

Investment Analysis – 20 Gallagher, Shediac, New Brunswick E4P1S8

Amenities:

- Central air conditioning
- Air exchanger
- Forced air heating
- Propane heat
- Municipal water
- Municipal sewage system
- Shed
- Corner lot
- Level lot
- Landscaped yard
- Freehold title
- Year-round access
- Cedar shingles exterior
- Block foundation
- Laminate, tile and vinyl flooring
- Basement with flex space
- Walkable downtown location

Notes:

- List price: \$199,900
- 4 bedrooms, 1 bathroom (4pc)
- Potential to convert basement flex space into a 5th bedroom
- Basement bedroom listed; verify egress/legal conformity
- Square footage: 1,440 sq ft above grade (total finished also 1,440 sq ft; basement largely unfinished)
- Heating: forced air (propane); Cooling: central A/C; Air exchanger present
- Rental equipment: furnace and propane tank (buyer to assume or negotiate buyout)
- Lot size: 512 m²
- Annual property taxes: \$2,620.85
- Utilities: municipal water and sewer
- Foundation: block; Exterior: cedar shingles
- Title: Freehold
- Prime downtown Shediac location; walkable to restaurants, shops, marina and Parlee Beach
- Suitable for end-user or investment (short-term or long-term rental potential)
- Quick closing available

Condition & Defects:

- As-is sale
- Priced under assessment
- Quick closing
- Investment potential
- Unfinished basement
- Rental equipment attached

Purchase Metrics

- **Cap Rate (Y1):** 1.41%
- **Cash-on-Cash (Y1):** -71.01%
- **DSCR (Y1):** 0.21
- **Annual Debt Service (Y1):** \$13,471.01
- **Acquisition Cash Outlay:** \$14,995.00
- **Cap Rate – Interest Spread:** -3.29%

Forecasting Methodology

We produce **three parallel valuation tracks** and mark the first year where the loan-to-value (LTV) reaches **± 80%** (standard refi-ready threshold). All math is deterministic.

1) Baseline (Appreciation-Based)

Property value grows at an assumed annual appreciation rate g :

$$\begin{aligned} \text{Value}_t &= \text{PurchasePrice} \times (1 + g)^t \\ \text{LTV}_t &= \frac{\text{MortgageBalance}_t}{\text{Value}_t} \\ \text{Equity}_t^{(80\%)} &= 0.80 \times \text{Value}_t - \text{MortgageBalance}_t \end{aligned}$$

2) Stress-Test (Rate-Anchored, Conservative)

Anchors value growth to a fraction of today's debt rate r (stress stance). If the model uses an adjustment Adj to reflect effective basis (e.g., subtracting certain upfronts), then:

$$\begin{aligned} \text{StressValue}_t &= (\text{PurchasePrice} - \text{Adj}) \times (1 + \frac{r}{3})^t \\ \text{LTV}_t &= \frac{\text{MortgageBalance}_t}{\text{StressValue}_t} \\ \text{Equity}_t^{(80\%)} &= 0.80 \times \text{StressValue}_t - \text{MortgageBalance}_t \end{aligned}$$

3) NOI-Based (Market-Income Approach with Cap Rate Drift)

Values are derived from income with a drifting market cap rate:

$$\begin{aligned} \text{CapRate}_t &= \text{CapRate}_0 + (\text{drift}_{\text{per_year}} \times t) \\ \text{NOIValue}_t &= \frac{\text{NOI}_t}{\text{CapRate}_t} \\ \text{LTV}_t &= \frac{\text{MortgageBalance}_t}{\text{NOIValue}_t} \\ \text{Equity}_t^{(80\%)} &= 0.80 \times \text{NOIValue}_t - \text{MortgageBalance}_t \end{aligned}$$

Notes

- *Seasoning:* refi checks typically begin at Year 1 or later (configurable).
- We use end-of-year balances and values for consistency.
- LTV comparisons use a small epsilon to avoid floating-point edge cases.
- This report shows the full horizon; refi years are marked when available.

