

INVESTMENT OPPORTUNITY

**Single Family Fixer Upper
3 bedroom – 1 bath**

**Barrie, Ontario
Closing Date: September 29, 2011**

Contact Information

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A. Objectives and Summary

- 1) Purchase a fixer upper cash flowing Real Estate Investment property in the growing Barrie, Ontario market. Repair the property to create sweat equity appreciation and re-finance the property to improve cash flow and return a large portion of the investors money
- 2) Fixer upper located near Cundles Rd. and Anne St. MLS listing price \$185,000. Accepted purchase price of \$166,000. **Expected annual profit of 118.2% over a 3 year period for the on-going investment of \$22,800 after re-financing.**
- 3) The market rental of the property will provide a positive cash flow position for the property
 - Estimated positive cash flow based on attached profroma – additional reserve funds have been budgeted.
 - **\$322/ month** (see attached details)
- 4) Upfront investment is **\$46,000 but on going investment of \$22,800 after repairing and re-financing. (will pay the interest on your borrowed funds to invest).** This will cover all down payments, closing costs, repair materials, and reserve funds.
- 5) Based on a value increase of \$29,000 in forced appreciation (sweat equity) and 5% per year for market appreciation the expected value is **\$225,736 in 3 years.**

B. Property Numbers Summary

A. Summary

B. Property Summary Information & Strategy

Fixer Upper Barrie, Ontario

The Numbers

Accepted Purchase Price	\$166,000
Appraised Value (after renovations)	\$195,000
Down Payment	\$33,200
Estimated Renovations/Appliance	\$5,100
Year 1 Annual Cash Flow	\$3,864
Year 1 Mortgage Reduction	\$3,684
Year 1 Profit after re-financing	\$7,548
Year 1 Return on Investment with cash flow for on going investment of \$22,800	16.9%
Estimated 3 Year Property Value (5% growth/year)	\$225,736
Estimated 3 Year Mortgage Balance	\$144,593
Estimated 3 Year Profit (5% growth/year) (Estimated 3 Year Value - Mortgage Balance – investors funds)	\$58,343
Estimated Annual Return on Investment	85.3%
Estimated 3 Year Profit with Cash flow	\$69,935
Estimated Annual Return on Investment Including Cash Flow	102.2%

Property Summary:

The Property

Age	35 Years
Sq Ft	1,140 - 2 story
Rooms	5 rooms, 3 bedrooms, 1 bathroom
Parking	Single driveway – parking for 2 cars
Appliances Included	None
Taxes	\$2,500 - estimated
Construction	Frame
Roof	Asphalt Shingles

The Benefits

Key Features:

- Amazing return on investment. Investment amount of \$46,000 is required up front but only \$22,800 after re-financing to own an arm-chair investment opportunity. Property to be re-financed 2-3 months after closing. Included in investment, all funds required (down payment, reserve funds, renovation fund, and closing costs)
- Able to force approximately \$29,000 in appreciation by doing repairs.
- Desirable family area suited for rental properties. Barrie is rated in the top 10 cities in Canada for real estate in investment

Property Management and Exit Strategy

Property Management:	Brennan Property Investments will provide full service Property Management
Renovations:	Property will be empty and renovations should take approximately 4 weeks allowing a tenant to move in November 1st.
Exit Strategy:	Buy/Hold (3 years), keep property in good shape renting to tenants. Possible sale to tenant.

C. Property Proforma's

A. Cash Flow Summary

B. Total Investment Projection

Fixer Upper Barrie, Ontario

Accepted Purchase Price \$166,000

After Repairs Appraised Value \$195,000

Financial Breakdown After Re-Financing

Investor's on going investment \$22,800
First Mortgage \$156,000
(new financing, variable rate @ 2.2%, 30 yr Amort.)

