

Investment Analysis – 20 Gallagher, Shediac, New Brunswick E4P1S8

Amenities:

- central air conditioning
- air exchanger
- forced air heating
- propane heating
- municipal water
- municipal sewage system
- shed
- landscaped yard
- corner lot
- level lot
- basement
- cedar shingle exterior
- block foundation
- laminate flooring
- tile flooring
- vinyl flooring
- year-round access
- walkable downtown location
- near marina
- near parks
- near restaurants and shops
- near Parlee Beach
- freehold title

Notes:

- Priced under assessment
- Quick closing available
- Sold as is where is
- 4 bedrooms above grade with potential 5th bedroom or flex space in basement
- 1 full bathroom
- Approx. 1440 sqft finished above grade (per listing)
- Land size approx. 512 m2
- Annual property taxes reported as \$2,620.85
- Heating via forced air propane; cooling via central air and air exchanger
- Rental equipment includes furnace and propane tank
- Prime downtown Shediac location with strong short-term or long-term rental potential
- Corner site; landscaped lot
- Room sizes provided in listing details

Condition & Defects:

- as-is where-is
- priced under assessment

- quick closing possible
- rental equipment present
- basement bedroom present (verify egress requirements)

Purchase Metrics

- **Cap Rate (Y1):** 5.76%
- **Cash-on-Cash (Y1):** -13.03%
- **DSCR (Y1):** 0.85
- **Annual Debt Service (Y1):** \$13,471.01
- **Acquisition Cash Outlay:** \$14,995.00
- **Cap Rate – Interest Spread:** 1.06%

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:** CONDITIONAL
- **Rationale:**
 - Going-in metrics fail core guardrails: DSCR 0.855 and CoC -13.03% with negative cash flow through Year 5; requires either price improvement, debt restructuring, or income lift to be viable.
 - Cap-rate spread is 1.06%, below 1.50% target, indicating insufficient risk premium versus debt costs at acquisition.

- As-is where-is sale with rental equipment (furnace/propane tank) introduces capex and OPEX uncertainty; current pro forma carries zero reserves, which is not realistic.
- Subscale exposure (fewer than 4 units) heightens vacancy/operational volatility; underwriting should reflect higher contingency and management intensity.
- Despite weak entry metrics, 10-year IRR projects at 15.91% with meaningful amortization-driven equity build and DSCR improving >1.0 by Year 6 and ~1.19 by Year 10.
- Location/format upside: 4-bedroom in walkable downtown Shediac near marina and beach offers potential to pivot to STR or premium long-term tenancy to materially lift GSI.
- Price or structure fixes: target ~7–10% price reduction (to align cap-rate spread to ≥1.5%) or equivalent seller credit/rate buydown to de-risk entry and offset early cash deficits.
- Income plan: implement rent optimization or STR strategy to raise Year-1 NOI to ≥\$13,500 (approx +\$2,000 NOI vs base) to achieve ≥1.0 DSCR at acquisition.
- Risk mitigations required: full inspection with HVAC/roof/plumbing/electrical focus; verify basement egress; budget reserves at ≥5% of GSI plus ≥6 months debt service; negotiate rental equipment buyout or OPEX allowance.
- Financing conditions: lock fixed rate or secure buydown/interest-only period (12–24 months) to bridge early DSCR shortfall; confirm lender acceptance of DSCR trajectory and appraisal at revised pricing.

30-Year Pro Forma (Summary)

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
1	\$22,800.00	\$21,010.20	\$9,493.00	\$11,517.20	\$13,471.01	-\$1,953.81	0.85	\$193,640.33
2	\$23,484.00	\$21,640.51	\$9,682.86	\$11,957.65	\$13,471.01	-\$1,513.36	0.89	\$189,175.05
3	\$24,188.52	\$22,289.72	\$9,876.52	\$12,413.20	\$13,471.01	-\$1,057.80	0.92	\$184,495.31
4	\$24,914.18	\$22,958.41	\$10,074.05	\$12,884.37	\$13,471.01	-\$586.64	0.96	\$179,590.82
5	\$25,661.60	\$23,647.17	\$10,275.53	\$13,371.64	\$13,471.01	-\$99.37	0.99	\$174,450.80
6	\$26,431.45	\$24,356.58	\$10,481.04	\$13,875.54	\$13,471.01	\$404.53	1.03	\$169,063.91
7	\$27,224.39	\$25,087.28	\$10,690.66	\$14,396.62	\$13,471.01	\$925.61	1.07	\$163,418.32
8	\$28,041.12	\$25,839.90	\$10,904.47	\$14,935.42	\$13,471.01	\$1,464.41	1.11	\$157,501.60
9	\$28,882.36	\$26,615.09	\$11,122.56	\$15,492.53	\$13,471.01	\$2,021.52	1.15	\$151,300.72
10	\$29,748.83	\$27,413.55	\$11,345.01	\$16,068.53	\$13,471.01	\$2,597.52	1.19	\$144,802.04
11	\$30,641.29	\$28,235.95	\$11,571.91	\$16,664.04	\$13,471.01	\$3,193.03	1.24	\$137,991.25
12	\$31,560.53	\$29,083.03	\$11,803.35	\$17,279.68	\$13,471.01	\$3,808.67	1.28	\$130,853.37
13	\$32,507.35	\$29,955.52	\$12,039.42	\$17,916.10	\$13,471.01	\$4,445.09	1.33	\$123,372.69
14	\$33,482.57	\$30,854.19	\$12,280.21	\$18,573.98	\$13,471.01	\$5,102.97	1.38	\$115,532.74
15	\$34,487.05	\$31,779.81	\$12,525.81	\$19,254.00	\$13,471.01	\$5,782.99	1.43	\$107,316.28
16	\$35,521.66	\$32,733.21	\$12,776.33	\$19,956.88	\$13,471.01	\$6,485.87	1.48	\$98,705.21
17	\$36,587.31	\$33,715.20	\$13,031.85	\$20,683.35	\$13,471.01	\$7,212.34	1.54	\$89,680.58
18	\$37,684.93	\$34,726.66	\$13,292.49	\$21,434.17	\$13,471.01	\$7,963.16	1.59	\$80,222.55

