063.15	\$ 50,951		2,122.98	\$ 52,429		2,184.54	\$ 53,949		2,247.89
Less: Vacancy & Credit Losses	(962)		-40.10	(990)	0.00	-41.26	(1,019)		-42.46	(1,049)		-43.69	(1,079)		-44.96
Effective Gross Income	<u>\$ 47,158</u>		1,964.90	<u>\$ 48,525</u>	0.00	2,021.88	<u>\$ 49,932</u>		2,080.52	<u>\$ 51,380</u>		2,140.85	<u>\$ 52,870</u>		2,202.94
Operating Expenses															
Insurance	1,387		57.79	1,401		58.37	1,415		58.95	1,429		59.54	1,443		60.14
Landscaping (estimate)	1,000		41.67	1,010		42.08	1,020		42.50	1,030		42.93	1,041		43.36
Rental License Renewal	683		28.45	690		28.73	696		29.02	703		29.31	710		29.60
Management Fee	2,406		100.25	2,476		103.16	2,548		106.15	2,621		109.23	2,697		112.39
Property Taxes	4,985		207.71	5,035		209.79	5,085		211.88	5,136		214.00	5,187		216.14
Gas	894		37.25	903		37.62	912		38.00	921		38.38	930		38.76
Electricity	3,212		133.83	3,244		135.17	3,277		136.52	3,309		137.89	3,342		139.27
Water	1,109		46.21	1,120		46.67	1,131		47.14	1,143		47.61	1,154		48.08
Total Operating Expenses	<u>\$ 15,676</u>		653.16	<u>\$ 15,878</u>		661.59	<u>\$ 16,084</u>		670.17	<u>\$ 16,293</u>		678.89	<u>\$ 16,506</u>		687.75
Net Operating Income (NOI)	<u>\$ 31,482</u>		1,311.74	<u>\$ 32,647</u>		1,360.29	<u>\$ 33,848</u>		1,410.35	<u>\$ 35,087</u>		1,461.96	<u>\$ 36,364</u>		1,515.18
Less: Annual Debt Service	(23,971)		-998.80	(23,971)		-998.80	(23,971)		-998.80	(23,971)		-998.80	(23,971)		-998.80
Cash Flow Before Taxes	<u>\$ 7,511</u>		312.94	<u>\$ 8,676</u>		361.49	<u>\$ 9,877</u>		411.55	<u>\$ 11,116</u>		463.16	<u>\$ 12,393</u>		516.38