<u>Income</u>	<u>Monthly</u>	<u>Annual</u>
Market Rent	\$1,250	\$15,000

<u>Expenses</u>		
Property Taxes	\$-200	\$-2,400
Insurance	\$-70	\$-840
Total Expenses	\$-270	\$-3,240

Cash Flow Before Debt Payment **\$980** **\$11,760**

First Mortgage Payment (interest + principle)	\$-592	\$-7,104
Interest on investor's investment	\$-67	\$-804
Cash Flow	\$322	\$3,864
Mortgage Principle Reduction	\$307	\$3,368

TOTAL PROFIT **\$629** **\$7,548**

PRE-TAX CASH ON CASH RETURN **16.9%**

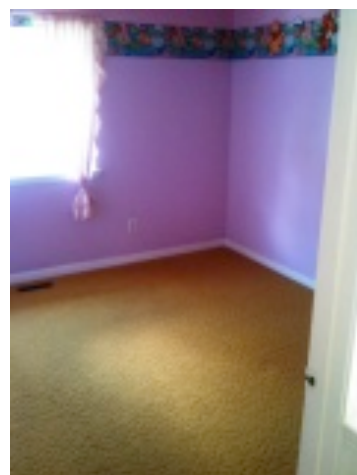
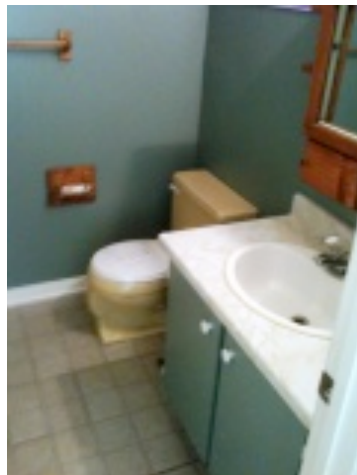
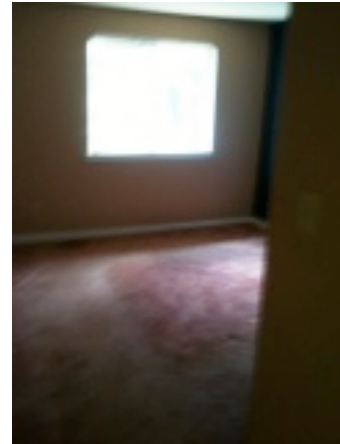
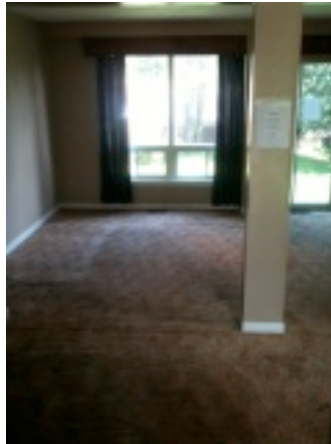
Fixer Upper
Barrie, Ontario

ESTIMATED INVESTMENT PROJECTION

Down Payment	\$33,200
Renovations/Appliances	\$5,100
Approximate Closing Costs	
Inspection	\$400
Title insurance	\$350
Property Taxes Adjustments	\$500
Legal Costs and Land Transfer	\$2,950
Tenant Acquisition Costs	\$0
Staying Power Fund	\$3,500
Total Required Cash Investment	\$46,000

D. Pictures

Fixer Upper Barrie, Ontario



Joint Venture Worksheet:

Real Estate Expert Tasks	Financial Investor Tasks
Real Estate expertise and leadership	Initial Investment of \$46,000
Real Estate contacts (Realtor, Lawyer, Accountant, Insurance Agent, Home Inspector)	Qualifies for mortgage and on title
Local Real Estate market knowledge	Covers 50% of negative cash flow (if any)
Locates property	Signed joint venture agreement
Negotiate purchase price	
Work with Mortgage Broker	
Manages property	
Experienced with tenant selection	
Provides labour and or over sees repairs	
Volume discount with trades people	
Covers 50% of negative cash flow (if any)	
Signed joint venture agreement	
Book keeping and bill payment	

Exit Strategy:

- Hold property for approximately 3 years to build appreciation and increase ROI
- Upon sale of property financial investor receives all remaining investment capital outstanding (\$22,800) first, then balance is split 50/50
- Each investor has the right of first refusal to buy the other out

Notes:

- No management fees paid to the real estate expert
- Interest on money borrowed to invest by the financial investor is treated as an expense before profit