

# HOUSING RESEARCH REPORT

## **The Economics of New Purpose-Built Rental Housing Development in Selected Canadian Markets (2016)**

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# **The Economics of New Purpose-Built Rental Housing Development in Selected Canadian Markets (2016)**

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## Executive Summary

Altus Data Solutions (Altus Group) was commissioned by Canada Mortgage and Housing Corporation (CMHC) to assess the economics of purpose-built rental apartment development in six of Canada's major markets:

- Vancouver
- Calgary
- Winnipeg
- Toronto
- Montréal
- Halifax

The study examined both private market rental unit development and non-profit buildings. The main report presents the results for the private market analysis, with the non-profit sector results presented in an appendix.

### Approach

The analysis uses a pro forma framework to determine the economics of new purpose-built rental unit development. A total of 12 pro formas were developed for the private rental sector in each market. These 12 pro formas for each market were based on a combination of variables:

- Type of project/location—three options, based on a combination of quality, suite mix and location.
- Rents—two options (achievable market rents vs. required economic rent to make the project viable)
- Land costs—two options (market land costs vs. zero land costs).

All scenarios assume CMHC insurance with an 85% loan-to-value ratio.

Vacancy rate and real income growth assumptions are specific to each market.

### Key Results

The table on the next page summarizes, across the various market areas, the 10-year cash-on-cash returns for the basic, medium and high-end private market projects under the “with land cost” and “without land cost” scenarios.

The 10-year average annual cash-on-cash returns are negative in most cases when land costs are included in the analysis. The exception is the basic project in Toronto. Toronto's relative advantage is due to a higher rent structure relative to costs, as well as relatively low property tax rates.

Even with land costs assumed at zero, most markets and project types still exhibit a negative 10-year return. The key exception is that 10-

year returns look reasonably favourable for the basic project in Vancouver and Toronto.

Overall, the economics of new private rental unit development in Canada’s major markets are still challenged, but the increase in activity and interest in recent years suggests that at least some

developers are making it work. Some may be discounting land value, others may have different criteria or objectives related to measuring investment performance, while others still may be expecting significant capital gains to offset meagre cash-on-cash returns.

<b>Comparison of 10-Year Average Annual Cash-on-Cash Returns for New Private Market Purpose-Built Rental Housing</b>						
	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs		
	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units
Vancouver	-2.9%	-9.7%	-10.0%	11.0%	2.2%	3.7%
Calgary	-9.6%	-6.8%	-8.3%	-5.1%	-2.4%	-3.9%
Winnipeg	-4.6%	-9.2%	-10.5%	-2.5%	-7.6%	-8.3%
Toronto	3.3%	-6.5%	-5.4%	10.6%	-0.8%	1.0%
Montréal	-0.7%	-4.9%	-5.1%	1.3%	-3.0%	-3.0%
Halifax	-5.5%	-11.3%	-11.4%	-0.6%	-7.9%	-7.7%

Source: Altus Group

## Résumé

La Société canadienne d'hypothèques et de logement (SCHL) a demandé à Altus Data Solutions (Altus) d'évaluer les aspects économiques de l'aménagement d'immeubles d'appartements expressément destinés au marché locatif dans six grands marchés canadiens :

- Vancouver
- Calgary
- Winnipeg
- Toronto
- Montréal
- Halifax

L'étude a porté à la fois sur les immeubles locatifs du secteur privé et ceux du secteur sans but lucratif. Les résultats de l'analyse effectuée sur le marché privé sont présentés dans le corps du rapport, tandis que ceux obtenus pour le secteur sans but lucratif sont présentés en annexe.

### Approche

L'analyse s'appuie sur un cadre pro forma pour déterminer les aspects économiques de l'aménagement d'immeubles expressément destinés au marché locatif. Au total, 12 cadres pro forma ont été élaborés pour

les logements locatifs du secteur privé dans chacun des marchés, à partir des variables suivantes :

- Type d'ensemble/endroit — trois options (ensemble de base, ensemble moyen et ensemble haut de gamme) obtenues en combinant plusieurs critères : qualité, mixité et endroit.
- Loyers — deux options (loyer réaliste sur le marché et loyer nécessaire du point de vue économique pour assurer la viabilité de l'ensemble).
- Coût du terrain — deux options (coût du marché et coût zéro).

Tous les scénarios supposent la souscription d'une assurance prêt hypothécaire de la SCHL, selon un rapport prêt-valeur de 85 %.

Les hypothèses relatives au taux d'inoccupation et au taux de croissance du revenu réel sont particulières à chaque marché.

### Principaux résultats

Le tableau de la page suivante présente le sommaire du rendement en trésorerie de l'investissement sur 10 ans des ensembles dans les six grands marchés pour les types « ensemble de base », « ensemble moyen » et « ensemble haut de gamme » du marché privé, avec et sans le coût du terrain.

Sur 10 ans, les rendements annuels moyens en trésorerie de l'investissement sont presque toujours négatifs lorsque le coût du

terrain est inclus dans l'analyse. Toronto fait exception dans le type « ensemble de base ». Cette ville est avantagée par rapport aux autres, car le rapport entre les loyers et les coûts y est plus élevé et les taux d'impôt foncier y sont relativement bas.

Même avec un terrain de coût zéro, la plupart des marchés et des types d'ensembles obtiennent un rendement négatif sur 10 ans. La principale exception est le type « ensemble de base », dont le rendement sur 10 ans fait plutôt bonne figure à Vancouver et à Toronto.

Globalement, les aspects économiques de l'aménagement d'immeubles locatifs privés dans les grands marchés canadiens présentent toujours certains défis, quoique l'activité plus intense et l'intérêt plus marqué observés ces dernières années laissent croire que certains promoteurs y trouvent leur avantage. Il est possible que certains promoteurs actualisent la valeur du terrain, que d'autres mesurent le rendement de leur investissement en fonction de critères ou d'objectifs différents et que d'autres s'attendent encore à réaliser d'importants gains en capital qui compenseront la faiblesse du rendement en trésorerie de l'investissement.

Comparaison sur 10 ans du rendement annuel moyen en trésorerie de l'investissement — Logements neufs du secteur privé expressément destinés au marché locatif						
	Loyer du marché avec le coût du terrain			Loyer du marché sans le coût du terrain		
	Ensemble de base 50 unités	Ensemble moyen 100 unités	Ensemble haut de gamme 150 unités	Ensemble de base 50 unités	Ensemble moyen 100 unités	Ensemble haut de gamme 150 unités
Vancouver	-2,90 %	-9,70 %	-10,00 %	11,00 %	2,20 %	3,70 %
Calgary	-9,60 %	-6,80 %	-8,30 %	-5,10 %	-2,40 %	-3,90 %
Winnipeg	-4,60 %	-9,20 %	-10,50 %	-2,50 %	-7,60 %	-8,30 %
Toronto	3,30 %	-6,50 %	-5,40 %	10,60 %	-0,80 %	1,00 %
Montreal	-0,70 %	-4,90 %	-5,10 %	1,30 %	-3,00 %	-3,00 %
Halifax	-5,50 %	-11,30 %	-11,40 %	-0,60 %	-7,90 %	-7,70 %

Source: Altus Group



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# 1 Introduction

Altus Group was commissioned by Canada Mortgage and Housing Corporation (CMHC) to assess the economics of new purpose-built rental housing development in six of Canada's Census Metropolitan Areas (hereafter referred to as the six "major markets").

- Vancouver
- Calgary
- Winnipeg
- Toronto
- Montreal
- Halifax

The main body of this report examines mainstream private rental unit development. An appendix presents the results for a separate exercise related to non-profit rental unit development.

The research builds on three earlier analyses conducted by Clayton Research (acquired by Altus Group in 2007) for CMHC:

- An analysis undertaken in mid-1998 as part of the CMHC study *Understanding Private Rental Housing Investment in Canada* (Clayton Research and Fish Marks Jenkins). The economics of new private rental housing development were examined in that study for the same 6 major markets as the current study.
- A more extensive analysis conducted by Clayton Research in 2001 called *The Economics of New Private Rental Housing*

*Development in Canada's Major Markets* that examined the situation in early 2001 in what were then 26 census metropolitan areas, and Charlottetown CA.

- An update of the 2001 study conducted in 2007 by Clayton Research/Altus Group.

## 1.1 Caveat

The current analysis is not strictly comparable to the analysis undertaken in 2007 for the following reasons:

- In the current analysis, the information related to construction costs, land costs, operating costs and achievable market rents is based on work done by Altus Group on behalf of developers (in the 2007 study, with very little development activity underway, by necessity more assumptions were required).
- In 2007, separate analyses were done by number of bedrooms, at CMHC's request; in the current study, the projects reflect weightings of number of bedrooms based on CMHC information on projects developing in each market since 2000.
- In the current analysis, the unit sizes differ from those assumed in 2007.
- In the current analysis, the project is not expected to reach full rentup (excluding normal vacancy allowance) until Year 3 (in the 2007 analysis, full rent up, less the vacancy allowance was assumed in Year 1).

Because of these modifications, it would be inappropriate to make any direct comparisons between the 2007 and 2016 studies.

## 1.2 Structure of the Report

The remainder of this report is divided into two main sections:

- Part I: Summary Results first explains the proforma framework used in the analysis, and reviews the types of projects and scenarios examined. This is followed by a summary of the key results across the six major markets examined and the range of scenarios.
- Part II: Analysis by Market Area presents an assessment of rental market conditions in each market, plus the detailed proforma results for the individual markets under the scenario of market rents and market land costs.

Appendix A contains the detailed proformas for the remaining private market scenarios:

- Market rent and zero land costs
- Economic rent and market land costs
- Economic rent and zero land costs

Appendix B presents the results for the analysis for the non-profit sector.

Appendix C provides supplemental information for the market rent and market land costs scenario including:

- a comparison of cap rates by market; and
- an extension of the cash-on-cash return analysis for a 25 year period.

# **PART I: SUMMARY RESULTS**

## 2 The Proforma Framework

The approach typically used in the analysis of the economics of new purpose-built rental unit development is the construction of proformas. These proformas look at the key cost components of development and the relative importance of some of the key input assumptions in the overall economic feasibility of rental construction.

The proforma approach allows (to the extent possible) for comparisons to be made of the economics of private rental development between different centres. It also allows for “what if” types of analysis – that is, how do changes in any of the input assumptions affect the final outcome.

This section first explains the proforma framework and the underlying input assumptions. It then briefly outlines the various scenarios examined in the proforma analysis for the current study.

### 2.1 The Key Components of the Proforma

While developers may use a variety of approaches to assess the economic viability of building a particular project, there are certain factors that are critical to the assessment and would typically be incorporated into any proforma analysis.

These factors are shown on Table 1 that illustrates a hypothetical proforma of a high-rise rental apartment development. To facilitate comparisons, the proforma has been constructed to present the analysis on a per unit, rather than total project, basis.

It is assumed that the project is being built for the developer’s own investment portfolio (rather than for sale to other investors). The key

components of the proforma framework are discussed below.

#### 2.1.1 Key Input Assumptions

This section of the proforma summarizes the key input assumptions that will be used in the analysis, including:

- **Mortgage interest rate** – the interest rate obtained for the financing. In all scenarios, a 10-year term is assumed (as was the case in the 2007 study). It is also assumed that the mortgage is insured by CMHC, and that the premium over 10-year bond rates is 100 basis points. As bond rates have been fluctuating in recent years, the average 10-year bond rate for the past 5 years of about 2.25% is used as a base; with a premium of 100 basis points; this results in an interest rate of 3.25% (250 basis points below the 5.75% interest rate assumption used in the 2007 study).
- **Mortgage amortization period** - the total length of time over which the mortgage will be paid off; this is assumed in all scenarios to be 25 years.
- **Loan-to-lending value ratio** - the ratio of the mortgage amount to the total development costs. This is assumed at 85% in all scenarios.
- **Mortgage insurance premium (%)** – the rate payable to obtain high ratio insurance coverage. It is assumed that the rental achievement holdback is waived, therefore a 0.25% surcharge would apply to the 4.5% mortgage insurance premium for an 85% loan-to-value ratio (for a total premium of 4.75%).

Table 1

Illustrative Pro Forma for Development of New Private Rental Apartment Building										Project type: Basic Fringe	
Per Unit										Market Rent; Market Land Value	
<b>KEY INPUT ASSUMPTIONS</b>					<b>PROJECT DEVELOPMENT COSTS AND FINANCING</b>						
Mortgage interest rate	3.25%			<b>Development Costs:</b>			<b>Financing:</b>				
Amortization period (yrs)	25			Land	\$72,000	Initial cash investment		\$35,505			
Loan-to-lending value ratio	85%			Construction	\$156,000	Mortgage		\$201,196			
Mortgage insur. premium	4.75%			Subtotal	\$228,000	Total costs		\$236,701			
Annual cost inflation	2.0%					% Equity		15.0%			
Annual revenue growth	3.0%					Mortgage insur. premium		\$9,557			
Initial monthly rent per unit	\$1,350					<b>Total Financing Required</b>		<b>\$210,753</b>			
per sq. ft	\$2.25										
Stabilized Vacancy rate	1.5%										
Average unit size (net sq. ft.)	600										
<b>Development profit assumption:</b>		<b>15%</b>		<b>minimum sales price</b>		<b>\$272,206</b> [to generate a 15% development profit]					
				<b>cap rate</b>		<b>4.0%</b> [implied if achieved 15% development profit]					
<b>REVENUES AND COSTS</b>											
<b>Revenues:</b>											
Rental income	\$16,200	\$5,346	\$11,180	\$17,187	\$17,702	\$18,233	\$18,780	\$19,344	\$19,924	\$20,522	\$21,137
Other income	\$415	\$137	\$287	\$441	\$454	\$468	\$482	\$496	\$511	\$526	\$542
Vacancy allowance	-\$249	-\$82	-\$172	-\$264	-\$272	-\$281	-\$289	-\$298	-\$307	-\$316	-\$325
<b>Gross income</b>	<b>\$16,366</b>	<b>\$5,401</b>	<b>\$11,294</b>	<b>\$17,363</b>	<b>\$17,884</b>	<b>\$18,420</b>	<b>\$18,973</b>	<b>\$19,542</b>	<b>\$20,128</b>	<b>\$20,732</b>	<b>\$21,354</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,680	\$3,510	\$4,177	\$4,869	\$4,966	\$5,066	\$5,167	\$5,270	\$5,376	\$5,483	\$5,593
Property taxes	\$810	\$810	\$826	\$843	\$860	\$877	\$894	\$912	\$930	\$949	\$968
<b>Total operating costs</b>	<b>\$5,490</b>	<b>\$4,320</b>	<b>\$5,003</b>	<b>\$5,712</b>	<b>\$5,826</b>	<b>\$5,943</b>	<b>\$6,061</b>	<b>\$6,183</b>	<b>\$6,306</b>	<b>\$6,432</b>	<b>\$6,561</b>
<b>Net Operating Income</b>	<b>\$10,876</b>	<b>\$1,081</b>	<b>\$6,291</b>	<b>\$11,651</b>	<b>\$12,058</b>	<b>\$12,478</b>	<b>\$12,911</b>	<b>\$13,359</b>	<b>\$13,822</b>	<b>\$14,300</b>	<b>\$14,793</b>
Calculated cap rate	4.6%										
<b>Mortgage Payments:</b>											
Principal	\$5,574	\$5,574	\$5,756	\$5,945	\$6,140	\$6,341	\$6,549	\$6,763	\$6,985	\$7,214	\$7,450
Interest	\$6,722	\$6,722	\$6,539	\$6,350	\$6,156	\$5,954	\$5,747	\$5,532	\$5,310	\$5,082	\$4,845
<b>Total</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>
<b>Cash Flow</b>	<b>-\$1,419</b>	<b>-\$11,214</b>	<b>-\$6,004</b>	<b>-\$644</b>	<b>-\$238</b>	<b>\$182</b>	<b>\$616</b>	<b>\$1,064</b>	<b>\$1,527</b>	<b>\$2,004</b>	<b>\$2,498</b>
<b>Cash-on-Cash Return</b>	<b>-4.0%</b>	<b>-31.6%</b>	<b>-16.9%</b>	<b>-1.8%</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>3.0%</b>	<b>4.3%</b>	<b>5.6%</b>	<b>7.0%</b>
Average Annual	-4.0%	-31.6%	-24.2%	-16.8%	-12.7%	-10.1%	-8.1%	-6.5%	-5.2%	-4.0%	-2.9%
<b>Principal Payments</b>	<b>\$5,574</b>	<b>\$5,574</b>	<b>\$5,756</b>	<b>\$5,945</b>	<b>\$6,140</b>	<b>\$6,341</b>	<b>\$6,549</b>	<b>\$6,763</b>	<b>\$6,985</b>	<b>\$7,214</b>	<b>\$7,450</b>
Cumulative	\$5,574	\$5,574	\$11,330	\$17,275	\$23,415	\$29,756	\$36,304	\$43,068	\$50,052	\$57,266	\$64,716
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,155</b>	<b>-\$5,641</b>	<b>-\$248</b>	<b>\$5,301</b>	<b>\$5,902</b>	<b>\$6,523</b>	<b>\$7,165</b>	<b>\$7,827</b>	<b>\$8,511</b>	<b>\$9,218</b>	<b>\$9,948</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>11.7%</b>	<b>-15.9%</b>	<b>-0.7%</b>	<b>14.9%</b>	<b>16.6%</b>	<b>18.4%</b>	<b>20.2%</b>	<b>22.0%</b>	<b>24.0%</b>	<b>26.0%</b>	<b>28.0%</b>
Average Annual	11.7%	-15.9%	-8.3%	-0.6%	3.7%	6.7%	8.9%	10.8%	12.4%	13.9%	15.4%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.											
Source: Altus Group											

- **Annual cost inflation** - this is the annual rate of increase assumed for operating costs; in all scenarios it is assumed to be the expected general rate of inflation of 2% (an analysis of historical average costs showed little variation over the longer-term by market).
- **Nominal revenue growth** - this is the annual rate of increase assumed for rental and other income. It is assumed at the general rate of inflation of 2% plus a real revenue growth component for each market that reflects local vacancy rate conditions and historical real rent increases in relation to broad vacancy rates.
- **Initial monthly rent per unit** - the average monthly rent expected to be achieved per unit in the first year of operation. The proformas take two approaches to this, in separate tables. The first is what the achievable market rent would be in the market place for the envisioned project. The second is the economic rent that would be necessary to return a 10-year average annual cash-on-cash return of approximately 10%. For the proformas that address economic rent, an additional area is included to the right of the initial monthly rent to compare the economic rent to the market rent, and also shows the differential in dollar and percent terms.
- **Stabilized vacancy rate** – the proportion of units in the building assumed to be vacant on average, which is then applied to the rental income stream on a unit basis to determine the amount of the vacancy allowance (as defined under “Revenues and Costs”). The vacancy rate is assumed to be constant in each year of the analysis, with the exception that full rent up (less the vacancy allowance) is not expected to occur until Year 3. In Year 1 the

vacancy is assumed to be 67% and in Year 2 vacancy is assumed at 33%. The stabilized vacancy rates used vary by market depending on local market conditions. They take into consideration that vacancy rates for new units will not necessarily be the same as those in the existing stock.

- **Average unit size** – the square footage of each unit, on a net basis (i.e. not including common areas); this is the result of assumptions about the mix of units by number of bedrooms and the average size for each bedroom type.

### 2.1.2 Project Development Costs and Financing

This area of the proforma deals with the development costs of the project and the financing arrangements.

The project development costs include:

- **Land** - the cost of a serviced block of land. Note that in the 2007 study, the land component included development cost charges; in the current analysis, these are included with the “soft cost” component of construction costs.
- **Construction** - hard construction costs plus soft costs; the amount of the applicable provincial sales tax that applies to construction materials is included here (except for those provinces with harmonized systems). The soft costs are based on assessments for each local market.
- **GST/HST/QST** - the amount of federal and provincial sales taxes that apply to land and construction costs. These are shown net of any rebates. The effective rate amounts will vary by market



depending on the type of tax and rebate available.

- **Total costs** – the sum of the land, construction costs and taxes, less any applicable local rebates (specific rebates in each market are discussed in the Part II results for that market).

The financing arrangements include:

- **Initial cash investment** – the funds (equity) invested directly into the project by the developer. CMHC requested that a 15% equity assumption be used in all scenarios.
- **Mortgage** - the difference between the total project costs and the initial cash investment.
- **Total costs** – the sum of the initial cash investment and the mortgage amount which represents the total costs before the mortgage insurance premium.
- **Mortgage insurance premium** (\$) – the dollar amount of the insurance premium, which is calculated based on applying the insurance premium rate to the total mortgage. It is assumed to be rolled into the mortgage rather than paid separately.
- **Total financing required** – the sum of the mortgage amount plus the mortgage insurance premium.

Additional information provided on the proforma includes:

- **Development profit assumptions** – this is an assumption of 15%, used to determine what the minimum sales price would need to be to return that degree of profit.
- **Minimum sales price** – the resulting price from applying a 15% development profit assumption to the total development costs.

- **Development cap rate** – the net income in Year 0 divided by the minimum sales price to generate a 15% development profit. It can be used to assess how likely it is that there might be willing buyers to pay enough for a building to deliver the desired profit rate.

### 2.1.3 Revenues and Costs

This section of the proforma summarizes the on-going revenues and operating costs of the project over the first 10-years of operation.

Note that “Year 0” is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

The components of **revenues** include:

- **Rental income** - the monthly rent multiplied by 12 months.
- **Other income** - income received from parking (which is often charged separately), laundry facilities and the like. This assumption will vary by market based on input from Altus appraisers for each market.
- **Vacancy allowance** - calculated by multiplying the assumed vacancy rate by the sum of rental and other income (expressed as a negative as it represents a reduction in income amounts).
- **Gross income** - rental income plus other income plus the (negative) vacancy allowance.

The components of **operating costs** include:

- **Maintenance and operating costs** - owner's on-going costs of

operating the unit (e.g. utilities, repairs, etc.); derived based on assumptions of monthly costs per gross sq. ft. The assumption can vary by market and project type.

- **Property taxes** - annual dollar amount paid in property taxes. These will vary for each market area based on assessment practices and tax rates for the relevant central municipality.
- **Total operating costs** - the sum of the maintenance and operations costs and property taxes.

Other information shown in this section includes:

- **Net operating income (NOI)** -the difference between gross income and operating costs.
- **Calculated cap rate** - the NOI divided by the project costs, expressed as a percentage.
- **Mortgage payments** - the amount paid each year for the financing. The payments are assumed to be blended into equal payments over time and have a principal and interest component. The payments are based on the mortgage interest rate and amortization period listed in the input assumptions.
- **Cash flow** - the gross income less operating costs and mortgage payments.
- **Cash-on-cash return** - the cash flow divided by the initial cash investment, expressed as a percentage. It is also shown on an average annual basis.
- **Principal payments** - the principal component of the total mortgage payment. Cumulative payments over time are also

shown.

- **Annual cash flow plus principal payments** - the sum of the cash flow plus the principal payments. It is shown as it takes into account that equity is also being built up through the paydown of the mortgage. This is also expressed as a percentage of the initial cash investment.

## 2.2 Assumed Projects and Scenarios

This section looks at the private market projects selected for the analysis, and the assumptions underlying the various scenarios examined.

### 2.2.1 Project Characteristics

Three project types – basic, medium and high-end – were chosen to provide a range for the analysis. The projects are based on various combinations of the following factors:

- Structure type/size;
- Suite mix by number of bedrooms and size;
- Location within the market area; and
- Quality of materials/finishes.

The combinations of these factors used under each project type are summarized on the table below.

**Table 2**

<b>General Characteristics, Private Market Rental Projects</b>			
	<b>Basic Project</b>	<b>Medium Project</b>	<b>High-End Project</b>
	<b>50 Units</b>	<b>100 Units</b>	<b>150 Units</b>
Project type/size	Walkup	Mid-rise	High-rise
Average suite size	Varies by market based on mix by bedroom type	Varies by market based on mix by bedroom type	Varies by market based on mix by bedroom type
Location	Fringe, but within main municipality	Central, but not downtown	Downtown, but not "prime"
Quality of finishes	Basic	Medium	High
Source: Altus Group			

A brief discussion of each factor follows:

- **Structure type/building size** - the basic project is assumed to be a small walkup project (50 units), with surface parking. The medium project is assumed to be a medium mid-rise (100 units) and the high-end project a large high-rise (150 units). Both the medium and high-rise projects have underground parking. The combination of project attributes for each project type is shown on the table below.
- **Location** - in general, the market areas are comprised of a central municipality, and surrounding municipalities that are part of the broader labour and housing market. For all market areas, the location of the illustrative projects is assumed to be the main municipality in the market area (i.e. the “city” from which the

market area takes its name). The location for the high-end project is the downtown area – while the location is assumed to be “good”, it is not assumed to be within the prime locations (where high-end condominium development would more likely occur). The location for the medium project is assumed to be centrally located, but not in the downtown area, while the location of the basic project is assumed to be on the fringe of the main municipality. Land prices for each project reflect these broad variations in location.

- **Quality of finishes** - the quality of finishes is highest in the high-end project (close to the finishes in a standard condominium unit) and lowest in the basic project (similar to a non-profit unit). While there is a price premium for higher quality of finishes, much of this additional construction cost is offset by economies achieved with the associated larger project size.
- **Suite size** - the assumed suite sizes for each type of project and bedroom count are shown on the chart below. The review of each market and interviews conducted indicated that, for most markets, a range of unit sizes has been built or are being/would be contemplated. To facilitate comparisons among markets, suite sizes by each bedroom count have been kept the same in each market. However, the mix of bedroom types varies by market based on CMHC information on projects built since 2000; thus the overall average size will also vary.

Note that these project types are intended to be illustrative of the range of activities that might occur in a market area – they are by no means exhaustive in terms of the possibilities. For example, a project might be contemplated in the downtown area that has high quality

finishes, but small suites.

**Table 3**

Mix of Bedrooms and Overall Average Suite Size					
	Bachelor	1 bedroom	2 bedroom	3 bedroom	Overall Average Size (Sq. Ft.)
<i>Size by Unit Type (Sq. ft.)</i>	400	600	800	1000	
Vancouver	20%	60%	20%	0%	600
Calgary	5%	45%	50%	0%	690
Winnipeg	0%	20%	75%	5%	770
Toronto	10%	40%	40%	10%	700
Montréal	10%	30%	50%	10%	720
Halifax	5%	25%	60%	10%	750

Source: Altus Group

### 2.3 Sources of Information for Key Proforma Input Assumptions

The input assumptions used in the proforma analysis for each project type were derived based on a variety of sources. The information from these various sources was analyzed and assessed in terms of deriving what were considered to be the most realistic, and consistent, input assumptions for the proforma analysis.

In general, the key information on development costs, revenues and operating costs came from Altus economics, cost and valuation experts in each market. The inputs were derived from an analysis of

actual proformas that Altus has worked on for developers – some of which resulting in actual projects, others where the decision was not to proceed.

Additional information was also considered for three key input assumptions as outlined below:

- **Construction costs** – inputs were obtained from Altus’ cost consultants in each market.
- **Land prices** – where possible, transaction information for land acquired recently for apartment purposes was used. For Vancouver, Calgary and Toronto, Altus has proprietary information from our RealNet transactions platform. For Winnipeg, Montreal and Halifax, Altus experts in that market provided information based on their own data bases and project specific work.
- **Initial achievable rents, operating costs and stabilized vacancy** – information was obtained from Altus economics and/or appraisal staff in each market, based on projects they have either appraised or conducted market/feasibility analysis on.

The cost and income parameters developed are intended to be illustrative in broad terms of the economics of developing new private rental housing in each market area. Individual circumstances, with varying characteristics and for which step-by-step, detailed cost estimates are prepared, could produce results that vary from those illustrated here.

## 3 Overview of the Economics of New Private Rental Housing Development in Selected Canadian Markets

This section presents an overview of the results of the proforma analysis across the 6 major markets examined. More detailed results by individual market area, including specific circumstances that may apply in each market that help to explain variation in results, are provided in Part II.

On the next several pages, a series of tables summarize key aspects of the analysis across the various markets and scenarios:

- Development costs
- Initial rents (market achievable and economic)
- Average annual 10-year cash-on-cash returns (note that in previous analyses conducted by Clayton Research/Altus Group for CMHC on rental investment, the initial cash on cash return was also considered, however given the assumption for this analysis of rent up not occurring until Year 3, the initial cash-on-cash return has not been highlighted here, although an approximation would be the “Year 0” situation on the detailed proformas).

Highlights of the comparative results are discussed below.

### 3.1 Development Costs

Table 4 summarizes the development costs across the various markets and project types.

In general, increased development costs of the medium and high-end projects over the basic project reflect higher land costs associated with the more central locations, different quality of finishes and surface vs. underground parking.

Development costs including land range from a low of about \$174,000 for an average basic project unit in Montreal to a high of about \$404,000 for an average high-end unit in Vancouver. Given smaller average sizes in Vancouver, the differentials on a per sq. ft. basis are even more marked in the with land cost scenario, but vary much less in the without land cost scenario.

Note that total development costs in each market reflect the combination of land and construction costs, GST/HST/QST and are net of any rebates or incentives provided by local or provincial governments. Specific local circumstances that impact development costs are discussed in the individual market sections.

### 3.2 Initial Rents

Table 5 summarizes the initial achievable rents across the various markets and project types.

Expected achievable rents are highest on a per sq. ft. basis in Vancouver and Toronto.

### 3.3 Cash-on-Cash Returns

Table 6 summarizes the 10-year average annual cash-on-cash returns.

The 10-year average annual cash-on-cash returns are negative in most cases when land costs are included in the analysis. The exception is the basic project in Toronto. Toronto's relative advantage is due to a higher rent structure relative to costs, as well as relatively low property tax rates.

Even with land costs assumed at zero, most markets and project types still exhibit a negative 10-year return. The key exception is that 10-year returns look reasonably favourable for the basic project in Vancouver and Toronto.

Note that by design, the cash-on-cash returns for Scenario 3 and Scenario 4 are near 10%.

### 3.4 Conclusion

The generally poor economics of new rental unit development in most major markets does not mean that no rental unit development will take place in the current investment environment. And in fact, purpose-built rental unit development has been exhibiting some increase in recent years, although still well below demand levels in key markets.

The analysis here is meant to be illustrative of the "typical" situation that an investor would face, given prevailing market conditions. As has been the case in the past, individual investors may find rental investment attractive under specific circumstances. For example:

- If they have land acquired years earlier that they are willing to develop, rather than sell at market value, or they have a site that can be intensified (e.g. a retail site, or excess land on an existing rental site).
- If they are small investors who are willing to build very small projects using much of their own labour, and value this below market value.
- If they opt for a higher initial investment than the 15% used here, which due to lower financing costs improves the return on investment.
- If they have different criteria/objectives related to measuring investment performance other than cash-on-cash-returns.

However, the analysis does illustrate that in general the economics of new rental unit development is still challenged except in special circumstances.

Table 4

<b>Comparison of Development Costs for New Private Market Purpose-Built Rental Housing</b>						
	With land costs			Without land costs		
	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units
	Total*					
Vancouver	\$236,500	\$335,500	\$403,000	\$164,500	\$227,500	\$259,000
Calgary	\$216,000	\$304,000	\$346,000	\$183,000	\$263,000	\$296,000
Winnipeg	\$217,500	\$299,000	\$330,500	\$203,500	\$281,000	\$302,500
Toronto	\$211,000	\$300,500	\$370,000	\$177,000	\$250,500	\$303,000
Montréal	\$174,000	\$243,500	\$287,000	\$164,000	\$228,500	\$268,000
Halifax	\$190,000	\$285,000	\$329,000	\$163,000	\$249,000	\$284,000
	Per Square Foot					
Vancouver	\$394	\$559	\$672	\$274	\$379	\$432
Calgary	\$313	\$441	\$501	\$265	\$381	\$429
Winnipeg	\$282	\$388	\$429	\$264	\$365	\$393
Toronto	\$301	\$429	\$529	\$253	\$358	\$433
Montréal	\$242	\$338	\$399	\$228	\$317	\$372
Halifax	\$253	\$380	\$439	\$217	\$332	\$379
* Rounded to nearest \$500 Source: Altus Group						

Table 5

Comparison of Initial Rents for New Private Market Purpose-Built Rental Housing (Market Vs. Economic)												
	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units
	Total*											
Vancouver	\$1,350	\$1,500	\$1,750	\$1,350	\$1,500	\$1,750	\$1,725	\$2,325	\$2,775	\$1,325	\$1,725	\$1,950
Calgary	\$1,250	\$1,650	\$1,750	\$1,250	\$1,650	\$1,750	\$1,850	\$2,350	\$2,625	\$1,650	\$2,100	\$2,325
Winnipeg	\$1,275	\$1,475	\$1,575	\$1,275	\$1,475	\$1,575	\$1,725	\$2,300	\$2,550	\$1,650	\$2,175	\$2,375
Toronto	\$1,575	\$1,675	\$2,025	\$1,575	\$1,675	\$2,025	\$1,750	\$2,325	\$2,800	\$1,550	\$2,025	\$2,400
Montréal	\$1,250	\$1,450	\$1,625	\$1,250	\$1,450	\$1,625	\$1,525	\$1,975	\$2,225	\$1,450	\$1,875	\$2,100
Halifax	\$1,125	\$1,325	\$1,500	\$1,125	\$1,325	\$1,500	\$1,575	\$2,250	\$2,550	\$1,400	\$2,000	\$2,250
	Per Square Foot**											
Vancouver	\$2.25	\$2.50	\$3.00	\$2.25	\$2.50	\$3.00	\$3.00	\$4.00	\$4.75	\$2.25	\$3.00	\$3.25
Calgary	\$1.75	\$2.50	\$2.50	\$1.75	\$2.50	\$2.50	\$2.75	\$3.50	\$3.75	\$2.50	\$3.00	\$3.25
Winnipeg	\$1.75	\$2.00	\$2.00	\$1.75	\$2.00	\$2.00	\$2.25	\$3.00	\$3.25	\$2.25	\$2.75	\$3.00
Toronto	\$2.25	\$2.50	\$3.00	\$2.25	\$2.50	\$3.00	\$2.50	\$3.25	\$4.00	\$2.25	\$3.00	\$3.50
Montréal	\$1.75	\$2.00	\$2.25	\$1.75	\$2.00	\$2.25	\$2.00	\$2.75	\$3.00	\$2.00	\$2.50	\$3.00
Halifax	\$1.50	\$1.75	\$2.00	\$1.50	\$1.75	\$2.00	\$2.00	\$3.00	\$3.50	\$1.75	\$2.75	\$3.00

\* Rounded to nearest \$25 \*\* Rounded to nearest \$0.25  
Source: Altus Group



Table 6

<b>Comparison of 10-Year Average Annual Cash-on-Cash Returns for New Private Market Purpose-Built Rental Housing</b>												
	Scenario 1: Market rent w ith land costs			Scenario 2: Market rent w ithout land costs			Scenario 3: Economic rent w ith land costs			Scenario 4: Economic rent w ithout land costs		
	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units	Basic Project 50 Units	Medium Project 100 Units	High-End Project 150 Units
Vancouver	-2.9%	-9.7%	-10.0%	11.0%	2.2%	3.7%	9.8%	9.9%	10.0%	9.8%	10.1%	9.8%
Calgary	-9.6%	-6.8%	-8.3%	-5.1%	-2.4%	-3.9%	10.1%	9.9%	9.9%	10.4%	10.0%	10.1%
Winnipeg	-4.6%	-9.2%	-10.5%	-2.5%	-7.6%	-8.3%	9.7%	9.9%	9.9%	10.2%	9.7%	10.0%
Toronto	3.3%	-6.5%	-5.4%	10.6%	-0.8%	1.0%	9.6%	9.8%	10.3%	9.6%	9.7%	10.3%
Montréal	-0.7%	-4.9%	-5.1%	1.3%	-3.0%	-3.0%	10.2%	10.3%	10.2%	9.7%	10.2%	10.0%
Halifax	-5.5%	-11.3%	-11.4%	-0.6%	-7.9%	-7.7%	9.6%	9.7%	9.7%	10.1%	9.6%	9.7%

Source: Altus Group

## **PART II: DETAILS BY MARKET AREA**

## 4 Vancouver

### 4.1 Rental Market Conditions

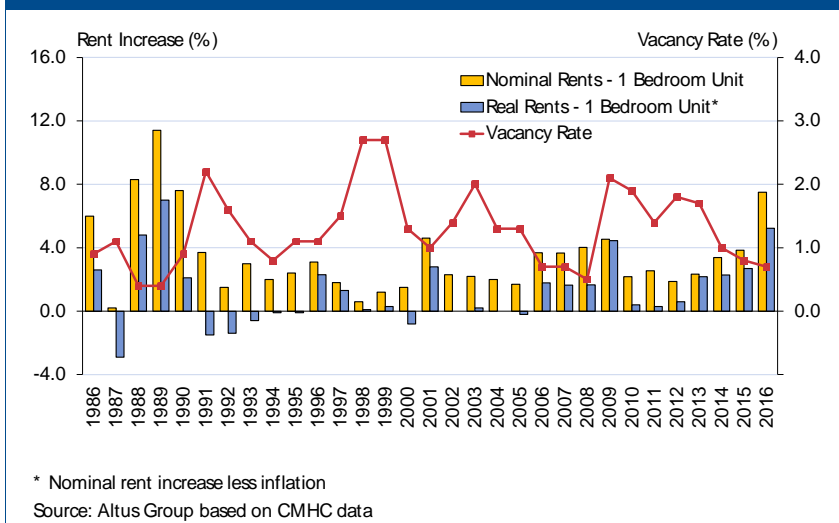
The rental apartment vacancy rate in Vancouver has been declining since 2012, and stood at 0.7% in October 2016, below the long term average rate of 1.3%.

Low vacancy rates have allowed real rent increases to be achieved in recent years – similar to the situation in the later 1980s (when a decline in vacancy rates from above 2% in 1985 to 0.4% in 1988 ultimately spurred higher rent increases).

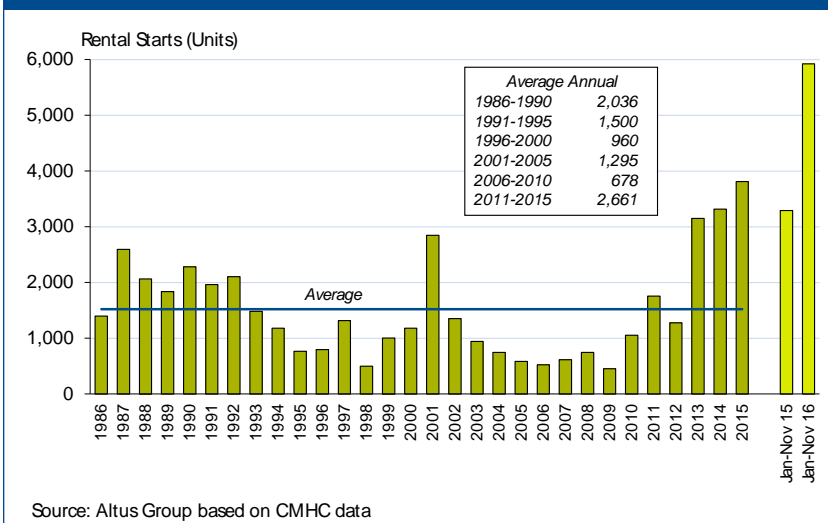
Purpose-built rental starts were subdued in Vancouver over the period from the mid 1990s to the early 2010s.

However, Vancouver has had relatively more rental unit construction in recent years, averaging over 2,600 units a year in the 2011-2015 period, with the number of rental starts increasing in each of the last 4 years to the 6,000 unit range in 2016.

**Vacancy Rates and Rent Increases  
Vancouver, 1986-2016**



**New Purpose-Built Rental Unit Development  
Vancouver, 1986-2016**



## 4.2 Proforma Analysis

The vacancy rate assumption used for Vancouver for all scenarios is 1.5%. Based on this rate, and a consideration of the past relationship in Vancouver between vacancy levels and real rent increases, a 1% real rent increase per year assumption is used (for a nominal increase of 3.0% per year).

A development charge fee of \$13.31 per square foot of gross floor area applies in the City of Vancouver. Average unit sizes were grossed up by a factor of 1.2 to obtain gross areas.

This market is subject to GST, and the rebate available.

The development costs per rental unit including land costs range from about \$237,000 per unit for the basic project to about \$404,500 for a the high-end project. Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are all negative. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly one-quarter (basic project) to more than 50% (medium and high-end project) higher than they currently are.

Given the cost of land in Vancouver, taking land out of the analysis does significantly improve the financial performance, and the basic project starts to look somewhat viable.

## The Economics of New Private Rental Housing Development (Per Unit) Vancouver

	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Initial Rent	\$1,350	\$1,500	\$1,750	\$1,350	\$1,500	\$1,750	\$1,725	\$2,325	\$2,775	\$1,325	\$1,725	\$1,950
Average Development Costs Per Unit	\$236,700	\$335,350	\$403,100	\$164,700	\$227,350	\$259,100	\$236,700	\$335,350	\$403,100	\$164,700	\$227,350	\$259,100
Net Annual Operating Income	\$10,875	\$12,125	\$14,400	\$10,875	\$12,125	\$14,400	\$15,200	\$21,550	\$25,975	\$10,600	\$14,700	\$16,650
<b>Financing Assumptions:</b>												
Initial Cash Investment	\$35,500	\$50,300	\$60,475	\$24,700	\$34,100	\$38,875	\$35,500	\$50,300	\$60,475	\$24,700	\$34,100	\$38,875
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	-2.9%	-9.7%	-10.0%	11.0%	2.2%	3.7%	9.8%	9.9%	10.0%	9.8%	10.1%	9.8%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	15.4%	8.6%	8.3%	29.2%	20.4%	22.0%	28.0%	28.1%	28.2%	28.0%	28.3%	28.0%
Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Basic Fringe*  
**Per Unit** *Market Rent; Market Land Value*  
**Vancouver**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$72,000	Initial cash investment	\$35,505
Loan-to-lending value ratio	85%	Construction	\$156,000	Mortgage	\$201,196
Mortgage insur. premium	4.75%	Subtotal	\$228,000	Total costs	\$236,701
Annual cost inflation	2.0%			% Equity	15.0%
Annual revenue growth	3.0%	GST (net)*	\$8,701	Mortgage insur. premium	\$9,557
Initial monthly rent per unit	\$1,350	<b>Total Costs</b>	<b>\$236,701</b>	<b>Total Financing Required</b>	<b>\$210,753</b>
per sq. ft.	\$2.25				
Stabilized Vacancy rate	1.5%				
Average unit size (net sq. ft.)	600				
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$272,206 [to generate a 15% development profit]</b>		
		<b>cap rate</b>	<b>4.0% [implied if achieved 15% development profit]</b>		

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$16,200	\$5,346	\$11,180	\$17,187	\$17,702	\$18,233	\$18,780	\$19,344	\$19,924	\$20,522	\$21,137
Other income	\$415	\$137	\$287	\$441	\$454	\$468	\$482	\$496	\$511	\$526	\$542
Vacancy allowance	-\$249	-\$82	-\$172	-\$264	-\$272	-\$281	-\$289	-\$298	-\$307	-\$316	-\$325
<b>Gross income</b>	<b>\$16,366</b>	<b>\$5,401</b>	<b>\$11,294</b>	<b>\$17,363</b>	<b>\$17,884</b>	<b>\$18,420</b>	<b>\$18,973</b>	<b>\$19,542</b>	<b>\$20,128</b>	<b>\$20,732</b>	<b>\$21,354</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,680	\$3,510	\$4,177	\$4,869	\$4,966	\$5,066	\$5,167	\$5,270	\$5,376	\$5,483	\$5,593
Property taxes	\$810	\$810	\$826	\$843	\$860	\$877	\$894	\$912	\$930	\$949	\$968
<b>Total operating costs</b>	<b>\$5,490</b>	<b>\$4,320</b>	<b>\$5,003</b>	<b>\$5,712</b>	<b>\$5,826</b>	<b>\$5,943</b>	<b>\$6,061</b>	<b>\$6,183</b>	<b>\$6,306</b>	<b>\$6,432</b>	<b>\$6,561</b>
<b>Net Operating Income</b>	<b>\$10,876</b>	<b>\$1,081</b>	<b>\$6,291</b>	<b>\$11,651</b>	<b>\$12,058</b>	<b>\$12,478</b>	<b>\$12,911</b>	<b>\$13,359</b>	<b>\$13,822</b>	<b>\$14,300</b>	<b>\$14,793</b>
Calculated cap rate	4.6%										
<b>Mortgage Payments:</b>											
Principal	\$5,574	\$5,574	\$5,756	\$5,945	\$6,140	\$6,341	\$6,549	\$6,763	\$6,985	\$7,214	\$7,450
Interest	\$6,722	\$6,722	\$6,539	\$6,350	\$6,156	\$5,954	\$5,747	\$5,532	\$5,310	\$5,082	\$4,845
<b>Total</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>
<b>Cash Flow</b>	<b>-\$1,419</b>	<b>-\$11,214</b>	<b>-\$6,004</b>	<b>-\$644</b>	<b>-\$238</b>	<b>\$182</b>	<b>\$616</b>	<b>\$1,064</b>	<b>\$1,527</b>	<b>\$2,004</b>	<b>\$2,498</b>
<b>Cash-on-Cash Return</b>	<b>-4.0%</b>	<b>-31.6%</b>	<b>-16.9%</b>	<b>-1.8%</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>3.0%</b>	<b>4.3%</b>	<b>5.6%</b>	<b>7.0%</b>
Average Annual	-4.0%	-31.6%	-24.2%	-16.8%	-12.7%	-10.1%	-8.1%	-6.5%	-5.2%	-4.0%	-2.9%
<b>Principal Payments</b>	<b>\$5,574</b>	<b>\$5,574</b>	<b>\$5,756</b>	<b>\$5,945</b>	<b>\$6,140</b>	<b>\$6,341</b>	<b>\$6,549</b>	<b>\$6,763</b>	<b>\$6,985</b>	<b>\$7,214</b>	<b>\$7,450</b>
Cumulative	\$5,574	\$5,574	\$11,330	\$17,275	\$23,415	\$29,756	\$36,304	\$43,068	\$50,052	\$57,266	\$64,716
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,155</b>	<b>-\$5,641</b>	<b>-\$248</b>	<b>\$5,301</b>	<b>\$5,902</b>	<b>\$6,523</b>	<b>\$7,165</b>	<b>\$7,827</b>	<b>\$8,511</b>	<b>\$9,218</b>	<b>\$9,948</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>11.7%</b>	<b>-15.9%</b>	<b>-0.7%</b>	<b>14.9%</b>	<b>16.6%</b>	<b>18.4%</b>	<b>20.2%</b>	<b>22.0%</b>	<b>24.0%</b>	<b>26.0%</b>	<b>28.0%</b>
Average Annual	11.7%	-15.9%	-8.3%	-0.6%	3.7%	6.7%	8.9%	10.8%	12.4%	13.9%	15.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$108,000	Initial cash investment	\$50,301
Loan-to-lending value ratio	85%	Construction	\$217,000	Mortgage	\$285,038
Mortgage insur. premium	4.75%	Subtotal	\$325,000	Total costs	\$335,339
Annual cost inflation	2.0%		1.5%	% Equity	15.0%
Annual revenue growth	3.0%	GST (net)*	\$10,339	Mortgage insur. premium	\$13,539
Initial monthly rent per unit per sq. ft	\$1,500 \$2.50	<b>Total Costs</b>	<b>\$335,339</b>	<b>Total Financing Required</b>	<b>\$298,577</b>
Stabilized Vacancy rate	1.5%	<b>Development profit assumption:</b> 15%			
Average unit size (net sq. ft.)	600	<b>minimum sales price</b> \$385,640 [to generate a 15% development profit]			
		<b>cap rate</b> 3.1% [implied if achieved 15% development profit]			

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,000	\$5,940	\$12,422	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Other income	\$462	\$152	\$319	\$490	\$504	\$519	\$535	\$551	\$568	\$585	\$602
Vacancy allowance	-\$277	-\$91	-\$191	-\$294	-\$303	-\$312	-\$321	-\$331	-\$341	-\$351	-\$361
<b>Gross income</b>	<b>\$18,185</b>	<b>\$6,001</b>	<b>\$12,549</b>	<b>\$19,292</b>	<b>\$19,871</b>	<b>\$20,467</b>	<b>\$21,081</b>	<b>\$21,713</b>	<b>\$22,365</b>	<b>\$23,036</b>	<b>\$23,727</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,040	\$3,780	\$4,498	\$5,244	\$5,348	\$5,455	\$5,565	\$5,676	\$5,789	\$5,905	\$6,023
Property taxes	\$1,029	\$1,029	\$1,049	\$1,070	\$1,092	\$1,113	\$1,136	\$1,158	\$1,182	\$1,205	\$1,229
<b>Total operating costs</b>	<b>\$6,069</b>	<b>\$4,809</b>	<b>\$5,547</b>	<b>\$6,314</b>	<b>\$6,440</b>	<b>\$6,569</b>	<b>\$6,700</b>	<b>\$6,834</b>	<b>\$6,971</b>	<b>\$7,110</b>	<b>\$7,253</b>
<b>Net Operating Income</b>	<b>\$12,116</b>	<b>\$1,192</b>	<b>\$7,002</b>	<b>\$12,978</b>	<b>\$13,431</b>	<b>\$13,898</b>	<b>\$14,381</b>	<b>\$14,879</b>	<b>\$15,394</b>	<b>\$15,925</b>	<b>\$16,474</b>
Calculated cap rate	3.6%										
<b>Mortgage Payments:</b>											
Principal	\$7,896	\$7,896	\$8,155	\$8,422	\$8,698	\$8,983	\$9,278	\$9,582	\$9,896	\$10,220	\$10,555
Interest	\$9,523	\$9,523	\$9,264	\$8,997	\$8,721	\$8,436	\$8,141	\$7,837	\$7,523	\$7,199	\$6,864
<b>Total</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>
<b>Cash Flow</b>	<b>-\$5,303</b>	<b>-\$16,227</b>	<b>-\$10,417</b>	<b>-\$4,441</b>	<b>-\$3,988</b>	<b>-\$3,521</b>	<b>-\$3,038</b>	<b>-\$2,540</b>	<b>-\$2,025</b>	<b>-\$1,494</b>	<b>-\$945</b>
<b>Cash-on-Cash Return</b>	<b>-10.5%</b>	<b>-32.3%</b>	<b>-20.7%</b>	<b>-8.8%</b>	<b>-7.9%</b>	<b>-7.0%</b>	<b>-6.0%</b>	<b>-5.0%</b>	<b>-4.0%</b>	<b>-3.0%</b>	<b>-1.9%</b>
Average Annual	-10.5%	-32.3%	-26.5%	-20.6%	-17.4%	-15.3%	-13.8%	-12.5%	-11.5%	-10.5%	-9.7%
<b>Principal Payments</b>	<b>\$7,896</b>	<b>\$7,896</b>	<b>\$8,155</b>	<b>\$8,422</b>	<b>\$8,698</b>	<b>\$8,983</b>	<b>\$9,278</b>	<b>\$9,582</b>	<b>\$9,896</b>	<b>\$10,220</b>	<b>\$10,555</b>
Cumulative	\$7,896	\$7,896	\$16,052	\$24,474	\$33,172	\$42,155	\$51,433	\$61,015	\$70,910	\$81,130	\$91,685
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$2,593</b>	<b>-\$8,330</b>	<b>-\$2,262</b>	<b>\$3,982</b>	<b>\$4,710</b>	<b>\$5,462</b>	<b>\$6,239</b>	<b>\$7,042</b>	<b>\$7,870</b>	<b>\$8,726</b>	<b>\$9,610</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>5.2%</b>	<b>-16.6%</b>	<b>-4.5%</b>	<b>7.9%</b>	<b>9.4%</b>	<b>10.9%</b>	<b>12.4%</b>	<b>14.0%</b>	<b>15.6%</b>	<b>17.3%</b>	<b>19.1%</b>
Average Annual	5.2%	-16.6%	-10.5%	-4.4%	-0.9%	1.4%	3.2%	4.8%	6.1%	7.4%	8.6%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: High-End  
Downtown, Not Prime  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$144,000	Initial cash investment	\$60,467
Loan-to-lending value ratio	85%	Construction	\$241,000	Mortgage	\$342,644
Mortgage insur. premium	4.75%	Subtotal	\$385,000	Total costs	\$403,110
Annual cost inflation	2.0%			% Equity	15.0%
Annual revenue growth	3.0%	GST (net)*	\$18,110	Mortgage insur. premium	\$16,276
Initial monthly rent per unit	\$1,750	<b>Total Costs</b>	<b>\$403,110</b>	<b>Total Financing Required</b>	<b>\$358,919</b>
per sq. ft	\$2.92				
Stabilized Vacancy rate	1.5%	<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$463,577</b> [to generate a 15% development profit]
Average unit size (net sq. ft.)	600	<b>cap rate</b>	<b>3.1%</b> [implied if achieved 15% development profit]		

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES AND COSTS</b>											
<b>Revenues:</b>											
Rental income	\$21,000	\$6,930	\$14,492	\$22,279	\$22,947	\$23,636	\$24,345	\$25,075	\$25,827	\$26,602	\$27,400
Other income	\$538	\$178	\$372	\$571	\$588	\$606	\$624	\$643	\$662	\$682	\$703
Vacancy allowance	-\$323	-\$107	-\$223	-\$343	-\$353	-\$364	-\$375	-\$386	-\$397	-\$409	-\$422
<b>Gross income</b>	<b>\$21,215</b>	<b>\$7,001</b>	<b>\$14,641</b>	<b>\$22,507</b>	<b>\$23,183</b>	<b>\$23,878</b>	<b>\$24,594</b>	<b>\$25,332</b>	<b>\$26,092</b>	<b>\$26,875</b>	<b>\$27,681</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,400	\$4,050	\$4,820	\$5,618	\$5,731	\$5,845	\$5,962	\$6,081	\$6,203	\$6,327	\$6,453
Property taxes	\$1,425	\$1,425	\$1,454	\$1,483	\$1,512	\$1,543	\$1,573	\$1,605	\$1,637	\$1,670	\$1,703
<b>Total operating costs</b>	<b>\$6,825</b>	<b>\$5,475</b>	<b>\$6,273</b>	<b>\$7,101</b>	<b>\$7,243</b>	<b>\$7,388</b>	<b>\$7,535</b>	<b>\$7,686</b>	<b>\$7,840</b>	<b>\$7,997</b>	<b>\$8,157</b>
<b>Net Operating Income</b>	<b>\$14,390</b>	<b>\$1,526</b>	<b>\$8,368</b>	<b>\$15,407</b>	<b>\$15,940</b>	<b>\$16,490</b>	<b>\$17,059</b>	<b>\$17,646</b>	<b>\$18,252</b>	<b>\$18,878</b>	<b>\$19,525</b>
Calculated cap rate	3.6%										
<b>Mortgage Payments:</b>											
Principal	\$9,492	\$9,492	\$9,803	\$10,124	\$10,456	\$10,799	\$11,153	\$11,518	\$11,895	\$12,285	\$12,688
Interest	\$11,447	\$11,447	\$11,136	\$10,815	\$10,483	\$10,141	\$9,787	\$9,421	\$9,044	\$8,654	\$8,252
<b>Total</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>
<b>Cash Flow</b>	<b>-\$6,549</b>	<b>-\$19,413</b>	<b>-\$12,572</b>	<b>-\$5,533</b>	<b>-\$5,000</b>	<b>-\$4,449</b>	<b>-\$3,880</b>	<b>-\$3,293</b>	<b>-\$2,687</b>	<b>-\$2,061</b>	<b>-\$1,415</b>
<b>Cash-on-Cash Return</b>	<b>-10.8%</b>	<b>-32.1%</b>	<b>-20.8%</b>	<b>-9.2%</b>	<b>-8.3%</b>	<b>-7.4%</b>	<b>-6.4%</b>	<b>-5.4%</b>	<b>-4.4%</b>	<b>-3.4%</b>	<b>-2.3%</b>
Average Annual	-10.8%	-32.1%	-26.4%	-20.7%	-17.6%	-15.5%	-14.0%	-12.8%	-11.7%	-10.8%	-10.0%
<b>Principal Payments</b>	<b>\$9,492</b>	<b>\$9,492</b>	<b>\$9,803</b>	<b>\$10,124</b>	<b>\$10,456</b>	<b>\$10,799</b>	<b>\$11,153</b>	<b>\$11,518</b>	<b>\$11,895</b>	<b>\$12,285</b>	<b>\$12,688</b>
Cumulative	\$9,492	\$9,492	\$19,296	\$29,420	\$39,876	\$50,675	\$61,828	\$73,346	\$85,241	\$97,526	\$110,214
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$2,943</b>	<b>-\$9,921</b>	<b>-\$2,768</b>	<b>\$4,592</b>	<b>\$5,457</b>	<b>\$6,350</b>	<b>\$7,272</b>	<b>\$8,225</b>	<b>\$9,208</b>	<b>\$10,224</b>	<b>\$11,273</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>4.9%</b>	<b>-16.4%</b>	<b>-4.6%</b>	<b>7.6%</b>	<b>9.0%</b>	<b>10.5%</b>	<b>12.0%</b>	<b>13.6%</b>	<b>15.2%</b>	<b>16.9%</b>	<b>18.6%</b>
Average Annual	4.9%	-16.4%	-10.5%	-4.5%	-1.1%	1.2%	3.0%	4.5%	5.9%	7.1%	8.3%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group



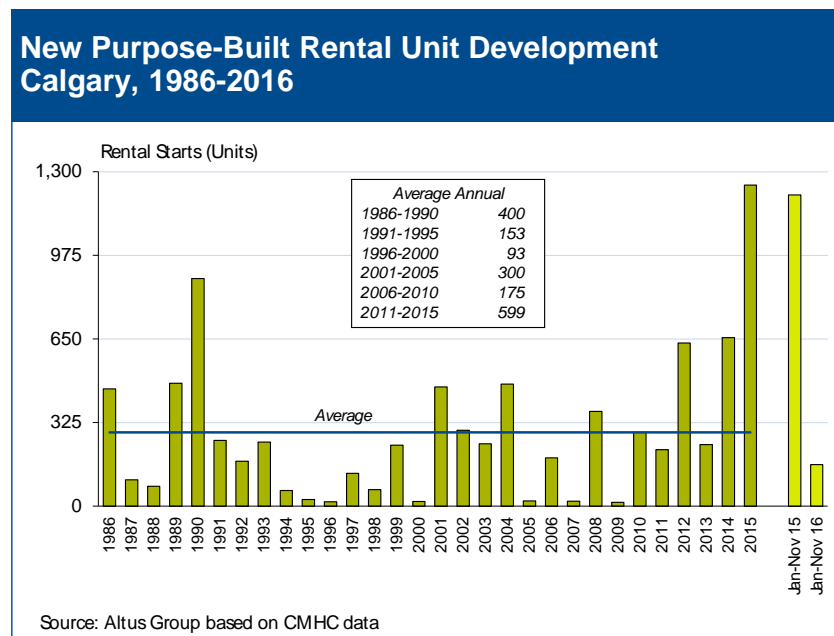
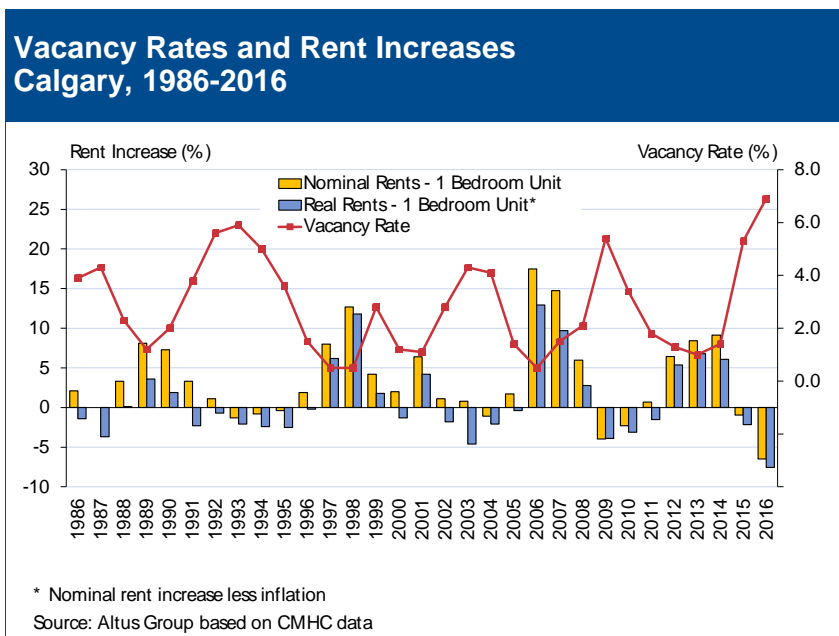
## 5 Calgary

### 5.1 Rental Market Conditions

The overall rental apartment vacancy rate in Calgary has historically had a roller coaster pattern of ups and downs. The vacancy rate climbed to 6.9% in 2016, the highest level since the global financial crisis period and more than double the long-term average of 2.9%.