Cash Flow Projections



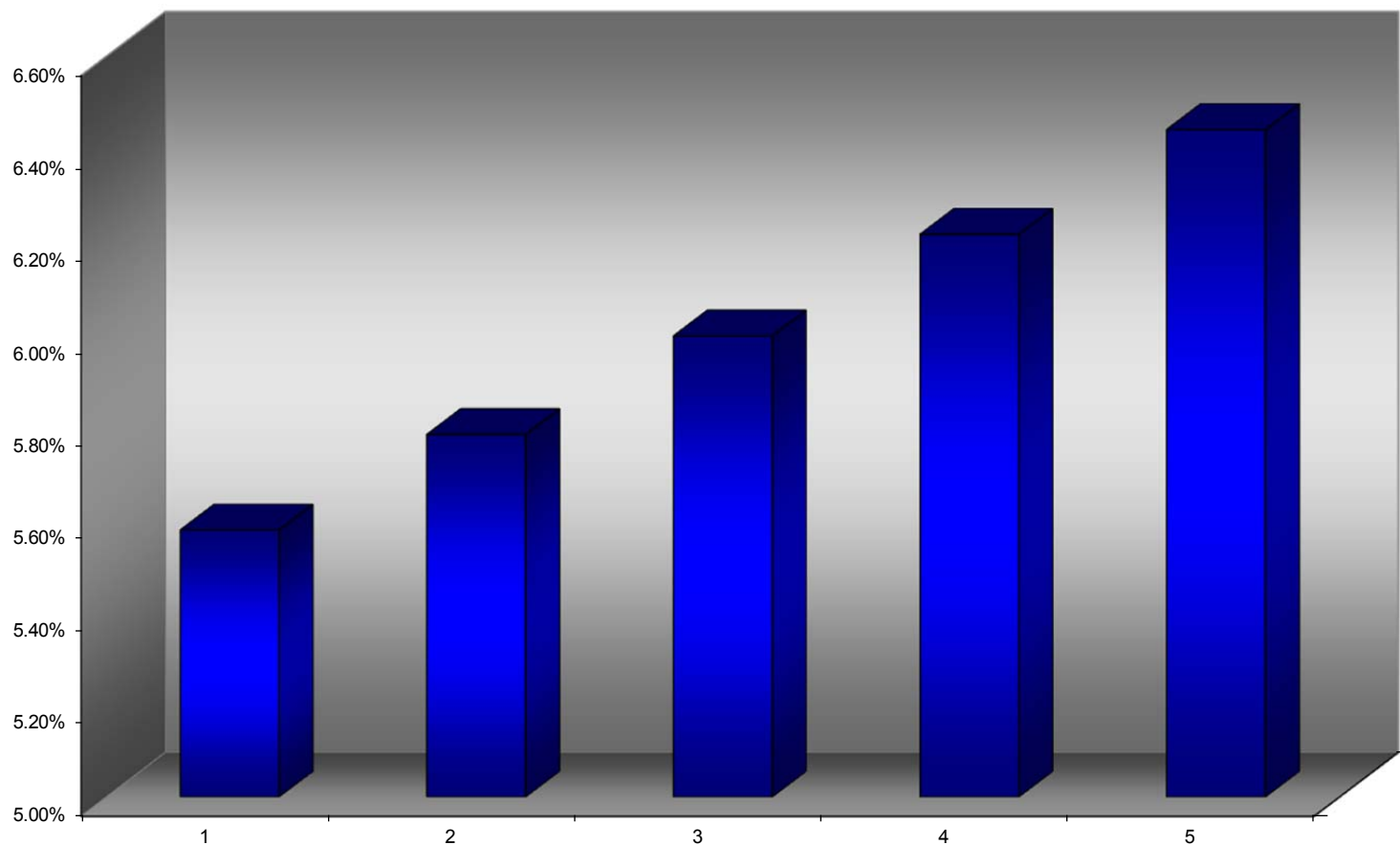
Time Period	Net Operating Income	MIP Payments	Debt Service	Cash Flow Before Tax	Incomes Taxes	Cash Flow After Tax
Int Investment				\$ (124,598)		\$ (124,598)
Year 1	31,482	-	(23,971)	7,511	-	7,511
Year 2	32,647	-	(23,971)	8,676	-	8,676
Year 3	33,848	-	(23,971)	9,877	-	9,877
Year 4	35,087	-	(23,971)	11,116	-	11,116
Year 5	36,364	-	(23,971)	12,393	-	12,393

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	\$ 124,598	\$ 7,511	6.03%	\$ -	\$ 7,511	6.03%
Year 2	124,598	8,676	6.96%	-	8,676	6.96%
Year 3	124,598	9,877	7.93%	-	9,877	7.93%
Year 4	124,598	11,116	8.92%	-	11,116	8.92%
Year 5	124,598	12,393	9.95%	-	12,393	9.95%

Capitalization Rate



<i>Time</i>	<i>Net Operating</i>	<i>Cap Rate on Cost</i>	<i>Resale</i>
<i>Period</i>	<i>Income (NOI)</i>	<i>\$ 564,518</i>	<i>Value</i>
Year 1	\$ 31,482	5.58%	\$ 566,397
Year 2	32,647	5.78%	583,389
Year 3	33,848	6.00%	600,891
Year 4	35,087	6.22%	618,917
Year 5	36,364	6.44%	637,485

