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旭光地產：加拿大房地產企劃書

Solis Ortus Property: Business Plan for Real Estate Investing

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Solis Ortus Property: Business Plan for Real Estate Investing

本論文係李明航君 (R08749002) 在國立臺灣大學企業管理碩士專班完成之碩士學位論文，於民國 112 年 7 月 17 日承下列考試委員審查通過及口試及格，特此證明

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Executive Summary

Due to its attractive pricing and future growth potential, Solis Ortus Property is a company focused on providing comfortable and secure rental properties in the West Edmonton market. The company's primary goal is to create a community where residents feel a sense of comfort and safety. By offering updated security systems and promoting a strong brand image, Solis Ortus Property aims to differentiate itself from competitors and establish itself as a trusted and desirable rental option.

The marketing strategy of Solis Ortus Property centers around digital platforms, including its main website, social media pages, and rental websites. By leveraging these platforms, the company plans to reach a wider audience and showcase its properties while fostering a sense of community. Collaborations with rental groups and local community stores further enhance brand awareness and create value for residents and businesses.

In terms of financial forecasts, the company has projected startup costs, sale/rental forecasts, and a proforma income statement. These projections provide a basis for understanding the expected costs, revenues, and profitability of the business. However, the company also recognizes the potential risks and uncertainties associated with government policies and regulations, population growth, market desirability, and interest rates. Monitoring and adapting to these factors will be crucial for the company's success.

Looking ahead, Solis Ortus Property aims to expand its portfolio of multifamily units, increase profitability, and explore opportunities in the subletting business. The company plans to leverage its reputation, established employee teams, and economies of scale to achieve these objectives. Regarding exit strategies, the partners will assess market conditions. Depending on

the company's performance and market opportunities, they may consider continuing to invest in the property or exploring a sale or acquisition.

Overall, Solis Ortus Property's business plan provides a comprehensive framework for achieving its West Edmonton rental market goals. With a focus on comfort, safety, and community, the company aims to meet the needs of residents while differentiating itself from competitors. By continuously adapting to market conditions and leveraging strategic partnerships, Solis Ortus Property seeks to establish a strong brand presence and achieve sustainable growth.

Keywords: real estate, rental market, marketing strategy, financial forecasts, risks analysis, growth opportunities, multi-family units, rental units and exit strategies.

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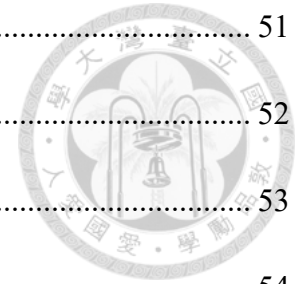


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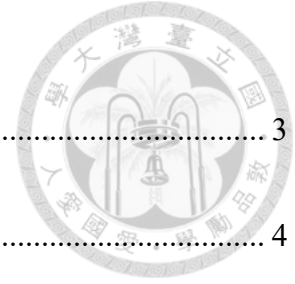
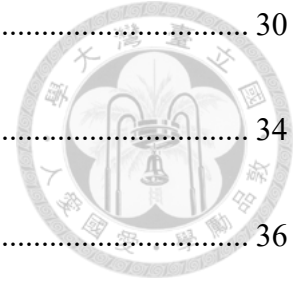


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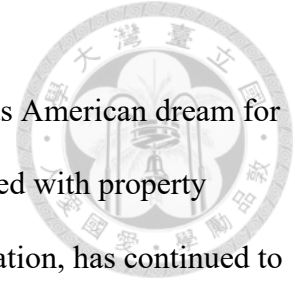


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1. Canadian Housing



Owning a house with a white picket fence has been the most famous American dream for decades. The phrase shows the stability, success, and contentment associated with property ownership. The demand for housing, alongside population growth and inflation, has continued to increase at a rapid rate across Canada's residential property sector. Inflation is causing prices to rise steadily over a period of years, resulting in additional costs for housing (Government of Canada, 2022-c).

Canada has consistently ranked in the global top 10 immigration countries. Wharton School of the University of Pennsylvania and BAV Group collaborated to publish the 2021 Best Countries Report. According to the report, Canada takes the top spot for the first time by including the following categories: cultural, economic, political, technological influences, social purpose, and agility (Wharton, 2021). Concurrently, Canada has predominantly ranked in the top 10 of the Global Peace Index (GPI) with a score of 1.33, while its neighbouring country, the United States, received a score of 2.337. (Lower score is more peaceful.)

The Canadian government considers education and health care as fundamental rights of its citizens. The country has compulsory, top-quality educational laws to ensure every Canadian's right to primary education. Likewise, Canada's healthcare system ensures that all citizens have equal access to most healthcare and emergency services free of charge.

Canada has experienced a sharp change in its real estate market in the last four decades. After every crash, the property market continues to recover, then rises again. The Canadian house price index, which includes both homes and land, increased from 91.9 to 125.9 over the last decade (Statistics Canada, 2023-c). In many cases, the combination of security and full human rights is sought by immigrants.

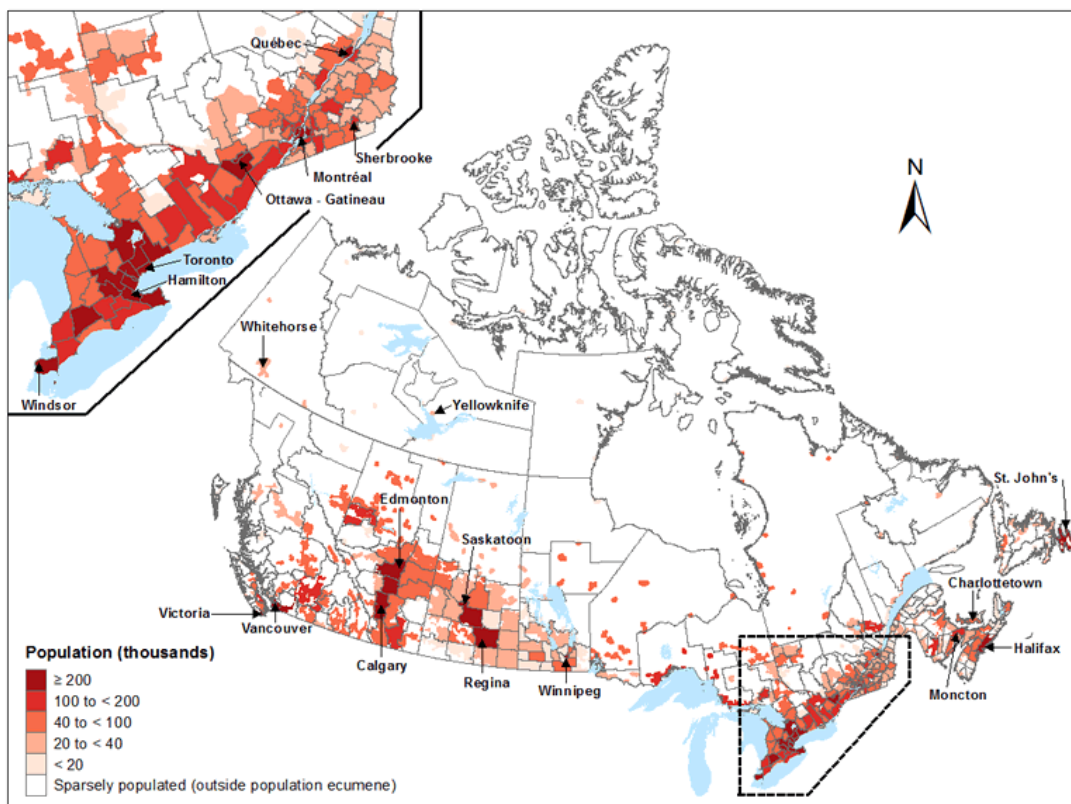
I expect it will remain attractive to immigrants from all over the world as long as Canada's main advantages are maintained. Furthermore, the growth in immigration will fuel the Canadian real estate market for future potential growth.



1.1 Market Overview

Canada's land area is more extensive in comparison with the United States. Canada has a large area of 3.855 million hectares, compared to the USA's 3.79 million hectares. (Statistics, 2018) Canada's population, on the other hand, is significantly smaller than that of the United States at approximately 11 %. In addition, around 90 % of all Canadian nationals live within 150 meter of the US border. Population density is primarily concentrated in Quebec, Ontario, Alberta and British Columbia, although most of the country's land mass is considered rural.

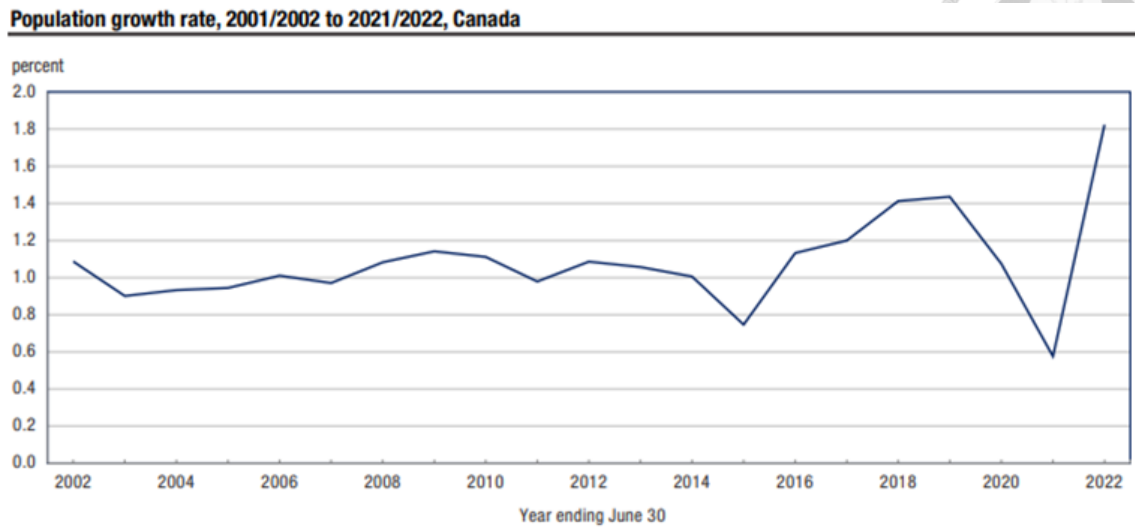
Figure 1: Canadian Population Density Map



Source: Statistics Canada, Demography Division (n.d.). <https://www150.statcan.gc.ca/n1/pub/91-214-x/2015000/section04-eng.htm>

Domestically, there is a downward trend in Canada's fertility rate, which indirectly encourages lawmakers in Canada to pivot and relax the immigration restrictions (Government of Canada, 2022). The downtrend of the fertility rate, coupled with the aging population, has caused the working capital to decrease in various sectors. However, from 2016 to 2021, Canadian population growth surpassed its history even after the inclusion of COVID impact. The recent admission of Syrian refugees and relaxation of student working visas compensated for the core working age of the labour resource pool in Canada and increased the population (Government of Canada, 2022).

Figure 2: Population Growth Rate from 2001 to 2022, Canada



Source: Statistics Canada, Demography Division (n.d.). <https://www150.statcan.gc.ca/n1/pub/91-214-x/2015000/section04-eng.htm>

Canada also has an increasing investor interest as housing prices have steadily grown in the past decades. Canada's exceptional universal health care, education system, and stability continuously attract more immigrants. The tax deduction policies on real estate investing are favourable in attracting both local and foreign investors to own more than just a primary resident. People are always looking for opportunities for a less risky real estate investment with optimal returns.

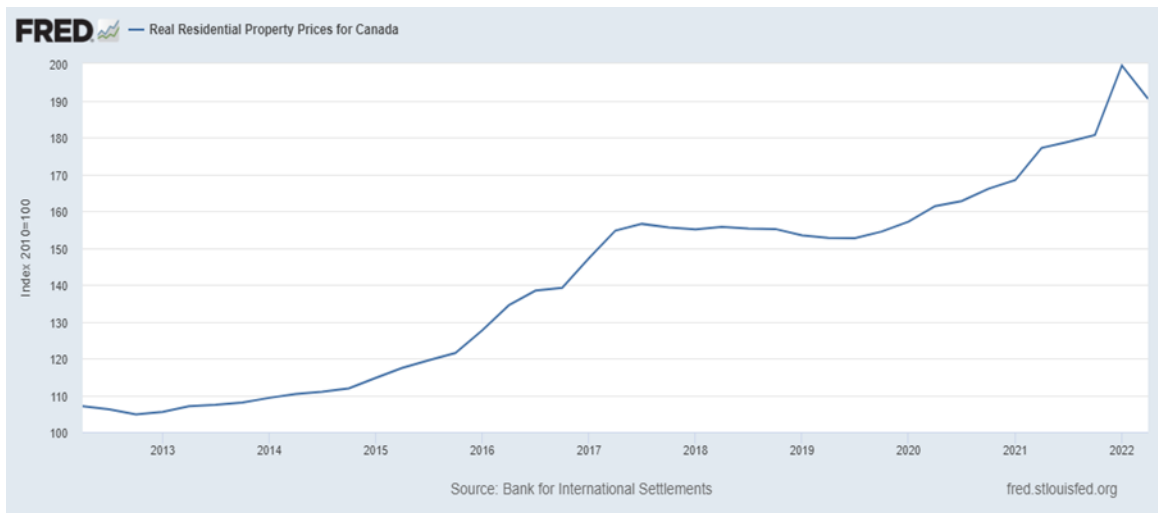
1.1.1 Residential Sector

In the past decades, on average, the residential sector in Canada has experienced almost a 100% growth rate. In the same period, population growth and foreign investment provided the necessary catalyst for increased demand. Concurrently, the all-time low mortgage rate contributed to the demand increases. On the supply side, it takes approximately 250 days to acquire a construction permit (Gardner, 2020). The bottleneck in permit issuance resulted in insufficient housing supply in a high-demand environment. On March 2nd, 2022, the Bank of

Canada raised its interest rate to 0.5% in response to inflation. Most recently, on June 7th, 2023, the Bank of Canada raised the policy rate to 4.75%, which was a significant force behind the nationwide price adjustment.



