

Real Estate Investment Opportunity

Bower - Red Deer
Apartment-style Condo
27 Bennett Street (1-bedroom units)
Red Deer, Alberta

Contact Information

Todd Wyatt

Res. Phone: 1-866-685-7325

Res. Fax:

Cell Phone: 1-866-685-7325

Work Phone: 1-866-685-7325

Work Fax: 604-608-3160

Email: todd@rescuerealty.ca



Reality Check:

Real Estate is not a suitable investment for everyone.

Real Estate Investing has risks associated with it.

There are no guarantees that Real Estate will rise in value; in fact it could drop in value

27 Bennett Street (1-bedroom units)

Red Deer, Alberta

Property Executive Summary

THE BOTTOM LINE

Purchase Price of each unit	\$189,900
What <u>you</u> initially invest <i>(i.e. down payment + all closing costs + reserve)</i>	<u>\$28,346</u>
Mortgage (New Financing variable rate estimated @ 5.5%)	\$142,425
The Down Payment that is covered for you <i>(payback due in 1 year)</i>	\$28,485
Year 1 Annual Cash Flow**	-\$3,731.00
Year 1 Mortgage reduction	\$2,755.10
Year 1 Added Equity	\$16,971.20
Year 1 - Your share of the Added Equity	<u>\$8,485.60</u>
Year 1 - Your Return on Investment	<u>29.94%</u>
Estimated 1.5 year Total Return on Investment	79.09%
Total Estimated profits after 1.5 years @ 8% increase per year	<u>\$26,609.51</u>
Your Estimated profits after 1.5 years @ 8% increase per year	<u>\$13,304.76</u>
Your 1.5-year Return on Investment	<u>46.94%</u>

** - negative cashflow is large with this option but if plan for a reserve, your return is still good.

Table of Contents

- A. Objectives and Summary**
- B. Property Numbers Summary**
- C. Closing Summary**
- D. Property Proforma**

A. Objectives and Summary

- 1) To Purchase a newly, fully-renovated apartment-style condo unit in the growing Red Deer Alberta market.

\$189,900 – (market value)

- 2) To secure a Joint Venture partner willing to invest up to a total of:

\$28,346 per Investment

1 - month reserve

50% will be the Investor's share of this property.

- 3) The rental of the properties are grossly under market levels and will need adjusting to come closer to a break-even cash flow.

- Current rents will need to be brought to market levels at

\$950 /month means

\$11,400 in total rents per annum can be collected at current market rates

2% = Vacancy Rate Allowance

- Estimated Cash Flow based on market rents will be

-\$311 /month. If you plan for this in advance with a reserve in place, you will still turn a good return in a year and a half!

The key is that you must qualify for a standard variable 'interest-only' closed mortgage. A positive cash flow can be realized if you are able to qualify for this conventional, interest-only mortgage. This keeps your monthly payments down and creates a positive-cashflow situation.

- 4) The down payment required for each property is

\$18,990.00 (see attached breakdown in Proforma below)

Summary:

The Property

Year constructed	1982
Sq ft	620 sq ft
Rooms	1 Bedroom, 1 bathroom
Taxes	\$80.00 - month (estimated only - it should not be higher than this.)
Condo Fees	\$150.00 - month
Foundation	Concrete
Construction	Wood Frame
Roof	Ashphalt Shingle
Appliances Included	New Appliances including fridge, stove and dishwasher added.

The Benefits

Key Features:

Fully renovated units that are vacant but rent-ready. Small positive cashflow doable with interest-only mortgage in place.

Prime location, close to all amenities including Red Deer's biggest mall.

Market comparables - 2 Spring-07 sales showing total range of prices:

\$149,900 - Highland Green (lowest)

\$182,420 - Red Deer (average)

\$234,900 - South Hill (highest)

Tenants, Property Management and Exit Strategy

Tenants	Similar units in Area are renting on average at \$950/month as of April 1, 2007 . Closing strategy to negotiate a June 29th, 2007 closing, inheriting a vacant unit rent-ready.
Property Management Strategy	Prudential Simco Property Management division to manage equity building tenant and provide full service, property management services.
Exit Strategy	Buy/ hold (1.5 years), maintain property, renting to equity building tenants. Re-evaluate at that point.

