# MORTGAGE FINANCING INVESTMENT SUMMARY

## Property:

**ROYAL APARTMENTS**

**3615 119 Ave, Edmonton, Ab T5W 1H1**
*12 Residential Units*
*Twelve (12) - 31/2*
*12 Outdoor Parking*

## Attached Sections:



**Balto Capital Inc.**

## SECTION I: PROJECT INFORMATION

**Loan Type** : Non-Revolving Demand Loan

**Loan Amount** : $955,000.00 First Ranking Hypothecary Loan

**Purpose** : **Purchase**

**Address** : **3615 119 Ave, Edmonton, Ab T5W 1H1** (the "**Property**")

**Property Description** :

The property is in the **Beacon Heights** area, located in northeast Edmonton. The neighborhood consists mainly of multifamily and residential homes, providing a quiet and family-friendly atmosphere. It is near public transportation, parks, daycares, and primary schools, offering convenience for families and professionals alike. This well-maintained apartment complex features 12 units, consisting of 12 two-bedroom (3½ . The building offers essential amenities such as a boiler room, laundry facilities, and outdoor parking for tenant convenience.

**Edmonton, Alberta** :

Balto Capital has decided to start opening their investment to acquisitions in Edmonton, Alberta for the following reason: Tenant protections are minimal, making it easier to remove tenants and increase rental revenues. Given this, it is relatively straightforward to raise rents for existing tenants or replace them to achieve higher rental income. Please look at Annex A at the bottom of the document for details on Edmonton.

**Borrower** :

**Zeus Properties LP by its general partner, Zeus Properties GP Inc. and Zeus Properties GP Inc.**
**(collectively, the "Borrower")**

**Guarantor(s)** :

**Henry Zavriyev, Hanife Masoomifar, 9336-2390 Quebec Inc., Lynnway Development ULC, Jameson Dev Capital L.P., acting and represented by its general partner, Beverly Dev Capital Inc., Beverly., Dev Capital Inc. (Solidarily) (collectively, the "Guarantor").**

**Property / Security** :
**The Lenders under these facilities will receive the following securities:**

1. A **First Ranking** Immovable Hypothec on the lands and buildings municipally known as **"the property"** and all rents and insurance proceeds.
2. The personal guarantee of all borrowers (Jointly and Severally) for the full loan amount. The Guarantors shall be solidarily liable with the Borrower and any other Guarantors hereunder.

3. Clean environmental reliance letter by borrowers
4. Insurance document to the name of the lender
5. Any other security documentation requested by the Notary.

**Purpose / Status** :

The purpose of the loan contemplated herein is to assist the Borrower in acquiring **Royal apartments** for a total consideration of **$955,000.00**, with a purchase price of **$1,125,000.00**. Investors should be aware that we are financing this acquisition at an **84.88% loan-to-value (LTV)**, reflecting the client's ability to secure the property at favorable entry cap rates. Our loan exposure will be approximately **$79,583/ door**, mitigating entry and exit risk given acquisition is below market value. The property is being acquired at a cap rate of **6.15%**

Using conservative market rents and given the great need for housing in Edmonton, it is our belief this property will exit with a conventional bank at a significantly higher value than our loan exposure once optimized. Client sees himself exiting before 6 to 8 months. Given the quality of the borrower and his experience doing these projects (over fifty per year) we are more than comfortable advancing funds. Borrowers' reputation is excellent in the lending space and private lenders have often financed him with no history of missed or late payments. The borrower, Henry Zavriyev, has a personal net worth value significantly above $100 million, is very well versed and experienced in real estate acquisitions and has used private lending over 60 times with no issues. We currently have over 20 million in loans out with the borrower and have only experienced successful exits with never any payment issues.

**Guarantor(s)** : **Henry Zavriyev**

Owner of real estate company Leyad (https://www.leyad.ca) with over 100 employees throughout Canada. Mr. Zavriyev has a net worth of over 100 million dollars. He is known for his expertise in turning real estate properties into high performing assets. Henry will be personally guaranteeing our loan.

