

# Investment Analysis – 36 Kelly, Moncton, New Brunswick U1C 2R7

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## Amenities:

- duplex up-and-down
- legal basement apartment
- two self-contained units
- separate electrical meters
- in-unit laundry in both units
- electric baseboard heating
- municipal water
- vinyl siding exterior
- paved driveway
- large lot
- finished basement
- bright upper kitchen
- dining room (upper unit)
- living room (upper unit)
- close to schools and amenities
- year-round road access

## Notes:

- Price: \$399,900
- Square feet: 1,936
- Approx. price per sq ft: \$207
- Lot size: 1,274.8 m<sup>2</sup> (~0.315 acres)
- Property taxes: \$5,396.81 (2024)
- Assessment: \$262,900
- Property type: Residential bungalow; duplex (up-and-down)
- Units: 2 total
- Upper unit: 3 bedrooms, 1 bathroom; bright kitchen with white cabinetry; dining room; living room; laundry
- Lower unit: 2 bedrooms, 1 bathroom; kitchen; combined living/dining; laundry
- Basement: fully finished legal apartment
- Occupancy: upper unit vacant; lower unit tenant-occupied
- Utilities: separate electrical meters
- Heating: electric baseboard
- Water: municipal
- Exterior: vinyl siding
- Driveway: paved
- Garage: none
- Dual-purpose: live in one unit, rent the other
- Location: close to schools and amenities; year-round road access
- Listing brokerage: EXIT Realty Associates
- Listing status: cancelled (useful for comps/analysis)

## Condition & Defects:

- recently renovated
- move-in ready
- fully finished basement
- legal secondary suite

## Purchase Metrics

- **Cap Rate (Y1):** 6.35%
- **Cash-on-Cash (Y1):** -12.67%
- **DSCR (Y1):** 0.87
- **Annual Debt Service (Y1):** \$29,174.14
- **Acquisition Cash Outlay:** \$29,995.00
- **Cap Rate – Interest Spread:** 0.85%

## 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  $\text{Adj}$  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:** CONDITIONAL
- **Rationale:**
  - Underwritten DSCR is 0.87 at purchase with negative cash flow for the first five years, indicating insufficient coverage of debt service under current assumptions.

- Operating expenses omit property management and repairs/reserves, which would further depress DSCR and cash flow if applied realistically.
- Cap-rate spread is 0.845% versus a 1.50% target, implying inadequate risk premium; targeting a ~7.0% cap on current NOI suggests a price near \$362,500 or a rate buydown/higher equity to bridge the gap.
- Subscale exposure (2 units) concentrates income risk; one vacancy or turn can materially impact performance.
- Forecast taxes (\$4,747) are below the listing's 2024 property taxes (~\$5,397), implying NOI may be overstated.
- Strengths include a legal, separately metered duplex with recent renovations and one vacant unit enabling an immediate rent reset; amortization drives improving DSCR and positive cash flow from Year 6; modeled 10-year IRR of 15.34%.
- Proceed only if price is reduced to approximately \$362,500 (or equivalent seller concessions), or if financing terms are improved to achieve Year-1 DSCR of at least 1.20 and breakeven cash flow when underwriting with property management (~8% of GOI) and repairs/reserves (8–10% of GOI). If these conditions cannot be met, pass.

### 30-Year Pro Forma (Summary)

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
1	\$34,800.00	\$32,068.20	\$6,693.00	\$25,375.20	\$29,174.14	-\$3,798.94	0.87	\$388,312.00
2	\$35,844.00	\$33,030.25	\$6,826.86	\$26,203.39	\$29,174.14	-\$2,970.76	0.90	\$380,294.93
3	\$36,919.32	\$34,021.15	\$6,963.40	\$27,057.76	\$29,174.14	-\$2,116.39	0.93	\$371,825.62
4	\$38,026.90	\$35,041.79	\$7,102.67	\$27,939.12	\$29,174.14	-\$1,235.02	0.96	\$362,878.58
5	\$39,167.71	\$36,093.04	\$7,244.72	\$28,848.32	\$29,174.14	-\$325.82	0.99	\$353,426.86
6	\$40,342.74	\$37,175.83	\$7,389.61	\$29,786.22	\$29,174.14	\$612.08	1.02	\$343,441.99
7	\$41,553.02	\$38,291.11	\$7,537.41	\$30,753.70	\$29,174.14	\$1,579.56	1.05	\$332,893.89
8	\$42,799.61	\$39,439.84	\$7,688.15	\$31,751.69	\$29,174.14	\$2,577.55	1.09	\$321,750.80
9	\$44,083.60	\$40,623.04	\$7,841.92	\$32,781.12	\$29,174.14	\$3,606.98	1.12	\$309,979.14
10	\$45,406.11	\$41,841.73	\$7,998.75	\$33,842.97	\$29,174.14	\$4,668.83	1.16	\$297,543.48
11	\$46,768.29	\$43,096.98	\$8,158.73	\$34,938.25	\$29,174.14	\$5,764.11	1.20	\$284,406.34
12	\$48,171.34	\$44,389.89	\$8,321.90	\$36,067.98	\$29,174.14	\$6,893.84	1.24	\$270,528.17
13	\$49,616.48	\$45,721.59	\$8,488.34	\$37,233.24	\$29,174.14	\$8,059.10	1.28	\$255,867.16
14	\$51,104.97	\$47,093.23	\$8,658.11	\$38,435.12	\$29,174.14	\$9,260.98	1.32	\$240,379.15
15	\$52,638.12	\$48,506.03	\$8,831.27	\$39,674.76	\$29,174.14	\$10,500.62	1.36	\$224,017.50
16	\$54,217.27	\$49,961.21	\$9,007.90	\$40,953.31	\$29,174.14	\$11,779.17	1.40	\$206,732.92
17	\$55,843.78	\$51,460.05	\$9,188.05	\$42,271.99	\$29,174.14	\$13,097.85	1.45	\$188,473.35
18	\$57,519.10	\$53,003.85	\$9,371.82	\$43,632.03	\$29,174.14	\$14,457.89	1.50	\$169,183.81
19	\$59,244.67	\$54,593.96	\$9,559.25	\$45,034.71	\$29,174.14	\$15,860.57	1.54	\$148,806.18
20	\$61,022.01	\$56,231.78	\$9,750.44	\$46,481.35	\$29,174.14	\$17,307.20	1.59	\$127,279.09

