

Investment Property Analysis Report

PROPERTY: 123 Any Street, Edmonton, AB
PROPERTY TYPE: Up/Down Duplex (Legal Suite)
ASKING PRICE: \$425,000
DATE OF ANALYSIS: June 29, 2025
PREPARED FOR: Wonderful Client
PREPARED BY: AJS Capital Inc.

1.0 Executive Summary



This report provides a comprehensive analysis of the investment potential of the property located at 123 Any Street. Based on the asking price of \$425,000, the property presents a marginal investment opportunity with thin, though positive, initial cash flow.

The analysis projects a Year 1 **Cash-on-Cash ROI of 0.97%** and a **Capitalization Rate of 5.86%**. While the Cap Rate is aligned with market averages, the resulting cash flow is minimal, increasing the risk associated with interest rate changes or unexpected

vacancies. A value-add opportunity exists to increase rental income through cosmetic updates, which would be crucial for improving the return profile.

Recommendation: Proceed with caution. An offer below the asking price is recommended to improve the financial viability of this investment.

2.0 Property Overview

- **Address:** 123 Any Street, Edmonton, AB
- **Legal Description:** Plan 1234, Block 5, Lot 6

- **Year Built:** 1985
- **Building Size:** 1,150 sq ft (main floor) + 1,000 sq ft (basement)
- **Unit Mix:**
 - **Unit 1 (Main):** 3 Bedrooms, 1.5 Bathrooms
 - **Unit 2 (Basement):** 2 Bedrooms, 1 Bathroom (Legal Suite, separate entrance)
- **Key Features:** Separate in-suite laundry for each unit, detached double garage (exclusive use for Unit 1), fenced yard.

3.0 Financial Analysis (Year 1 Projection)

3.1 Income

| Item | Monthly | Annual |
|-------------------------------|----------------|-----------------|
| Unit 1 Rent | \$1,800 | \$21,600 |
| Unit 2 Rent | \$1,250 | \$15,000 |
| Gross Rental Income | \$3,050 | \$36,600 |
| Less: Vacancy (3%) | (\$92) | (\$1,098) |
| Effective Gross Income | \$2,958 | \$35,502 |

3.2 Operating Expenses

| Item | Monthly | Annual |
|----------------------------------|--------------|-----------------|
| Property Tax | \$300 | \$3,600 |
| Insurance | \$125 | \$1,500 |
| Maintenance (5% of GRI) | \$153 | \$1,830 |
| Property Management (10% of GRI) | \$305 | \$3,660 |
| Utilities (Landlord portion) | \$0 | \$0 |
| Total Operating Expenses | \$883 | \$10,590 |

3.3 Net Operating Income (NOI)

| | Monthly | Annual |
|-----------------------------------|----------------|-----------------|
| Effective Gross Income | \$2,958 | \$35,502 |
| Less: Total Expenses | (\$883) | (\$10,590) |
| Net Operating Income (NOI) | \$2,075 | \$24,912 |

3.4 Cash Flow Analysis

| | Monthly | Annual |
|----------------------------|-------------|--------------|
| Net Operating Income (NOI) | \$2,075 | \$24,912 |
| Less: Mortgage Payment | (\$2,002) | (\$24,024) |
| Pre-Tax Cash Flow | \$73 | \$876 |

4.0 Key Investment Metrics

- **Capitalization Rate (Cap Rate):** $\$24,912 \text{ (NOI)} / \$425,000 \text{ (Price)} = \mathbf{5.86\%}$
- **Total Investment:** $\$85,000 \text{ (Down Payment)} + \$6,375 \text{ (Closing Costs)} = \mathbf{\$91,375}$
- **Cash-on-Cash ROI:** $\$876 \text{ (Annual Cash Flow)} / \$91,375 \text{ (Total Investment)} = \mathbf{0.96\%}$

Note: The Cap Rate is in line with current market rates for similar properties in this neighbourhood. However, the resulting Cash-on-Cash ROI is low, indicating the asking price is at the upper limit of what the current rental income can support.

5.0 Financing Assumptions

- **Purchase Price:** \$425,000
- **Down Payment (20%):** \$85,000
- **Loan Amount:** \$340,000
- **Interest Rate:** 5.5% (5-Year Fixed)
- **Amortization:** 25 Years
- **Monthly Mortgage Payment:** \$2,002

6.0 Market Comparison

| Address | Type | Sold Price | Sold Date | Notes |
|---------|------|------------|-----------|-------|
|---------|------|------------|-----------|-------|

| | | | | |
|---------------|--------|-----------|----------|------------------------------|
| 234 Main St | Duplex | \$395,000 | May 2025 | Similar age, un-renovated. |
| 567 First Ave | Duplex | \$415,000 | Apr 2025 | Renovated kitchen and baths. |
| 890 Elm St | Duplex | \$405,000 | Jun 2025 | Slightly larger lot size. |

The asking price of \$425,000 for 123 Any Street is higher than recent comparable sales, likely due to the separate laundry and legal suite status. Negotiation is advised.

7.0 Risk Assessment

- **Vacancy Risk (Moderate):** Edmonton's rental market is stable, but a 3% vacancy rate is prudent to budget for. The dual-unit nature of the property mitigates this risk.
- **Interest Rate Risk (High):** The current financing is based on a 5-year fixed term. Due to the very thin cash flow, even a moderate increase in interest rates at renewal could result in a negative cash flow situation.
- **Maintenance Risk (Low-Moderate):** The property appears well-maintained. A home inspection is required to confirm the condition of major systems (roof, furnace, foundation). A maintenance budget of 5% of GRI is allocated.

8.0 Value-Add Opportunities

- **Cosmetic Updates:** Both units have dated flooring and paint. A budget of \$10,000 for new LVP flooring and fresh paint could reasonably increase the gross monthly rent by \$150-\$200 total, which is a necessary step to improve the low cash-on-cash return.

Disclaimer

This report is for informational purposes only and does not constitute financial advice. The projections contained herein are based on the data and assumptions listed. All information should be independently verified by the client. We recommend seeking advice from qualified legal, accounting, and financial professionals.