Investment Thesis

- **Verdict:** PASS
- **Rationale:**
 - Year-1 DSCR of 0.21 is far below 1.00 and remains <1.00 for roughly 25 years, indicating inability to cover debt service from NOI
 - Purchase cap rate of 1.41% is materially below typical underwriting floors and implied debt costs, with a negative cap-rate spread of -3.29%
 - Cash-on-cash return at acquisition is -71.01%, driven by projected Year-1 cash flow of approximately -\$10.65k
 - 10-year IRR of 3.38% is well below risk-adjusted return hurdles for small residential rentals

- Persistent negative cash flow through the amortization period requires ongoing capital infusions and increases risk
- Subscale asset risk (fewer than 4 units) amplifies vacancy and expense shocks
- Operating costs and third-party management burden are high relative to GOI, constraining NOI growth
- As-is sale and potential code/egress compliance for basement bedroom introduce unmodeled capex risk
- Rental equipment obligations (furnace and propane tank) may add recurring costs not fully reflected in the model
- Small-market exposure limits exit liquidity and rent growth certainty, undermining refinancing or disposition upside

30-Year Pro Forma (Summary)

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
1	\$37,200.00	\$24,180.00	\$21,357.00	\$2,823.00	\$13,471.01	-\$10,648.01	0.21	\$193,640.33
2	\$38,688.00	\$25,147.20	\$22,104.49	\$3,042.71	\$13,471.01	-\$10,428.30	0.23	\$189,175.05
3	\$40,235.52	\$26,153.09	\$22,878.15	\$3,274.94	\$13,471.01	-\$10,196.07	0.24	\$184,495.31
4	\$41,844.94	\$27,199.21	\$23,678.89	\$3,520.32	\$13,471.01	-\$9,950.68	0.26	\$179,590.82
5	\$43,518.74	\$28,287.18	\$24,507.65	\$3,779.53	\$13,471.01	-\$9,691.48	0.28	\$174,450.80
6	\$45,259.49	\$29,418.67	\$25,365.42	\$4,053.25	\$13,471.01	-\$9,417.76	0.30	\$169,063.91
7	\$47,069.87	\$30,595.41	\$26,253.21	\$4,342.21	\$13,471.01	-\$9,128.80	0.32	\$163,418.32
8	\$48,952.66	\$31,819.23	\$27,172.07	\$4,647.16	\$13,471.01	-\$8,823.85	0.34	\$157,501.60
9	\$50,910.77	\$33,092.00	\$28,123.09	\$4,968.91	\$13,471.01	-\$8,502.10	0.37	\$151,300.72
10	\$52,947.20	\$34,415.68	\$29,107.40	\$5,308.28	\$13,471.01	-\$8,162.73	0.39	\$144,802.04
11	\$55,065.09	\$35,792.31	\$30,126.16	\$5,666.15	\$13,471.01	-\$7,804.86	0.42	\$137,991.25
12	\$57,267.69	\$37,224.00	\$31,180.57	\$6,043.43	\$13,471.01	-\$7,427.58	0.45	\$130,853.37
13	\$59,558.40	\$38,712.96	\$32,271.89	\$6,441.07	\$13,471.01	-\$7,029.94	0.48	\$123,372.69
14	\$61,940.73	\$40,261.48	\$33,401.41	\$6,860.07	\$13,471.01	-\$6,610.94	0.51	\$115,532.74
15	\$64,418.36	\$41,871.94	\$34,570.46	\$7,301.48	\$13,471.01	-\$6,169.53	0.54	\$107,316.28
16	\$66,995.10	\$43,546.81	\$35,780.42	\$7,766.39	\$13,471.01	-\$5,704.62	0.58	\$98,705.21
17	\$69,674.90	\$45,288.69	\$37,032.74	\$8,255.95	\$13,471.01	-\$5,215.06	0.61	\$89,680.58
18	\$72,461.90	\$47,100.23	\$38,328.89	\$8,771.35	\$13,471.01	-\$4,699.66	0.65	\$80,222.55
19	\$75,360.37	\$48,984.24	\$39,670.40	\$9,313.85	\$13,471.01	-\$4,157.16	0.69	\$70,310.28
20	\$78,374.79	\$50,943.61	\$41,058.86	\$9,884.75	\$13,471.01	-\$3,586.26	0.73	\$59,921.97
21	\$81,509.78	\$52,981.36	\$42,495.92	\$10,485.44	\$13,471.01	-\$2,985.57	0.78	\$49,034.75
22	\$84,770.17	\$55,100.61	\$43,983.28	\$11,117.33	\$13,471.01	-\$2,353.67	0.83	\$37,624.66
23	\$88,160.98	\$57,304.64	\$45,522.69	\$11,781.94	\$13,471.01	-\$1,689.07	0.87	\$25,666.60
24	\$91,687.42	\$59,596.82	\$47,115.99	\$12,480.83	\$13,471.01	-\$990.17	0.93	\$13,134.24