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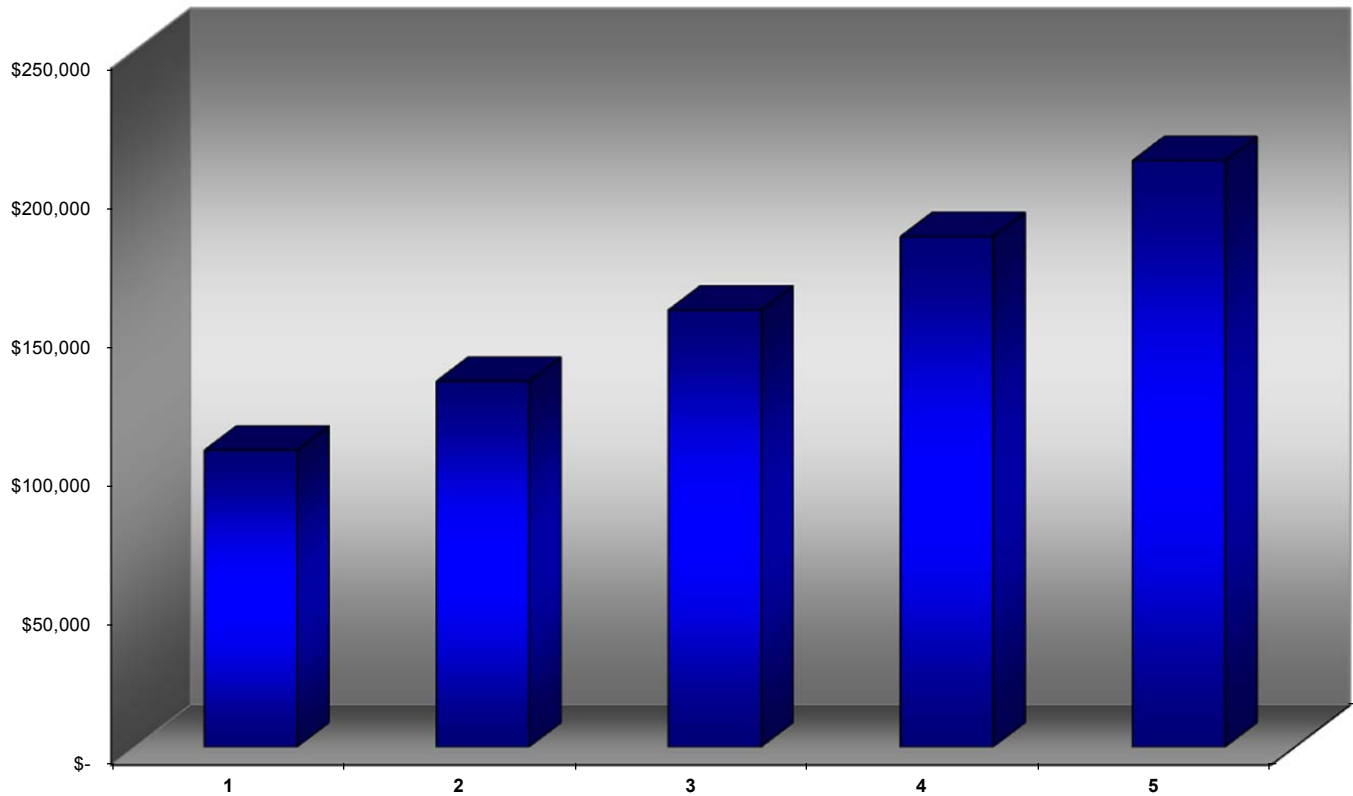
Waterloo, Ontario