## SECTION II: LOAN UNDERWRITING

**Income Statement:**

*Income Statement - 3615 119th - Royal Apartments*

| | Apartments 12 | | | |
|---|---|---|---|---|
| **Revenue** | | | | |
| | **Assumption** | | **Total** | |
| Residential | | $ | | 139,800 |
| Laundry | | $ | | 2,160 |
| Vacancy/Bad debt Residential | 3.00% | | | ($4,194) |
| **Gross Rent + Vacancy** | | | | **137,766** |

| **Expenses** | | | | |
|---|---|---|---|---|
| | **%** | | **Total** | |
| Management | 4.25% | $ | | 5,855 |
| Taxes | 9.04% | $ | | 12,453 |
| Utilities | 19.47% | $ | | 26,822 |
| Insurance | 4.36% | $ | | 6,000 |
| Concierge | 4.36% | $ | | 6,000 |
| Maintenence and Repairs | 7.23% | $ | | 9,960 |
| Appliance Reserve | 1.05% | $ | | 1,440 |
| Other Costs | 2.00% | $ | | 2,755 |
| **Total Operating Expenses** | **49.74%** | **$** | | **68,530** |
| **Net Operating Income** | | | | **$69,236** |

| Unit Number | Unit Type | Current Rent |
|---|---|---|
| 1 | 1 bedroom | $1,200.00 |
| 10 | 1 bedroom | $950.00 |
| 11 | 1 bedroom | $1,275.00 |
| 12 | 1 bedroom | $850.00 |
| 2 | 1 bedroom | $850.00 |
| 3 | 1 bedroom | $850.00 |
| 4 | 1 bedroom | $925.00 |
| 5 | 1 bedroom | $975.00 |
| 6 | 1 bedroom | $800.00 |
| 7 | 1 bedroom | $900.00 |
| 8 | 1 bedroom | $800.00 |
| 9 | 1 bedroom | $1,275.00 |

**Pro-forma Statement:**

## *Forecasted NOI*

### Forecasted Income Statement

| | | Total |
|---|---|---|
| Rental Income | | 183,600 |
| Parking | | 7,200 |
| Other Revenues | | 2,160 |
| Gross Potential Income | | 192,960 |
| Vacancy/bad debt | 3% | ($5,508) |
| **Net Effective Rent** | | **$187,452** |

| | % | | Total | Per Unit |
|---|---|---|---|---|
| Management | 4.25% | $ | 7,967 | $ 664 |
| Property Tax | 6.64% | $ | 12,453 | $ 1,038 |
| Utilities | 14.31% | $ | 26,822 | $ 2,235 |
| Insurance | 3.20% | $ | 6,000 | $ 500 |
| Maintenance & Repairs | 5.31% | $ | 9,960 | $ 830 |
| Concierge | 3.20% | $ | 6,000 | $ 500 |
| Appliance Reserve | 0.77% | $ | 1,440 | $ 120 |
| Other Costs | 2.00% | $ | 3,749 | $ 312 |
| **Total Operating Expenses** | **39.68%** | **$** | **74,390** | **$ 6,199** |
| **Net Operating Income** | | | **$113,062** | |

**Unit Mix**

| Type | | Count | Size | Current Rent | Potential Rent |
|---|---|---|---|---|---|
| 3 1/2 | | 12 | 1,053 | 843 | 1,275 |
| | **Total** | **12** | **1,053** | **843** | **1,275** |

*****Note Projected Revenues: Balto Capital is basing the NOI on conservative current market rental rates in the city of Edmonton.**

**Loan to Value Ratio (LTV) Based on Purchase Price:**

| | | |
|---|---|---|
| Purchase Price | : | $1,125,000.00 |
| Loan | : | $955,000.00 |
| LTV | : | **84.88%** |

**Loan to Value Ratio (LTV) Based on Loan per Door:**

| | | |
|---|---|---|
| Loan | : | $955,000.00 |
| Number of Doors | : | 12 |
| Loan/Door | : | $**79,583.00** |

**Loan to Value Ratio (LTV) Based on Projected Economic Value:**

| **Based On Projected Revenues** | |
|---|---|
| Projected NOI: | $113,062.00 |
| **Cap Rate:** | **5.75%** |
| Value: | $1,966,296.00 |
| **LTV: 48.57%** | |

**Economic value:**

**Note Revenue Evaluation: Balto Capital chose to use a conservative Cap Rate of 5.75% for the residential revenues. Cap Rate in residential areas in Edmonton are between 5%-5.75% as per CBRE for Edmonton low rise residential in Q2 2024.**

| Multifamily | |
|---|---|
| High Rise A | 4.50% - 5.00% |
| High Rise B | 4.75% - 5.25% |
| Low Rise A | 4.75% - 5.50% |
| Low Rise B | 5.00% - 5.75% |
| New Construction | 4.50% - 5.00% |