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
25	\$95,354.91	\$61,980.69	\$48,765.05	\$13,215.65	\$13,471.01	-\$255.36	0.98	\$0.00
26	\$99,169.11	\$64,459.92	\$50,471.82	\$13,988.10	\$0.00	\$13,988.10	0.00	\$0.00
27	\$103,135.88	\$67,038.32	\$52,238.34	\$14,799.98	\$0.00	\$14,799.98	0.00	\$0.00
28	\$107,261.31	\$69,719.85	\$54,066.68	\$15,653.17	\$0.00	\$15,653.17	0.00	\$0.00
29	\$111,551.76	\$72,508.65	\$55,959.01	\$16,549.63	\$0.00	\$16,549.63	0.00	\$0.00
30	\$116,013.83	\$75,408.99	\$57,917.58	\$17,491.41	\$0.00	\$17,491.41	0.00	\$0.00

Valuation – Baseline Appreciation (g = 3.00%)

Year	Estimated Value	LTV %	Available Equity @80%
1	\$205,897.00	94.05%	-\$28,922.73
2	\$212,073.91	89.20%	-\$19,515.92
3	\$218,436.13	84.46%	-\$9,746.41
4	\$224,989.21	79.82%	\$400.55
5	\$231,738.89	75.28%	\$10,940.31
6	\$238,691.05	70.83%	\$21,888.93
7	\$245,851.79	66.47%	\$33,263.10
8	\$253,227.34	62.20%	\$45,080.27
9	\$260,824.16	58.01%	\$57,358.61
10	\$268,648.88	53.90%	\$70,117.07
11	\$276,708.35	49.87%	\$83,375.43
12	\$285,009.60	45.91%	\$97,154.31
13	\$293,559.89	42.03%	\$111,475.22
14	\$302,366.69	38.21%	\$126,360.60
15	\$311,437.69	34.46%	\$141,833.87
16	\$320,780.82	30.77%	\$157,919.45
17	\$330,404.24	27.14%	\$174,642.81
18	\$340,316.37	23.57%	\$192,030.55
19	\$350,525.86	20.06%	\$210,110.41
20	\$361,041.64	16.60%	\$228,911.34
21	\$371,872.88	13.19%	\$248,463.56
22	\$383,029.07	9.82%	\$268,798.60
23	\$394,519.94	6.51%	\$289,949.36

Year	Estimated Value	LTV %	Available Equity @80%
24	\$406,355.54	3.23%	\$311,950.20
25	\$418,546.21	0.00%	\$334,836.97
26	\$431,102.59	0.00%	\$344,882.08
27	\$444,035.67	0.00%	\$355,228.54
28	\$457,356.74	0.00%	\$365,885.39
29	\$471,077.44	0.00%	\$376,861.96
30	\$485,209.77	0.00%	\$388,167.81

Valuation – Stress-Test (rate-anchored: $r/3 = 1.57\%$, $adj = \$0.00$)

Year	Estimated Value	LTV %	Available Equity @80%
1	\$203,031.77	95.37%	-\$31,214.92
2	\$206,212.60	91.74%	-\$24,204.97
3	\$209,443.26	88.09%	-\$16,940.70
4	\$212,724.54	84.42%	-\$9,411.19
5	\$216,057.22	80.74%	-\$1,605.02
6	\$219,442.12	77.04%	\$6,489.78
7	\$222,880.05	73.32%	\$14,885.71
8	\$226,371.83	69.58%	\$23,595.87
9	\$229,918.33	65.81%	\$32,633.94
10	\$233,520.38	62.01%	\$42,014.27
11	\$237,178.87	58.18%	\$51,751.84
12	\$240,894.67	54.32%	\$61,862.36
13	\$244,668.68	50.42%	\$72,362.26
14	\$248,501.83	46.49%	\$83,268.72
15	\$252,395.02	42.52%	\$94,599.74
16	\$256,349.21	38.50%	\$106,374.16
17	\$260,365.35	34.44%	\$118,611.70
18	\$264,444.41	30.34%	\$131,332.98
19	\$268,587.37	26.18%	\$144,559.62
20	\$272,795.24	21.97%	\$158,314.22
21	\$277,069.03	17.70%	\$172,620.48
22	\$281,409.78	13.37%	\$187,503.16
23	\$285,818.53	8.98%	\$202,988.23