Property Equity Analysis



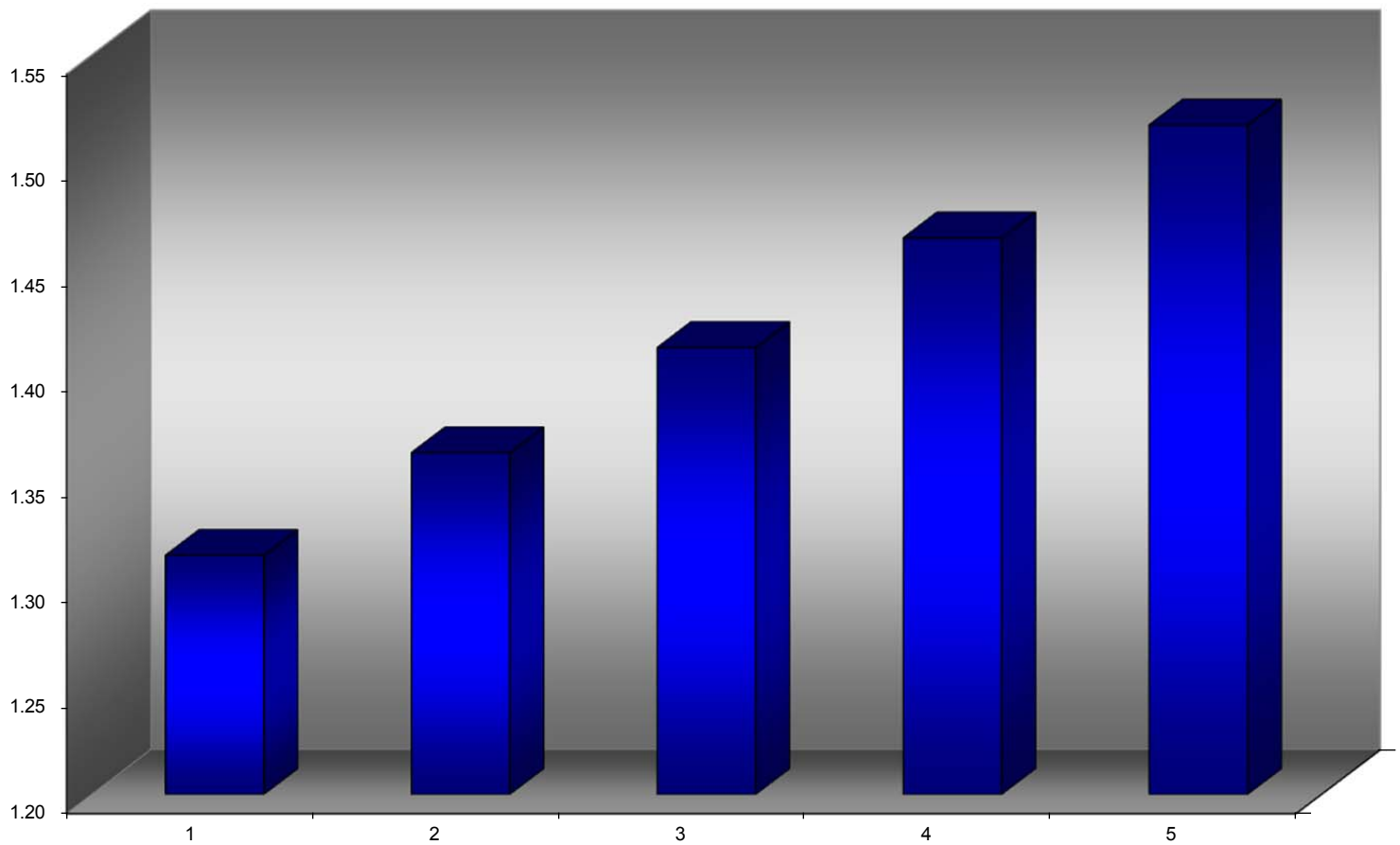
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Time	Projected Adj	Projected	Refi Proceeds	Mortgage(s)	Sale Proceeds	Income Taxes	Sale Proceeds	Property	Year / Year
Period	Resale Value	Increase	(if any)	Balance Payoff	Before Taxes	From Sale	After Taxes	Equity	Equity Increase
Year 1	\$ 538,077	-2.15%	\$	\$ (431,606)	\$ 106,471	\$	\$ 106,471	\$ 106,471	\$ (18,127)
Year 2	554,219	3.00%	-	(422,989)	131,231	-	131,231	131,231	24,760
Year 3	570,846	3.00%	-	(414,057)	156,789	-	156,789	156,789	25,559
Year 4	587,971	3.00%	-	(404,799)	183,173	-	183,173	183,173	26,383
Year 5	605,611	3.00%	-	(395,203)	210,408	-	210,408	210,408	27,235

Debt Coverage Ratio



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 31,482	\$ (23,971)	1.31
Year 2	32,647	(23,971)	1.36
Year 3	33,848	(23,971)	1.41
Year 4	35,087	(23,971)	1.46
Year 5	36,364	(23,971)	1.52

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

\$ 549,900

Initial Improvements

Closing Costs

5,700

Land Transfer Tax

7,473

Other Initial Costs

1,445

% of Cost Allocated to Land

20.00%

\$ 564,518

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):

\$ 549,900

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%	20.0%		
Amount Borrowed or Assumed:		\$ 439,920		
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	Month 1
Start Year:	Year 1	Year 1	Year 1	Year 1
Refinance Mortgage #1 or #2?		No - New Loan	No - New Loan	No - New Loan
Additional Monthly Payment:				
Monthly Mortgage Payment: (Formula)		\$ 1,998	\$	\$
Finance Points	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> 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)				\$ 124,598
MIP Payments?	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Down Payment as a % of Cost		22.07%
		Down Payment as a % of FMV		22.66%

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



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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