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
21	\$62,852.67	\$57,918.74	\$9,945.45	\$47,973.29	\$29,174.14	\$18,799.15	1.64	\$104,537.70
22	\$64,738.25	\$59,656.30	\$10,144.35	\$49,511.94	\$29,174.14	\$20,337.80	1.70	\$80,513.53
23	\$66,680.40	\$61,445.99	\$10,347.24	\$51,098.75	\$29,174.14	\$21,924.60	1.75	\$55,134.20
24	\$68,680.81	\$63,289.37	\$10,554.19	\$52,735.18	\$29,174.14	\$23,561.04	1.81	\$28,323.27
25	\$70,741.23	\$65,188.05	\$10,765.27	\$54,422.78	\$29,174.14	\$25,248.64	1.87	\$0.00
26	\$72,863.47	\$67,143.69	\$10,980.58	\$56,163.11	\$0.00	\$56,163.11	0.00	\$0.00
27	\$75,049.38	\$69,158.00	\$11,200.19	\$57,957.81	\$0.00	\$57,957.81	0.00	\$0.00
28	\$77,300.86	\$71,232.74	\$11,424.19	\$59,808.55	\$0.00	\$59,808.55	0.00	\$0.00
29	\$79,619.88	\$73,369.72	\$11,652.68	\$61,717.05	\$0.00	\$61,717.05	0.00	\$0.00
30	\$82,008.48	\$75,570.81	\$11,885.73	\$63,685.09	\$0.00	\$63,685.09	0.00	\$0.00

### Valuation – Baseline Appreciation (g = 3.00%)

Year	Estimated Value	LTV %	Available Equity @80%
1	\$411,897.00	94.27%	-\$58,794.40
2	\$424,253.91	89.64%	-\$40,891.80
3	\$436,981.53	85.09%	-\$22,240.40
4	\$450,090.97	80.62%	-\$2,805.80
5	\$463,593.70	76.24%	\$17,448.10
6	\$477,501.51	71.92%	\$38,559.22
7	\$491,826.56	67.69%	\$60,567.36
8	\$506,581.36	63.51%	\$83,514.29
9	\$521,778.80	59.41%	\$107,443.89
10	\$537,432.16	55.36%	\$132,402.25
11	\$553,555.12	51.38%	\$158,437.76
12	\$570,161.78	47.45%	\$185,601.25
13	\$587,266.63	43.57%	\$213,946.15
14	\$604,884.63	39.74%	\$243,528.55
15	\$623,031.17	35.96%	\$274,407.44
16	\$641,722.10	32.22%	\$306,644.76
17	\$660,973.77	28.51%	\$340,305.66
18	\$680,802.98	24.85%	\$375,458.58
19	\$701,227.07	21.22%	\$412,175.48

Year	Estimated Value	LTV %	Available Equity @80%
20	\$722,263.88	17.62%	\$450,532.02
21	\$743,931.80	14.05%	\$490,607.74
22	\$766,249.75	10.51%	\$532,486.28
23	\$789,237.25	6.99%	\$576,255.60
24	\$812,914.36	3.48%	\$622,008.22
25	\$837,301.79	0.00%	\$669,841.44
26	\$862,420.85	0.00%	\$689,936.68
27	\$888,293.47	0.00%	\$710,634.78
28	\$914,942.28	0.00%	\$731,953.82
29	\$942,390.55	0.00%	\$753,912.44
30	\$970,662.26	0.00%	\$776,529.81