Figure 3: Real Residential Property Prices for Canada



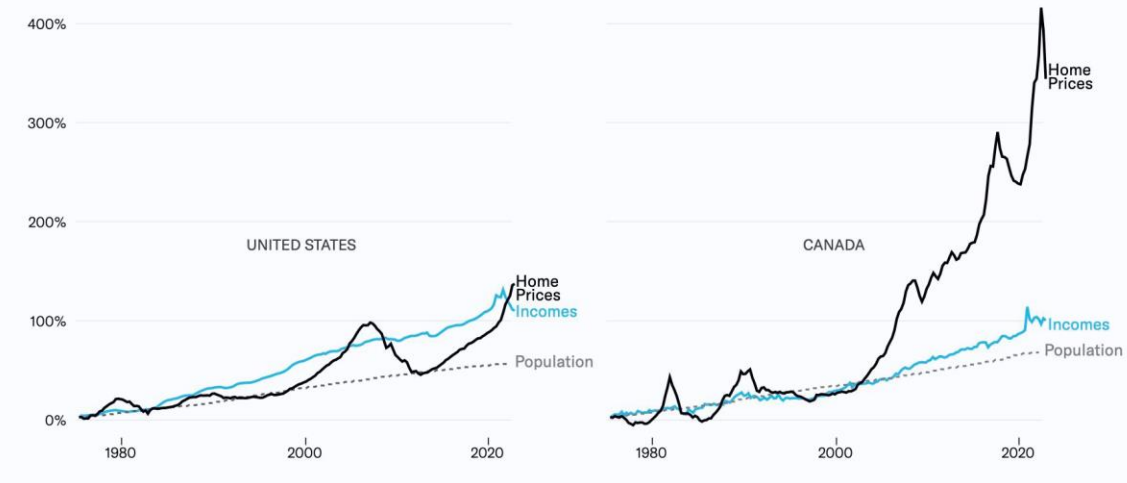
Sources: National sources, BIS Residential Property Price database, <https://fred.stlouisfed.org/series/QCAR628BIS#>

In Figure 4, the graph shows the growth in real home prices, real disposable incomes and population in the same period of time between the United States and Canada.

Figure 4: Growth in Real Home Prices, Real Disposable Incomes, and Population.

Growth in real home prices, real disposable incomes, and population.

% change, Q1 1975 - Q3 2022



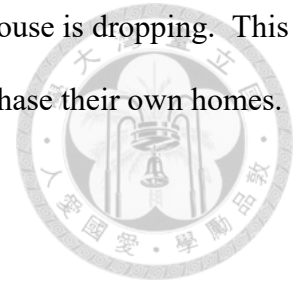
Sources: Data adapted from Mack, A., and E. Martínez-García. 2011. "A Cross-Country Quarterly Database of Real House Prices: A Methodological Note." Globalization and Monetary Policy Institute Working Paper No. 99, Federal Reserve Bank of Dallas, World Bank, Corpay

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1.1.2 Rental Industry

In recent years, the residential rental cost has surged at an unprecedented pace. Average Canadian rent rose 11.8% year over year. The main issue was the long time to acquire a construction permit and the influx in population. In addition, the expensive housing price with Canadian's higher stress test system made it even less affordable for a potential mortgagor to secure a loan. Moreover, with the current rate of 3.75%, many lenders are charging upward of 6% in variable rates. The higher rate pushes the mortgage holder to hit the trigger rate. When the trigger rate is hit, the mortgage holder's regular payment can only pay off the interest and not cover the principal amount. At this point, the lender will force the mortgage holder to increase their pay or extend the mortgage amortization period. The current observation is that the

associated cost of owning a property is growing, but the real value of the house is dropping. This observation contributes to why renters would continue to rent and not purchase their own homes.



1.2 Solis Ortus Property

1.2.1 Business Description of Solis Ortus Property

Solis Ortus Property is a project-based real estate value-add company that focuses on value acquisition and renovation of residential properties. The company provides value-add to vacant or neglected properties. These properties share similar characteristics of the below-average retail cost and have the potential to either achieve an increase in resale value through renovation or positive cash flow with multi-family housing conversion. Solis Ortus Property, with extensive knowledge of its projects, will focus on acquiring below-market price multi-family properties with the potential of building positive cash flow and future potential growth in its valuation.

1.2.2 Business Location

The business will be project based in Canada. The current project is a multi-family building located in Western Edmonton. The project location has proximity to schools, malls, restaurants, and parks. Edmonton's Light Rail Transit (LRT) has begun its Valley Line construction and will be within walking distance of the current project.

1.2.3 Projects and Services

Solis Ortus acquired the current project by winning a foreclosure auction. The project is on a 13,000 sq ft multi-family unit with nine one-bedroom suites. It is a two-and-a-half-story, walk-up, wood-frame building with balconies and nine surface parking stalls. The upgrades to the building include a new roof in 2015 and new balcony railings. Some interior suites have also

been renovated with paint, flooring, appliances, and bathroom upgrades. After renovation, Solis Ortus will also be responsible for managing the properties.



1.2.4 Mission and Vision

Solis Ortus Property's mission is to combine the utilization of digital asset management with leading customer care to create a stable family-like experience.

Solis Ortus' vision is to create and cultivate a safe and convenient neighbourhood where tenants will be living in a community with neighbours and not strangers

1.2.5 Objectives

Solis Ortus will achieve its mission and vision by setting the following objectives:

- Allocate adequate budget for timely upkeep of the living environment so it is stress-free for tenants
- Implement an open security system to ensure the safety of tenants
- Maintain a strict standard of screening process to ensure the ideal tenants are suitable for the community
- Promote the importance of community with local shops and restaurants alliance

2. Market Analysis

2.1 Market Attractiveness

2.1.1 Market Landscape in Alberta

Investors have an enticing opportunity to participate in Alberta, Canada's real estate market. One of the main factors is the population growth potential. The Canadian government

has always supported immigration, as 75% of population growth comes from immigration. Pro-immigration policies allow companies to benefit from the express entry options, allowing high-skilled foreign workers and former international students to reside in Canada (Immigration, R. and C. C, 2022). The current population in Alberta is approximately 4.6 million people, with the forecast of over 50% population growth through the year 2046 (*Population Statistics*, 2022).

The population growth rate in Alberta has grown by more than 100% in the past five years (Jeudy, 2022). Rising interest rates and global crude oil prices are significant factors contributing to the growth rate. High rates made it less affordable for consumers to purchase property in major provinces as the prices in those areas are more expensive. At the same time, Alberta is the major oil producer benefiting from the higher price in global crude oil prices. This indirectly allows companies to create more job opportunities. The combination of more job opportunities and affordable housing are factors which increased the interprovincial migration to Alberta. In other comparable central provinces like BC and Ontario, home prices have reached a record high in the past year. The multiple interest rate hikes in 2022 directly impacted the decrease in property prices in BC and Ontario as the hike lowered the affordability of variable mortgages (Wong, 2022). While properties in Alberta did not result in a similar growth in the past, Alberta real estate has maintained its price stability and high affordability. In addition, Alberta is now forecasting a C\$511 million surplus in the February budget from higher oil and natural gas prices compared to the original forecast of a \$3.2 billion deficit (EnergyNow, 2022). This surplus leads to increased benefits and reduced costs. They are generally in the form of fuel tax relief, rebates, and lower income tax (Venkatachalam, 2022). Increase in immigration and

interprovincial migration, coupled with higher interest rates and high oil prices, there is a high growth potential market in real estate companies (REMAX, 2021).

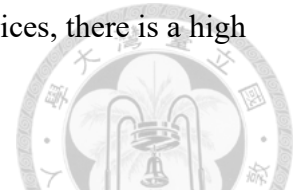
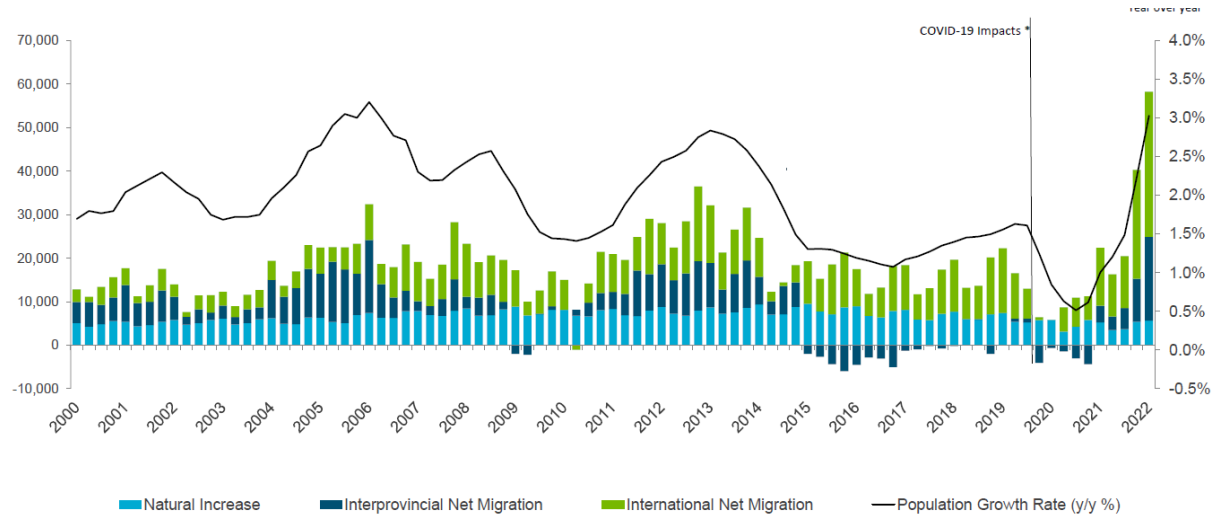


Figure 5: Alberta Components of Population Change

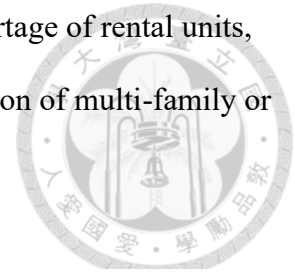


Sources: Statistics Canada and Alberta Treasury Board and Finance (n.d.). <https://www.alberta.ca/population-statistics.aspx>

2.1.2 Competitive Intensity

With competitive intensity, we focus on two crucial factors that significantly impact Alberta's real estate market: the threat of new entrants and the threat of substitutes. The barrier of entry is high in the real estate market as the start-up required for the acquisition of multi-family properties requires a higher down payment. Multi-family real estate with over five units is categorized as commercial property, where a typical down payment ranges from 15 to 40% (David, 2022). With the high start-up costs of entry into the real estate market, the Alberta market is costly and limited. The amount of building permits being processed is minimal, directly resulting in the bottlenecks of new real estate supplies available to the market. According to the statistics provided by the city of Edmonton, a new multi-unit residential construction with five or more units will take at least 145 days to process (Development and

Construction Application, 2022). With limited housing supplies and a shortage of rental units, the threat of substitutes is low. There are few substitutes for a new collection of multi-family or rental units in the current market.



2.1.3 Market Trends

The real estate market is highly cyclical to the economy. The real estate market tends to correlate to the economy. Alberta is no exception when it comes to real estate's cyclical characteristics. Alberta went through a different magnitude of overall price drop when compared to BC and Ontario. Through the same period from November 2021 to October 2022, BC and Ontario dropped by 8.6% and 10.0%, respectively. Alberta dropped by 1.0% (Canadian Real Estate Association, 2022).

The interest rate hikes have resulted in lower real estate sales and shifted the sellers' market into a buyers' market. However, housing prices remained at an elevated price, making it riskier for investors to participate in investing. A higher rate with a high purchase price will deter investors as positive cash flow is more difficult to attain. Bank of Canada had increased the overnight rate from 0.5% to 4.75%. Further data shows that Alberta offers Canada's highest median after-tax income at C\$72,500. At the same time, the Demographia International Housing Affordability study listed Edmonton and Calgary in the top 10 most affordable housing markets worldwide (Cox, 2022). Over the third quarter, Alberta's population growth led the country to 1.28%, higher than Canada's average growth of 0.93% (Government of Alberta, 2022-a).

Alberta's oil sands have the fourth-largest global oil reserves. The recent surge in oil and gas prices has helped the Alberta government to increase its revenue by C\$14.3 billion from the

budget (Government of Alberta, 2022-b). Because of this surge in revenue, the Alberta government can provide a new affordability package to help its residents with their rent.

The combination of these trends with the stability in the real estate market in Alberta, growth in population and increase in revenue shows an attractive market for real estate investment.

2.2 Target Market

2.2.1 Geographic Location

The four main criteria for finding an ideal geographic location that fits the budget for our multi-family property are areas with affordable cost of living, proximity to public transportation, entertainment and opportunity for future growth. Since the ideal property should be priced below market price and have future growth, it is vital to identify areas that correspond to the criteria. The city of Edmonton has announced its finalization of Light Rail Transit (LRT) and has confirmed the Valley Line West project with funding and design. The whole project will take 5 to 6 years to complete. The stops along the Valley Line LRT were utilized as the foundation to filter and narrow down the properties. An example of an area that matches the criteria is West Edmonton. Along the stops of Valley Line LRT in West Edmonton, the multi-family property matches all the criteria. The site is affordable, with an average price that falls within the \$1,000,000 to \$2,000,000 price range. There are multi-family properties within five minutes of public transportation by the stops. West Edmonton Mall is only a 5 to 15-minute

drive from around the neighbourhood. Below is an example of a Valley Line stop (City of Edmonton, 2022).