**https://mktgdocs.cbre.com/2299/3f774578-844c-4f7f-a4c4-e984f8a81abf-551506717/v032024/q22024-canadian-cap-rate-report-en.pdf**

## SECTION III: MORTGAGE LOAN DETAILS

### TOTAL REQUIRED MORTGAGE FINANCING:

The following $955,000.00 total loan is required

| | | |
|---|---|---|
| Loan Amount | : | $955,000.00 First Ranking Hypothecary Loan |
| Interest rate | : | 13.50% Per Annum |
| **Net to investor** | **:** | **12.50% Per Annum** |
| **Term** | : | 12 Months, 3 Months Closed |
| **Amortization** | **:** | 0, Interest Only |

Prepayment Privileges: Open for repayment after Three (3) months, with no prepayment penalty. The Lender must earn a minimum of Three (3) months interest on the full loan amount.

| | | |
|---|---|---|
| Interest Reserves | : | Three (3) Months |
| Closing Date | : | ASAP |

**Loan Participant:**

| | | |
|---|---|---|
| **Balto Capital Inc.** | **$955,000.00** | **100%** |

**Documents reviewed by Balto Capital Inc. accessible upon request via Googledrive:**

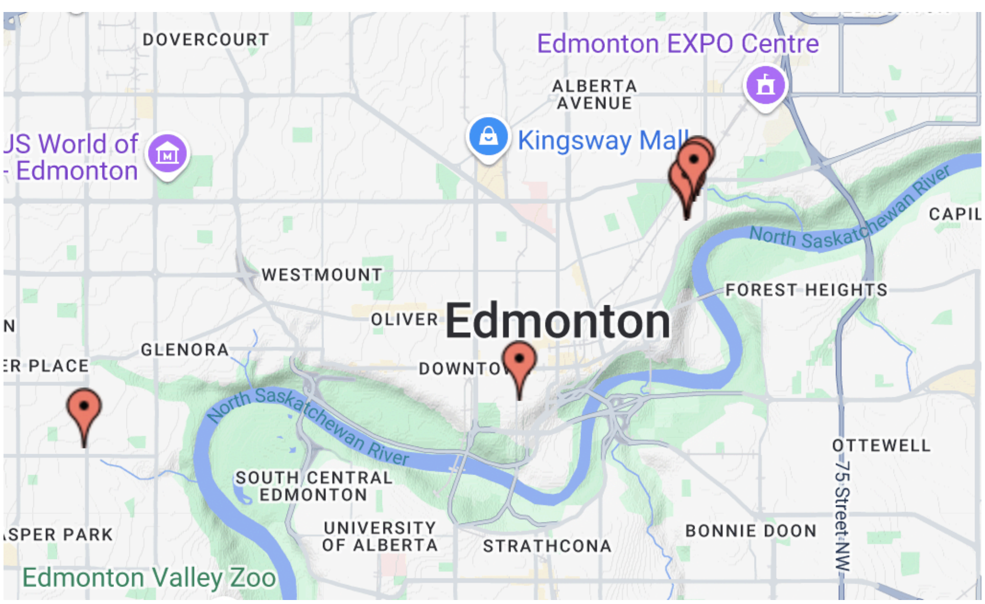
1) Site visit
2) Insurance
3) Pro-forma of revenues
4) Offer to purchase
5) Property Taxes
6) Environmental Report

PLEASE BE ADVISED THAT BALTO CAPITAL INC. ARE ONLY ACTING AS A NOMINEE FOR THE SUBJECT MORTGAGE INVESTMENT AND EACH INVESTOR IS SOLELY RESPONSIBLE WITH THE ASSISTANCE OF THEIR PROFESSIONALS FOR EVALUATING THE SUBJECT MORTGAGE INVESTMENT AND DETERMINING WHETHER OR NOT THEY WISH TO INVEST.

## Section IIII : Properties Funded in Alberta

**Properties Funded in Edmonton Alberta by Balto Capital:**

| Address | Price per Door | Loan per Door |
|---|---|---|
| **Our Property** | **$93.750/door** | **79,583/door** |
| **10955 84th Street** | $118,500/door | 100,000/door |
| 10632 108th st Nw | $110,000/door | $95,652.17/door |
| 9903 105th St Nw, Edmonton, Ab | $107,000/door | $90,909/door |
| 10945 84 St NW, Edmonton, AB T5H 1M2 | $105,000/door | $89,250/door |
| 10965 84 Street NW, Edmonton, AB T5H 1M5 | $114,285/door | $88,761/door |
| 11045 83 St NW, Edmonton, AB T5H 1M4 | $133,333/door | $96,333/door |
| 9522 149 St, Edmonton, AB T5P 1J8 | $118,095/door | $94,476/door |
| 1101 83 St Nw, Edmonton, AB T5H 1M4 | $116,666/door | $76,190/door |