**27 Bennett Street (1-bedroom units)
Red Deer, Alberta, T4N 2W7
4-Plex - Eastview**

Cash to Close Estimate

<u>Item</u>	<u>Cash In</u>	<u>Cash Out</u>	<u>Notes</u>
Initial Cash Deposit	\$1,000		
Remaining Cash Deposit			
Remaining Investment Capital	\$17,990		Remaining balance of deposit
1st mortgage	\$142,425		Bank contribution
2nd mortgage			
Vendor Takeback	\$28,485		Vendor carries
CMHC Payment			Pay 2% charge if D.P. is less than 25% otherwise 0
Total Cost	\$189,900		
Purchase price		\$189,900	Negotiated price
Inspection			Completed
Appraisal		\$350	To be completed
Renos/ Appliances			
Property Management		\$62	Property Manager (Reserve fund + Marketing)
Legal Fees		\$700	Law Office (includes Notary Public)
Condo fees		\$5	
Misc Costs		\$25	
Banking fees			Cheques drafts and misc banking
2006 tax payment		\$487	Taxes Payable at Closing (see below)
	\$189,900	\$191,528	
Extra Funds to Close	\$1,628		Number of months cashflow in reserve = 1
Initial Capital Needed	\$18,990		
Reserve (Extra Investment) Capital	\$2,131		
Extra Contingency	\$5,597		
Total Capital Needed	\$28,346		

Interest Balloon Payment @ 12 months = **\$2,990.93**

Total Balloon Payment @ 12 months = **\$37,072.43**

Notes:

Budget estimated

3-month Reserve fund

Strategy not to let the bank account go below \$3450 and to hold the property for at least 18 months and then determine whether to sell or not at that point.

If rented by closing, factor in first month's rent and damage deposit to 'Cash In'

Estimated Closing date

June 29-07

Calculations

1 days remaining in the month

185 days remaining in the year

Condo Fees (month)	\$150.00	x	3.33%	=	\$5.00
Property Taxes (year - estimated)	\$960.00	x	50.68%	=	\$486.58

**27 Bennett Street (1-bedroom units)
Red Deer, Alberta, T4N 2W7
4-Plex - Eastview**

First Year Proforma

<u>ACQUISITION PRICE</u>		\$189,900.00		
<u>APPRAISED VALUE</u>			\$189,900.00	
			Appraised (Old)	Market
<u>Financial Breakdown</u>	% of the deal			
Down Payment or Cash-to-Mortgage	10.00%	\$18,990.00		
Vendor Take Back Mortgage	15.00%	\$28,485.00		
First Mortgage	75.00%	<u>\$142,425.00</u>		
Extra Money to Account For				
<u>Income</u>		<u>Weekly</u>	<u>Monthly</u>	<u>Annual</u>
Market Rent		\$219.23	\$950.00	\$11,400.00
Vacancy Rate (Monthly Percentage Rate based on Total Rent)	2.00%	<u>\$4.38</u>	<u>\$19.00</u>	<u>\$228.00</u>
Income (1 st Year)		\$214.85	\$931.00	\$11,172.00
Free Rent Rebate				
		\$214.85	\$931.00	\$11,172.00
<u>Expenses</u>				
Property Taxes		\$18.46	\$80.00	\$960.00
Condo Fees		\$34.62	\$150.00	\$1,800.00
Advertising		\$3.85	\$16.67	\$200.00
Insurance		\$3.46	\$15.00	\$180.00
Repairs and Maintenance factor	3.00%	\$6.58	\$28.50	\$342.00
Property Management	6.50%	\$14.25	\$61.75	\$741.00
Miscellaneous		\$4.62	\$20.00	\$240.00
Heat (Tenant)				
Electricity (Tenant)				
Water/Sewer/Garbage				
Expenses (1 st Year)		\$85.83	\$371.92	\$4,463.00
<u>Cash Flow Before Debt Payment</u>		<u>\$129.02</u>	<u>\$559.08</u>	<u>\$6,709.00</u>
		<u>Bi-weekly</u>	<u>Monthly</u>	<u>Annual</u>
First Mortgage Payment (interest + principal)	5.50%	\$401.54	\$870.00	\$10,440.00
Second Mortgage Payment				
Vendor Takeback Payment				
Cash Flow		<u>(\$143.50)</u>	<u>(\$310.92)</u>	<u>(\$3,731.00)</u>
Mortgage Principle reduction (1st Year Monthly Average)				\$2,755.10
TOTAL CASH FLOW				<u>(\$975.90)</u>
Pre-Tax CASH ON CASH RETURN				-19.65%
Estimated Equity Increase over the first year	8.00%			\$15,192.00
1st YEAR RETURN ON EQUITY				<u>50.15%</u>