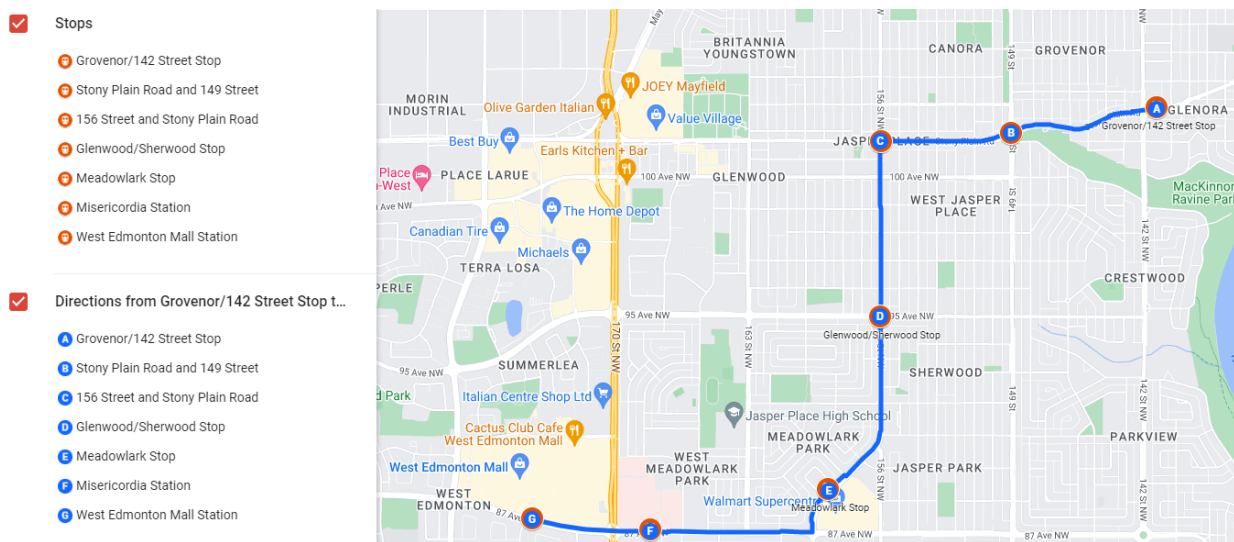


Figure 6: Example of a Valley Line Stop Rendering from City of Edmonton



Source: City of Edmonton – Valley Line West LRT (n.d.). https://www.edmonton.ca/projects_plans/transit/valley-line-lrt-mill-woods-to-lewis-farms

Figure 7: Map of the Future LRT Stops in West Edmonton



Source: Google My Map - Valley Line West LRT (n.d.). <https://tinyurl.com/WestEdmontonLRT>

2.2.2 Housing Concept

The housing concept focuses on multi-family properties that can provide positive cash flow and have the potential for future price appreciation. The ideal property should have eight to ten suites with proper zoning for a commercial multi-family unit. The pet-friendly building will have a central laundry room, assigned parking, controlled access/entry, and storage. Each of the one-bedroom suites will be renovated and not furnished. Each unit will be equipped with an alarm system, individual thermostats, a full kitchen, in-suite storage, and internet ready. The property will be within walking distance of several services and amenities, including groceries, restaurants, shopping, recreation facilities, and public transit. Below is an example of a multi-family commercial building concept described (Parker, 2019).

Figure 8: Style of Multi-family Unit



Source: Personal Photo

Figure 9: Style of Concept Bathroom Example



Source: Personal Photo

Figure 10: Style of Concept Kitchen Example



Source: Personal Photo

2.3 Target Customer

2.3.1 Customer Segment

The demographic target is single male and female renters aged 25 to 64. The current population in Edmonton is 1,418,120 people, and 781,455 are between the target age, of which 389,680 are male and 391,755 are female (Statistics Canada, 2022-b). This population segment represents the primary workforce in the city, with an average individual income of \$55,380 before tax (Talent.com, n.d.). Comparatively, the average rent in Edmonton is \$1,274 per month (Government of Alberta, 2022-c). Evidence supports that the target customer in the age group who needs a single unit will have a high probability of being able to afford the rent.

2.3.2 Market Size and Demand Forecast

Canada's population growth rate has experienced a sudden spike in the past year. On January 1, 2023, Canada's population was estimated at 39,566,248, a record annual population growth of 1,050,110 people. 95.9% of the total population growth was due to international migration. Out of all the Canadian provinces, Alberta was leading the population growth rate at 3.68% versus the country's growth rate of 2.73% (Government of Alberta, 2023). In the fourth quarter of 2022, Alberta's growth rate was 1% at the first place. Out of the four largest provinces, Ontario, BC, and Quebec had growth rates of 0.81%, 0.57% and 0.41%, respectively. International and interprovincial migration were the main contributing factors to the growth rate in Alberta.

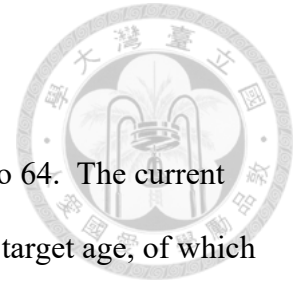


Table 1: Population of Provinces and Territories as of January 1, 2023, and Growth Rates since January 1, 2022

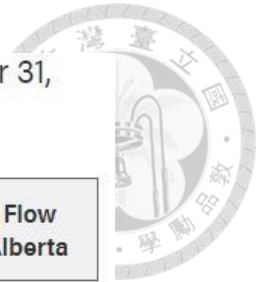
Population of provinces and territories as of January 1, 2023 and growth rates since January 1, 2022

Province/ territory	Population	Y/Y Growth rate
Canada	39,566,248	2.73%
NL	531,948	1.81%
PEI	173,954	4.25%
NS	1,037,782	3.53%
NB	825,474	3.28%
QC	8,787,554	1.74%
ON	15,386,407	2.98%
MB	1,431,792	2.39%
SK	1,214,618	2.47%
AB	4,647,178	3.68%
BC	5,399,118	2.81%
YT	44,238	2.31%
NWT	45,493	-0.47%
NVT	40,692	1.72%

Population of provinces and territories as of January 1, 2023 and growth rates since January 1, 2022

Table 2: Interprovincial Migration Statistics

Interprovincial migration statistics (October 1, 2022 to December 31, 2022)



Province/ Territory	In	Out	Net	Outflow to Alberta	Inflow from Alberta	Net Flow to Alberta
NL	1,597	1,215	382	386	299	87
PEI	1,323	790	533	150	112	38
NS	3,925	2,900	1,025	642	390	252
NB	3,115	2,094	1,021	382	177	205
QC	4,413	5,984	-1,571	1,067	426	641
ON	13,813	21,124	-7,311	7,244	2,413	4,831
MB	1,949	4,301	-2,352	1,357	432	925
SK	2,924	4,036	-1,112	1,835	1,006	829
AB	20,514	8,980	11,534	0	0	0
BC	10,165	11,995	-1,830	7,134	3,543	3,591
YT	273	272	1	108	40	68
NWT	190	496	-306	195	69	126
NVT	218	232	-14	14	73	-59

Interprovincial Migration Statistics, July 1, 2022 to September 30, 2022

We specify housing starts as the early stage of groundbreaking begins for residential construction. Each unit in the multi-family units is counted as individual housing starts. In 2022, the housing starts for Canada was 261,849 units of residence. At the same period of time, the population growth was at an all-time high of 1,050,110 new residents. The study by Paslov and Somerville has pointed out that there is a strong correlation between the increase in immigration

population and house prices (Pavlov, A., & Somerville, T., 2017). The deficit in the supply of new residences will have an amplified effect on both housing and rental prices.

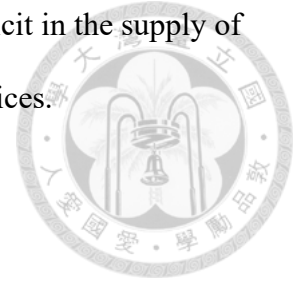


Table 3: Canada Housing Estimates 2022

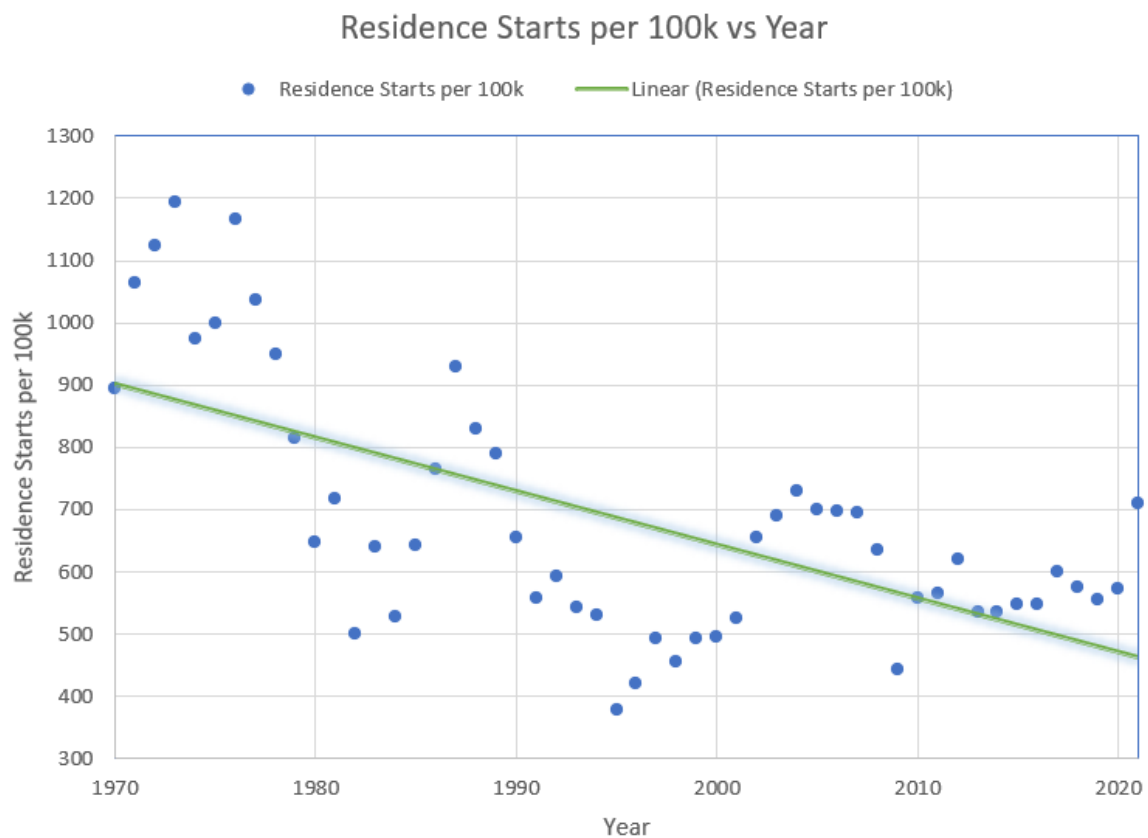
Geography		Canada				
Housing estimates	Type of unit	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
						Total
Housing starts	Total units	48,357	72,314	73,548	67,630	261,849
	Single-detached	12,937	20,629	21,772	17,309	72,647
	Multiples	35,420	51,685	51,776	50,321	189,202
	Semi-detached	2,411	3,557	2,993	2,468	11,429
	Row	5,018	8,751	8,697	7,269	29,735
	Apartment and other unit type	27,991	39,377	40,086	40,584	148,038
Housing under construction	Total units	335,117	352,588	367,977	378,042	1,433,724
	Single-detached	50,488	53,633	58,353	57,195	219,669
	Multiples	284,629	298,955	309,624	320,847	1,214,055
	Semi-detached	8,079	8,768	8,713	8,373	33,933
	Row	27,706	29,922	32,841	34,210	124,679
	Apartment and other unit type	248,844	260,265	268,070	278,264	1,055,443
Housing completions	Total units	50,928	54,210	58,114	56,690	219,942
	Single-detached	16,867	17,434	17,017	18,426	69,744
	Multiples	34,061	36,776	41,097	38,264	150,198
	Semi-detached	2,731	2,853	2,998	2,778	11,360
	Row	5,019	6,420	5,761	5,912	23,112
	Apartment and other unit type	26,311	27,503	32,338	29,574	115,726

Source: Statistics Canada. "Table 34-10-0135-01 Canada Mortgage and Housing Corporation."

We have specified the relationships between residences built per 100,000 population with time. Residence starts per 100,000 is derived from using the population of the respective year divided by the number of residences started building, and the result is multiplied by 100,000. From the chart below, the average trend line clearly shows a downward trend. This indicates that

as the population grew, the number of new residences built are declining. This is strong evidence to support the narrative of why the price of residences and rentals are increasing due to tighter housing supply. In order to restore affordability for the Canadian housing market, it is estimated that an additional 3.5 million housing units will be required by 2030. This brings the total of over 22 million new housing units being required in seven years in order to bring the house price level back down to match the average disposable income (Canada Mortgage and Housing Corporation, 2022).

Figure 11: Residence Starts per 100k vs. Year



Source: OCED, "Main Economic Indicators - Complete Database."



2.4 Porter's Five Forces

In correspondence to the project, this section will focus on the market in Alberta with an emphasis on the areas around West Edmonton. West Edmonton is well-known for the world-famous West Edmonton Mall, which translates to plentiful amenities nearby. West Edmonton is also very family-friendly and has much variety, regardless of whether you are looking for an apartment, condominium, or single-family home.

2.4.1 Main Competitors

While multiple potential competitors have similar multi-family units in the West Edmonton area, the competitors listed below are categorized by the similarities in building age, size, amenities, and rental costs.

Aiva Manor:

- Multi-family unit; one-bedroom suites
- Location: West Jasper Place, Edmonton
- Area: 546.77 & 592.49 Sq. Ft.
- Price Range: \$890 - \$1,040
- Payment Option: Flexible rent payment through Zenbase
- Value Proposition: 24-hour resident service, pet-friendly communities, three-day maintenance, on-site management team, and referral program.
- Included Amenities/Utilities: Heat and water, fridge, stove, laundry facilities, surface parking, pet friendly, and special contract for the internet.

Figure 12: Aiva Manor



Source: Avenue Living – Aiva Manor (n.d.). <https://www.avenueliving.ca/apartments-for-rent/aiva-manor>

Mary Ann Manor

- Multi-family unit; two and three-bedroom suites
- Location: West Jasper Place, Edmonton
- Area: 699 & 1,131 Sq. Ft.
- Price Range: \$1,000 - \$1,250
- Payment Option: Flexible rent payment through Zenbase
- Value Proposition: 24-hour resident service, pet-friendly communities, three-day maintenance, on-site management team, and referral program.
- Included Amenities/Utilities: Heat and water, fridge, stove, laundry facilities, surface parking, pet friendly, and special contract for the internet.

Figure 13: Mary Ann Manor



Source: Avenue Living – Mary Ann Manor (n.d.). <https://www.avenueliving.ca/apartments-for-rent/mary-ann-manor>

Westgate

- Multi-family unit; one, two, and three-bedroom suites
- Location: West Jasper Place, Edmonton
- Size: 692, 859, and 1,156 Sq. Ft.
- Price Range: \$1,099, \$1,279, and \$1,479
- Payment Option: Flexible rent payment through Zenbase
- Value Proposition: 24-hour resident service, pet-friendly communities, three-day maintenance, on-site management team, and referral program.
- Included Amenities/Utilities: Heat and water, fridge, stove, laundry facilities, surface parking, pet friendly, and special contract for the internet.

Figure 14: Westgate



Source: Avenue Living – West Gate (n.d.). <https://www.avenueliving.ca/apartments-for-rent/westgate>

Kelly Apartments

- Multi-family unit; one, two, and three-bedroom suites
- Location: West Jasper Place, Edmonton
- Size: 617, 752, and 1,015 Sq. Ft.
- Price Range: \$880, \$1,150, \$1,250
- Payment Option: Flexible rent payment through Zenbase
- Value Proposition: 24-hour resident service, pet-friendly communities, three-day maintenance, on-site management team, and referral program.
- Included Amenities/Utilities: Heat and water, fridge, stove, laundry facilities, surface parking, pet friendly, and special contract for the internet.

