

Basic Residential Real Estate Investment Model

Executive Summary:

Our objective is to safely build long-term recession-proof wealth by acquiring break-even or positive cash-flow residential revenue property in fundamentally strong areas, at or below market value, with expectation of a minimum 5-8 year hold. Strategic upgrades and superior property management help to attract and retain desirable tenants.

Why Real Estate?

Revenue producing real estate investment benefits from the prudent use of leverage secured against hard assets to achieve: income from cash-flow; reduction of mortgage balance; equity growth through appreciation; a hedge against inflation; and generally favourable tax treatment.

There is risk associated with all investment activity

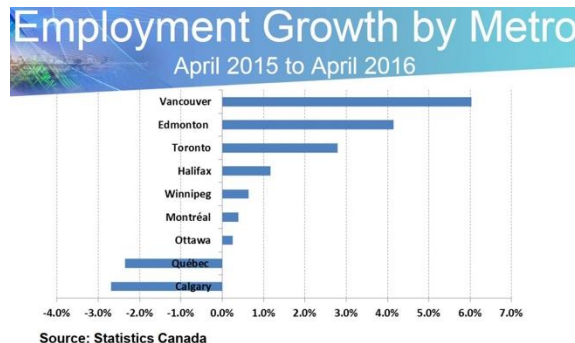
Novice real estate investors lack sufficient information, knowledge, and experience to find, acquire, and control consistently performing assets. There is a significant difference between speculation and investment. Seasoned investors learn to identify, mitigate, and manage risk.

Why Edmonton?

Alberta is finally experiencing green shoots of recovery following the province's longest sustained recession since 1982-83. In the midst of this, Edmonton is home to one of North America's biggest downtown building booms with projects worth over \$3 billion planned or underway in the central core alone.¹ Thanks to its big public sector workforce and a well-timed construction boom, Edmonton remains a beacon of stability (see chart *% Real GDP Growth*), and the city's employment growth still rate ranks among the highest in Canada (see chart *Employment Growth by Metro*).



Source: IMF, City of Edmonton, C4SE



Source: Statistics Canada

¹ <http://edmontonjournal.com/business/commercial-real-estate/downtown-edmonton-rises-while-economy-falls-flat>

"In March 2016, average weekly earnings in Alberta were \$1,133, 3.5% less than the same month one year ago. Nationally, average weekly earnings were \$962 in March, an increase of 0.6% over the same period last year. Alberta's March average wage of \$1,133 was well ahead of the next highest province, Newfoundland and Labrador, at \$1,008."²

"On January 1, 2016, Alberta's population reached 4.23 million, up 72,400 or 1.7% from January 1, 2015. The national growth rate was 0.9% over the same period. Alberta accounted for 21% of Canada's population increase over the past year and ranked 1st in the year-over-year population growth rate."³

Why Now?

Alberta has suffered a cyclical downturn. Provincial GDP is forecast to grow in 2017. Edmonton's residential real estate market has remained balanced (favouring neither buyer nor seller) throughout the recession due to its relatively stable job market. As economic fundamentals improve, there is opportunity to take a conservative position in residential revenue property.

Some other things you may not know:

- There are no Land Transfer Taxes in Alberta
- There are no Rent Controls in Alberta
- Conventional mortgages in Alberta are non-recourse
- Alberta Condominium Corporations must commission a Reserve Fund Study every 5 years
- The residential vacancy rate in Edmonton is 7.1% (CMHC, October 2017)

Managing Partner

Involved in the real estate industry for over 35 years as an investor, Realtor[®], educator, and international consultant, I've closed hundreds of transactions in a variety of markets with an extremely successful track record. I constantly monitor economic research and gain market-specific information long before it becomes common knowledge.

Capital Partner:

Capital Partners are invited to participate in these projects. As Managing Partner I find, negotiate, and administer the investment from beginning to end. The Capital Partner supplies initial capital and credit, is fully secured on title and, upon disposition receives return of all funds invested plus participation in 50% of net profits as fully described in a Joint Venture Agreement.

² <http://economicdashboard.alberta.ca/AverageWeeklyEarnings>

³ <http://economicdashboard.alberta.ca/Population#interprovincial>

Case Study

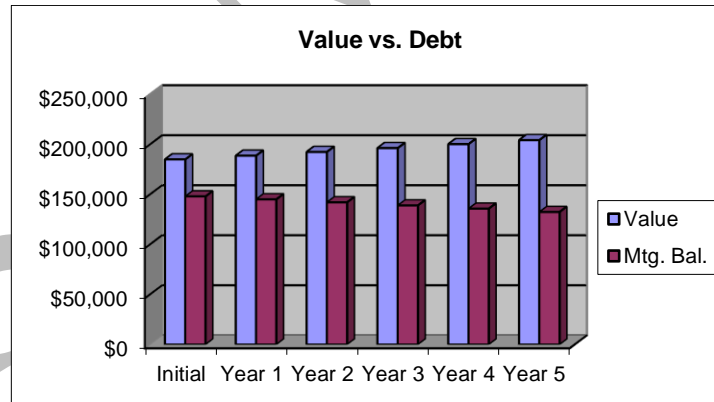
This property is a well-situated 2 story townhouse with front and rear yards, adjacent parking, 3 bedrooms, 1½ bathroom, 6 appliances, and in excellent condition. The complex has good management and a qualified tenant was secured prior to closing.

Projections below are based on rent (\$1310/month); mortgage payment (\$654/month); property tax (\$1,440/year); condo fee (\$291/month); and management (10% of rent). Vacancy and maintenance allowances are budgeted, but omitted from this example, as are annual rent increases.*

CASE STUDY (Knightsbridge)

Purchase price	\$185,000
Initial Investment (DP, cash to close, light renovations, project mgmt, staying fund)	\$45,365
First mortgage (80% loan-to-value)	\$148,000
Year 1 cash-flow (rent - PITCM)	\$1,368
Year 1 cash-on-cash return	3.02%
Year 1 mortgage reduction (30 year amortization; 3.39% fixed interest)	\$2,905
Year 1 gain (cash flow + principal reduction)	\$4,273
Year 1 return on investment assuming 0% appreciation (gain / investment)	9.42%
Estimated 5-year value (assuming 2% annual appreciation)	\$204,255
Estimated 5-year mortgage balance	\$132,444
Estimated 5-year gain (Value + cash-flow – mortgage balance – investment)	\$33,286
Estimated 5-year return on investment (5 year gain / investment)	73%

* A pro forma is prepared prior to purchase, pressure testing for a variety of variables.



Using the Case above, a Capital Partner's projected net gain is calculated as follows:

Calculation of Capital Partner 5-Year ROI

Estimated 5-year gain	\$33,286
50% of 5-year gain	\$16,643
Divide by Initial Investment	\$45,365
Capital Partner return on investment (5-years simple interest)	37%

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NOTICE TO STUDENTS:

This is a template for demonstration purposes only. Information contained in this document is dated, and specific to the type of investment contemplated.

Get to the point.

Use images.

Cite sources.

Never oversell.

Highlight risk.

Use this as a guide. You are welcome to use any part or parts of it that serve your purposes.

You will be most successful if you seek to fully understand what you are presenting and *REDO EVERYTHING*.

~ Jeff