# Annex A on Edmonton: Economic and Real Estate Overview

**Edmonton's Growing Economy and Strategic Location**

Edmonton, Alberta, continues to be a leading hub for economic growth, driven by its tech innovation, energy transition projects, and strong government support for business development. The **Beacon Heights** neighborhood stands out for its balance of residential charm and proximity to essential amenities, making it a desirable location for multifamily investments like **Royal Apartments**.

- **Pro-Business Environment:** Edmonton's competitive tax rates and business-friendly policies support investment opportunities across the real estate sector.

**Beacon Heights: Neighborhood Appeal and Connectivity**

Beacon Heights is a well-established residential area in northeast Edmonton, characterized by its family-friendly atmosphere and strong sense of community.

- **Proximity to Amenities:** The neighborhood is close to public transportation, parks, schools, and daycare facilities, catering to families and professionals.
- **Rental Demand:** As Edmonton's population grows and housing availability tightens, Beacon Heights provides strong potential for rental growth and tenant optimization.
- **Community Vibe:** Known for its quiet streets and neighborhood pride, Beacon Heights appeals to long-term tenants seeking stability.

**Technology Sector and Urban Growth**

Edmonton's tech sector, centered in the Edmonton Research Park and ICE District, continues to thrive, attracting professionals who value well-maintained, affordable housing options.

- **ICE District Influence:** The $2.5 billion development contributes to employment opportunities that ripple outward, benefiting areas like Beacon Heights.
- **Tech Tenant Potential:** Beacon Heights' residential appeal can attract tenants employed in the growing tech and education sectors.

**Hydrogen Sector and Energy Transition**

Edmonton is at the forefront of the global hydrogen industry, with flagship projects like the ATCO & Suncor Hydrogen Project boosting economic activity and job creation.

- **Workforce Housing Needs:** Beacon Heights' affordability and location make it an attractive option for tenants employed in energy, industrial, and related industries.

**Neighborhood Advantages and Population Growth**

Beacon Heights offers a mix of affordability, connectivity, and community amenities. Its appeal is strengthened by Edmonton's overall population growth and the increasing demand for housing in accessible neighborhoods.

- **Nearby Recreational Areas:** Parks and green spaces enhance the tenant experience.
- **Accessibility:** Public transit options and arterial roadways make Beacon Heights a practical choice for commuters.

## Why Invest in Royal Apartments?

1. **Strategic Location:** Beacon Heights' family-friendly environment, access to transportation, and proximity to schools and parks enhance its tenant appeal.
2. **Rental Demand:** Strong and consistent demand for multifamily housing in this area ensures steady income potential.
3. **Economic Drivers:** Edmonton's expanding tech, hydrogen, and energy sectors create stable employment opportunities, increasing demand for nearby housing.
4. **Value Opportunity:** The neighborhood's affordability combined with Edmonton's pro-business stance offers an excellent foundation for long-term income growth.
5. **Future Growth:** Infrastructure improvements and steady urban development position Beacon Heights for sustainable value appreciation.

*View Following Images below for more information.*

## Demographics Overview

The Property's primary trade area (5-kilometre radius) is comprised of approximately 224,000 residents and includes most of Edmonton's northeast neighbourhood landscape. The dominant period of residential construction in the area is 1961-1980 and tends to attract middle-aged couples with an average household size of 2.7. The median age across the area is 37.5 years and 66% of residents prefer homeownership over renting. With an average household expenditure of $110,670, it is estimated that households in the area spend an average of approximately $33,000 per annum on retail items. With more than 83,000 households in the area, this equates to $2.7 billion in retail spending which further exemplifies the strategic location of Londonderry Mall as a full-service retail destination.