Figure 15: Kelly Apartments



Source: Avenue Living – Kelly Apartment (n.d.). <https://www.avenueliving.ca/apartments-for-rent/kelly-apartments>

The above multi-family units were owned and managed by Avenue Living Communities (ALC). The company specializes in property management of the Canadian Prairies region: Alberta, Saskatchewan, and Manitoba. ALC's core values are focusing on resident services, operations, people, culture, and technology. ALC invests in local clusters of multi-family units and provides 24-hour resident service through its online communication portal. A team of maintenance crew is dedicated to the properties in the local area to fulfill their three-day maintenance guarantee. ALC is able to achieve better service quality by utilizing communication technologies and a local maintenance team (Communities, 2021).



2.4.2 Bargaining Power of Suppliers

Property Owner (Low)

The bargaining power for the owners of multi-family units could be higher. With the current high-interest rate environment, the owners face increased interest costs while lowering the demand to purchase. The higher interest rate makes it increasingly more work for the potential buyer to qualify for business loans and to afford the increased costs. In the current stage, more buyers are spectating and waiting for a price correction. Owners who sell at the present time have a higher probability due to financial reasons. It is important to note that although it is currently a buyer's market, this situation can rapidly shift as the Bank of Canada adjusts interest rates.

General Contractor - Renovation (Medium-High)

The costs of services and products have increased significantly. Due to the global pandemic (COVID-19) and government subsidies, there has been a significant reduction in the labour force, leading to an increase in labour costs. With the negative impact of the pandemic on the labour force eases and pressure from higher interest costs, the result of overshooting expenses will shift down toward equilibrium.

Supplies/Appliances (Low)

The costs of raw materials in building supplies had dropped from their peak when there were global logistics delays. The impact of the logistic uncertainty resulted in significant retailers overstocking their products. With retailers overstocking their warehouses, the current market shows steep discounts on appliances as the stores are forced to clear out their inventories.

This discount may be expected until the end-of-year clearance when most inventories will be heavily discounted. Thus, the bargaining power of retail companies is low.



2.4.3 *Bargaining Power of Buyers*

Renter (Low)

Given the recent rally in property prices, the higher the interest is, the more difficult it is for a mortgage to be approved. With the current 4.25% overnight rate, new borrowers cannot afford the same house budget as when the rate was at 0.5% in early 2022 (Interest rates, 2022). The stress tests implemented by the government to protect buyers from overextending their ability to afford a property will require a higher income to pass. The high rate has a negative impact on most consumers' ability to purchase. On the housing supply side, there is a shortage of affordable supply. Residents will have to either pay rent at a premium or compete for affordable housing. Thus, with less housing supply to choose from, the consumers will likely continue to rent.

2.4.4 *Industry Rivalry*

Buyer of Multi-Family Properties (Low)

The high-interest rate has increased the cost for investors to purchase properties, which may deter buyers from entering the market. Concurrently, the market had seen a continuous price drop corresponding to the increase in interest rate. Thus, evidence supports the possibility that interest rates at this level or higher will result in further price drops in properties.

Landlords (Low)

According to the government of Alberta, the data indicates an annual 14% increase in average rent for a 1-bedroom apartment as of December 10th, 2022 (Zumper, 2022). As

previously mentioned, there is not enough affordable housing in the current market. This results in an increase in consumers looking to rent. Thus, the data indicate that more consumers who are interested in renting will have a higher chance of fully renting out their units.



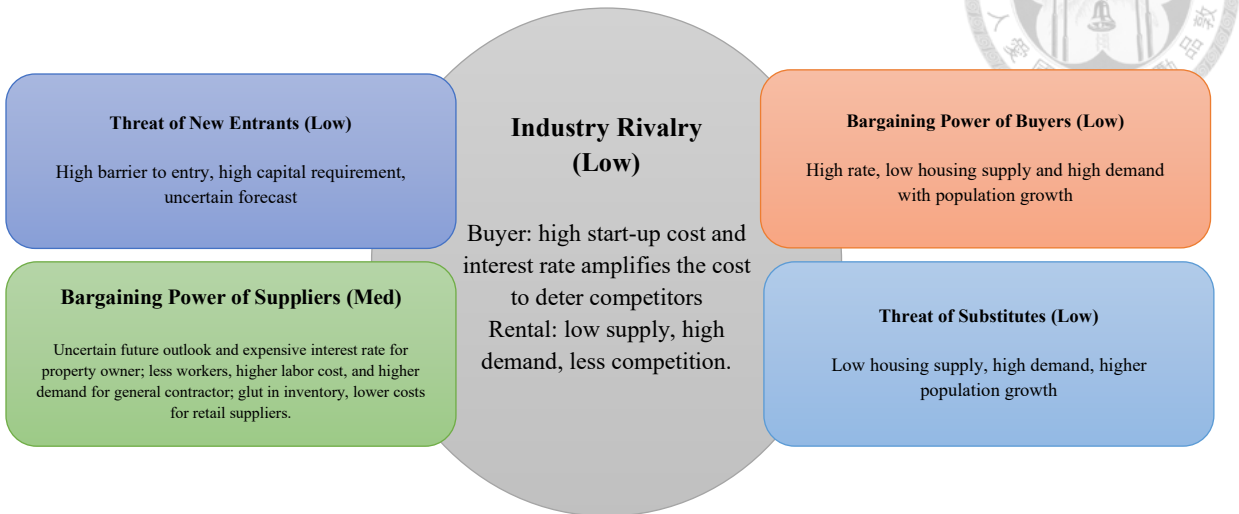
2.4.5 Threat of New Entrants – Low

The threat of new entrants into the commercial multi-family market is made low by the high barriers to entry and increased capital requirements. The initial upfront cost is less affordable due to the high-interest rate-induced bank tightening of their loan approval standard. Edmonton real estate has only seen a 1% drop in year-over-year price. British Columbia and Ontario have seen 8.6% and 10% price drops over the same period. This suggests that there will be low threats of new entrants in the Edmonton market.

2.4.6 Threat of Substitutes – Low

Renters may decide to either purchase or rent elsewhere. The current high-interest rate and high prices will negatively impact the renters' affordability in purchasing. In addition, the high rate made it less affordable across the board on all types of residential properties. The inventory of affordable rentals is currently low—the rental price increase in Edmonton results from high demand and limited housing supplies. The population growth in the metro area of Edmonton in 2022 surpassed the original forecast. This population growth adds further stress to the housing supply market. Thus, the threat of substitutes is low.

Figure 16: Porter's Five Forces for Edmonton Real Estate

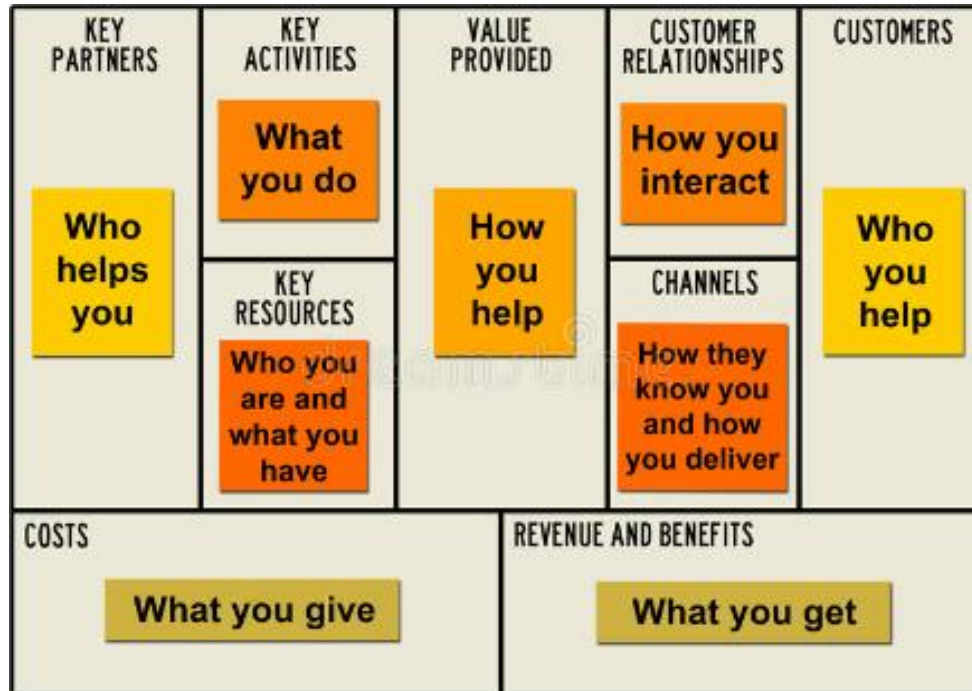




3. Strategy and Business Model

3.1 Business Model Canvas

Figure 17: Illustration of Business Model Canvas



Source: Dreamstime Stock Photo (n.d.). <https://www.dreamstime.com/stock-illustration-business-model-all-relevant-parameters-image47991089>

3.1.1 Value Proposition

Solis Ortus property offers market-leading customer service by providing tenants with a 24/7 service line and promises overnight service calls on any legitimate issues on the unit. The dedicated property management personnel will ensure quick response time under normal circumstances to give all tenants peace of mind. The company offers flexible/customizable options to cater to particular circumstances. Upon approval by the property manager, a tenant can opt-in for a bi-weekly rental payment option. Any potential rent adjustment will be

transparent with thorough communication with the tenants at our property. The building and each unit will have industry-comparable amenities with additional investment in an advanced security system for peace of mind. All units are guaranteed to meet health, safety and housing standards.



3.1.2 Key Activities

- The thorough screening process includes proof of identity and names of all persons living in the unit, references, credit check (including references and report), employment check, rental history, and criminal record check.
- Scheduled building and on-site maintenance quarterly/semi-annually with any additional unexpected issues can be adjusted on a provisional basis.
- Daily tenant requests follow-up if any
- Monthly community bulletin board update (Social network page simultaneous update.)

3.1.3 Key Resources

- Physical: Physical multi-family building and back office for administrative work and storage
- Human: Experienced property manager to provide services required; contractor teams for fixing, renovating, and cleaning.

3.1.4 Key Partnerships

- Unique partnerships with handypersons, renovation teams, and cleaning teams on a contract basis.
- Long-term agreement with the security team to provide monitoring and security
- Contract with the property manager

- Only during the particular circumstance of selling to contract real estate firms for the process



3.1.5 Customer Segments

- Tenants: Both male and female of age above 25+. This segment comprises a single one-person household with a median age of 56, married without children, and with a privacy preference.
- Investors of Multi-Family Property: Experienced investors or developers, often with the objective of teardowns and generating positive cash flow.

3.1.6 Channels

- Physical advertising at the front of the property and distribution of local flyers
- Official website and social media landing page
- Paid advertisements – property management agency
- All other forms of social media

3.1.7 Customer Relationships (Internal/External)

- Direct line to reach the property support team
- E-mail inbox for any service tickets
- Loyalty program to incentivize tenants for lease renewal
- Online review rating/feedback page

3.1.8 Revenue Stream

- Rental income
- Rental storage
- Coin-operated laundry
- Additional parking rental

- Special discount for cleaning service
- Property sales

3.1.9 Cost Structure

- CapEx:
 - Cost to purchase a multi-family property
 - Initial renovation of buildings and appliances
 - Any required permits
- OpEx:
 - Property taxes
 - Insurance
 - Utility fees
 - Wages and salaries
 - Contract fees
 - Management fees



Figure 18: Business Model Canvas Summary

Key Partners • Handyman • Renovator/Contract Team • Cleaning team • Security company • Property managers • Real estate firms	Key Activities • Tenant screening • Scheduled building maintenance • Client requests follow-up • Social network upkeep Key Resources • Multi-family unit • Long term contractors • Property manager	Value Propositions • Provide 24/7 direct service line and promise overnight service calls on any unit issues. • Faster response time than market standards • Flexible payment options available for special circumstances • Industry level of amenities with advanced security system • Affordable rent with transparent rent adjustment standard	Customer Relationships • Direct contact customer support • Loyalty program • Online review rating systems Channels Tenants: • Physical advertising • Official website/social media page • Paid intermediary – property management agency Investors: • All of the above, except uses real estate agency instead of property management	Customer Segments Tenants Demographic: • Age group 25+ • Both male and female • Single – one-person households with median age of 56 • Married without children • Person who prefers affordable privacy with decent living space Buyers of Multi-Family Property : Investors/Developers –experienced in construction/renovation and focus on either teardowns or positive cashflow rental units
Cost Structure Capex: • Building cost to purchase • Initial renovation in building and appliances • Permits		Opex: • Property taxes • Insurance • Utility fees • Wages and salaries • Contracts • Management fee	Revenue Streams • Rental income • Additional rental storage • Coin-operated laundry • Additional parking • Property sales	

3.2 Value to Partners/Customers

The Solis Ortus operations will address some of the tenants' main worries, such as rent control, security/safety, and stability. The implemented process in the rental property will provide affordable living by maintaining market-competitive rental rates and offer market-leading rent hike protection for its tenants. Alberta government protects the rental rate for the duration of the contract. When the contractual rental agreement ends, usually after one year, landlords are not subject to any limitations on the amount of rental increase after that (CPLEA, 2022).

Due to the nature of the neighbourhood, the average reported incidents of petty theft, breaking-and-entering is higher compared to neighbouring areas. The multi-family rental property will tackle the potential concerns by providing key fob access, multiple building cameras and parking cameras, and 24/7 security monitoring of glass break and unauthorized

entry detection. The level of security will be market-leading to the similar multi-family unit complex in the neighbourhood.

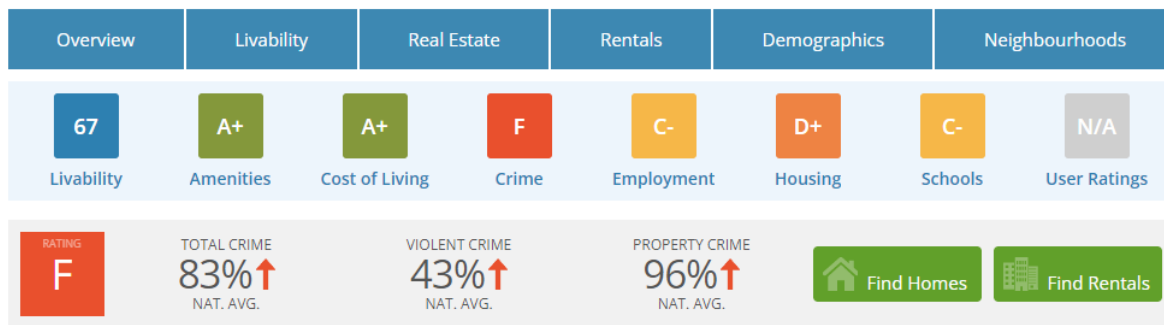


3.3 Core Competence and Competitive Advantage

Although there are similar multi-family units at the same level of rental rates in the nearby neighbourhoods, the Solis Ortus Property will be able to offer more value to tenants. The property is completely paid off with no additional mortgage expense, which will allow the company to add more value for the tenants. All the units were recently renovated with further cosmetic updates on the building itself. With these updates, the tenants can enjoy quality living space while paying a competitive rental rate. To further enhance the competitive advantage to market competitors, Solis Ortus will offer a flexible payment plan catered to eligible tenants who are self-employed or receives pay checks at an irregular time. This will not only allow tenants to avoid late fees but also can provide value add for the tenants with this type of unique needs to rebuild their credit score (Beddall, 2021).