Year	Estimated Value	LTV %	Available Equity @80%
24	\$290,296.35	4.52%	\$219,102.85
25	\$294,844.33	0.00%	\$235,875.46
26	\$299,463.56	0.00%	\$239,570.85
27	\$304,155.15	0.00%	\$243,324.12
28	\$308,920.25	0.00%	\$247,136.20
29	\$313,760.00	0.00%	\$251,008.00
30	\$318,675.58	0.00%	\$254,940.46

Valuation – NOI-Based (with Cap Drift)

Year	Cap Rate (applied)	Estimated Value	LTV %	Available Equity @80%
1	1.41%	\$199,900.00	96.87%	-\$33,720.33
2	1.46%	\$208,090.02	90.91%	-\$22,703.03
3	1.51%	\$216,566.75	85.19%	-\$11,241.90
4	1.56%	\$225,343.11	79.70%	\$683.67
5	1.61%	\$234,432.26	74.41%	\$13,095.01
6	1.66%	\$243,847.66	69.33%	\$26,014.22
7	1.71%	\$253,603.11	64.44%	\$39,464.16
8	1.76%	\$263,712.75	59.72%	\$53,468.60
9	1.81%	\$274,191.17	55.18%	\$68,052.21
10	1.86%	\$285,053.35	50.80%	\$83,240.64
11	1.91%	\$296,314.77	46.57%	\$99,060.56
12	1.96%	\$307,991.39	42.49%	\$115,539.74
13	2.01%	\$320,099.70	38.54%	\$132,707.07
14	2.06%	\$332,656.75	34.73%	\$150,592.66
15	2.11%	\$345,680.17	31.04%	\$169,227.86
16	2.16%	\$359,188.19	27.48%	\$188,645.35
17	2.21%	\$373,199.71	24.03%	\$208,879.18
18	2.26%	\$387,734.27	20.69%	\$229,964.87
19	2.31%	\$402,812.13	17.45%	\$251,939.42
20	2.36%	\$418,454.28	14.32%	\$274,841.45
21	2.41%	\$434,682.46	11.28%	\$298,711.22
22	2.46%	\$451,519.23	8.33%	\$323,590.72
23	2.51%	\$468,987.94	5.47%	\$349,523.76

Year	Cap Rate (applied)	Estimated Value	LTV %	Available Equity @80%
24	2.56%	\$487,112.84	2.70%	\$376,556.03
25	2.61%	\$505,919.05	0.00%	\$404,735.24
26	2.66%	\$525,432.62	0.00%	\$420,346.10
27	2.71%	\$545,680.60	0.00%	\$436,544.48
28	2.76%	\$566,691.00	0.00%	\$453,352.80
29	2.81%	\$588,492.92	0.00%	\$470,794.33
30	2.86%	\$611,116.51	0.00%	\$488,893.21

Operating Expenses - Year 1 Detail

- Insurance: \$1,200.00
- Taxes: \$2,621.00
- Utilities: \$3,600.00
- Water & Sewer: \$1,200.00
- Property Management: \$8,360.00
- Repairs & Maintenance: \$3,500.00
- Trash: \$0.00
- Landscaping: \$276.00
- Snow Removal: \$600.00
- HOA Fees: \$0.00
- Reserves: \$0.00
- Other: \$0.00
- **Total OPEX (Y1):** \$21,357.00

Returns Summary (10-Year)

- **IRR:** 3.38%
- **Equity Multiple:** 13.27x

Warnings

- Purchase cap rate 1.412% below floor 5.000%.
- Cap-rate spread -3.288% below target 1.500%.
- Subscale risk: fewer than 4 units.
- Negative cash flow in one or more years.