The neighbourhood population of Crystallina Nera, McConachie and CY Becker immediately north of the Property is expected to increase 24.9% over the next five years as young families seek affordable housing options in close proximity to retail and recreational amenities. As the largest enclosed shopping centre in a 5-kilometre trade area, Londonderry Mall is a one-stop shopping destination for these budding neighbourhoods, and will continue to draw from the nearby municipality of Fort Saskatchewan as it attracts best-in-class retailers.

| Radius | 1KM | 3KM | 5KM | Neighbouring Residential Nodes[1] |
|---|---|---|---|---|
| **Population** | | | | |
| Population 2023 | 9,898 | 83,714 | 223,800 | 21,360 |
| Projected Population 2028 | 10,285 | 87,301 | 243,227 | 26,684 |
| Population Growth (2018-2023) | 1.8% | 1.6% | 6.4% | 43.8% |
| Projected Population Growth ('23-'28) | 3.9% | 4.3% | 8.7% | 24.9% |
| Households 2023 | 3,763 | 30,229 | 83,478 | 7,127 |
| Households 2028 | 3,992 | 32,206 | 92,278 | 9,110 |
| Projected Household Growth ('23-'28) | 6.1% | 6.5% | 10.5% | 27.8% |
| Median Population Age | 37.2 | 38.2 | 37.5 | 31.9 |
| **Income and Expenditure Trends** | | | | |
| Household Income 2023 | $97,838 | $106,575 | $108,806 | $133,438 |
| Projected Household Income 2028 | $113,986 | $122,470 | $127,125 | $157,231 |
| Projected Income Growth ('23-'28) | 16.5% | 14.9% | 16.8% | 17.8% |
| Expenditure per Household | $99,680 | $107,011 | $110,670 | $149,142 |
| **Educational Attainment** | | | | |
| Bachelor's Degree or Higher | 13.9% | 16.4% | 19.1% | 21.9% |

1. Includes Crystallina Nera, McConachie & CY Becker.

# Edmonton Market Overview | The Alberta Advantage

### Diverse Economic Drivers Supported By a Robust Technology Industry

Despite being a province that has historically relied on its vast natural resources to propel GDP growth, Alberta's economy has diversified significantly over the past decade and is on track to becoming a global leader in the areas of supply chain logistics, agriculture & food security, health & life sciences and clean energy initiatives. The province's burgeoning technology and artificial intelligence industries have been a primary catalyst in the success of these four budding sectors and will help continue this trend by attracting global talent and capital. In 2023, Alberta's GDP per capital was the highest among all Canadian provinces at $74,980, notably higher than Ontario and BC at $59,267 and $58,914 respectively.

### Key Stakeholder in the Growing Hydrogen Economy

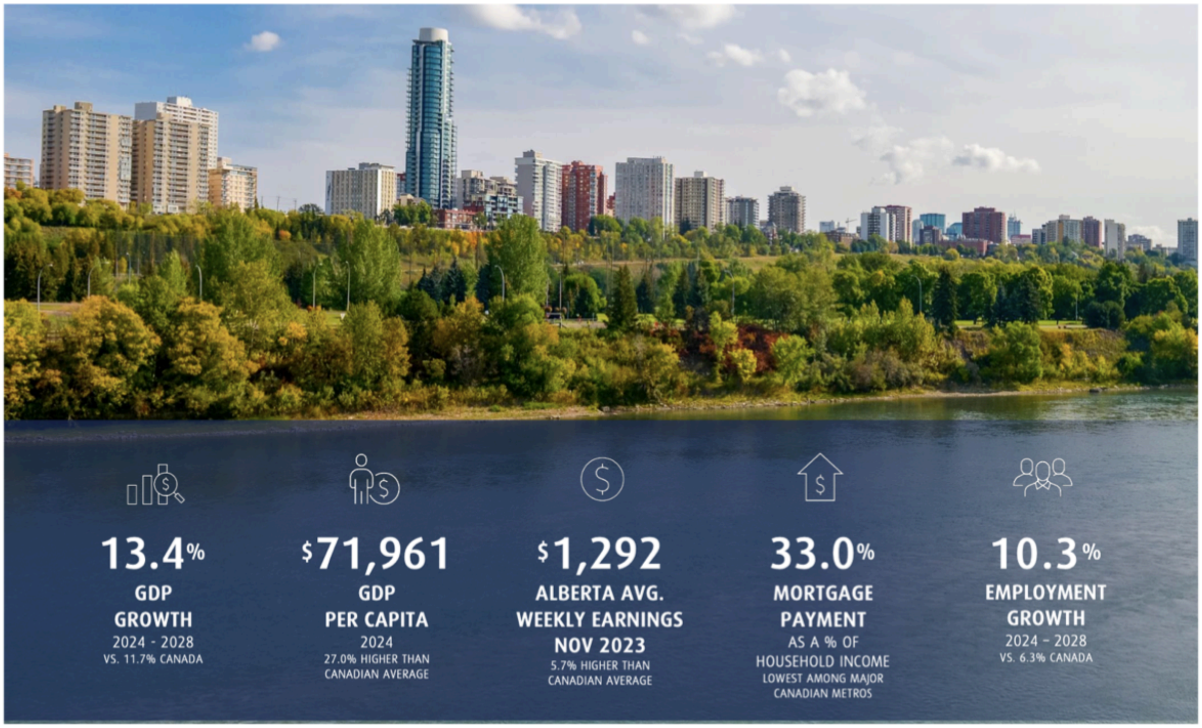
Hydrogen based energy production and the decarbonization of non-renewable energy has gained significant traction recently as countries look to mitigate the long-term effects of climate change. Alberta's Industrial Heartland, a 582 $km^2$ region located northeast of metro Edmonton and home to Canada's largest hydrocarbon processing center, is well positioned to become a major player in the global hydrogen economy by leveraging its advanced infrastructure and skilled labour force.

