



**Altyn Equities**  
*professional real estate investment*

## Investor Update October 15, 2018

Greetings investors. Thanks for taking the time to read our bi-annual report on acquisitions/operations. 2018 has proven thus far to be a recover year across the portfolio after a very tough 2017. This year also yielded two fantastic buying opportunities, one in Red Deer and the other in Spruce Grove Alberta, that have delivered massive upside quickly, with Red Deer increasing in value by \$2.4M (78%) in only 8 short months! We have been raising rents in 3 buildings in Alberta, and our 3 buildings in Saskatoon have stabilized, with rent increases about a year away. Now has never been a better time to invest!

We purchased an excellent 20 suite building in **Spruce Grove Alberta** in August for only \$1,750,000. This project was purchased well below market value for a building in good condition, a great suite mix, and plenty of short and long-term upside potential. In only one month we were able to upgrade 6 vacant units and rent them for full market value. We currently have two units vacant that we are upgrading, bringing 8 in total combined with the exterior and common area painting. The plan will be to refinance the project for approximately \$2,300,000 towards the end of summer 2019 once the upgrades are complete and rents stabilized.

The 48 suite complex in **Red Deer** has just been refinanced for an after repair value of \$5,380,000, a value increase of almost \$2.4M from 8 months ago (purchased for \$3,024,000). This result is nothing short of spectacular and proof that value can be created quickly in well maintained, and modestly leveraged income producing assets if purchased for the right price. Although we had tremendous success in 2018 with these projects, they introduced more risk, more costs, and more work than is typical for apartment buildings. My preferred method is to purchase at or just below market value at 75% leverage for a 5-year term, a strategy I have used numerous times for very stable and predictable results. Large value add is possible as illustrated above, however it often involves expensive two-tier financing and market stability and/or improvement in a short time span hence this approach can backfire if mistakes are made.

Across the portfolio we have noticed rental demand increasing and are experiencing low vacancy in all of our projects. Beaumont Place is performing well as we continue to hand out rent increases to our residential tenants. In Saskatoon things are lagging a little, albeit picking up. Chaben Place, Marsin Apartments, and Mansard Terrace have experienced near zero vacancy, with some minor turnover at Chaben and Mansard. Our expenses have been higher due to required upgrades on turnover, and this is thankfully slowing and rent increases will likely commence in 2019. Please check out further details of each project below, be sure to check our website for upcoming deals and how you can be a part of them.

My door/phone/email is open 24/7 and I love hearing from you

Cheers and Happy investing

**200 Church Road - Spruce Grove AB (20 Suites)**

<i>Purchased August 2018 for</i>	<b><i>\$1,750,000</i></b>
<i>Estimated Value 2019</i>	<b><i>\$2,300,000</i></b>
<i>Cash invested</i>	<b><i>\$750,000</i></b>
<i>2018 Rent Roll (October)</i>	<b><i>\$16,600</i></b>
<i>2019 Rent Roll (October Est. )</i>	<b><i>\$20,525</i></b>



This is a fantastic project in a great location with an amazing suite mix of 16 two-bedroom units. The project was poorly managed, hence there is terrific short and long-term upside potential. In the past 6 weeks this project has undergone intense renovations to 8 suites, a new sign, common area paint, and a complete exterior paint job. Vacancy has decreased from 30% to zero in only two months.

We are well on place to achieving a 25% lift on value (or higher) in the first year alone. The plan is to refinance the property in August of 2019 for a long-term hold.

**Raleigh Square - 7180 Parke Avenue, Red Deer, Alberta (48 Suites)**

<i>Purchased December 2017 for</i>	<b><i>\$3,024,000</i></b>
<i>Refinanced Fall 2018</i>	<b><i>\$5,380,000</i></b>
<i>Cash invested</i>	<b><i>\$1,200,000</i></b>
<i>Dec 2017 Rent Roll (Purchase)</i>	<b><i>\$20,650</i></b>
<i>Sept 2018 Rent Roll</i>	<b><i>\$48,000</i></b>



This is a great case study of value created very quickly with the right building and price. I spent almost 3 months viewing, analyzing, and negotiating the final purchase price for this asset. The buildings needed a lot of work, however I quickly saw the potential with the large suites, and mix of 2 and 3 bedroom units. The project was intense with massive upgrades to most of the units, common area paint, new signage and awnings, and new landscaping. We also went through several contractors, and at least 4 onsite managers. In the end all of the hard work was well worth the effort with a sparkling ‘as new’ asset in a growing city that is continuing to turn around economically. I continue to seek more deals like this in Alberta.