Excess supply has resulted in rent declines over the past two years, both in real and nominal terms.

On the development side, purpose-built rental starts picked up in recent years, averaging just under 600 units per year in the 2011-2015 period, well above the average level of the preceding 25 years. However starts in 2016 have fallen back dramatically again.



## 5.2 Proforma Analysis

The vacancy rate assumption used for Calgary for all scenarios is 3.5%. Based on this rate, and a consideration of the past relationship in Calgary between vacancy levels and real rent increases, a 0% real rent increase per year assumption is used (for a nominal increase of 2.0% per year).

This market is subject to GST, and the rebate available.

The development costs per rental unit including land costs range from about \$216,000 per unit for the basic project to about \$346,000 for a the high-end project.

Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are all negative. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly 40-50% higher than they currently are.

Given the cost of land in Calgary, taking land out of the analysis does not significantly improve the financial performance.

## The Economics of New Private Rental Housing Development (Per Unit) Calgary

	Scenario 1: Market rent w ith land costs			Scenario 2: Market rent w ithout land costs			Scenario 3: Economic rent w ith land costs			Scenario 4: Economic rent w ithout land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Initial Rent	\$1,250	\$1,650	\$1,750	\$1,250	\$1,650	\$1,750	\$1,850	\$2,350	\$2,625	\$1,650	\$2,100	\$2,325
Average Development Costs Per Unit	\$216,100	\$304,000	\$345,925	\$183,100	\$263,000	\$295,925	\$216,100	\$304,000	\$345,925	\$183,100	\$263,000	\$295,925
Net Annual Operating Income	\$8,600	\$13,275	\$14,250	\$8,600	\$13,275	\$14,250	\$15,100	\$21,025	\$23,875	\$12,925	\$18,250	\$20,575
Financing Assumptions:												
Initial Cash Investment	\$32,425	\$45,600	\$51,900	\$27,475	\$39,450	\$44,400	\$32,425	\$45,600	\$51,900	\$27,475	\$39,450	\$44,400
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	-9.6%	-6.8%	-8.3%	-5.1%	-2.4%	-3.9%	10.1%	9.9%	9.9%	10.4%	10.0%	10.1%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	8.6%	11.5%	9.9%	13.1%	15.8%	14.4%	28.4%	28.2%	28.1%	28.7%	28.2%	28.3%
Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

*Project type: Basic Fringe*  
**Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$33,000	Initial cash investment	\$32,417
Loan-to-lending value ratio	85%	Construction	\$177,000	Mortgage	\$183,695
Mortgage insur. premium	4.75%	Subtotal	\$210,000	Total costs	\$216,112
Annual cost inflation	2.0%			% Equity	15.0%
Annual revenue growth	2.0%	GST (net)*	\$6,112	Mortgage insur. premium	\$8,726
Initial monthly rent per unit	\$1,250	<b>Total Costs</b>	<b>\$216,112</b>	<b>Total Financing Required</b>	<b>\$192,421</b>
per sq. ft.	\$1.81				
Stabilized Vacancy rate	3.5%				
Average unit size (net sq. ft.)	690				
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$248,529 [to generate a 15% development profit]</b>		
		<b>cap rate</b>	<b>3.5% [implied if achieved 15% development profit]</b>		

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$15,000	\$4,950	\$10,251	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926
Other income	\$385	\$127	\$263	\$400	\$408	\$416	\$425	\$433	\$442	\$451	\$460
Vacancy allowance	-\$538	-\$178	-\$368	-\$560	-\$571	-\$583	-\$595	-\$606	-\$619	-\$631	-\$644
<b>Gross income</b>	<b>\$14,846</b>	<b>\$4,899</b>	<b>\$10,146</b>	<b>\$15,446</b>	<b>\$15,755</b>	<b>\$16,070</b>	<b>\$16,391</b>	<b>\$16,719</b>	<b>\$17,054</b>	<b>\$17,395</b>	<b>\$17,743</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,283	\$1,283	\$1,309	\$1,335	\$1,362	\$1,389	\$1,417	\$1,445	\$1,474	\$1,503	\$1,534
<b>Total operating costs</b>	<b>\$6,251</b>	<b>\$5,009</b>	<b>\$5,743</b>	<b>\$6,504</b>	<b>\$6,634</b>	<b>\$6,767</b>	<b>\$6,902</b>	<b>\$7,040</b>	<b>\$7,181</b>	<b>\$7,324</b>	<b>\$7,471</b>
<b>Net Operating Income</b>	<b>\$8,595</b>	<b>-\$110</b>	<b>\$4,403</b>	<b>\$8,942</b>	<b>\$9,121</b>	<b>\$9,303</b>	<b>\$9,490</b>	<b>\$9,679</b>	<b>\$9,873</b>	<b>\$10,070</b>	<b>\$10,272</b>
Calculated cap rate	4.0%										
<b>Mortgage Payments:</b>											
Principal	\$5,089	\$5,089	\$5,256	\$5,428	\$5,606	\$5,789	\$5,979	\$6,175	\$6,377	\$6,586	\$6,802
Interest	\$6,137	\$6,137	\$5,970	\$5,798	\$5,620	\$5,436	\$5,247	\$5,051	\$4,849	\$4,640	\$4,424
<b>Total</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>
<b>Cash Flow</b>	<b>-\$2,631</b>	<b>-\$11,336</b>	<b>-\$6,823</b>	<b>-\$2,284</b>	<b>-\$2,105</b>	<b>-\$1,922</b>	<b>-\$1,736</b>	<b>-\$1,546</b>	<b>-\$1,353</b>	<b>-\$1,155</b>	<b>-\$954</b>
<b>Cash-on-Cash Return</b>	<b>-8.1%</b>	<b>-35.0%</b>	<b>-21.0%</b>	<b>-7.0%</b>	<b>-6.5%</b>	<b>-5.9%</b>	<b>-5.4%</b>	<b>-4.8%</b>	<b>-4.2%</b>	<b>-3.6%</b>	<b>-2.9%</b>
Average Annual	-8.1%	-35.0%	-28.0%	-21.0%	-17.4%	-15.1%	-13.5%	-12.2%	-11.2%	-10.4%	-9.6%
<b>Principal Payments</b>	<b>\$5,089</b>	<b>\$5,089</b>	<b>\$5,256</b>	<b>\$5,428</b>	<b>\$5,606</b>	<b>\$5,789</b>	<b>\$5,979</b>	<b>\$6,175</b>	<b>\$6,377</b>	<b>\$6,586</b>	<b>\$6,802</b>
Cumulative	\$5,089	\$5,089	\$10,345	\$15,772	\$21,378	\$27,167	\$33,146	\$39,321	\$45,699	\$52,285	\$59,087
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$2,458</b>	<b>-\$6,247</b>	<b>-\$1,567</b>	<b>\$3,144</b>	<b>\$3,501</b>	<b>\$3,867</b>	<b>\$4,243</b>	<b>\$4,628</b>	<b>\$5,024</b>	<b>\$5,431</b>	<b>\$5,848</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>7.6%</b>	<b>-19.3%</b>	<b>-4.8%</b>	<b>9.7%</b>	<b>10.8%</b>	<b>11.9%</b>	<b>13.1%</b>	<b>14.3%</b>	<b>15.5%</b>	<b>16.8%</b>	<b>18.0%</b>
Average Annual	7.6%	-19.3%	-12.1%	-4.8%	-0.9%	1.7%	3.6%	5.1%	6.4%	7.5%	8.6%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

*Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,650
per sq. ft	\$2.39
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	690

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$41,000	Initial cash investment	\$45,600
Construction	\$253,000	Mortgage	\$258,401
Subtotal	\$294,000	Total costs	\$304,001
	1.7%	% Equity	15.0%
GST (net)*	\$10,001	Mortgage insur. premium	\$12,274
<b>Total Costs</b>	<b>\$304,001</b>	<b>Total Financing Required</b>	<b>\$270,675</b>

*Development profit assumption: 15%*

*minimum sales price \$349,601 [to generate a 15% development profit]*

*cap rate 3.8% [implied if achieved 15% development profit]*

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$19,800	\$6,534	\$13,531	\$20,600	\$21,012	\$21,432	\$21,861	\$22,298	\$22,744	\$23,199	\$23,663
Other income	\$1,042	\$344	\$712	\$1,084	\$1,106	\$1,128	\$1,151	\$1,174	\$1,197	\$1,221	\$1,245
Vacancy allowance	-\$729	-\$241	-\$499	-\$759	-\$774	-\$790	-\$805	-\$822	-\$838	-\$855	-\$872
<b>Gross income</b>	<b>\$20,113</b>	<b>\$6,637</b>	<b>\$13,745</b>	<b>\$20,925</b>	<b>\$21,344</b>	<b>\$21,771</b>	<b>\$22,206</b>	<b>\$22,650</b>	<b>\$23,103</b>	<b>\$23,565</b>	<b>\$24,036</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,863	\$1,863	\$1,900	\$1,938	\$1,977	\$2,016	\$2,056	\$2,098	\$2,140	\$2,182	\$2,226
<b>Total operating costs</b>	<b>\$6,831</b>	<b>\$5,589</b>	<b>\$6,334</b>	<b>\$7,107</b>	<b>\$7,249</b>	<b>\$7,394</b>	<b>\$7,542</b>	<b>\$7,692</b>	<b>\$7,846</b>	<b>\$8,003</b>	<b>\$8,163</b>
<b>Net Operating Income</b>	<b>\$13,282</b>	<b>\$1,049</b>	<b>\$7,411</b>	<b>\$13,819</b>	<b>\$14,095</b>	<b>\$14,377</b>	<b>\$14,664</b>	<b>\$14,958</b>	<b>\$15,257</b>	<b>\$15,562</b>	<b>\$15,873</b>
<i>Calculated cap rate</i>	<i>4.4%</i>										
<b>Mortgage Payments:</b>											
Principal	\$7,158	\$7,158	\$7,393	\$7,635	\$7,885	\$8,144	\$8,411	\$8,686	\$8,971	\$9,265	\$9,568
Interest	\$8,633	\$8,633	\$8,398	\$8,156	\$7,906	\$7,647	\$7,381	\$7,105	\$6,820	\$6,526	\$6,223
<b>Total</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>
<b>Cash Flow</b>	<b>-\$2,509</b>	<b>-\$14,743</b>	<b>-\$8,380</b>	<b>-\$1,972</b>	<b>-\$1,696</b>	<b>-\$1,414</b>	<b>-\$1,127</b>	<b>-\$833</b>	<b>-\$534</b>	<b>-\$229</b>	<b>\$82</b>
<b>Cash-on-Cash Return</b>	<b>-5.5%</b>	<b>-32.3%</b>	<b>-18.4%</b>	<b>-4.3%</b>	<b>-3.7%</b>	<b>-3.1%</b>	<b>-2.5%</b>	<b>-1.8%</b>	<b>-1.2%</b>	<b>-0.5%</b>	<b>0.2%</b>
<i>Average Annual</i>	<i>-5.5%</i>	<i>-32.3%</i>	<i>-25.4%</i>	<i>-18.3%</i>	<i>-14.7%</i>	<i>-12.4%</i>	<i>-10.7%</i>	<i>-9.5%</i>	<i>-8.4%</i>	<i>-7.5%</i>	<i>-6.8%</i>
<b>Principal Payments</b>	<b>\$7,158</b>	<b>\$7,158</b>	<b>\$7,393</b>	<b>\$7,635</b>	<b>\$7,885</b>	<b>\$8,144</b>	<b>\$8,411</b>	<b>\$8,686</b>	<b>\$8,971</b>	<b>\$9,265</b>	<b>\$9,568</b>
<i>Cumulative</i>	<i>\$7,158</i>	<i>\$7,158</i>	<i>\$14,552</i>	<i>\$22,187</i>	<i>\$30,072</i>	<i>\$38,216</i>	<i>\$46,627</i>	<i>\$55,313</i>	<i>\$64,283</i>	<i>\$73,548</i>	<i>\$83,116</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,649</b>	<b>-\$7,584</b>	<b>-\$987</b>	<b>\$5,663</b>	<b>\$6,189</b>	<b>\$6,730</b>	<b>\$7,284</b>	<b>\$7,853</b>	<b>\$8,437</b>	<b>\$9,036</b>	<b>\$9,650</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>10.2%</b>	<b>-16.6%</b>	<b>-2.2%</b>	<b>12.4%</b>	<b>13.6%</b>	<b>14.8%</b>	<b>16.0%</b>	<b>17.2%</b>	<b>18.5%</b>	<b>19.8%</b>	<b>21.2%</b>
<i>Average Annual</i>	<i>10.2%</i>	<i>-16.6%</i>	<i>-9.4%</i>	<i>-2.1%</i>	<i>1.8%</i>	<i>4.4%</i>	<i>6.3%</i>	<i>7.9%</i>	<i>9.2%</i>	<i>10.4%</i>	<i>11.5%</i>

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

*Project type: High-End  
Downtown, Not Prime  
Market Rent; Market Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,750
per sq. ft	\$2.54
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	690

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$50,000
Construction	\$284,000
Subtotal	\$334,000

**Financing:**

Initial cash investment	\$51,889
Mortgage	\$294,036
Total costs	\$345,924
% Equity	15.0%

GST (net)\*

\$11,924

Mortgage insur. premium

\$13,967

**Total Costs**

**\$345,924**

**Total Financing Required**

**\$308,002**

*Development profit assumption:* 15%

*minimum sales price* **\$397,813** [to generate a 15% development profit]

*cap rate*

*3.6%* [implied if achieved 15% development profit]

**REVENUES AND COSTS**

**Revenues:**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental income	\$21,000	\$6,930	\$14,351	\$21,848	\$22,285	\$22,731	\$23,186	\$23,649	\$24,122	\$24,605	\$25,097
Other income	\$1,105	\$365	\$755	\$1,150	\$1,173	\$1,196	\$1,220	\$1,245	\$1,270	\$1,295	\$1,321
Vacancy allowance	-\$774	-\$255	-\$529	-\$805	-\$821	-\$837	-\$854	-\$871	-\$889	-\$906	-\$925
<b>Gross income</b>	<b>\$21,332</b>	<b>\$7,039</b>	<b>\$14,578</b>	<b>\$22,193</b>	<b>\$22,637</b>	<b>\$23,090</b>	<b>\$23,552</b>	<b>\$24,023</b>	<b>\$24,503</b>	<b>\$24,993</b>	<b>\$25,493</b>

**Operating Costs:**

Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$2,107	\$2,107	\$2,149	\$2,192	\$2,236	\$2,281	\$2,326	\$2,373	\$2,420	\$2,469	\$2,518
<b>Total operating costs</b>	<b>\$7,075</b>	<b>\$5,833</b>	<b>\$6,583</b>	<b>\$7,361</b>	<b>\$7,508</b>	<b>\$7,658</b>	<b>\$7,812</b>	<b>\$7,968</b>	<b>\$8,127</b>	<b>\$8,290</b>	<b>\$8,455</b>

**Net Operating Income**

**\$14,256**

*Calculated cap rate*

4.1%

**Mortgage Payments:**

Principal	\$8,146	\$8,146	\$8,413	\$8,688	\$8,973	\$9,267	\$9,570	\$9,884	\$10,208	\$10,542	\$10,888
Interest	\$9,823	\$9,823	\$9,556	\$9,281	\$8,996	\$8,702	\$8,398	\$8,085	\$7,761	\$7,427	\$7,081
<b>Total</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>

**Cash Flow**

**-\$3,712**

**Cash-on-Cash Return**

**-7.2%**

*Average Annual*

**Principal Payments**

**\$8,146**

*Cumulative*

**Annual Cash Flow & Principal Payments**

**\$4,433**

**Annual Cash Flow & Principal Payments as % of Initial Cash Investment**

**8.5%**

*Average Annual*

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

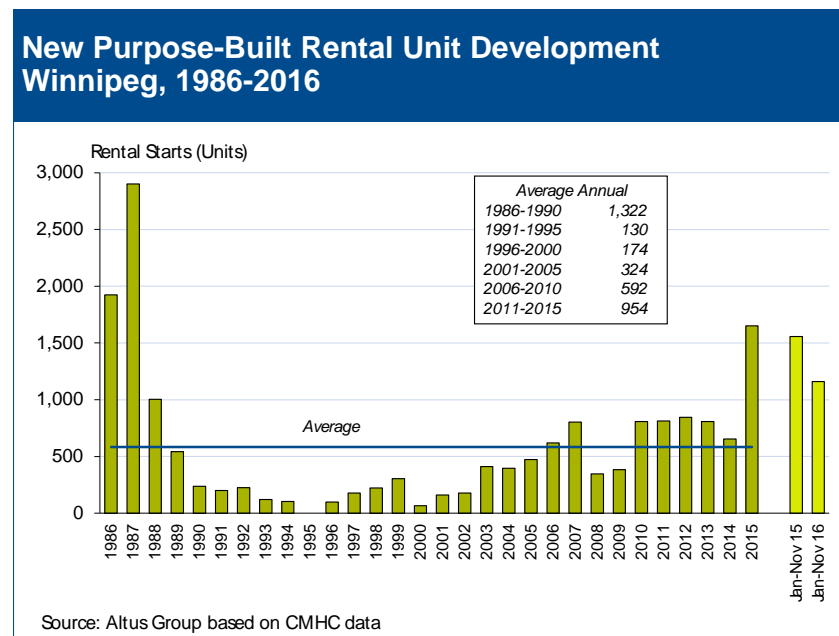
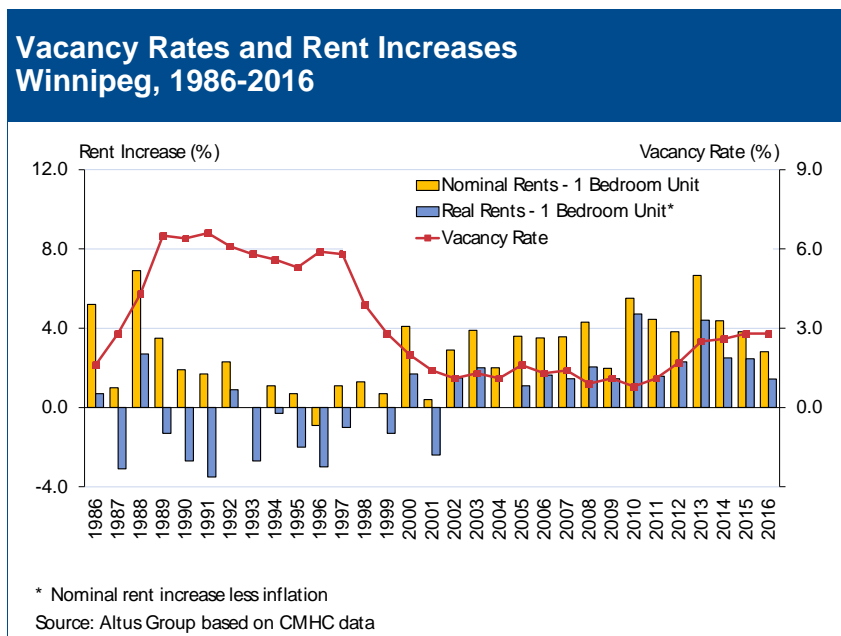
## 6 Winnipeg

### 6.1 Rental Market Conditions

The overall rental apartment vacancy rate in Winnipeg had been moving up since the recent low recorded in 2010, but remained stable in 2016 at 2.8%, since slightly below the long-term average of 3.1% (although the long-term average includes very high vacancies recorded in the later 1980s).

With the increasing vacancy rates, increases in rents in Winnipeg have been moderating.

Winnipeg continues to have a moderate level of new rental unit development, averaging almost 1,000 units per year in the 2011-2015 period. In 2015 starts spiked above the 1,500 unit level, and have remained elevated in 2016 (although running slightly below 2015).



## 6.2 Proforma Analysis

The vacancy rate assumption used for Winnipeg for all scenarios is 3.0%. Based on this rate, and a consideration of the past relationship in Winnipeg between vacancy levels and real rent increases, a 0% real rent increase per year assumption is used (for a nominal increase of 2.0% per year).

This market is subject to GST, and the rebate available.

The development costs per rental unit including land costs range from about \$217,000 per unit for the basic project to about \$331,000 for a the high-end project.

Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are all negative. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly one-third (basic project) to two-thirds (high-end project) higher than they currently are.

Given the cost of land in Winnipeg, taking land out of the analysis does not significantly improve the financial performance



## The Economics of New Private Rental Housing Development (Per Unit) Winnipeg

	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Initial Rent	\$1,275	\$1,475	\$1,575	\$1,275	\$1,475	\$1,575	\$1,725	\$2,300	\$2,550	\$1,650	\$2,175	\$2,375
Average Development Costs Per Unit	\$217,725	\$298,950	\$330,650	\$203,725	\$280,950	\$302,650	\$217,725	\$298,950	\$330,650	\$203,725	\$280,950	\$302,650
Net Annual Operating Income	\$10,300	\$11,950	\$12,550	\$10,300	\$11,950	\$12,550	\$15,075	\$20,700	\$22,900	\$14,275	\$19,375	\$21,025
Financing Assumptions:												
Initial Cash Investment	\$32,650	\$44,850	\$49,600	\$30,550	\$42,150	\$45,400	\$32,650	\$44,850	\$49,600	\$30,550	\$42,150	\$45,400
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	-4.6%	-9.2%	-10.5%	-2.5%	-7.6%	-8.3%	9.7%	9.9%	9.9%	10.2%	9.7%	10.0%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	13.7%	9.0%	7.7%	15.7%	10.7%	9.9%	28.0%	28.1%	28.1%	28.5%	27.9%	28.2%
Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Winnipeg**

*Project type: Basic Fringe*  
*Market Rent; Market Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,275
<i>per sq. ft</i>	\$1.66
Stabilized Vacancy rate	3.0%
Average unit size (net sq. ft.)	770

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$14,000	Initial cash investment	\$32,659
Construction	\$198,000	Mortgage	\$185,068
Subtotal	\$212,000	Total costs	\$217,728
		% Equity	15.0%
GST (net)*	\$5,728	Mortgage insur. premium	\$8,791
<b>Total Costs</b>	<b>\$217,728</b>	<b>Total Financing Required</b>	<b>\$193,859</b>

**Development profit assumption:** 15%      **minimum sales price** \$250,387 [to generate a 15% development profit]  
**cap rate** 4.1% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$15,300	\$5,049	\$10,456	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926	\$18,285
Other income	\$805	\$266	\$550	\$838	\$855	\$872	\$889	\$907	\$925	\$943	\$962
Vacancy allowance	-\$483	-\$159	-\$330	-\$503	-\$513	-\$523	-\$533	-\$544	-\$555	-\$566	-\$577
<b>Gross income</b>	<b>\$15,622</b>	<b>\$5,155</b>	<b>\$10,676</b>	<b>\$16,253</b>	<b>\$16,578</b>	<b>\$16,910</b>	<b>\$17,248</b>	<b>\$17,593</b>	<b>\$17,945</b>	<b>\$18,304</b>	<b>\$18,670</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,234	\$2,426	\$2,886	\$3,365	\$3,432	\$3,501	\$3,571	\$3,642	\$3,715	\$3,789	\$3,865
Property taxes	\$2,096	\$2,096	\$2,138	\$2,181	\$2,225	\$2,269	\$2,315	\$2,361	\$2,408	\$2,456	\$2,505
<b>Total operating costs</b>	<b>\$5,330</b>	<b>\$4,522</b>	<b>\$5,025</b>	<b>\$5,546</b>	<b>\$5,657</b>	<b>\$5,770</b>	<b>\$5,885</b>	<b>\$6,003</b>	<b>\$6,123</b>	<b>\$6,246</b>	<b>\$6,370</b>
<b>Net Operating Income</b>	<b>\$10,292</b>	<b>\$633</b>	<b>\$5,651</b>	<b>\$10,707</b>	<b>\$10,922</b>	<b>\$11,140</b>	<b>\$11,363</b>	<b>\$11,590</b>	<b>\$11,822</b>	<b>\$12,058</b>	<b>\$12,299</b>
<i>Calculated cap rate</i>	4.7%										
<b>Mortgage Payments:</b>											
Principal	\$5,127	\$5,127	\$5,295	\$5,468	\$5,648	\$5,833	\$6,024	\$6,221	\$6,425	\$6,635	\$6,853
Interest	\$6,183	\$6,183	\$6,015	\$5,841	\$5,662	\$5,477	\$5,286	\$5,089	\$4,885	\$4,674	\$4,457
<b>Total</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>
<b>Cash Flow</b>	<b>-\$1,018</b>	<b>-\$10,676</b>	<b>-\$5,658</b>	<b>-\$602</b>	<b>-\$388</b>	<b>-\$170</b>	<b>\$53</b>	<b>\$280</b>	<b>\$512</b>	<b>\$749</b>	<b>\$990</b>
<b>Cash-on-Cash Return</b>	<b>-3.1%</b>	<b>-32.7%</b>	<b>-17.3%</b>	<b>-1.8%</b>	<b>-1.2%</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>0.9%</b>	<b>1.6%</b>	<b>2.3%</b>	<b>3.0%</b>
<i>Average Annual</i>	-3.1%	-32.7%	-25.0%	-17.3%	-13.3%	-10.7%	-8.9%	-7.5%	-6.4%	-5.4%	-4.6%
<b>Principal Payments</b>	<b>\$5,127</b>	<b>\$5,127</b>	<b>\$5,295</b>	<b>\$5,468</b>	<b>\$5,648</b>	<b>\$5,833</b>	<b>\$6,024</b>	<b>\$6,221</b>	<b>\$6,425</b>	<b>\$6,635</b>	<b>\$6,853</b>
<i>Cumulative</i>	\$5,127	\$5,127	\$10,422	\$15,890	\$21,538	\$27,371	\$33,394	\$39,615	\$46,040	\$52,676	\$59,529
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,109</b>	<b>-\$5,549</b>	<b>-\$363</b>	<b>\$4,866</b>	<b>\$5,259</b>	<b>\$5,663</b>	<b>\$6,077</b>	<b>\$6,501</b>	<b>\$6,937</b>	<b>\$7,384</b>	<b>\$7,843</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>12.6%</b>	<b>-17.0%</b>	<b>-1.1%</b>	<b>14.9%</b>	<b>16.1%</b>	<b>17.3%</b>	<b>18.6%</b>	<b>19.9%</b>	<b>21.2%</b>	<b>22.6%</b>	<b>24.0%</b>
<i>Average Annual</i>	12.6%	-17.0%	-9.1%	-1.1%	3.2%	6.0%	8.1%	9.8%	11.2%	12.5%	13.7%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$18,000	Initial cash investment		\$44,843						
Loan-to-lending value ratio	85%	Construction	\$274,000	Mortgage		\$254,110						
Mortgage insur. premium	4.75%	Subtotal	\$292,000	Total costs		\$298,953						
Annual cost inflation	2.0%		1.7%	% Equity		15.0%						
Annual revenue growth	2.0%	GST (net)*	\$6,953	Mortgage insur. premium		\$12,070						
Initial monthly rent per unit	\$1,475	<b>Total Costs</b>	<b>\$298,953</b>	<b>Total Financing Required</b>		<b>\$266,181</b>						
per sq. ft	\$1.92											
Stabilized Vacancy rate	3.0%											
Average unit size (net sq. ft.)	770											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$343,796</b>	<i>[to generate a 15% development profit]</i>								
		<b>cap rate</b>	<b>3.5%</b>	<i>[implied if achieved 15% development profit]</i>								
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$17,700	\$5,841	\$12,096	\$18,415	\$18,783	\$19,159	\$19,542	\$19,933	\$20,332	\$20,738	\$21,153	
Other income	\$932	\$307	\$637	\$969	\$989	\$1,008	\$1,029	\$1,049	\$1,070	\$1,091	\$1,113	
Vacancy allowance	-\$559	-\$184	-\$382	-\$582	-\$593	-\$605	-\$617	-\$629	-\$642	-\$655	-\$668	
<b>Gross income</b>	<b>\$18,073</b>	<b>\$5,964</b>	<b>\$12,351</b>	<b>\$18,803</b>	<b>\$19,179</b>	<b>\$19,562</b>	<b>\$19,954</b>	<b>\$20,353</b>	<b>\$20,760</b>	<b>\$21,175</b>	<b>\$21,598</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$3,696	\$2,772	\$3,299	\$3,845	\$3,922	\$4,001	\$4,081	\$4,162	\$4,246	\$4,330	\$4,417	
Property taxes	\$2,425	\$2,425	\$2,474	\$2,523	\$2,574	\$2,625	\$2,678	\$2,731	\$2,786	\$2,842	\$2,899	
<b>Total operating costs</b>	<b>\$6,121</b>	<b>\$5,197</b>	<b>\$5,773</b>	<b>\$6,369</b>	<b>\$6,496</b>	<b>\$6,626</b>	<b>\$6,758</b>	<b>\$6,894</b>	<b>\$7,032</b>	<b>\$7,172</b>	<b>\$7,316</b>	
<b>Net Operating Income</b>	<b>\$11,951</b>	<b>\$767</b>	<b>\$6,578</b>	<b>\$12,434</b>	<b>\$12,683</b>	<b>\$12,936</b>	<b>\$13,195</b>	<b>\$13,459</b>	<b>\$13,728</b>	<b>\$14,003</b>	<b>\$14,283</b>	
Calculated cap rate	4.0%											
<b>Mortgage Payments:</b>												
Principal	\$7,040	\$7,040	\$7,270	\$7,508	\$7,754	\$8,009	\$8,271	\$8,542	\$8,822	\$9,111	\$9,409	
Interest	\$8,489	\$8,489	\$8,259	\$8,020	\$7,774	\$7,520	\$7,258	\$6,987	\$6,707	\$6,418	\$6,120	
<b>Total</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	<b>\$15,529</b>	
<b>Cash Flow</b>	<b>-\$3,578</b>	<b>-\$14,762</b>	<b>-\$8,951</b>	<b>-\$3,095</b>	<b>-\$2,846</b>	<b>-\$2,593</b>	<b>-\$2,334</b>	<b>-\$2,070</b>	<b>-\$1,801</b>	<b>-\$1,526</b>	<b>-\$1,246</b>	
<b>Cash-on-Cash Return</b>	<b>-8.0%</b>	<b>-32.9%</b>	<b>-20.0%</b>	<b>-6.9%</b>	<b>-6.3%</b>	<b>-5.8%</b>	<b>-5.2%</b>	<b>-4.6%</b>	<b>-4.0%</b>	<b>-3.4%</b>	<b>-2.8%</b>	
Average Annual	-8.0%	-32.9%	-26.4%	-19.9%	-16.5%	-14.4%	-12.9%	-11.7%	-10.7%	-9.9%	-9.2%	
<b>Principal Payments</b>	<b>\$7,040</b>	<b>\$7,040</b>	<b>\$7,270</b>	<b>\$7,508</b>	<b>\$7,754</b>	<b>\$8,009</b>	<b>\$8,271</b>	<b>\$8,542</b>	<b>\$8,822</b>	<b>\$9,111</b>	<b>\$9,409</b>	
Cumulative	\$7,040	\$7,040	\$14,310	\$21,818	\$29,573	\$37,581	\$45,852	\$54,394	\$63,216	\$72,327	\$81,736	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,462</b>	<b>-\$7,723</b>	<b>-\$1,680</b>	<b>\$4,414</b>	<b>\$4,908</b>	<b>\$5,416</b>	<b>\$5,937</b>	<b>\$6,472</b>	<b>\$7,021</b>	<b>\$7,585</b>	<b>\$8,163</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>7.7%</b>	<b>-17.2%</b>	<b>-3.7%</b>	<b>9.8%</b>	<b>10.9%</b>	<b>12.1%</b>	<b>13.2%</b>	<b>14.4%</b>	<b>15.7%</b>	<b>16.9%</b>	<b>18.2%</b>	
Average Annual	7.7%	-17.2%	-10.5%	-3.7%	0.0%	2.4%	4.2%	5.7%	6.9%	8.0%	9.0%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: High-End  
Downtown, Not Prime  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$28,000	Initial cash investment		\$49,597						
Loan-to-lending value ratio	85%	Construction	\$295,000	Mortgage		\$281,052						
Mortgage insur. premium	4.75%	Subtotal	\$323,000	Total costs		\$330,650						
Annual cost inflation	2.0%			% Equity		15.0%						
Annual revenue growth	2.0%	GST (net)*	\$7,650	Mortgage insur. premium		\$13,350						
Initial monthly rent per unit per sq. ft	\$1,575 \$2.05	<b>Total Costs</b>	<b>\$330,650</b>	<b>Total Financing Required</b>		<b>\$294,402</b>						
Stabilized Vacancy rate	3.0%	<b>Development profit assumption: 15%</b>										
Average unit size (net sq. ft.)	770	<b>minimum sales price \$380,247 [to generate a 15% development profit]</b>										
		<b>cap rate 3.3% [implied if achieved 15% development profit]</b>										
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$18,900	\$6,237	\$12,916	\$19,664	\$20,057	\$20,458	\$20,867	\$21,284	\$21,710	\$22,144	\$22,587	
Other income	\$995	\$328	\$680	\$1,035	\$1,056	\$1,077	\$1,098	\$1,120	\$1,143	\$1,165	\$1,189	
Vacancy allowance	-\$597	-\$197	-\$408	-\$621	-\$633	-\$646	-\$659	-\$672	-\$686	-\$699	-\$713	
<b>Gross income</b>	<b>\$19,298</b>	<b>\$6,368</b>	<b>\$13,188</b>	<b>\$20,078</b>	<b>\$20,479</b>	<b>\$20,889</b>	<b>\$21,306</b>	<b>\$21,733</b>	<b>\$22,167</b>	<b>\$22,611</b>	<b>\$23,063</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$4,158	\$3,119	\$3,711	\$4,326	\$4,413	\$4,501	\$4,591	\$4,683	\$4,776	\$4,872	\$4,969	
Property taxes	\$2,590	\$2,590	\$2,642	\$2,694	\$2,748	\$2,803	\$2,859	\$2,917	\$2,975	\$3,034	\$3,095	
<b>Total operating costs</b>	<b>\$6,748</b>	<b>\$5,708</b>	<b>\$6,353</b>	<b>\$7,020</b>	<b>\$7,161</b>	<b>\$7,304</b>	<b>\$7,450</b>	<b>\$7,599</b>	<b>\$7,751</b>	<b>\$7,906</b>	<b>\$8,064</b>	
<b>Net Operating Income</b>	<b>\$12,550</b>	<b>\$660</b>	<b>\$6,836</b>	<b>\$13,057</b>	<b>\$13,318</b>	<b>\$13,585</b>	<b>\$13,856</b>	<b>\$14,133</b>	<b>\$14,416</b>	<b>\$14,704</b>	<b>\$14,999</b>	
Calculated cap rate	3.8%											
<b>Mortgage Payments:</b>												
Principal	\$7,786	\$7,786	\$8,041	\$8,305	\$8,577	\$8,858	\$9,148	\$9,448	\$9,757	\$10,077	\$10,407	
Interest	\$9,389	\$9,389	\$9,134	\$8,871	\$8,599	\$8,318	\$8,028	\$7,728	\$7,418	\$7,099	\$6,768	
<b>Total</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	
<b>Cash Flow</b>	<b>-\$4,625</b>	<b>-\$16,515</b>	<b>-\$10,340</b>	<b>-\$4,118</b>	<b>-\$3,857</b>	<b>-\$3,591</b>	<b>-\$3,319</b>	<b>-\$3,042</b>	<b>-\$2,759</b>	<b>-\$2,471</b>	<b>-\$2,177</b>	
<b>Cash-on-Cash Return</b>												
Average Annual	-9.3%	-33.3%	-20.8%	-8.3%	-7.8%	-7.2%	-6.7%	-6.1%	-5.6%	-5.0%	-4.4%	
	-9.3%	-33.3%	-27.1%	-20.8%	-17.6%	-15.5%	-14.0%	-12.9%	-12.0%	-11.2%	-10.5%	
<b>Principal Payments</b>	<b>\$7,786</b>	<b>\$7,786</b>	<b>\$8,041</b>	<b>\$8,305</b>	<b>\$8,577</b>	<b>\$8,858</b>	<b>\$9,148</b>	<b>\$9,448</b>	<b>\$9,757</b>	<b>\$10,077</b>	<b>\$10,407</b>	
Cumulative	\$7,786	\$7,786	\$15,827	\$24,132	\$32,708	\$41,566	\$50,714	\$60,161	\$69,919	\$79,995	\$90,402	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,161</b>	<b>-\$8,729</b>	<b>-\$2,299</b>	<b>\$4,186</b>	<b>\$4,720</b>	<b>\$5,267</b>	<b>\$5,829</b>	<b>\$6,406</b>	<b>\$6,998</b>	<b>\$7,606</b>	<b>\$8,230</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>												
Average Annual	6.4%	-17.6%	-4.6%	8.4%	9.5%	10.6%	11.8%	12.9%	14.1%	15.3%	16.6%	
	6.4%	-17.6%	-11.1%	-4.6%	-1.1%	1.3%	3.0%	4.4%	5.6%	6.7%	7.7%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

# 7 Toronto

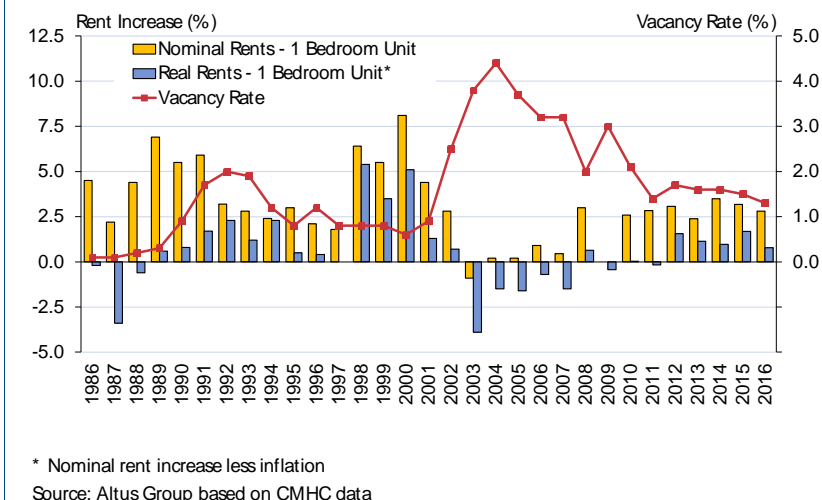
## 7.1 Rental Market Conditions

The rental apartment vacancy rate in Toronto has been declining slightly since 2011, and stood at 1.3% in October 2016, slightly below the long term average rate of 1.7%.

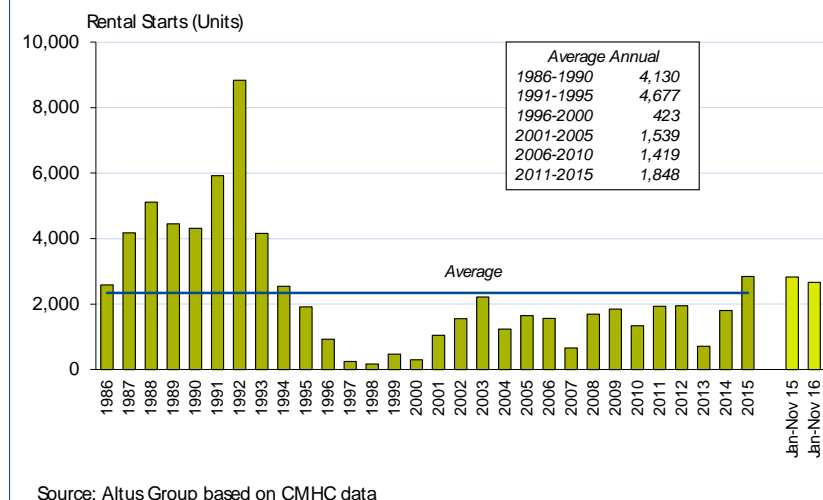
After exhibiting real rent declines in the mid 2000s to early 2010s, rents have posted moderate increases in recent years.

New purpose-built rental starts averaged just over 1,800 units per year in the 2011-2015 period, up slightly from the decade of the 2000s but well below numbers needed to support the strong population growth that has been occurring (and why residents are finding accommodation within the rented condominium stock).

**Rental Apartment Vacancy Rates and Rent Increases Toronto, 1986-2016**



**New Purpose-Built Rental Unit Development Toronto, 1986-2016**



## 7.2 Proforma Analysis

The vacancy rate assumption used for Toronto for all scenarios is 2.0%. Based on this rate, and a consideration of the past relationship in Toronto between vacancy levels and real rent increases, a 0.5% real rent increase per year assumption is used (for a nominal increase of 2.5% per year).

The applicable development charges, including all levels, for the City of Toronto is \$18,239 for up to a 1 bedroom unit, and \$25,566 for 2+ bedrooms.

This market is subject to HST, and the rebates available.

The development costs per rental unit including land costs range from about \$211,000 per unit for the basic project to about \$370,000 for a the high-end project.

Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are marginally positive for the basic project, but negative for the medium and high-end project. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly 10% (basic project) to one-third (medium and high-end project) higher than they currently are.

Given the cost of land in Toronto, taking land out of the analysis does significantly improve the financial performance, and the basic project starts to look viable.

The relatively favourable position for Toronto relative to many markets reflects in part the more favourable property tax rate structure in the City of Toronto for residential properties.

## The Economics of New Private Rental Housing Development (Per Unit) Toronto

	Scenario 1: Market rent w ith land costs			Scenario 2: Market rent w ithout land costs			Scenario 3: Economic rent w ith land costs			Scenario 4: Economic rent w ithout land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Initial Rent	\$1,575	\$1,675	\$2,025	\$1,575	\$1,675	\$2,025	\$1,750	\$2,325	\$2,800	\$1,550	\$2,025	\$2,400
Average Development Costs Per Unit	\$210,975	\$300,650	\$370,150	\$176,975	\$250,650	\$303,150	\$210,975	\$300,650	\$370,150	\$176,975	\$250,650	\$303,150
Net Annual Operating Income	\$12,100	\$12,800	\$16,275	\$12,100	\$12,800	\$16,275	\$14,050	\$20,025	\$24,900	\$11,825	\$16,700	\$20,450
<b>Financing Assumptions:</b>												
Initial Cash Investment	\$31,650	\$45,100	\$55,525	\$26,550	\$37,600	\$45,475	\$31,650	\$45,100	\$55,525	\$26,550	\$37,600	\$45,475
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	3.3%	-6.5%	-5.4%	10.6%	-0.8%	1.0%	9.6%	9.8%	10.3%	9.6%	9.7%	10.3%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	21.6%	11.8%	12.8%	28.9%	17.4%	19.2%	27.8%	28.0%	28.6%	27.8%	27.9%	28.6%
Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Market Rent; Market Land Value**  
**Toronto**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$34,000	Initial cash investment	\$31,646
Loan-to-lending value ratio	85%	Construction	\$163,000	Mortgage	\$179,330
Mortgage insur. premium	4.75%	Subtotal	\$197,000	Total costs	\$210,977
Annual cost inflation	2.0%			% Equity	15.0%
Annual revenue growth	2.5%	HST (net)*	\$13,977	Mortgage insur. premium	\$8,518
Initial monthly rent per unit	\$1,575	<b>Total Costs</b>	<b>\$210,977</b>	<b>Total Financing Required</b>	<b>\$187,848</b>
per sq. ft	\$2.25				
Stabilized Vacancy rate	2.0%				
Average unit size (net sq. ft.)	700				
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$242,623</b>	<i>[to generate a 15% development profit]</i>	
		<b>cap rate</b>	<b>5.0%</b>	<i>[implied if achieved 15% development profit]</i>	

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,900	\$6,237	\$12,980	\$19,857	\$20,353	\$20,862	\$21,384	\$21,918	\$22,466	\$23,028	\$23,604
Other income	\$485	\$160	\$333	\$509	\$522	\$535	\$548	\$562	\$576	\$590	\$605
Vacancy allowance	-\$388	-\$128	-\$266	-\$407	-\$418	-\$428	-\$439	-\$450	-\$461	-\$472	-\$484
<b>Gross income</b>	<b>\$18,997</b>	<b>\$6,269</b>	<b>\$13,046</b>	<b>\$19,959</b>	<b>\$20,458</b>	<b>\$20,969</b>	<b>\$21,493</b>	<b>\$22,031</b>	<b>\$22,581</b>	<b>\$23,146</b>	<b>\$23,725</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,460	\$4,095	\$4,873	\$5,681	\$5,794	\$5,910	\$6,028	\$6,149	\$6,272	\$6,397	\$6,525
Property taxes	\$1,442	\$1,442	\$1,471	\$1,500	\$1,530	\$1,561	\$1,592	\$1,624	\$1,656	\$1,689	\$1,723
<b>Total operating costs</b>	<b>\$6,902</b>	<b>\$5,537</b>	<b>\$6,344</b>	<b>\$7,181</b>	<b>\$7,324</b>	<b>\$7,471</b>	<b>\$7,620</b>	<b>\$7,773</b>	<b>\$7,928</b>	<b>\$8,087</b>	<b>\$8,248</b>
<b>Net Operating Income</b>	<b>\$12,095</b>	<b>\$732</b>	<b>\$6,702</b>	<b>\$12,778</b>	<b>\$13,133</b>	<b>\$13,498</b>	<b>\$13,873</b>	<b>\$14,258</b>	<b>\$14,653</b>	<b>\$15,059</b>	<b>\$15,476</b>
<i>Calculated cap rate</i>	<i>5.7%</i>										
<b>Mortgage Payments:</b>											
Principal	\$4,968	\$4,968	\$5,131	\$5,299	\$5,472	\$5,652	\$5,837	\$6,028	\$6,226	\$6,430	\$6,640
Interest	\$5,991	\$5,991	\$5,828	\$5,660	\$5,487	\$5,307	\$5,122	\$4,931	\$4,733	\$4,529	\$4,319
<b>Total</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>
<b>Cash Flow</b>	<b>\$1,136</b>	<b>-\$10,227</b>	<b>-\$4,257</b>	<b>\$1,819</b>	<b>\$2,174</b>	<b>\$2,539</b>	<b>\$2,914</b>	<b>\$3,299</b>	<b>\$3,694</b>	<b>\$4,100</b>	<b>\$4,517</b>
<b>Cash-on-Cash Return</b>	<b>3.6%</b>	<b>-32.3%</b>	<b>-13.5%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>8.0%</b>	<b>9.2%</b>	<b>10.4%</b>	<b>11.7%</b>	<b>13.0%</b>	<b>14.3%</b>
<i>Average Annual</i>	<i>3.6%</i>	<i>-32.3%</i>	<i>-22.9%</i>	<i>-13.3%</i>	<i>-8.3%</i>	<i>-5.0%</i>	<i>-2.7%</i>	<i>-0.8%</i>	<i>0.8%</i>	<i>2.1%</i>	<i>3.3%</i>
<b>Principal Payments</b>	<b>\$4,968</b>	<b>\$4,968</b>	<b>\$5,131</b>	<b>\$5,299</b>	<b>\$5,472</b>	<b>\$5,652</b>	<b>\$5,837</b>	<b>\$6,028</b>	<b>\$6,226</b>	<b>\$6,430</b>	<b>\$6,640</b>
<i>Cumulative</i>	<i>\$4,968</i>	<i>\$4,968</i>	<i>\$10,099</i>	<i>\$15,398</i>	<i>\$20,870</i>	<i>\$26,522</i>	<i>\$32,359</i>	<i>\$38,387</i>	<i>\$44,613</i>	<i>\$51,042</i>	<i>\$57,683</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$6,104</b>	<b>-\$5,259</b>	<b>\$874</b>	<b>\$7,118</b>	<b>\$7,647</b>	<b>\$8,191</b>	<b>\$8,751</b>	<b>\$9,327</b>	<b>\$9,920</b>	<b>\$10,530</b>	<b>\$11,157</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>19.3%</b>	<b>-16.6%</b>	<b>2.8%</b>	<b>22.5%</b>	<b>24.2%</b>	<b>25.9%</b>	<b>27.7%</b>	<b>29.5%</b>	<b>31.3%</b>	<b>33.3%</b>	<b>35.3%</b>
<i>Average Annual</i>	<i>19.3%</i>	<i>-16.6%</i>	<i>-6.9%</i>	<i>2.9%</i>	<i>8.2%</i>	<i>11.7%</i>	<i>14.4%</i>	<i>16.5%</i>	<i>18.4%</i>	<i>20.0%</i>	<i>21.6%</i>

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group



**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Toronto**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$50,000	Initial cash investment		\$45,097						
Loan-to-lending value ratio	85%	Construction	\$235,000	Mortgage		\$255,551						
Mortgage insur. premium	4.75%	Subtotal	\$285,000	Total costs		\$300,649						
Annual cost inflation	2.0%		1.8%	% Equity		15.0%						
Annual revenue growth	2.5%	HST (net)*	\$15,649	Mortgage insur. premium		\$12,139						
Initial monthly rent per unit per sq. ft	\$1,675 \$2.39	<b>Total Costs</b>	<b>\$300,649</b>	<b>Total Financing Required</b>		<b>\$267,690</b>						
Stabilized Vacancy rate	2.0%	<b>Development profit assumption: 15%</b>										
Average unit size (net sq. ft.)	700	<b>minimum sales price \$345,746 [to generate a 15% development profit]</b>										
		<b>cap rate 3.7% [implied if achieved 15% development profit]</b>										
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$20,100	\$6,633	\$13,804	\$21,118	\$21,646	\$22,187	\$22,741	\$23,310	\$23,893	\$24,490	\$25,102	
Other income	\$515	\$170	\$354	\$541	\$555	\$569	\$583	\$598	\$613	\$628	\$644	
Vacancy allowance	-\$412	-\$136	-\$283	-\$433	-\$444	-\$455	-\$466	-\$478	-\$490	-\$502	-\$515	
<b>Gross income</b>	<b>\$20,203</b>	<b>\$6,667</b>	<b>\$13,874</b>	<b>\$21,226</b>	<b>\$21,757</b>	<b>\$22,300</b>	<b>\$22,858</b>	<b>\$23,429</b>	<b>\$24,015</b>	<b>\$24,615</b>	<b>\$25,231</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$5,880	\$4,410	\$5,248	\$6,118	\$6,240	\$6,365	\$6,492	\$6,622	\$6,754	\$6,889	\$7,027	
Property taxes	\$1,533	\$1,533	\$1,564	\$1,595	\$1,627	\$1,660	\$1,693	\$1,727	\$1,761	\$1,797	\$1,833	
<b>Total operating costs</b>	<b>\$7,413</b>	<b>\$5,943</b>	<b>\$6,812</b>	<b>\$7,713</b>	<b>\$7,867</b>	<b>\$8,025</b>	<b>\$8,185</b>	<b>\$8,349</b>	<b>\$8,516</b>	<b>\$8,686</b>	<b>\$8,860</b>	
<b>Net Operating Income</b>	<b>\$12,790</b>	<b>\$724</b>	<b>\$7,062</b>	<b>\$13,513</b>	<b>\$13,889</b>	<b>\$14,276</b>	<b>\$14,673</b>	<b>\$15,081</b>	<b>\$15,499</b>	<b>\$15,929</b>	<b>\$16,371</b>	
Calculated cap rate	4.3%											
<b>Mortgage Payments:</b>												
Principal	\$7,080	\$7,080	\$7,312	\$7,551	\$7,798	\$8,054	\$8,318	\$8,590	\$8,872	\$9,163	\$9,463	
Interest	\$8,537	\$8,537	\$8,306	\$8,066	\$7,819	\$7,563	\$7,299	\$7,027	\$6,745	\$6,454	\$6,154	
<b>Total</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	
<b>Cash Flow</b>	<b>-\$2,827</b>	<b>-\$14,893</b>	<b>-\$8,555</b>	<b>-\$2,104</b>	<b>-\$1,728</b>	<b>-\$1,341</b>	<b>-\$944</b>	<b>-\$536</b>	<b>-\$118</b>	<b>\$312</b>	<b>\$754</b>	
<b>Cash-on-Cash Return</b>	<b>-6.3%</b>	<b>-33.0%</b>	<b>-19.0%</b>	<b>-4.7%</b>	<b>-3.8%</b>	<b>-3.0%</b>	<b>-2.1%</b>	<b>-1.2%</b>	<b>-0.3%</b>	<b>0.7%</b>	<b>1.7%</b>	
Average Annual	-6.3%	-33.0%	-26.0%	-18.9%	-15.1%	-12.7%	-10.9%	-9.5%	-8.4%	-7.4%	-6.5%	
<b>Principal Payments</b>	<b>\$7,080</b>	<b>\$7,080</b>	<b>\$7,312</b>	<b>\$7,551</b>	<b>\$7,798</b>	<b>\$8,054</b>	<b>\$8,318</b>	<b>\$8,590</b>	<b>\$8,872</b>	<b>\$9,163</b>	<b>\$9,463</b>	
Cumulative	\$7,080	\$7,080	\$14,391	\$21,942	\$29,741	\$37,795	\$46,112	\$54,703	\$63,575	\$72,737	\$82,200	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,252</b>	<b>-\$7,814</b>	<b>-\$1,243</b>	<b>\$5,447</b>	<b>\$6,071</b>	<b>\$6,713</b>	<b>\$7,374</b>	<b>\$8,054</b>	<b>\$8,754</b>	<b>\$9,475</b>	<b>\$10,217</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>9.4%</b>	<b>-17.3%</b>	<b>-2.8%</b>	<b>12.1%</b>	<b>13.5%</b>	<b>14.9%</b>	<b>16.4%</b>	<b>17.9%</b>	<b>19.4%</b>	<b>21.0%</b>	<b>22.7%</b>	
Average Annual	9.4%	-17.3%	-10.0%	-2.7%	1.4%	4.1%	6.1%	7.8%	9.2%	10.6%	11.8%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.												
Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Toronto**