### Valuation – Stress-Test (rate-anchored: $r/3 = 1.83\%$ , $\text{adj} = \$0.00$ )

Year	Estimated Value	LTV %	Available Equity @80%
1	\$407,231.50	95.35%	-\$62,526.80
2	\$414,697.41	91.70%	-\$48,537.00
3	\$422,300.20	88.05%	-\$33,985.46
4	\$430,042.37	84.38%	-\$18,844.69
5	\$437,926.48	80.70%	-\$3,085.68
6	\$445,955.13	77.01%	\$13,322.11
7	\$454,130.97	73.30%	\$30,410.89
8	\$462,456.71	69.57%	\$48,214.57
9	\$470,935.08	65.82%	\$66,768.92
10	\$479,568.89	62.04%	\$86,111.64
11	\$488,360.99	58.24%	\$106,282.45
12	\$497,314.27	54.40%	\$127,323.25
13	\$506,431.70	50.52%	\$149,278.20
14	\$515,716.28	46.61%	\$172,193.87
15	\$525,171.08	42.66%	\$196,119.37
16	\$534,799.22	38.66%	\$221,106.45
17	\$544,603.87	34.61%	\$247,209.74
18	\$554,588.27	30.51%	\$274,486.81

Year	Estimated Value	LTV %	Available Equity @80%
19	\$564,755.72	26.35%	\$302,998.40
20	\$575,109.58	22.13%	\$332,808.57
21	\$585,653.25	17.85%	\$363,984.90
22	\$596,390.23	13.50%	\$396,598.66
23	\$607,324.05	9.08%	\$430,725.05
24	\$618,458.33	4.58%	\$466,443.39
25	\$629,796.73	0.00%	\$503,837.38
26	\$641,343.00	0.00%	\$513,074.40
27	\$653,100.96	0.00%	\$522,480.77
28	\$665,074.47	0.00%	\$532,059.58
29	\$677,267.51	0.00%	\$541,814.01
30	\$689,684.08	0.00%	\$551,747.26

## Valuation – NOI-Based (with Cap Drift)

Year	Cap Rate (applied)	Estimated Value	LTV %	Available Equity @80%
1	6.35%	\$399,900.00	97.10%	-\$68,392.00
2	6.40%	\$409,723.27	92.82%	-\$52,516.31
3	6.45%	\$419,800.38	88.57%	-\$35,985.32
4	6.50%	\$430,137.97	84.36%	-\$18,768.21
5	6.55%	\$440,742.86	80.19%	-\$832.57
6	6.60%	\$451,622.07	76.05%	\$17,855.66
7	6.65%	\$462,782.77	71.93%	\$37,332.32
8	6.70%	\$474,232.35	67.85%	\$57,635.08
9	6.75%	\$485,978.39	63.78%	\$78,803.57
10	6.80%	\$498,028.68	59.74%	\$100,879.47
11	6.85%	\$510,391.20	55.72%	\$123,906.62
12	6.90%	\$523,074.16	51.72%	\$147,931.16
13	6.95%	\$536,085.99	47.73%	\$173,001.63
14	7.00%	\$549,435.32	43.75%	\$199,169.11
15	7.05%	\$563,131.05	39.78%	\$226,487.35
16	7.10%	\$577,182.30	35.82%	\$255,012.92
17	7.15%	\$591,598.41	31.86%	\$284,805.38

Year	Cap Rate (applied)	Estimated Value	LTV %	Available Equity @80%
18	7.20%	\$606,389.02	27.90%	\$315,927.41
19	7.25%	\$621,563.98	23.94%	\$348,445.01
20	7.30%	\$637,133.44	19.98%	\$382,427.66
21	7.35%	\$653,107.79	16.01%	\$417,948.53
22	7.40%	\$669,497.73	12.03%	\$455,084.66
23	7.45%	\$686,314.22	8.03%	\$493,917.18
24	7.50%	\$703,568.54	4.03%	\$534,531.56
25	7.55%	\$721,272.24	0.00%	\$577,017.80
26	7.60%	\$739,437.22	0.00%	\$591,549.77
27	7.65%	\$758,075.66	0.00%	\$606,460.52
28	7.70%	\$777,200.08	0.00%	\$621,760.06
29	7.75%	\$796,823.35	0.00%	\$637,458.68
30	7.80%	\$816,958.68	0.00%	\$653,566.94

Operating Expenses - Year 1 Detail

- Insurance: \$1,026.00
- Taxes: \$4,747.00
- Utilities: \$0.00
- Water & Sewer: \$920.00
- Property Management: \$0.00
- Repairs & Maintenance: \$0.00
- Trash: \$0.00
- Landscaping: \$0.00
- Snow Removal: \$0.00
- HOA Fees: \$0.00
- Reserves: \$0.00
- Other: \$0.00
- **Total OPEX (Y1):** \$6,693.00

Returns Summary (10-Year)

- **IRR:** 15.34%
- **Equity Multiple:** 47.83x

Warnings

- Cap-rate spread 0.845% below target 1.500%.
- Subscale risk: fewer than 4 units.
- Negative cash flow in one or more years.