### Mansard Terrace Apartments - 710 8<sup>th</sup> Street East , Saskatoon SK (14 suites)

*Purchased October 2017 with 7 investors for* **\$1,470,000**

*Cash invested* **\$630,000**

*2018 Rent Roll (May - Aug)* **\$42,995**

*2018 occupancy (May - Aug)* **96.42 %**



We picked up this premium asset for an amazing price of \$105,000 per unit in October 2017. We turned over a few units over the summer, and some additional maintenance costs including AC units and appliances. We will be doing some deck work in the spring, and nothing further planned. This project is in a premium location with amazing curb appeal, and upside potential.

### Marsin Apartments - 2440 Louise Street, Saskatoon SK (12 suites)

*Purchased October 2016 with 5 investors for* **\$1,200,000**

*Cash invested* **\$420,000**

*2018 Rent Roll (May - Aug)* **\$43,410**

*2018 occupancy (May - Aug)* **100%**



Marsin Apartments has had a strong 2018. Since hiring our Onsite manager at Chaben to look after Chaben and Marsin, our occupancy is back to 100%. We painted the exterior and removed some old signage to really clean up the dated look, and this building has proved to be a solid performer and will be the first building to get rent increases likely later in 2019. This building will require a roof however in the near future.

### Chaben Place - 3609 Chaben Place , Saskatoon, SK (24 suites)

*Purchased March 2016 with 8 investors for* **\$2,710,000**

*Cash invested* **\$840,000**

*2018 Rent Roll (May - Aug)* **\$78,625**

*2018 occupancy (May - Aug)* **93.75 %**



Chaben Place had a decent 2018, however did turn over and upgraded more units than anticipated. We spent about \$10,000 on an exterior face lift, and evicted a few problem tenants. We likely timed the bottom of the Saskatoon market a bit early in 2016, however the recession is over and things are improving. Vacancy rates in Saskatoon peaked in 2017 at a staggering 20% but have since fallen to below 10% and are falling further. The plan is to slowly improve our tenant profile while minimizing turnover and upgrades, but we remain on target for this project.

**Beaumont Place - 4902 50<sup>th</sup> Ave, Beaumont AB - 3 story concrete mixed res/commercial**

*Purchased Dec 2014 with 5 investors for*     **\$2,900,000**  
*Cash invested*                                     **\$900,000**  
*2018 Rent Roll (May - Aug)*                     **\$120,383**  
*2018 occupancy (May - Aug)*                 **100 %**



Beaumont Place had a solid 2018. We have been increasing the residential rents aggressively in 2018 after 3 years of flat rents. The cash flow continues to deliver as we pull in over \$30,000 per month. The town of Beaumont continues to have large in migration, even during the 2015-2017 recession years and will continue to deliver for years to come. We did have a roof leak, and it appears we will have to budget for a roof replacement in spring of 2019.

**Plazaview Manor - 11835 103<sup>rd</sup> Street Edmonton, AB (15 suites)**

*Purchased Sept 2012 with 3 investors for*     **\$1,395,000**  
*Sold in May 2017 for*                             **\$1,792,500**  
*Cash invested*                                     **\$450,000**



**Plazaview manor** was Altyn Equities first co-venture project and is now officially in the books. The project delivered almost exactly as anticipated when the proposal was drawn up in 2012, and although operating in some challenging years of 2015, 2016, and 2017 we had great management, and onsite and the condition of the building kept us full.

I am quite excited as we move into 2019 after almost four challenging years as a landlord. I think there are many factors in the Canadian real estate market, however carefully chosen, impeccably managed, and selling assets when the timing is right will continue to make sense for many years to come. I am very proud of the work I have done, and wealth I have been able to create for my investors in these win-win deals. We continue to adapt to an ever-changing market of economies, interest rates, and other factors but I remain firm in that after one year of recovery, now is an excellent time to invest in Real Estate!

I would love to hear from you, so please check out my website or Facebook page, or feel free to email or call anytime you wish, and all the best heading into 2019.

Regards

Cory Sperle