**Project type: High-End**  
**Downtown, Not Prime**  
**Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$67,000	Initial cash investment		\$55,523						
Loan-to-lending value ratio	85%	Construction	\$277,000	Mortgage		\$314,633						
Mortgage insur. premium	4.75%	Subtotal	\$344,000	Total costs		\$370,157						
Annual cost inflation	2.0%			% Equity		15.0%						
Annual revenue growth	2.5%	HST (net)*	\$26,157	Mortgage insur. premium		\$14,945						
Initial monthly rent per unit	\$2,025	<b>Total Costs</b>	<b>\$370,157</b>	<b>Total Financing Required</b>		<b>\$329,578</b>						
per sq. ft	\$2.89											
Stabilized Vacancy rate	2.0%											
Average unit size (net sq. ft.)	700											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$425,680 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>3.8% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$24,300	\$8,019	\$16,688	\$25,530	\$26,168	\$26,823	\$27,493	\$28,181	\$28,885	\$29,607	\$30,347	
Other income	\$623	\$206	\$428	\$655	\$671	\$688	\$705	\$723	\$741	\$759	\$778	
Vacancy allowance	-\$498	-\$164	-\$342	-\$524	-\$537	-\$550	-\$564	-\$578	-\$593	-\$607	-\$623	
<b>Gross income</b>	<b>\$24,425</b>	<b>\$8,060</b>	<b>\$16,774</b>	<b>\$25,661</b>	<b>\$26,303</b>	<b>\$26,960</b>	<b>\$27,634</b>	<b>\$28,325</b>	<b>\$29,033</b>	<b>\$29,759</b>	<b>\$30,503</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$6,300	\$4,725	\$5,623	\$6,555	\$6,686	\$6,819	\$6,956	\$7,095	\$7,237	\$7,381	\$7,529	
Property taxes	\$1,854	\$1,854	\$1,891	\$1,929	\$1,967	\$2,007	\$2,047	\$2,088	\$2,129	\$2,172	\$2,215	
<b>Total operating costs</b>	<b>\$8,154</b>	<b>\$6,579</b>	<b>\$7,514</b>	<b>\$8,483</b>	<b>\$8,653</b>	<b>\$8,826</b>	<b>\$9,002</b>	<b>\$9,183</b>	<b>\$9,366</b>	<b>\$9,554</b>	<b>\$9,745</b>	
<b>Net Operating Income</b>	<b>\$16,271</b>	<b>\$1,481</b>	<b>\$9,260</b>	<b>\$17,178</b>	<b>\$17,650</b>	<b>\$18,134</b>	<b>\$18,632</b>	<b>\$19,143</b>	<b>\$19,667</b>	<b>\$20,206</b>	<b>\$20,758</b>	
Calculated cap rate	4.4%											
<b>Mortgage Payments:</b>												
Principal	\$8,716	\$8,716	\$9,002	\$9,297	\$9,601	\$9,916	\$10,241	\$10,576	\$10,923	\$11,281	\$11,650	
Interest	\$10,511	\$10,511	\$10,226	\$9,931	\$9,626	\$9,312	\$8,987	\$8,651	\$8,305	\$7,947	\$7,577	
<b>Total</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	
<b>Cash Flow</b>	<b>-\$2,957</b>	<b>-\$17,746</b>	<b>-\$9,968</b>	<b>-\$2,050</b>	<b>-\$1,578</b>	<b>-\$1,093</b>	<b>-\$596</b>	<b>-\$85</b>	<b>\$439</b>	<b>\$978</b>	<b>\$1,531</b>	
<b>Cash-on-Cash Return</b>	<b>-5.3%</b>	<b>-32.0%</b>	<b>-18.0%</b>	<b>-3.7%</b>	<b>-2.8%</b>	<b>-2.0%</b>	<b>-1.1%</b>	<b>-0.2%</b>	<b>0.8%</b>	<b>1.8%</b>	<b>2.8%</b>	
Average Annual	-5.3%	-32.0%	-25.0%	-17.9%	-14.1%	-11.7%	-9.9%	-8.5%	-7.4%	-6.3%	-5.4%	
<b>Principal Payments</b>	<b>\$8,716</b>	<b>\$8,716</b>	<b>\$9,002</b>	<b>\$9,297</b>	<b>\$9,601</b>	<b>\$9,916</b>	<b>\$10,241</b>	<b>\$10,576</b>	<b>\$10,923</b>	<b>\$11,281</b>	<b>\$11,650</b>	
Cumulative	\$8,716	\$8,716	\$17,718	\$27,015	\$36,616	\$46,532	\$56,773	\$67,350	\$78,273	\$89,554	\$101,204	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,760</b>	<b>-\$9,030</b>	<b>-\$966</b>	<b>\$7,247</b>	<b>\$8,024</b>	<b>\$8,823</b>	<b>\$9,645</b>	<b>\$10,491</b>	<b>\$11,362</b>	<b>\$12,259</b>	<b>\$13,181</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>10.4%</b>	<b>-16.3%</b>	<b>-1.7%</b>	<b>13.1%</b>	<b>14.5%</b>	<b>15.9%</b>	<b>17.4%</b>	<b>18.9%</b>	<b>20.5%</b>	<b>22.1%</b>	<b>23.7%</b>	
Average Annual	10.4%	-16.3%	-9.0%	-1.7%	2.4%	5.1%	7.1%	8.8%	10.3%	11.6%	12.8%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

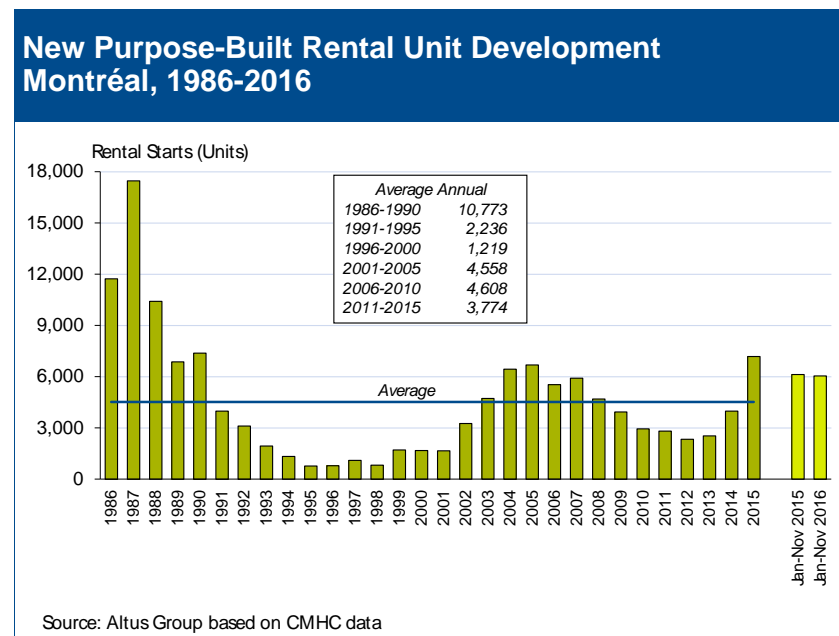
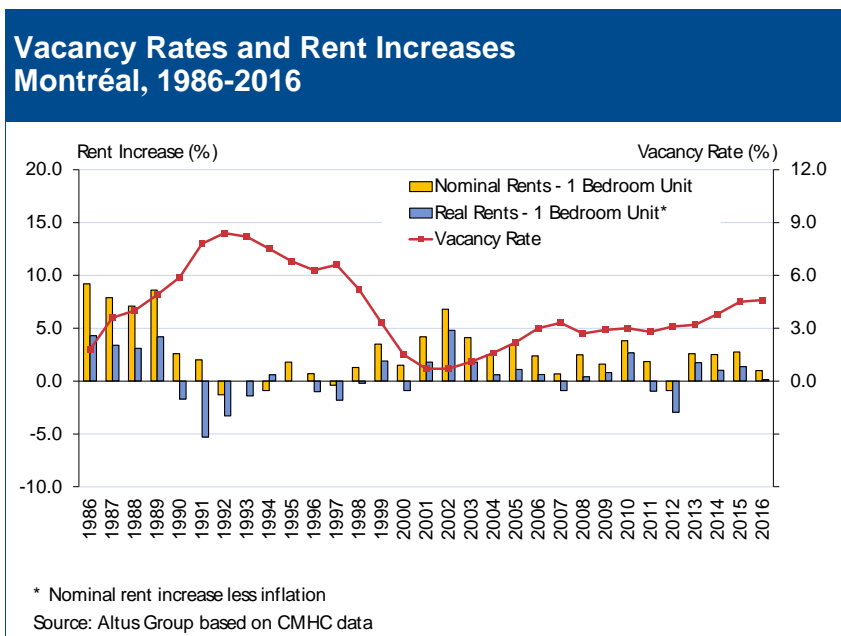
# 8 Montreal

## 8.1 Rental Market Conditions

The rental apartment vacancy rate in Montreal has been increasing since 2011, and stood at 4.6% in October 2016, above the long term average rate of 4.0.

After exhibiting real rent declines in the 2011-2012 period, rents have posted moderate increases in recent years.

New purpose-built rental starts averaged about 3,800 units per year in the 2011-2015 period, down somewhat from the decade of the 2000s. In the past two years, however, starts have been running higher again.



## 8.2 Proforma Analysis

The vacancy rate assumption used for Montreal for all scenarios is 3.5%. Based on this rate, and a consideration of the past relationship in Montreal between vacancy levels and real rent increases, a 0% real rent increase per year assumption is used (for a nominal increase of 2.0% per year).

This market is subject to HST/QST, and the rebates available.

The development costs per rental unit including land costs range from about \$174,000 per unit for the basic project to about \$287,000 for the high-end project.

Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are negative for all project types. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly one-fifth (basic project) to one-third (medium and high-end project) higher than they currently are.

Given the cost of land in Montreal, taking land out of the analysis does not significantly improve the financial performance.

## The Economics of New Private Rental Housing Development (Per Unit) Montreal

	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Initial Rent	\$1,250	\$1,450	\$1,625	\$1,250	\$1,450	\$1,625	\$1,525	\$1,975	\$2,225	\$1,450	\$1,875	\$2,100
Average Development Costs Per Unit	\$173,900	\$243,725	\$287,225	\$163,900	\$228,725	\$268,225	\$173,900	\$243,725	\$287,225	\$163,900	\$228,725	\$268,225
Net Annual Operating Income	\$9,350	\$11,425	\$13,400	\$9,350	\$11,425	\$13,400	\$12,250	\$17,150	\$20,100	\$11,450	\$16,050	\$18,700
<b>Financing Assumptions:</b>												
Initial Cash Investment	\$26,075	\$36,550	\$43,075	\$24,575	\$34,300	\$40,225	\$26,075	\$36,550	\$43,075	\$24,575	\$34,300	\$40,225
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	-0.7%	-4.9%	-5.1%	1.3%	-3.0%	-3.0%	10.2%	10.3%	10.2%	9.7%	10.2%	10.0%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	17.5%	13.3%	13.2%	19.5%	15.2%	15.3%	28.4%	28.6%	28.4%	28.0%	28.4%	28.2%

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Market Rent; Market Land Value**  
**Montreal**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$10,000	Initial cash investment	\$26,085							
Loan-to-lending value ratio	85%	Construction	\$146,000	Mortgage	\$147,814							
Mortgage insur. premium	4.75%	Subtotal	\$156,000	Total costs	\$173,898	% Equity 15.0%						
Annual cost inflation	2.0%											
Annual revenue growth	2.0%											
Initial monthly rent per unit	\$1,250	GST/QST (net)*	\$17,898	Mortgage insur. premium	\$7,021							
per sq. ft	\$1.74											
Stabilized Vacancy rate	3.5%	<b>Total Costs</b>	<b>\$173,898</b>	<b>Total Financing Required</b>	<b>\$154,835</b>							
Average unit size (net sq. ft.)	720											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price \$199,983 [to generate a 15% development profit]</b>										
		<b>cap rate 4.7% [implied if achieved 15% development profit]</b>										
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$15,000	\$4,950	\$10,251	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926	
Other income	\$789	\$261	\$540	\$821	\$838	\$855	\$872	\$889	\$907	\$925	\$943	
Vacancy allowance	-\$553	-\$182	-\$378	-\$575	-\$586	-\$598	-\$610	-\$622	-\$635	-\$647	-\$660	
<b>Gross income</b>	<b>\$15,237</b>	<b>\$5,028</b>	<b>\$10,413</b>	<b>\$15,852</b>	<b>\$16,169</b>	<b>\$16,493</b>	<b>\$16,823</b>	<b>\$17,159</b>	<b>\$17,502</b>	<b>\$17,852</b>	<b>\$18,209</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$3,888	\$2,916	\$3,470	\$4,045	\$4,126	\$4,208	\$4,293	\$4,379	\$4,466	\$4,555	\$4,647	
Property taxes	\$2,011	\$2,011	\$2,051	\$2,093	\$2,134	\$2,177	\$2,221	\$2,265	\$2,310	\$2,357	\$2,404	
<b>Total operating costs</b>	<b>\$5,899</b>	<b>\$4,927</b>	<b>\$5,522</b>	<b>\$6,138</b>	<b>\$6,260</b>	<b>\$6,386</b>	<b>\$6,513</b>	<b>\$6,644</b>	<b>\$6,776</b>	<b>\$6,912</b>	<b>\$7,050</b>	
<b>Net Operating Income</b>	<b>\$9,338</b>	<b>\$101</b>	<b>\$4,891</b>	<b>\$9,715</b>	<b>\$9,909</b>	<b>\$10,107</b>	<b>\$10,309</b>	<b>\$10,516</b>	<b>\$10,726</b>	<b>\$10,940</b>	<b>\$11,159</b>	
Calculated cap rate	5.4%											
<b>Mortgage Payments:</b>												
Principal	\$4,095	\$4,095	\$4,229	\$4,368	\$4,511	\$4,659	\$4,811	\$4,969	\$5,132	\$5,300	\$5,473	
Interest	\$4,938	\$4,938	\$4,804	\$4,665	\$4,522	\$4,375	\$4,222	\$4,064	\$3,901	\$3,733	\$3,560	
<b>Total</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	
<b>Cash Flow</b>	<b>\$305</b>	<b>-\$8,932</b>	<b>-\$4,142</b>	<b>\$682</b>	<b>\$876</b>	<b>\$1,074</b>	<b>\$1,276</b>	<b>\$1,483</b>	<b>\$1,693</b>	<b>\$1,907</b>	<b>\$2,126</b>	
<b>Cash-on-Cash Return</b>	<b>1.2%</b>	<b>-34.2%</b>	<b>-15.9%</b>	<b>2.6%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>4.9%</b>	<b>5.7%</b>	<b>6.5%</b>	<b>7.3%</b>	<b>8.2%</b>	
Average Annual	1.2%	-34.2%	-25.1%	-15.8%	-11.0%	-8.0%	-5.9%	-4.2%	-2.9%	-1.7%	-0.7%	
<b>Principal Payments</b>	<b>\$4,095</b>	<b>\$4,095</b>	<b>\$4,229</b>	<b>\$4,368</b>	<b>\$4,511</b>	<b>\$4,659</b>	<b>\$4,811</b>	<b>\$4,969</b>	<b>\$5,132</b>	<b>\$5,300</b>	<b>\$5,473</b>	
Cumulative	\$4,095	\$4,095	\$8,324	\$12,692	\$17,202	\$21,861	\$26,672	\$31,641	\$36,772	\$42,072	\$47,545	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,399</b>	<b>-\$4,837</b>	<b>\$87</b>	<b>\$5,049</b>	<b>\$5,387</b>	<b>\$5,733</b>	<b>\$6,088</b>	<b>\$6,451</b>	<b>\$6,824</b>	<b>\$7,207</b>	<b>\$7,600</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>16.9%</b>	<b>-18.5%</b>	<b>0.3%</b>	<b>19.4%</b>	<b>20.7%</b>	<b>22.0%</b>	<b>23.3%</b>	<b>24.7%</b>	<b>26.2%</b>	<b>27.6%</b>	<b>29.1%</b>	
Average Annual	16.9%	-18.5%	-9.1%	0.4%	5.4%	8.8%	11.2%	13.1%	14.8%	16.2%	17.5%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Montreal**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$15,000	Initial cash investment	\$36,558
Loan-to-lending value ratio	85%	Construction	\$197,000	Mortgage	\$207,163
Mortgage insur. premium	4.75%	Subtotal	\$212,000	Total costs	\$243,721
Annual cost inflation	2.0%		2.4%	% Equity	15.0%
Annual revenue growth	2.0%	GST/QST (net)*	\$31,721	Mortgage insur. premium	\$9,840
Initial monthly rent per unit	\$1,450	<b>Total Costs</b>	<b>\$243,721</b>	<b>Total Financing Required</b>	<b>\$217,003</b>
per sq. ft	\$2.01				
Stabilized Vacancy rate	3.5%	<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$280,279 [to generate a 15% development profit]</b>
Average unit size (net sq. ft.)	720	<b>cap rate</b>	<b>4.1% [implied if achieved 15% development profit]</b>		

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$17,400	\$5,742	\$11,891	\$18,103	\$18,465	\$18,834	\$19,211	\$19,595	\$19,987	\$20,387	\$20,795
Other income	\$1,411	\$466	\$964	\$1,468	\$1,497	\$1,527	\$1,558	\$1,589	\$1,621	\$1,653	\$1,686
Vacancy allowance	-\$658	-\$217	-\$450	-\$685	-\$699	-\$713	-\$727	-\$741	-\$756	-\$771	-\$787
<b>Gross income</b>	<b>\$18,152</b>	<b>\$5,990</b>	<b>\$12,405</b>	<b>\$18,886</b>	<b>\$19,264</b>	<b>\$19,649</b>	<b>\$20,042</b>	<b>\$20,443</b>	<b>\$20,851</b>	<b>\$21,268</b>	<b>\$21,694</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,320	\$3,240	\$3,856	\$4,495	\$4,584	\$4,676	\$4,770	\$4,865	\$4,962	\$5,062	\$5,163
Property taxes	\$2,396	\$2,396	\$2,444	\$2,493	\$2,543	\$2,594	\$2,646	\$2,698	\$2,752	\$2,807	\$2,864
<b>Total operating costs</b>	<b>\$6,716</b>	<b>\$5,636</b>	<b>\$6,300</b>	<b>\$6,987</b>	<b>\$7,127</b>	<b>\$7,270</b>	<b>\$7,415</b>	<b>\$7,563</b>	<b>\$7,715</b>	<b>\$7,869</b>	<b>\$8,026</b>
<b>Net Operating Income</b>	<b>\$11,436</b>	<b>\$354</b>	<b>\$6,106</b>	<b>\$11,898</b>	<b>\$12,136</b>	<b>\$12,379</b>	<b>\$12,627</b>	<b>\$12,879</b>	<b>\$13,137</b>	<b>\$13,399</b>	<b>\$13,667</b>
Calculated cap rate	4.7%										
<b>Mortgage Payments:</b>											
Principal	\$5,739	\$5,739	\$5,927	\$6,121	\$6,322	\$6,529	\$6,743	\$6,964	\$7,192	\$7,428	\$7,671
Interest	\$6,921	\$6,921	\$6,733	\$6,539	\$6,338	\$6,131	\$5,917	\$5,696	\$5,468	\$5,232	\$4,989
<b>Total</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>
<b>Cash Flow</b>	<b>-\$1,224</b>	<b>-\$12,306</b>	<b>-\$6,554</b>	<b>-\$762</b>	<b>-\$524</b>	<b>-\$281</b>	<b>-\$33</b>	<b>\$219</b>	<b>\$477</b>	<b>\$740</b>	<b>\$1,008</b>
<b>Cash-on-Cash Return</b>	<b>-3.3%</b>	<b>-33.7%</b>	<b>-17.9%</b>	<b>-2.1%</b>	<b>-1.4%</b>	<b>-0.8%</b>	<b>-0.1%</b>	<b>0.6%</b>	<b>1.3%</b>	<b>2.0%</b>	<b>2.8%</b>
Average Annual	-3.3%	-33.7%	-25.8%	-17.9%	-13.8%	-11.2%	-9.3%	-7.9%	-6.8%	-5.8%	-4.9%
<b>Principal Payments</b>	<b>\$5,739</b>	<b>\$5,739</b>	<b>\$5,927</b>	<b>\$6,121</b>	<b>\$6,322</b>	<b>\$6,529</b>	<b>\$6,743</b>	<b>\$6,964</b>	<b>\$7,192</b>	<b>\$7,428</b>	<b>\$7,671</b>
Cumulative	\$5,739	\$5,739	\$11,666	\$17,787	\$24,109	\$30,638	\$37,381	\$44,345	\$51,537	\$58,964	\$66,635
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,515</b>	<b>-\$6,567</b>	<b>-\$627</b>	<b>\$5,360</b>	<b>\$5,798</b>	<b>\$6,248</b>	<b>\$6,710</b>	<b>\$7,183</b>	<b>\$7,669</b>	<b>\$8,167</b>	<b>\$8,678</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>12.4%</b>	<b>-18.0%</b>	<b>-1.7%</b>	<b>14.7%</b>	<b>15.9%</b>	<b>17.1%</b>	<b>18.4%</b>	<b>19.6%</b>	<b>21.0%</b>	<b>22.3%</b>	<b>23.7%</b>
Average Annual	12.4%	-18.0%	-9.8%	-1.7%	2.7%	5.6%	7.7%	9.4%	10.9%	12.1%	13.3%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Montreal**

*Project type: High-End  
Downtown, Not Prime  
Market Rent; Market Land Value*

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25	Land	\$19,000	Initial cash investment	\$43,083
Loan-to-lending value ratio	85%	Construction	\$229,000	Mortgage	\$244,139
Mortgage insur. premium	4.75%	Subtotal	\$248,000	Total costs	\$287,222
Annual cost inflation	2.0%			% Equity	15.0%
Annual revenue growth	2.0%				
Initial monthly rent per unit	\$1,625	GST/QST (net)*	\$39,222	Mortgage insur. premium	\$11,597
per sq. ft	\$2.26				
Stabilized Vacancy rate	3.5%	<b>Total Costs</b>	<b>\$287,222</b>	<b>Total Financing Required</b>	<b>\$255,735</b>
Average unit size (net sq. ft.)	720				
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$330,305 [to generate a 15% development profit]</b>		
		<b>cap rate</b>	<b>4.1% [implied if achieved 15% development profit]</b>		

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$19,500	\$6,435	\$13,326	\$20,288	\$20,694	\$21,107	\$21,530	\$21,960	\$22,399	\$22,847	\$23,304
Other income	\$2,167	\$715	\$1,481	\$2,254	\$2,299	\$2,345	\$2,392	\$2,440	\$2,489	\$2,539	\$2,589
Vacancy allowance	-\$758	-\$250	-\$518	-\$789	-\$805	-\$821	-\$837	-\$854	-\$871	-\$889	-\$906
<b>Gross income</b>	<b>\$20,908</b>	<b>\$6,900</b>	<b>\$14,289</b>	<b>\$21,753</b>	<b>\$22,188</b>	<b>\$22,632</b>	<b>\$23,084</b>	<b>\$23,546</b>	<b>\$24,017</b>	<b>\$24,497</b>	<b>\$24,987</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,752	\$3,564	\$4,241	\$4,944	\$5,043	\$5,144	\$5,247	\$5,352	\$5,459	\$5,568	\$5,679
Property taxes	\$2,760	\$2,760	\$2,815	\$2,871	\$2,929	\$2,987	\$3,047	\$3,108	\$3,170	\$3,234	\$3,298
<b>Total operating costs</b>	<b>\$7,512</b>	<b>\$6,324</b>	<b>\$7,056</b>	<b>\$7,815</b>	<b>\$7,972</b>	<b>\$8,131</b>	<b>\$8,294</b>	<b>\$8,460</b>	<b>\$8,629</b>	<b>\$8,801</b>	<b>\$8,977</b>
<b>Net Operating Income</b>	<b>\$13,396</b>	<b>\$576</b>	<b>\$7,232</b>	<b>\$13,938</b>	<b>\$14,216</b>	<b>\$14,501</b>	<b>\$14,791</b>	<b>\$15,087</b>	<b>\$15,388</b>	<b>\$15,696</b>	<b>\$16,010</b>
Calculated cap rate	4.7%										
<b>Mortgage Payments:</b>											
Principal	\$6,763	\$6,763	\$6,985	\$7,214	\$7,450	\$7,694	\$7,946	\$8,207	\$8,476	\$8,753	\$9,040
Interest	\$8,156	\$8,156	\$7,935	\$7,706	\$7,469	\$7,225	\$6,973	\$6,713	\$6,444	\$6,166	\$5,879
<b>Total</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>
<b>Cash Flow</b>	<b>-\$1,523</b>	<b>-\$14,344</b>	<b>-\$7,687</b>	<b>-\$982</b>	<b>-\$703</b>	<b>-\$419</b>	<b>-\$129</b>	<b>\$167</b>	<b>\$469</b>	<b>\$776</b>	<b>\$1,090</b>
<b>Cash-on-Cash Return</b>	<b>-3.5%</b>	<b>-33.3%</b>	<b>-17.8%</b>	<b>-2.3%</b>	<b>-1.6%</b>	<b>-1.0%</b>	<b>-0.3%</b>	<b>0.4%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>2.5%</b>
Average Annual	-3.5%	-33.3%	-25.6%	-17.8%	-13.8%	-11.2%	-9.4%	-8.0%	-6.9%	-5.9%	-5.1%
<b>Principal Payments</b>	<b>\$6,763</b>	<b>\$6,763</b>	<b>\$6,985</b>	<b>\$7,214</b>	<b>\$7,450</b>	<b>\$7,694</b>	<b>\$7,946</b>	<b>\$8,207</b>	<b>\$8,476</b>	<b>\$8,753</b>	<b>\$9,040</b>
Cumulative	\$6,763	\$6,763	\$13,748	\$20,962	\$28,412	\$36,107	\$44,053	\$52,260	\$60,735	\$69,489	\$78,529
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,240</b>	<b>-\$7,580</b>	<b>-\$702</b>	<b>\$6,232</b>	<b>\$6,747</b>	<b>\$7,275</b>	<b>\$7,818</b>	<b>\$8,374</b>	<b>\$8,944</b>	<b>\$9,530</b>	<b>\$10,131</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>12.2%</b>	<b>-17.6%</b>	<b>-1.6%</b>	<b>14.5%</b>	<b>15.7%</b>	<b>16.9%</b>	<b>18.1%</b>	<b>19.4%</b>	<b>20.8%</b>	<b>22.1%</b>	<b>23.5%</b>
Average Annual	12.2%	-17.6%	-9.6%	-1.6%	2.7%	5.6%	7.7%	9.3%	10.8%	12.0%	13.2%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group



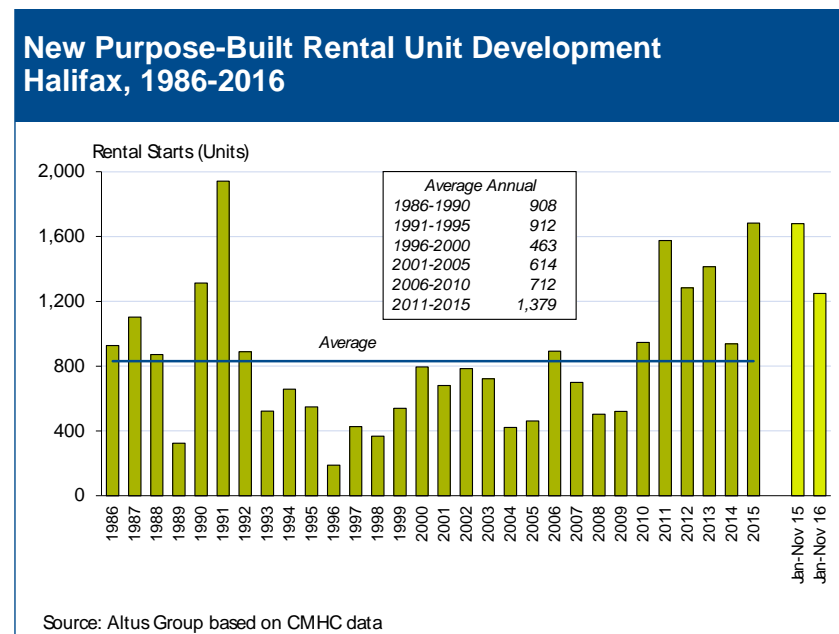
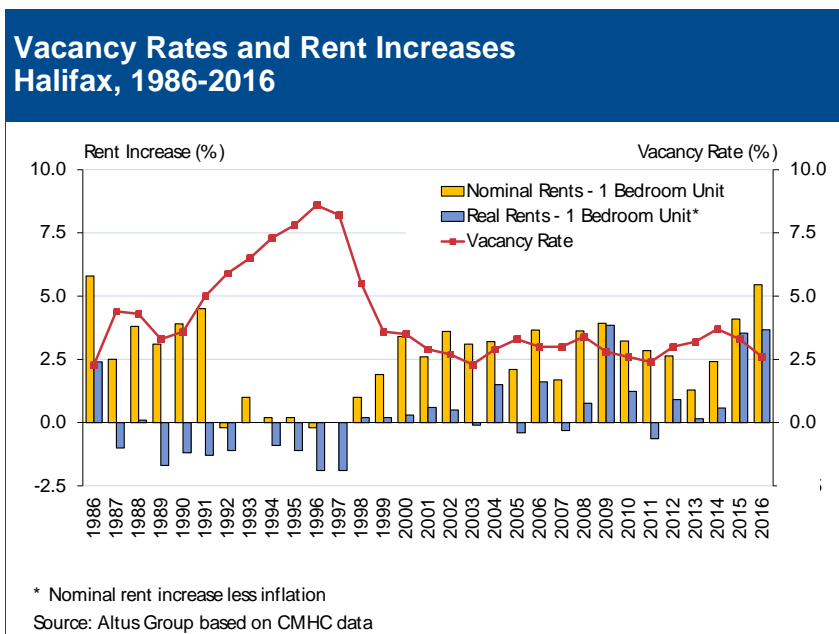
# 9 Halifax

## 9.1 Rental Market Conditions

The rental apartment vacancy rate in Halifax has declined in the past 2 years, and stood at 2.6% in October 2016, below the long term average rate of 4.1 (which includes some very high rates in the mid 1990s).

Real rent increases picked up in the last 2 years after several years of very modest increases.

New purpose-built rental starts averaged almost 1,400 units per year in the 2011-2015 period, up from the decade of the 2000s. Starts in 2016 remained elevated although somewhat below the 2015 level.



## 9.2 Proforma Analysis

The vacancy rate assumption used for Halifax for all scenarios is 3.0%. Based on this rate, and a consideration of the past relationship in Halifax between vacancy levels and real rent increases, a 0% real rent increase per year assumption is used (for a nominal increase of 2.0% per year).

This market is subject to HST, and the rebates available.

The development costs per rental unit including land costs range from about \$190,000 per unit for the basic project to about \$329,000 for the high-end project.

Under Scenario 1 (which is based on market rents, and includes land costs), the 10-year cash-on-cash returns are negative for all project types. To achieve a 10-year cash-on-cash average return of 10%, rents would need to be roughly 40% (basic project) to 70% (medium and high-end project) higher than they currently are.

Even taking land out of the analysis still results in negative cash-on-cash returns.

## The Economics of New Private Rental Housing Development (Per Unit) Halifax

	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project	Basic Project	Medium Project	High-End Project
<b>Key Input Assumptions:</b>												
Vacancy Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Initial Rent	\$1,125	\$1,325	\$1,500	\$1,125	\$1,325	\$1,500	\$1,575	\$2,250	\$2,550	\$1,400	\$2,000	\$2,250
Average Development Costs Per Unit	\$190,100	\$285,075	\$328,850	\$163,100	\$249,075	\$283,850	\$190,100	\$285,075	\$328,850	\$163,100	\$249,075	\$283,850
Net Annual Operating Income	\$8,750	\$10,475	\$12,025	\$8,750	\$10,475	\$12,025	\$13,150	\$19,675	\$22,650	\$11,450	\$17,200	\$19,600
<b>Financing Assumptions:</b>												
Initial Cash Investment	\$28,525	\$42,750	\$49,325	\$24,475	\$37,350	\$42,575	\$28,525	\$42,750	\$49,325	\$24,475	\$37,350	\$42,575
<b>Financial Performance (10-Year Avg.):</b>												
Annual Cash-on-Cash Return	-5.5%	-11.3%	-11.4%	-0.6%	-7.9%	-7.7%	9.6%	9.7%	9.7%	10.1%	9.6%	9.7%
Annual Cash Flow & Principal Payments as % of Initial Cash Investment	12.8%	7.0%	6.9%	17.6%	10.3%	10.6%	27.8%	27.9%	27.9%	28.3%	27.8%	28.0%

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Market Rent; Market Land Value**  
**Halifax**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$27,000	Initial cash investment	\$28,515							
Loan-to-lending value ratio	85%	Construction	\$143,000	Mortgage	\$161,587							
Mortgage insur. premium	4.75%	Subtotal	\$170,000	Total costs	\$190,102	% Equity 15.0%						
Annual cost inflation	2.0%	HST (net)*	\$20,102	Mortgage insur. premium	\$7,675							
Annual revenue growth	2.0%	<b>Total Costs</b>	<b>\$190,102</b>	<b>Total Financing Required</b>	<b>\$169,263</b>							
Initial monthly rent per unit	\$1,125											
per sq. ft	\$1.50											
Stabilized Vacancy rate	3.0%											
Average unit size (net sq. ft.)	750											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price \$218,618 [to generate a 15% development profit]</b>										
		<b>cap rate 4.0% [implied if achieved 15% development profit]</b>										
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$13,500	\$4,455	\$9,226	\$14,045	\$14,326	\$14,613	\$14,905	\$15,203	\$15,507	\$15,817	\$16,134	
Other income	\$346	\$114	\$237	\$360	\$367	\$375	\$382	\$390	\$398	\$406	\$414	
Vacancy allowance	-\$415	-\$137	-\$284	-\$432	-\$441	-\$450	-\$459	-\$468	-\$477	-\$487	-\$496	
<b>Gross income</b>	<b>\$13,431</b>	<b>\$4,432</b>	<b>\$9,179</b>	<b>\$13,973</b>	<b>\$14,253</b>	<b>\$14,538</b>	<b>\$14,829</b>	<b>\$15,125</b>	<b>\$15,428</b>	<b>\$15,736</b>	<b>\$16,051</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$2,250	\$1,688	\$2,008	\$2,341	\$2,388	\$2,435	\$2,484	\$2,534	\$2,585	\$2,636	\$2,689	
Property taxes	\$2,425	\$2,425	\$2,474	\$2,523	\$2,574	\$2,625	\$2,678	\$2,731	\$2,786	\$2,842	\$2,898	
<b>Total operating costs</b>	<b>\$4,675</b>	<b>\$4,113</b>	<b>\$4,482</b>	<b>\$4,864</b>	<b>\$4,961</b>	<b>\$5,061</b>	<b>\$5,162</b>	<b>\$5,265</b>	<b>\$5,370</b>	<b>\$5,478</b>	<b>\$5,587</b>	
<b>Net Operating Income</b>	<b>\$8,756</b>	<b>\$319</b>	<b>\$4,697</b>	<b>\$9,109</b>	<b>\$9,291</b>	<b>\$9,477</b>	<b>\$9,667</b>	<b>\$9,860</b>	<b>\$10,057</b>	<b>\$10,259</b>	<b>\$10,464</b>	
Calculated cap rate	4.6%											
<b>Mortgage Payments:</b>												
Principal	\$4,476	\$4,476	\$4,623	\$4,775	\$4,931	\$5,093	\$5,259	\$5,432	\$5,610	\$5,794	\$5,983	
Interest	\$5,398	\$5,398	\$5,252	\$5,100	\$4,944	\$4,782	\$4,615	\$4,443	\$4,265	\$4,081	\$3,891	
<b>Total</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	
<b>Cash Flow</b>	<b>-\$1,119</b>	<b>-\$9,555</b>	<b>-\$5,178</b>	<b>-\$765</b>	<b>-\$583</b>	<b>-\$397</b>	<b>-\$208</b>	<b>-\$15</b>	<b>\$183</b>	<b>\$384</b>	<b>\$589</b>	
<b>Cash-on-Cash Return</b>	<b>-3.9%</b>	<b>-33.5%</b>	<b>-18.2%</b>	<b>-2.7%</b>	<b>-2.0%</b>	<b>-1.4%</b>	<b>-0.7%</b>	<b>-0.1%</b>	<b>0.6%</b>	<b>1.3%</b>	<b>2.1%</b>	
Average Annual	-3.9%	-33.5%	-25.8%	-18.1%	-14.1%	-11.6%	-9.8%	-8.4%	-7.2%	-6.3%	-5.5%	
<b>Principal Payments</b>	<b>\$4,476</b>	<b>\$4,476</b>	<b>\$4,623</b>	<b>\$4,775</b>	<b>\$4,931</b>	<b>\$5,093</b>	<b>\$5,259</b>	<b>\$5,432</b>	<b>\$5,610</b>	<b>\$5,794</b>	<b>\$5,983</b>	
Cumulative	\$4,476	\$4,476	\$9,100	\$13,874	\$18,805	\$23,898	\$29,157	\$34,589	\$40,199	\$45,992	\$51,976	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,357</b>	<b>-\$5,079</b>	<b>-\$555</b>	<b>\$4,009</b>	<b>\$4,348</b>	<b>\$4,695</b>	<b>\$5,052</b>	<b>\$5,417</b>	<b>\$5,792</b>	<b>\$6,177</b>	<b>\$6,572</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>11.8%</b>	<b>-17.8%</b>	<b>-1.9%</b>	<b>14.1%</b>	<b>15.2%</b>	<b>16.5%</b>	<b>17.7%</b>	<b>19.0%</b>	<b>20.3%</b>	<b>21.7%</b>	<b>23.0%</b>	
Average Annual	11.8%	-17.8%	-9.9%	-1.9%	2.4%	5.2%	7.3%	9.0%	10.4%	11.6%	12.8%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Medium  
Central, Not Downtown  
Market Rent; Market Land Value*  
**Per Unit**  
**Halifax**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$36,000	Initial cash investment	\$42,760							
Loan-to-lending value ratio	85%	Construction	\$225,000	Mortgage	\$242,306							
Mortgage insur. premium	4.75%	Subtotal	\$261,000	Total costs	\$285,066							
Annual cost inflation	2.0%		1.9%	% Equity	15.0%							
Annual revenue growth	2.0%	HST (net)*	\$24,066	Mortgage insur. premium	\$11,510							
Initial monthly rent per unit	\$1,325	<b>Total Costs</b>	<b>\$285,066</b>	<b>Total Financing Required</b>	<b>\$253,816</b>							
per sq. ft	\$1.77											
Stabilized Vacancy rate	3.0%											
Average unit size (net sq. ft.)	750											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$327,826 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>3.2% [implied if achieved 15% development profit]</b>									
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$15,900	\$5,247	\$10,866	\$16,542	\$16,873	\$17,211	\$17,555	\$17,906	\$18,264	\$18,629	\$19,002	
Other income	\$408	\$135	\$279	\$424	\$433	\$441	\$450	\$459	\$468	\$478	\$487	
Vacancy allowance	-\$489	-\$161	-\$334	-\$509	-\$519	-\$530	-\$540	-\$551	-\$562	-\$573	-\$585	
<b>Gross income</b>	<b>\$15,818</b>	<b>\$5,220</b>	<b>\$10,810</b>	<b>\$16,458</b>	<b>\$16,787</b>	<b>\$17,122</b>	<b>\$17,465</b>	<b>\$17,814</b>	<b>\$18,170</b>	<b>\$18,534</b>	<b>\$18,905</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$2,700	\$2,025	\$2,410	\$2,809	\$2,865	\$2,923	\$2,981	\$3,041	\$3,101	\$3,163	\$3,227	
Property taxes	\$2,637	\$2,637	\$2,689	\$2,743	\$2,798	\$2,854	\$2,911	\$2,969	\$3,029	\$3,089	\$3,151	
<b>Total operating costs</b>	<b>\$5,337</b>	<b>\$4,662</b>	<b>\$5,099</b>	<b>\$5,552</b>	<b>\$5,663</b>	<b>\$5,777</b>	<b>\$5,892</b>	<b>\$6,010</b>	<b>\$6,130</b>	<b>\$6,253</b>	<b>\$6,378</b>	
<b>Net Operating Income</b>	<b>\$10,482</b>	<b>\$558</b>	<b>\$5,711</b>	<b>\$10,905</b>	<b>\$11,123</b>	<b>\$11,346</b>	<b>\$11,573</b>	<b>\$11,804</b>	<b>\$12,040</b>	<b>\$12,281</b>	<b>\$12,527</b>	
Calculated cap rate	3.7%											
<b>Mortgage Payments:</b>												
Principal	\$6,713	\$6,713	\$6,933	\$7,160	\$7,394	\$7,637	\$7,887	\$8,145	\$8,412	\$8,688	\$8,972	
Interest	\$8,095	\$8,095	\$7,875	\$7,648	\$7,413	\$7,171	\$6,921	\$6,662	\$6,396	\$6,120	\$5,835	
<b>Total</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	
<b>Cash Flow</b>	<b>-\$4,326</b>	<b>-\$14,249</b>	<b>-\$9,096</b>	<b>-\$3,902</b>	<b>-\$3,684</b>	<b>-\$3,462</b>	<b>-\$3,235</b>	<b>-\$3,003</b>	<b>-\$2,767</b>	<b>-\$2,526</b>	<b>-\$2,281</b>	
<b>Cash-on-Cash Return</b>	<b>-10.1%</b>	<b>-33.3%</b>	<b>-21.3%</b>	<b>-9.1%</b>	<b>-8.6%</b>	<b>-8.1%</b>	<b>-7.6%</b>	<b>-7.0%</b>	<b>-6.5%</b>	<b>-5.9%</b>	<b>-5.3%</b>	
Average Annual	-10.1%	-33.3%	-27.3%	-21.2%	-18.1%	-16.1%	-14.7%	-13.6%	-12.7%	-11.9%	-11.3%	
<b>Principal Payments</b>	<b>\$6,713</b>	<b>\$6,713</b>	<b>\$6,933</b>	<b>\$7,160</b>	<b>\$7,394</b>	<b>\$7,637</b>	<b>\$7,887</b>	<b>\$8,145</b>	<b>\$8,412</b>	<b>\$8,688</b>	<b>\$8,972</b>	
Cumulative	\$6,713	\$6,713	\$13,645	\$20,805	\$28,199	\$35,836	\$43,722	\$51,868	\$60,280	\$68,967	\$77,939	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$2,387</b>	<b>-\$7,536</b>	<b>-\$2,164</b>	<b>\$3,257</b>	<b>\$3,710</b>	<b>\$4,175</b>	<b>\$4,652</b>	<b>\$5,142</b>	<b>\$5,645</b>	<b>\$6,161</b>	<b>\$6,691</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>5.6%</b>	<b>-17.6%</b>	<b>-5.1%</b>	<b>7.6%</b>	<b>8.7%</b>	<b>9.8%</b>	<b>10.9%</b>	<b>12.0%</b>	<b>13.2%</b>	<b>14.4%</b>	<b>15.6%</b>	
Average Annual	5.6%	-17.6%	-11.3%	-5.0%	-1.6%	0.7%	2.4%	3.8%	4.9%	6.0%	7.0%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: High-End  
Downtown, Not Prime  
Market Rent; Market Land Value*  
**Per Unit**  
**Halifax**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%	<b>Development Costs:</b>		<b>Financing:</b>							
Amortization period (yrs)	25	Land	\$45,000	Initial cash investment	\$49,328						
Loan-to-lending value ratio	85%	Construction	\$255,000	Mortgage	\$279,527						
Mortgage insur. premium	4.75%	Subtotal	\$300,000	Total costs	\$328,856						
Annual cost inflation	2.0%			% Equity	15.0%						
Annual revenue growth	2.0%	HST (net)*	\$28,856	Mortgage insur. premium	\$13,278						
Initial monthly rent per unit	\$1,500	<b>Total Costs</b>	<b>\$328,856</b>	<b>Total Financing Required</b>	<b>\$292,805</b>						
per sq. ft	\$2.00										
Stabilized Vacancy rate	3.0%										
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$378,184</b>	<i>[to generate a 15% development profit]</i>							
		<b>cap rate</b>	<b>3.2%</b>	<i>[implied if achieved 15% development profit]</i>							
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,000	\$5,940	\$12,301	\$18,727	\$19,102	\$19,484	\$19,873	\$20,271	\$20,676	\$21,090	\$21,512
Other income	\$462	\$152	\$315	\$480	\$490	\$500	\$510	\$520	\$530	\$541	\$552
Vacancy allowance	-\$554	-\$183	-\$378	-\$576	-\$588	-\$600	-\$611	-\$624	-\$636	-\$649	-\$662
<b>Gross income</b>	<b>\$17,908</b>	<b>\$5,910</b>	<b>\$12,238</b>	<b>\$18,631</b>	<b>\$19,004</b>	<b>\$19,384</b>	<b>\$19,772</b>	<b>\$20,167</b>	<b>\$20,570</b>	<b>\$20,982</b>	<b>\$21,401</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,150	\$2,363	\$2,811	\$3,277	\$3,343	\$3,410	\$3,478	\$3,547	\$3,618	\$3,691	\$3,765
Property taxes	\$2,736	\$2,736	\$2,791	\$2,847	\$2,904	\$2,962	\$3,021	\$3,081	\$3,143	\$3,206	\$3,270
<b>Total operating costs</b>	<b>\$5,886</b>	<b>\$5,099</b>	<b>\$5,602</b>	<b>\$6,124</b>	<b>\$6,246</b>	<b>\$6,371</b>	<b>\$6,499</b>	<b>\$6,629</b>	<b>\$6,761</b>	<b>\$6,897</b>	<b>\$7,034</b>
<b>Net Operating Income</b>	<b>\$12,022</b>	<b>\$811</b>	<b>\$6,636</b>	<b>\$12,507</b>	<b>\$12,757</b>	<b>\$13,013</b>	<b>\$13,273</b>	<b>\$13,538</b>	<b>\$13,809</b>	<b>\$14,085</b>	<b>\$14,367</b>
<i>Calculated cap rate</i>	<i>3.7%</i>										
<b>Mortgage Payments:</b>											
Principal	\$7,744	\$7,744	\$7,997	\$8,260	\$8,530	\$8,810	\$9,098	\$9,396	\$9,704	\$10,022	\$10,351
Interest	\$9,338	\$9,338	\$9,085	\$8,823	\$8,552	\$8,273	\$7,984	\$7,686	\$7,378	\$7,060	\$6,732
<b>Total</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>
<b>Cash Flow</b>	<b>-\$5,061</b>	<b>-\$16,271</b>	<b>-\$10,446</b>	<b>-\$4,575</b>	<b>-\$4,325</b>	<b>-\$4,070</b>	<b>-\$3,809</b>	<b>-\$3,544</b>	<b>-\$3,273</b>	<b>-\$2,997</b>	<b>-\$2,715</b>
<b>Cash-on-Cash Return</b>	<b>-10.3%</b>	<b>-33.0%</b>	<b>-21.2%</b>	<b>-9.3%</b>	<b>-8.8%</b>	<b>-8.3%</b>	<b>-7.7%</b>	<b>-7.2%</b>	<b>-6.6%</b>	<b>-6.1%</b>	<b>-5.5%</b>
<i>Average Annual</i>	<i>-10.3%</i>	<i>-33.0%</i>	<i>-27.1%</i>	<i>-21.1%</i>	<i>-18.1%</i>	<i>-16.1%</i>	<i>-14.7%</i>	<i>-13.6%</i>	<i>-12.7%</i>	<i>-12.0%</i>	<i>-11.4%</i>
<b>Principal Payments</b>	<b>\$7,744</b>	<b>\$7,744</b>	<b>\$7,997</b>	<b>\$8,260</b>	<b>\$8,530</b>	<b>\$8,810</b>	<b>\$9,098</b>	<b>\$9,396</b>	<b>\$9,704</b>	<b>\$10,022</b>	<b>\$10,351</b>
<i>Cumulative</i>	<i>\$7,744</i>	<i>\$7,744</i>	<i>\$15,741</i>	<i>\$24,001</i>	<i>\$32,531</i>	<i>\$41,340</i>	<i>\$50,439</i>	<i>\$59,835</i>	<i>\$69,539</i>	<i>\$79,561</i>	<i>\$89,912</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$2,683</b>	<b>-\$8,528</b>	<b>-\$2,449</b>	<b>\$3,685</b>	<b>\$4,205</b>	<b>\$4,740</b>	<b>\$5,289</b>	<b>\$5,852</b>	<b>\$6,431</b>	<b>\$7,025</b>	<b>\$7,635</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>5.4%</b>	<b>-17.3%</b>	<b>-5.0%</b>	<b>7.5%</b>	<b>8.5%</b>	<b>9.6%</b>	<b>10.7%</b>	<b>11.9%</b>	<b>13.0%</b>	<b>14.2%</b>	<b>15.5%</b>
<i>Average Annual</i>	<i>5.4%</i>	<i>-17.3%</i>	<i>-11.1%</i>	<i>-4.9%</i>	<i>-1.6%</i>	<i>0.7%</i>	<i>2.3%</i>	<i>3.7%</i>	<i>4.9%</i>	<i>5.9%</i>	<i>6.9%</i>
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

# **APPENDIX A: Proformas for Alternate Scenarios**

## Vancouver



**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Basic  
Fringe  
Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	3.0%
Initial monthly rent per unit	\$1,350
per sq. ft	\$2.25
Stabilized Vacancy rate	1.5%
Average unit size (net sq. ft.)	600

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$0	Initial cash investment	\$24,705
Construction	\$156,000	Mortgage	\$139,996
Subtotal	\$156,000	Total costs	\$164,701
		% Equity	15.0%
GST (net)*	\$8,701	Mortgage insur. premium	\$6,650
<b>Total Costs</b>	<b>\$164,701</b>	<b>Total Financing Required</b>	<b>\$146,646</b>

**Development profit assumption:** 15% **minimum sales price** \$189,406 [to generate a 15% development profit]

**cap rate** 5.7% [implied if achieved 15% development profit]

<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$16,200	\$5,346	\$11,180	\$17,187	\$17,702	\$18,233	\$18,780	\$19,344	\$19,924	\$20,522	\$21,137
Other income	\$415	\$137	\$287	\$441	\$454	\$468	\$482	\$496	\$511	\$526	\$542
Vacancy allowance	-\$249	-\$82	-\$172	-\$264	-\$272	-\$281	-\$289	-\$298	-\$307	-\$316	-\$325
<b>Gross income</b>	<b>\$16,366</b>	<b>\$5,401</b>	<b>\$11,294</b>	<b>\$17,363</b>	<b>\$17,884</b>	<b>\$18,420</b>	<b>\$18,973</b>	<b>\$19,542</b>	<b>\$20,128</b>	<b>\$20,732</b>	<b>\$21,354</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,680	\$3,510	\$4,177	\$4,869	\$4,966	\$5,066	\$5,167	\$5,270	\$5,376	\$5,483	\$5,593
Property taxes	\$810	\$810	\$826	\$843	\$860	\$877	\$894	\$912	\$930	\$949	\$968
<b>Total operating costs</b>	<b>\$5,490</b>	<b>\$4,320</b>	<b>\$5,003</b>	<b>\$5,712</b>	<b>\$5,826</b>	<b>\$5,943</b>	<b>\$6,061</b>	<b>\$6,183</b>	<b>\$6,306</b>	<b>\$6,432</b>	<b>\$6,561</b>
<b>Net Operating Income</b>	<b>\$10,876</b>	<b>\$1,081</b>	<b>\$6,291</b>	<b>\$11,651</b>	<b>\$12,058</b>	<b>\$12,478</b>	<b>\$12,911</b>	<b>\$13,359</b>	<b>\$13,822</b>	<b>\$14,300</b>	<b>\$14,793</b>
Calculated cap rate	6.6%										
<b>Mortgage Payments:</b>											
Principal	\$3,878	\$3,878	\$4,005	\$4,137	\$4,272	\$4,412	\$4,557	\$4,706	\$4,860	\$5,019	\$5,184
Interest	\$4,677	\$4,677	\$4,550	\$4,419	\$4,283	\$4,143	\$3,999	\$3,849	\$3,695	\$3,536	\$3,371
<b>Total</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>
<b>Cash Flow</b>	<b>\$2,321</b>	<b>-\$7,474</b>	<b>-\$2,264</b>	<b>\$3,096</b>	<b>\$3,502</b>	<b>\$3,922</b>	<b>\$4,356</b>	<b>\$4,804</b>	<b>\$5,267</b>	<b>\$5,744</b>	<b>\$6,238</b>
<b>Cash-on-Cash Return</b>	<b>9.4%</b>	<b>-30.3%</b>	<b>-9.2%</b>	<b>12.5%</b>	<b>14.2%</b>	<b>15.9%</b>	<b>17.6%</b>	<b>19.4%</b>	<b>21.3%</b>	<b>23.3%</b>	<b>25.2%</b>
Average Annual	9.4%	-30.3%	-19.7%	-9.0%	-3.2%	0.6%	3.5%	5.7%	7.7%	9.4%	11.0%
<b>Principal Payments</b>	<b>\$3,878</b>	<b>\$3,878</b>	<b>\$4,005</b>	<b>\$4,137</b>	<b>\$4,272</b>	<b>\$4,412</b>	<b>\$4,557</b>	<b>\$4,706</b>	<b>\$4,860</b>	<b>\$5,019</b>	<b>\$5,184</b>
Cumulative	\$3,878	\$3,878	\$7,884	\$12,020	\$16,292	\$20,705	\$25,261	\$29,967	\$34,827	\$39,847	\$45,031
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$6,199</b>	<b>-\$3,596</b>	<b>\$1,741</b>	<b>\$7,232</b>	<b>\$7,775</b>	<b>\$8,334</b>	<b>\$8,913</b>	<b>\$9,510</b>	<b>\$10,127</b>	<b>\$10,764</b>	<b>\$11,422</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.1%</b>	<b>-14.6%</b>	<b>7.0%</b>	<b>29.3%</b>	<b>31.5%</b>	<b>33.7%</b>	<b>36.1%</b>	<b>38.5%</b>	<b>41.0%</b>	<b>43.6%</b>	<b>46.2%</b>
Average Annual	25.1%	-14.6%	-3.8%	7.3%	13.3%	17.4%	20.5%	23.1%	25.3%	27.3%	29.2%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	3.0%
Initial monthly rent per unit <i>per sq. ft</i>	\$1,500 \$2.50
Stabilized Vacancy rate	1.5%
Average unit size (net sq. ft.)	600

**PROJECT DEVELOPMENT COSTS AND FINANCING**

Development Costs:		Financing:	
Land	\$0	Initial cash investment	\$34,101
Construction	\$217,000	Mortgage	\$193,238
Subtotal	\$217,000	Total costs	\$227,339
		% Equity	15.0%
GST (net)*	\$10,339	Mortgage insur. premium	\$9,179
<b>Total Costs</b>	<b>\$227,339</b>	<b>Total Financing Required</b>	<b>\$202,417</b>