### Strong Employment Growth & Access to a Deep Talent Pool

As of November 2023, Alberta has continued to post strong numbers in terms of job creation. Alberta has seen 5.7% growth in full-time employment, outpacing Ontario and BC's 2.3% and 3.2%, respectively. Alberta has taken a pivotal role in Canada's job creation, generating 21.8% of job growth in Canada despite only accounting for 11.7% of Canada's population.

### Affordable Cost of Living and Competitive Wages

Cost of living and housing affordability have and will continue to dominate discussions across the country as Alberta offers a meaningful advantage in this respect. As of November 2023, home ownership costs as a percentage of median household income in both Edmonton and Calgary were 33% and 43%, respectively, and well below the national average of 65%. Alberta historically has led the nation for the highest average weekly earnings and despite national recessionary concerns, the Province continues to outpace its peers. As of November 2023, Alberta recorded average weekly earnings of $1,292 per week and was 6% above the national average.




# Edmonton Economic Overview

The Edmonton Census Metropolitan Area ("CMA"), an amalgamation of 24 municipalities that work together as a region, is home to 1.5 million residents and consistently ranks as the most affordable major Canadian city – attracting a large labour force looking to take advantage of high-paying jobs and a low cost of living. This makes Alberta's capital region Canada's fifth largest metro area and is projected to be the second fastest growing major city in Canada over the next five years, growing at nearly 2.0% per year.

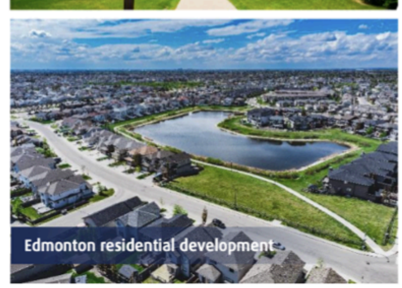
The average household income for the CMA is approximately $128,000, a figure that is 14.0% higher than the national average. In 2022, Edmonton's GDP grew by 4.4% and experienced the second highest growth in Canada in 2022, after Calgary. In 2022, unemployment rates in the CMA fell to 5.8%, a level not seen since 2014, and total employment is 3.7% higher than pre-COVID levels.

Alberta has seen significant growth in the tech sector with 1,845 new tech firm start-ups since 2018, generating $18.7 billion in GDP. Edmonton is well positioned to capitalize on this budding sector and was recently added to a list of the top 50 North American tech market cities in 2021 with an initial ranking of 38th position, improving to 35th position in 2022. Although this ranking is based on several factors, it is largely driven by Edmonton's access to a young, educated workforce, a low cost of living relative to tech talent wages and the class-leading research initiatives from organizations such as the Alberta Machine Intelligence Institute. The City has grown its tech employment pool by 39.7% from 2016 - 2021 and added 9,200 new jobs to its tech talent pool over the same time period. The immense growth the City has achieved ranks Edmonton 2nd overall for labour pool growth in small tech markets (<50,000 employees) in North America from 2016 - 2021.

As the discussion around a clean energy future progresses, Edmonton is well-positioned to be at the forefront of development with $40 billion in hydrogen investment alone projected by 2030. Both provincial and municipal incentives are beginning to attract the development of clean energy projects in the greater Edmonton metropolitan region and continue to diversify Edmonton's economy. Alberta has set a net-zero power system goal by 2035, 15 years ahead of the national target of 2050. Both provincial and municipal incentives are beginning to attract the development of energy projects in the greater Edmonton metropolitan region and continue to diversify Edmonton's economy.


Air Products net-zero hydrogen energy complex


University of Alberta


Edmonton residential development