Secondly, the property offers market leading security system with live monitoring. In addition, each unit will have a glass break and authorized entry detection to provide better security. The combination of these security methods will provide additional peace of mind to all the tenants residing on our property, as local competitors often need this level of security provided to their tenants. Moreover, Solis Ortus Property will invest and implement a thorough screening process to select the ideal candidates as its tenants.

Figure 19: Total Crime Rate for Neighbourhood



Date & Last Updated: This data reflects 2020 and was released from [Statistics Canada](#).

Source: Area Vibes – West Jasper, Edmonton (n.d.). <https://www.areavibes.com/edmonton-ab/west+jasper+place/crime/>

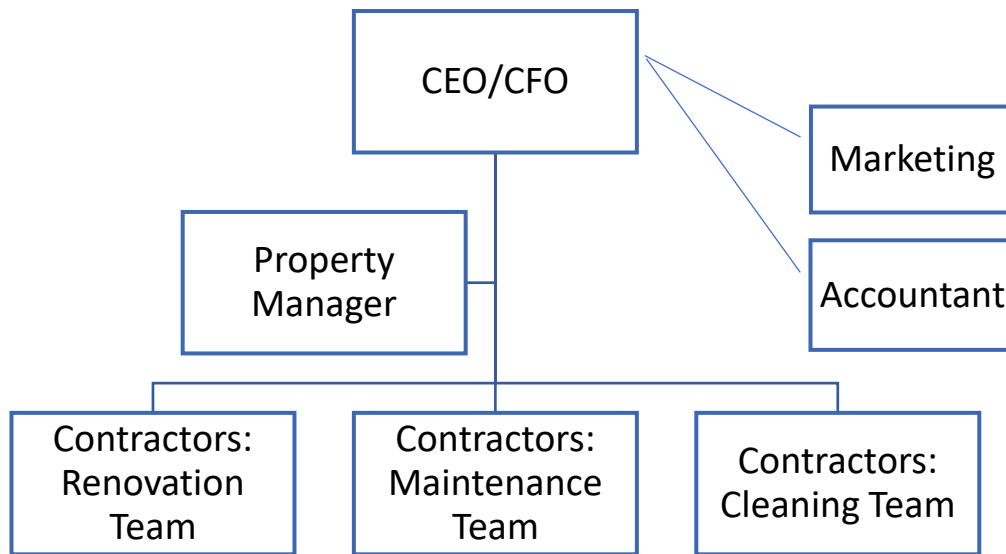
Thirdly, Solis Ortus will focus on brand reputation building and marketing for its property. Unlike competitors' traditional route of listing only with property management companies and third-party websites, our property will also focus on utilizing social media to promote its brand. The property will have its own Facebook page open for the public and a private group for all current tenants to join. Another marketing strategy will include using Google searches and maps' ad placements. Combining these strategies will create additional value concerning exposure, visibility, and user rating system. With enough time, the property will be able to establish its goal reputation of being the market-leading multi-family complex.



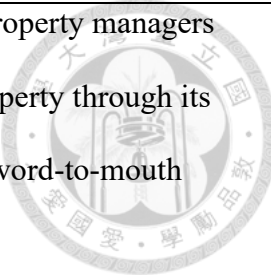
4. Organization and Operation

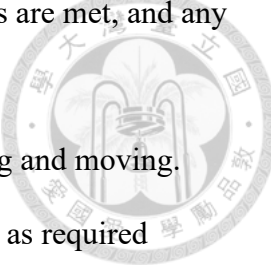
4.1 Company Structure

Figure 20: Organizational Chart for Solis Ortus Property



Job Title	Job Description
CEO/CFO	○ Assessing situations and finalizing decisions that are aligned with the company's growth strategy. ○ Set standards/rules on the culture of the company ○ Audit/interview all potential personnel and contractors

	 ○ Conduct annual meetings with partners and property managers ○ Building a brand image and culture for its property through its official website, social media platforms, and word-to-mouth referrals. ○ Working closely with the marketing team, accountant, and property manager to ensure the upkeep of the service quality standards ○ Any issues/reviews/feedback will be examined its feasibility for future improvements. ○ Budgeting costs and sales ○ Consistent monitoring of the property health and safety standards and safety and security. ○ Diligence on all insurances and maintenance upkeep. ○ Safekeeping all financials/bookkeeping ○ Various administrative tasks ○ Market updates and trends, along with changes in government/community policies.
Property Manager	○ Ensuring property finances are current and documented ○ Scheduling/auditing/interviewing potential tenants ○ Preparing all lease/rental-related documents in an efficient and accurate manner

	 ○ Ensuring all standards on the living conditions are met, and any issues are resolved in a timely manner ○ Overseeing any installs, maintenance, cleaning and moving. ○ Scheduling appointments for property upkeep as required ○ Troubleshooting/responding/communicating to after-hours issues regarding the property ○ Problem-solving, time-management and strong planning skills are critical ○ Delegating tasks to the proper team is a must ○ Strong communication skills
Contractors: Renovation Team	○ Service contract based on proper licensing ○ Responsible for surveying the site and understanding owner's needs through effective communication and detailed documented lists ○ Provide flexibility to using materials/equipment sourced by the owner. ○ Works efficiently and diligently on the agreed contract timeline while maintaining the quality standard.
Contractors: Maintenance Team	○ Long-term service contract based ○ Must be able to provide a 48-hour maintenance guarantee ○ Effective communication with a strong sense of responsibility

	○ Efficient in repairing minor issues common to a standard property, such as leaks, holes, lights, heating etc. ○ Experienced and have the ability for long-term contract
Contractors: Cleaning Team	○ Long-term service contract based ○ Attention to detail and thorough ○ Responsible for all basic cleanings on the property, including dusting, mopping and vacuuming. ○ Ensuring the property is cleaned and sanitized. ○ Report to the property manager for any issues
Marketing	○ Promoting and advertising the property on standard platforms on a regular basis ○ Maintain social media platforms and report any positive/negative reviews to the CEO/CFO. ○ Analyze data collected from social media platforms such as SEO, search and site traffic data. ○ Periodic updates on promotional videos and photos on the property
Accountant	○ External accountant firm ○ Ensure all necessary paperwork is in place and notify owners of any potential missing documents. ○ Provide industry insights and updates on tax-related options

4.2 Ownership and Management

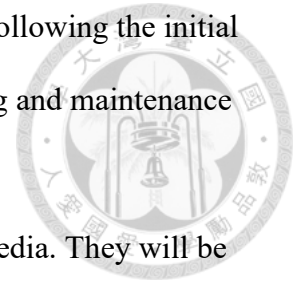
Solis Ortus Property would undergo the route for federal incorporation as this route aligns with the future goals of expansion over major provinces in Canada. When the limited liability company is founded, there will be four people with ownership. Two of the four owners are limited ownership, where they will only be providing investment funds and not involved in the daily operations, whereas the other two partners will be involved in the operations of the company. In the future, the agreement will allow the partners to buy out or sell their shares of the company.

4.3 Operations

The incorporation of Solis Ortus Property at the federal level and the simultaneous conduct of market research for the acquisition are the first steps of the Solis Ortus Property Plan. The partners shall carry out a walkthrough to communicate with the contractors on the completion of the renovation style and timetable after the acquisition of the title registered with the company.

Once the renovation is completed, the property manager, maintenance and cleaning team will operate at full capacity. The contract, advertisement and rent prices shall be confirmed by the partners with the managing agent. The Property Management Team will manage the advertising, scheduling of viewings and appointments, as well as interviews with potential future tenants throughout this period. A standard monthly report must be presented to the partners by the property manager detailing the associated costs and updates on the property. Urgent matters will be communicated directly by phone. Cleaning staff will clean every apartment unit while the maintenance crew works to solve any problems that may exist in individual apartments.

Cleaning teams and maintenance crews will remain on call for job-to-job following the initial project. Adequate notice shall be given to the crew on any regular cleaning and maintenance work other than emergencies requiring a 24-hour turnover.



The partners will have the task of building their brands on social media. They will be taking over marketing tasks, using social media platforms and web reviews, as well as site traffic. Site reviews will be monitored/responded to during daily emails check-up. The marketing team will also promote them through the company's own websites, in addition to advertising via only a property management team.

5. Marketing Plan

5.1 Goals/Objectives

The main goal for Solis Ortus Property is to build a community where residents will feel comfort and security in the West Edmonton rental market. In the previous chapter, our research shows that while West Jasper Place remains a community with a thriving rental market, they do experience a higher crime rate. As the pain point in the area is breaking and entering, we want to cater our main focus to minimize that issue while promoting our property. Although there are already similar multi-family units available in the area, the competitions are generally outdated with outdated security systems. Ultimately, we want the image of comfort, safety, and security to be associated with our brand.

5.2 Digital Marketing and Communication Strategy

Solis Ortus Property's marketing and communication strategy must be based on a modern social media platform with consistency because we live in an area where the competition is

generally outdated and complacent with minimal advertisement efforts. The digital marketing strategy will be carried out through the usage of various platforms, including Solis Ortus' main website, Facebook page, Facebook Marketplace, Google Maps, Zumper, Kijiji, PadMapper and other various sites for each region. Various rental websites with the property manager's company site will be used to advertise the current listings available to the public. These sites will contain links which direct any user traffics to the company's Facebook page, Google Maps and company websites. These sites will provide the visitors with a clear company image and a sense of community while providing them with authentic reviews. Through any of the mentioned social media pages, visitors will have direct access to communication information in every step of the way. On the main websites, visitors will have the option to waitlist any units they prefer by leaving their communication information.

5.3 Collaboration

The first stage of collaboration is to join rental groups such as Facebook Marketplace and its various public rental groups dedicated to the local communities that are accessible globally. Through working with admins and moderators from these pages, our property will be more personable and can enjoy the effect of word-to-mouth advertising. This will not only enhance the trust of potential tenants but will also build a sense of community and brand awareness.

The second stage of collaboration will be to work with the local community stores. Our partners will work with local groceries, individual fast-food chains, gyms and the like to build a simple partnership where there will be specific deals or discounts from tenants in our community to enjoy. The idea is to create a bond where the local communities can support each other, thus creating value for both residents and store owners.



6. Financial Forecasts

6.1 Assumptions

1. Solis Ortus will experiment with two scenarios:
 - a. The company is self-funded by the partner with no loans or debt. Therefore, interest expense will not be incurred in the operation of the company nor in the financial statements.
 - b. FDP will provide 70% of the fund and take out a mortgage of \$300,000 CAD with five years term and 25 years amortization period.
2. From 3rd year, the forecast growth of the company will be 2.5% for 25 years.
3. The depreciation rate is 4% per year, following Canada's Class 1 depreciation section under the Capital Cost Allowance program. The Capital Cost Allowance program can be used on any given year with the restriction of maximum utilization of zero profit and cannot be used to incur a loss (Government of Canada, 2023-b).
4. The partner will not take out any profits at the beginning of the first three years.
5. The property manager will be paid at \$75/hour during regular business hours from 9 AM to 6 PM. \$150/hour if outside of business hours or on national holidays. The rate will be adjusted based on the average estimated hours.
6. Each unit will require two people from the cleaning team and takes four hours with an hourly rate of \$40/hour.
7. Appliances will be purchased at a discounted price.
8. The company has no employees and only works with contractors on a per-project fee which may vary depending on the type of jobs required.

- 
9. Insurance expenses will be fixed for each property unit, even with vacancy.
10. \$500 CAD per unit for each new tenant in a vacant residential unit. Once the unit has been filled once, \$150 CAD will be used for future new tenants.
11. The company collects a deposit equivalent to one month's rent.
12. For laundry units are owned and operated by a third-party company. They will conduct all cleaning, maintenance, and collection. The average monthly profit distributed to the Solis Ortus is \$130, with variants reflecting on seasons.
13. Property management fee is 8% based on the units with occupancy.
14. The depreciation rate is based on the Capital Cost Allowance program, which we can choose to participate in at will. However, the property is grouped in class 1 and can be eligible for 4% annual straight-line depreciation.
15. All repairs, maintenance, cleaning, and janitorial work will be project-based.
16. Snow removal is required based on current weather and can only be estimated.
17. All of the utilities and operational expenses are based on actual buildings with comparable data for the filing of the year 2022.
18. Assuming that the population growth and interprovincial migration growth remain at the current rate in the next three years.

6.2 Start-up Costs

Table 4: Start-Up Costs – with Loans

Currency Units: CAD	
Start Up Costs	
Property Acquisition	610,000
Renovations	191,789
Appliances	15,120
Incorporation and Legal Fees	1,300
Licensing and Legal Fees	3,500
Marketing and Advertising	2,500
Website Development and Maintenance	250
Security Systems Installation	1,470
Property Management - New Vacancy Lease Up Fee	4,500
Property Tax	9,300
Utilities and Operational Expenses	19,800
Accountant Fees	2,500
Insurance Premium	6,240
Contingency Fund	20,000
Total Startup Costs	\$888,268.94
Start Up Capital	
Equity Investment	700,000
Mortgage	300,000
Total Capital	\$1,000,000.00
Result	
Total Start Up Costs	\$ 888,268.94
Surplus	\$ 111,731.06



Table 5: Start-Up Cost without Loans



Currency Units: CAD	
Start Up Costs	
Property Acquisition	610,000
Renovations	191,789
Appliances	15,120
Incorporation and Legal Fees	1,300
Licensing and Legal Fees	3,500
Marketing and Advertising	2,500
Website Development and Maintenance	250
Security Systems Installation	1,470
Property Management - New Vacancy Lease Up Fee	4,500
Property Tax	9,300
Utilities and Operational Expenses	19,800
Accountant Fees	2,500
Insurance Premium	6,240
Contingency Fund	20,000
Total Startup Costs	\$888,268.94
Start Up Capital	
Equity Investment	1,200,000
Total Capital	\$1,200,000.00
Result	
Total Start Up Costs	888,269
Surplus	311,731

6.3 Sales Forecasts (3-Year Projections)

The Solis Ortus property will receive three revenue streams in the course of its operation: parking, laundry, and rentals. The revenue from parking was generated with the use of an estimate that a 65 % utilization rate would be observed on nine units of surface parking. The actual revenue per month of laundry was \$130, which varies according to the seasons and real

occupancy. Rental revenue is derived from the total units multiplied by the vacancy loss of 3% in years 2 and 3.