**Development profit assumption:** 15% **minimum sales price** \$261,440 [to generate a 15% development profit]

**cap rate** 4.6% [implied if achieved 15% development profit]

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,000	\$5,940	\$12,422	\$19,096	\$19,669	\$20,259	\$20,867	\$21,493	\$22,138	\$22,802	\$23,486
Other income	\$462	\$152	\$319	\$490	\$504	\$519	\$535	\$551	\$568	\$585	\$602
Vacancy allowance	-\$277	-\$91	-\$191	-\$294	-\$303	-\$312	-\$321	-\$331	-\$341	-\$351	-\$361
<b>Gross income</b>	<b>\$18,185</b>	<b>\$6,001</b>	<b>\$12,549</b>	<b>\$19,292</b>	<b>\$19,871</b>	<b>\$20,467</b>	<b>\$21,081</b>	<b>\$21,713</b>	<b>\$22,365</b>	<b>\$23,036</b>	<b>\$23,727</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,040	\$3,780	\$4,498	\$5,244	\$5,348	\$5,455	\$5,565	\$5,676	\$5,789	\$5,905	\$6,023
Property taxes	\$1,029	\$1,029	\$1,049	\$1,070	\$1,092	\$1,113	\$1,136	\$1,158	\$1,182	\$1,205	\$1,229
<b>Total operating costs</b>	<b>\$6,069</b>	<b>\$4,809</b>	<b>\$5,547</b>	<b>\$6,314</b>	<b>\$6,440</b>	<b>\$6,569</b>	<b>\$6,700</b>	<b>\$6,834</b>	<b>\$6,971</b>	<b>\$7,110</b>	<b>\$7,253</b>
<b>Net Operating Income</b>	<b>\$12,116</b>	<b>\$1,192</b>	<b>\$7,002</b>	<b>\$12,978</b>	<b>\$13,431</b>	<b>\$13,898</b>	<b>\$14,381</b>	<b>\$14,879</b>	<b>\$15,394</b>	<b>\$15,925</b>	<b>\$16,474</b>
<i>Calculated cap rate</i>	5.3%										
<b>Mortgage Payments:</b>											
Principal	\$5,353	\$5,353	\$5,529	\$5,710	\$5,897	\$6,090	\$6,290	\$6,496	\$6,709	\$6,928	\$7,155
Interest	\$6,456	\$6,456	\$6,280	\$6,099	\$5,912	\$5,719	\$5,519	\$5,313	\$5,100	\$4,881	\$4,654
<b>Total</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>
<b>Cash Flow</b>	<b>\$307</b>	<b>-\$10,617</b>	<b>-\$4,807</b>	<b>\$1,169</b>	<b>\$1,622</b>	<b>\$2,089</b>	<b>\$2,572</b>	<b>\$3,070</b>	<b>\$3,585</b>	<b>\$4,116</b>	<b>\$4,665</b>
<b>Cash-on-Cash Return</b>	<b>0.9%</b>	<b>-31.1%</b>	<b>-14.1%</b>	<b>3.4%</b>	<b>4.8%</b>	<b>6.1%</b>	<b>7.5%</b>	<b>9.0%</b>	<b>10.5%</b>	<b>12.1%</b>	<b>13.7%</b>
<i>Average Annual</i>	0.9%	-31.1%	-22.6%	-13.9%	-9.3%	-6.2%	-3.9%	-2.1%	-0.5%	0.9%	2.2%
<b>Principal Payments</b>	<b>\$5,353</b>	<b>\$5,353</b>	<b>\$5,529</b>	<b>\$5,710</b>	<b>\$5,897</b>	<b>\$6,090</b>	<b>\$6,290</b>	<b>\$6,496</b>	<b>\$6,709</b>	<b>\$6,928</b>	<b>\$7,155</b>
<i>Cumulative</i>	\$5,353	\$5,353	\$10,882	\$16,592	\$22,489	\$28,579	\$34,868	\$41,364	\$48,073	\$55,001	\$62,156
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,660</b>	<b>-\$5,263</b>	<b>\$722</b>	<b>\$6,879</b>	<b>\$7,519</b>	<b>\$8,179</b>	<b>\$8,861</b>	<b>\$9,566</b>	<b>\$10,293</b>	<b>\$11,045</b>	<b>\$11,821</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>16.6%</b>	<b>-15.4%</b>	<b>2.1%</b>	<b>20.2%</b>	<b>22.0%</b>	<b>24.0%</b>	<b>26.0%</b>	<b>28.1%</b>	<b>30.2%</b>	<b>32.4%</b>	<b>34.7%</b>
<i>Average Annual</i>	16.6%	-15.4%	-6.7%	2.3%	7.2%	10.6%	13.1%	15.3%	17.1%	18.8%	20.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	3.0%
Initial monthly rent per unit	\$1,750
per sq. ft	\$2.92
Stabilized Vacancy rate	1.5%
Average unit size (net sq. ft.)	600

**PROJECT DEVELOPMENT COSTS AND FINANCING**

Development Costs:		Financing:	
Land	\$0	Initial cash investment	\$38,867
Construction	\$241,000	Mortgage	\$220,244
Subtotal	\$241,000	Total costs	\$259,110
		% Equity	15.0%
GST (net)*	\$18,110	Mortgage insur. premium	\$10,462
<b>Total Costs</b>	<b>\$259,110</b>	<b>Total Financing Required</b>	<b>\$230,705</b>

**Development profit assumption:** 15%

**minimum sales price** \$297,977 [to generate a 15% development profit]

**cap rate** 4.8% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$21,000	\$6,930	\$14,492	\$22,279	\$22,947	\$23,636	\$24,345	\$25,075	\$25,827	\$26,602	\$27,400
Other income	\$538	\$178	\$372	\$571	\$588	\$606	\$624	\$643	\$662	\$682	\$703
Vacancy allowance	-\$323	-\$107	-\$223	-\$343	-\$353	-\$364	-\$375	-\$386	-\$397	-\$409	-\$422
<b>Gross income</b>	<b>\$21,215</b>	<b>\$7,001</b>	<b>\$14,641</b>	<b>\$22,507</b>	<b>\$23,183</b>	<b>\$23,878</b>	<b>\$24,594</b>	<b>\$25,332</b>	<b>\$26,092</b>	<b>\$26,875</b>	<b>\$27,681</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,400	\$4,050	\$4,820	\$5,618	\$5,731	\$5,845	\$5,962	\$6,081	\$6,203	\$6,327	\$6,453
Property taxes	\$1,425	\$1,425	\$1,454	\$1,483	\$1,512	\$1,543	\$1,573	\$1,605	\$1,637	\$1,670	\$1,703
<b>Total operating costs</b>	<b>\$6,825</b>	<b>\$5,475</b>	<b>\$6,273</b>	<b>\$7,101</b>	<b>\$7,243</b>	<b>\$7,388</b>	<b>\$7,535</b>	<b>\$7,686</b>	<b>\$7,840</b>	<b>\$7,997</b>	<b>\$8,157</b>
<b>Net Operating Income</b>	<b>\$14,390</b>	<b>\$1,526</b>	<b>\$8,368</b>	<b>\$15,407</b>	<b>\$15,940</b>	<b>\$16,490</b>	<b>\$17,059</b>	<b>\$17,646</b>	<b>\$18,252</b>	<b>\$18,878</b>	<b>\$19,525</b>
Calculated cap rate	5.6%										
<b>Mortgage Payments:</b>											
Principal	\$6,101	\$6,101	\$6,301	\$6,508	\$6,721	\$6,941	\$7,169	\$7,404	\$7,646	\$7,897	\$8,155
Interest	\$7,358	\$7,358	\$7,158	\$6,952	\$6,738	\$6,518	\$6,291	\$6,056	\$5,813	\$5,563	\$5,304
<b>Total</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>
<b>Cash Flow</b>	<b>\$931</b>	<b>-\$11,933</b>	<b>-\$5,092</b>	<b>\$1,947</b>	<b>\$2,480</b>	<b>\$3,031</b>	<b>\$3,600</b>	<b>\$4,187</b>	<b>\$4,793</b>	<b>\$5,419</b>	<b>\$6,065</b>
<b>Cash-on-Cash Return</b>	<b>2.4%</b>	<b>-30.7%</b>	<b>-13.1%</b>	<b>5.0%</b>	<b>6.4%</b>	<b>7.8%</b>	<b>9.3%</b>	<b>10.8%</b>	<b>12.3%</b>	<b>13.9%</b>	<b>15.6%</b>
Average Annual	2.4%	-30.7%	-21.9%	-12.9%	-8.1%	-4.9%	-2.6%	-0.7%	1.0%	2.4%	3.7%
<b>Principal Payments</b>	<b>\$6,101</b>	<b>\$6,101</b>	<b>\$6,301</b>	<b>\$6,508</b>	<b>\$6,721</b>	<b>\$6,941</b>	<b>\$7,169</b>	<b>\$7,404</b>	<b>\$7,646</b>	<b>\$7,897</b>	<b>\$8,155</b>
Cumulative	\$6,101	\$6,101	\$12,403	\$18,911	\$25,632	\$32,573	\$39,741	\$47,145	\$54,791	\$62,688	\$70,843
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,032</b>	<b>-\$5,832</b>	<b>\$1,210</b>	<b>\$8,455</b>	<b>\$9,201</b>	<b>\$9,972</b>	<b>\$10,768</b>	<b>\$11,590</b>	<b>\$12,439</b>	<b>\$13,316</b>	<b>\$14,221</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>18.1%</b>	<b>-15.0%</b>	<b>3.1%</b>	<b>21.8%</b>	<b>23.7%</b>	<b>25.7%</b>	<b>27.7%</b>	<b>29.8%</b>	<b>32.0%</b>	<b>34.3%</b>	<b>36.6%</b>
Average Annual	18.1%	-15.0%	-5.9%	3.3%	8.4%	11.8%	14.5%	16.7%	18.6%	20.3%	22.0%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Basic  
Fringe  
Economic Rent; Market Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	3.0%	market rent	difference
Initial monthly rent per unit	\$1,725	\$1,350	\$375
per sq. ft	\$2.88	\$2.25	\$0.63
Stabilized Vacancy rate	1.5%		
Average unit size (net sq. ft.)	600		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$72,000	Initial cash investment	\$35,505
Construction	\$156,000	Mortgage	\$201,196
Subtotal	\$228,000	Total costs	\$236,701
		% Equity	15.0%
GST (net)*	\$8,701	Mortgage insur. premium	\$9,557
<b>Total Costs</b>	<b>\$236,701</b>	<b>Total Financing Required</b>	<b>\$210,753</b>

**Development profit assumption:** 15% **minimum sales price** \$272,206 [to generate a 15% development profit]

**Average cash-on-cash return assumption** 10.0% **cap rate** 5.6% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$20,700	\$6,831	\$14,285	\$21,961	\$22,619	\$23,298	\$23,997	\$24,717	\$25,458	\$26,222	\$27,009
Other income	\$531	\$175	\$366	\$563	\$580	\$597	\$615	\$634	\$653	\$672	\$693
Vacancy allowance	-\$318	-\$105	-\$220	-\$338	-\$348	-\$358	-\$369	-\$380	-\$392	-\$403	-\$416
<b>Gross income</b>	<b>\$20,912</b>	<b>\$6,901</b>	<b>\$14,432</b>	<b>\$22,186</b>	<b>\$22,851</b>	<b>\$23,537</b>	<b>\$24,243</b>	<b>\$24,970</b>	<b>\$25,720</b>	<b>\$26,491</b>	<b>\$27,286</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,680	\$3,510	\$4,177	\$4,869	\$4,966	\$5,066	\$5,167	\$5,270	\$5,376	\$5,483	\$5,593
Property taxes	\$1,035	\$1,035	\$1,056	\$1,077	\$1,098	\$1,120	\$1,143	\$1,166	\$1,189	\$1,213	\$1,237
<b>Total operating costs</b>	<b>\$5,715</b>	<b>\$4,545</b>	<b>\$5,233</b>	<b>\$5,946</b>	<b>\$6,065</b>	<b>\$6,186</b>	<b>\$6,310</b>	<b>\$6,436</b>	<b>\$6,565</b>	<b>\$6,696</b>	<b>\$6,830</b>
<b>Net Operating Income</b>	<b>\$15,197</b>	<b>\$2,356</b>	<b>\$9,199</b>	<b>\$16,240</b>	<b>\$16,787</b>	<b>\$17,351</b>	<b>\$17,933</b>	<b>\$18,534</b>	<b>\$19,155</b>	<b>\$19,795</b>	<b>\$20,456</b>
Calculated cap rate	6.4%										
<b>Mortgage Payments:</b>											
Principal	\$5,574	\$5,574	\$5,756	\$5,945	\$6,140	\$6,341	\$6,549	\$6,763	\$6,985	\$7,214	\$7,450
Interest	\$6,722	\$6,722	\$6,539	\$6,350	\$6,156	\$5,954	\$5,747	\$5,532	\$5,310	\$5,082	\$4,845
<b>Total</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>	<b>\$12,295</b>
<b>Cash Flow</b>	<b>\$2,902</b>	<b>-\$9,939</b>	<b>-\$3,096</b>	<b>\$3,945</b>	<b>\$4,491</b>	<b>\$5,056</b>	<b>\$5,638</b>	<b>\$6,239</b>	<b>\$6,859</b>	<b>\$7,500</b>	<b>\$8,161</b>
<b>Cash-on-Cash Return</b>	<b>8.2%</b>	<b>-28.0%</b>	<b>-8.7%</b>	<b>11.1%</b>	<b>12.6%</b>	<b>14.2%</b>	<b>15.9%</b>	<b>17.6%</b>	<b>19.3%</b>	<b>21.1%</b>	<b>23.0%</b>
Average Annual	8.2%	-28.0%	-18.4%	-8.5%	-3.2%	0.3%	2.9%	5.0%	6.8%	8.4%	9.8%
<b>Principal Payments</b>	<b>\$5,574</b>	<b>\$5,574</b>	<b>\$5,756</b>	<b>\$5,945</b>	<b>\$6,140</b>	<b>\$6,341</b>	<b>\$6,549</b>	<b>\$6,763</b>	<b>\$6,985</b>	<b>\$7,214</b>	<b>\$7,450</b>
Cumulative	\$5,574	\$5,574	\$11,330	\$17,275	\$23,415	\$29,756	\$36,304	\$43,068	\$50,052	\$57,266	\$64,716
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,476</b>	<b>-\$4,366</b>	<b>\$2,660</b>	<b>\$9,890</b>	<b>\$10,631</b>	<b>\$11,396</b>	<b>\$12,187</b>	<b>\$13,002</b>	<b>\$13,844</b>	<b>\$14,713</b>	<b>\$15,611</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>23.9%</b>	<b>-12.3%</b>	<b>7.5%</b>	<b>27.9%</b>	<b>29.9%</b>	<b>32.1%</b>	<b>34.3%</b>	<b>36.6%</b>	<b>39.0%</b>	<b>41.4%</b>	<b>44.0%</b>
Average Annual	23.9%	-12.3%	-2.4%	7.7%	13.2%	17.0%	19.9%	22.3%	24.4%	26.3%	28.0%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Medium  
Central, Not Downtown  
Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%			<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25			Land	\$108,000	Initial cash investment	\$50,301
Loan-to-lending value ratio	85%			Construction	\$217,000	Mortgage	\$285,038
Mortgage insur. premium	4.75%			Subtotal	\$325,000	Total costs	\$335,339
Annual cost inflation	2.0%					% Equity	15.0%
Annual revenue growth	3.0%	market rent	difference	GST (net)*	\$10,339	Mortgage insur. premium	\$13,539
Initial monthly rent per unit	\$2,325	\$1,500	\$825				
per sq. ft.	\$3.88	\$2.50	\$1.38	<b>Total Costs</b>	<b>\$335,339</b>	<b>Total Financing Required</b>	<b>\$298,577</b>
Stabilized Vacancy rate	1.5%						
Average unit size (net sq. ft.)	600						
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$385,640</b>	<i>[to generate a 15% development profit]</i>	
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>5.6%</b>	<i>[implied if achieved 15% development profit]</i>	

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$27,900	\$9,207	\$19,254	\$29,599	\$30,487	\$31,402	\$32,344	\$33,314	\$34,313	\$35,343	\$36,403
Other income	\$715	\$236	\$494	\$759	\$782	\$805	\$829	\$854	\$880	\$906	\$933
Vacancy allowance	-\$429	-\$142	-\$296	-\$455	-\$469	-\$483	-\$498	-\$513	-\$528	-\$544	-\$560
<b>Gross income</b>	<b>\$28,186</b>	<b>\$9,301</b>	<b>\$19,451</b>	<b>\$29,903</b>	<b>\$30,800</b>	<b>\$31,724</b>	<b>\$32,675</b>	<b>\$33,656</b>	<b>\$34,665</b>	<b>\$35,705</b>	<b>\$36,777</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,040	\$3,780	\$4,498	\$5,244	\$5,348	\$5,455	\$5,565	\$5,676	\$5,789	\$5,905	\$6,023
Property taxes	\$1,594	\$1,594	\$1,626	\$1,659	\$1,692	\$1,726	\$1,760	\$1,796	\$1,831	\$1,868	\$1,905
<b>Total operating costs</b>	<b>\$6,634</b>	<b>\$5,374</b>	<b>\$6,124</b>	<b>\$6,902</b>	<b>\$7,040</b>	<b>\$7,181</b>	<b>\$7,325</b>	<b>\$7,471</b>	<b>\$7,621</b>	<b>\$7,773</b>	<b>\$7,929</b>
<b>Net Operating Income</b>	<b>\$21,552</b>	<b>\$3,927</b>	<b>\$13,327</b>	<b>\$23,000</b>	<b>\$23,759</b>	<b>\$24,543</b>	<b>\$25,351</b>	<b>\$26,184</b>	<b>\$27,045</b>	<b>\$27,932</b>	<b>\$28,848</b>
Calculated cap rate	6.4%										
<b>Mortgage Payments:</b>											
Principal	\$7,896	\$7,896	\$8,155	\$8,422	\$8,698	\$8,983	\$9,278	\$9,582	\$9,896	\$10,220	\$10,555
Interest	\$9,523	\$9,523	\$9,264	\$8,997	\$8,721	\$8,436	\$8,141	\$7,837	\$7,523	\$7,199	\$6,864
<b>Total</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>	<b>\$17,419</b>
<b>Cash Flow</b>	<b>\$4,133</b>	<b>-\$13,492</b>	<b>-\$4,092</b>	<b>\$5,581</b>	<b>\$6,340</b>	<b>\$7,124</b>	<b>\$7,932</b>	<b>\$8,765</b>	<b>\$9,626</b>	<b>\$10,513</b>	<b>\$11,429</b>
<b>Cash-on-Cash Return</b>	<b>8.2%</b>	<b>-26.8%</b>	<b>-8.1%</b>	<b>11.1%</b>	<b>12.6%</b>	<b>14.2%</b>	<b>15.8%</b>	<b>17.4%</b>	<b>19.1%</b>	<b>20.9%</b>	<b>22.7%</b>
Average Annual	8.2%	-26.8%	-17.5%	-8.0%	-2.8%	0.6%	3.1%	5.2%	6.9%	8.5%	9.9%
<b>Principal Payments</b>	<b>\$7,896</b>	<b>\$7,896</b>	<b>\$8,155</b>	<b>\$8,422</b>	<b>\$8,698</b>	<b>\$8,983</b>	<b>\$9,278</b>	<b>\$9,582</b>	<b>\$9,896</b>	<b>\$10,220</b>	<b>\$10,555</b>
Cumulative	\$7,896	\$7,896	\$16,052	\$24,474	\$33,172	\$42,155	\$51,433	\$61,015	\$70,910	\$81,130	\$91,685
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$12,029</b>	<b>-\$5,595</b>	<b>\$4,063</b>	<b>\$14,004</b>	<b>\$15,039</b>	<b>\$16,107</b>	<b>\$17,209</b>	<b>\$18,347</b>	<b>\$19,521</b>	<b>\$20,733</b>	<b>\$21,983</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>23.9%</b>	<b>-11.1%</b>	<b>8.1%</b>	<b>27.8%</b>	<b>29.9%</b>	<b>32.0%</b>	<b>34.2%</b>	<b>36.5%</b>	<b>38.8%</b>	<b>41.2%</b>	<b>43.7%</b>
Average Annual	23.9%	-11.1%	-1.5%	8.3%	13.7%	17.3%	20.2%	22.5%	24.5%	26.4%	28.1%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	3.0%	market rent	difference
Initial monthly rent per unit	\$2,775	\$1,750	\$1,025
per sq. ft	\$4.63	\$2.92	\$1.71
Stabilized Vacancy rate	1.5%		
Average unit size (net sq. ft.)	600		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$144,000	Initial cash investment	\$60,467
Construction	\$241,000	Mortgage	\$342,644
Subtotal	\$385,000	Total costs	\$403,110
		% Equity	15.0%
GST (net)*	\$18,110	Mortgage insur. premium	\$16,276
<b>Total Costs</b>	<b>\$403,110</b>	<b>Total Financing Required</b>	<b>\$358,919</b>

**Development profit assumption:** 15% **minimum sales price** \$463,577 [to generate a 15% development profit]

**Average cash-on-cash return assumption** 10.0% **cap rate** 5.6% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$33,300	\$10,989	\$22,980	\$35,328	\$36,388	\$37,479	\$38,604	\$39,762	\$40,955	\$42,183	\$43,449
Other income	\$854	\$282	\$589	\$906	\$933	\$961	\$990	\$1,020	\$1,050	\$1,082	\$1,114
Vacancy allowance	-\$512	-\$169	-\$354	-\$544	-\$560	-\$577	-\$594	-\$612	-\$630	-\$649	-\$668
<b>Gross income</b>	<b>\$33,642</b>	<b>\$11,102</b>	<b>\$23,216</b>	<b>\$35,690</b>	<b>\$36,761</b>	<b>\$37,864</b>	<b>\$39,000</b>	<b>\$40,170</b>	<b>\$41,375</b>	<b>\$42,616</b>	<b>\$43,895</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,400	\$4,050	\$4,820	\$5,618	\$5,731	\$5,845	\$5,962	\$6,081	\$6,203	\$6,327	\$6,453
Property taxes	\$2,260	\$2,260	\$2,305	\$2,351	\$2,398	\$2,446	\$2,495	\$2,545	\$2,596	\$2,648	\$2,701
<b>Total operating costs</b>	<b>\$7,660</b>	<b>\$6,310</b>	<b>\$7,124</b>	<b>\$7,969</b>	<b>\$8,129</b>	<b>\$8,291</b>	<b>\$8,457</b>	<b>\$8,626</b>	<b>\$8,799</b>	<b>\$8,975</b>	<b>\$9,154</b>
<b>Net Operating Income</b>	<b>\$25,982</b>	<b>\$4,792</b>	<b>\$16,092</b>	<b>\$27,721</b>	<b>\$28,632</b>	<b>\$29,573</b>	<b>\$30,543</b>	<b>\$31,544</b>	<b>\$32,576</b>	<b>\$33,641</b>	<b>\$34,740</b>
Calculated cap rate	6.4%										
<b>Mortgage Payments:</b>											
Principal	\$9,492	\$9,492	\$9,803	\$10,124	\$10,456	\$10,799	\$11,153	\$11,518	\$11,895	\$12,285	\$12,688
Interest	\$11,447	\$11,447	\$11,136	\$10,815	\$10,483	\$10,141	\$9,787	\$9,421	\$9,044	\$8,654	\$8,252
<b>Total</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>	<b>\$20,939</b>
<b>Cash Flow</b>	<b>\$5,042</b>	<b>-\$16,147</b>	<b>-\$4,848</b>	<b>\$6,782</b>	<b>\$7,693</b>	<b>\$8,633</b>	<b>\$9,603</b>	<b>\$10,604</b>	<b>\$11,637</b>	<b>\$12,702</b>	<b>\$13,801</b>
<b>Cash-on-Cash Return</b>	<b>8.3%</b>	<b>-26.7%</b>	<b>-8.0%</b>	<b>11.2%</b>	<b>12.7%</b>	<b>14.3%</b>	<b>15.9%</b>	<b>17.5%</b>	<b>19.2%</b>	<b>21.0%</b>	<b>22.8%</b>
Average Annual	8.3%	-26.7%	-17.4%	-7.8%	-2.7%	0.7%	3.2%	5.3%	7.0%	8.6%	10.0%
<b>Principal Payments</b>	<b>\$9,492</b>	<b>\$9,492</b>	<b>\$9,803</b>	<b>\$10,124</b>	<b>\$10,456</b>	<b>\$10,799</b>	<b>\$11,153</b>	<b>\$11,518</b>	<b>\$11,895</b>	<b>\$12,285</b>	<b>\$12,688</b>
Cumulative	\$9,492	\$9,492	\$19,296	\$29,420	\$39,876	\$50,675	\$61,828	\$73,346	\$85,241	\$97,526	\$110,214
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$14,535</b>	<b>-\$6,655</b>	<b>\$4,956</b>	<b>\$16,906</b>	<b>\$18,149</b>	<b>\$19,432</b>	<b>\$20,756</b>	<b>\$22,122</b>	<b>\$23,532</b>	<b>\$24,987</b>	<b>\$26,489</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>24.0%</b>	<b>-11.0%</b>	<b>8.2%</b>	<b>28.0%</b>	<b>30.0%</b>	<b>32.1%</b>	<b>34.3%</b>	<b>36.6%</b>	<b>38.9%</b>	<b>41.3%</b>	<b>43.8%</b>
Average Annual	24.0%	-11.0%	-1.4%	8.4%	13.8%	17.5%	20.3%	22.6%	24.6%	26.5%	28.2%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Basic  
Fringe  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%			<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25			Land	\$0	Initial cash investment	\$24,705
Loan-to-lending value ratio	85%			Construction	\$156,000	Mortgage	\$139,996
Mortgage insur. premium	4.75%			Subtotal	\$156,000	Total costs	\$164,701
Annual cost inflation	2.0%					% Equity	15.0%
Annual revenue growth	3.0%	market rent	difference	GST (net)*	\$8,701	Mortgage insur. premium	\$6,650
Initial monthly rent per unit	\$1,325	\$1,350	-\$25				
per sq. ft.	\$2.21	\$2.25	-\$0.04	<b>Total Costs</b>	<b>\$164,701</b>	<b>Total Financing Required</b>	<b>\$146,646</b>
Stabilized Vacancy rate	1.5%						
Average unit size (net sq. ft.)	600						
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$189,406</b>	<i>[to generate a 15% development profit]</i>	
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>5.6%</b>	<i>[implied if achieved 15% development profit]</i>	

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$15,900	\$5,247	\$10,973	\$16,868	\$17,374	\$17,896	\$18,432	\$18,985	\$19,555	\$20,142	\$20,746
Other income	\$408	\$135	\$281	\$433	\$445	\$459	\$473	\$487	\$501	\$516	\$532
Vacancy allowance	-\$245	-\$81	-\$169	-\$260	-\$267	-\$275	-\$284	-\$292	-\$301	-\$310	-\$319
<b>Gross income</b>	<b>\$16,063</b>	<b>\$5,301</b>	<b>\$11,085</b>	<b>\$17,041</b>	<b>\$17,553</b>	<b>\$18,079</b>	<b>\$18,622</b>	<b>\$19,180</b>	<b>\$19,756</b>	<b>\$20,348</b>	<b>\$20,959</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,680	\$3,510	\$4,177	\$4,869	\$4,966	\$5,066	\$5,167	\$5,270	\$5,376	\$5,483	\$5,593
Property taxes	\$795	\$795	\$811	\$827	\$844	\$861	\$878	\$895	\$913	\$932	\$950
<b>Total operating costs</b>	<b>\$5,475</b>	<b>\$4,305</b>	<b>\$4,988</b>	<b>\$5,696</b>	<b>\$5,810</b>	<b>\$5,926</b>	<b>\$6,045</b>	<b>\$6,166</b>	<b>\$6,289</b>	<b>\$6,415</b>	<b>\$6,543</b>
<b>Net Operating Income</b>	<b>\$10,588</b>	<b>\$996</b>	<b>\$6,097</b>	<b>\$11,345</b>	<b>\$11,742</b>	<b>\$12,153</b>	<b>\$12,577</b>	<b>\$13,014</b>	<b>\$13,466</b>	<b>\$13,933</b>	<b>\$14,415</b>
<i>Calculated cap rate</i>	<i>6.4%</i>										
<b>Mortgage Payments:</b>											
Principal	\$3,878	\$3,878	\$4,005	\$4,137	\$4,272	\$4,412	\$4,557	\$4,706	\$4,860	\$5,019	\$5,184
Interest	\$4,677	\$4,677	\$4,550	\$4,419	\$4,283	\$4,143	\$3,999	\$3,849	\$3,695	\$3,536	\$3,371
<b>Total</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>	<b>\$8,555</b>
<b>Cash Flow</b>	<b>\$2,033</b>	<b>-\$7,560</b>	<b>-\$2,458</b>	<b>\$2,790</b>	<b>\$3,187</b>	<b>\$3,597</b>	<b>\$4,021</b>	<b>\$4,459</b>	<b>\$4,911</b>	<b>\$5,378</b>	<b>\$5,860</b>
<b>Cash-on-Cash Return</b>	<b>8.2%</b>	<b>-30.6%</b>	<b>-9.9%</b>	<b>11.3%</b>	<b>12.9%</b>	<b>14.6%</b>	<b>16.3%</b>	<b>18.0%</b>	<b>19.9%</b>	<b>21.8%</b>	<b>23.7%</b>
<i>Average Annual</i>	<i>8.2%</i>	<i>-30.6%</i>	<i>-20.3%</i>	<i>-9.8%</i>	<i>-4.1%</i>	<i>-0.4%</i>	<i>2.4%</i>	<i>4.6%</i>	<i>6.6%</i>	<i>8.2%</i>	<i>9.8%</i>
<b>Principal Payments</b>	<b>\$3,878</b>	<b>\$3,878</b>	<b>\$4,005</b>	<b>\$4,137</b>	<b>\$4,272</b>	<b>\$4,412</b>	<b>\$4,557</b>	<b>\$4,706</b>	<b>\$4,860</b>	<b>\$5,019</b>	<b>\$5,184</b>
<i>Cumulative</i>	<i>\$3,878</i>	<i>\$3,878</i>	<i>\$7,884</i>	<i>\$12,020</i>	<i>\$16,292</i>	<i>\$20,705</i>	<i>\$25,261</i>	<i>\$29,967</i>	<i>\$34,827</i>	<i>\$39,847</i>	<i>\$45,031</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,911</b>	<b>-\$3,681</b>	<b>\$1,547</b>	<b>\$6,926</b>	<b>\$7,459</b>	<b>\$8,010</b>	<b>\$8,578</b>	<b>\$9,165</b>	<b>\$9,771</b>	<b>\$10,397</b>	<b>\$11,044</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>23.9%</b>	<b>-14.9%</b>	<b>6.3%</b>	<b>28.0%</b>	<b>30.2%</b>	<b>32.4%</b>	<b>34.7%</b>	<b>37.1%</b>	<b>39.6%</b>	<b>42.1%</b>	<b>44.7%</b>
<i>Average Annual</i>	<i>23.9%</i>	<i>-14.9%</i>	<i>-4.3%</i>	<i>6.5%</i>	<i>12.4%</i>	<i>16.4%</i>	<i>19.5%</i>	<i>22.0%</i>	<i>24.2%</i>	<i>26.2%</i>	<i>28.0%</i>

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: Medium  
Central, Not Downtown  
Economic Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	3.0%	market rent	difference
Initial monthly rent per unit	\$1,725	\$1,500	\$225
per sq. ft	\$2.88	\$2.50	\$0.38
Stabilized Vacancy rate	1.5%		
Average unit size (net sq. ft.)	600		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$0	Initial cash investment	\$34,101
Construction	\$217,000	Mortgage	\$193,238
Subtotal	\$217,000	Total costs	\$227,339
		% Equity	15.0%
GST (net)*	\$10,339	Mortgage insur. premium	\$9,179
<b>Total Costs</b>	<b>\$227,339</b>	<b>Total Financing Required</b>	<b>\$202,417</b>

**Development profit assumption:** 15% **minimum sales price** \$261,440 [to generate a 15% development profit]

**Average cash-on-cash return assumption** 10.0% **cap rate** 5.6% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$20,700	\$6,831	\$14,285	\$21,961	\$22,619	\$23,298	\$23,997	\$24,717	\$25,458	\$26,222	\$27,009
Other income	\$531	\$175	\$366	\$563	\$580	\$597	\$615	\$634	\$653	\$672	\$693
Vacancy allowance	-\$318	-\$105	-\$220	-\$338	-\$348	-\$358	-\$369	-\$380	-\$392	-\$403	-\$416
<b>Gross income</b>	<b>\$20,912</b>	<b>\$6,901</b>	<b>\$14,432</b>	<b>\$22,186</b>	<b>\$22,851</b>	<b>\$23,537</b>	<b>\$24,243</b>	<b>\$24,970</b>	<b>\$25,720</b>	<b>\$26,491</b>	<b>\$27,286</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,040	\$3,780	\$4,498	\$5,244	\$5,348	\$5,455	\$5,565	\$5,676	\$5,789	\$5,905	\$6,023
Property taxes	\$1,183	\$1,183	\$1,207	\$1,231	\$1,255	\$1,280	\$1,306	\$1,332	\$1,359	\$1,386	\$1,414
<b>Total operating costs</b>	<b>\$6,223</b>	<b>\$4,963</b>	<b>\$5,705</b>	<b>\$6,474</b>	<b>\$6,604</b>	<b>\$6,736</b>	<b>\$6,871</b>	<b>\$7,008</b>	<b>\$7,148</b>	<b>\$7,291</b>	<b>\$7,437</b>
<b>Net Operating Income</b>	<b>\$14,689</b>	<b>\$1,938</b>	<b>\$8,727</b>	<b>\$15,712</b>	<b>\$16,248</b>	<b>\$16,801</b>	<b>\$17,372</b>	<b>\$17,962</b>	<b>\$18,571</b>	<b>\$19,200</b>	<b>\$19,849</b>
Calculated cap rate	6.5%										
<b>Mortgage Payments:</b>											
Principal	\$5,353	\$5,353	\$5,529	\$5,710	\$5,897	\$6,090	\$6,290	\$6,496	\$6,709	\$6,928	\$7,155
Interest	\$6,456	\$6,456	\$6,280	\$6,099	\$5,912	\$5,719	\$5,519	\$5,313	\$5,100	\$4,881	\$4,654
<b>Total</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>	<b>\$11,809</b>
<b>Cash Flow</b>	<b>\$2,880</b>	<b>-\$9,871</b>	<b>-\$3,082</b>	<b>\$3,903</b>	<b>\$4,439</b>	<b>\$4,992</b>	<b>\$5,564</b>	<b>\$6,153</b>	<b>\$6,762</b>	<b>\$7,391</b>	<b>\$8,040</b>
<b>Cash-on-Cash Return</b>	<b>8.4%</b>	<b>-28.9%</b>	<b>-9.0%</b>	<b>11.4%</b>	<b>13.0%</b>	<b>14.6%</b>	<b>16.3%</b>	<b>18.0%</b>	<b>19.8%</b>	<b>21.7%</b>	<b>23.6%</b>
Average Annual	8.4%	-28.9%	-19.0%	-8.8%	-3.4%	0.2%	2.9%	5.1%	6.9%	8.6%	10.1%
<b>Principal Payments</b>	<b>\$5,353</b>	<b>\$5,353</b>	<b>\$5,529</b>	<b>\$5,710</b>	<b>\$5,897</b>	<b>\$6,090</b>	<b>\$6,290</b>	<b>\$6,496</b>	<b>\$6,709</b>	<b>\$6,928</b>	<b>\$7,155</b>
Cumulative	\$5,353	\$5,353	\$10,882	\$16,592	\$22,489	\$28,579	\$34,868	\$41,364	\$48,073	\$55,001	\$62,156
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,234</b>	<b>-\$4,518</b>	<b>\$2,447</b>	<b>\$9,612</b>	<b>\$10,336</b>	<b>\$11,082</b>	<b>\$11,853</b>	<b>\$12,649</b>	<b>\$13,471</b>	<b>\$14,319</b>	<b>\$15,195</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>24.1%</b>	<b>-13.2%</b>	<b>7.2%</b>	<b>28.2%</b>	<b>30.3%</b>	<b>32.5%</b>	<b>34.8%</b>	<b>37.1%</b>	<b>39.5%</b>	<b>42.0%</b>	<b>44.6%</b>
Average Annual	24.1%	-13.2%	-3.0%	7.4%	13.1%	17.0%	19.9%	22.4%	24.5%	26.5%	28.3%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group



**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Vancouver**

**Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING			
Mortgage interest rate	3.25%			<b>Development Costs:</b>		<b>Financing:</b>	
Amortization period (yrs)	25			Land	\$0	Initial cash investment	\$38,867
Loan-to-lending value ratio	85%			Construction	\$241,000	Mortgage	\$220,244
Mortgage insur. premium	4.75%			Subtotal	\$241,000	Total costs	\$259,110
Annual cost inflation	2.0%					% Equity	15.0%
Annual revenue growth	3.0%	market rent	difference	GST (net)*	\$18,110	Mortgage insur. premium	\$10,462
Initial monthly rent per unit	\$1,950	\$1,750	\$200	<b>Total Costs</b>	<b>\$259,110</b>	<b>Total Financing Required</b>	<b>\$230,705</b>
per sq. ft.	\$3.25	\$2.92	\$0.33				
Stabilized Vacancy rate	1.5%						
Average unit size (net sq. ft.)	600						
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$297,977</b>	<i>[to generate a 15% development profit]</i>	
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>5.6%</b>	<i>[implied if achieved 15% development profit]</i>	

REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$23,400	\$7,722	\$16,148	\$24,825	\$25,570	\$26,337	\$27,127	\$27,941	\$28,779	\$29,642	\$30,532
Other income	\$600	\$198	\$414	\$637	\$656	\$675	\$696	\$716	\$738	\$760	\$783
Vacancy allowance	-\$360	-\$119	-\$248	-\$382	-\$393	-\$405	-\$417	-\$430	-\$443	-\$456	-\$470
<b>Gross income</b>	<b>\$23,640</b>	<b>\$7,801</b>	<b>\$16,314</b>	<b>\$25,080</b>	<b>\$25,832</b>	<b>\$26,607</b>	<b>\$27,405</b>	<b>\$28,227</b>	<b>\$29,074</b>	<b>\$29,946</b>	<b>\$30,845</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,400	\$4,050	\$4,820	\$5,618	\$5,731	\$5,845	\$5,962	\$6,081	\$6,203	\$6,327	\$6,453
Property taxes	\$1,588	\$1,588	\$1,620	\$1,652	\$1,685	\$1,719	\$1,753	\$1,788	\$1,824	\$1,861	\$1,898
<b>Total operating costs</b>	<b>\$6,988</b>	<b>\$5,638</b>	<b>\$6,439</b>	<b>\$7,270</b>	<b>\$7,416</b>	<b>\$7,564</b>	<b>\$7,715</b>	<b>\$7,870</b>	<b>\$8,027</b>	<b>\$8,187</b>	<b>\$8,351</b>
<b>Net Operating Income</b>	<b>\$16,652</b>	<b>\$2,163</b>	<b>\$9,875</b>	<b>\$17,809</b>	<b>\$18,416</b>	<b>\$19,043</b>	<b>\$19,690</b>	<b>\$20,358</b>	<b>\$21,047</b>	<b>\$21,759</b>	<b>\$22,494</b>
Calculated cap rate	6.4%										
<b>Mortgage Payments:</b>											
Principal	\$6,101	\$6,101	\$6,301	\$6,508	\$6,721	\$6,941	\$7,169	\$7,404	\$7,646	\$7,897	\$8,155
Interest	\$7,358	\$7,358	\$7,158	\$6,952	\$6,738	\$6,518	\$6,291	\$6,056	\$5,813	\$5,563	\$5,304
<b>Total</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>	<b>\$13,459</b>
<b>Cash Flow</b>	<b>\$3,193</b>	<b>-\$11,296</b>	<b>-\$3,585</b>	<b>\$4,350</b>	<b>\$4,957</b>	<b>\$5,584</b>	<b>\$6,231</b>	<b>\$6,899</b>	<b>\$7,588</b>	<b>\$8,300</b>	<b>\$9,034</b>
<b>Cash-on-Cash Return</b>	<b>8.2%</b>	<b>-29.1%</b>	<b>-9.2%</b>	<b>11.2%</b>	<b>12.8%</b>	<b>14.4%</b>	<b>16.0%</b>	<b>17.7%</b>	<b>19.5%</b>	<b>21.4%</b>	<b>23.2%</b>
Average Annual	8.2%	-29.1%	-19.1%	-9.0%	-3.6%	0.0%	2.7%	4.8%	6.7%	8.3%	9.8%
<b>Principal Payments</b>	<b>\$6,101</b>	<b>\$6,101</b>	<b>\$6,301</b>	<b>\$6,508</b>	<b>\$6,721</b>	<b>\$6,941</b>	<b>\$7,169</b>	<b>\$7,404</b>	<b>\$7,646</b>	<b>\$7,897</b>	<b>\$8,155</b>
Cumulative	\$6,101	\$6,101	\$12,403	\$18,911	\$25,632	\$32,573	\$39,741	\$47,145	\$54,791	\$62,688	\$70,843
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$9,294</b>	<b>-\$5,195</b>	<b>\$2,717</b>	<b>\$10,858</b>	<b>\$11,678</b>	<b>\$12,525</b>	<b>\$13,399</b>	<b>\$14,302</b>	<b>\$15,234</b>	<b>\$16,196</b>	<b>\$17,190</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>23.9%</b>	<b>-13.4%</b>	<b>7.0%</b>	<b>27.9%</b>	<b>30.0%</b>	<b>32.2%</b>	<b>34.5%</b>	<b>36.8%</b>	<b>39.2%</b>	<b>41.7%</b>	<b>44.2%</b>
Average Annual	23.9%	-13.4%	-3.2%	7.2%	12.9%	16.8%	19.7%	22.2%	24.3%	26.2%	28.0%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

## Calgary

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

**Project type: Basic Fringe**  
**Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,250
per sq. ft	\$1.81
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	690

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$0
Construction	\$177,000
Subtotal	\$177,000

**Financing:**

Initial cash investment	\$27,467
Mortgage	\$155,645
Total costs	\$183,112
% Equity	15.0%

GST (net)*	\$6,112	Mortgage insur. premium	\$7,393
<b>Total Costs</b>	<b>\$183,112</b>	<b>Total Financing Required</b>	<b>\$163,038</b>

**Development profit assumption:** 15%

**minimum sales price** \$210,579 [to generate a 15% development profit]

**cap rate** 4.1% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

**Revenues:**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental income	\$15,000	\$4,950	\$10,251	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926
Other income	\$385	\$127	\$263	\$400	\$408	\$416	\$425	\$433	\$442	\$451	\$460
Vacancy allowance	-\$538	-\$178	-\$368	-\$560	-\$571	-\$583	-\$595	-\$606	-\$619	-\$631	-\$644
<b>Gross income</b>	<b>\$14,846</b>	<b>\$4,899</b>	<b>\$10,146</b>	<b>\$15,446</b>	<b>\$15,755</b>	<b>\$16,070</b>	<b>\$16,391</b>	<b>\$16,719</b>	<b>\$17,054</b>	<b>\$17,395</b>	<b>\$17,743</b>

**Operating Costs:**

Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,283	\$1,283	\$1,309	\$1,335	\$1,362	\$1,389	\$1,417	\$1,445	\$1,474	\$1,503	\$1,534
<b>Total operating costs</b>	<b>\$6,251</b>	<b>\$5,009</b>	<b>\$5,743</b>	<b>\$6,504</b>	<b>\$6,634</b>	<b>\$6,767</b>	<b>\$6,902</b>	<b>\$7,040</b>	<b>\$7,181</b>	<b>\$7,324</b>	<b>\$7,471</b>

**Net Operating Income**

	\$8,595	-\$110	\$4,403	\$8,942	\$9,121	\$9,303	\$9,490	\$9,679	\$9,873	\$10,070	\$10,272
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Calculated cap rate 4.7%

**Mortgage Payments:**

Principal	\$4,312	\$4,312	\$4,453	\$4,599	\$4,750	\$4,905	\$5,066	\$5,232	\$5,403	\$5,580	\$5,763
Interest	\$5,200	\$5,200	\$5,059	\$4,913	\$4,762	\$4,606	\$4,446	\$4,280	\$4,108	\$3,931	\$3,748
<b>Total</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>

**Cash Flow**

	-\$917	-\$9,622	-\$5,109	-\$569	-\$391	-\$208	-\$22	\$168	\$361	\$559	\$760
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**Cash-on-Cash Return**

	-3.3%	-35.0%	-18.6%	-2.1%	-1.4%	-0.8%	-0.1%	0.6%	1.3%	2.0%	2.8%
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Average Annual -3.3% -35.0% -26.8% -18.6% -14.3% -11.6% -9.7% -8.2% -7.0% -6.0% -5.1%

**Principal Payments**

	\$4,312	\$4,312	\$4,453	\$4,599	\$4,750	\$4,905	\$5,066	\$5,232	\$5,403	\$5,580	\$5,763
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Cumulative \$4,312 \$4,312 \$8,765 \$13,364 \$18,114 \$23,019 \$28,085 \$33,317 \$38,721 \$44,301 \$50,064

**Annual Cash Flow & Principal Payments**

	\$3,395	-\$5,310	-\$655	\$4,030	\$4,359	\$4,697	\$5,044	\$5,400	\$5,765	\$6,139	\$6,523
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**Annual Cash Flow & Principal Payments**

as % of Initial Cash Investment	12.4%	-19.3%	-2.4%	14.7%	15.9%	17.1%	18.4%	19.7%	21.0%	22.4%	23.8%
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Average Annual 12.4% -19.3% -10.9% -2.3% 2.2% 5.2% 7.4% 9.1% 10.6% 11.9% 13.1%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

*Project type: Medium  
Central, Not Downtown  
Market Rent; Zero Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,650
per sq. ft	\$2.39
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	690

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$0	Initial cash investment	\$39,450
Construction	\$253,000	Mortgage	\$223,551
Subtotal	\$253,000	Total costs	\$263,001
		% Equity	15.0%
GST (net)*	\$10,001	Mortgage insur. premium	\$10,619
<b>Total Costs</b>	<b>\$263,001</b>	<b>Total Financing Required</b>	<b>\$234,169</b>

**Development profit assumption:** 15%

**minimum sales price** \$302,451 [to generate a 15% development profit]

**cap rate** 4.4% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$19,800	\$6,534	\$13,531	\$20,600	\$21,012	\$21,432	\$21,861	\$22,298	\$22,744	\$23,199	\$23,663
Other income	\$1,042	\$344	\$712	\$1,084	\$1,106	\$1,128	\$1,151	\$1,174	\$1,197	\$1,221	\$1,245
Vacancy allowance	-\$729	-\$241	-\$499	-\$759	-\$774	-\$790	-\$805	-\$822	-\$838	-\$855	-\$872
<b>Gross income</b>	<b>\$20,113</b>	<b>\$6,637</b>	<b>\$13,745</b>	<b>\$20,925</b>	<b>\$21,344</b>	<b>\$21,771</b>	<b>\$22,206</b>	<b>\$22,650</b>	<b>\$23,103</b>	<b>\$23,565</b>	<b>\$24,036</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,863	\$1,863	\$1,900	\$1,938	\$1,977	\$2,016	\$2,056	\$2,098	\$2,140	\$2,182	\$2,226
<b>Total operating costs</b>	<b>\$6,831</b>	<b>\$5,589</b>	<b>\$6,334</b>	<b>\$7,107</b>	<b>\$7,249</b>	<b>\$7,394</b>	<b>\$7,542</b>	<b>\$7,692</b>	<b>\$7,846</b>	<b>\$8,003</b>	<b>\$8,163</b>
<b>Net Operating Income</b>	<b>\$13,282</b>	<b>\$1,049</b>	<b>\$7,411</b>	<b>\$13,819</b>	<b>\$14,095</b>	<b>\$14,377</b>	<b>\$14,664</b>	<b>\$14,958</b>	<b>\$15,257</b>	<b>\$15,562</b>	<b>\$15,873</b>
Calculated cap rate	5.1%										
<b>Mortgage Payments:</b>											
Principal	\$6,193	\$6,193	\$6,396	\$6,605	\$6,822	\$7,045	\$7,276	\$7,515	\$7,761	\$8,015	\$8,278
Interest	\$7,468	\$7,468	\$7,265	\$7,056	\$6,839	\$6,616	\$6,385	\$6,147	\$5,901	\$5,646	\$5,384
<b>Total</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>
<b>Cash Flow</b>	<b>-\$379</b>	<b>-\$12,613</b>	<b>-\$6,250</b>	<b>\$157</b>	<b>\$434</b>	<b>\$716</b>	<b>\$1,003</b>	<b>\$1,296</b>	<b>\$1,596</b>	<b>\$1,901</b>	<b>\$2,212</b>
<b>Cash-on-Cash Return</b>	<b>-1.0%</b>	<b>-32.0%</b>	<b>-15.8%</b>	<b>0.4%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>5.6%</b>
Average Annual	-1.0%	-32.0%	-23.9%	-15.8%	-11.6%	-8.9%	-7.0%	-5.5%	-4.3%	-3.3%	-2.4%
<b>Principal Payments</b>	<b>\$6,193</b>	<b>\$6,193</b>	<b>\$6,396</b>	<b>\$6,605</b>	<b>\$6,822</b>	<b>\$7,045</b>	<b>\$7,276</b>	<b>\$7,515</b>	<b>\$7,761</b>	<b>\$8,015</b>	<b>\$8,278</b>
Cumulative	\$6,193	\$6,193	\$12,589	\$19,194	\$26,016	\$33,062	\$40,338	\$47,853	\$55,614	\$63,629	\$71,907
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,814</b>	<b>-\$6,420</b>	<b>\$146</b>	<b>\$6,763</b>	<b>\$7,256</b>	<b>\$7,761</b>	<b>\$8,279</b>	<b>\$8,811</b>	<b>\$9,356</b>	<b>\$9,916</b>	<b>\$10,490</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>14.7%</b>	<b>-16.3%</b>	<b>0.4%</b>	<b>17.1%</b>	<b>18.4%</b>	<b>19.7%</b>	<b>21.0%</b>	<b>22.3%</b>	<b>23.7%</b>	<b>25.1%</b>	<b>26.6%</b>
Average Annual	14.7%	-16.3%	-8.0%	0.4%	4.9%	7.9%	10.0%	11.8%	13.3%	14.6%	15.8%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

*Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit per sq. ft	\$1,750 \$2.54
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	690

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$0
Construction	\$284,000
Subtotal	\$284,000

**Financing:**

Initial cash investment	\$44,389
Mortgage	\$251,536
Total costs	\$295,924
% Equity	15.0%

GST (net)*	\$11,924	Mortgage insur. premium	\$11,948
<b>Total Costs</b>	<b>\$295,924</b>	<b>Total Financing Required</b>	<b>\$263,484</b>

**Development profit assumption:** 15%

**minimum sales price** \$340,313 [to generate a 15% development profit]

**cap rate** 4.2% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$21,000	\$6,930	\$14,351	\$21,848	\$22,285	\$22,731	\$23,186	\$23,649	\$24,122	\$24,605	\$25,097
Other income	\$1,105	\$365	\$755	\$1,150	\$1,173	\$1,196	\$1,220	\$1,245	\$1,270	\$1,295	\$1,321
Vacancy allowance	-\$774	-\$255	-\$529	-\$805	-\$821	-\$837	-\$854	-\$871	-\$889	-\$906	-\$925
<b>Gross income</b>	<b>\$21,332</b>	<b>\$7,039</b>	<b>\$14,578</b>	<b>\$22,193</b>	<b>\$22,637</b>	<b>\$23,090</b>	<b>\$23,552</b>	<b>\$24,023</b>	<b>\$24,503</b>	<b>\$24,993</b>	<b>\$25,493</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$2,107	\$2,107	\$2,149	\$2,192	\$2,236	\$2,281	\$2,326	\$2,373	\$2,420	\$2,469	\$2,518
<b>Total operating costs</b>	<b>\$7,075</b>	<b>\$5,833</b>	<b>\$6,583</b>	<b>\$7,361</b>	<b>\$7,508</b>	<b>\$7,658</b>	<b>\$7,812</b>	<b>\$7,968</b>	<b>\$8,127</b>	<b>\$8,290</b>	<b>\$8,455</b>
<b>Net Operating Income</b>	<b>\$14,256</b>	<b>\$1,206</b>	<b>\$7,995</b>	<b>\$14,832</b>	<b>\$15,129</b>	<b>\$15,432</b>	<b>\$15,740</b>	<b>\$16,055</b>	<b>\$16,376</b>	<b>\$16,704</b>	<b>\$17,038</b>
Calculated cap rate	4.8%										
<b>Mortgage Payments:</b>											
Principal	\$6,968	\$6,968	\$7,197	\$7,432	\$7,676	\$7,927	\$8,187	\$8,455	\$8,732	\$9,019	\$9,314
Interest	\$8,403	\$8,403	\$8,175	\$7,939	\$7,696	\$7,444	\$7,184	\$6,916	\$6,639	\$6,353	\$6,058
<b>Total</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>
<b>Cash Flow</b>	<b>-\$1,115</b>	<b>-\$14,165</b>	<b>-\$7,377</b>	<b>-\$539</b>	<b>-\$243</b>	<b>\$60</b>	<b>\$369</b>	<b>\$683</b>	<b>\$1,005</b>	<b>\$1,332</b>	<b>\$1,666</b>
<b>Cash-on-Cash Return</b>	<b>-2.5%</b>	<b>-31.9%</b>	<b>-16.6%</b>	<b>-1.2%</b>	<b>-0.5%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>1.5%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>3.8%</b>
Average Annual	-2.5%	-31.9%	-24.3%	-16.6%	-12.6%	-10.0%	-8.2%	-6.8%	-5.7%	-4.7%	-3.9%
<b>Principal Payments</b>	<b>\$6,968</b>	<b>\$6,968</b>	<b>\$7,197</b>	<b>\$7,432</b>	<b>\$7,676</b>	<b>\$7,927</b>	<b>\$8,187</b>	<b>\$8,455</b>	<b>\$8,732</b>	<b>\$9,019</b>	<b>\$9,314</b>
Cumulative	\$6,968	\$6,968	\$14,165	\$21,597	\$29,273	\$37,201	\$45,388	\$53,843	\$62,576	\$71,594	\$80,908
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,853</b>	<b>-\$7,197</b>	<b>-\$180</b>	<b>\$6,893</b>	<b>\$7,433</b>	<b>\$7,987</b>	<b>\$8,556</b>	<b>\$9,139</b>	<b>\$9,737</b>	<b>\$10,351</b>	<b>\$10,980</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>13.2%</b>	<b>-16.2%</b>	<b>-0.4%</b>	<b>15.5%</b>	<b>16.7%</b>	<b>18.0%</b>	<b>19.3%</b>	<b>20.6%</b>	<b>21.9%</b>	<b>23.3%</b>	<b>24.7%</b>
Average Annual	13.2%	-16.2%	-8.3%	-0.4%	3.9%	6.7%	8.8%	10.5%	11.9%	13.2%	14.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

