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## Property Financing Profile Report Sample

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NorthBrook Financial Services Inc. (NorthBrook) is pleased to present this Property Financing Profile to you based on your information submission AS SET OUT AS Appendix A to this report. We note that our analysis is based strictly on the information provided. No additional information has been compiled to augment the analysis and no validation of the submitted information was undertaken.

With no information related to the borrower's financial position, unless otherwise stipulated, our analysis assumes a credit worth borrower with sufficient income and equity to support the financing.

The reader should take note of the above when applying the analysis results.

### **REPORT FINDINGS**

#### **Funding Options**

It is reasonable to expect this building, given its location and age should attract conventional bank financing.

The borrower should expect to attract bank financing of up to 60% loan to value (+/- 5%). Unless the rental income and profile of the tenants are particularly strong it is unlikely the borrower will attract financing at higher levels than these LTV ranges.

The building can also attract private financing, either for all the financing, should the borrower's credit position require it, or in a second position to the bank financing should funding in excess of 60% be required.

Based on the building alone, the maximum the private financing should go to is likely in the 70% range, possible higher (75%-80%) based on either a very strong tenant base or based on support from additional property collateral.



### **Term**

For conventional bank financing the term will be impacted by the terms of the outstanding leases at the time of purchase. Typically, conventional funding prefers a 3 year to 5 year period.

Commercial tenants with short term leases (0 – 24 months) will negatively impact the term of the financing offered.

Expect all private financing to be for 1 year terms, regardless of tenant lease terms.

### **Amortization Period**

This building should attract an amortization period of 20 years. Anything more than 20 years would likely be granted only on an exception basis.

The amortization period for conventional principal and interest loans impacts the mortgage payments, with shorter amortization periods increasing the monthly payment, requiring higher debt servicing.

### **Debt Servicing Impacts**

Based on the NOI provided in the submitted information and applying our expected inputs we estimate the total conventional bank financing would be in the range of \$1.2 million to \$1.3 million.

The resulting loan to value achieved is approximately 55%.

The lower total funding is as a direct result of the gross rents applied to the requirement to achieve a debt service ratio in the range of 1.25.

Additional rental income would be required to increase the loan to value closer to 65%.

Private funding will also be limited by the amount of debt servicing available based on the submission inputs. The results suggest a maximum loan of between \$1.1 million and \$1.25 million without additional collateral or rental revenues increases.



### **Key Considerations**

The key consideration for this property is the rental revenues compared to price. At the stated revenues of \$168,000 this equates to \$13.87 per sq ft. The borrower should ensure they have a set strategy to address this issue with any lender approached for funding.

The current COVID economy has created special considerations across virtually all areas of commercial lending. The COVID factor the borrower should be considering for this building will be impact of office workers now working from home.

Future trends in office space lean towards smaller offices than companies previously needed. This could bode well for this building and its office sizes.

Optimum tenants, from a lenders' perspective will remain those businesses that have services where clients will come to the office. In these instances, it is important for the tenants to maintain the office presence regardless of the smaller number of staff members that may be utilizing the space at any time.

## Property Financing Profile Sample Submission Data

### Property Financing Profile

<b>Submitter Contact</b>	
Name	Lynn Mitchell
Email	<a href="mailto:lynn@realtor.xx">lynn@realtor.xx</a>
<b>Property Address</b>	
Street Address	101 Avenue Street
Suite/Unit	
City	Hamilton
Province	ON
Postal Code	
<b>Property Details</b>	
Property Type	Mixed Use
Expected Property Useage Post-Purchase <i>(please provide as much detail as possible)</i>	Investment property for commerical offices , coffee shop plus three 3rd floor apartments
Total square footage of the property	12,105
Current Property Value	\$ 2,200,000
Age of the building	17 years
Unique Property Features	Apartments recently renovated
Description any anticipated renovations/changes	
Current Percentage of Useable Space being utilized	
Percentage of Building Expected to be utilized by Owner Post-Purchase	0%
Percentage of Building Expected to be utilized by Tenants Post-Purchase	100%
Current Annual Revenues	\$ 168,000
Current Gross Operating Cost less amortization less interest	
NOI	\$ 99,743