The sales forecast for the Canadian multi-family rental unit indicates a positive trend in rental revenue over the next three years. In year one, the gross possible rent amounts to \$113,400, and a vacancy loss of \$10,200 is forecast, leading to a total rental income of \$110,900. In year two, gross potential rentals increase to \$113,400, and the vacancy loss is reduced to \$2,100, which leads to a total net rental income of \$111,300. The gross rent is expected to be \$118,800 in year three, with vacancy losses amounting to \$2,200, resulting in total rental revenue of \$116,600.

Multifamily rental property generates other sources of income alongside the revenue from rentals. The parking revenue is expected to increase from \$1,550 in Year 1 to \$2,100 in Year 3. In addition, it is estimated that in Year 3, the revenue from laundry will increase to \$1,742 compared to \$1,654 in Year one. The total other revenue, including parking and laundry, is expected to be \$3,204 in Year 1, \$3,433 in Year 2, and \$3,842 in Year 3.

The effective gross revenue, which includes both rental revenue and other revenue, is forecasted to be \$106,104 in Year 1, \$114,733 in Year 2, and \$120,442 in Year 3. This reflects a positive growth trajectory, indicating increasing profitability for the multi-family rental unit. In addition, it may deter those who wish to buy from entering the housing market and are more interested in renting homes if interest rates continue to rise.

6.3.1 Income Statement

Table 6: Income Statement - with Loans



<i>Currency Units: CAD</i>			
	Year 1	Year 2	Year 3
Rental Revenue			
Gross Potential Rent	113,400.00	113,400.00	118,800.00
Vacancy Loss	(10,500.00)	(2,100.00)	(2,200.00)
Total Rental Revenue	102,900.00	111,300.00	116,600.00
Other Revenue			
Parking Revenue	1,550.00	1,800.00	2,100.00
Laundry Revenue	1,654.00	1,633.00	1,742.00
Total Other Revenue	3,204.00	3,433.00	3,842.00
Effective Gross Revenue	\$106,104.00	\$114,733.00	\$120,442.00
Operating Expenses			
Property Management Fees (8%)	8,488.32	9,178.64	9,635.36
Depreciation Expenses (CCA)	11,331.60	11,331.60	11,331.60
Appliances Expense	15,120.00	0	0
New Vacancy Lease Up Fee (\$500/unit)	4,500.00	0	0
Subsequent Vacancy Lease Up (\$150/unit)	150.00	450.00	300.00
General & Administrative Fees	6,000.00	5,212.50	4,837.50
Advertising & Marketing	900.00	675.00	425.00
Repairs & Maintenance	718.48	1,600.00	2,900.00
Cleaning & Janitorial	1,820.00	1,500.00	1,650.00
HVAC & Plumbing Expenses	1,694.07	2,000.00	2,400.00
Landscaping & Snow Removal	2,163.00	2,257.50	2,485.00
Junk Removal	80.64	80.64	80.64
Security Surveillance	6,573.00	5,103.00	5,103.00
Utility Fees (Monthly Average)	14,728.24	15,464.65	15,773.94
Insurance Premiums	3,375.00	3,375.00	3,510.00
Mortgage Interest Expense	17,458.47	17,130.15	16,782.04
Total Operating Expenses	\$95,100.82	\$75,358.68	\$77,214.08
Net Earnings (Loss)	\$11,003.18	\$39,374.32	\$43,227.92
Donation (1%)	256.99	251.18	276.09
Final Net Earnings	\$10,746.20	\$39,123.14	\$42,951.83
Income Tax (15%)	1,611.93	5,868.47	6,442.77
Final Net Profit	\$9,134.27	\$33,254.67	\$36,509.05
Net Profit Margin	8.61%	28.98%	30.31%

Table 7: Income Statement - without Loans

<i>Currency Units: CAD</i>			
	Year 1	Year 2	Year 3
Rental Revenue			
Gross Potential Rent	113,400.00	113,400.00	118,800.00
Vacancy Loss	(10,500.00)	(2,100.00)	(2,200.00)
Total Rental Revenue	\$102,900.00	\$111,300.00	\$116,600.00
Other Revenue			
Parking Revenue	1,550.00	1,800.00	2,100.00
Laundry Revenue	1,654.00	1,633.00	1,742.00
Total Other Revenue	3204.00	3433.00	3842.00
Effective Gross Revenue	\$106,104.00	\$114,733.00	\$120,442.00
Operating Expenses			
Property Management Fees (8%)	\$8,488.32	\$9,178.64	\$9,635.36
Depreciation Expenses (CCA)	11,331.60	11,331.60	11,331.60
Appliances Expense	15,120.00	0.00	0.00
New Vacancy Lease Up Fee (\$500/unit)	4,500.00	0.00	0.00
Subsequent Vacancy Lease Up (\$150/unit)	150.00	450.00	300.00
General & Administrative Fees	6,000.00	5,212.50	4,837.50
Advertising & Marketing	900.00	675.00	425.00
Repairs & Maintenance	718.48	1,600.00	2,900.00
Cleaning & Janitorial	1,820.00	1,500.00	1,650.00
HVAC & Plumbing Expenses	1,694.07	2,000.00	2,400.00
Landscaping & Snow Removal	2,163.00	2,257.50	2,485.00
Junk Removal	80.64	80.64	80.64
Security Surveillance	6,573.00	5,103.00	5,103.00
Utility Fees (Monthly Average)	14,728.24	15,464.65	15,773.94
Insurance Premiums	3,375.00	3,375.00	3,510.00
Total Operating Expenses	\$77,642.35	\$58,228.53	\$60,432.04
Net Earnings (Loss)	28,461.65	56,504.47	60,009.96
Donation (1%)	373.38	365.38	387.97
Final Net Earnings	\$28,088.28	\$56,139.08	\$59,621.99
Income Tax (15%)	\$4,213.24	\$8,420.86	\$8,943.30
Final Net Profit	\$23,875.03	\$47,718.22	\$50,678.69
Net Profit Margin	22.50%	41.59%	42.08%

6.3.2 Balance Sheet



Table 8: Balance Sheet - with Loans

Currency Units: CAD				
	Year 0	Year 1	Year 2	Year 3
Assets				
Current Assets				
Cash Account	198,211.46	107,126.92	107,126.92	107,126.92
Operating Account - Property Income	0	106,104.00	144,915.54	186,633.36
Security Deposit Account	0	9,450.00	9,450.00	9,900.00
Total Current Assets	198,211.46	222,680.92	261,492.45	303,660.28
Fixed Assets				
Land	518,500.00	518,500.00	518,500.00	518,500.00
Multi-Family Building	91,500.00	91,500.00	91,500.00	91,500.00
Renovations	191,788.54	191,788.54	191,788.54	191,788.54
<i>Subtotal</i>	283,288.54	283,288.54	283,288.54	283,288.54
<i>Accumulated Depreciation - CCA(4%)</i>	0	(11,331.60)	(22,663.20)	(33,994.80)
Carrying Amount	283,288.54	271,956.94	260,625.34	249,293.74
Total Fixed Assets	801,788.54	790,456.94	779,125.34	767,793.74
Total Assets	\$1,000,000.00	\$1,013,137.86	\$1,040,617.80	\$1,071,454.02
Liabilities				
Current Liabilities	0	9,450.00	9,450.00	9,900.00
Long Term Bank Loan	300,000.00	294,553.59	288,778.86	282,656.02
Total Liabilities	300,000.00	304,003.59	298,228.86	292,556.02
Owner's Equity				
Equity Capital	700,000.00	700,000.00	700,000.00	700,000.00
Retained Earnings	0	9,134.27	42,388.93	78,897.99
Total Equity	700,000.00	709,134.27	742,388.94	778,898.00
Total Liability + Equity	\$1,000,000.00	\$1,013,137.86	\$1,040,617.80	\$1,071,454.02

6.3.3 Cash Flow Statement



Table 9: Cash Flow Statement - with Loans

Currency Units: CAD			
	Year 1	Year 2	Year 3
Beginning Cash Balance	\$198,211.46	\$222,680.91	\$261,492.45
Incoming			
Rental Revenue	102,900.00	111,300.00	116,600.00
Other Revenue	3,204.00	3,433.00	3,842.00
Security Deposit Account	9,450.00	0.00	450.00
add back depreciation	11,331.60	11,331.60	11,331.60
Total Incoming	126,885.60	126,064.60	132,223.60
Outgoing			
Operating Expenses			
Property Management Fees (8%)	8,488.32	9,178.64	9,635.36
Depreciation Expenses (CCA)	11,331.60	11,331.60	11,331.60
Appliances Expense	15,120.00	0.00	0.00
New Vacancy Lease Up Fee (\$500/unit)	4,500.00	0.00	0.00
Subsequent Vacancy Lease Up (\$150/unit)	150.00	450.00	300.00
General & Administrative Fees	6,000.00	5,212.50	4,837.50
Advertising & Marketing	900.00	675.00	425.00
Repairs & Maintenance	718.48	1,600.00	2,900.00
Cleaning & Janitorial	1,820.00	1,500.00	1,650.00
HVAC & Plumbing Expenses	1,694.07	2,000.00	2,400.00
Landscaping & Snow Removal	2,163.00	2,257.50	2,485.00
Junk Removal	80.64	80.64	80.64
Security Surveillance	6,573.00	5,103.00	5,103.00
Utility Fees (Monthly Average)	14,728.24	15,464.65	15,773.94
Insurance Premiums	3,375.00	3,375.00	3,510.00
Mortgage Interest Expense	17,458.47	17,130.15	16,782.04
Donations	256.99	251.18	276.09
Tax	1,611.93	5,868.47	6,442.77
Mortgage Expense	5,446.41	5,774.73	6,122.84
Total Outgoing	102,416.15	87,253.06	90,055.78
Ending Cash Balance	\$222,680.91	\$261,492.45	\$303,660.27

6.4 Payback Period

The start-up cost in the multifamily rental business is very high because of the need to acquire an existing property and renovate it. Furthermore, the various scenarios on how this would affect trade need to be examined in view of today's strong inflation and interest rate environment. The two scenarios will be:

- a. Payback period with no loans but breakeven from the original \$1,000,000 CAD invested.
- b. Payback period with \$1,000,000 CAD invested from which \$300,000 CAD amount was taken out as a mortgage loan with a 5.94% rate, 5-year term, and 25-year amortization period.

By using the payback period formula¹, in scenario a, the company, using an annual growth rate of 2.5%, expects to reach its breakeven point in approximately 22.42 years. In scenario b, the company can expect to recuperate the \$300,000 CAD loan in approximately 8.58 years.

¹ <https://xplained.com/849768/payback-period>

$$\text{Payback Period} = A + \frac{|B|}{C}$$

Where,

A is the last period number with a negative cumulative cash flow;

B is the absolute value (i.e., value without a negative sign) of cumulative net cash flow at the end of the period A; and

C is the total cash inflow during the period following period A

Cumulative net cash flow is the sum of inflows to date, minus the initial outflow.

7. Uncertainty and Risk Analysis



7.1 Government Policy and Regulation

There are a few factors that can impact both the housing supply and demand, which results in a direct impact on the housing business. In the past years, the Canadian government has introduced various policies and regulations to address and mitigate the risks in the housing market. The goal of these policies is to promote affordability and maintain sustainable growth. The mortgage stress test, foreign buyer's tax, rent control, speculation, and vacancy tax are some examples. Some of these rules are adopted and brought into force in a very short period, giving homeowners no time to react if they want to protect their property investments.

Moreover, a new strategy for construction permits is now being pushed by the Canadian housing market in order to accelerate its pace (BC Government, 2023). The burdensome process for issuing building permits had, in the past, resulted in significant restrictions on access to housing. However, this procedure may cause an oversupply of new housing stock, which could lead to lower home prices if all provinces in Canada adopt it and speed up the issuance of building permits.

7.2 Population Growth and Market Desirability

A previous chapter's research has shown that population growth in Canada is strongly related to the general trend of property prices. In 2022, population growth reached a record rate; however, 95.9% of the growth was from international migration (Government of Alberta, 2023). Population growth will quickly decline, and housing demand will be reduced once the

international migration slowdown occurs. As demand pressure ease with the decline of population growth, property prices may experience an eventual weakening.

Due to the high oil price, Alberta's oil sands royalty experienced major growth, which had a positive impact on the provincial economy. Many companies have begun hiring due to the increase in demand. Moreover, Alberta's average property prices are less than 50% of other provinces like BC and Ontario (Wowa Leads Inc, 2023). In the fourth quarter of 2022 alone, a combination of these two factors contributed to an increase in interprovincial migration by 206%. However, this factor could have a severe effect on the desirability of the Alberta real estate market because of volatility in oil prices and movement towards renewable energy consumption, which would lead to an impact on rental values.

7.3 Interest Rates and Inflations

Interest rates, which had a significant influence on house prices and affordability, continued to play an important role in the Canadian economy. The Bank of Canada raised the policy rate to 4.75%, while the prime rate increased to 6.95%. The policy interest rate has risen sharply from 0.25% to 4.75% between the period of March 2022 and June 2023. A number of investors have been able to obtain a mortgage at a low-interest rate, but fixed rates have to be renewed every three to five years. This leads us to expect that real estate prices will decline if a higher default rate occurs when the mortgage holder renews his term because of substantial increases in monthly payments. Furthermore, the Bank of Canada reiterated its target of a 2% inflation rate when compared to the current 4.4%. (Bank of Canada, 2023). It is expected that the Bank of Canada will maintain its current policy rate for a period of time longer than

anticipated, which will exert downward pressure on the housing market throughout the fight against inflation.



8. Future Projects and Exit Strategy

Solis Ortus Property's primary objective is to build a solid brand reputation and expand the portfolio of its multifamily units. The acquisition of other relevant properties, maintaining good tenants, and replicating a management system is consequently one of the most important objectives. As the number of properties increases, we should theoretically be able to achieve synergies with our employees and contractors in terms of saving costs through economies of scale. At the same time, since we have established a reputation for providing excellent service and better facilities than our competitors, it is expected that there will be more referral rates once we are able to introduce other properties in our portfolio. We will be able to build up equity and assist in financing future expansion once we have established our initial asset so as to achieve a healthy cash flow.