**Project type: Basic  
Fringe  
Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%					<b>Development Costs:</b>		<b>Financing:</b>			
Amortization period (yrs)	25					Land	\$33,000	Initial cash investment	\$32,417		
Loan-to-lending value ratio	85%					Construction	\$177,000	Mortgage	\$183,695		
Mortgage insur. premium	4.75%					Subtotal	\$210,000	Total costs	\$216,112		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,850	\$1,250	\$600								
per sq. ft	\$2.68	\$1.81	\$0.87								
Stabilized Vacancy rate	3.5%					GST (net)*	\$6,112	Mortgage insur. premium	\$8,726		
Average unit size (net sq. ft.)	690					<b>Total Costs</b>	<b>\$216,112</b>	<b>Total Financing Required</b>	<b>\$192,421</b>		
<b>Development profit assumption:</b>	<b>15%</b>					<b>minimum sales price</b>	<b>\$248,529 [to generate a 15% development profit]</b>				
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>					<b>cap rate</b>	<b>6.1% [implied if achieved 15% development profit]</b>				
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$22,200	\$7,326	\$15,171	\$23,097	\$23,559	\$24,030	\$24,511	\$25,001	\$25,501	\$26,011	\$26,531
Other income	\$569	\$188	\$389	\$592	\$604	\$616	\$628	\$641	\$654	\$667	\$680
Vacancy allowance	-\$797	-\$263	-\$545	-\$829	-\$846	-\$863	-\$880	-\$897	-\$915	-\$934	-\$952
<b>Gross income</b>	<b>\$21,972</b>	<b>\$7,251</b>	<b>\$15,016</b>	<b>\$22,860</b>	<b>\$23,317</b>	<b>\$23,784</b>	<b>\$24,259</b>	<b>\$24,744</b>	<b>\$25,239</b>	<b>\$25,744</b>	<b>\$26,259</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,899	\$1,899	\$1,937	\$1,976	\$2,015	\$2,056	\$2,097	\$2,139	\$2,182	\$2,225	\$2,270
<b>Total operating costs</b>	<b>\$6,867</b>	<b>\$5,625</b>	<b>\$6,371</b>	<b>\$7,145</b>	<b>\$7,287</b>	<b>\$7,433</b>	<b>\$7,582</b>	<b>\$7,734</b>	<b>\$7,888</b>	<b>\$8,046</b>	<b>\$8,207</b>
<b>Net Operating Income</b>	<b>\$15,105</b>	<b>\$1,626</b>	<b>\$8,645</b>	<b>\$15,715</b>	<b>\$16,030</b>	<b>\$16,350</b>	<b>\$16,677</b>	<b>\$17,011</b>	<b>\$17,351</b>	<b>\$17,698</b>	<b>\$18,052</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$5,089	\$5,089	\$5,256	\$5,428	\$5,606	\$5,789	\$5,979	\$6,175	\$6,377	\$6,586	\$6,802
Interest	\$6,137	\$6,137	\$5,970	\$5,798	\$5,620	\$5,436	\$5,247	\$5,051	\$4,849	\$4,640	\$4,424
<b>Total</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>	<b>\$11,226</b>
<b>Cash Flow</b>	<b>\$3,879</b>	<b>-\$9,600</b>	<b>-\$2,581</b>	<b>\$4,490</b>	<b>\$4,804</b>	<b>\$5,125</b>	<b>\$5,452</b>	<b>\$5,785</b>	<b>\$6,125</b>	<b>\$6,472</b>	<b>\$6,826</b>
<b>Cash-on-Cash Return</b>	<b>12.0%</b>	<b>-29.6%</b>	<b>-8.0%</b>	<b>13.8%</b>	<b>14.8%</b>	<b>15.8%</b>	<b>16.8%</b>	<b>17.8%</b>	<b>18.9%</b>	<b>20.0%</b>	<b>21.1%</b>
Average Annual	12.0%	-29.6%	-18.8%	-7.9%	-2.2%	1.4%	4.0%	5.9%	7.6%	8.9%	10.1%
<b>Principal Payments</b>	<b>\$5,089</b>	<b>\$5,089</b>	<b>\$5,256</b>	<b>\$5,428</b>	<b>\$5,606</b>	<b>\$5,789</b>	<b>\$5,979</b>	<b>\$6,175</b>	<b>\$6,377</b>	<b>\$6,586</b>	<b>\$6,802</b>
Cumulative	\$5,089	\$5,089	\$10,345	\$15,772	\$21,378	\$27,167	\$33,146	\$39,321	\$45,699	\$52,285	\$59,087
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,968</b>	<b>-\$4,511</b>	<b>\$2,675</b>	<b>\$9,917</b>	<b>\$10,410</b>	<b>\$10,914</b>	<b>\$11,431</b>	<b>\$11,960</b>	<b>\$12,503</b>	<b>\$13,059</b>	<b>\$13,628</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.7%</b>	<b>-13.9%</b>	<b>8.3%</b>	<b>30.6%</b>	<b>32.1%</b>	<b>33.7%</b>	<b>35.3%</b>	<b>36.9%</b>	<b>38.6%</b>	<b>40.3%</b>	<b>42.0%</b>
Average Annual	27.7%	-13.9%	-2.8%	8.3%	14.3%	18.1%	21.0%	23.3%	25.2%	26.9%	28.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

*Project type: Medium  
Central, Not Downtown  
Economic Rent; Market Land Value*

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$41,000		Initial cash investment		\$45,600		
Loan-to-lending value ratio	85%			Construction	\$253,000		Mortgage		\$258,401		
Mortgage insur. premium	4.75%			Subtotal	\$294,000		Total costs		\$304,001		
Annual cost inflation	2.0%						% Equity		15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,350	\$1,650	\$700	GST (net)*	\$10,001		Mortgage insur. premium		\$12,274		
per sq. ft	\$3.41	\$2.39	\$1.01								
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$304,001</b>		<b>Total Financing Required</b>		<b>\$270,675</b>		
Average unit size (net sq. ft.)	690										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$349,601</b>	[to generate a 15% development profit]					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	[implied if achieved 15% development profit]					
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$28,200	\$9,306	\$19,272	\$29,339	\$29,926	\$30,525	\$31,135	\$31,758	\$32,393	\$33,041	\$33,702
Other income	\$1,484	\$490	\$1,014	\$1,544	\$1,575	\$1,607	\$1,639	\$1,671	\$1,705	\$1,739	\$1,774
Vacancy allowance	-\$1,039	-\$343	-\$710	-\$1,081	-\$1,103	-\$1,125	-\$1,147	-\$1,170	-\$1,193	-\$1,217	-\$1,242
<b>Gross income</b>	<b>\$28,645</b>	<b>\$9,453</b>	<b>\$19,576</b>	<b>\$29,803</b>	<b>\$30,399</b>	<b>\$31,007</b>	<b>\$31,627</b>	<b>\$32,259</b>	<b>\$32,904</b>	<b>\$33,562</b>	<b>\$34,234</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$2,653	\$2,653	\$2,706	\$2,760	\$2,815	\$2,871	\$2,929	\$2,987	\$3,047	\$3,108	\$3,170
<b>Total operating costs</b>	<b>\$7,621</b>	<b>\$6,379</b>	<b>\$7,140</b>	<b>\$7,929</b>	<b>\$8,087</b>	<b>\$8,249</b>	<b>\$8,414</b>	<b>\$8,582</b>	<b>\$8,754</b>	<b>\$8,929</b>	<b>\$9,108</b>
<b>Net Operating Income</b>	<b>\$21,025</b>	<b>\$3,074</b>	<b>\$12,436</b>	<b>\$21,874</b>	<b>\$22,311</b>	<b>\$22,758</b>	<b>\$23,213</b>	<b>\$23,677</b>	<b>\$24,151</b>	<b>\$24,634</b>	<b>\$25,126</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$7,158	\$7,158	\$7,393	\$7,635	\$7,885	\$8,144	\$8,411	\$8,686	\$8,971	\$9,265	\$9,568
Interest	\$8,633	\$8,633	\$8,398	\$8,156	\$7,906	\$7,647	\$7,381	\$7,105	\$6,820	\$6,526	\$6,223
<b>Total</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>	<b>\$15,791</b>
<b>Cash Flow</b>	<b>\$5,233</b>	<b>-\$12,717</b>	<b>-\$3,355</b>	<b>\$6,083</b>	<b>\$6,520</b>	<b>\$6,966</b>	<b>\$7,422</b>	<b>\$7,886</b>	<b>\$8,359</b>	<b>\$8,842</b>	<b>\$9,335</b>
<b>Cash-on-Cash Return</b>	<b>11.5%</b>	<b>-27.9%</b>	<b>-7.4%</b>	<b>13.3%</b>	<b>14.3%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>17.3%</b>	<b>18.3%</b>	<b>19.4%</b>	<b>20.5%</b>
Average Annual	11.5%	-27.9%	-17.6%	-7.3%	-1.9%	1.5%	4.0%	5.9%	7.4%	8.8%	9.9%
<b>Principal Payments</b>	<b>\$7,158</b>	<b>\$7,158</b>	<b>\$7,393</b>	<b>\$7,635</b>	<b>\$7,885</b>	<b>\$8,144</b>	<b>\$8,411</b>	<b>\$8,686</b>	<b>\$8,971</b>	<b>\$9,265</b>	<b>\$9,568</b>
Cumulative	\$7,158	\$7,158	\$14,552	\$22,187	\$30,072	\$38,216	\$46,627	\$55,313	\$64,283	\$73,548	\$83,116
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$12,392</b>	<b>-\$5,558</b>	<b>\$4,038</b>	<b>\$13,718</b>	<b>\$14,406</b>	<b>\$15,110</b>	<b>\$15,832</b>	<b>\$16,572</b>	<b>\$17,330</b>	<b>\$18,107</b>	<b>\$18,903</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.2%</b>	<b>-12.2%</b>	<b>8.9%</b>	<b>30.1%</b>	<b>31.6%</b>	<b>33.1%</b>	<b>34.7%</b>	<b>36.3%</b>	<b>38.0%</b>	<b>39.7%</b>	<b>41.5%</b>
Average Annual	27.2%	-12.2%	-1.7%	8.9%	14.6%	18.3%	21.0%	23.2%	25.1%	26.7%	28.2%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

*Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	2.0%	market rent	difference
Initial monthly rent per unit	\$2,625	\$1,750	\$875
per sq. ft	\$3.80	\$2.54	\$1.27
Stabilized Vacancy rate	3.5%		
Average unit size (net sq. ft.)	690		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$50,000	Initial cash investment	\$51,889
Construction	\$284,000	Mortgage	\$294,036
Subtotal	\$334,000	Total costs	\$345,924
		% Equity	15.0%
GST (net)*	\$11,924	Mortgage insur. premium	\$13,967
<b>Total Costs</b>	<b>\$345,924</b>	<b>Total Financing Required</b>	<b>\$308,002</b>

**Development profit assumption:** 15% **minimum sales price** \$397,813 [to generate a 15% development profit]

**Average cash-on-cash return assumption** 10.0% **cap rate** 6.0% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$31,500	\$10,395	\$21,527	\$32,773	\$33,428	\$34,097	\$34,779	\$35,474	\$36,184	\$36,907	\$37,645
Other income	\$1,658	\$547	\$1,133	\$1,725	\$1,759	\$1,795	\$1,830	\$1,867	\$1,904	\$1,942	\$1,981
Vacancy allowance	-\$1,161	-\$383	-\$793	-\$1,207	-\$1,232	-\$1,256	-\$1,281	-\$1,307	-\$1,333	-\$1,360	-\$1,387
<b>Gross income</b>	<b>\$31,997</b>	<b>\$10,559</b>	<b>\$21,867</b>	<b>\$33,290</b>	<b>\$33,956</b>	<b>\$34,635</b>	<b>\$35,328</b>	<b>\$36,034</b>	<b>\$36,755</b>	<b>\$37,490</b>	<b>\$38,240</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$3,161	\$3,161	\$3,224	\$3,288	\$3,354	\$3,421	\$3,490	\$3,559	\$3,631	\$3,703	\$3,777
<b>Total operating costs</b>	<b>\$8,129</b>	<b>\$6,887</b>	<b>\$7,658</b>	<b>\$8,457</b>	<b>\$8,626</b>	<b>\$8,799</b>	<b>\$8,975</b>	<b>\$9,154</b>	<b>\$9,337</b>	<b>\$9,524</b>	<b>\$9,715</b>
<b>Net Operating Income</b>	<b>\$23,869</b>	<b>\$3,672</b>	<b>\$14,209</b>	<b>\$24,833</b>	<b>\$25,330</b>	<b>\$25,836</b>	<b>\$26,353</b>	<b>\$26,880</b>	<b>\$27,418</b>	<b>\$27,966</b>	<b>\$28,525</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$8,146	\$8,146	\$8,413	\$8,688	\$8,973	\$9,267	\$9,570	\$9,884	\$10,208	\$10,542	\$10,888
Interest	\$9,823	\$9,823	\$9,556	\$9,281	\$8,996	\$8,702	\$8,398	\$8,085	\$7,761	\$7,427	\$7,081
<b>Total</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>	<b>\$17,969</b>
<b>Cash Flow</b>	<b>\$5,900</b>	<b>-\$14,296</b>	<b>-\$3,760</b>	<b>\$6,864</b>	<b>\$7,361</b>	<b>\$7,867</b>	<b>\$8,384</b>	<b>\$8,911</b>	<b>\$9,449</b>	<b>\$9,997</b>	<b>\$10,556</b>
<b>Cash-on-Cash Return</b>	<b>11.4%</b>	<b>-27.6%</b>	<b>-7.2%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>18.2%</b>	<b>19.3%</b>	<b>20.3%</b>
Average Annual	11.4%	-27.6%	-17.4%	-7.2%	-1.8%	1.6%	4.0%	5.9%	7.4%	8.7%	9.9%
<b>Principal Payments</b>	<b>\$8,146</b>	<b>\$8,146</b>	<b>\$8,413</b>	<b>\$8,688</b>	<b>\$8,973</b>	<b>\$9,267</b>	<b>\$9,570</b>	<b>\$9,884</b>	<b>\$10,208</b>	<b>\$10,542</b>	<b>\$10,888</b>
Cumulative	\$8,146	\$8,146	\$16,558	\$25,246	\$34,219	\$43,486	\$53,057	\$62,941	\$73,149	\$83,691	\$94,579
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$14,045</b>	<b>-\$6,151</b>	<b>\$4,653</b>	<b>\$15,552</b>	<b>\$16,334</b>	<b>\$17,134</b>	<b>\$17,955</b>	<b>\$18,795</b>	<b>\$19,657</b>	<b>\$20,539</b>	<b>\$21,444</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.1%</b>	<b>-11.9%</b>	<b>9.0%</b>	<b>30.0%</b>	<b>31.5%</b>	<b>33.0%</b>	<b>34.6%</b>	<b>36.2%</b>	<b>37.9%</b>	<b>39.6%</b>	<b>41.3%</b>
Average Annual	27.1%	-11.9%	-1.4%	9.0%	14.6%	18.3%	21.0%	23.2%	25.0%	26.7%	28.1%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group



**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

*Project type: Basic Fringe*  
*Economic Rent; Zero Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	2.0%	market rent	difference
Initial monthly rent per unit	\$1,650	\$1,250	\$400
per sq. ft	\$2.39	\$1.81	\$0.58
Stabilized Vacancy rate	3.5%		
Average unit size (net sq. ft.)	690		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$0	Initial cash investment	\$27,467
Construction	\$177,000	Mortgage	\$155,645
Subtotal	\$177,000	Total costs	\$183,112
		% Equity	15.0%
GST (net)*	\$6,112	Mortgage insur. premium	\$7,393
<b>Total Costs</b>	<b>\$183,112</b>	<b>Total Financing Required</b>	<b>\$163,038</b>

**Development profit assumption:** 15% **minimum sales price** \$210,579 [to generate a 15% development profit]  
**Average cash-on-cash return assumption** 10.0% **cap rate** 6.1% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$19,800	\$6,534	\$13,531	\$20,600	\$21,012	\$21,432	\$21,861	\$22,298	\$22,744	\$23,199	\$23,663
Other income	\$508	\$168	\$347	\$528	\$539	\$550	\$561	\$572	\$583	\$595	\$607
Vacancy allowance	-\$711	-\$235	-\$486	-\$739	-\$754	-\$769	-\$785	-\$800	-\$816	-\$833	-\$849
<b>Gross income</b>	<b>\$19,597</b>	<b>\$6,467</b>	<b>\$13,393</b>	<b>\$20,389</b>	<b>\$20,796</b>	<b>\$21,212</b>	<b>\$21,637</b>	<b>\$22,069</b>	<b>\$22,511</b>	<b>\$22,961</b>	<b>\$23,420</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$1,694	\$1,694	\$1,728	\$1,762	\$1,798	\$1,833	\$1,870	\$1,908	\$1,946	\$1,985	\$2,024
<b>Total operating costs</b>	<b>\$6,662</b>	<b>\$5,420</b>	<b>\$6,162</b>	<b>\$6,931</b>	<b>\$7,070</b>	<b>\$7,211</b>	<b>\$7,355</b>	<b>\$7,502</b>	<b>\$7,652</b>	<b>\$7,805</b>	<b>\$7,961</b>
<b>Net Operating Income</b>	<b>\$12,935</b>	<b>\$1,047</b>	<b>\$7,231</b>	<b>\$13,458</b>	<b>\$13,727</b>	<b>\$14,001</b>	<b>\$14,281</b>	<b>\$14,567</b>	<b>\$14,858</b>	<b>\$15,156</b>	<b>\$15,459</b>
Calculated cap rate	7.1%										
<b>Mortgage Payments:</b>											
Principal	\$4,312	\$4,312	\$4,453	\$4,599	\$4,750	\$4,905	\$5,066	\$5,232	\$5,403	\$5,580	\$5,763
Interest	\$5,200	\$5,200	\$5,059	\$4,913	\$4,762	\$4,606	\$4,446	\$4,280	\$4,108	\$3,931	\$3,748
<b>Total</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>	<b>\$9,512</b>
<b>Cash Flow</b>	<b>\$3,423</b>	<b>-\$8,464</b>	<b>-\$2,281</b>	<b>\$3,946</b>	<b>\$4,215</b>	<b>\$4,490</b>	<b>\$4,770</b>	<b>\$5,055</b>	<b>\$5,347</b>	<b>\$5,644</b>	<b>\$5,947</b>
<b>Cash-on-Cash Return</b>	<b>12.5%</b>	<b>-30.8%</b>	<b>-8.3%</b>	<b>14.4%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>17.4%</b>	<b>18.4%</b>	<b>19.5%</b>	<b>20.5%</b>	<b>21.7%</b>
Average Annual	12.5%	-30.8%	-19.6%	-8.3%	-2.4%	1.4%	4.1%	6.1%	7.8%	9.2%	10.4%
<b>Principal Payments</b>	<b>\$4,312</b>	<b>\$4,312</b>	<b>\$4,453</b>	<b>\$4,599</b>	<b>\$4,750</b>	<b>\$4,905</b>	<b>\$5,066</b>	<b>\$5,232</b>	<b>\$5,403</b>	<b>\$5,580</b>	<b>\$5,763</b>
Cumulative	\$4,312	\$4,312	\$8,765	\$13,364	\$18,114	\$23,019	\$28,085	\$33,317	\$38,721	\$44,301	\$50,064
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,735</b>	<b>-\$4,153</b>	<b>\$2,172</b>	<b>\$8,545</b>	<b>\$8,965</b>	<b>\$9,395</b>	<b>\$9,836</b>	<b>\$10,287</b>	<b>\$10,750</b>	<b>\$11,224</b>	<b>\$11,710</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>28.2%</b>	<b>-15.1%</b>	<b>7.9%</b>	<b>31.1%</b>	<b>32.6%</b>	<b>34.2%</b>	<b>35.8%</b>	<b>37.5%</b>	<b>39.1%</b>	<b>40.9%</b>	<b>42.6%</b>
Average Annual	28.2%	-15.1%	-3.6%	8.0%	14.1%	18.1%	21.1%	23.4%	25.4%	27.1%	28.7%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Calgary**

*Project type: Medium  
Central, Not Downtown  
Economic Rent; Zero Land Value*

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0		Initial cash investment	\$39,450			
Loan-to-lending value ratio	85%			Construction	\$253,000		Mortgage	\$223,551			
Mortgage insur. premium	4.75%			Subtotal	\$253,000		Total costs	\$263,001			
Annual cost inflation	2.0%						% Equity	15.0%			
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,100	\$1,650	\$450								
per sq. ft	\$3.04	\$2.39	\$0.65	GST (net)*	\$10,001		Mortgage insur. premium	\$10,619			
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$263,001</b>		<b>Total Financing Required</b>	<b>\$234,169</b>			
Average unit size (net sq. ft.)	690										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$302,451</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$25,200	\$8,316	\$17,222	\$26,218	\$26,742	\$27,277	\$27,823	\$28,379	\$28,947	\$29,526	\$30,116
Other income	\$1,326	\$438	\$906	\$1,380	\$1,407	\$1,436	\$1,464	\$1,494	\$1,524	\$1,554	\$1,585
Vacancy allowance	-\$928	-\$306	-\$634	-\$966	-\$985	-\$1,005	-\$1,025	-\$1,046	-\$1,066	-\$1,088	-\$1,110
<b>Gross income</b>	<b>\$25,598</b>	<b>\$8,447</b>	<b>\$17,494</b>	<b>\$26,632</b>	<b>\$27,165</b>	<b>\$27,708</b>	<b>\$28,262</b>	<b>\$28,827</b>	<b>\$29,404</b>	<b>\$29,992</b>	<b>\$30,592</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$2,371	\$2,371	\$2,418	\$2,466	\$2,516	\$2,566	\$2,617	\$2,670	\$2,723	\$2,777	\$2,833
<b>Total operating costs</b>	<b>\$7,339</b>	<b>\$6,097</b>	<b>\$6,852</b>	<b>\$7,635</b>	<b>\$7,788</b>	<b>\$7,943</b>	<b>\$8,102</b>	<b>\$8,264</b>	<b>\$8,430</b>	<b>\$8,598</b>	<b>\$8,770</b>
<b>Net Operating Income</b>	<b>\$18,259</b>	<b>\$2,351</b>	<b>\$10,642</b>	<b>\$18,997</b>	<b>\$19,377</b>	<b>\$19,765</b>	<b>\$20,160</b>	<b>\$20,563</b>	<b>\$20,974</b>	<b>\$21,394</b>	<b>\$21,822</b>
<i>Calculated cap rate</i>	<i>6.9%</i>										
<b>Mortgage Payments:</b>											
Principal	\$6,193	\$6,193	\$6,396	\$6,605	\$6,822	\$7,045	\$7,276	\$7,515	\$7,761	\$8,015	\$8,278
Interest	\$7,468	\$7,468	\$7,265	\$7,056	\$6,839	\$6,616	\$6,385	\$6,147	\$5,901	\$5,646	\$5,384
<b>Total</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>	<b>\$13,661</b>
<b>Cash Flow</b>	<b>\$4,598</b>	<b>-\$11,311</b>	<b>-\$3,020</b>	<b>\$5,336</b>	<b>\$5,716</b>	<b>\$6,103</b>	<b>\$6,498</b>	<b>\$6,902</b>	<b>\$7,313</b>	<b>\$7,732</b>	<b>\$8,160</b>
<b>Cash-on-Cash Return</b>	<b>11.7%</b>	<b>-28.7%</b>	<b>-7.7%</b>	<b>13.5%</b>	<b>14.5%</b>	<b>15.5%</b>	<b>16.5%</b>	<b>17.5%</b>	<b>18.5%</b>	<b>19.6%</b>	<b>20.7%</b>
<i>Average Annual</i>	<i>11.7%</i>	<i>-28.7%</i>	<i>-18.2%</i>	<i>-7.6%</i>	<i>-2.1%</i>	<i>1.4%</i>	<i>3.9%</i>	<i>5.9%</i>	<i>7.5%</i>	<i>8.8%</i>	<i>10.0%</i>
<b>Principal Payments</b>	<b>\$6,193</b>	<b>\$6,193</b>	<b>\$6,396</b>	<b>\$6,605</b>	<b>\$6,822</b>	<b>\$7,045</b>	<b>\$7,276</b>	<b>\$7,515</b>	<b>\$7,761</b>	<b>\$8,015</b>	<b>\$8,278</b>
<i>Cumulative</i>	<i>\$6,193</i>	<i>\$6,193</i>	<i>\$12,589</i>	<i>\$19,194</i>	<i>\$26,016</i>	<i>\$33,062</i>	<i>\$40,338</i>	<i>\$47,853</i>	<i>\$55,614</i>	<i>\$63,629</i>	<i>\$71,907</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$10,791</b>	<b>-\$5,118</b>	<b>\$3,376</b>	<b>\$11,941</b>	<b>\$12,537</b>	<b>\$13,149</b>	<b>\$13,775</b>	<b>\$14,416</b>	<b>\$15,074</b>	<b>\$15,747</b>	<b>\$16,438</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.4%</b>	<b>-13.0%</b>	<b>8.6%</b>	<b>30.3%</b>	<b>31.8%</b>	<b>33.3%</b>	<b>34.9%</b>	<b>36.5%</b>	<b>38.2%</b>	<b>39.9%</b>	<b>41.7%</b>
<i>Average Annual</i>	<i>27.4%</i>	<i>-13.0%</i>	<i>-2.2%</i>	<i>8.6%</i>	<i>14.4%</i>	<i>18.2%</i>	<i>21.0%</i>	<i>23.2%</i>	<i>25.1%</i>	<i>26.7%</i>	<i>28.2%</i>
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.											
Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Calgary**

*Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value*

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land		\$0	Initial cash investment				\$44,389
Loan-to-lending value ratio	85%			Construction		\$284,000	Mortgage				\$251,536
Mortgage insur. premium	4.75%			Subtotal		\$284,000	Total costs				\$295,924
Annual cost inflation	2.0%						% Equity				15.0%
Annual revenue growth	2.0%	market rent	difference	GST (net)*		\$11,924	Mortgage insur. premium				\$11,948
Initial monthly rent per unit	\$2,325	\$1,750	\$575	<b>Total Costs</b>		<b>\$295,924</b>	<b>Total Financing Required</b>				<b>\$263,484</b>
per sq. ft	\$3.37	\$2.54	\$0.83	<b>Development profit assumption:</b>		<b>15%</b>	<b>minimum sales price</b>				<b>\$340,313</b> [to generate a 15% development profit]
Stabilized Vacancy rate	3.5%			<b>Average cash-on-cash return assumption</b>		<b>10.0%</b>	<b>cap rate</b>				<b>6.0%</b> [implied if achieved 15% development profit]
Average unit size (net sq. ft.)	690										
REVENUES AND COSTS											
	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$27,900	\$9,207	\$19,067	\$29,027	\$29,608	\$30,200	\$30,804	\$31,420	\$32,048	\$32,689	\$33,343
Other income	\$1,468	\$485	\$1,004	\$1,528	\$1,558	\$1,589	\$1,621	\$1,654	\$1,687	\$1,720	\$1,755
Vacancy allowance	-\$1,028	-\$339	-\$702	-\$1,069	-\$1,091	-\$1,113	-\$1,135	-\$1,158	-\$1,181	-\$1,204	-\$1,228
<b>Gross income</b>	<b>\$28,341</b>	<b>\$9,352</b>	<b>\$19,368</b>	<b>\$29,485</b>	<b>\$30,075</b>	<b>\$30,677</b>	<b>\$31,290</b>	<b>\$31,916</b>	<b>\$32,554</b>	<b>\$33,205</b>	<b>\$33,870</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,968	\$3,726	\$4,434	\$5,169	\$5,272	\$5,378	\$5,485	\$5,595	\$5,707	\$5,821	\$5,937
Property taxes	\$2,799	\$2,799	\$2,855	\$2,913	\$2,971	\$3,030	\$3,091	\$3,153	\$3,216	\$3,280	\$3,346
<b>Total operating costs</b>	<b>\$7,767</b>	<b>\$6,525</b>	<b>\$7,289</b>	<b>\$8,081</b>	<b>\$8,243</b>	<b>\$8,408</b>	<b>\$8,576</b>	<b>\$8,747</b>	<b>\$8,922</b>	<b>\$9,101</b>	<b>\$9,283</b>
<b>Net Operating Income</b>	<b>\$20,573</b>	<b>\$2,827</b>	<b>\$12,078</b>	<b>\$21,404</b>	<b>\$21,832</b>	<b>\$22,269</b>	<b>\$22,714</b>	<b>\$23,169</b>	<b>\$23,632</b>	<b>\$24,105</b>	<b>\$24,587</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$6,968	\$6,968	\$7,197	\$7,432	\$7,676	\$7,927	\$8,187	\$8,455	\$8,732	\$9,019	\$9,314
Interest	\$8,403	\$8,403	\$8,175	\$7,939	\$7,696	\$7,444	\$7,184	\$6,916	\$6,639	\$6,353	\$6,058
<b>Total</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>	<b>\$15,372</b>
<b>Cash Flow</b>	<b>\$5,201</b>	<b>-\$12,545</b>	<b>-\$3,293</b>	<b>\$6,033</b>	<b>\$6,461</b>	<b>\$6,897</b>	<b>\$7,343</b>	<b>\$7,797</b>	<b>\$8,260</b>	<b>\$8,733</b>	<b>\$9,215</b>
<b>Cash-on-Cash Return</b>	<b>11.7%</b>	<b>-28.3%</b>	<b>-7.4%</b>	<b>13.6%</b>	<b>14.6%</b>	<b>15.5%</b>	<b>16.5%</b>	<b>17.6%</b>	<b>18.6%</b>	<b>19.7%</b>	<b>20.8%</b>
Average Annual	11.7%	-28.3%	-17.8%	-7.4%	-1.9%	1.6%	4.1%	6.0%	7.6%	8.9%	10.1%
<b>Principal Payments</b>	<b>\$6,968</b>	<b>\$6,968</b>	<b>\$7,197</b>	<b>\$7,432</b>	<b>\$7,676</b>	<b>\$7,927</b>	<b>\$8,187</b>	<b>\$8,455</b>	<b>\$8,732</b>	<b>\$9,019</b>	<b>\$9,314</b>
Cumulative	\$6,968	\$6,968	\$14,165	\$21,597	\$29,273	\$37,201	\$45,388	\$53,843	\$62,576	\$71,594	\$80,908
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$12,170</b>	<b>-\$5,576</b>	<b>\$3,903</b>	<b>\$13,465</b>	<b>\$14,137</b>	<b>\$14,825</b>	<b>\$15,530</b>	<b>\$16,252</b>	<b>\$16,993</b>	<b>\$17,752</b>	<b>\$18,529</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.4%</b>	<b>-12.6%</b>	<b>8.8%</b>	<b>30.3%</b>	<b>31.8%</b>	<b>33.4%</b>	<b>35.0%</b>	<b>36.6%</b>	<b>38.3%</b>	<b>40.0%</b>	<b>41.7%</b>
Average Annual	27.4%	-12.6%	-1.9%	8.9%	14.6%	18.4%	21.1%	23.3%	25.2%	26.9%	28.3%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

## Winnipeg

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Basic  
Fringe  
Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,275
per sq. ft	\$1.66
Stabilized Vacancy rate	3.0%
Average unit size (net sq. ft.)	770

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$0
Construction	\$198,000
Subtotal	\$198,000

**Financing:**

Initial cash investment	\$30,559
Mortgage	\$173,168
Total costs	\$203,728
% Equity	15.0%

GST (net)*	\$5,728	Mortgage insur. premium	\$8,225
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<b>Total Costs</b>	<b>\$203,728</b>	<b>Total Financing Required</b>	<b>\$181,394</b>
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**Development profit assumption: 15%**      **minimum sales price \$234,287** [to generate a 15% development profit]

**cap rate 4.4%** [implied if achieved 15% development profit]

**REVENUES AND COSTS**

**Revenues:**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental income	\$15,300	\$5,049	\$10,456	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926	\$18,285
Other income	\$805	\$266	\$550	\$838	\$855	\$872	\$889	\$907	\$925	\$943	\$962
Vacancy allowance	-\$483	-\$159	-\$330	-\$503	-\$513	-\$523	-\$533	-\$544	-\$555	-\$566	-\$577
<b>Gross income</b>	<b>\$15,622</b>	<b>\$5,155</b>	<b>\$10,676</b>	<b>\$16,253</b>	<b>\$16,578</b>	<b>\$16,910</b>	<b>\$17,248</b>	<b>\$17,593</b>	<b>\$17,945</b>	<b>\$18,304</b>	<b>\$18,670</b>

**Operating Costs:**

Maintenance and operations	\$3,234	\$2,426	\$2,886	\$3,365	\$3,432	\$3,501	\$3,571	\$3,642	\$3,715	\$3,789	\$3,865
Property taxes	\$2,096	\$2,096	\$2,138	\$2,181	\$2,225	\$2,269	\$2,315	\$2,361	\$2,408	\$2,456	\$2,505
<b>Total operating costs</b>	<b>\$5,330</b>	<b>\$4,522</b>	<b>\$5,025</b>	<b>\$5,546</b>	<b>\$5,657</b>	<b>\$5,770</b>	<b>\$5,885</b>	<b>\$6,003</b>	<b>\$6,123</b>	<b>\$6,246</b>	<b>\$6,370</b>

**Net Operating Income**

	\$10,292	\$633	\$5,651	\$10,707	\$10,922	\$11,140	\$11,363	\$11,590	\$11,822	\$12,058	\$12,299
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*Calculated cap rate*

	5.1%										
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**Mortgage Payments:**

Principal	\$4,797	\$4,797	\$4,954	\$5,117	\$5,284	\$5,458	\$5,636	\$5,821	\$6,012	\$6,209	\$6,412
Interest	\$5,785	\$5,785	\$5,628	\$5,466	\$5,298	\$5,125	\$4,946	\$4,761	\$4,571	\$4,374	\$4,170
<b>Total</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>

**Cash Flow**

	-\$291	-\$9,949	-\$4,931	\$125	\$339	\$557	\$780	\$1,008	\$1,239	\$1,476	\$1,717
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**Cash-on-Cash Return**

	-1.0%	-32.6%	-16.1%	0.4%	1.1%	1.8%	2.6%	3.3%	4.1%	4.8%	5.6%
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*Average Annual*

	-1.0%	-32.6%	-24.3%	-16.1%	-11.8%	-9.1%	-7.1%	-5.6%	-4.4%	-3.4%	-2.5%
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**Principal Payments**

	\$4,797	\$4,797	\$4,954	\$5,117	\$5,284	\$5,458	\$5,636	\$5,821	\$6,012	\$6,209	\$6,412
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*Cumulative*

	\$4,797	\$4,797	\$9,752	\$14,869	\$20,153	\$25,611	\$31,247	\$37,068	\$43,080	\$49,289	\$55,701
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**Annual Cash Flow & Principal Payments**

	\$4,506	-\$5,152	\$23	\$5,242	\$5,623	\$6,015	\$6,417	\$6,829	\$7,251	\$7,685	\$8,129
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**Annual Cash Flow & Principal Payments**

<b>as % of Initial Cash Investment</b>	14.7%	-16.9%	0.1%	17.2%	18.4%	19.7%	21.0%	22.3%	23.7%	25.1%	26.6%
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*Average Annual*

	14.7%	-16.9%	-8.4%	0.1%	4.7%	7.7%	9.9%	11.7%	13.2%	14.5%	15.7%
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<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					\$42,143
Loan-to-lending value ratio	85%	Construction	\$274,000				Mortgage					\$238,810
Mortgage insur. premium	4.75%	Subtotal	\$274,000				Total costs					\$280,953
Annual cost inflation	2.0%						% Equity					15.0%
Annual revenue growth	2.0%											
Initial monthly rent per unit	\$1,475	GST (net)*	\$6,953				Mortgage insur. premium					\$11,343
per sq. ft	\$1.92											
Stabilized Vacancy rate	3.0%	<b>Total Costs</b>	<b>\$280,953</b>				<b>Total Financing Required</b>					<b>\$250,154</b>
Average unit size (net sq. ft.)	770											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$323,096 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>3.7% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$17,700	\$5,841	\$12,096	\$18,415	\$18,783	\$19,159	\$19,542	\$19,933	\$20,332	\$20,738	\$21,153	
Other income	\$932	\$307	\$637	\$969	\$989	\$1,008	\$1,029	\$1,049	\$1,070	\$1,091	\$1,113	
Vacancy allowance	-\$559	-\$184	-\$382	-\$582	-\$593	-\$605	-\$617	-\$629	-\$642	-\$655	-\$668	
<b>Gross income</b>	<b>\$18,073</b>	<b>\$5,964</b>	<b>\$12,351</b>	<b>\$18,803</b>	<b>\$19,179</b>	<b>\$19,562</b>	<b>\$19,954</b>	<b>\$20,353</b>	<b>\$20,760</b>	<b>\$21,175</b>	<b>\$21,598</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$3,696	\$2,772	\$3,299	\$3,845	\$3,922	\$4,001	\$4,081	\$4,162	\$4,246	\$4,330	\$4,417	
Property taxes	\$2,425	\$2,425	\$2,474	\$2,523	\$2,574	\$2,625	\$2,678	\$2,731	\$2,786	\$2,842	\$2,899	
<b>Total operating costs</b>	<b>\$6,121</b>	<b>\$5,197</b>	<b>\$5,773</b>	<b>\$6,369</b>	<b>\$6,496</b>	<b>\$6,626</b>	<b>\$6,758</b>	<b>\$6,894</b>	<b>\$7,032</b>	<b>\$7,172</b>	<b>\$7,316</b>	
<b>Net Operating Income</b>	<b>\$11,951</b>	<b>\$767</b>	<b>\$6,578</b>	<b>\$12,434</b>	<b>\$12,683</b>	<b>\$12,936</b>	<b>\$13,195</b>	<b>\$13,459</b>	<b>\$13,728</b>	<b>\$14,003</b>	<b>\$14,283</b>	
Calculated cap rate	4.3%											
<b>Mortgage Payments:</b>												
Principal	\$6,616	\$6,616	\$6,833	\$7,056	\$7,288	\$7,526	\$7,773	\$8,028	\$8,291	\$8,562	\$8,843	
Interest	\$7,978	\$7,978	\$7,761	\$7,538	\$7,306	\$7,068	\$6,821	\$6,566	\$6,303	\$6,032	\$5,751	
<b>Total</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	
<b>Cash Flow</b>	<b>-\$2,643</b>	<b>-\$13,827</b>	<b>-\$8,016</b>	<b>-\$2,160</b>	<b>-\$1,911</b>	<b>-\$1,658</b>	<b>-\$1,399</b>	<b>-\$1,135</b>	<b>-\$866</b>	<b>-\$591</b>	<b>-\$311</b>	
<b>Cash-on-Cash Return</b>	<b>-6.3%</b>	<b>-32.8%</b>	<b>-19.0%</b>	<b>-5.1%</b>	<b>-4.5%</b>	<b>-3.9%</b>	<b>-3.3%</b>	<b>-2.7%</b>	<b>-2.1%</b>	<b>-1.4%</b>	<b>-0.7%</b>	
Average Annual	-6.3%	-32.8%	-25.9%	-19.0%	-15.4%	-13.1%	-11.5%	-10.2%	-9.2%	-8.3%	-7.6%	
<b>Principal Payments</b>	<b>\$6,616</b>	<b>\$6,616</b>	<b>\$6,833</b>	<b>\$7,056</b>	<b>\$7,288</b>	<b>\$7,526</b>	<b>\$7,773</b>	<b>\$8,028</b>	<b>\$8,291</b>	<b>\$8,562</b>	<b>\$8,843</b>	
Cumulative	\$6,616	\$6,616	\$13,448	\$20,505	\$27,792	\$35,319	\$43,092	\$51,119	\$59,410	\$67,972	\$76,815	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,973</b>	<b>-\$7,212</b>	<b>-\$1,183</b>	<b>\$4,897</b>	<b>\$5,376</b>	<b>\$5,869</b>	<b>\$6,374</b>	<b>\$6,893</b>	<b>\$7,425</b>	<b>\$7,971</b>	<b>\$8,532</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>9.4%</b>	<b>-17.1%</b>	<b>-2.8%</b>	<b>11.6%</b>	<b>12.8%</b>	<b>13.9%</b>	<b>15.1%</b>	<b>16.4%</b>	<b>17.6%</b>	<b>18.9%</b>	<b>20.2%</b>	
Average Annual	9.4%	-17.1%	-10.0%	-2.8%	1.1%	3.7%	5.6%	7.1%	8.4%	9.6%	10.7%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					\$45,397
Loan-to-lending value ratio	85%	Construction	\$295,000				Mortgage					\$257,252
Mortgage insur. premium	4.75%	Subtotal	\$295,000				Total costs					\$302,650
Annual cost inflation	2.0%						% Equity					15.0%
Annual revenue growth	2.0%	GST (net)*	\$7,650				Mortgage insur. premium					\$12,219
Initial monthly rent per unit per sq. ft	\$1,575 \$2.05	<b>Total Costs</b>	<b>\$302,650</b>				<b>Total Financing Required</b>					<b>\$269,472</b>
Stabilized Vacancy rate	3.0%											
Average unit size (net sq. ft.)	770											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$348,047 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>3.6% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$18,900	\$6,237	\$12,916	\$19,664	\$20,057	\$20,458	\$20,867	\$21,284	\$21,710	\$22,144	\$22,587	
Other income	\$995	\$328	\$680	\$1,035	\$1,056	\$1,077	\$1,098	\$1,120	\$1,143	\$1,165	\$1,189	
Vacancy allowance	-\$597	-\$197	-\$408	-\$621	-\$633	-\$646	-\$659	-\$672	-\$686	-\$699	-\$713	
<b>Gross income</b>	<b>\$19,298</b>	<b>\$6,368</b>	<b>\$13,188</b>	<b>\$20,078</b>	<b>\$20,479</b>	<b>\$20,889</b>	<b>\$21,306</b>	<b>\$21,733</b>	<b>\$22,167</b>	<b>\$22,611</b>	<b>\$23,063</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$4,158	\$3,119	\$3,711	\$4,326	\$4,413	\$4,501	\$4,591	\$4,683	\$4,776	\$4,872	\$4,969	
Property taxes	\$2,590	\$2,590	\$2,642	\$2,694	\$2,748	\$2,803	\$2,859	\$2,917	\$2,975	\$3,034	\$3,095	
<b>Total operating costs</b>	<b>\$6,748</b>	<b>\$5,708</b>	<b>\$6,353</b>	<b>\$7,020</b>	<b>\$7,161</b>	<b>\$7,304</b>	<b>\$7,450</b>	<b>\$7,599</b>	<b>\$7,751</b>	<b>\$7,906</b>	<b>\$8,064</b>	
<b>Net Operating Income</b>	<b>\$12,550</b>	<b>\$660</b>	<b>\$6,836</b>	<b>\$13,057</b>	<b>\$13,318</b>	<b>\$13,585</b>	<b>\$13,856</b>	<b>\$14,133</b>	<b>\$14,416</b>	<b>\$14,704</b>	<b>\$14,999</b>	
Calculated cap rate	4.1%											
<b>Mortgage Payments:</b>												
Principal	\$7,127	\$7,127	\$7,360	\$7,601	\$7,850	\$8,108	\$8,373	\$8,648	\$8,931	\$9,223	\$9,526	
Interest	\$8,594	\$8,594	\$8,361	\$8,120	\$7,871	\$7,613	\$7,348	\$7,073	\$6,790	\$6,497	\$6,195	
<b>Total</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	
<b>Cash Flow</b>	<b>-\$3,171</b>	<b>-\$15,061</b>	<b>-\$8,885</b>	<b>-\$2,664</b>	<b>-\$2,403</b>	<b>-\$2,136</b>	<b>-\$1,865</b>	<b>-\$1,587</b>	<b>-\$1,305</b>	<b>-\$1,016</b>	<b>-\$722</b>	
<b>Cash-on-Cash Return</b>	<b>-7.0%</b>	<b>-33.2%</b>	<b>-19.6%</b>	<b>-5.9%</b>	<b>-5.3%</b>	<b>-4.7%</b>	<b>-4.1%</b>	<b>-3.5%</b>	<b>-2.9%</b>	<b>-2.2%</b>	<b>-1.6%</b>	
Average Annual	-7.0%	-33.2%	-26.4%	-19.5%	-16.0%	-13.7%	-12.1%	-10.9%	-9.9%	-9.0%	-8.3%	
<b>Principal Payments</b>	<b>\$7,127</b>	<b>\$7,127</b>	<b>\$7,360</b>	<b>\$7,601</b>	<b>\$7,850</b>	<b>\$8,108</b>	<b>\$8,373</b>	<b>\$8,648</b>	<b>\$8,931</b>	<b>\$9,223</b>	<b>\$9,526</b>	
Cumulative	\$7,127	\$7,127	\$14,487	\$22,088	\$29,939	\$38,046	\$46,419	\$55,067	\$63,998	\$73,221	\$82,747	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,956</b>	<b>-\$7,934</b>	<b>-\$1,525</b>	<b>\$4,938</b>	<b>\$5,448</b>	<b>\$5,971</b>	<b>\$6,509</b>	<b>\$7,060</b>	<b>\$7,626</b>	<b>\$8,207</b>	<b>\$8,803</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>8.7%</b>	<b>-17.5%</b>	<b>-3.4%</b>	<b>10.9%</b>	<b>12.0%</b>	<b>13.2%</b>	<b>14.3%</b>	<b>15.6%</b>	<b>16.8%</b>	<b>18.1%</b>	<b>19.4%</b>	
Average Annual	8.7%	-17.5%	-10.4%	-3.3%	0.5%	3.0%	4.9%	6.4%	7.7%	8.9%	9.9%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Winnipeg**

**Project type: Basic Fringe**  
**Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>				
Amortization period (yrs)	25	Land	\$14,000	Initial cash investment					\$32,659		
Loan-to-lending value ratio	85%	Construction	\$198,000	Mortgage					\$185,068		
Mortgage insur. premium	4.75%	Subtotal	\$212,000	Total costs					\$217,728		
Annual cost inflation	2.0%			% Equity					15.0%		
Annual revenue growth	2.0%	market rent difference									
Initial monthly rent per unit	\$1,725		\$1,275								
per sq. ft	\$2.24		\$1.66								
Stabilized Vacancy rate	3.0%		\$0.58								
Average unit size (net sq. ft.)	770										
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$250,387 [to generate a 15% development profit]</b>								
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>	<b>cap rate</b>	<b>6.0% [implied if achieved 15% development profit]</b>								
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$20,700	\$6,831	\$14,146	\$21,536	\$21,967	\$22,406	\$22,854	\$23,312	\$23,778	\$24,253	\$24,738
Other income	\$1,089	\$360	\$745	\$1,133	\$1,156	\$1,179	\$1,203	\$1,227	\$1,251	\$1,276	\$1,302
Vacancy allowance	-\$654	-\$216	-\$447	-\$680	-\$694	-\$708	-\$722	-\$736	-\$751	-\$766	-\$781
<b>Gross income</b>	<b>\$21,136</b>	<b>\$6,975</b>	<b>\$14,444</b>	<b>\$21,990</b>	<b>\$22,429</b>	<b>\$22,878</b>	<b>\$23,336</b>	<b>\$23,802</b>	<b>\$24,278</b>	<b>\$24,764</b>	<b>\$25,259</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,234	\$2,426	\$2,886	\$3,365	\$3,432	\$3,501	\$3,571	\$3,642	\$3,715	\$3,789	\$3,865
Property taxes	\$2,836	\$2,836	\$2,893	\$2,951	\$3,010	\$3,070	\$3,132	\$3,194	\$3,258	\$3,323	\$3,390
<b>Total operating costs</b>	<b>\$6,070</b>	<b>\$5,262</b>	<b>\$5,779</b>	<b>\$6,316</b>	<b>\$6,442</b>	<b>\$6,571</b>	<b>\$6,702</b>	<b>\$6,836</b>	<b>\$6,973</b>	<b>\$7,112</b>	<b>\$7,255</b>
<b>Net Operating Income</b>	<b>\$15,065</b>	<b>\$1,713</b>	<b>\$8,665</b>	<b>\$15,674</b>	<b>\$15,987</b>	<b>\$16,307</b>	<b>\$16,633</b>	<b>\$16,966</b>	<b>\$17,305</b>	<b>\$17,651</b>	<b>\$18,005</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$5,127	\$5,127	\$5,295	\$5,468	\$5,648	\$5,833	\$6,024	\$6,221	\$6,425	\$6,635	\$6,853
Interest	\$6,183	\$6,183	\$6,015	\$5,841	\$5,662	\$5,477	\$5,286	\$5,089	\$4,885	\$4,674	\$4,457
<b>Total</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>	<b>\$11,310</b>
<b>Cash Flow</b>	<b>\$3,756</b>	<b>-\$9,597</b>	<b>-\$2,645</b>	<b>\$4,364</b>	<b>\$4,678</b>	<b>\$4,998</b>	<b>\$5,324</b>	<b>\$5,656</b>	<b>\$5,996</b>	<b>\$6,342</b>	<b>\$6,695</b>
<b>Cash-on-Cash Return</b>	<b>11.5%</b>	<b>-29.4%</b>	<b>-8.1%</b>	<b>13.4%</b>	<b>14.3%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>19.4%</b>	<b>20.5%</b>
Average Annual	11.5%	-29.4%	-18.7%	-8.0%	-2.4%	1.1%	3.6%	5.6%	7.2%	8.5%	9.7%
<b>Principal Payments</b>	<b>\$5,127</b>	<b>\$5,127</b>	<b>\$5,295</b>	<b>\$5,468</b>	<b>\$5,648</b>	<b>\$5,833</b>	<b>\$6,024</b>	<b>\$6,221</b>	<b>\$6,425</b>	<b>\$6,635</b>	<b>\$6,853</b>
Cumulative	\$5,127	\$5,127	\$10,422	\$15,890	\$21,538	\$27,371	\$33,394	\$39,615	\$46,040	\$52,676	\$59,529
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,883</b>	<b>-\$4,470</b>	<b>\$2,650</b>	<b>\$9,833</b>	<b>\$10,325</b>	<b>\$10,830</b>	<b>\$11,347</b>	<b>\$11,877</b>	<b>\$12,421</b>	<b>\$12,977</b>	<b>\$13,548</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.2%</b>	<b>-13.7%</b>	<b>8.1%</b>	<b>30.1%</b>	<b>31.6%</b>	<b>33.2%</b>	<b>34.7%</b>	<b>36.4%</b>	<b>38.0%</b>	<b>39.7%</b>	<b>41.5%</b>
Average Annual	27.2%	-13.7%	-2.8%	8.2%	14.0%	17.9%	20.7%	22.9%	24.8%	26.5%	28.0%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.											
Source: Altus Group											