*This calculator does not calculate monthly mortgage payments because amortization calculations vary from lender to lender.

Initial Investment: **\$28,345.74**

After Year...	Initial Value at Year Start	Annual Value Increase @ 8%	End of Year Total	Increase in Equity	ROI
1	\$189,900.00	8.00%	\$205,092.00	\$14,216.10	50.15%
1.5	\$205,092.00	4.00%	\$213,295.68	\$22,419.78	79.09%
2	\$205,092.00	8.00%	\$221,499.36	\$29,647.56	104.59%
3	\$221,499.36	8.00%	\$239,219.31	\$46,391.61	163.66%
4	\$239,219.31	8.00%	\$258,356.85	\$64,553.25	227.74%
5	\$258,356.85	8.00%	\$279,025.40	\$84,245.90	297.21%
6	\$279,025.40	8.00%	\$301,347.43	\$105,592.03	372.51%
7	\$301,347.43	8.00%	\$325,455.23	\$128,723.93	454.12%
8	\$325,455.23	8.00%	\$351,491.65	\$153,784.45	542.53%
9	\$351,491.65	8.00%	\$379,610.98	\$180,927.88	638.29%
10	\$379,610.98	8.00%	\$409,979.86	\$210,320.86	741.98%
11	\$409,979.86	8.00%	\$442,778.25	\$243,119.25	857.69%
12	\$442,778.25	8.00%	\$478,200.51	\$278,541.51	982.66%
13	\$478,200.51	8.00%	\$516,456.55	\$316,797.55	1117.62%
14	\$516,456.55	8.00%	\$557,773.07	\$358,114.07	1263.38%
15	\$557,773.07	8.00%	\$602,394.91	\$402,735.91	1420.80%
16	\$602,394.91	8.00%	\$650,586.51	\$450,927.51	1590.81%
17	\$650,586.51	8.00%	\$702,633.43	\$502,974.43	1774.43%
18	\$702,633.43	8.00%	\$758,844.10	\$559,185.10	1972.73%
19	\$758,844.10	8.00%	\$819,551.63	\$619,892.63	2186.90%
20	\$819,551.63	8.00%	\$885,115.76	\$685,456.76	2418.20%
21	\$885,115.76	8.00%	\$955,925.02	\$756,266.02	2668.01%
22	\$955,925.02	8.00%	\$1,032,399.02	\$832,740.02	2937.80%
23	\$1,032,399.02	8.00%	\$1,114,990.95	\$915,331.95	3229.17%
24	\$1,114,990.95	8.00%	\$1,204,190.22	\$1,004,531.22	3543.85%
25	\$1,204,190.22	8.00%	\$1,300,525.44	\$1,100,866.44	3883.71%

Payback after Year 1

VTB	Interest (@7%)	<u>Total Payback</u>
\$28,485.00	\$1,993.95	\$30,478.95