On the other hand, another objective is also to increase profitability while fully utilizing our existing teams of employees. After completing Solis Ortus Property's first multi-family units, our staff will not be required as frequently as the first property will be focused on long-term rentals. To fully utilize the staff, we will be expanding to the subletting business. This will require much less initial capital than acquisition, and we can take advantage of a higher-cost climate in the short-term rental market. The business expansion requires signing long-term contracts to sublease properties for homeowners who do not wish to deal with tenants and trust our company's reputation. Complete furnishing of the premises and full cleaning and repair services will be entrusted to Solis Ortus Property. The target customer will be tenants for short-

term business trips and family visitation/vacations. In order to achieve economies of scale and thus reduce costs, this expansion of the sublet business will help us to better use our contracting teams.

Two possible scenarios are presented in exit strategies. The market value will have to be assessed in the first place if a company starts experiencing negative cash flow and becomes unsustainable. For this reason, in order to offset any costs and losses, we will continue to examine whether the market value of our property has increased. If the market presents future growth opportunities, then partners can consider further investment into the property to keep it operational. However, the partners will have the option of selling the property at market value if they decide to sell in order to recover their investment. The downside is that the property will have a negative cash flow and thus may contribute to the devaluation of the property. Second, a company could consider the possibility of acquisition by a competitive market operator if it was able to achieve its aim of expanding into more than one part of the country and establishing its brand in major provinces. But an initial public offering may be the next step if sufficient shareholders are attracted, and the company has continued to meet the standard of the Canadian stock exchange.

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Appendices

Appendix A: Dataset Collected for Residence Start per 100k graph

Appendix B: Income Statement Year 1 – with Loans

Appendix C: Income Statement Year 2 – with Loans

Appendix D: Income Statement Year 3 – with Loans

Appendix E: Income Statement Year 1 – without Loans

Appendix F: Income Statement Year 2 – without Loans

Appendix G: Income Statement Year 3 – without Loans



Appendix A: Dataset Collected for Residence Start per 100k graph



Year	Residence Cost	Population	Residence Starts	Residence Starts per 100k	Canadian Inflation Index
1970	6.13075	21324000	190528	893.4909023	100
1971	6.462	21962032	233653	1063.895181	103.3460398
1972	6.98905	22218463	249914	1124.803277	106.1414655
1973	8.46285	22491777	268529	1193.898552	111.4358323
1974	10.78765	22807969	222123	973.8832949	119.7797543
1975	12.0428	23143275	231456	1000.100461	132.9521389
1976	13.494775	23449808	273203	1165.054315	147.1410419
1977	14.1572	23725843	245724	1035.680798	158.2380347
1978	14.872775	23963203	227667	950.0691539	170.8598052
1979	16.420575	24201544	197049	814.2001188	186.1922914
1980	18.4506	24515667	158601	646.9373238	203.218975
1981	21.09935	24819915	177973	717.0572502	223.8034731
1982	20.01715	25116942	125860	501.0960331	251.7153748
1983	21.16395	25366451	162645	641.1815354	278.8225328
1984	21.020175	25607053	134900	526.8079853	295.1715375
1985	22.153425	25842116	165826	641.6889391	307.8780178
1986	25.96665	26100278	199785	765.451617	320.0762389
1987	30.321525	26446601	245986	930.1233077	333.5027531
1988	35.8138	26791747	222562	830.7110395	348.0304956
1989	40.474875	27276781	215382	789.616634	362.0499788
1990	39.09065	27691138	181630	655.9138162	380.0931809
1991	40.626925	28037420	156197	557.1019017	398.2634477
1992	41.34045	28371264	168271	593.1036418	420.669208
1993	42.160175	28684764	155443	541.9009199	426.9377382
1994	43.476725	29000663	154057	531.2188897	434.9004659
1995	41.6633	29302311	110933	378.5810614	435.6204998
1996	41.570625	29610218	124713	421.1823094	444.9809403
1997	42.577825	29905948	147040	491.6747665	451.9695044
1998	42.028925	30155173	137439	455.7725469	459.2969081
1999	43.565225	30401286	149968	493.2949218	463.871241
2000	45.20055	30685730	151653	494.2134341	471.9186785
2001	47.29205	31020902	162733	524.5914513	484.7522236
2002	52.11665	31360079	205034	653.8057509	496.9927997
2003	57.159975	31644028	218426	690.2597861	508.2168573
2004	62.436675	31940655	233431	730.8272169	522.2363405
2005	68.604025	32243753	225481	699.3013499	531.9356205
2006	80.12825	32571174	227395	698.1480004	543.7102922
2007	91.7863	32889025	228343	694.2832753	554.5955104
2008	94.90845	33247118	211056	634.8099104	566.454892
2009	92.050675	33628895	149081	443.3122171	579.8814062
2010	100	34004889	189930	558.5373327	581.6179585
2011	105.796225	34339328	193950	564.8042967	591.9525625
2012	110.665875	34714222	214827	618.8443457	609.1910208
2013	112.8072	35082954	187923	535.6532976	618.4243964
2014	118.894075	35437435	189329	534.2627083	624.2270224
2015	128.54135	35702908	195535	547.6724753	636.128759
2016	148.7783	36109487	197915	548.0969586	643.2867429
2017	172.035	36545236	219763	601.3451384	652.4777637
2018	177.968725	37065084	212843	574.2412455	662.8970775
2019	179.129675	37601230	208685	554.9951424	677.9330792
2020	190.43815	38037204	217880	572.8076123	691.1478187
2021	214.56	38246108	271198	709.0865298	696.103346



Appendix B: Income Statement Year 1 – with Loans

<i>Income Statement - Year 1</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	113,400.00
Vacancy Loss	(5,250.00)	(3,150.00)	(1,050.00)	0	0	0	0	0	0	0	(1,050.00)	0	(10,500.00)
Total Rental Revenue	4,200.00	6,300.00	8,400.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	8,400.00	9,450.00	102,900.00
Other Revenue													
Parking Revenue	50.00	100.00	100.00	125.00	125.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,550.00
Laundry Revenue	96.00	130.00	168.00	166.00	164.00	154.00	130.00	122.00	124.00	128.00	130.00	142.00	1,654.00
Total Other Revenue	146.00	230.00	268.00	291.00	289.00	304.00	280.00	272.00	274.00	278.00	280.00	292.00	3,204.00
Effective Gross Revenue	4,346.00	6,530.00	8,668.00	9,741.00	9,739.00	9,754.00	9,730.00	9,722.00	9,724.00	9,728.00	8,680.00	9,742.00	\$106,104.00
Operating Expenses													
Property Management Fees (8%)	347.68	522.4	693.44	779.28	779.12	780.32	778.4	777.76	777.92	778.24	694.4	779.36	8,488.32
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	11,331.60
Appliances Expense	15,120.00	0	0	0	0	0	0	0	0	0	0	0	15,120.00
New Vacancy Lease Up Fee (\$500/unit)	2,000.00	1,000.00	1,000.00	500.00	0	0	0	0	0	0	0	0	4,500.00
Subsequent Vacancy Lease Up (\$150/unit)	0	0	0	0	0	0	0	0	0	0	0	150.00	150.00
General & Administrative Fees	1,050.00	825.00	525.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	600.00	375.00	6,000.00
Advertising & Marketing	350.00	200.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	150.00	900.00
Repairs & Maintenance	0	0	0	0	0	0	0	718.48	0	0	0	0	718.48
Cleaning & Janitorial	0	250.00	0	250.00	0	250.00	0	250.00	0.00	250.00	320.00	250.00	1,820.00
HVAC & Plumbing Expenses	0	0	0	0	0	0	0	0	0	0	0	1,694.07	1,694.07
Landscaping & Snow Removal	294.00	294.00	294.00	294.00	294.00	0	0	231.00	231.00	231.00	0	0	2,163.00
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	1,895.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	6,573.00
Utility Fees (Monthly Average)	823.52	939.61	616.29	644.44	716.23	753.68	1,029.38	1,919.21	1,959.97	2,008.77	1,542.21	1,774.93	14,728.24
Insurance Premiums	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	3,375.00
Mortgage Interest Expense	1,454.87	1,454.87	1,454.87	1,454.87	1,454.87	1,454.87	1,454.87	1,454.87	1,454.87	1,454.88	1,454.88	1,454.88	17,458.47
Total Operating Expenses	24,560.87	7,136.68	6,334.40	5,948.39	5,270.02	5,264.67	5,288.45	7,377.12	6,449.56	6,748.69	6,442.93	8,279.04	\$95,100.82
Net Earnings (Loss)	(20,214.87)	(606.68)	2,333.60	3,792.61	4,468.98	4,489.33	4,441.55	2,344.88	3,274.44	2,979.31	2,237.07	1,462.96	11,003.18
Donation (1%)	0	0	0	0	44.69	44.89	44.42	23.45	32.74	29.79	22.37	14.63	256.99
Final Net Earnings	(20,214.87)	(606.68)	2,333.60	3,792.61	4,424.29	4,444.44	4,397.13	2,321.43	3,241.70	2,949.52	2,214.70	1,448.33	\$10,746.20
Income Tax (15%)	(3,032.23)	(91.00)	350.04	568.89	663.64	666.67	659.57	348.21	486.25	442.43	332.20	217.25	1,611.93
Final Net Profit	(17,182.64)	(515.68)	1,983.56	3,223.72	3,760.65	3,777.77	3,737.56	1,973.22	2,755.44	2,507.09	1,882.49	1,231.08	\$9,134.27
Net Profit Margin	-395.37%	-7.90%	22.88%	33.09%	38.61%	38.73%	38.41%	20.30%	28.34%	25.77%	21.69%	12.64%	8.61%

Appendix C: Income Statement Year 2 – with Loans



<i>Income Statement - Year 2</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	113,400.00
Vacancy Loss	(1,050.00)	0	(1,050.00)	0	0	0	0	0	0	0	0	0	(2,100.00)
Total Rental Revenue	8,400.00	9,450.00	8,400.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	111,300.00
Other Revenue													
Parking Revenue	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
Laundry Revenue	124.00	129.00	166.00	178.00	156.00	132.00	142.00	108.00	118.00	108.00	126.00	146.00	1,633.00
Total Other Revenue	274.00	279.00	316.00	328.00	306.00	282.00	292.00	258.00	268.00	258.00	276.00	296.00	3,433.00
Effective Gross Revenue	8,674.00	9,729.00	8,716.00	9,778.00	9,756.00	9,732.00	9,742.00	9,708.00	9,718.00	9,708.00	9,726.00	9,746.00	\$114,733.00
Operating Expenses													
Property Management Fees (8%)	693.92	778.32	697.28	782.24	780.48	778.56	779.36	776.64	777.44	776.64	778.08	779.68	9,178.64
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	11,331.60
Appliances Expense	0	0	0	0	0	0	0	0	0	0	0	0	0.00
New Vacancy Lease Up Fee (\$500/unit)	0	0	0	0	0	0	0	0	0	0	0	0	0.00
Subsequent Vacancy Lease Up (\$150/unit)	0	150.00	0	150.00	0	0	0	0	0	0	0	150.00	450.00
General & Administrative Fees	525.00	375.00	525.00	300.00	300.00	300.00	450.00	375.00	487.50	600.00	525.00	450.00	5,212.50
Advertising & Marketing	175.00	150.00	175.00	0	0	0	0	0	0	0	0	175.00	675.00
Repairs & Maintenance	0	0	0	0	800.00	0	0	0	800.00	0	0	0	1,600.00
Cleaning & Janitorial	0	250.00	0	250.00	0	250.00	0	250.00	0	250.00	0	250.00	1,500.00
HVAC & Plumbing Expenses	0	0	0	0	1000.00	0	0	0	0	0	0	1000.00	2,000.00
Landscaping & Snow Removal	294.00	294.00	294.00	294.00	294.00	0	0	262.50	262.50	262.50	0	0	2,257.50
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	5,103.00
Utility Fees (Monthly Average)	864.69	986.59	647.10	676.66	752.04	791.36	1,080.85	2,015.17	2,057.97	2,109.21	1,619.32	1,863.68	15,464.65
Insurance Premiums	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	3,375.00
Mortgage Interest Expense	1,427.51	1,427.51	1,427.51	1,427.51	1,427.51	1,427.51	1,427.51	1,427.51	1,427.51	1,427.52	1,427.52	1,427.52	17,130.15
Total Operating Expenses	5,630.92	6,062.22	5,416.69	5,531.21	7,004.83	5,198.23	5,388.52	6,757.62	7,463.72	7,076.67	6,081.36	7,746.68	\$75,358.68
Net Earnings (Loss)	3,043.08	3,666.78	3,299.31	4,246.79	2,751.17	4,533.77	4,353.48	2,950.38	2,254.28	2,631.33	3,644.64	1,999.32	39,374.32
Donation (1%)	0	0	0	0	27.51	45.34	43.53	29.50	22.54	26.31	36.45	19.99	251.18
Final Net Earnings	3,043.08	3,666.78	3,299.31	4,246.79	2,723.66	4,488.43	4,309.95	2,920.88	2,231.74	2,605.02	3,608.19	1,979.33	\$39,123.14
Income Tax (15%)	456.46	550.02	494.90	637.02	408.55	673.26	646.49	438.13	334.76	390.75	541.23	296.90	\$5,868.47
Final Net Profit	2,586.62	3,116.76	2,804.41	3,609.77	2,315.11	3,815.16	3,663.45	2,482.74	1,896.98	2,214.27	3,066.96	1,682.43	\$33,254.67
Net Profit Margin	29.82%	32.04%	32.18%	36.92%	23.73%	39.20%	37.60%	25.57%	19.52%	22.81%	31.53%	17.26%	28.98%