**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Medium  
Central, Not Downtown  
Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					
Loan-to-lending value ratio	85%	Construction	\$274,000				Mortgage	\$238,810				
Mortgage insur. premium	4.75%	Subtotal	\$274,000				Total costs	\$280,953				
Annual cost inflation	2.0%						% Equity	15.0%				
Annual revenue growth	2.0%											
Initial monthly rent per unit	\$1,475	GST (net)*	\$6,953				Mortgage insur. premium	\$11,343				
per sq. ft	\$1.92											
Stabilized Vacancy rate	3.0%	<b>Total Costs</b>	<b>\$280,953</b>				<b>Total Financing Required</b>	<b>\$250,154</b>				
Average unit size (net sq. ft.)	770											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$323,096 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>3.7% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$17,700	\$5,841	\$12,096	\$18,415	\$18,783	\$19,159	\$19,542	\$19,933	\$20,332	\$20,738	\$21,153	
Other income	\$932	\$307	\$637	\$969	\$989	\$1,008	\$1,029	\$1,049	\$1,070	\$1,091	\$1,113	
Vacancy allowance	-\$559	-\$184	-\$382	-\$582	-\$593	-\$605	-\$617	-\$629	-\$642	-\$655	-\$668	
<b>Gross income</b>	<b>\$18,073</b>	<b>\$5,964</b>	<b>\$12,351</b>	<b>\$18,803</b>	<b>\$19,179</b>	<b>\$19,562</b>	<b>\$19,954</b>	<b>\$20,353</b>	<b>\$20,760</b>	<b>\$21,175</b>	<b>\$21,598</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$3,696	\$2,772	\$3,299	\$3,845	\$3,922	\$4,001	\$4,081	\$4,162	\$4,246	\$4,330	\$4,417	
Property taxes	\$2,425	\$2,425	\$2,474	\$2,523	\$2,574	\$2,625	\$2,678	\$2,731	\$2,786	\$2,842	\$2,899	
<b>Total operating costs</b>	<b>\$6,121</b>	<b>\$5,197</b>	<b>\$5,773</b>	<b>\$6,369</b>	<b>\$6,496</b>	<b>\$6,626</b>	<b>\$6,758</b>	<b>\$6,894</b>	<b>\$7,032</b>	<b>\$7,172</b>	<b>\$7,316</b>	
<b>Net Operating Income</b>	<b>\$11,951</b>	<b>\$767</b>	<b>\$6,578</b>	<b>\$12,434</b>	<b>\$12,683</b>	<b>\$12,936</b>	<b>\$13,195</b>	<b>\$13,459</b>	<b>\$13,728</b>	<b>\$14,003</b>	<b>\$14,283</b>	
Calculated cap rate	4.3%											
<b>Mortgage Payments:</b>												
Principal	\$6,616	\$6,616	\$6,833	\$7,056	\$7,288	\$7,526	\$7,773	\$8,028	\$8,291	\$8,562	\$8,843	
Interest	\$7,978	\$7,978	\$7,761	\$7,538	\$7,306	\$7,068	\$6,821	\$6,566	\$6,303	\$6,032	\$5,751	
<b>Total</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	
<b>Cash Flow</b>	<b>-\$2,643</b>	<b>-\$13,827</b>	<b>-\$8,016</b>	<b>-\$2,160</b>	<b>-\$1,911</b>	<b>-\$1,658</b>	<b>-\$1,399</b>	<b>-\$1,135</b>	<b>-\$866</b>	<b>-\$591</b>	<b>-\$311</b>	
<b>Cash-on-Cash Return</b>	<b>-6.3%</b>	<b>-32.8%</b>	<b>-19.0%</b>	<b>-5.1%</b>	<b>-4.5%</b>	<b>-3.9%</b>	<b>-3.3%</b>	<b>-2.7%</b>	<b>-2.1%</b>	<b>-1.4%</b>	<b>-0.7%</b>	
Average Annual	-6.3%	-32.8%	-25.9%	-19.0%	-15.4%	-13.1%	-11.5%	-10.2%	-9.2%	-8.3%	-7.6%	
<b>Principal Payments</b>	<b>\$6,616</b>	<b>\$6,616</b>	<b>\$6,833</b>	<b>\$7,056</b>	<b>\$7,288</b>	<b>\$7,526</b>	<b>\$7,773</b>	<b>\$8,028</b>	<b>\$8,291</b>	<b>\$8,562</b>	<b>\$8,843</b>	
Cumulative	\$6,616	\$6,616	\$13,448	\$20,505	\$27,792	\$35,319	\$43,092	\$51,119	\$59,410	\$67,972	\$76,815	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,973</b>	<b>-\$7,212</b>	<b>-\$1,183</b>	<b>\$4,897</b>	<b>\$5,376</b>	<b>\$5,869</b>	<b>\$6,374</b>	<b>\$6,893</b>	<b>\$7,425</b>	<b>\$7,971</b>	<b>\$8,532</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>9.4%</b>	<b>-17.1%</b>	<b>-2.8%</b>	<b>11.6%</b>	<b>12.8%</b>	<b>13.9%</b>	<b>15.1%</b>	<b>16.4%</b>	<b>17.6%</b>	<b>18.9%</b>	<b>20.2%</b>	
Average Annual	9.4%	-17.1%	-10.0%	-2.8%	1.1%	3.7%	5.6%	7.1%	8.4%	9.6%	10.7%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$28,000			Initial cash investment	\$49,597		
Loan-to-lending value ratio	85%			Construction	\$295,000			Mortgage	\$281,052		
Mortgage insur. premium	4.75%			Subtotal	\$323,000			Total costs	\$330,650		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,550	\$1,575	\$975	GST (net)*	\$7,650			Mortgage insur. premium	\$13,350		
per sq. ft	\$3.31	\$2.05	\$1.27								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$330,650</b>			<b>Total Financing Required</b>	<b>\$294,402</b>		
Average unit size (net sq. ft.)	770										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$380,247</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$30,600	\$10,098	\$20,912	\$31,836	\$32,473	\$33,122	\$33,785	\$34,461	\$35,150	\$35,853	\$36,570
Other income	\$1,611	\$531	\$1,101	\$1,676	\$1,709	\$1,743	\$1,778	\$1,814	\$1,850	\$1,887	\$1,925
Vacancy allowance	-\$966	-\$319	-\$660	-\$1,005	-\$1,025	-\$1,046	-\$1,067	-\$1,088	-\$1,110	-\$1,132	-\$1,155
<b>Gross income</b>	<b>\$31,244</b>	<b>\$10,311</b>	<b>\$21,352</b>	<b>\$32,506</b>	<b>\$33,157</b>	<b>\$33,820</b>	<b>\$34,496</b>	<b>\$35,186</b>	<b>\$35,890</b>	<b>\$36,608</b>	<b>\$37,340</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,158	\$3,119	\$3,711	\$4,326	\$4,413	\$4,501	\$4,591	\$4,683	\$4,776	\$4,872	\$4,969
Property taxes	\$4,193	\$4,193	\$4,277	\$4,362	\$4,450	\$4,539	\$4,629	\$4,722	\$4,816	\$4,913	\$5,011
<b>Total operating costs</b>	<b>\$8,351</b>	<b>\$7,311</b>	<b>\$7,988</b>	<b>\$8,688</b>	<b>\$8,862</b>	<b>\$9,039</b>	<b>\$9,220</b>	<b>\$9,405</b>	<b>\$9,593</b>	<b>\$9,784</b>	<b>\$9,980</b>
<b>Net Operating Income</b>	<b>\$22,893</b>	<b>\$2,999</b>	<b>\$13,364</b>	<b>\$23,818</b>	<b>\$24,294</b>	<b>\$24,780</b>	<b>\$25,276</b>	<b>\$25,782</b>	<b>\$26,297</b>	<b>\$26,823</b>	<b>\$27,360</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$7,786	\$7,786	\$8,041	\$8,305	\$8,577	\$8,858	\$9,148	\$9,448	\$9,757	\$10,077	\$10,407
Interest	\$9,389	\$9,389	\$9,134	\$8,871	\$8,599	\$8,318	\$8,028	\$7,728	\$7,418	\$7,099	\$6,768
<b>Total</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>	<b>\$17,175</b>
<b>Cash Flow</b>	<b>\$5,718</b>	<b>-\$14,176</b>	<b>-\$3,811</b>	<b>\$6,643</b>	<b>\$7,119</b>	<b>\$7,605</b>	<b>\$8,101</b>	<b>\$8,606</b>	<b>\$9,122</b>	<b>\$9,648</b>	<b>\$10,184</b>
<b>Cash-on-Cash Return</b>	<b>11.5%</b>	<b>-28.6%</b>	<b>-7.7%</b>	<b>13.4%</b>	<b>14.4%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>17.4%</b>	<b>18.4%</b>	<b>19.5%</b>	<b>20.5%</b>
Average Annual	11.5%	-28.6%	-18.1%	-7.6%	-2.1%	1.4%	3.9%	5.8%	7.4%	8.7%	9.9%
<b>Principal Payments</b>	<b>\$7,786</b>	<b>\$7,786</b>	<b>\$8,041</b>	<b>\$8,305</b>	<b>\$8,577</b>	<b>\$8,858</b>	<b>\$9,148</b>	<b>\$9,448</b>	<b>\$9,757</b>	<b>\$10,077</b>	<b>\$10,407</b>
Cumulative	\$7,786	\$7,786	\$15,827	\$24,132	\$32,708	\$41,566	\$50,714	\$60,161	\$69,919	\$79,995	\$90,402
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$13,504</b>	<b>-\$6,390</b>	<b>\$4,230</b>	<b>\$14,947</b>	<b>\$15,696</b>	<b>\$16,463</b>	<b>\$17,248</b>	<b>\$18,054</b>	<b>\$18,879</b>	<b>\$19,725</b>	<b>\$20,591</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.2%</b>	<b>-12.9%</b>	<b>8.5%</b>	<b>30.1%</b>	<b>31.6%</b>	<b>33.2%</b>	<b>34.8%</b>	<b>36.4%</b>	<b>38.1%</b>	<b>39.8%</b>	<b>41.5%</b>
Average Annual	27.2%	-12.9%	-2.2%	8.6%	14.4%	18.1%	20.9%	23.1%	25.0%	26.6%	28.1%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Basic  
Fringe  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0		Initial cash investment	\$30,559			
Loan-to-lending value ratio	85%			Construction	\$198,000		Mortgage	\$173,168			
Mortgage insur. premium	4.75%			Subtotal	\$198,000		Total costs	\$203,728			
Annual cost inflation	2.0%						% Equity	15.0%			
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,650	\$1,275	\$375	GST (net)*	\$5,728		Mortgage insur. premium	\$8,225			
per sq. ft	\$2.14	\$1.66	\$0.49								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$203,728</b>		<b>Total Financing Required</b>	<b>\$181,394</b>			
Average unit size (net sq. ft.)	770										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$234,287</b>	[to generate a 15% development profit]					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	[implied if achieved 15% development profit]					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$19,800	\$6,534	\$13,531	\$20,600	\$21,012	\$21,432	\$21,861	\$22,298	\$22,744	\$23,199	\$23,663
Other income	\$1,042	\$344	\$712	\$1,084	\$1,106	\$1,128	\$1,151	\$1,174	\$1,197	\$1,221	\$1,245
Vacancy allowance	-\$625	-\$206	-\$427	-\$651	-\$664	-\$677	-\$690	-\$704	-\$718	-\$733	-\$747
<b>Gross income</b>	<b>\$20,217</b>	<b>\$6,672</b>	<b>\$13,816</b>	<b>\$21,034</b>	<b>\$21,454</b>	<b>\$21,883</b>	<b>\$22,321</b>	<b>\$22,767</b>	<b>\$23,223</b>	<b>\$23,687</b>	<b>\$24,161</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,234	\$2,426	\$2,886	\$3,365	\$3,432	\$3,501	\$3,571	\$3,642	\$3,715	\$3,789	\$3,865
Property taxes	\$2,713	\$2,713	\$2,767	\$2,823	\$2,879	\$2,937	\$2,995	\$3,055	\$3,116	\$3,179	\$3,242
<b>Total operating costs</b>	<b>\$5,947</b>	<b>\$5,139</b>	<b>\$5,654</b>	<b>\$6,187</b>	<b>\$6,311</b>	<b>\$6,437</b>	<b>\$6,566</b>	<b>\$6,697</b>	<b>\$6,831</b>	<b>\$6,968</b>	<b>\$7,107</b>
<b>Net Operating Income</b>	<b>\$14,270</b>	<b>\$1,533</b>	<b>\$8,162</b>	<b>\$14,846</b>	<b>\$15,143</b>	<b>\$15,446</b>	<b>\$15,755</b>	<b>\$16,070</b>	<b>\$16,391</b>	<b>\$16,719</b>	<b>\$17,054</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$4,797	\$4,797	\$4,954	\$5,117	\$5,284	\$5,458	\$5,636	\$5,821	\$6,012	\$6,209	\$6,412
Interest	\$5,785	\$5,785	\$5,628	\$5,466	\$5,298	\$5,125	\$4,946	\$4,761	\$4,571	\$4,374	\$4,170
<b>Total</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>	<b>\$10,583</b>
<b>Cash Flow</b>	<b>\$3,687</b>	<b>-\$9,050</b>	<b>-\$2,420</b>	<b>\$4,264</b>	<b>\$4,561</b>	<b>\$4,864</b>	<b>\$5,172</b>	<b>\$5,488</b>	<b>\$5,809</b>	<b>\$6,137</b>	<b>\$6,471</b>
<b>Cash-on-Cash Return</b>	<b>12.1%</b>	<b>-29.6%</b>	<b>-7.9%</b>	<b>14.0%</b>	<b>14.9%</b>	<b>15.9%</b>	<b>16.9%</b>	<b>18.0%</b>	<b>19.0%</b>	<b>20.1%</b>	<b>21.2%</b>
Average Annual	12.1%	-29.6%	-18.8%	-7.9%	-2.2%	1.5%	4.0%	6.0%	7.6%	9.0%	10.2%
<b>Principal Payments</b>	<b>\$4,797</b>	<b>\$4,797</b>	<b>\$4,954</b>	<b>\$5,117</b>	<b>\$5,284</b>	<b>\$5,458</b>	<b>\$5,636</b>	<b>\$5,821</b>	<b>\$6,012</b>	<b>\$6,209</b>	<b>\$6,412</b>
Cumulative	\$4,797	\$4,797	\$9,752	\$14,869	\$20,153	\$25,611	\$31,247	\$37,068	\$43,080	\$49,289	\$55,701
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,485</b>	<b>-\$4,252</b>	<b>\$2,534</b>	<b>\$9,381</b>	<b>\$9,845</b>	<b>\$10,321</b>	<b>\$10,809</b>	<b>\$11,309</b>	<b>\$11,821</b>	<b>\$12,346</b>	<b>\$12,883</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.8%</b>	<b>-13.9%</b>	<b>8.3%</b>	<b>30.7%</b>	<b>32.2%</b>	<b>33.8%</b>	<b>35.4%</b>	<b>37.0%</b>	<b>38.7%</b>	<b>40.4%</b>	<b>42.2%</b>
Average Annual	27.8%	-13.9%	-2.8%	8.4%	14.3%	18.2%	21.1%	23.3%	25.3%	26.9%	28.5%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: Medium  
Central, Not Downtown  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0		Initial cash investment	\$42,143			
Loan-to-lending value ratio	85%			Construction	\$274,000		Mortgage	\$238,810			
Mortgage insur. premium	4.75%			Subtotal	\$274,000		Total costs	\$280,953			
Annual cost inflation	2.0%						% Equity	15.0%			
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,175	\$1,475	\$700	GST (net)*	\$6,953		Mortgage insur. premium	\$11,343			
per sq. ft	\$2.82	\$1.92	\$0.91								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$280,953</b>		<b>Total Financing Required</b>	<b>\$250,154</b>			
Average unit size (net sq. ft.)	770										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$323,096</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$26,100	\$8,613	\$17,837	\$27,154	\$27,698	\$28,251	\$28,817	\$29,393	\$29,981	\$30,580	\$31,192
Other income	\$1,374	\$453	\$939	\$1,429	\$1,458	\$1,487	\$1,517	\$1,547	\$1,578	\$1,609	\$1,642
Vacancy allowance	-\$824	-\$272	-\$563	-\$858	-\$875	-\$892	-\$910	-\$928	-\$947	-\$966	-\$985
<b>Gross income</b>	<b>\$26,649</b>	<b>\$8,794</b>	<b>\$18,212</b>	<b>\$27,726</b>	<b>\$28,281</b>	<b>\$28,846</b>	<b>\$29,423</b>	<b>\$30,012</b>	<b>\$30,612</b>	<b>\$31,224</b>	<b>\$31,849</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,696	\$2,772	\$3,299	\$3,845	\$3,922	\$4,001	\$4,081	\$4,162	\$4,246	\$4,330	\$4,417
Property taxes	\$3,576	\$3,576	\$3,648	\$3,721	\$3,795	\$3,871	\$3,949	\$4,028	\$4,108	\$4,190	\$4,274
<b>Total operating costs</b>	<b>\$7,272</b>	<b>\$6,348</b>	<b>\$6,947</b>	<b>\$7,566</b>	<b>\$7,717</b>	<b>\$7,872</b>	<b>\$8,029</b>	<b>\$8,190</b>	<b>\$8,354</b>	<b>\$8,521</b>	<b>\$8,691</b>
<b>Net Operating Income</b>	<b>\$19,377</b>	<b>\$2,446</b>	<b>\$11,266</b>	<b>\$20,160</b>	<b>\$20,563</b>	<b>\$20,974</b>	<b>\$21,394</b>	<b>\$21,822</b>	<b>\$22,258</b>	<b>\$22,703</b>	<b>\$23,157</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$6,616	\$6,616	\$6,833	\$7,056	\$7,288	\$7,526	\$7,773	\$8,028	\$8,291	\$8,562	\$8,843
Interest	\$7,978	\$7,978	\$7,761	\$7,538	\$7,306	\$7,068	\$6,821	\$6,566	\$6,303	\$6,032	\$5,751
<b>Total</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>	<b>\$14,594</b>
<b>Cash Flow</b>	<b>\$4,783</b>	<b>-\$12,148</b>	<b>-\$3,328</b>	<b>\$5,566</b>	<b>\$5,969</b>	<b>\$6,380</b>	<b>\$6,800</b>	<b>\$7,228</b>	<b>\$7,664</b>	<b>\$8,109</b>	<b>\$8,563</b>
<b>Cash-on-Cash Return</b>	<b>11.3%</b>	<b>-28.8%</b>	<b>-7.9%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>15.1%</b>	<b>16.1%</b>	<b>17.2%</b>	<b>18.2%</b>	<b>19.2%</b>	<b>20.3%</b>
Average Annual	11.3%	-28.8%	-18.4%	-7.8%	-2.3%	1.2%	3.7%	5.6%	7.2%	8.5%	9.7%
<b>Principal Payments</b>	<b>\$6,616</b>	<b>\$6,616</b>	<b>\$6,833</b>	<b>\$7,056</b>	<b>\$7,288</b>	<b>\$7,526</b>	<b>\$7,773</b>	<b>\$8,028</b>	<b>\$8,291</b>	<b>\$8,562</b>	<b>\$8,843</b>
Cumulative	\$6,616	\$6,616	\$13,448	\$20,505	\$27,792	\$35,319	\$43,092	\$51,119	\$59,410	\$67,972	\$76,815
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,399</b>	<b>-\$5,532</b>	<b>\$3,504</b>	<b>\$12,622</b>	<b>\$13,257</b>	<b>\$13,907</b>	<b>\$14,573</b>	<b>\$15,255</b>	<b>\$15,955</b>	<b>\$16,672</b>	<b>\$17,406</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.0%</b>	<b>-13.1%</b>	<b>8.3%</b>	<b>30.0%</b>	<b>31.5%</b>	<b>33.0%</b>	<b>34.6%</b>	<b>36.2%</b>	<b>37.9%</b>	<b>39.6%</b>	<b>41.3%</b>
Average Annual	27.0%	-13.1%	-2.4%	8.4%	14.1%	17.9%	20.7%	22.9%	24.8%	26.4%	27.9%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.											
Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Winnipeg**

**Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$45,397		
Loan-to-lending value ratio	85%			Construction	\$295,000			Mortgage	\$257,252		
Mortgage insur. premium	4.75%			Subtotal	\$295,000			Total costs	\$302,650		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,375	\$1,575	\$800	GST (net)*	\$7,650			Mortgage insur. premium	\$12,219		
per sq. ft	\$3.08	\$2.05	\$1.04								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$302,650</b>			<b>Total Financing Required</b>	<b>\$269,472</b>		
Average unit size (net sq. ft.)	770										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$348,047</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$28,500	\$9,405	\$19,477	\$29,651	\$30,244	\$30,849	\$31,466	\$32,096	\$32,738	\$33,392	\$34,060
Other income	\$1,500	\$495	\$1,025	\$1,561	\$1,592	\$1,624	\$1,656	\$1,689	\$1,723	\$1,757	\$1,793
Vacancy allowance	-\$900	-\$297	-\$615	-\$936	-\$955	-\$974	-\$994	-\$1,014	-\$1,034	-\$1,054	-\$1,076
<b>Gross income</b>	<b>\$29,100</b>	<b>\$9,603</b>	<b>\$19,887</b>	<b>\$30,276</b>	<b>\$30,881</b>	<b>\$31,499</b>	<b>\$32,129</b>	<b>\$32,771</b>	<b>\$33,427</b>	<b>\$34,095</b>	<b>\$34,777</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,158	\$3,119	\$3,711	\$4,326	\$4,413	\$4,501	\$4,591	\$4,683	\$4,776	\$4,872	\$4,969
Property taxes	\$3,905	\$3,905	\$3,983	\$4,063	\$4,144	\$4,227	\$4,312	\$4,398	\$4,486	\$4,576	\$4,667
<b>Total operating costs</b>	<b>\$8,063</b>	<b>\$7,024</b>	<b>\$7,694</b>	<b>\$8,389</b>	<b>\$8,557</b>	<b>\$8,728</b>	<b>\$8,902</b>	<b>\$9,080</b>	<b>\$9,262</b>	<b>\$9,447</b>	<b>\$9,636</b>
<b>Net Operating Income</b>	<b>\$21,037</b>	<b>\$2,579</b>	<b>\$12,193</b>	<b>\$21,887</b>	<b>\$22,324</b>	<b>\$22,771</b>	<b>\$23,226</b>	<b>\$23,691</b>	<b>\$24,165</b>	<b>\$24,648</b>	<b>\$25,141</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$7,127	\$7,127	\$7,360	\$7,601	\$7,850	\$8,108	\$8,373	\$8,648	\$8,931	\$9,223	\$9,526
Interest	\$8,594	\$8,594	\$8,361	\$8,120	\$7,871	\$7,613	\$7,348	\$7,073	\$6,790	\$6,497	\$6,195
<b>Total</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>	<b>\$15,721</b>
<b>Cash Flow</b>	<b>\$5,316</b>	<b>-\$13,142</b>	<b>-\$3,528</b>	<b>\$6,166</b>	<b>\$6,603</b>	<b>\$7,050</b>	<b>\$7,505</b>	<b>\$7,970</b>	<b>\$8,444</b>	<b>\$8,927</b>	<b>\$9,420</b>
<b>Cash-on-Cash Return</b>	<b>11.7%</b>	<b>-28.9%</b>	<b>-7.8%</b>	<b>13.6%</b>	<b>14.5%</b>	<b>15.5%</b>	<b>16.5%</b>	<b>17.6%</b>	<b>18.6%</b>	<b>19.7%</b>	<b>20.7%</b>
Average Annual	11.7%	-28.9%	-18.4%	-7.7%	-2.1%	1.4%	3.9%	5.9%	7.5%	8.8%	10.0%
<b>Principal Payments</b>	<b>\$7,127</b>	<b>\$7,127</b>	<b>\$7,360</b>	<b>\$7,601</b>	<b>\$7,850</b>	<b>\$8,108</b>	<b>\$8,373</b>	<b>\$8,648</b>	<b>\$8,931</b>	<b>\$9,223</b>	<b>\$9,526</b>
Cumulative	\$7,127	\$7,127	\$14,487	\$22,088	\$29,939	\$38,046	\$46,419	\$55,067	\$63,998	\$73,221	\$82,747
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$12,442</b>	<b>-\$6,015</b>	<b>\$3,832</b>	<b>\$13,767</b>	<b>\$14,454</b>	<b>\$15,158</b>	<b>\$15,879</b>	<b>\$16,617</b>	<b>\$17,375</b>	<b>\$18,150</b>	<b>\$18,946</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.4%</b>	<b>-13.2%</b>	<b>8.4%</b>	<b>30.3%</b>	<b>31.8%</b>	<b>33.4%</b>	<b>35.0%</b>	<b>36.6%</b>	<b>38.3%</b>	<b>40.0%</b>	<b>41.7%</b>
Average Annual	27.4%	-13.2%	-2.4%	8.5%	14.3%	18.1%	21.0%	23.2%	25.1%	26.7%	28.2%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

## Toronto

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Toronto**

**Project type: Basic Fringe**  
**Market Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.5%
Initial monthly rent per unit	\$1,575
per sq. ft	\$2.25
Stabilized Vacancy rate	2.0%
Average unit size (net sq. ft.)	700

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$0
Construction	\$163,000
Subtotal	\$163,000

**Financing:**

Initial cash investment	\$26,546
Mortgage	\$150,430
Total costs	\$176,977
% Equity	15.0%

HST (net)*	\$13,977	Mortgage insur. premium	\$7,145
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<b>Total Costs</b>	<b>\$176,977</b>	<b>Total Financing Required</b>	<b>\$157,575</b>
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**Development profit assumption:** 15%

**minimum sales price** \$203,523 [to generate a 15% development profit]

**cap rate** 5.9% [implied if achieved 15% development profit]

**REVENUES AND COSTS**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,900	\$6,237	\$12,980	\$19,857	\$20,353	\$20,862	\$21,384	\$21,918	\$22,466	\$23,028	\$23,604
Other income	\$485	\$160	\$333	\$509	\$522	\$535	\$548	\$562	\$576	\$590	\$605
Vacancy allowance	-\$388	-\$128	-\$266	-\$407	-\$418	-\$428	-\$439	-\$450	-\$461	-\$472	-\$484
<b>Gross income</b>	<b>\$18,997</b>	<b>\$6,269</b>	<b>\$13,046</b>	<b>\$19,959</b>	<b>\$20,458</b>	<b>\$20,969</b>	<b>\$21,493</b>	<b>\$22,031</b>	<b>\$22,581</b>	<b>\$23,146</b>	<b>\$23,725</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,460	\$4,095	\$4,873	\$5,681	\$5,794	\$5,910	\$6,028	\$6,149	\$6,272	\$6,397	\$6,525
Property taxes	\$1,442	\$1,442	\$1,471	\$1,500	\$1,530	\$1,561	\$1,592	\$1,624	\$1,656	\$1,689	\$1,723
<b>Total operating costs</b>	<b>\$6,902</b>	<b>\$5,537</b>	<b>\$6,344</b>	<b>\$7,181</b>	<b>\$7,324</b>	<b>\$7,471</b>	<b>\$7,620</b>	<b>\$7,773</b>	<b>\$7,928</b>	<b>\$8,087</b>	<b>\$8,248</b>
<b>Net Operating Income</b>	<b>\$12,095</b>	<b>\$732</b>	<b>\$6,702</b>	<b>\$12,778</b>	<b>\$13,133</b>	<b>\$13,498</b>	<b>\$13,873</b>	<b>\$14,258</b>	<b>\$14,653</b>	<b>\$15,059</b>	<b>\$15,476</b>
Calculated cap rate	6.8%										
<b>Mortgage Payments:</b>											
Principal	\$4,167	\$4,167	\$4,304	\$4,445	\$4,591	\$4,741	\$4,896	\$5,057	\$5,222	\$5,394	\$5,570
Interest	\$5,026	\$5,026	\$4,889	\$4,748	\$4,602	\$4,452	\$4,297	\$4,136	\$3,971	\$3,799	\$3,623
<b>Total</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>
<b>Cash Flow</b>	<b>\$2,902</b>	<b>-\$8,461</b>	<b>-\$2,491</b>	<b>\$3,585</b>	<b>\$3,940</b>	<b>\$4,305</b>	<b>\$4,680</b>	<b>\$5,065</b>	<b>\$5,460</b>	<b>\$5,866</b>	<b>\$6,283</b>
<b>Cash-on-Cash Return</b>	<b>10.9%</b>	<b>-31.9%</b>	<b>-9.4%</b>	<b>13.5%</b>	<b>14.8%</b>	<b>16.2%</b>	<b>17.6%</b>	<b>19.1%</b>	<b>20.6%</b>	<b>22.1%</b>	<b>23.7%</b>
Average Annual	10.9%	-31.9%	-20.6%	-9.2%	-3.2%	0.7%	3.5%	5.7%	7.6%	9.2%	10.6%
<b>Principal Payments</b>	<b>\$4,167</b>	<b>\$4,167</b>	<b>\$4,304</b>	<b>\$4,445</b>	<b>\$4,591</b>	<b>\$4,741</b>	<b>\$4,896</b>	<b>\$5,057</b>	<b>\$5,222</b>	<b>\$5,394</b>	<b>\$5,570</b>
Cumulative	\$4,167	\$4,167	\$8,471	\$12,916	\$17,507	\$22,248	\$27,144	\$32,201	\$37,423	\$42,817	\$48,387
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,069</b>	<b>-\$4,293</b>	<b>\$1,813</b>	<b>\$8,030</b>	<b>\$8,531</b>	<b>\$9,046</b>	<b>\$9,576</b>	<b>\$10,122</b>	<b>\$10,683</b>	<b>\$11,260</b>	<b>\$11,853</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>26.6%</b>	<b>-16.2%</b>	<b>6.8%</b>	<b>30.2%</b>	<b>32.1%</b>	<b>34.1%</b>	<b>36.1%</b>	<b>38.1%</b>	<b>40.2%</b>	<b>42.4%</b>	<b>44.7%</b>
Average Annual	26.6%	-16.2%	-4.7%	7.0%	13.3%	17.4%	20.5%	23.0%	25.2%	27.1%	28.9%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Toronto**

**Project type: Medium**  
**Central, Not Downtown**  
**Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					
Loan-to-lending value ratio	85%	Construction	\$235,000				Mortgage	\$213,051				
Mortgage insur. premium	4.75%	Subtotal	\$235,000				Total costs	\$250,649				
Annual cost inflation	2.0%						% Equity	15.0%				
Annual revenue growth	2.5%	HST (net)*	\$15,649				Mortgage insur. premium	\$10,120				
Initial monthly rent per unit	\$1,675	<b>Total Costs</b>	<b>\$250,649</b>				<b>Total Financing Required</b>	<b>\$223,171</b>				
per sq. ft	\$2.39											
Stabilized Vacancy rate	2.0%											
Average unit size (net sq. ft.)	700											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$288,246 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>4.4% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$20,100	\$6,633	\$13,804	\$21,118	\$21,646	\$22,187	\$22,741	\$23,310	\$23,893	\$24,490	\$25,102	
Other income	\$515	\$170	\$354	\$541	\$555	\$569	\$583	\$598	\$613	\$628	\$644	
Vacancy allowance	-\$412	-\$136	-\$283	-\$433	-\$444	-\$455	-\$466	-\$478	-\$490	-\$502	-\$515	
<b>Gross income</b>	<b>\$20,203</b>	<b>\$6,667</b>	<b>\$13,874</b>	<b>\$21,226</b>	<b>\$21,757</b>	<b>\$22,300</b>	<b>\$22,858</b>	<b>\$23,429</b>	<b>\$24,015</b>	<b>\$24,615</b>	<b>\$25,231</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$5,880	\$4,410	\$5,248	\$6,118	\$6,240	\$6,365	\$6,492	\$6,622	\$6,754	\$6,889	\$7,027	
Property taxes	\$1,533	\$1,533	\$1,564	\$1,595	\$1,627	\$1,660	\$1,693	\$1,727	\$1,761	\$1,797	\$1,833	
<b>Total operating costs</b>	<b>\$7,413</b>	<b>\$5,943</b>	<b>\$6,812</b>	<b>\$7,713</b>	<b>\$7,867</b>	<b>\$8,025</b>	<b>\$8,185</b>	<b>\$8,349</b>	<b>\$8,516</b>	<b>\$8,686</b>	<b>\$8,860</b>	
<b>Net Operating Income</b>	<b>\$12,790</b>	<b>\$724</b>	<b>\$7,062</b>	<b>\$13,513</b>	<b>\$13,889</b>	<b>\$14,276</b>	<b>\$14,673</b>	<b>\$15,081</b>	<b>\$15,499</b>	<b>\$15,929</b>	<b>\$16,371</b>	
Calculated cap rate	5.1%											
<b>Mortgage Payments:</b>												
Principal	\$5,902	\$5,902	\$6,096	\$6,295	\$6,502	\$6,715	\$6,935	\$7,162	\$7,396	\$7,639	\$7,889	
Interest	\$7,118	\$7,118	\$6,924	\$6,725	\$6,518	\$6,305	\$6,085	\$5,858	\$5,623	\$5,381	\$5,131	
<b>Total</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	
<b>Cash Flow</b>	<b>-\$230</b>	<b>-\$12,296</b>	<b>-\$5,957</b>	<b>\$493</b>	<b>\$870</b>	<b>\$1,256</b>	<b>\$1,653</b>	<b>\$2,061</b>	<b>\$2,480</b>	<b>\$2,910</b>	<b>\$3,351</b>	
<b>Cash-on-Cash Return</b>	<b>-0.6%</b>	<b>-32.7%</b>	<b>-15.8%</b>	<b>1.3%</b>	<b>2.3%</b>	<b>3.3%</b>	<b>4.4%</b>	<b>5.5%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>8.9%</b>	
Average Annual	-0.6%	-32.7%	-24.3%	-15.7%	-11.2%	-8.3%	-6.2%	-4.5%	-3.1%	-1.9%	-0.8%	
<b>Principal Payments</b>	<b>\$5,902</b>	<b>\$5,902</b>	<b>\$6,096</b>	<b>\$6,295</b>	<b>\$6,502</b>	<b>\$6,715</b>	<b>\$6,935</b>	<b>\$7,162</b>	<b>\$7,396</b>	<b>\$7,639</b>	<b>\$7,889</b>	
Cumulative	\$5,902	\$5,902	\$11,998	\$18,293	\$24,795	\$31,509	\$38,444	\$45,605	\$53,002	\$60,640	\$68,529	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$5,672</b>	<b>-\$6,394</b>	<b>\$138</b>	<b>\$6,788</b>	<b>\$7,371</b>	<b>\$7,971</b>	<b>\$8,588</b>	<b>\$9,223</b>	<b>\$9,876</b>	<b>\$10,548</b>	<b>\$11,240</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>15.1%</b>	<b>-17.0%</b>	<b>0.4%</b>	<b>18.1%</b>	<b>19.6%</b>	<b>21.2%</b>	<b>22.8%</b>	<b>24.5%</b>	<b>26.3%</b>	<b>28.1%</b>	<b>29.9%</b>	
Average Annual	15.1%	-17.0%	-8.3%	0.5%	5.3%	8.4%	10.8%	12.8%	14.5%	16.0%	17.4%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group



**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Toronto**

**Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					\$45,473
Loan-to-lending value ratio	85%	Construction	\$277,000				Mortgage					\$257,683
Mortgage insur. premium	4.75%	Subtotal	\$277,000				Total costs					\$303,157
Annual cost inflation	2.0%						% Equity					15.0%
Annual revenue growth	2.5%											
Initial monthly rent per unit	\$2,025	HST (net)*	\$26,157				Mortgage insur. premium					\$12,240
per sq. ft	\$2.89											
Stabilized Vacancy rate	2.0%	<b>Total Costs</b>	<b>\$303,157</b>				<b>Total Financing Required</b>					<b>\$269,923</b>
Average unit size (net sq. ft.)	700											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$348,630</b>	<i>[to generate a 15% development profit]</i>								
		<b>cap rate</b>		<b>4.7%</b> <i>[implied if achieved 15% development profit]</i>								
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$24,300	\$8,019	\$16,688	\$25,530	\$26,168	\$26,823	\$27,493	\$28,181	\$28,885	\$29,607	\$30,347	
Other income	\$623	\$206	\$428	\$655	\$671	\$688	\$705	\$723	\$741	\$759	\$778	
Vacancy allowance	-\$498	-\$164	-\$342	-\$524	-\$537	-\$550	-\$564	-\$578	-\$593	-\$607	-\$623	
<b>Gross income</b>	<b>\$24,425</b>	<b>\$8,060</b>	<b>\$16,774</b>	<b>\$25,661</b>	<b>\$26,303</b>	<b>\$26,960</b>	<b>\$27,634</b>	<b>\$28,325</b>	<b>\$29,033</b>	<b>\$29,759</b>	<b>\$30,503</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$6,300	\$4,725	\$5,623	\$6,555	\$6,686	\$6,819	\$6,956	\$7,095	\$7,237	\$7,381	\$7,529	
Property taxes	\$1,854	\$1,854	\$1,891	\$1,929	\$1,967	\$2,007	\$2,047	\$2,088	\$2,129	\$2,172	\$2,215	
<b>Total operating costs</b>	<b>\$8,154</b>	<b>\$6,579</b>	<b>\$7,514</b>	<b>\$8,483</b>	<b>\$8,653</b>	<b>\$8,826</b>	<b>\$9,002</b>	<b>\$9,183</b>	<b>\$9,366</b>	<b>\$9,554</b>	<b>\$9,745</b>	
<b>Net Operating Income</b>	<b>\$16,271</b>	<b>\$1,481</b>	<b>\$9,260</b>	<b>\$17,178</b>	<b>\$17,650</b>	<b>\$18,134</b>	<b>\$18,632</b>	<b>\$19,143</b>	<b>\$19,667</b>	<b>\$20,206</b>	<b>\$20,758</b>	
Calculated cap rate	5.4%											
<b>Mortgage Payments:</b>												
Principal	\$7,139	\$7,139	\$7,372	\$7,614	\$7,864	\$8,121	\$8,387	\$8,662	\$8,946	\$9,239	\$9,542	
Interest	\$8,609	\$8,609	\$8,375	\$8,133	\$7,884	\$7,626	\$7,360	\$7,085	\$6,801	\$6,508	\$6,206	
<b>Total</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	
<b>Cash Flow</b>	<b>\$524</b>	<b>-\$14,266</b>	<b>-\$6,487</b>	<b>\$1,431</b>	<b>\$1,902</b>	<b>\$2,387</b>	<b>\$2,884</b>	<b>\$3,395</b>	<b>\$3,920</b>	<b>\$4,458</b>	<b>\$5,011</b>	
<b>Cash-on-Cash Return</b>	<b>1.2%</b>	<b>-31.4%</b>	<b>-14.3%</b>	<b>3.1%</b>	<b>4.2%</b>	<b>5.2%</b>	<b>6.3%</b>	<b>7.5%</b>	<b>8.6%</b>	<b>9.8%</b>	<b>11.0%</b>	
Average Annual	1.2%	-31.4%	-22.8%	-14.2%	-9.6%	-6.6%	-4.5%	-2.8%	-1.3%	-0.1%	1.0%	
<b>Principal Payments</b>	<b>\$7,139</b>	<b>\$7,139</b>	<b>\$7,372</b>	<b>\$7,614</b>	<b>\$7,864</b>	<b>\$8,121</b>	<b>\$8,387</b>	<b>\$8,662</b>	<b>\$8,946</b>	<b>\$9,239</b>	<b>\$9,542</b>	
Cumulative	\$7,139	\$7,139	\$14,511	\$22,125	\$29,989	\$38,110	\$46,497	\$55,159	\$64,105	\$73,344	\$82,886	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,662</b>	<b>-\$7,127</b>	<b>\$885</b>	<b>\$9,045</b>	<b>\$9,766</b>	<b>\$10,508</b>	<b>\$11,272</b>	<b>\$12,057</b>	<b>\$12,866</b>	<b>\$13,697</b>	<b>\$14,553</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>16.8%</b>	<b>-15.7%</b>	<b>1.9%</b>	<b>19.9%</b>	<b>21.5%</b>	<b>23.1%</b>	<b>24.8%</b>	<b>26.5%</b>	<b>28.3%</b>	<b>30.1%</b>	<b>32.0%</b>	
Average Annual	16.8%	-15.7%	-6.9%	2.1%	6.9%	10.1%	12.6%	14.6%	16.3%	17.8%	19.2%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Economic Rent; Market Land Value**  
**Toronto**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%										
Amortization period (yrs)	25										
Loan-to-lending value ratio	85%										
Mortgage insur. premium	4.75%										
Annual cost inflation	2.0%										
Annual revenue growth	2.5%	market rent	difference								
Initial monthly rent per unit	\$1,750	\$1,575	\$175								
per sq. ft	\$2.50	\$2.25	\$0.25								
Stabilized Vacancy rate	2.0%										
Average unit size (net sq. ft.)	700										
<b>Development profit assumption:</b>		<b>15%</b>		<b>minimum sales price \$242,623 [to generate a 15% development profit]</b>							
<b>Average cash-on-cash return assumption</b>		<b>10.0%</b>		<b>cap rate 5.8% [implied if achieved 15% development profit]</b>							
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$21,000	\$6,930	\$14,422	\$22,063	\$22,615	\$23,180	\$23,760	\$24,354	\$24,962	\$25,586	\$26,226
Other income	\$538	\$178	\$370	\$566	\$580	\$594	\$609	\$624	\$640	\$656	\$672
Vacancy allowance	-\$431	-\$142	-\$296	-\$453	-\$464	-\$475	-\$487	-\$500	-\$512	-\$525	-\$538
<b>Gross income</b>	<b>\$21,108</b>	<b>\$6,966</b>	<b>\$14,496</b>	<b>\$22,176</b>	<b>\$22,731</b>	<b>\$23,299</b>	<b>\$23,881</b>	<b>\$24,478</b>	<b>\$25,090</b>	<b>\$25,718</b>	<b>\$26,361</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,460	\$4,095	\$4,873	\$5,681	\$5,794	\$5,910	\$6,028	\$6,149	\$6,272	\$6,397	\$6,525
Property taxes	\$1,602	\$1,602	\$1,634	\$1,667	\$1,700	\$1,734	\$1,769	\$1,804	\$1,840	\$1,877	\$1,915
<b>Total operating costs</b>	<b>\$7,062</b>	<b>\$5,697</b>	<b>\$6,507</b>	<b>\$7,347</b>	<b>\$7,494</b>	<b>\$7,644</b>	<b>\$7,797</b>	<b>\$7,953</b>	<b>\$8,112</b>	<b>\$8,274</b>	<b>\$8,440</b>
<b>Net Operating Income</b>	<b>\$14,046</b>	<b>\$1,268</b>	<b>\$7,989</b>	<b>\$14,829</b>	<b>\$15,236</b>	<b>\$15,655</b>	<b>\$16,084</b>	<b>\$16,525</b>	<b>\$16,978</b>	<b>\$17,443</b>	<b>\$17,921</b>
Calculated cap rate	6.7%										
<b>Mortgage Payments:</b>											
Principal	\$4,968	\$4,968	\$5,131	\$5,299	\$5,472	\$5,652	\$5,837	\$6,028	\$6,226	\$6,430	\$6,640
Interest	\$5,991	\$5,991	\$5,828	\$5,660	\$5,487	\$5,307	\$5,122	\$4,931	\$4,733	\$4,529	\$4,319
<b>Total</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>	<b>\$10,959</b>
<b>Cash Flow</b>	<b>\$3,087</b>	<b>-\$9,691</b>	<b>-\$2,971</b>	<b>\$3,870</b>	<b>\$4,277</b>	<b>\$4,696</b>	<b>\$5,125</b>	<b>\$5,566</b>	<b>\$6,019</b>	<b>\$6,484</b>	<b>\$6,962</b>
<b>Cash-on-Cash Return</b>	<b>9.8%</b>	<b>-30.6%</b>	<b>-9.4%</b>	<b>12.2%</b>	<b>13.5%</b>	<b>14.8%</b>	<b>16.2%</b>	<b>17.6%</b>	<b>19.0%</b>	<b>20.5%</b>	<b>22.0%</b>
Average Annual	9.8%	-30.6%	-20.0%	-9.3%	-3.6%	0.1%	2.8%	4.9%	6.7%	8.2%	9.6%
<b>Principal Payments</b>	<b>\$4,968</b>	<b>\$4,968</b>	<b>\$5,131</b>	<b>\$5,299</b>	<b>\$5,472</b>	<b>\$5,652</b>	<b>\$5,837</b>	<b>\$6,028</b>	<b>\$6,226</b>	<b>\$6,430</b>	<b>\$6,640</b>
Cumulative	\$4,968	\$4,968	\$10,099	\$15,398	\$20,870	\$26,522	\$32,359	\$38,387	\$44,613	\$51,042	\$57,683
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$8,055</b>	<b>-\$4,723</b>	<b>\$2,160</b>	<b>\$9,169</b>	<b>\$9,750</b>	<b>\$10,347</b>	<b>\$10,962</b>	<b>\$11,595</b>	<b>\$12,245</b>	<b>\$12,914</b>	<b>\$13,602</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.5%</b>	<b>-14.9%</b>	<b>6.8%</b>	<b>29.0%</b>	<b>30.8%</b>	<b>32.7%</b>	<b>34.6%</b>	<b>36.6%</b>	<b>38.7%</b>	<b>40.8%</b>	<b>43.0%</b>
Average Annual	25.5%	-14.9%	-4.0%	7.0%	12.9%	16.9%	19.8%	22.2%	24.3%	26.1%	27.8%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Toronto**

**Project type: Medium**  
**Central, Not Downtown**  
**Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$50,000			Initial cash investment	\$45,097		
Loan-to-lending value ratio	85%			Construction	\$235,000			Mortgage	\$255,551		
Mortgage insur. premium	4.75%			Subtotal	\$285,000			Total costs	\$300,649		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.5%	market rent	difference	HST (net)*	\$15,649			Mortgage insur. premium	\$12,139		
Initial monthly rent per unit	\$2,325	\$1,675	\$650	<b>Total Costs</b>	<b>\$300,649</b>			<b>Total Financing Required</b>	<b>\$267,690</b>		
per sq. ft	\$3.32	\$2.39	\$0.93								
Stabilized Vacancy rate	2.0%										
Average unit size (net sq. ft.)	700										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$345,746</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>5.8%</b>	<i>[implied if achieved 15% development profit]</i>					
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$27,900	\$9,207	\$19,160	\$29,312	\$30,045	\$30,796	\$31,566	\$32,355	\$33,164	\$33,993	\$34,843
Other income	\$715	\$236	\$491	\$752	\$770	\$790	\$809	\$830	\$850	\$872	\$893
Vacancy allowance	-\$572	-\$189	-\$393	-\$601	-\$616	-\$632	-\$648	-\$664	-\$680	-\$697	-\$715
<b>Gross income</b>	<b>\$28,043</b>	<b>\$9,254</b>	<b>\$19,259</b>	<b>\$29,463</b>	<b>\$30,199</b>	<b>\$30,954</b>	<b>\$31,728</b>	<b>\$32,521</b>	<b>\$33,334</b>	<b>\$34,168</b>	<b>\$35,022</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,880	\$4,410	\$5,248	\$6,118	\$6,240	\$6,365	\$6,492	\$6,622	\$6,754	\$6,889	\$7,027
Property taxes	\$2,128	\$2,128	\$2,171	\$2,214	\$2,259	\$2,304	\$2,350	\$2,397	\$2,445	\$2,494	\$2,544
<b>Total operating costs</b>	<b>\$8,008</b>	<b>\$6,538</b>	<b>\$7,419</b>	<b>\$8,332</b>	<b>\$8,499</b>	<b>\$8,669</b>	<b>\$8,842</b>	<b>\$9,019</b>	<b>\$9,199</b>	<b>\$9,383</b>	<b>\$9,571</b>
<b>Net Operating Income</b>	<b>\$20,035</b>	<b>\$2,716</b>	<b>\$11,840</b>	<b>\$21,131</b>	<b>\$21,701</b>	<b>\$22,286</b>	<b>\$22,886</b>	<b>\$23,503</b>	<b>\$24,135</b>	<b>\$24,785</b>	<b>\$25,451</b>
Calculated cap rate	6.7%										
<b>Mortgage Payments:</b>											
Principal	\$7,080	\$7,080	\$7,312	\$7,551	\$7,798	\$8,054	\$8,318	\$8,590	\$8,872	\$9,163	\$9,463
Interest	\$8,537	\$8,537	\$8,306	\$8,066	\$7,819	\$7,563	\$7,299	\$7,027	\$6,745	\$6,454	\$6,154
<b>Total</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$15,617</b>
<b>Cash Flow</b>	<b>\$4,418</b>	<b>-\$12,901</b>	<b>-\$3,777</b>	<b>\$5,514</b>	<b>\$6,084</b>	<b>\$6,669</b>	<b>\$7,269</b>	<b>\$7,886</b>	<b>\$8,518</b>	<b>\$9,168</b>	<b>\$9,834</b>
<b>Cash-on-Cash Return</b>	<b>9.8%</b>	<b>-28.6%</b>	<b>-8.4%</b>	<b>12.2%</b>	<b>13.5%</b>	<b>14.8%</b>	<b>16.1%</b>	<b>17.5%</b>	<b>18.9%</b>	<b>20.3%</b>	<b>21.8%</b>
Average Annual	9.8%	-28.6%	-18.5%	-8.3%	-2.8%	0.7%	3.3%	5.3%	7.0%	8.5%	9.8%
<b>Principal Payments</b>	<b>\$7,080</b>	<b>\$7,080</b>	<b>\$7,312</b>	<b>\$7,551</b>	<b>\$7,798</b>	<b>\$8,054</b>	<b>\$8,318</b>	<b>\$8,590</b>	<b>\$8,872</b>	<b>\$9,163</b>	<b>\$9,463</b>
Cumulative	\$7,080	\$7,080	\$14,391	\$21,942	\$29,741	\$37,795	\$46,112	\$54,703	\$63,575	\$72,737	\$82,200
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,497</b>	<b>-\$5,822</b>	<b>\$3,534</b>	<b>\$13,065</b>	<b>\$13,882</b>	<b>\$14,723</b>	<b>\$15,587</b>	<b>\$16,476</b>	<b>\$17,390</b>	<b>\$18,330</b>	<b>\$19,297</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.5%</b>	<b>-12.9%</b>	<b>7.8%</b>	<b>29.0%</b>	<b>30.8%</b>	<b>32.6%</b>	<b>34.6%</b>	<b>36.5%</b>	<b>38.6%</b>	<b>40.6%</b>	<b>42.8%</b>
Average Annual	25.5%	-12.9%	-2.5%	8.0%	13.7%	17.5%	20.3%	22.6%	24.6%	26.4%	28.0%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Toronto**

*Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value*

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>				
Amortization period (yrs)	25	Land					Initial cash investment				
Loan-to-lending value ratio	85%	Construction					Mortgage				
Mortgage insur. premium	4.75%	Subtotal					Total costs				
Annual cost inflation	2.0%						% Equity				
Annual revenue growth	2.5%	market rent	difference								
Initial monthly rent per unit	\$2,800	\$2,025	\$775								
per sq. ft	\$4.00	\$2.89	\$1.11								
Stabilized Vacancy rate	2.0%	HST (net)*					Mortgage insur. premium				
Average unit size (net sq. ft.)	700										
		<b>Total Costs</b>					<b>Total Financing Required</b>				
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$425,680 [to generate a 15% development profit]</b>								
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>	<b>cap rate</b>	<b>5.9% [implied if achieved 15% development profit]</b>								
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$33,600	\$11,088	\$23,075	\$35,301	\$36,184	\$37,088	\$38,015	\$38,966	\$39,940	\$40,938	\$41,962
Other income	\$862	\$284	\$592	\$905	\$928	\$951	\$975	\$999	\$1,024	\$1,050	\$1,076
Vacancy allowance	-\$689	-\$227	-\$473	-\$724	-\$742	-\$761	-\$780	-\$799	-\$819	-\$840	-\$861
<b>Gross income</b>	<b>\$33,772</b>	<b>\$11,145</b>	<b>\$23,193</b>	<b>\$35,482</b>	<b>\$36,369</b>	<b>\$37,278</b>	<b>\$38,210</b>	<b>\$39,166</b>	<b>\$40,145</b>	<b>\$41,148</b>	<b>\$42,177</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$6,300	\$4,725	\$5,623	\$6,555	\$6,686	\$6,819	\$6,956	\$7,095	\$7,237	\$7,381	\$7,529
Property taxes	\$2,563	\$2,563	\$2,615	\$2,667	\$2,720	\$2,775	\$2,830	\$2,887	\$2,944	\$3,003	\$3,063
<b>Total operating costs</b>	<b>\$8,863</b>	<b>\$7,288</b>	<b>\$8,237</b>	<b>\$9,221</b>	<b>\$9,406</b>	<b>\$9,594</b>	<b>\$9,786</b>	<b>\$9,982</b>	<b>\$10,181</b>	<b>\$10,385</b>	<b>\$10,592</b>
<b>Net Operating Income</b>	<b>\$24,909</b>	<b>\$3,857</b>	<b>\$14,956</b>	<b>\$26,261</b>	<b>\$26,963</b>	<b>\$27,684</b>	<b>\$28,424</b>	<b>\$29,184</b>	<b>\$29,963</b>	<b>\$30,763</b>	<b>\$31,584</b>
Calculated cap rate	6.7%										
<b>Mortgage Payments:</b>											
Principal	\$8,716	\$8,716	\$9,002	\$9,297	\$9,601	\$9,916	\$10,241	\$10,576	\$10,923	\$11,281	\$11,650
Interest	\$10,511	\$10,511	\$10,226	\$9,931	\$9,626	\$9,312	\$8,987	\$8,651	\$8,305	\$7,947	\$7,577
<b>Total</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>	<b>\$19,228</b>
<b>Cash Flow</b>	<b>\$5,681</b>	<b>-\$15,371</b>	<b>-\$4,272</b>	<b>\$7,033</b>	<b>\$7,736</b>	<b>\$8,457</b>	<b>\$9,197</b>	<b>\$9,956</b>	<b>\$10,736</b>	<b>\$11,536</b>	<b>\$12,357</b>
<b>Cash-on-Cash Return</b>	<b>10.2%</b>	<b>-27.7%</b>	<b>-7.7%</b>	<b>12.7%</b>	<b>13.9%</b>	<b>15.2%</b>	<b>16.6%</b>	<b>17.9%</b>	<b>19.3%</b>	<b>20.8%</b>	<b>22.3%</b>
Average Annual	10.2%	-27.7%	-17.7%	-7.6%	-2.2%	1.3%	3.8%	5.8%	7.5%	9.0%	10.3%
<b>Principal Payments</b>	<b>\$8,716</b>	<b>\$8,716</b>	<b>\$9,002</b>	<b>\$9,297</b>	<b>\$9,601</b>	<b>\$9,916</b>	<b>\$10,241</b>	<b>\$10,576</b>	<b>\$10,923</b>	<b>\$11,281</b>	<b>\$11,650</b>
Cumulative	\$8,716	\$8,716	\$17,718	\$27,015	\$36,616	\$46,532	\$56,773	\$67,350	\$78,273	\$89,554	\$101,204
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$14,398</b>	<b>-\$6,655</b>	<b>\$4,730</b>	<b>\$16,330</b>	<b>\$17,337</b>	<b>\$18,373</b>	<b>\$19,438</b>	<b>\$20,533</b>	<b>\$21,659</b>	<b>\$22,817</b>	<b>\$24,007</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.9%</b>	<b>-12.0%</b>	<b>8.5%</b>	<b>29.4%</b>	<b>31.2%</b>	<b>33.1%</b>	<b>35.0%</b>	<b>37.0%</b>	<b>39.0%</b>	<b>41.1%</b>	<b>43.2%</b>
Average Annual	25.9%	-12.0%	-1.7%	8.6%	14.3%	18.1%	20.9%	23.2%	25.2%	26.9%	28.6%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building**  
**Per Unit**  
**Toronto**

**Project type: Basic Fringe**  
**Economic Rent; Zero Land Value**

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%		
Amortization period (yrs)	25		
Loan-to-lending value ratio	85%		
Mortgage insur. premium	4.75%		
Annual cost inflation	2.0%		
Annual revenue growth	2.5%	market rent	difference
Initial monthly rent per unit	\$1,550	\$1,575	-\$25
per sq. ft	\$2.21	\$2.25	-\$0.04
Stabilized Vacancy rate	2.0%		
Average unit size (net sq. ft.)	700		

**PROJECT DEVELOPMENT COSTS AND FINANCING**

<b>Development Costs:</b>		<b>Financing:</b>	
Land	\$0	Initial cash investment	\$26,546
Construction	\$163,000	Mortgage	\$150,430
Subtotal	\$163,000	Total costs	\$176,977
		% Equity	15.0%
HST (net)*	\$13,977	Mortgage insur. premium	\$7,145
<b>Total Costs</b>	<b>\$176,977</b>	<b>Total Financing Required</b>	<b>\$157,575</b>

**Development profit assumption:** 15% **minimum sales price** \$203,523 [to generate a 15% development profit]

**Average cash-on-cash return assumption** 10.0% **cap rate** 5.8% [implied if achieved 15% development profit]

<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$18,600	\$6,138	\$12,774	\$19,542	\$20,030	\$20,531	\$21,044	\$21,570	\$22,110	\$22,662	\$23,229
Other income	\$477	\$157	\$328	\$501	\$514	\$526	\$540	\$553	\$567	\$581	\$596
Vacancy allowance	-\$382	-\$126	-\$262	-\$401	-\$411	-\$421	-\$432	-\$442	-\$454	-\$465	-\$476
<b>Gross income</b>	<b>\$18,695</b>	<b>\$6,169</b>	<b>\$12,839</b>	<b>\$19,642</b>	<b>\$20,133</b>	<b>\$20,636</b>	<b>\$21,152</b>	<b>\$21,681</b>	<b>\$22,223</b>	<b>\$22,779</b>	<b>\$23,348</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$5,460	\$4,095	\$4,873	\$5,681	\$5,794	\$5,910	\$6,028	\$6,149	\$6,272	\$6,397	\$6,525
Property taxes	\$1,419	\$1,419	\$1,447	\$1,476	\$1,506	\$1,536	\$1,567	\$1,598	\$1,630	\$1,663	\$1,696
<b>Total operating costs</b>	<b>\$6,879</b>	<b>\$5,514</b>	<b>\$6,320</b>	<b>\$7,157</b>	<b>\$7,300</b>	<b>\$7,446</b>	<b>\$7,595</b>	<b>\$7,747</b>	<b>\$7,902</b>	<b>\$8,060</b>	<b>\$8,221</b>
<b>Net Operating Income</b>	<b>\$11,816</b>	<b>\$655</b>	<b>\$6,519</b>	<b>\$12,485</b>	<b>\$12,833</b>	<b>\$13,190</b>	<b>\$13,557</b>	<b>\$13,934</b>	<b>\$14,321</b>	<b>\$14,719</b>	<b>\$15,127</b>
Calculated cap rate	6.7%										
<b>Mortgage Payments:</b>											
Principal	\$4,167	\$4,167	\$4,304	\$4,445	\$4,591	\$4,741	\$4,896	\$5,057	\$5,222	\$5,394	\$5,570
Interest	\$5,026	\$5,026	\$4,889	\$4,748	\$4,602	\$4,452	\$4,297	\$4,136	\$3,971	\$3,799	\$3,623
<b>Total</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>	<b>\$9,193</b>
<b>Cash Flow</b>	<b>\$2,623</b>	<b>-\$8,537</b>	<b>-\$2,674</b>	<b>\$3,292</b>	<b>\$3,640</b>	<b>\$3,997</b>	<b>\$4,364</b>	<b>\$4,741</b>	<b>\$5,128</b>	<b>\$5,526</b>	<b>\$5,934</b>
<b>Cash-on-Cash Return</b>	<b>9.9%</b>	<b>-32.2%</b>	<b>-10.1%</b>	<b>12.4%</b>	<b>13.7%</b>	<b>15.1%</b>	<b>16.4%</b>	<b>17.9%</b>	<b>19.3%</b>	<b>20.8%</b>	<b>22.4%</b>
Average Annual	9.9%	-32.2%	-21.1%	-9.9%	-4.0%	-0.2%	2.6%	4.7%	6.6%	8.2%	9.6%
<b>Principal Payments</b>	<b>\$4,167</b>	<b>\$4,167</b>	<b>\$4,304</b>	<b>\$4,445</b>	<b>\$4,591</b>	<b>\$4,741</b>	<b>\$4,896</b>	<b>\$5,057</b>	<b>\$5,222</b>	<b>\$5,394</b>	<b>\$5,570</b>
Cumulative	\$4,167	\$4,167	\$8,471	\$12,916	\$17,507	\$22,248	\$27,144	\$32,201	\$37,423	\$42,817	\$48,387
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$6,791</b>	<b>-\$4,370</b>	<b>\$1,630</b>	<b>\$7,737</b>	<b>\$8,230</b>	<b>\$8,738</b>	<b>\$9,261</b>	<b>\$9,798</b>	<b>\$10,351</b>	<b>\$10,919</b>	<b>\$11,504</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.6%</b>	<b>-16.5%</b>	<b>6.1%</b>	<b>29.1%</b>	<b>31.0%</b>	<b>32.9%</b>	<b>34.9%</b>	<b>36.9%</b>	<b>39.0%</b>	<b>41.1%</b>	<b>43.3%</b>
Average Annual	25.6%	-16.5%	-5.2%	6.3%	12.5%	16.5%	19.6%	22.1%	24.2%	26.1%	27.8%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Toronto**

**Project type: Medium  
Central, Not Downtown  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS			PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%		<b>Development Costs:</b>					<b>Financing:</b>				
Amortization period (yrs)	25		Land					Initial cash investment				\$37,597
Loan-to-lending value ratio	85%		Construction	\$235,000				Mortgage				\$213,051
Mortgage insur. premium	4.75%		Subtotal	\$235,000				Total costs				\$250,649
Annual cost inflation	2.0%							% Equity				15.0%
Annual revenue growth	2.5%	market rent difference										
Initial monthly rent per unit	\$2,025	\$1,675	\$350									
per sq. ft	\$2.89	\$2.39	\$0.50									
Stabilized Vacancy rate	2.0%											
Average unit size (net sq. ft.)	700											
			<b>Total Costs</b>	<b>\$250,649</b>				<b>Total Financing Required</b>				<b>\$223,171</b>
<b>Development profit assumption:</b>	<b>15%</b>		<b>minimum sales price</b>	<b>\$288,246</b>	<i>[to generate a 15% development profit]</i>							
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>		<b>cap rate</b>	<b>5.8%</b>	<i>[implied if achieved 15% development profit]</i>							
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$24,300	\$8,019	\$16,688	\$25,530	\$26,168	\$26,823	\$27,493	\$28,181	\$28,885	\$29,607	\$30,347	
Other income	\$623	\$206	\$428	\$655	\$671	\$688	\$705	\$723	\$741	\$759	\$778	
Vacancy allowance	-\$498	-\$164	-\$342	-\$524	-\$537	-\$550	-\$564	-\$578	-\$593	-\$607	-\$623	
<b>Gross income</b>	<b>\$24,425</b>	<b>\$8,060</b>	<b>\$16,774</b>	<b>\$25,661</b>	<b>\$26,303</b>	<b>\$26,960</b>	<b>\$27,634</b>	<b>\$28,325</b>	<b>\$29,033</b>	<b>\$29,759</b>	<b>\$30,503</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$5,880	\$4,410	\$5,248	\$6,118	\$6,240	\$6,365	\$6,492	\$6,622	\$6,754	\$6,889	\$7,027	
Property taxes	\$1,854	\$1,854	\$1,891	\$1,929	\$1,967	\$2,007	\$2,047	\$2,088	\$2,129	\$2,172	\$2,215	
<b>Total operating costs</b>	<b>\$7,734</b>	<b>\$6,264</b>	<b>\$7,139</b>	<b>\$8,046</b>	<b>\$8,207</b>	<b>\$8,371</b>	<b>\$8,539</b>	<b>\$8,710</b>	<b>\$8,884</b>	<b>\$9,061</b>	<b>\$9,243</b>	
<b>Net Operating Income</b>	<b>\$16,691</b>	<b>\$1,796</b>	<b>\$9,635</b>	<b>\$17,615</b>	<b>\$18,095</b>	<b>\$18,589</b>	<b>\$19,095</b>	<b>\$19,616</b>	<b>\$20,149</b>	<b>\$20,698</b>	<b>\$21,260</b>	
Calculated cap rate	6.7%											
<b>Mortgage Payments:</b>												
Principal	\$5,902	\$5,902	\$6,096	\$6,295	\$6,502	\$6,715	\$6,935	\$7,162	\$7,396	\$7,639	\$7,889	
Interest	\$7,118	\$7,118	\$6,924	\$6,725	\$6,518	\$6,305	\$6,085	\$5,858	\$5,623	\$5,381	\$5,131	
<b>Total</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	<b>\$13,020</b>	
<b>Cash Flow</b>	<b>\$3,671</b>	<b>-\$11,223</b>	<b>-\$3,385</b>	<b>\$4,595</b>	<b>\$5,076</b>	<b>\$5,569</b>	<b>\$6,076</b>	<b>\$6,596</b>	<b>\$7,130</b>	<b>\$7,678</b>	<b>\$8,241</b>	
<b>Cash-on-Cash Return</b>	<b>9.8%</b>	<b>-29.9%</b>	<b>-9.0%</b>	<b>12.2%</b>	<b>13.5%</b>	<b>14.8%</b>	<b>16.2%</b>	<b>17.5%</b>	<b>19.0%</b>	<b>20.4%</b>	<b>21.9%</b>	
Average Annual	9.8%	-29.9%	-19.4%	-8.9%	-3.3%	0.3%	3.0%	5.1%	6.8%	8.3%	9.7%	
<b>Principal Payments</b>	<b>\$5,902</b>	<b>\$5,902</b>	<b>\$6,096</b>	<b>\$6,295</b>	<b>\$6,502</b>	<b>\$6,715</b>	<b>\$6,935</b>	<b>\$7,162</b>	<b>\$7,396</b>	<b>\$7,639</b>	<b>\$7,889</b>	
Cumulative	\$5,902	\$5,902	\$11,998	\$18,293	\$24,795	\$31,509	\$38,444	\$45,605	\$53,002	\$60,640	\$68,529	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$9,573</b>	<b>-\$5,321</b>	<b>\$2,711</b>	<b>\$10,890</b>	<b>\$11,577</b>	<b>\$12,284</b>	<b>\$13,010</b>	<b>\$13,757</b>	<b>\$14,526</b>	<b>\$15,317</b>	<b>\$16,130</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>25.5%</b>	<b>-14.2%</b>	<b>7.2%</b>	<b>29.0%</b>	<b>30.8%</b>	<b>32.7%</b>	<b>34.6%</b>	<b>36.6%</b>	<b>38.6%</b>	<b>40.7%</b>	<b>42.9%</b>	
Average Annual	25.5%	-14.2%	-3.5%	7.3%	13.2%	17.1%	20.0%	22.4%	24.4%	26.2%	27.9%	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Toronto**

**Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$45,473		
Loan-to-lending value ratio	85%			Construction	\$277,000			Mortgage	\$257,683		
Mortgage insur. premium	4.75%			Subtotal	\$277,000			Total costs	\$303,157		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.5%	market rent	difference	HST (net)*	\$26,157			Mortgage insur. premium	\$12,240		
Initial monthly rent per unit	\$2,400	\$2,025	\$375	<b>Total Costs</b>	<b>\$303,157</b>			<b>Total Financing Required</b>	<b>\$269,923</b>		
per sq. ft	\$3.43	\$2.89	\$0.54								
Stabilized Vacancy rate	2.0%										
Average unit size (net sq. ft.)	700										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$348,630</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>5.9%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$28,800	\$9,504	\$19,778	\$30,258	\$31,014	\$31,790	\$32,585	\$33,399	\$34,234	\$35,090	\$35,967
Other income	\$738	\$244	\$507	\$776	\$795	\$815	\$836	\$856	\$878	\$900	\$922
Vacancy allowance	-\$591	-\$195	-\$406	-\$621	-\$636	-\$652	-\$668	-\$685	-\$702	-\$720	-\$738
<b>Gross income</b>	<b>\$28,948</b>	<b>\$9,553</b>	<b>\$19,880</b>	<b>\$30,413</b>	<b>\$31,173</b>	<b>\$31,953</b>	<b>\$32,752</b>	<b>\$33,570</b>	<b>\$34,410</b>	<b>\$35,270</b>	<b>\$36,152</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$6,300	\$4,725	\$5,623	\$6,555	\$6,686	\$6,819	\$6,956	\$7,095	\$7,237	\$7,381	\$7,529
Property taxes	\$2,197	\$2,197	\$2,241	\$2,286	\$2,332	\$2,378	\$2,426	\$2,474	\$2,524	\$2,574	\$2,626
<b>Total operating costs</b>	<b>\$8,497</b>	<b>\$6,922</b>	<b>\$7,864</b>	<b>\$8,840</b>	<b>\$9,017</b>	<b>\$9,198</b>	<b>\$9,382</b>	<b>\$9,569</b>	<b>\$9,761</b>	<b>\$9,956</b>	<b>\$10,155</b>
<b>Net Operating Income</b>	<b>\$20,451</b>	<b>\$2,631</b>	<b>\$12,016</b>	<b>\$21,573</b>	<b>\$22,156</b>	<b>\$22,755</b>	<b>\$23,370</b>	<b>\$24,001</b>	<b>\$24,649</b>	<b>\$25,314</b>	<b>\$25,997</b>
Calculated cap rate	6.7%										
<b>Mortgage Payments:</b>											
Principal	\$7,139	\$7,139	\$7,372	\$7,614	\$7,864	\$8,121	\$8,387	\$8,662	\$8,946	\$9,239	\$9,542
Interest	\$8,609	\$8,609	\$8,375	\$8,133	\$7,884	\$7,626	\$7,360	\$7,085	\$6,801	\$6,508	\$6,206
<b>Total</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>	<b>\$15,747</b>
<b>Cash Flow</b>	<b>\$4,703</b>	<b>-\$13,117</b>	<b>-\$3,731</b>	<b>\$5,825</b>	<b>\$6,409</b>	<b>\$7,008</b>	<b>\$7,623</b>	<b>\$8,254</b>	<b>\$8,902</b>	<b>\$9,567</b>	<b>\$10,250</b>
<b>Cash-on-Cash Return</b>	<b>10.3%</b>	<b>-28.8%</b>	<b>-8.2%</b>	<b>12.8%</b>	<b>14.1%</b>	<b>15.4%</b>	<b>16.8%</b>	<b>18.2%</b>	<b>19.6%</b>	<b>21.0%</b>	<b>22.5%</b>
Average Annual	10.3%	-28.8%	-18.5%	-8.1%	-2.5%	1.1%	3.7%	5.7%	7.5%	9.0%	10.3%
<b>Principal Payments</b>	<b>\$7,139</b>	<b>\$7,139</b>	<b>\$7,372</b>	<b>\$7,614</b>	<b>\$7,864</b>	<b>\$8,121</b>	<b>\$8,387</b>	<b>\$8,662</b>	<b>\$8,946</b>	<b>\$9,239</b>	<b>\$9,542</b>
Cumulative	\$7,139	\$7,139	\$14,511	\$22,125	\$29,989	\$38,110	\$46,497	\$55,159	\$64,105	\$73,344	\$82,886
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,842</b>	<b>-\$5,978</b>	<b>\$3,641</b>	<b>\$13,440</b>	<b>\$14,273</b>	<b>\$15,129</b>	<b>\$16,010</b>	<b>\$16,916</b>	<b>\$17,848</b>	<b>\$18,806</b>	<b>\$19,791</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>26.0%</b>	<b>-13.1%</b>	<b>8.0%</b>	<b>29.6%</b>	<b>31.4%</b>	<b>33.3%</b>	<b>35.2%</b>	<b>37.2%</b>	<b>39.2%</b>	<b>41.4%</b>	<b>43.5%</b>
Average Annual	26.0%	-13.1%	-2.6%	8.1%	14.0%	17.8%	20.7%	23.1%	25.1%	26.9%	28.6%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

## Montreal



**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Market Rent; Zero Land Value**  
**Montreal**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					\$24,585
Loan-to-lending value ratio	85%	Construction	\$146,000				Mortgage					\$139,314
Mortgage insur. premium	4.75%	Subtotal	\$146,000				Total costs					\$163,898
Annual cost inflation	2.0%						% Equity					15.0%
Annual revenue growth	2.0%											
Initial monthly rent per unit	\$1,250	GST/QST (net)*	\$17,898				Mortgage insur. premium					\$6,617
per sq. ft	\$1.74											
Stabilized Vacancy rate	3.5%	<b>Total Costs</b>	<b>\$163,898</b>				<b>Total Financing Required</b>					<b>\$145,931</b>
Average unit size (net sq. ft.)	720											
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$188,483 [to generate a 15% development profit]</b>									
		<b>cap rate</b>	<b>5.0% [implied if achieved 15% development profit]</b>									
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	
<b>Revenues:</b>												
Rental income	\$15,000	\$4,950	\$10,251	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926	
Other income	\$789	\$261	\$540	\$821	\$838	\$855	\$872	\$889	\$907	\$925	\$943	
Vacancy allowance	-\$553	-\$182	-\$378	-\$575	-\$586	-\$598	-\$610	-\$622	-\$635	-\$647	-\$660	
<b>Gross income</b>	<b>\$15,237</b>	<b>\$5,028</b>	<b>\$10,413</b>	<b>\$15,852</b>	<b>\$16,169</b>	<b>\$16,493</b>	<b>\$16,823</b>	<b>\$17,159</b>	<b>\$17,502</b>	<b>\$17,852</b>	<b>\$18,209</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$3,888	\$2,916	\$3,470	\$4,045	\$4,126	\$4,208	\$4,293	\$4,379	\$4,466	\$4,555	\$4,647	
Property taxes	\$2,011	\$2,011	\$2,051	\$2,093	\$2,134	\$2,177	\$2,221	\$2,265	\$2,310	\$2,357	\$2,404	
<b>Total operating costs</b>	<b>\$5,899</b>	<b>\$4,927</b>	<b>\$5,522</b>	<b>\$6,138</b>	<b>\$6,260</b>	<b>\$6,386</b>	<b>\$6,513</b>	<b>\$6,644</b>	<b>\$6,776</b>	<b>\$6,912</b>	<b>\$7,050</b>	
<b>Net Operating Income</b>	<b>\$9,338</b>	<b>\$101</b>	<b>\$4,891</b>	<b>\$9,715</b>	<b>\$9,909</b>	<b>\$10,107</b>	<b>\$10,309</b>	<b>\$10,516</b>	<b>\$10,726</b>	<b>\$10,940</b>	<b>\$11,159</b>	
Calculated cap rate	5.7%											
<b>Mortgage Payments:</b>												
Principal	\$3,859	\$3,859	\$3,986	\$4,116	\$4,251	\$4,391	\$4,534	\$4,683	\$4,836	\$4,995	\$5,159	
Interest	\$4,654	\$4,654	\$4,528	\$4,397	\$4,262	\$4,123	\$3,979	\$3,831	\$3,677	\$3,519	\$3,355	
<b>Total</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	
<b>Cash Flow</b>	<b>\$824</b>	<b>-\$8,413</b>	<b>-\$3,622</b>	<b>\$1,201</b>	<b>\$1,396</b>	<b>\$1,594</b>	<b>\$1,796</b>	<b>\$2,002</b>	<b>\$2,212</b>	<b>\$2,427</b>	<b>\$2,646</b>	
<b>Cash-on-Cash Return</b>	<b>3.4%</b>	<b>-34.2%</b>	<b>-14.7%</b>	<b>4.9%</b>	<b>5.7%</b>	<b>6.5%</b>	<b>7.3%</b>	<b>8.1%</b>	<b>9.0%</b>	<b>9.9%</b>	<b>10.8%</b>	
Average Annual	3.4%	-34.2%	-24.5%	-14.7%	-9.6%	-6.4%	-4.1%	-2.4%	-0.9%	0.3%	1.3%	
<b>Principal Payments</b>	<b>\$3,859</b>	<b>\$3,859</b>	<b>\$3,986</b>	<b>\$4,116</b>	<b>\$4,251</b>	<b>\$4,391</b>	<b>\$4,534</b>	<b>\$4,683</b>	<b>\$4,836</b>	<b>\$4,995</b>	<b>\$5,159</b>	
Cumulative	\$3,859	\$3,859	\$7,845	\$11,962	\$16,213	\$20,604	\$25,138	\$29,821	\$34,658	\$39,653	\$44,811	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,683</b>	<b>-\$4,553</b>	<b>\$364</b>	<b>\$5,318</b>	<b>\$5,647</b>	<b>\$5,984</b>	<b>\$6,330</b>	<b>\$6,685</b>	<b>\$7,049</b>	<b>\$7,422</b>	<b>\$7,804</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>19.0%</b>	<b>-18.5%</b>	<b>1.5%</b>	<b>21.6%</b>	<b>23.0%</b>	<b>24.3%</b>	<b>25.7%</b>	<b>27.2%</b>	<b>28.7%</b>	<b>30.2%</b>	<b>31.7%</b>	
Average Annual	19.0%	-18.5%	-8.5%	1.5%	6.9%	10.4%	12.9%	15.0%	16.7%	18.2%	19.5%	

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Medium  
Central, Not Downtown  
Market Rent; Zero Land Value*  
**Per Unit**  
**Montreal**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%	<b>Development Costs:</b>				<b>Financing:</b>					
Amortization period (yrs)	25	Land		\$0	Initial cash investment		\$34,308				
Loan-to-lending value ratio	85%	Construction		\$197,000	Mortgage		\$194,413				
Mortgage insur. premium	4.75%	Subtotal		\$197,000	Total costs		\$228,721				
Annual cost inflation	2.0%				% Equity		15.0%				
Annual revenue growth	2.0%										
Initial monthly rent per unit	\$1,450	GST/QST (net)*		\$31,721	Mortgage insur. premium		\$9,235				
per sq. ft	\$2.01										
Stabilized Vacancy rate	3.5%	<b>Total Costs</b>		<b>\$228,721</b>	<b>Total Financing Required</b>		<b>\$203,647</b>				
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>		<b>\$263,029</b>	<i>[to generate a 15% development profit]</i>						
		<b>cap rate</b>		<b>4.3%</b>	<i>[implied if achieved 15% development profit]</i>						
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$17,400	\$5,742	\$11,891	\$18,103	\$18,465	\$18,834	\$19,211	\$19,595	\$19,987	\$20,387	\$20,795
Other income	\$1,411	\$466	\$964	\$1,468	\$1,497	\$1,527	\$1,558	\$1,589	\$1,621	\$1,653	\$1,686
Vacancy allowance	-\$658	-\$217	-\$450	-\$685	-\$699	-\$713	-\$727	-\$741	-\$756	-\$771	-\$787
<b>Gross income</b>	<b>\$18,152</b>	<b>\$5,990</b>	<b>\$12,405</b>	<b>\$18,886</b>	<b>\$19,264</b>	<b>\$19,649</b>	<b>\$20,042</b>	<b>\$20,443</b>	<b>\$20,851</b>	<b>\$21,268</b>	<b>\$21,694</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,320	\$3,240	\$3,856	\$4,495	\$4,584	\$4,676	\$4,770	\$4,865	\$4,962	\$5,062	\$5,163
Property taxes	\$2,396	\$2,396	\$2,444	\$2,493	\$2,543	\$2,594	\$2,646	\$2,698	\$2,752	\$2,807	\$2,864
<b>Total operating costs</b>	<b>\$6,716</b>	<b>\$5,636</b>	<b>\$6,300</b>	<b>\$6,987</b>	<b>\$7,127</b>	<b>\$7,270</b>	<b>\$7,415</b>	<b>\$7,563</b>	<b>\$7,715</b>	<b>\$7,869</b>	<b>\$8,026</b>
<b>Net Operating Income</b>	<b>\$11,436</b>	<b>\$354</b>	<b>\$6,106</b>	<b>\$11,898</b>	<b>\$12,136</b>	<b>\$12,379</b>	<b>\$12,627</b>	<b>\$12,879</b>	<b>\$13,137</b>	<b>\$13,399</b>	<b>\$13,667</b>
Calculated cap rate	5.0%										
<b>Mortgage Payments:</b>											
Principal	\$5,386	\$5,386	\$5,562	\$5,745	\$5,933	\$6,127	\$6,328	\$6,535	\$6,749	\$6,970	\$7,199
Interest	\$6,495	\$6,495	\$6,318	\$6,136	\$5,948	\$5,754	\$5,553	\$5,346	\$5,131	\$4,910	\$4,682
<b>Total</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>
<b>Cash Flow</b>	<b>-\$444</b>	<b>-\$11,527</b>	<b>-\$5,775</b>	<b>\$18</b>	<b>\$256</b>	<b>\$498</b>	<b>\$746</b>	<b>\$998</b>	<b>\$1,256</b>	<b>\$1,519</b>	<b>\$1,787</b>
<b>Cash-on-Cash Return</b>	<b>-1.3%</b>	<b>-33.6%</b>	<b>-16.8%</b>	<b>0.1%</b>	<b>0.7%</b>	<b>1.5%</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.7%</b>	<b>4.4%</b>	<b>5.2%</b>
Average Annual	-1.3%	-33.6%	-25.2%	-16.8%	-12.4%	-9.6%	-7.7%	-6.2%	-4.9%	-3.9%	-3.0%
<b>Principal Payments</b>	<b>\$5,386</b>	<b>\$5,386</b>	<b>\$5,562</b>	<b>\$5,745</b>	<b>\$5,933</b>	<b>\$6,127</b>	<b>\$6,328</b>	<b>\$6,535</b>	<b>\$6,749</b>	<b>\$6,970</b>	<b>\$7,199</b>
Cumulative	\$5,386	\$5,386	\$10,948	\$16,693	\$22,625	\$28,753	\$35,080	\$41,616	\$48,365	\$55,335	\$62,534
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,941</b>	<b>-\$6,141</b>	<b>-\$213</b>	<b>\$5,762</b>	<b>\$6,188</b>	<b>\$6,625</b>	<b>\$7,074</b>	<b>\$7,534</b>	<b>\$8,005</b>	<b>\$8,489</b>	<b>\$8,986</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>14.4%</b>	<b>-17.9%</b>	<b>-0.6%</b>	<b>16.8%</b>	<b>18.0%</b>	<b>19.3%</b>	<b>20.6%</b>	<b>22.0%</b>	<b>23.3%</b>	<b>24.7%</b>	<b>26.2%</b>
Average Annual	14.4%	-17.9%	-9.3%	-0.6%	4.1%	7.1%	9.4%	11.2%	12.7%	14.0%	15.2%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Montreal**

*Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value*

**KEY INPUT ASSUMPTIONS**

Mortgage interest rate	3.25%
Amortization period (yrs)	25
Loan-to-lending value ratio	85%
Mortgage insur. premium	4.75%
Annual cost inflation	2.0%
Annual revenue growth	2.0%
Initial monthly rent per unit	\$1,625
<i>per sq. ft</i>	\$2.26
Stabilized Vacancy rate	3.5%
Average unit size (net sq. ft.)	720

**PROJECT DEVELOPMENT COSTS AND FINANCING**

**Development Costs:**

Land	\$0
Construction	\$229,000
Subtotal	\$229,000

**Financing:**

Initial cash investment	\$40,233
Mortgage	\$227,989
Total costs	\$268,222
% Equity	15.0%

GST/QST (net)\*

\$39,222

Mortgage insur. premium

\$10,829

**Total Costs**

**\$268,222**

**Total Financing Required**

**\$238,818**

*Development profit assumption:*

15%

*minimum sales price*

**\$308,455** [to generate a 15% development profit]

*cap rate*

**4.3%** [implied if achieved 15% development profit]

**REVENUES AND COSTS**

**Revenues:**

	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental income	\$19,500	\$6,435	\$13,326	\$20,288	\$20,694	\$21,107	\$21,530	\$21,960	\$22,399	\$22,847	\$23,304
Other income	\$2,167	\$715	\$1,481	\$2,254	\$2,299	\$2,345	\$2,392	\$2,440	\$2,489	\$2,539	\$2,589
Vacancy allowance	-\$758	-\$250	-\$518	-\$789	-\$805	-\$821	-\$837	-\$854	-\$871	-\$889	-\$906
<b>Gross income</b>	<b>\$20,908</b>	<b>\$6,900</b>	<b>\$14,289</b>	<b>\$21,753</b>	<b>\$22,188</b>	<b>\$22,632</b>	<b>\$23,084</b>	<b>\$23,546</b>	<b>\$24,017</b>	<b>\$24,497</b>	<b>\$24,987</b>

**Operating Costs:**

Maintenance and operations	\$4,752	\$3,564	\$4,241	\$4,944	\$5,043	\$5,144	\$5,247	\$5,352	\$5,459	\$5,568	\$5,679
Property taxes	\$2,760	\$2,760	\$2,815	\$2,871	\$2,929	\$2,987	\$3,047	\$3,108	\$3,170	\$3,234	\$3,298
<b>Total operating costs</b>	<b>\$7,512</b>	<b>\$6,324</b>	<b>\$7,056</b>	<b>\$7,815</b>	<b>\$7,972</b>	<b>\$8,131</b>	<b>\$8,294</b>	<b>\$8,460</b>	<b>\$8,629</b>	<b>\$8,801</b>	<b>\$8,977</b>

**Net Operating Income**

**\$13,396**

*Calculated cap rate*

5.0%

**Mortgage Payments:**

Principal	\$6,316	\$6,316	\$6,523	\$6,737	\$6,957	\$7,185	\$7,421	\$7,664	\$7,915	\$8,174	\$8,442
Interest	\$7,617	\$7,617	\$7,410	\$7,196	\$6,975	\$6,747	\$6,512	\$6,269	\$6,018	\$5,758	\$5,491
<b>Total</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>

**Cash Flow**

**-\$536**

**Cash-on-Cash Return**

**-1.3%**

*Average Annual*

**Principal Payments**

**\$6,316**

*Cumulative*

**Annual Cash Flow & Principal Payments**

**\$5,780**

**Annual Cash Flow & Principal Payments as % of Initial Cash Investment**

**14.4%**

*Average Annual*

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.

Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Economic Rent; Market Land Value**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$10,000			Initial cash investment	\$26,085		
Loan-to-lending value ratio	85%			Construction	\$146,000			Mortgage	\$147,814		
Mortgage insur. premium	4.75%			Subtotal	\$156,000			Total costs	\$173,898		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,525	\$1,250	\$275	GST/QST (net)*	\$17,898			Mortgage insur. premium	\$7,021		
per sq. ft	\$2.12	\$1.74	\$0.38								
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$173,898</b>			<b>Total Financing Required</b>	<b>\$154,835</b>		
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$199,983</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,300	\$6,039	\$12,506	\$19,039	\$19,420	\$19,809	\$20,205	\$20,609	\$21,021	\$21,441	\$21,870
Other income	\$963	\$318	\$658	\$1,002	\$1,022	\$1,043	\$1,063	\$1,085	\$1,106	\$1,128	\$1,151
Vacancy allowance	-\$674	-\$222	-\$461	-\$701	-\$715	-\$730	-\$744	-\$759	-\$774	-\$790	-\$806
<b>Gross income</b>	<b>\$18,589</b>	<b>\$6,134</b>	<b>\$12,704</b>	<b>\$19,340</b>	<b>\$19,727</b>	<b>\$20,121</b>	<b>\$20,524</b>	<b>\$20,934</b>	<b>\$21,353</b>	<b>\$21,780</b>	<b>\$22,216</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,888	\$2,916	\$3,470	\$4,045	\$4,126	\$4,208	\$4,293	\$4,379	\$4,466	\$4,555	\$4,647
Property taxes	\$2,454	\$2,454	\$2,503	\$2,553	\$2,604	\$2,656	\$2,709	\$2,763	\$2,819	\$2,875	\$2,932
<b>Total operating costs</b>	<b>\$6,342</b>	<b>\$5,370</b>	<b>\$5,973</b>	<b>\$6,598</b>	<b>\$6,730</b>	<b>\$6,865</b>	<b>\$7,002</b>	<b>\$7,142</b>	<b>\$7,285</b>	<b>\$7,430</b>	<b>\$7,579</b>
<b>Net Operating Income</b>	<b>\$12,247</b>	<b>\$765</b>	<b>\$6,731</b>	<b>\$12,742</b>	<b>\$12,997</b>	<b>\$13,257</b>	<b>\$13,522</b>	<b>\$13,792</b>	<b>\$14,068</b>	<b>\$14,350</b>	<b>\$14,637</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$4,095	\$4,095	\$4,229	\$4,368	\$4,511	\$4,659	\$4,811	\$4,969	\$5,132	\$5,300	\$5,473
Interest	\$4,938	\$4,938	\$4,804	\$4,665	\$4,522	\$4,375	\$4,222	\$4,064	\$3,901	\$3,733	\$3,560
<b>Total</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>	<b>\$9,033</b>
<b>Cash Flow</b>	<b>\$3,214</b>	<b>-\$8,268</b>	<b>-\$2,302</b>	<b>\$3,709</b>	<b>\$3,964</b>	<b>\$4,224</b>	<b>\$4,489</b>	<b>\$4,759</b>	<b>\$5,035</b>	<b>\$5,317</b>	<b>\$5,604</b>
<b>Cash-on-Cash Return</b>	<b>12.3%</b>	<b>-31.7%</b>	<b>-8.8%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>18.2%</b>	<b>19.3%</b>	<b>20.4%</b>	<b>21.5%</b>
Average Annual	12.3%	-31.7%	-20.3%	-8.8%	-2.8%	1.0%	3.7%	5.8%	7.5%	8.9%	10.2%
<b>Principal Payments</b>	<b>\$4,095</b>	<b>\$4,095</b>	<b>\$4,229</b>	<b>\$4,368</b>	<b>\$4,511</b>	<b>\$4,659</b>	<b>\$4,811</b>	<b>\$4,969</b>	<b>\$5,132</b>	<b>\$5,300</b>	<b>\$5,473</b>
Cumulative	\$4,095	\$4,095	\$8,324	\$12,692	\$17,202	\$21,861	\$26,672	\$31,641	\$36,772	\$42,072	\$47,545
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,309</b>	<b>-\$4,174</b>	<b>\$1,927</b>	<b>\$8,077</b>	<b>\$8,475</b>	<b>\$8,882</b>	<b>\$9,300</b>	<b>\$9,728</b>	<b>\$10,167</b>	<b>\$10,616</b>	<b>\$11,077</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>28.0%</b>	<b>-16.0%</b>	<b>7.4%</b>	<b>31.0%</b>	<b>32.5%</b>	<b>34.1%</b>	<b>35.7%</b>	<b>37.3%</b>	<b>39.0%</b>	<b>40.7%</b>	<b>42.5%</b>
Average Annual	28.0%	-16.0%	-4.3%	7.4%	13.7%	17.8%	20.8%	23.1%	25.1%	26.8%	28.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Medium  
Central, Not Downtown  
Economic Rent; Market Land Value*  
**Per Unit**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$15,000			Initial cash investment	\$36,558		
Loan-to-lending value ratio	85%			Construction	\$197,000			Mortgage	\$207,163		
Mortgage insur. premium	4.75%			Subtotal	\$212,000			Total costs	\$243,721		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,975	\$1,450	\$525	GST/QST (net)*	\$31,721			Mortgage insur. premium	\$9,840		
per sq. ft	\$2.74	\$2.01	\$0.73								
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$243,721</b>			<b>Total Financing Required</b>	<b>\$217,003</b>		
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$280,279</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$23,700	\$7,821	\$16,197	\$24,657	\$25,151	\$25,654	\$26,167	\$26,690	\$27,224	\$27,768	\$28,324
Other income	\$1,922	\$634	\$1,313	\$1,999	\$2,039	\$2,080	\$2,122	\$2,164	\$2,207	\$2,251	\$2,297
Vacancy allowance	-\$897	-\$296	-\$613	-\$933	-\$952	-\$971	-\$990	-\$1,010	-\$1,030	-\$1,051	-\$1,072
<b>Gross income</b>	<b>\$24,725</b>	<b>\$8,159</b>	<b>\$16,897</b>	<b>\$25,724</b>	<b>\$26,238</b>	<b>\$26,763</b>	<b>\$27,298</b>	<b>\$27,844</b>	<b>\$28,401</b>	<b>\$28,969</b>	<b>\$29,549</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,320	\$3,240	\$3,856	\$4,495	\$4,584	\$4,676	\$4,770	\$4,865	\$4,962	\$5,062	\$5,163
Property taxes	\$3,264	\$3,264	\$3,329	\$3,396	\$3,463	\$3,533	\$3,603	\$3,675	\$3,749	\$3,824	\$3,900
<b>Total operating costs</b>	<b>\$7,584</b>	<b>\$6,504</b>	<b>\$7,185</b>	<b>\$7,890</b>	<b>\$8,048</b>	<b>\$8,209</b>	<b>\$8,373</b>	<b>\$8,540</b>	<b>\$8,711</b>	<b>\$8,885</b>	<b>\$9,063</b>
<b>Net Operating Income</b>	<b>\$17,141</b>	<b>\$1,656</b>	<b>\$9,712</b>	<b>\$17,834</b>	<b>\$18,190</b>	<b>\$18,554</b>	<b>\$18,925</b>	<b>\$19,304</b>	<b>\$19,690</b>	<b>\$20,084</b>	<b>\$20,485</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$5,739	\$5,739	\$5,927	\$6,121	\$6,322	\$6,529	\$6,743	\$6,964	\$7,192	\$7,428	\$7,671
Interest	\$6,921	\$6,921	\$6,733	\$6,539	\$6,338	\$6,131	\$5,917	\$5,696	\$5,468	\$5,232	\$4,989
<b>Total</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>	<b>\$12,660</b>
<b>Cash Flow</b>	<b>\$4,481</b>	<b>-\$11,004</b>	<b>-\$2,948</b>	<b>\$5,174</b>	<b>\$5,530</b>	<b>\$5,894</b>	<b>\$6,265</b>	<b>\$6,644</b>	<b>\$7,030</b>	<b>\$7,424</b>	<b>\$7,825</b>
<b>Cash-on-Cash Return</b>	<b>12.3%</b>	<b>-30.1%</b>	<b>-8.1%</b>	<b>14.2%</b>	<b>15.1%</b>	<b>16.1%</b>	<b>17.1%</b>	<b>18.2%</b>	<b>19.2%</b>	<b>20.3%</b>	<b>21.4%</b>
Average Annual	12.3%	-30.1%	-19.1%	-8.0%	-2.2%	1.4%	4.1%	6.1%	7.7%	9.1%	10.3%
<b>Principal Payments</b>	<b>\$5,739</b>	<b>\$5,739</b>	<b>\$5,927</b>	<b>\$6,121</b>	<b>\$6,322</b>	<b>\$6,529</b>	<b>\$6,743</b>	<b>\$6,964</b>	<b>\$7,192</b>	<b>\$7,428</b>	<b>\$7,671</b>
Cumulative	\$5,739	\$5,739	\$11,666	\$17,787	\$24,109	\$30,638	\$37,381	\$44,345	\$51,537	\$58,964	\$66,635
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$10,220</b>	<b>-\$5,265</b>	<b>\$2,980</b>	<b>\$11,295</b>	<b>\$11,852</b>	<b>\$12,423</b>	<b>\$13,008</b>	<b>\$13,608</b>	<b>\$14,222</b>	<b>\$14,851</b>	<b>\$15,496</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>28.0%</b>	<b>-14.4%</b>	<b>8.2%</b>	<b>30.9%</b>	<b>32.4%</b>	<b>34.0%</b>	<b>35.6%</b>	<b>37.2%</b>	<b>38.9%</b>	<b>40.6%</b>	<b>42.4%</b>
Average Annual	28.0%	-14.4%	-3.1%	8.2%	14.3%	18.2%	21.1%	23.4%	25.3%	27.0%	28.6%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value*  
**Per Unit**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$19,000			Initial cash investment	\$43,083		
Loan-to-lending value ratio	85%			Construction	\$229,000			Mortgage	\$244,139		
Mortgage insur. premium	4.75%			Subtotal	\$248,000			Total costs	\$287,222		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,225	\$1,625	\$600								
per sq. ft	\$3.09	\$2.26	\$0.83	GST/QST (net)*	\$39,222			Mortgage insur. premium	\$11,597		
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$287,222</b>			<b>Total Financing Required</b>	<b>\$255,735</b>		
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$330,305</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$26,700	\$8,811	\$18,247	\$27,779	\$28,334	\$28,901	\$29,479	\$30,069	\$30,670	\$31,283	\$31,909
Other income	\$2,967	\$979	\$2,027	\$3,087	\$3,148	\$3,211	\$3,275	\$3,341	\$3,408	\$3,476	\$3,545
Vacancy allowance	-\$1,038	-\$343	-\$710	-\$1,080	-\$1,102	-\$1,124	-\$1,146	-\$1,169	-\$1,193	-\$1,217	-\$1,241
<b>Gross income</b>	<b>\$28,628</b>	<b>\$9,447</b>	<b>\$19,565</b>	<b>\$29,785</b>	<b>\$30,381</b>	<b>\$30,988</b>	<b>\$31,608</b>	<b>\$32,240</b>	<b>\$32,885</b>	<b>\$33,543</b>	<b>\$34,214</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,752	\$3,564	\$4,241	\$4,944	\$5,043	\$5,144	\$5,247	\$5,352	\$5,459	\$5,568	\$5,679
Property taxes	\$3,779	\$3,779	\$3,855	\$3,932	\$4,010	\$4,090	\$4,172	\$4,256	\$4,341	\$4,428	\$4,516
<b>Total operating costs</b>	<b>\$8,531</b>	<b>\$7,343</b>	<b>\$8,096</b>	<b>\$8,876</b>	<b>\$9,053</b>	<b>\$9,234</b>	<b>\$9,419</b>	<b>\$9,607</b>	<b>\$9,799</b>	<b>\$9,995</b>	<b>\$10,195</b>
<b>Net Operating Income</b>	<b>\$20,097</b>	<b>\$2,104</b>	<b>\$11,469</b>	<b>\$20,909</b>	<b>\$21,328</b>	<b>\$21,754</b>	<b>\$22,189</b>	<b>\$22,633</b>	<b>\$23,086</b>	<b>\$23,547</b>	<b>\$24,018</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$6,763	\$6,763	\$6,985	\$7,214	\$7,450	\$7,694	\$7,946	\$8,207	\$8,476	\$8,753	\$9,040
Interest	\$8,156	\$8,156	\$7,935	\$7,706	\$7,469	\$7,225	\$6,973	\$6,713	\$6,444	\$6,166	\$5,879
<b>Total</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>	<b>\$14,920</b>
<b>Cash Flow</b>	<b>\$5,178</b>	<b>-\$12,815</b>	<b>-\$3,451</b>	<b>\$5,990</b>	<b>\$6,408</b>	<b>\$6,835</b>	<b>\$7,270</b>	<b>\$7,713</b>	<b>\$8,166</b>	<b>\$8,628</b>	<b>\$9,099</b>
<b>Cash-on-Cash Return</b>	<b>12.0%</b>	<b>-29.7%</b>	<b>-8.0%</b>	<b>13.9%</b>	<b>14.9%</b>	<b>15.9%</b>	<b>16.9%</b>	<b>17.9%</b>	<b>19.0%</b>	<b>20.0%</b>	<b>21.1%</b>
Average Annual	12.0%	-29.7%	-18.9%	-8.0%	-2.2%	1.4%	4.0%	6.0%	7.6%	9.0%	10.2%
<b>Principal Payments</b>	<b>\$6,763</b>	<b>\$6,763</b>	<b>\$6,985</b>	<b>\$7,214</b>	<b>\$7,450</b>	<b>\$7,694</b>	<b>\$7,946</b>	<b>\$8,207</b>	<b>\$8,476</b>	<b>\$8,753</b>	<b>\$9,040</b>
Cumulative	\$6,763	\$6,763	\$13,748	\$20,962	\$28,412	\$36,107	\$44,053	\$52,260	\$60,735	\$69,489	\$78,529
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,941</b>	<b>-\$6,052</b>	<b>\$3,534</b>	<b>\$13,204</b>	<b>\$13,858</b>	<b>\$14,529</b>	<b>\$15,216</b>	<b>\$15,920</b>	<b>\$16,642</b>	<b>\$17,381</b>	<b>\$18,139</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.7%</b>	<b>-14.0%</b>	<b>8.2%</b>	<b>30.6%</b>	<b>32.2%</b>	<b>33.7%</b>	<b>35.3%</b>	<b>37.0%</b>	<b>38.6%</b>	<b>40.3%</b>	<b>42.1%</b>
Average Annual	27.7%	-14.0%	-2.9%	8.3%	14.2%	18.1%	21.0%	23.3%	25.2%	26.9%	28.4%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Economic Rent; Zero Land Value**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING								
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>				
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$24,585			
Loan-to-lending value ratio	85%			Construction	\$146,000			Mortgage	\$139,314			
Mortgage insur. premium	4.75%			Subtotal	\$146,000			Total costs	\$163,898			
Annual cost inflation	2.0%							% Equity	15.0%			
Annual revenue growth	2.0%	market rent	difference									
Initial monthly rent per unit	\$1,450	\$1,250	\$200	GST/QST (net)*	\$17,898			Mortgage insur. premium	\$6,617			
per sq. ft	\$2.01	\$1.74	\$0.28									
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$163,898</b>			<b>Total Financing Required</b>	<b>\$145,931</b>			
Average unit size (net sq. ft.)	720											
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$188,483</b>	<i>[to generate a 15% development profit]</i>						
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>						
REVENUES AND COSTS		Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>												
Rental income		\$17,400	\$5,742	\$11,891	\$18,103	\$18,465	\$18,834	\$19,211	\$19,595	\$19,987	\$20,387	\$20,795
Other income		\$916	\$302	\$626	\$953	\$972	\$991	\$1,011	\$1,031	\$1,052	\$1,073	\$1,094
Vacancy allowance		-\$641	-\$212	-\$438	-\$667	-\$680	-\$694	-\$708	-\$722	-\$736	-\$751	-\$766
<b>Gross income</b>		<b>\$17,675</b>	<b>\$5,833</b>	<b>\$12,079</b>	<b>\$18,389</b>	<b>\$18,757</b>	<b>\$19,132</b>	<b>\$19,514</b>	<b>\$19,905</b>	<b>\$20,303</b>	<b>\$20,709</b>	<b>\$21,123</b>
<b>Operating Costs:</b>												
Maintenance and operations		\$3,888	\$2,916	\$3,470	\$4,045	\$4,126	\$4,208	\$4,293	\$4,379	\$4,466	\$4,555	\$4,647
Property taxes		\$2,333	\$2,333	\$2,380	\$2,427	\$2,476	\$2,525	\$2,576	\$2,627	\$2,680	\$2,734	\$2,788
<b>Total operating costs</b>		<b>\$6,221</b>	<b>\$5,249</b>	<b>\$5,850</b>	<b>\$6,472</b>	<b>\$6,602</b>	<b>\$6,734</b>	<b>\$6,869</b>	<b>\$7,006</b>	<b>\$7,146</b>	<b>\$7,289</b>	<b>\$7,435</b>
<b>Net Operating Income</b>		<b>\$11,454</b>	<b>\$584</b>	<b>\$6,229</b>	<b>\$11,916</b>	<b>\$12,155</b>	<b>\$12,398</b>	<b>\$12,646</b>	<b>\$12,899</b>	<b>\$13,157</b>	<b>\$13,420</b>	<b>\$13,688</b>
Calculated cap rate		7.0%										
<b>Mortgage Payments:</b>												
Principal		\$3,859	\$3,859	\$3,986	\$4,116	\$4,251	\$4,391	\$4,534	\$4,683	\$4,836	\$4,995	\$5,159
Interest		\$4,654	\$4,654	\$4,528	\$4,397	\$4,262	\$4,123	\$3,979	\$3,831	\$3,677	\$3,519	\$3,355
<b>Total</b>		<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>	<b>\$8,514</b>
<b>Cash Flow</b>		<b>\$2,940</b>	<b>-\$7,930</b>	<b>-\$2,284</b>	<b>\$3,403</b>	<b>\$3,641</b>	<b>\$3,884</b>	<b>\$4,132</b>	<b>\$4,385</b>	<b>\$4,643</b>	<b>\$4,906</b>	<b>\$5,175</b>
<b>Cash-on-Cash Return</b>		<b>12.0%</b>	<b>-32.3%</b>	<b>-9.3%</b>	<b>13.8%</b>	<b>14.8%</b>	<b>15.8%</b>	<b>16.8%</b>	<b>17.8%</b>	<b>18.9%</b>	<b>20.0%</b>	<b>21.0%</b>
Average Annual		12.0%	-32.3%	-20.8%	-9.2%	-3.2%	0.6%	3.3%	5.4%	7.1%	8.5%	9.7%
<b>Principal Payments</b>		<b>\$3,859</b>	<b>\$3,859</b>	<b>\$3,986</b>	<b>\$4,116</b>	<b>\$4,251</b>	<b>\$4,391</b>	<b>\$4,534</b>	<b>\$4,683</b>	<b>\$4,836</b>	<b>\$4,995</b>	<b>\$5,159</b>
Cumulative		\$3,859	\$3,859	\$7,845	\$11,962	\$16,213	\$20,604	\$25,138	\$29,821	\$34,658	\$39,653	\$44,811
<b>Annual Cash Flow &amp; Principal Payments</b>		<b>\$6,799</b>	<b>-\$4,071</b>	<b>\$1,701</b>	<b>\$7,519</b>	<b>\$7,892</b>	<b>\$8,275</b>	<b>\$8,667</b>	<b>\$9,068</b>	<b>\$9,480</b>	<b>\$9,901</b>	<b>\$10,333</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>		<b>27.7%</b>	<b>-16.6%</b>	<b>6.9%</b>	<b>30.6%</b>	<b>32.1%</b>	<b>33.7%</b>	<b>35.3%</b>	<b>36.9%</b>	<b>38.6%</b>	<b>40.3%</b>	<b>42.0%</b>
Average Annual		27.7%	-16.6%	-4.8%	7.0%	13.3%	17.3%	20.3%	22.7%	24.7%	26.4%	28.0%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Medium  
Central, Not Downtown  
Economic Rent; Zero Land Value*  
**Per Unit**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$34,308		
Loan-to-lending value ratio	85%			Construction	\$197,000			Mortgage	\$194,413		
Mortgage insur. premium	4.75%			Subtotal	\$197,000			Total costs	\$228,721		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,875	\$1,450	\$425	GST/QST (net)*	\$31,721			Mortgage insur. premium	\$9,235		
per sq. ft	\$2.60	\$2.01	\$0.59								
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$228,721</b>			<b>Total Financing Required</b>	<b>\$203,647</b>		
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$263,029</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$22,500	\$7,425	\$15,377	\$23,409	\$23,877	\$24,355	\$24,842	\$25,339	\$25,845	\$26,362	\$26,890
Other income	\$1,824	\$602	\$1,247	\$1,898	\$1,936	\$1,975	\$2,014	\$2,054	\$2,096	\$2,137	\$2,180
Vacancy allowance	-\$851	-\$281	-\$582	-\$886	-\$903	-\$922	-\$940	-\$959	-\$978	-\$997	-\$1,017
<b>Gross income</b>	<b>\$23,473</b>	<b>\$7,746</b>	<b>\$16,041</b>	<b>\$24,421</b>	<b>\$24,910</b>	<b>\$25,408</b>	<b>\$25,916</b>	<b>\$26,434</b>	<b>\$26,963</b>	<b>\$27,502</b>	<b>\$28,052</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,320	\$3,240	\$3,856	\$4,495	\$4,584	\$4,676	\$4,770	\$4,865	\$4,962	\$5,062	\$5,163
Property taxes	\$3,098	\$3,098	\$3,160	\$3,224	\$3,288	\$3,354	\$3,421	\$3,489	\$3,559	\$3,630	\$3,703
<b>Total operating costs</b>	<b>\$7,418</b>	<b>\$6,338</b>	<b>\$7,016</b>	<b>\$7,718</b>	<b>\$7,872</b>	<b>\$8,030</b>	<b>\$8,191</b>	<b>\$8,354</b>	<b>\$8,521</b>	<b>\$8,692</b>	<b>\$8,866</b>
<b>Net Operating Income</b>	<b>\$16,055</b>	<b>\$1,408</b>	<b>\$9,025</b>	<b>\$16,703</b>	<b>\$17,037</b>	<b>\$17,378</b>	<b>\$17,726</b>	<b>\$18,080</b>	<b>\$18,442</b>	<b>\$18,810</b>	<b>\$19,187</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$5,386	\$5,386	\$5,562	\$5,745	\$5,933	\$6,127	\$6,328	\$6,535	\$6,749	\$6,970	\$7,199
Interest	\$6,495	\$6,495	\$6,318	\$6,136	\$5,948	\$5,754	\$5,553	\$5,346	\$5,131	\$4,910	\$4,682
<b>Total</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>	<b>\$11,881</b>
<b>Cash Flow</b>	<b>\$4,174</b>	<b>-\$10,473</b>	<b>-\$2,855</b>	<b>\$4,822</b>	<b>\$5,156</b>	<b>\$5,497</b>	<b>\$5,845</b>	<b>\$6,199</b>	<b>\$6,561</b>	<b>\$6,930</b>	<b>\$7,306</b>
<b>Cash-on-Cash Return</b>	<b>12.2%</b>	<b>-30.5%</b>	<b>-8.3%</b>	<b>14.1%</b>	<b>15.0%</b>	<b>16.0%</b>	<b>17.0%</b>	<b>18.1%</b>	<b>19.1%</b>	<b>20.2%</b>	<b>21.3%</b>
Average Annual	12.2%	-30.5%	-19.4%	-8.3%	-2.4%	1.3%	3.9%	5.9%	7.6%	9.0%	10.2%
<b>Principal Payments</b>	<b>\$5,386</b>	<b>\$5,386</b>	<b>\$5,562</b>	<b>\$5,745</b>	<b>\$5,933</b>	<b>\$6,127</b>	<b>\$6,328</b>	<b>\$6,535</b>	<b>\$6,749</b>	<b>\$6,970</b>	<b>\$7,199</b>
Cumulative	\$5,386	\$5,386	\$10,948	\$16,693	\$22,625	\$28,753	\$35,080	\$41,616	\$48,365	\$55,335	\$62,534
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$9,560</b>	<b>-\$5,087</b>	<b>\$2,707</b>	<b>\$10,567</b>	<b>\$11,089</b>	<b>\$11,624</b>	<b>\$12,173</b>	<b>\$12,734</b>	<b>\$13,310</b>	<b>\$13,900</b>	<b>\$14,505</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.9%</b>	<b>-14.8%</b>	<b>7.9%</b>	<b>30.8%</b>	<b>32.3%</b>	<b>33.9%</b>	<b>35.5%</b>	<b>37.1%</b>	<b>38.8%</b>	<b>40.5%</b>	<b>42.3%</b>
Average Annual	27.9%	-14.8%	-3.5%	8.0%	14.0%	18.0%	20.9%	23.2%	25.2%	26.9%	28.4%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											



**Pro Forma for Development of New Private Rental Apartment Building** *Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value*  
**Per Unit**  
**Montreal**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$40,233		
Loan-to-lending value ratio	85%			Construction	\$229,000			Mortgage	\$227,989		
Mortgage insur. premium	4.75%			Subtotal	\$229,000			Total costs	\$268,222		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,100	\$1,625	\$475	GST/QST (net)*	\$39,222			Mortgage insur. premium	\$10,829		
per sq. ft	\$2.92	\$2.26	\$0.66								
Stabilized Vacancy rate	3.5%			<b>Total Costs</b>	<b>\$268,222</b>			<b>Total Financing Required</b>	<b>\$238,818</b>		
Average unit size (net sq. ft.)	720										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$308,455</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$25,200	\$8,316	\$17,222	\$26,218	\$26,742	\$27,277	\$27,823	\$28,379	\$28,947	\$29,526	\$30,116
Other income	\$2,800	\$924	\$1,914	\$2,913	\$2,971	\$3,031	\$3,091	\$3,153	\$3,216	\$3,281	\$3,346
Vacancy allowance	-\$980	-\$323	-\$670	-\$1,020	-\$1,040	-\$1,061	-\$1,082	-\$1,104	-\$1,126	-\$1,148	-\$1,171
<b>Gross income</b>	<b>\$27,020</b>	<b>\$8,917</b>	<b>\$18,465</b>	<b>\$28,112</b>	<b>\$28,674</b>	<b>\$29,247</b>	<b>\$29,832</b>	<b>\$30,429</b>	<b>\$31,037</b>	<b>\$31,658</b>	<b>\$32,291</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$4,752	\$3,564	\$4,241	\$4,944	\$5,043	\$5,144	\$5,247	\$5,352	\$5,459	\$5,568	\$5,679
Property taxes	\$3,567	\$3,567	\$3,638	\$3,711	\$3,785	\$3,861	\$3,938	\$4,017	\$4,097	\$4,179	\$4,262
<b>Total operating costs</b>	<b>\$8,319</b>	<b>\$7,131</b>	<b>\$7,879</b>	<b>\$8,655</b>	<b>\$8,828</b>	<b>\$9,004</b>	<b>\$9,184</b>	<b>\$9,368</b>	<b>\$9,556</b>	<b>\$9,747</b>	<b>\$9,942</b>
<b>Net Operating Income</b>	<b>\$18,701</b>	<b>\$1,786</b>	<b>\$10,586</b>	<b>\$19,457</b>	<b>\$19,846</b>	<b>\$20,243</b>	<b>\$20,648</b>	<b>\$21,061</b>	<b>\$21,482</b>	<b>\$21,912</b>	<b>\$22,350</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$6,316	\$6,316	\$6,523	\$6,737	\$6,957	\$7,185	\$7,421	\$7,664	\$7,915	\$8,174	\$8,442
Interest	\$7,617	\$7,617	\$7,410	\$7,196	\$6,975	\$6,747	\$6,512	\$6,269	\$6,018	\$5,758	\$5,491
<b>Total</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>	<b>\$13,933</b>
<b>Cash Flow</b>	<b>\$4,769</b>	<b>-\$12,147</b>	<b>-\$3,346</b>	<b>\$5,524</b>	<b>\$5,913</b>	<b>\$6,310</b>	<b>\$6,715</b>	<b>\$7,128</b>	<b>\$7,549</b>	<b>\$7,979</b>	<b>\$8,417</b>
<b>Cash-on-Cash Return</b>	<b>11.9%</b>	<b>-30.2%</b>	<b>-8.3%</b>	<b>13.7%</b>	<b>14.7%</b>	<b>15.7%</b>	<b>16.7%</b>	<b>17.7%</b>	<b>18.8%</b>	<b>19.8%</b>	<b>20.9%</b>
Average Annual	11.9%	-30.2%	-19.3%	-8.3%	-2.5%	1.1%	3.7%	5.7%	7.3%	8.7%	10.0%
<b>Principal Payments</b>	<b>\$6,316</b>	<b>\$6,316</b>	<b>\$6,523</b>	<b>\$6,737</b>	<b>\$6,957</b>	<b>\$7,185</b>	<b>\$7,421</b>	<b>\$7,664</b>	<b>\$7,915</b>	<b>\$8,174</b>	<b>\$8,442</b>
Cumulative	\$6,316	\$6,316	\$12,839	\$19,576	\$26,533	\$33,718	\$41,139	\$48,803	\$56,718	\$64,892	\$73,334
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,085</b>	<b>-\$5,831</b>	<b>\$3,177</b>	<b>\$12,261</b>	<b>\$12,871</b>	<b>\$13,496</b>	<b>\$14,136</b>	<b>\$14,792</b>	<b>\$15,464</b>	<b>\$16,153</b>	<b>\$16,859</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.6%</b>	<b>-14.5%</b>	<b>7.9%</b>	<b>30.5%</b>	<b>32.0%</b>	<b>33.5%</b>	<b>35.1%</b>	<b>36.8%</b>	<b>38.4%</b>	<b>40.1%</b>	<b>41.9%</b>
Average Annual	27.6%	-14.5%	-3.3%	8.0%	14.0%	17.9%	20.8%	23.0%	25.0%	26.7%	28.2%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