Year	GSI	GOI	Total OPEX	NOI	Debt Service	Cash Flow	DSCR	Ending Balance
19	\$38,815.47	\$35,768.46	\$13,558.34	\$22,210.12	\$13,471.01	\$8,739.11	1.65	\$70,310.28
20	\$39,979.94	\$36,841.51	\$13,829.51	\$23,012.00	\$13,471.01	\$9,541.00	1.71	\$59,921.97
21	\$41,179.34	\$37,946.76	\$14,106.10	\$23,840.66	\$13,471.01	\$10,369.65	1.77	\$49,034.75
22	\$42,414.72	\$39,085.16	\$14,388.22	\$24,696.94	\$13,471.01	\$11,225.93	1.83	\$37,624.66
23	\$43,687.16	\$40,257.72	\$14,675.99	\$25,581.73	\$13,471.01	\$12,110.72	1.90	\$25,666.60
24	\$44,997.77	\$41,465.45	\$14,969.50	\$26,495.94	\$13,471.01	\$13,024.93	1.97	\$13,134.24
25	\$46,347.71	\$42,709.41	\$15,268.89	\$27,440.52	\$13,471.01	\$13,969.51	2.04	\$0.00
26	\$47,738.14	\$43,990.69	\$15,574.27	\$28,416.42	\$0.00	\$28,416.42	0.00	\$0.00
27	\$49,170.28	\$45,310.41	\$15,885.76	\$29,424.66	\$0.00	\$29,424.66	0.00	\$0.00
28	\$50,645.39	\$46,669.73	\$16,203.47	\$30,466.25	\$0.00	\$30,466.25	0.00	\$0.00
29	\$52,164.75	\$48,069.82	\$16,527.54	\$31,542.28	\$0.00	\$31,542.28	0.00	\$0.00
30	\$53,729.69	\$49,511.91	\$16,858.09	\$32,653.82	\$0.00	\$32,653.82	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

Year	Estimated Value	LTV %	Available Equity @80%
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
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: $r/3 = 1.57\%$, $\text{adj} = \$0.00$)

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

Year	Estimated Value	LTV %	Available Equity @80%
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
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	5.76%	\$199,900.00	96.87%	-\$33,720.33
2	5.81%	\$205,759.02	91.94%	-\$24,567.83
3	5.86%	\$211,775.91	87.12%	-\$15,074.58
4	5.91%	\$217,954.96	82.40%	-\$5,226.86
5	5.96%	\$224,300.59	77.78%	\$4,989.68
6	6.01%	\$230,817.36	73.25%	\$15,589.97
7	6.06%	\$237,509.91	68.80%	\$26,589.61
8	6.11%	\$244,383.05	64.45%	\$38,004.84
9	6.16%	\$251,441.67	60.17%	\$49,852.62
10	6.21%	\$258,690.84	55.97%	\$62,150.63
11	6.26%	\$266,135.74	51.85%	\$74,917.34
12	6.31%	\$273,781.68	47.79%	\$88,171.97
13	6.36%	\$281,634.15	43.81%	\$101,934.63
14	6.41%	\$289,698.75	39.88%	\$116,226.25
15	6.46%	\$297,981.24	36.01%	\$131,068.72

Year	Cap Rate (applied)	Estimated Value	LTV %	Available Equity @80%
16	6.51%	\$306,487.57	32.21%	\$146,484.85
17	6.56%	\$315,223.79	28.45%	\$162,498.45
18	6.61%	\$324,196.17	24.75%	\$179,134.39
19	6.66%	\$333,411.12	21.09%	\$196,418.62
20	6.71%	\$342,875.22	17.48%	\$214,378.21
21	6.76%	\$352,595.25	13.91%	\$233,041.45
22	6.81%	\$362,578.14	10.38%	\$252,437.85
23	6.86%	\$372,831.05	6.88%	\$272,598.24
24	6.91%	\$383,361.30	3.43%	\$293,554.81
25	6.96%	\$394,176.43	0.00%	\$315,341.14
26	7.01%	\$405,284.15	0.00%	\$324,227.32
27	7.06%	\$416,692.43	0.00%	\$333,353.94
28	7.11%	\$428,409.41	0.00%	\$342,727.53
29	7.16%	\$440,443.48	0.00%	\$352,354.79
30	7.21%	\$452,803.25	0.00%	\$362,242.60

Operating Expenses - Year 1 Detail

- Insurance: \$1,200.00
- Taxes: \$2,621.00
- Utilities: \$0.00
- Water & Sewer: \$1,200.00
- Property Management: \$1,596.00
- Repairs & Maintenance: \$2,000.00
- Trash: \$0.00
- Landscaping: \$276.00
- Snow Removal: \$600.00
- HOA Fees: \$0.00
- Reserves: \$0.00
- Other: \$0.00
- **Total OPEX (Y1): \$9,493.00**

Returns Summary (10-Year)

- **IRR:** 15.91%
- **Equity Multiple:** 53.64x

Warnings

- Cap-rate spread 1.061% below target 1.500%.
- Subscale risk: fewer than 4 units.
- Negative cash flow in one or more years.