Appendix D: Income Statement Year 3 – with Loans

<i>Income Statement - Year 3</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	118800.00
Vacancy Loss	(1,100.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,100.00)	0.00	(2,200.00)
Total Rental Revenue	8800.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	9900.00	8800.00	9900.00	\$116,600.00
Other Revenue													
Parking Revenue	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	2100.00
Laundry Revenue	128.00	138.00	145.00	179.00	157.00	153.00	138.00	128.00	129.00	132.00	148.00	167.00	1742.00
Total Other Revenue	303.00	313.00	320.00	354.00	332.00	328.00	313.00	303.00	304.00	307.00	323.00	342.00	3842.00
Effective Gross Revenue	9103.00	10213.00	10220.00	10254.00	10232.00	10228.00	10213.00	10203.00	10204.00	10207.00	9123.00	10242.00	\$120,442.00
Operating Expenses													
Property Management Fees (8%)	728.24	817.04	817.6	820.32	818.56	818.24	817.04	816.24	816.32	816.56	729.84	819.36	\$9,635.36
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	\$11,331.60
Appliances Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
New Vacancy Lease Up Fee (\$500/unit)	0	0	0	0	0	0	0	0	0	0	0	0	0
Subsequent Vacancy Lease Up (\$150/unit)	0	150.000	0	0	0	0	0	0	0	0	0	150.00	300.00
General & Administrative Fees	525.00	300.00	300.00	300.00	300.00	450.00	375.00	375.00	450.00	487.50	600.00	375.00	4837.50
Advertising & Marketing	150.00	0	0	0	0	0	0	0	0	175.00	100.00	0	425.00
Repairs & Maintenance	0	800.00	0	0	0	1300.00	0	0	0	0	800.00	0	2900.00
Cleaning & Janitorial	0	275.00	0	275.00	0	275.00	0	275.00	0	275.00	0	275.00	1650.00
HVAC & Plumbing Expenses	0	0	0	1200.00	0	0	0	0	0	0	0	1200.00	2400.00
Landscaping & Snow Removal	308.00	308.00	308.00	308.00	308.00	0	0	315.00	315.00	315.00	0	0	2485.00
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	5103.00
Utility Fees (Monthly Average)	881.99	1006.33	660.05	690.20	767.08	807.19	1102.47	2055.47	2099.13	2151.39	1651.71	1900.95	15773.94
Insurance Premiums	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	3510.00
Mortgage Interest Expense	1,398.50	1,398.50	1,398.50	1,398.50	1,398.50	1,398.50	1,398.50	1,398.50	1,398.51	1,398.51	1,398.51	1,398.51	16,782.04
Total Operating Expenses	5653.78	6716.92	5146.20	6654.07	5254.19	6710.98	5355.06	6897.26	6741.01	7281.01	7022.75	7780.87	\$77,214.08
Net Earnings (Loss)	3449.22	3496.08	5073.80	3599.93	4977.81	3517.02	4857.94	3305.74	3462.99	2925.99	2100.25	2461.13	43,227.92
Donation (1%)	0	0	0	0	49.78	35.17	48.58	33.06	34.63	29.26	21.00	24.61	276.09
Final Net Earnings	3449.22	3496.08	5073.80	3599.93	4928.03	3481.85	4809.36	3272.68	3428.36	2896.73	2079.25	2436.52	\$42,951.83
Income Tax (15%)	517.38	524.41	761.07	539.99	739.20	522.28	721.40	490.90	514.25	434.51	311.89	365.48	\$6,442.77
Final Net Profit	2931.84	2971.67	4312.73	3059.94	4188.83	2959.57	4087.96	2781.78	2914.11	2462.22	1767.36	2071.04	\$36,509.05
Net Profit Margin	32.21%	29.10%	42.20%	29.84%	40.94%	28.94%	40.03%	27.26%	28.56%	24.12%	19.37%	20.22%	30.31%

Appendix E: Income Statement Year 1 – without Loans



<i>Income Statement - Year 1</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	113,400.00
Vacancy Loss	(5,250.00)	(3,150.00)	(1,050.00)	0	0	0	0	0	0	0	(1,050.00)	0	(10,500.00)
Total Rental Revenue	4,200.00	6,300.00	8,400.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	9,450.00	8,400.00	9,450.00	102,900.00
Other Revenue													
Parking Revenue	50.00	100.00	100.00	125.00	125.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1550.00
Laundry Revenue	96.00	130.00	168.00	166.00	164.00	154.00	130.00	122.00	124.00	128.00	130.00	142.00	1654.00
Total Other Revenue	146.00	230.00	268.00	291.00	289.00	304.00	280.00	272.00	274.00	278.00	280.00	292.00	3204.00
Effective Gross Revenue	4,346.00	6,530.00	8,668.00	9,741.00	9,739.00	9,754.00	9,730.00	9,722.00	9,724.00	9,728.00	8,680.00	9,742.00	\$106,104.00
Operating Expenses													
Property Management Fees (8%)	347.68	522.4	693.44	779.28	779.12	780.32	778.4	777.76	777.92	778.24	694.4	779.36	\$8,488.32
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	\$11,331.60
Appliances Expense	15,120.00	0	0	0	0	0	0	0	0	0	0	0	15,120.00
New Vacancy Lease Up Fee (\$500/unit)	2,000.00	1,000.00	1,000.00	500.00	0	0	0	0	0	0	0	0	4,500.00
Subsequent Vacancy Lease Up (\$150/unit)	0	0	0	0	0	0	0	0	0	0	0	150.00	150.00
General & Administrative Fees	1,050.00	825.00	525.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	600.00	375.00	6,000.00
Advertising & Marketing	350.00	200.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	150.00	900.00
Repairs & Maintenance	0	0	0	0	0	0	0	718.48	0	0	0	0	718.48
Cleaning & Janitorial	0	250.00	0	250.00	0	250.00	0	250.00	0.00	250.00	320.00	250.00	1820.00
HVAC & Plumbing Expenses	0	0	0	0	0	0	0	0	0	0	0	1694.07	1694.07
Landscaping & Snow Removal	294.00	294.00	294.00	294.00	294.00	0	0	231.00	231.00	231.00	0	0	2163.00
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	1895.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	6573.00
Utility Fees (Monthly Average)	823.52	939.61	616.29	644.44	716.23	753.68	1029.38	1919.21	1959.97	2008.77	1542.21	1774.93	14728.24
Insurance Premiums	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	3375.00
Total Operating Expenses	23106.00	5681.81	4879.53	4493.52	3815.15	3809.8	3833.58	5922.25	4994.69	5293.81	4988.05	6824.16	\$77,642.35
Net Earnings (Loss)	(18,760.00)	848.19	3,788.47	5,247.48	5,923.85	5,944.20	5,896.42	3,799.75	4,729.31	4,434.19	3,691.95	2,917.84	\$28,461.65
Donation (1%)	0	0	0	0	59.24	59.44	58.96	38.00	47.29	44.34	36.92	29.18	373.38
Final Net Earnings	(18,760.00)	848.19	3,788.47	5,247.48	5,864.61	5,884.76	5,837.46	3,761.75	4,682.02	4,389.85	3,655.03	2,888.66	\$28,088.28
Income Tax (15%)	(2,814.00)	127.23	568.27	787.12	879.69	882.71	875.62	564.26	702.30	658.48	548.25	433.30	\$4,213.24
Final Net Profit	(15,946.00)	720.96	3,220.20	4,460.36	4,984.92	5,002.04	4,961.84	3,197.49	3,979.71	3,731.37	3,106.78	2,455.36	\$23,875.03
Net Profit Margin	(3.67)	11.04%	37.15%	45.79%	51.19%	51.28%	51.00%	32.89%	40.93%	38.36%	35.79%	25.20%	22.50%

Appendix F: Income Statement Year 2 – without Loans



<i>Income Statement - Year 2</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	113400.00
Vacancy Loss	(1,050.00)	0	(1,050.00)	0	0	0	0	0	0	0	0	0	(2,100.00)
Total Rental Revenue	8400.00	9450.00	8400.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	9450.00	111,300.00
Other Revenue													
Parking Revenue	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1800.00
Laundry Revenue	124.00	129.00	166.00	178.00	156.00	132.00	142.00	108.00	118.00	108.00	126.00	146.00	1633.00
Total Other Revenue	274.00	279.00	316.00	328.00	306.00	282.00	292.00	258.00	268.00	258.00	276.00	296.00	3433.00
Effective Gross Revenue	8,674.00	9,729.00	8,716.00	9,778.00	9,756.00	9,732.00	9,742.00	9,708.00	9,718.00	9,708.00	9,726.00	9,746.00	\$114,733.00
Operating Expenses													
Property Management Fees (8%)	693.92	778.32	697.28	782.24	780.48	778.56	779.36	776.64	777.44	776.64	778.08	779.68	9,178.64
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	11,331.60
Appliances Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
New Vacancy Lease Up Fee (\$500/unit)	0	0	0	0	0	0	0	0	0	0	0	0	0
Subsequent Vacancy Lease Up (\$150/unit)	0	150.00	0	150.00	0	0	0	0	0	0	0	150.00	450.00
General & Administrative Fees	525.00	375.00	525.00	300.00	300.00	300.00	450.00	375.00	487.50	600.00	525.00	450.00	5,212.50
Advertising & Marketing	175.00	150.00	175.00	0	0	0	0	0	0	0	0	175.00	675.00
Repairs & Maintenance	0	0	0	0	800	0	0	0	800	0	0	0	1600
Cleaning & Janitorial	0	250	0	250	0	250	0	250	0	250	0	250	1500
HVAC & Plumbing Expenses	0	0	0	0	1000	0	0	0	0	0	0	1000	2000
Landscaping & Snow Removal	294	294	294	294	294	0	0	262.5	262.5	262.5	0	0	2257.5
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	5103.00
Utility Fees (Monthly Average)	864.69	986.59	647.10	676.66	752.04	791.36	1080.85	2015.17	2057.97	2109.21	1619.32	1863.68	15464.65
Insurance Premiums	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	281.25	3375
Total Operating Expenses	4203.41	4634.71	3989.18	4103.70	5577.32	3770.72	3961.01	5330.11	6036.21	5649.15	4653.84	6319.16	\$58,228.53
Net Earnings (Loss)	4,470.59	5,094.29	4,726.82	5,674.30	4,178.68	5,961.28	5,780.99	4,377.89	3,681.79	4,058.85	5,072.16	3,426.84	56,504.47
Donation (1%)	0	0	0	0	41.79	59.61	57.81	43.78	36.82	40.59	50.72	34.27	365.38
Final Net Earnings	4,470.59	5,094.29	4,726.82	5,674.30	4,136.89	5,901.66	5,723.18	4,334.11	3,644.97	4,018.26	5,021.44	3,392.58	\$56,139.08
Income Tax (15%)	670.59	764.14	709.02	851.14	620.53	885.25	858.48	650.12	546.75	602.74	753.22	508.89	8,420.86
Final Net Profit	\$3,800.00	\$4,330.14	\$4,017.79	\$4,823.15	\$3,516.36	\$5,016.41	\$4,864.70	\$3,683.99	\$3,098.23	\$3,415.52	\$4,268.22	\$2,883.69	\$47,718.22
Net Profit Margin	43.81%	44.51%	46.10%	49.33%	36.04%	51.55%	49.94%	37.95%	31.88%	35.18%	43.88%	29.59%	41.59%

Appendix G: Income Statement Year 3 – without Loans



<i>Income Statement - Year 3</i>													
<i>Currency Units: CAD</i>													
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	Total
Rental Revenue													
Gross Potential Rent	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	118,800.00
Vacancy Loss	(1,100.00)	0	0	0	0	0	0	0	0	0	(1,100.00)	0	(2,200.00)
Total Rental Revenue	8,800.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	9,900.00	8,800.00	9,900.00	116,600.00
Other Revenue													
Parking Revenue	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	2100.00
Laundry Revenue	128.00	138.00	145.00	179.00	157.00	153.00	138.00	128.00	129.00	132.00	148.00	167.00	1742.00
Total Other Revenue	303.00	313.00	320.00	354.00	332.00	328.00	313.00	303.00	304.00	307.00	323.00	342.00	3842.00
Effective Gross Revenue	9103.00	10213.00	10220.00	10254.00	10232.00	10228.00	10213.00	10203.00	10204.00	10207.00	9123.00	10242.00	\$120,442.00
Operating Expenses													
Property Management Fees (8%)	728.24	817.04	817.6	820.32	818.56	818.24	817.04	816.24	816.32	816.56	729.84	819.36	\$9,635.36
Depreciation Expenses (CCA)	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	944.30	\$11,331.60
Appliances Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
New Vacancy Lease Up Fee (\$500/unit)	0	0	0	0	0	0	0	0	0	0	0	0	0
Subsequent Vacancy Lease Up (\$150/unit)	0	150.000	0	0	0	0	0	0	0	0	0	150.00	300.00
General & Administrative Fees	525.00	300.00	300.00	300.00	300.00	450.00	375.00	375.00	450.00	487.50	600.00	375.00	4837.50
Advertising & Marketing	150.00	0	0	0	0	0	0	0	0	175.00	100.00	0	425.00
Repairs & Maintenance	0	800.00	0	0	0	1300.00	0	0	0	0	800.00	0	2900.00
Cleaning & Janitorial	0	275.00	0	275.00	0	275.00	0	275.00	0	275.00	0	275.00	1650.00
HVAC & Plumbing Expenses	0	0	0	1200.00	0	0	0	0	0	0	0	1200.00	2400.00
Landscaping & Snow Removal	308.00	308.00	308.00	308.00	308.00	0	0	315.00	315.00	315.00	0	0	2485.00
Junk Removal	0	0	0	0	0	0	0	0	0	0	80.64	0	80.64
Security Surveillance	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	425.25	5103.00
Utility Fees (Monthly Average)	881.99	1006.33	660.05	690.20	767.08	807.19	1102.47	2055.47	2099.13	2151.39	1651.71	1900.95	15773.94
Insurance Premiums	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	292.50	3510.00
Total Operating Expenses	4255.28	5318.42	3747.70	5255.57	3855.69	5312.48	3956.56	5498.76	5342.50	5882.50	5624.24	6382.36	\$60,432.04
Net Earnings (Loss)	4847.72	4894.58	6472.30	4998.43	6376.31	4915.52	6256.44	4704.24	4861.50	4324.50	3498.76	3859.64	\$60,009.96
Donation (1%)	0	0	0	0	63.76	49.16	62.56	47.04	48.62	43.24	34.99	38.60	387.97
Final Net Earnings	4847.72	4894.58	6472.30	4998.43	6312.54	4866.36	6193.88	4657.19	4812.89	4281.25	3463.78	3821.04	\$59,621.99
Income Tax (15%)	727.16	734.19	970.85	749.77	946.88	729.95	929.08	698.58	721.93	642.19	519.57	573.16	\$8,943.30
Final Net Profit	4120.57	4160.40	5501.46	4248.67	5365.66	4136.41	5264.80	3958.61	4090.95	3639.06	2944.21	3247.89	\$50,678.69
Net Profit Margin	45.27%	40.74%	53.83%	41.43%	52.44%	40.44%	51.55%	38.80%	40.09%	35.65%	32.27%	31.71%	42.08%