## Halifax

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Basic Fringe**  
**Per Unit** **Market Rent; Zero Land Value**  
**Halifax**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING										
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>					
Amortization period (yrs)	25	Land					Initial cash investment					\$24,465
Loan-to-lending value ratio	85%	Construction	\$143,000				Mortgage					\$138,637
Mortgage insur. premium	4.75%	Subtotal	\$143,000				Total costs					\$163,102
Annual cost inflation	2.0%						% Equity					15.0%
Annual revenue growth	2.0%	HST (net)*	\$20,102				Mortgage insur. premium					\$6,585
Initial monthly rent per unit	\$1,125	<b>Total Costs</b>	<b>\$163,102</b>				<b>Total Financing Required</b>					<b>\$145,222</b>
per sq. ft	\$1.50											
Stabilized Vacancy rate	3.0%	<b>Development profit assumption:</b>	<b>15%</b>				<b>minimum sales price</b>	<b>\$187,568</b>	<i>[to generate a 15% development profit]</i>			
Average unit size (net sq. ft.)	750						<b>cap rate</b>	<b>4.7%</b>	<i>[implied if achieved 15% development profit]</i>			
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Revenues:</b>												
Rental income	\$13,500	\$4,455	\$9,226	\$14,045	\$14,326	\$14,613	\$14,905	\$15,203	\$15,507	\$15,817	\$16,134	
Other income	\$346	\$114	\$237	\$360	\$367	\$375	\$382	\$390	\$398	\$406	\$414	
Vacancy allowance	-\$415	-\$137	-\$284	-\$432	-\$441	-\$450	-\$459	-\$468	-\$477	-\$487	-\$496	
<b>Gross income</b>	<b>\$13,431</b>	<b>\$4,432</b>	<b>\$9,179</b>	<b>\$13,973</b>	<b>\$14,253</b>	<b>\$14,538</b>	<b>\$14,829</b>	<b>\$15,125</b>	<b>\$15,428</b>	<b>\$15,736</b>	<b>\$16,051</b>	
<b>Operating Costs:</b>												
Maintenance and operations	\$2,250	\$1,688	\$2,008	\$2,341	\$2,388	\$2,435	\$2,484	\$2,534	\$2,585	\$2,636	\$2,689	
Property taxes	\$2,425	\$2,425	\$2,474	\$2,523	\$2,574	\$2,625	\$2,678	\$2,731	\$2,786	\$2,842	\$2,898	
<b>Total operating costs</b>	<b>\$4,675</b>	<b>\$4,113</b>	<b>\$4,482</b>	<b>\$4,864</b>	<b>\$4,961</b>	<b>\$5,061</b>	<b>\$5,162</b>	<b>\$5,265</b>	<b>\$5,370</b>	<b>\$5,478</b>	<b>\$5,587</b>	
<b>Net Operating Income</b>	<b>\$8,756</b>	<b>\$319</b>	<b>\$4,697</b>	<b>\$9,109</b>	<b>\$9,291</b>	<b>\$9,477</b>	<b>\$9,667</b>	<b>\$9,860</b>	<b>\$10,057</b>	<b>\$10,259</b>	<b>\$10,464</b>	
<i>Calculated cap rate</i>	<i>5.4%</i>											
<b>Mortgage Payments:</b>												
Principal	\$3,841	\$3,841	\$3,967	\$4,096	\$4,231	\$4,369	\$4,512	\$4,660	\$4,813	\$4,971	\$5,134	
Interest	\$4,632	\$4,632	\$4,506	\$4,376	\$4,242	\$4,103	\$3,960	\$3,812	\$3,659	\$3,502	\$3,339	
<b>Total</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	
<b>Cash Flow</b>	<b>\$283</b>	<b>-\$8,153</b>	<b>-\$3,775</b>	<b>\$637</b>	<b>\$819</b>	<b>\$1,005</b>	<b>\$1,195</b>	<b>\$1,388</b>	<b>\$1,585</b>	<b>\$1,786</b>	<b>\$1,991</b>	
<b>Cash-on-Cash Return</b>	<b>1.2%</b>	<b>-33.3%</b>	<b>-15.4%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>4.1%</b>	<b>4.9%</b>	<b>5.7%</b>	<b>6.5%</b>	<b>7.3%</b>	<b>8.1%</b>	
<i>Average Annual</i>	<i>1.2%</i>	<i>-33.3%</i>	<i>-24.4%</i>	<i>-15.4%</i>	<i>-10.7%</i>	<i>-7.7%</i>	<i>-5.6%</i>	<i>-4.0%</i>	<i>-2.7%</i>	<i>-1.6%</i>	<i>-0.6%</i>	
<b>Principal Payments</b>	<b>\$3,841</b>	<b>\$3,841</b>	<b>\$3,967</b>	<b>\$4,096</b>	<b>\$4,231</b>	<b>\$4,369</b>	<b>\$4,512</b>	<b>\$4,660</b>	<b>\$4,813</b>	<b>\$4,971</b>	<b>\$5,134</b>	
<i>Cumulative</i>	<i>\$3,841</i>	<i>\$3,841</i>	<i>\$7,807</i>	<i>\$11,904</i>	<i>\$16,134</i>	<i>\$20,504</i>	<i>\$25,016</i>	<i>\$29,676</i>	<i>\$34,489</i>	<i>\$39,460</i>	<i>\$44,594</i>	
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$4,124</b>	<b>-\$4,312</b>	<b>\$191</b>	<b>\$4,734</b>	<b>\$5,050</b>	<b>\$5,374</b>	<b>\$5,707</b>	<b>\$6,048</b>	<b>\$6,398</b>	<b>\$6,757</b>	<b>\$7,125</b>	
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>16.9%</b>	<b>-17.6%</b>	<b>0.8%</b>	<b>19.3%</b>	<b>20.6%</b>	<b>22.0%</b>	<b>23.3%</b>	<b>24.7%</b>	<b>26.2%</b>	<b>27.6%</b>	<b>29.1%</b>	
<i>Average Annual</i>	<i>16.9%</i>	<i>-17.6%</i>	<i>-8.4%</i>	<i>0.8%</i>	<i>5.8%</i>	<i>9.0%</i>	<i>11.4%</i>	<i>13.3%</i>	<i>14.9%</i>	<i>16.3%</i>	<i>17.6%</i>	
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: Medium**  
**Per Unit** **Central, Not Downtown**  
**Halifax** **Market Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING									
Mortgage interest rate	3.25%	<b>Development Costs:</b>				<b>Financing:</b>					
Amortization period (yrs)	25	Land	\$0	Initial cash investment	\$37,360						
Loan-to-lending value ratio	85%	Construction	\$225,000	Mortgage	\$211,706						
Mortgage insur. premium	4.75%	Subtotal	\$225,000	Total costs	\$249,066						
Annual cost inflation	2.0%			% Equity	15.0%						
Annual revenue growth	2.0%										
Initial monthly rent per unit	\$1,325	HST (net)*	\$24,066	Mortgage insur. premium	\$10,056						
per sq. ft	\$1.77										
Stabilized Vacancy rate	3.0%	<b>Total Costs</b>	<b>\$249,066</b>	<b>Total Financing Required</b>	<b>\$221,762</b>						
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>	<b>minimum sales price</b>	<b>\$286,426 [to generate a 15% development profit]</b>								
		<b>cap rate</b>	<b>3.7% [implied if achieved 15% development profit]</b>								
<b>REVENUES AND COSTS</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Revenues:</b>											
Rental income	\$15,900	\$5,247	\$10,866	\$16,542	\$16,873	\$17,211	\$17,555	\$17,906	\$18,264	\$18,629	\$19,002
Other income	\$408	\$135	\$279	\$424	\$433	\$441	\$450	\$459	\$468	\$478	\$487
Vacancy allowance	-\$489	-\$161	-\$334	-\$509	-\$519	-\$530	-\$540	-\$551	-\$562	-\$573	-\$585
<b>Gross income</b>	<b>\$15,818</b>	<b>\$5,220</b>	<b>\$10,810</b>	<b>\$16,458</b>	<b>\$16,787</b>	<b>\$17,122</b>	<b>\$17,465</b>	<b>\$17,814</b>	<b>\$18,170</b>	<b>\$18,534</b>	<b>\$18,905</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$2,700	\$2,025	\$2,410	\$2,809	\$2,865	\$2,923	\$2,981	\$3,041	\$3,101	\$3,163	\$3,227
Property taxes	\$2,637	\$2,637	\$2,689	\$2,743	\$2,798	\$2,854	\$2,911	\$2,969	\$3,029	\$3,089	\$3,151
<b>Total operating costs</b>	<b>\$5,337</b>	<b>\$4,662</b>	<b>\$5,099</b>	<b>\$5,552</b>	<b>\$5,663</b>	<b>\$5,777</b>	<b>\$5,892</b>	<b>\$6,010</b>	<b>\$6,130</b>	<b>\$6,253</b>	<b>\$6,378</b>
<b>Net Operating Income</b>	<b>\$10,482</b>	<b>\$558</b>	<b>\$5,711</b>	<b>\$10,905</b>	<b>\$11,123</b>	<b>\$11,346</b>	<b>\$11,573</b>	<b>\$11,804</b>	<b>\$12,040</b>	<b>\$12,281</b>	<b>\$12,527</b>
Calculated cap rate	4.2%										
<b>Mortgage Payments:</b>											
Principal	\$5,865	\$5,865	\$6,057	\$6,256	\$6,460	\$6,672	\$6,891	\$7,117	\$7,350	\$7,590	\$7,839
Interest	\$7,073	\$7,073	\$6,881	\$6,682	\$6,477	\$6,265	\$6,047	\$5,821	\$5,588	\$5,347	\$5,098
<b>Total</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>
<b>Cash Flow</b>	<b>-\$2,456</b>	<b>-\$12,379</b>	<b>-\$7,226</b>	<b>-\$2,032</b>	<b>-\$1,814</b>	<b>-\$1,592</b>	<b>-\$1,365</b>	<b>-\$1,133</b>	<b>-\$897</b>	<b>-\$656</b>	<b>-\$411</b>
<b>Cash-on-Cash Return</b>	<b>-6.6%</b>	<b>-33.1%</b>	<b>-19.3%</b>	<b>-5.4%</b>	<b>-4.9%</b>	<b>-4.3%</b>	<b>-3.7%</b>	<b>-3.0%</b>	<b>-2.4%</b>	<b>-1.8%</b>	<b>-1.1%</b>
Average Annual	-6.6%	-33.1%	-26.2%	-19.3%	-15.7%	-13.4%	-11.8%	-10.5%	-9.5%	-8.7%	-7.9%
<b>Principal Payments</b>	<b>\$5,865</b>	<b>\$5,865</b>	<b>\$6,057</b>	<b>\$6,256</b>	<b>\$6,460</b>	<b>\$6,672</b>	<b>\$6,891</b>	<b>\$7,117</b>	<b>\$7,350</b>	<b>\$7,590</b>	<b>\$7,839</b>
Cumulative	\$5,865	\$5,865	\$11,922	\$18,177	\$24,638	\$31,310	\$38,201	\$45,317	\$52,667	\$60,258	\$68,097
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,409</b>	<b>-\$6,514</b>	<b>-\$1,169</b>	<b>\$4,223</b>	<b>\$4,646</b>	<b>\$5,080</b>	<b>\$5,526</b>	<b>\$5,983</b>	<b>\$6,452</b>	<b>\$6,934</b>	<b>\$7,428</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>9.1%</b>	<b>-17.4%</b>	<b>-3.1%</b>	<b>11.3%</b>	<b>12.4%</b>	<b>13.6%</b>	<b>14.8%</b>	<b>16.0%</b>	<b>17.3%</b>	<b>18.6%</b>	<b>19.9%</b>
Average Annual	9.1%	-17.4%	-10.3%	-3.1%	0.8%	3.4%	5.3%	6.8%	8.1%	9.3%	10.3%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Halifax**

*Project type: High-End  
Downtown, Not Prime  
Market Rent; Zero Land Value*

KEY INPUT ASSUMPTIONS		PROJECT DEVELOPMENT COSTS AND FINANCING											
Mortgage interest rate	3.25%	<b>Development Costs:</b>					<b>Financing:</b>						
Amortization period (yrs)	25	Land	\$0	Initial cash investment	\$42,578								
Loan-to-lending value ratio	85%	Construction	\$255,000	Mortgage	\$241,277								
Mortgage insur. premium	4.75%	Subtotal	\$255,000	Total costs	\$283,856								
Annual cost inflation	2.0%				% Equity	15.0%							
Annual revenue growth	2.0%				Mortgage insur. premium	\$11,461							
Initial monthly rent per unit	\$1,500				<b>Total Costs</b>	<b>\$283,856</b>	<b>Total Financing Required</b>			<b>\$252,738</b>			
per sq. ft	\$2.00				HST (net)*	\$28,856							
Stabilized Vacancy rate	3.0%												
Average unit size (net sq. ft.)	750												
<b>Development profit assumption:</b>		<b>15%</b>		<b>minimum sales price</b>								<b>\$326,434</b> [to generate a 15% development profit]	
				<b>cap rate</b>								<b>3.7%</b> [implied if achieved 15% development profit]	
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
<b>Revenues:</b>													
Rental income	\$18,000	\$5,940	\$12,301	\$18,727	\$19,102	\$19,484	\$19,873	\$20,271	\$20,676	\$21,090	\$21,512		
Other income	\$462	\$152	\$315	\$480	\$490	\$500	\$510	\$520	\$530	\$541	\$552		
Vacancy allowance	-\$554	-\$183	-\$378	-\$576	-\$588	-\$600	-\$611	-\$624	-\$636	-\$649	-\$662		
<b>Gross income</b>	<b>\$17,908</b>	<b>\$5,910</b>	<b>\$12,238</b>	<b>\$18,631</b>	<b>\$19,004</b>	<b>\$19,384</b>	<b>\$19,772</b>	<b>\$20,167</b>	<b>\$20,570</b>	<b>\$20,982</b>	<b>\$21,401</b>		
<b>Operating Costs:</b>													
Maintenance and operations	\$3,150	\$2,363	\$2,811	\$3,277	\$3,343	\$3,410	\$3,478	\$3,547	\$3,618	\$3,691	\$3,765		
Property taxes	\$2,736	\$2,736	\$2,791	\$2,847	\$2,904	\$2,962	\$3,021	\$3,081	\$3,143	\$3,206	\$3,270		
<b>Total operating costs</b>	<b>\$5,886</b>	<b>\$5,099</b>	<b>\$5,602</b>	<b>\$6,124</b>	<b>\$6,246</b>	<b>\$6,371</b>	<b>\$6,499</b>	<b>\$6,629</b>	<b>\$6,761</b>	<b>\$6,897</b>	<b>\$7,034</b>		
<b>Net Operating Income</b>	<b>\$12,022</b>	<b>\$811</b>	<b>\$6,636</b>	<b>\$12,507</b>	<b>\$12,757</b>	<b>\$13,013</b>	<b>\$13,273</b>	<b>\$13,538</b>	<b>\$13,809</b>	<b>\$14,085</b>	<b>\$14,367</b>		
Calculated cap rate	4.2%												
<b>Mortgage Payments:</b>													
Principal	\$6,684	\$6,684	\$6,903	\$7,129	\$7,363	\$7,604	\$7,853	\$8,111	\$8,376	\$8,651	\$8,934		
Interest	\$8,061	\$8,061	\$7,842	\$7,615	\$7,382	\$7,141	\$6,891	\$6,634	\$6,368	\$6,094	\$5,811		
<b>Total</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>		
<b>Cash Flow</b>	<b>-\$2,723</b>	<b>-\$13,934</b>	<b>-\$8,109</b>	<b>-\$2,237</b>	<b>-\$1,987</b>	<b>-\$1,732</b>	<b>-\$1,472</b>	<b>-\$1,206</b>	<b>-\$936</b>	<b>-\$660</b>	<b>-\$378</b>		
<b>Cash-on-Cash Return</b>	<b>-6.4%</b>	<b>-32.7%</b>	<b>-19.0%</b>	<b>-5.3%</b>	<b>-4.7%</b>	<b>-4.1%</b>	<b>-3.5%</b>	<b>-2.8%</b>	<b>-2.2%</b>	<b>-1.5%</b>	<b>-0.9%</b>		
Average Annual	-6.4%	-32.7%	-25.9%	-19.0%	-15.4%	-13.2%	-11.5%	-10.3%	-9.3%	-8.4%	-7.7%		
<b>Principal Payments</b>	<b>\$6,684</b>	<b>\$6,684</b>	<b>\$6,903</b>	<b>\$7,129</b>	<b>\$7,363</b>	<b>\$7,604</b>	<b>\$7,853</b>	<b>\$8,111</b>	<b>\$8,376</b>	<b>\$8,651</b>	<b>\$8,934</b>		
Cumulative	\$6,684	\$6,684	\$13,587	\$20,717	\$28,079	\$35,684	\$43,537	\$51,647	\$60,024	\$68,674	\$77,609		
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$3,961</b>	<b>-\$7,250</b>	<b>-\$1,206</b>	<b>\$4,892</b>	<b>\$5,376</b>	<b>\$5,872</b>	<b>\$6,381</b>	<b>\$6,904</b>	<b>\$7,441</b>	<b>\$7,991</b>	<b>\$8,556</b>		
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>9.3%</b>	<b>-17.0%</b>	<b>-2.8%</b>	<b>11.5%</b>	<b>12.6%</b>	<b>13.8%</b>	<b>15.0%</b>	<b>16.2%</b>	<b>17.5%</b>	<b>18.8%</b>	<b>20.1%</b>		
Average Annual	9.3%	-17.0%	-9.9%	-2.8%	1.1%	3.6%	5.5%	7.0%	8.3%	9.5%	10.6%		
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group													

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Basic Fringe*  
**Per Unit** *Economic Rent; Market Land Value*  
**Halifax**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$27,000			Initial cash investment	\$28,515		
Loan-to-lending value ratio	85%			Construction	\$143,000			Mortgage	\$161,587		
Mortgage insur. premium	4.75%			Subtotal	\$170,000			Total costs	\$190,102		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,575	\$1,125	\$450	HST (net)*	\$20,102			Mortgage insur. premium	\$7,675		
per sq. ft.	\$2.10	\$1.50	\$0.60								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$190,102</b>			<b>Total Financing Required</b>	<b>\$169,263</b>		
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$218,618</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$18,900	\$6,237	\$12,916	\$19,664	\$20,057	\$20,458	\$20,867	\$21,284	\$21,710	\$22,144	\$22,587
Other income	\$485	\$160	\$331	\$504	\$514	\$525	\$535	\$546	\$557	\$568	\$579
Vacancy allowance	-\$582	-\$192	-\$397	-\$605	-\$617	-\$629	-\$642	-\$655	-\$668	-\$681	-\$695
<b>Gross income</b>	<b>\$18,803</b>	<b>\$6,205</b>	<b>\$12,850</b>	<b>\$19,563</b>	<b>\$19,954</b>	<b>\$20,353</b>	<b>\$20,760</b>	<b>\$21,175</b>	<b>\$21,599</b>	<b>\$22,031</b>	<b>\$22,471</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$2,250	\$1,688	\$2,008	\$2,341	\$2,388	\$2,435	\$2,484	\$2,534	\$2,585	\$2,636	\$2,689
Property taxes	\$3,395	\$3,395	\$3,463	\$3,532	\$3,603	\$3,675	\$3,749	\$3,824	\$3,900	\$3,978	\$4,058
<b>Total operating costs</b>	<b>\$5,645</b>	<b>\$5,083</b>	<b>\$5,471</b>	<b>\$5,873</b>	<b>\$5,991</b>	<b>\$6,111</b>	<b>\$6,233</b>	<b>\$6,357</b>	<b>\$6,485</b>	<b>\$6,614</b>	<b>\$6,747</b>
<b>Net Operating Income</b>	<b>\$13,158</b>	<b>\$1,122</b>	<b>\$7,379</b>	<b>\$13,689</b>	<b>\$13,963</b>	<b>\$14,242</b>	<b>\$14,527</b>	<b>\$14,818</b>	<b>\$15,114</b>	<b>\$15,416</b>	<b>\$15,725</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$4,476	\$4,476	\$4,623	\$4,775	\$4,931	\$5,093	\$5,259	\$5,432	\$5,610	\$5,794	\$5,983
Interest	\$5,398	\$5,398	\$5,252	\$5,100	\$4,944	\$4,782	\$4,615	\$4,443	\$4,265	\$4,081	\$3,891
<b>Total</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>	<b>\$9,875</b>
<b>Cash Flow</b>	<b>\$3,283</b>	<b>-\$8,753</b>	<b>-\$2,496</b>	<b>\$3,815</b>	<b>\$4,088</b>	<b>\$4,368</b>	<b>\$4,653</b>	<b>\$4,943</b>	<b>\$5,239</b>	<b>\$5,542</b>	<b>\$5,850</b>
<b>Cash-on-Cash Return</b>	<b>11.5%</b>	<b>-30.7%</b>	<b>-8.8%</b>	<b>13.4%</b>	<b>14.3%</b>	<b>15.3%</b>	<b>16.3%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>19.4%</b>	<b>20.5%</b>
Average Annual	11.5%	-30.7%	-19.7%	-8.7%	-2.9%	0.7%	3.3%	5.3%	7.0%	8.3%	9.6%
<b>Principal Payments</b>	<b>\$4,476</b>	<b>\$4,476</b>	<b>\$4,623</b>	<b>\$4,775</b>	<b>\$4,931</b>	<b>\$5,093</b>	<b>\$5,259</b>	<b>\$5,432</b>	<b>\$5,610</b>	<b>\$5,794</b>	<b>\$5,983</b>
Cumulative	\$4,476	\$4,476	\$9,100	\$13,874	\$18,805	\$23,898	\$29,157	\$34,589	\$40,199	\$45,992	\$51,976
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$7,760</b>	<b>-\$4,276</b>	<b>\$2,127</b>	<b>\$8,589</b>	<b>\$9,019</b>	<b>\$9,460</b>	<b>\$9,912</b>	<b>\$10,375</b>	<b>\$10,849</b>	<b>\$11,335</b>	<b>\$11,833</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.2%</b>	<b>-15.0%</b>	<b>7.5%</b>	<b>30.1%</b>	<b>31.6%</b>	<b>33.2%</b>	<b>34.8%</b>	<b>36.4%</b>	<b>38.0%</b>	<b>39.8%</b>	<b>41.5%</b>
Average Annual	27.2%	-15.0%	-3.8%	7.5%	13.6%	17.5%	20.4%	22.6%	24.6%	26.3%	27.8%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building** **Project type: High-End**  
**Per Unit** **Central, Not Downtown**  
**Halifax** **Economic Rent; Market Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$36,000			Initial cash investment	\$42,760		
Loan-to-lending value ratio	85%			Construction	\$225,000			Mortgage	\$242,306		
Mortgage insur. premium	4.75%			Subtotal	\$261,000			Total costs	\$285,066		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,250	\$1,325	\$925	HST (net)*	\$24,066			Mortgage insur. premium	\$11,510		
per sq. ft	\$3.00	\$1.77	\$1.23								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$285,066</b>			<b>Total Financing Required</b>	<b>\$253,816</b>		
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$327,826</b>	[to generate a 15% development profit]					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	[implied if achieved 15% development profit]					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$27,000	\$8,910	\$18,452	\$28,091	\$28,653	\$29,226	\$29,810	\$30,406	\$31,015	\$31,635	\$32,267
Other income	\$692	\$228	\$473	\$720	\$735	\$749	\$764	\$780	\$795	\$811	\$827
Vacancy allowance	-\$831	-\$274	-\$568	-\$864	-\$882	-\$899	-\$917	-\$936	-\$954	-\$973	-\$993
<b>Gross income</b>	<b>\$26,862</b>	<b>\$8,864</b>	<b>\$18,357</b>	<b>\$27,947</b>	<b>\$28,506</b>	<b>\$29,076</b>	<b>\$29,657</b>	<b>\$30,250</b>	<b>\$30,855</b>	<b>\$31,473</b>	<b>\$32,102</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$2,700	\$2,025	\$2,410	\$2,809	\$2,865	\$2,923	\$2,981	\$3,041	\$3,101	\$3,163	\$3,227
Property taxes	\$4,477	\$4,477	\$4,567	\$4,658	\$4,751	\$4,846	\$4,943	\$5,042	\$5,143	\$5,246	\$5,351
<b>Total operating costs</b>	<b>\$7,177</b>	<b>\$6,502</b>	<b>\$6,977</b>	<b>\$7,467</b>	<b>\$7,617</b>	<b>\$7,769</b>	<b>\$7,924</b>	<b>\$8,083</b>	<b>\$8,244</b>	<b>\$8,409</b>	<b>\$8,578</b>
<b>Net Operating Income</b>	<b>\$19,684</b>	<b>\$2,362</b>	<b>\$11,381</b>	<b>\$20,480</b>	<b>\$20,889</b>	<b>\$21,307</b>	<b>\$21,733</b>	<b>\$22,168</b>	<b>\$22,611</b>	<b>\$23,063</b>	<b>\$23,525</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$6,713	\$6,713	\$6,933	\$7,160	\$7,394	\$7,637	\$7,887	\$8,145	\$8,412	\$8,688	\$8,972
Interest	\$8,095	\$8,095	\$7,875	\$7,648	\$7,413	\$7,171	\$6,921	\$6,662	\$6,396	\$6,120	\$5,835
<b>Total</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>	<b>\$14,808</b>
<b>Cash Flow</b>	<b>\$4,877</b>	<b>-\$12,446</b>	<b>-\$3,427</b>	<b>\$5,672</b>	<b>\$6,082</b>	<b>\$6,499</b>	<b>\$6,925</b>	<b>\$7,360</b>	<b>\$7,803</b>	<b>\$8,256</b>	<b>\$8,717</b>
<b>Cash-on-Cash Return</b>	<b>11.4%</b>	<b>-29.1%</b>	<b>-8.0%</b>	<b>13.3%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>18.2%</b>	<b>19.3%</b>	<b>20.4%</b>
Average Annual	11.4%	-29.1%	-18.6%	-8.0%	-2.4%	1.1%	3.6%	5.6%	7.2%	8.5%	9.7%
<b>Principal Payments</b>	<b>\$6,713</b>	<b>\$6,713</b>	<b>\$6,933</b>	<b>\$7,160</b>	<b>\$7,394</b>	<b>\$7,637</b>	<b>\$7,887</b>	<b>\$8,145</b>	<b>\$8,412</b>	<b>\$8,688</b>	<b>\$8,972</b>
Cumulative	\$6,713	\$6,713	\$13,645	\$20,805	\$28,199	\$35,836	\$43,722	\$51,868	\$60,280	\$68,967	\$77,939
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,589</b>	<b>-\$5,733</b>	<b>\$3,506</b>	<b>\$12,832</b>	<b>\$13,476</b>	<b>\$14,136</b>	<b>\$14,812</b>	<b>\$15,505</b>	<b>\$16,215</b>	<b>\$16,943</b>	<b>\$17,689</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.1%</b>	<b>-13.4%</b>	<b>8.2%</b>	<b>30.0%</b>	<b>31.5%</b>	<b>33.1%</b>	<b>34.6%</b>	<b>36.3%</b>	<b>37.9%</b>	<b>39.6%</b>	<b>41.4%</b>
Average Annual	27.1%	-13.4%	-2.6%	8.3%	14.1%	17.9%	20.7%	22.9%	24.8%	26.4%	27.9%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**Pro Forma for Development of New Private Rental Apartment Building** *Project type: High-End  
Downtown, Not Prime  
Economic Rent; Market Land Value*  
**Per Unit**  
**Halifax**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$45,000			Initial cash investment		\$49,328	
Loan-to-lending value ratio	85%			Construction	\$255,000			Mortgage		\$279,527	
Mortgage insur. premium	4.75%			Subtotal	\$300,000			Total costs		\$328,856	
Annual cost inflation	2.0%							% Equity		15.0%	
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,550	\$1,500	\$1,050	HST (net)*	\$28,856			Mortgage insur. premium		\$13,278	
per sq. ft	\$3.40	\$2.00	\$1.40								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$328,856</b>			<b>Total Financing Required</b>		<b>\$292,805</b>	
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$378,184</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$30,600	\$10,098	\$20,912	\$31,836	\$32,473	\$33,122	\$33,785	\$34,461	\$35,150	\$35,853	\$36,570
Other income	\$785	\$259	\$536	\$816	\$833	\$849	\$866	\$884	\$901	\$919	\$938
Vacancy allowance	-\$942	-\$311	-\$643	-\$980	-\$999	-\$1,019	-\$1,040	-\$1,060	-\$1,082	-\$1,103	-\$1,125
<b>Gross income</b>	<b>\$30,443</b>	<b>\$10,046</b>	<b>\$20,805</b>	<b>\$31,673</b>	<b>\$32,306</b>	<b>\$32,953</b>	<b>\$33,612</b>	<b>\$34,284</b>	<b>\$34,970</b>	<b>\$35,669</b>	<b>\$36,382</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,150	\$2,363	\$2,811	\$3,277	\$3,343	\$3,410	\$3,478	\$3,547	\$3,618	\$3,691	\$3,765
Property taxes	\$4,651	\$4,651	\$4,744	\$4,839	\$4,936	\$5,035	\$5,136	\$5,238	\$5,343	\$5,450	\$5,559
<b>Total operating costs</b>	<b>\$7,801</b>	<b>\$7,014</b>	<b>\$7,556</b>	<b>\$8,117</b>	<b>\$8,279</b>	<b>\$8,444</b>	<b>\$8,613</b>	<b>\$8,786</b>	<b>\$8,961</b>	<b>\$9,141</b>	<b>\$9,323</b>
<b>Net Operating Income</b>	<b>\$22,642</b>	<b>\$3,032</b>	<b>\$13,249</b>	<b>\$23,556</b>	<b>\$24,028</b>	<b>\$24,508</b>	<b>\$24,998</b>	<b>\$25,498</b>	<b>\$26,008</b>	<b>\$26,528</b>	<b>\$27,059</b>
Calculated cap rate	6.9%										
<b>Mortgage Payments:</b>											
Principal	\$7,744	\$7,744	\$7,997	\$8,260	\$8,530	\$8,810	\$9,098	\$9,396	\$9,704	\$10,022	\$10,351
Interest	\$9,338	\$9,338	\$9,085	\$8,823	\$8,552	\$8,273	\$7,984	\$7,686	\$7,378	\$7,060	\$6,732
<b>Total</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>	<b>\$17,082</b>
<b>Cash Flow</b>	<b>\$5,559</b>	<b>-\$14,050</b>	<b>-\$3,833</b>	<b>\$6,474</b>	<b>\$6,945</b>	<b>\$7,426</b>	<b>\$7,916</b>	<b>\$8,416</b>	<b>\$8,926</b>	<b>\$9,446</b>	<b>\$9,977</b>
<b>Cash-on-Cash Return</b>	<b>11.3%</b>	<b>-28.5%</b>	<b>-7.8%</b>	<b>13.1%</b>	<b>14.1%</b>	<b>15.1%</b>	<b>16.0%</b>	<b>17.1%</b>	<b>18.1%</b>	<b>19.1%</b>	<b>20.2%</b>
Average Annual	11.3%	-28.5%	-18.1%	-7.7%	-2.3%	1.2%	3.7%	5.6%	7.2%	8.5%	9.7%
<b>Principal Payments</b>	<b>\$7,744</b>	<b>\$7,744</b>	<b>\$7,997</b>	<b>\$8,260</b>	<b>\$8,530</b>	<b>\$8,810</b>	<b>\$9,098</b>	<b>\$9,396</b>	<b>\$9,704</b>	<b>\$10,022</b>	<b>\$10,351</b>
Cumulative	\$7,744	\$7,744	\$15,741	\$24,001	\$32,531	\$41,340	\$50,439	\$59,835	\$69,539	\$79,561	\$89,912
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$13,303</b>	<b>-\$6,306</b>	<b>\$4,164</b>	<b>\$14,734</b>	<b>\$15,475</b>	<b>\$16,235</b>	<b>\$17,014</b>	<b>\$17,812</b>	<b>\$18,630</b>	<b>\$19,468</b>	<b>\$20,327</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.0%</b>	<b>-12.8%</b>	<b>8.4%</b>	<b>29.9%</b>	<b>31.4%</b>	<b>32.9%</b>	<b>34.5%</b>	<b>36.1%</b>	<b>37.8%</b>	<b>39.5%</b>	<b>41.2%</b>
Average Annual	27.0%	-12.8%	-2.2%	8.5%	14.2%	18.0%	20.7%	22.9%	24.8%	26.4%	27.9%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group



**Pro Forma for Development of New Private Rental Apartment Building** *Project type: Basic Fringe Economic Rent; Zero Land Value*  
**Per Unit**  
**Halifax**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0	Initial cash investment	\$24,465				
Loan-to-lending value ratio	85%			Construction	\$143,000	Mortgage	\$138,637				
Mortgage insur. premium	4.75%			Subtotal	\$143,000	Total costs	\$163,102				
Annual cost inflation	2.0%					% Equity	15.0%				
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$1,400	\$1,125	\$275	HST (net)*	\$20,102	Mortgage insur. premium	\$6,585				
per sq. ft	\$1.87	\$1.50	\$0.37								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$163,102</b>	<b>Total Financing Required</b>	<b>\$145,222</b>				
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$187,568</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.1%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$16,800	\$5,544	\$11,481	\$17,479	\$17,828	\$18,185	\$18,549	\$18,920	\$19,298	\$19,684	\$20,078
Other income	\$431	\$142	\$294	\$448	\$457	\$466	\$476	\$485	\$495	\$505	\$515
Vacancy allowance	-\$517	-\$171	-\$353	-\$538	-\$549	-\$560	-\$571	-\$582	-\$594	-\$606	-\$618
<b>Gross income</b>	<b>\$16,714</b>	<b>\$5,516</b>	<b>\$11,422</b>	<b>\$17,389</b>	<b>\$17,737</b>	<b>\$18,092</b>	<b>\$18,453</b>	<b>\$18,823</b>	<b>\$19,199</b>	<b>\$19,583</b>	<b>\$19,975</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$2,250	\$1,688	\$2,008	\$2,341	\$2,388	\$2,435	\$2,484	\$2,534	\$2,585	\$2,636	\$2,689
Property taxes	\$3,018	\$3,018	\$3,078	\$3,140	\$3,203	\$3,267	\$3,332	\$3,399	\$3,467	\$3,536	\$3,607
<b>Total operating costs</b>	<b>\$5,268</b>	<b>\$4,706</b>	<b>\$5,087</b>	<b>\$5,481</b>	<b>\$5,590</b>	<b>\$5,702</b>	<b>\$5,816</b>	<b>\$5,933</b>	<b>\$6,051</b>	<b>\$6,172</b>	<b>\$6,296</b>
<b>Net Operating Income</b>	<b>\$11,446</b>	<b>\$810</b>	<b>\$6,336</b>	<b>\$11,908</b>	<b>\$12,146</b>	<b>\$12,389</b>	<b>\$12,637</b>	<b>\$12,890</b>	<b>\$13,148</b>	<b>\$13,411</b>	<b>\$13,679</b>
Calculated cap rate	7.0%										
<b>Mortgage Payments:</b>											
Principal	\$3,841	\$3,841	\$3,967	\$4,096	\$4,231	\$4,369	\$4,512	\$4,660	\$4,813	\$4,971	\$5,134
Interest	\$4,632	\$4,632	\$4,506	\$4,376	\$4,242	\$4,103	\$3,960	\$3,812	\$3,659	\$3,502	\$3,339
<b>Total</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>	<b>\$8,472</b>
<b>Cash Flow</b>	<b>\$2,974</b>	<b>-\$7,662</b>	<b>-\$2,137</b>	<b>\$3,436</b>	<b>\$3,674</b>	<b>\$3,917</b>	<b>\$4,165</b>	<b>\$4,418</b>	<b>\$4,675</b>	<b>\$4,938</b>	<b>\$5,207</b>
<b>Cash-on-Cash Return</b>	<b>12.2%</b>	<b>-31.3%</b>	<b>-8.7%</b>	<b>14.0%</b>	<b>15.0%</b>	<b>16.0%</b>	<b>17.0%</b>	<b>18.1%</b>	<b>19.1%</b>	<b>20.2%</b>	<b>21.3%</b>
Average Annual	12.2%	-31.3%	-20.0%	-8.7%	-2.7%	1.0%	3.7%	5.7%	7.4%	8.8%	10.1%
<b>Principal Payments</b>	<b>\$3,841</b>	<b>\$3,841</b>	<b>\$3,967</b>	<b>\$4,096</b>	<b>\$4,231</b>	<b>\$4,369</b>	<b>\$4,512</b>	<b>\$4,660</b>	<b>\$4,813</b>	<b>\$4,971</b>	<b>\$5,134</b>
Cumulative	\$3,841	\$3,841	\$7,807	\$11,904	\$16,134	\$20,504	\$25,016	\$29,676	\$34,489	\$39,460	\$44,594
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$6,814</b>	<b>-\$3,822</b>	<b>\$1,830</b>	<b>\$7,532</b>	<b>\$7,905</b>	<b>\$8,286</b>	<b>\$8,677</b>	<b>\$9,078</b>	<b>\$9,488</b>	<b>\$9,909</b>	<b>\$10,340</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.9%</b>	<b>-15.6%</b>	<b>7.5%</b>	<b>30.8%</b>	<b>32.3%</b>	<b>33.9%</b>	<b>35.5%</b>	<b>37.1%</b>	<b>38.8%</b>	<b>40.5%</b>	<b>42.3%</b>
Average Annual	27.9%	-15.6%	-4.1%	7.5%	13.7%	17.8%	20.7%	23.1%	25.0%	26.7%	28.3%

<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs.  
Source: Altus Group

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Halifax**

**Project type: High-End  
Central, Not Downtown  
Economic Rent; Zero Land Value**

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING								
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>				
Amortization period (yrs)	25			Land		\$0	Initial cash investment			\$37,360		
Loan-to-lending value ratio	85%			Construction		\$225,000	Mortgage			\$211,706		
Mortgage insur. premium	4.75%			Subtotal		\$225,000	Total costs			\$249,066		
Annual cost inflation	2.0%						% Equity			15.0%		
Annual revenue growth	2.0%	market rent	difference	HST (net)*		\$24,066	Mortgage insur. premium			\$10,056		
Initial monthly rent per unit per sq. ft.	\$2,000 \$2.67	\$1,325	\$675									
		\$1.77	\$0.90									
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>		<b>\$249,066</b>	<b>Total Financing Required</b>			<b>\$221,762</b>		
Average unit size (net sq. ft.)	750											
<b>Development profit assumption:</b>		<b>15%</b>		<b>minimum sales price</b>		<b>\$286,426</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>		<b>10.0%</b>		<b>cap rate</b>		<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS		Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>												
Rental income		\$24,000	\$7,920	\$16,402	\$24,970	\$25,469	\$25,978	\$26,498	\$27,028	\$27,568	\$28,120	\$28,682
Other income		\$615	\$203	\$421	\$640	\$653	\$666	\$679	\$693	\$707	\$721	\$735
Vacancy allowance		-\$738	-\$244	-\$505	-\$768	-\$784	-\$799	-\$815	-\$832	-\$848	-\$865	-\$883
<b>Gross income</b>		<b>\$23,877</b>	<b>\$7,879</b>	<b>\$16,317</b>	<b>\$24,842</b>	<b>\$25,338</b>	<b>\$25,845</b>	<b>\$26,362</b>	<b>\$26,889</b>	<b>\$27,427</b>	<b>\$27,976</b>	<b>\$28,535</b>
<b>Operating Costs:</b>												
Maintenance and operations		\$2,700	\$2,025	\$2,410	\$2,809	\$2,865	\$2,923	\$2,981	\$3,041	\$3,101	\$3,163	\$3,227
Property taxes		\$3,980	\$3,980	\$4,059	\$4,141	\$4,223	\$4,308	\$4,394	\$4,482	\$4,572	\$4,663	\$4,756
<b>Total operating costs</b>		<b>\$6,680</b>	<b>\$6,005</b>	<b>\$6,469</b>	<b>\$6,950</b>	<b>\$7,089</b>	<b>\$7,230</b>	<b>\$7,375</b>	<b>\$7,523</b>	<b>\$7,673</b>	<b>\$7,826</b>	<b>\$7,983</b>
<b>Net Operating Income</b>		<b>\$17,197</b>	<b>\$1,875</b>	<b>\$9,848</b>	<b>\$17,892</b>	<b>\$18,250</b>	<b>\$18,615</b>	<b>\$18,987</b>	<b>\$19,367</b>	<b>\$19,754</b>	<b>\$20,149</b>	<b>\$20,552</b>
Calculated cap rate		6.9%										
<b>Mortgage Payments:</b>												
Principal		\$5,865	\$5,865	\$6,057	\$6,256	\$6,460	\$6,672	\$6,891	\$7,117	\$7,350	\$7,590	\$7,839
Interest		\$7,073	\$7,073	\$6,881	\$6,682	\$6,477	\$6,265	\$6,047	\$5,821	\$5,588	\$5,347	\$5,098
<b>Total</b>		<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>	<b>\$12,938</b>
<b>Cash Flow</b>		<b>\$4,260</b>	<b>-\$11,063</b>	<b>-\$3,089</b>	<b>\$4,954</b>	<b>\$5,312</b>	<b>\$5,677</b>	<b>\$6,049</b>	<b>\$6,429</b>	<b>\$6,817</b>	<b>\$7,212</b>	<b>\$7,615</b>
<b>Cash-on-Cash Return</b>		<b>11.4%</b>	<b>-29.6%</b>	<b>-8.3%</b>	<b>13.3%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>18.2%</b>	<b>19.3%</b>	<b>20.4%</b>
Average Annual		11.4%	-29.6%	-18.9%	-8.2%	-2.6%	1.0%	3.5%	5.5%	7.1%	8.4%	9.6%
<b>Principal Payments</b>		<b>\$5,865</b>	<b>\$5,865</b>	<b>\$6,057</b>	<b>\$6,256</b>	<b>\$6,460</b>	<b>\$6,672</b>	<b>\$6,891</b>	<b>\$7,117</b>	<b>\$7,350</b>	<b>\$7,590</b>	<b>\$7,839</b>
Cumulative		\$5,865	\$5,865	\$11,922	\$18,177	\$24,638	\$31,310	\$38,201	\$45,317	\$52,667	\$60,258	\$68,097
<b>Annual Cash Flow &amp; Principal Payments</b>		<b>\$10,124</b>	<b>-\$5,198</b>	<b>\$2,968</b>	<b>\$11,210</b>	<b>\$11,773</b>	<b>\$12,349</b>	<b>\$12,940</b>	<b>\$13,546</b>	<b>\$14,166</b>	<b>\$14,802</b>	<b>\$15,454</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>		<b>27.1%</b>	<b>-13.9%</b>	<b>7.9%</b>	<b>30.0%</b>	<b>31.5%</b>	<b>33.1%</b>	<b>34.6%</b>	<b>36.3%</b>	<b>37.9%</b>	<b>39.6%</b>	<b>41.4%</b>
Average Annual		27.1%	-13.9%	-3.0%	8.0%	13.9%	17.7%	20.5%	22.8%	24.7%	26.3%	27.8%
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group												

**Pro Forma for Development of New Private Rental Apartment Building  
Per Unit  
Halifax**

*Project type: High-End  
Downtown, Not Prime  
Economic Rent; Zero Land Value*

KEY INPUT ASSUMPTIONS				PROJECT DEVELOPMENT COSTS AND FINANCING							
Mortgage interest rate	3.25%			<b>Development Costs:</b>				<b>Financing:</b>			
Amortization period (yrs)	25			Land	\$0			Initial cash investment	\$42,578		
Loan-to-lending value ratio	85%			Construction	\$255,000			Mortgage	\$241,277		
Mortgage insur. premium	4.75%			Subtotal	\$255,000			Total costs	\$283,856		
Annual cost inflation	2.0%							% Equity	15.0%		
Annual revenue growth	2.0%	market rent	difference								
Initial monthly rent per unit	\$2,250	\$1,500	\$750	HST (net)*	\$28,856			Mortgage insur. premium	\$11,461		
per sq. ft.	\$3.00	\$2.00	\$1.00								
Stabilized Vacancy rate	3.0%			<b>Total Costs</b>	<b>\$283,856</b>			<b>Total Financing Required</b>	<b>\$252,738</b>		
Average unit size (net sq. ft.)	750										
<b>Development profit assumption:</b>	<b>15%</b>			<b>minimum sales price</b>	<b>\$326,434</b>	<i>[to generate a 15% development profit]</i>					
<b>Average cash-on-cash return assumption</b>	<b>10.0%</b>			<b>cap rate</b>	<b>6.0%</b>	<i>[implied if achieved 15% development profit]</i>					
REVENUES AND COSTS	Year 0 <sup>1</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues:</b>											
Rental income	\$27,000	\$8,910	\$18,452	\$28,091	\$28,653	\$29,226	\$29,810	\$30,406	\$31,015	\$31,635	\$32,267
Other income	\$692	\$228	\$473	\$720	\$735	\$749	\$764	\$780	\$795	\$811	\$827
Vacancy allowance	-\$831	-\$274	-\$568	-\$864	-\$882	-\$899	-\$917	-\$936	-\$954	-\$973	-\$993
<b>Gross income</b>	<b>\$26,862</b>	<b>\$8,864</b>	<b>\$18,357</b>	<b>\$27,947</b>	<b>\$28,506</b>	<b>\$29,076</b>	<b>\$29,657</b>	<b>\$30,250</b>	<b>\$30,855</b>	<b>\$31,473</b>	<b>\$32,102</b>
<b>Operating Costs:</b>											
Maintenance and operations	\$3,150	\$2,363	\$2,811	\$3,277	\$3,343	\$3,410	\$3,478	\$3,547	\$3,618	\$3,691	\$3,765
Property taxes	\$4,104	\$4,104	\$4,186	\$4,270	\$4,355	\$4,442	\$4,531	\$4,622	\$4,714	\$4,809	\$4,905
<b>Total operating costs</b>	<b>\$7,254</b>	<b>\$6,467</b>	<b>\$6,998</b>	<b>\$7,547</b>	<b>\$7,698</b>	<b>\$7,852</b>	<b>\$8,009</b>	<b>\$8,169</b>	<b>\$8,333</b>	<b>\$8,499</b>	<b>\$8,669</b>
<b>Net Operating Income</b>	<b>\$19,607</b>	<b>\$2,398</b>	<b>\$11,360</b>	<b>\$20,400</b>	<b>\$20,807</b>	<b>\$21,224</b>	<b>\$21,648</b>	<b>\$22,081</b>	<b>\$22,523</b>	<b>\$22,973</b>	<b>\$23,433</b>
<i>Calculated cap rate</i>	<i>6.9%</i>										
<b>Mortgage Payments:</b>											
Principal	\$6,684	\$6,684	\$6,903	\$7,129	\$7,363	\$7,604	\$7,853	\$8,111	\$8,376	\$8,651	\$8,934
Interest	\$8,061	\$8,061	\$7,842	\$7,615	\$7,382	\$7,141	\$6,891	\$6,634	\$6,368	\$6,094	\$5,811
<b>Total</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>	<b>\$14,745</b>
<b>Cash Flow</b>	<b>\$4,863</b>	<b>-\$12,347</b>	<b>-\$3,385</b>	<b>\$5,655</b>	<b>\$6,063</b>	<b>\$6,479</b>	<b>\$6,903</b>	<b>\$7,336</b>	<b>\$7,778</b>	<b>\$8,228</b>	<b>\$8,688</b>
<b>Cash-on-Cash Return</b>	<b>11.4%</b>	<b>-29.0%</b>	<b>-8.0%</b>	<b>13.3%</b>	<b>14.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>17.2%</b>	<b>18.3%</b>	<b>19.3%</b>	<b>20.4%</b>
<i>Average Annual</i>	<i>11.4%</i>	<i>-29.0%</i>	<i>-18.5%</i>	<i>-7.9%</i>	<i>-2.4%</i>	<i>1.2%</i>	<i>3.7%</i>	<i>5.6%</i>	<i>7.2%</i>	<i>8.5%</i>	<i>9.7%</i>
<b>Principal Payments</b>	<b>\$6,684</b>	<b>\$6,684</b>	<b>\$6,903</b>	<b>\$7,129</b>	<b>\$7,363</b>	<b>\$7,604</b>	<b>\$7,853</b>	<b>\$8,111</b>	<b>\$8,376</b>	<b>\$8,651</b>	<b>\$8,934</b>
<i>Cumulative</i>	<i>\$6,684</i>	<i>\$6,684</i>	<i>\$13,587</i>	<i>\$20,717</i>	<i>\$28,079</i>	<i>\$35,684</i>	<i>\$43,537</i>	<i>\$51,647</i>	<i>\$60,024</i>	<i>\$68,674</i>	<i>\$77,609</i>
<b>Annual Cash Flow &amp; Principal Payments</b>	<b>\$11,547</b>	<b>-\$5,663</b>	<b>\$3,518</b>	<b>\$12,784</b>	<b>\$13,426</b>	<b>\$14,083</b>	<b>\$14,757</b>	<b>\$15,447</b>	<b>\$16,154</b>	<b>\$16,879</b>	<b>\$17,622</b>
<b>Annual Cash Flow &amp; Principal Payments as % of Initial Cash Investment</b>	<b>27.1%</b>	<b>-13.3%</b>	<b>8.3%</b>	<b>30.0%</b>	<b>31.5%</b>	<b>33.1%</b>	<b>34.7%</b>	<b>36.3%</b>	<b>37.9%</b>	<b>39.6%</b>	<b>41.4%</b>
<i>Average Annual</i>	<i>27.1%</i>	<i>-13.3%</i>	<i>-2.5%</i>	<i>8.3%</i>	<i>14.1%</i>	<i>17.9%</i>	<i>20.7%</i>	<i>22.9%</i>	<i>24.8%</i>	<i>26.5%</i>	<i>28.0%</i>
<sup>1</sup> Year 0 is used for the purpose of calculating net HST, assumed value based on assumed cap rate, calculated cap rate, and is based on stabilized occupancy but excludes inflation on revenues and costs. Source: Altus Group											

**APPENDIX B:**  
**Overview of the Economics of  
New Non-Profit Rental Housing Development  
in Selected Canadian Markets**

This section presents an overview of the results for the non-profit sector analysis across the 6 major markets examined. Detailed proformas have also been provided to CMHC in excel format, and not reproduced here.

### Proforma Assumptions

Most of the general proforma assumptions are the same as for the private market analysis in terms of interest rate, amortization, loan to value ratio, annual cost and revenue growth.

The mortgage insurance premium varies for non-profits – 3.35% compared to 4.75%.

The stabilized vacancy rate is assumed to be the same as used for the Medium project in the private market analysis, given the location is the same.

### Project Specifics

A summary of the project specifics related to the non-profit analysis is provided on Table B-1 and Table B-2.

As specified by CMHC, both the 12-24 and 25-49 unit projects are assumed to be walkup, with the 50-99 unit project is a mid-rise with an elevator.

The quality under the 3 different project types is the same (medium) and the general location is the same (central but not downtown,

similar to the location for the medium project in the private market analysis). However, the specific area within the general location assumed less desirable piece of land, with a 15% discount from the land values used in the private rental analysis for the medium project.

Rents for the 2 walkup projects are assumed to be 20% lower than rents for the medium private sector project. For the mid-rise a 5% premium in rents is assumed for the elevator.

All 3 projects assume surface parking.

Table B- 1

General Characteristics, New Non-Profit Rental Projects			
	12-24 Units	25-49 Units	50-99 Units
Project type/size	Walkup	Walkup	Mid-rise
Average suite size	Varies by market based on mix by bedroom type	Varies by market based on mix by bedroom type	Varies by market based on mix by bedroom type
Location	Central, but not downtown	Central, but not downtown	Central, but not downtown
Quality of finishes	Medium	Medium	Medium
Source: Altus Group			

The unit sizes by bedroom type are assumed to be slightly smaller than the case for the private market housing (50 sq. ft.).

The mix of bedroom types is also somewhat different, as CMHC

wished to include a mix of 1, 2 and 3 bedroom units only.

**Table B- 2**

<b>Mix of Number of Bedrooms and Overall Average Suite Size</b>				
	1 bedroom	2 bedroom	3 bedroom	Overall Average Size (Sq. Ft.)
<i>Size by Unit Type (Sq. ft.)</i>	550	750	950	
Vancouver	60%	20%	20%	670
Calgary	45%	50%	5%	670
Winnipeg	20%	75%	5%	720
Toronto	40%	40%	20%	710
Montréal	30%	50%	20%	730
Halifax	25%	60%	15%	730

Source: Altus Group

On the next several pages, a series of tables summarize key aspects of the analysis across the various markets and scenarios:

- Development costs
- Initial rents (market achievable and economic)
- Average annual 10-year cash-on-cash returns (note that in previous analyses, the initial cash on cash return was also considered, however given the assumptions of rent up not occurring until Year 3, the initial cash-on-cash returns are not

highlighted here).

Note that because of the differences in the parameters, it is not possible to directly compare the results of the private market and non-profit analyses.

The analysis suggests that the economics of non-profit rental development are no better than for the private market. In fact, as costs are broadly similar, but achievable rents generally lower, this segment can in fact show somewhat less favourable results than for the private sector.

Table B- 3

<b>Comparison of Development Costs for New Non-Profit Rental Housing</b>						
	With land costs			Without land costs		
	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units
	Total					
Vancouver	\$307,500	\$307,500	\$324,000	\$206,500	\$206,500	\$223,000
Calgary	\$223,000	\$223,000	\$255,000	\$189,000	\$189,000	\$221,000
Winnipeg	\$216,000	\$216,000	\$250,000	\$201,000	\$201,000	\$235,000
Toronto	\$229,500	\$229,500	\$266,000	\$186,500	\$186,500	\$223,000
Montréal	\$189,000	\$189,000	\$205,500	\$177,000	\$177,000	\$193,500
Halifax	\$199,500	\$199,500	\$252,000	\$168,500	\$168,500	\$221,000
	Per Sq. Ft.					
Vancouver	\$459	\$459	\$484	\$308	\$308	\$333
Calgary	\$333	\$333	\$381	\$282	\$282	\$330
Winnipeg	\$300	\$300	\$347	\$279	\$279	\$326
Toronto	\$323	\$323	\$375	\$263	\$263	\$314
Montréal	\$259	\$259	\$282	\$242	\$242	\$265
Halifax	\$273	\$273	\$345	\$231	\$231	\$303
* Rounded to nearest \$500						
Source: Altus Group						

Table B- 4

Comparison of Initial Rents for New Non-Profit Rental Housing												
	Scenario 1: Market rent w ith land costs			Scenario 2: Market rent w ithout land costs			Scenario 3: Economic rent w ith land costs			Scenario 4: Economic rent w ithout land costs		
	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units
	Total											
Vancouver	\$1,350	\$1,350	\$1,400	\$1,350	\$1,350	\$1,400	\$2,175	\$2,175	\$2,300	\$1,600	\$1,600	\$1,725
Calgary	\$1,175	\$1,175	\$1,250	\$1,175	\$1,175	\$1,250	\$1,825	\$1,825	\$2,025	\$1,625	\$1,625	\$1,825
Winnipeg	\$1,075	\$1,075	\$1,150	\$1,075	\$1,075	\$1,150	\$1,675	\$1,675	\$1,950	\$1,575	\$1,575	\$1,850
Toronto	\$1,250	\$1,250	\$1,325	\$1,250	\$1,250	\$1,325	\$1,850	\$1,850	\$2,125	\$1,600	\$1,600	\$1,875
Montréal	\$1,175	\$1,175	\$1,250	\$1,175	\$1,175	\$1,250	\$1,575	\$1,575	\$1,725	\$1,500	\$1,500	\$1,650
Halifax	\$1,025	\$1,025	\$1,050	\$1,025	\$1,025	\$1,050	\$1,600	\$1,600	\$2,000	\$1,400	\$1,400	\$1,800
	Per Sq. Ft.											
Vancouver	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$3.25	\$3.25	\$3.50	\$2.50	\$2.50	\$2.50
Calgary	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$2.75	\$2.75	\$3.00	\$2.50	\$2.50	\$2.75
Winnipeg	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$2.25	\$2.25	\$2.75	\$2.25	\$2.25	\$2.50
Toronto	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$2.50	\$2.50	\$3.00	\$2.25	\$2.25	\$2.75
Montréal	\$1.50	\$1.50	\$1.75	\$1.50	\$1.50	\$1.75	\$2.25	\$2.25	\$2.25	\$2.00	\$2.00	\$2.25
Halifax	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$2.25	\$2.25	\$2.75	\$2.00	\$2.00	\$2.50

\* Rounded to nearest \$25  
Source: Altus Group



Table B- 5

Comparison of 10-Year Average Annual Cash-on-Cash Returns for New Non-Profit Rental Housing												
	Scenario 1: Market rent with land costs			Scenario 2: Market rent without land costs			Scenario 3: Economic rent with land costs			Scenario 4: Economic rent without land costs		
	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units	12-24 Units	25-49 Units	50-99 Units
Vancouver	-11.3%	-11.3%	-12.1%	-0.1%	-0.1%	-2.0%	10.0%	10.0%	10.0%	9.5%	9.5%	9.6%
Calgary	-11.2%	-11.2%	-11.9%	-7.1%	-7.1%	-8.5%	9.9%	9.9%	10.2%	10.2%	10.2%	10.4%
Winnipeg	-9.6%	-9.6%	-12.1%	-7.7%	-7.7%	-10.7%	9.7%	9.7%	10.1%	9.5%	9.5%	9.9%
Toronto	-10.1%	-10.1%	-12.4%	-4.6%	-4.6%	-8.3%	9.6%	9.6%	10.2%	9.6%	9.6%	10.3%
Montréal	-4.7%	-4.7%	-6.1%	-2.7%	-2.7%	-4.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Halifax	-8.7%	-8.7%	-14.6%	-4.0%	-4.0%	-11.8%	9.9%	9.9%	9.8%	10.4%	10.4%	10.1%

Source: Altus Group

# **APPENDIX C:**

## **Supplemental Analysis for the Market Rent and Market Land Costs Scenario**

This section provides additional comparative tables that extend the analysis for private market rental unit development, under the “Market Rents and Market Land Value” scenario. The metrics include:

- Initial cap rates; and
- A longer time-frame for cash-on-cash returns (extended at intervals to 25 years)

Each is discussed briefly on the following pages.

## Cap Rates

Table C-1 summarizes the initial cap rates from the proformas. The “development” cap rates here are stabilized net operating income (i.e. assuming normal vacancy rates, as represented in the proformas by the “Year 0” situation) divided by total development costs. The “market cap rates” are those used in the generation of the market values used for the HST/GST analysis. These may be greater than or less than the “development cap rates”.

The cap rates range from 3.5 to 5.75%. Unlike cash-on-cash return, the cap rate does not reflect financing payments. But like cash-on-cash return, there is no consideration of potential capital gains.

For an investor not requiring financing, these cap rates might hold some appeal, however they would be less attractive if financing is required.

**Table C- 1**

<b>Comparison of Cap Rates for New Private Market Purpose-Built Rental Housing (Market Rent, Market Land Values)</b>						
	<b>"Development" Cap Rates*</b>			<b>"Market" Cap Rates**</b>		
	<b>Basic Project 50 Units</b>	<b>Medium Project 100 Units</b>	<b>High-End Project 150 Units</b>	<b>Basic Project 50 Units</b>	<b>Medium Project 100 Units</b>	<b>High-End Project 150 Units</b>
Vancouver	4.6%	3.6%	3.6%	4.00%	3.75%	3.50%
Calgary	4.0%	4.4%	4.1%	4.50%	4.25%	4.00%
Winnipeg	4.7%	4.0%	3.8%	5.75%	5.50%	5.25%
Toronto	5.7%	4.3%	4.4%	4.50%	4.25%	4.00%
Montréal	5.4%	4.7%	4.7%	5.00%	4.75%	4.50%
Halifax	4.6%	3.7%	3.7%	5.75%	5.75%	5.50%

\* Stabilized (Year 0) net operating income divided by total development costs; rounded to nearest 10 basis points  
 \*\* Per assumptions used to obtain market value for HST/GST purposes  
 Source: Altus Group

## Longer-Term Cash-on-Cash Returns

Table C-2 summarizes cash-on-cash returns for each of the basic, medium and high-end projects for 10, 15, 20 and 25 year investment periods. For comparison purposes, unleveraged returns under the medium scenario are also shown. To undertake the analysis, it was assumed that all the key underlying assumptions held throughout the 25 year period, including interest rate, cost inflation, rent increases, vacancy rates, etc.

Average annual cash-on-cash returns improve the longer the investment is held, although in most cases the returns are still challenged. The key exception is the basic project in Toronto, Vancouver and Montreal where more attractive cash-on-cash returns are possible.

Table C- 2

Comparison of Average Annual Cash-on-Cash Returns for New Private Market Purpose-Built Rental Housing (Market Rent, Market Land Values)																
	With 85% Financing												With 0% Financing			
	Basic Project 50 Units				Medium Project 100 Units				High-End Project 150 Units				Medium Project 100 Units			
	10-Year	15-Year	20-Year	25-Year	10-Year	15-Year	20-Year	25-Year	10-Year	15-Year	20-Year	25-Year	10-Year	15-Year	20-Year	25-Year
Vancouver	-2.9%	1.9%	6.4%	11.1%	-9.7%	-5.9%	-2.4%	1.3%	-10.0%	-6.3%	-2.8%	0.8%	3.7%	4.3%	4.8%	5.4%
Calgary	-9.6%	-6.7%	-4.4%	-2.3%	-6.8%	-3.7%	-1.3%	1.1%	-8.3%	-5.5%	-3.1%	-0.9%	4.2%	4.6%	5.0%	5.4%
Winnipeg	-4.6%	-1.3%	1.4%	4.0%	-9.2%	-6.4%	-4.1%	-2.0%	-10.5%	-7.9%	-5.7%	-3.6%	3.8%	4.2%	4.6%	4.9%
Toronto	3.3%	8.4%	12.8%	17.3%	-6.5%	-2.7%	0.6%	3.9%	-5.4%	-1.6%	1.7%	5.1%	4.2%	4.8%	5.3%	5.8%
Montréal	-0.7%	3.1%	6.2%	9.1%	-4.9%	-1.6%	1.1%	3.6%	-5.1%	-1.8%	0.9%	3.4%	4.5%	5.0%	5.4%	5.7%
Halifax	-5.5%	-2.2%	0.5%	2.9%	-11.3%	-8.7%	-6.6%	-4.6%	-11.4%	-8.8%	-6.7%	-4.8%	3.5%	3.9%	4.2%	4.5%

Source: Altus Group

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