INVESTMENT MEMO · REAL-ESTATE ACQUISITION

Cornerstone: *underwriting* a 200-unit multifamily acquisition.

A $47M acquisition of a stabilized 200-unit multifamily asset, underwritten end to end: pro forma to NOI, cap-rate valuation, an amortizing loan sized on DSCR, a five-year hold, and an exit on a forward cap. Every input is set conservative to the 2025 market, so the return rests on NOI growth and amortization, not cap-rate compression.

Author S. Ize-Iyamu **Audience** Real-estate investment committee **Length** 3 pages **Status** Investment memo

Targets Desjardins Capital Markets · RBC · BMO RE

The Opportunity

Buy a stabilized 200-unit multifamily asset for $47M at a 6.01% going-in cap, finance it at 60% LTV, and hold five years. Year-one NOI is $2.83M on a 40% expense ratio and 5% vacancy. The basis matters most: at a 6.01% cap the asset yields above its 5.25% debt cost, so leverage is accretive from day one, and the underwrite never relies on selling into a tighter cap.

This is a core-plus hold, not a heavy reposition. The asset is stabilized, and the return is engineered through operations rather than financial engineering: NOI grows at a conservative 3.5% on rent escalation and turnover, a $300/unit annual reserve funds ongoing unit and common-area improvements, and a 40% expense load is held through disciplined management. Because the going-in yield clears the cost of debt, equity compounds through cash flow and amortization even if the exit cap never tightens, with cap compression left as unpriced upside rather than a load-bearing assumption.

PURCHASE PRICE	GOING-IN CAP	LEVERED IRR	EQUITY MULTIPLE	MIN DSCR
$47M	6.01%	12.6%	1.74x	1.50x

Market Context

The underwrite is deliberately conservative against current Canadian multifamily fundamentals. Quality assets in major markets traded in the **low-to-mid 4%** cap-rate range through 2025 (CBRE); a **6.01%** going-in cap therefore implies a secondary-market or older asset bought at a discount to prime, building a margin of safety into the basis. The national purpose-built vacancy rate rose to **3.1%** in 2025 (CMHC); the model holds **5%**, above market, so income is not overstated. Average two-bedroom rents grew **~5.1%** in 2025 but are slowing on record completions and softer population growth (CMHC); the model grows NOI at a conservative **3.5%**.

The near-term backdrop is softer by design of the cycle: record purpose-built completions lifted national vacancy and are cooling rent growth (CMHC), which is precisely why the underwrite leans conservative on entry yield, vacancy, and growth. Structurally, the asset class stays supported, a persistent housing shortage and immigration-driven household formation underpin rental demand, and stabilized rental income has historically been among the more defensive real-asset cash flows through cycles. The deal is built to clear its return in the soft case and to benefit, not depend, if supply absorbs and rates normalize.

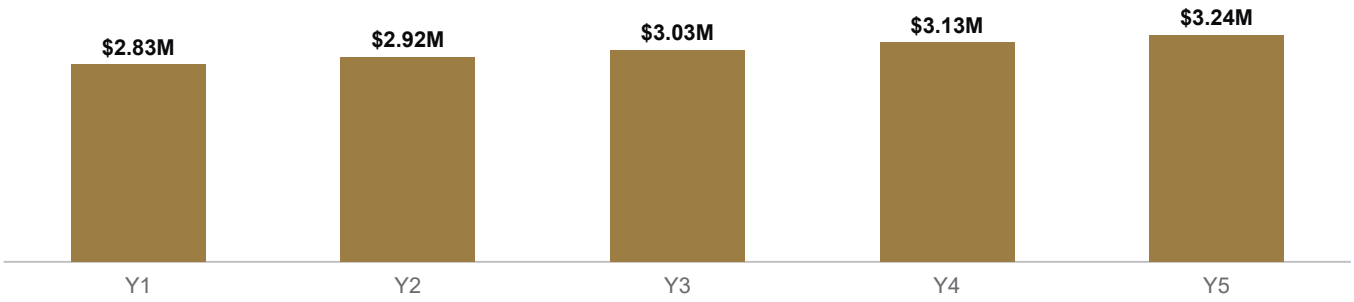
INPUT	THIS UNDERWRITE	2025 MARKET	SOURCE
Going-in cap rate	6.01%	low-to-mid 4% (prime)	CBRE, Q4 2025
Vacancy	5%	3.1% national	CMHC, Dec 2025
NOI / rent growth	3.5%	+5.1%, slowing	CMHC, Dec 2025
Mortgage rate	5.25%	BoC 2.25% o/n; 4.45% prime	BoC, Jun 2026

> **WHY IT UNDERWRITES**
> Each assumption sits on the conservative side of the 2025 market, so the deal clears its return with cushion rather than depending on a benign exit.

The Underwrite

NOI is built from gross potential rent through vacancy and other income to effective gross income[1], less a 40% operating-expense load, then grown at 3.5% over the hold. The loan is $28.2M (60% LTV) amortizing over 30 years at 5.25%, leaving a $19.7M equity cheque. Coverage is healthy throughout: a minimum DSCR of 1.50x and a 10.02% debt yield[2] give the lender, and the equity, real cushion.

FIGURE 1 · NOI BUILD ACROSS THE FIVE-YEAR HOLD



Net operating income grows from $2.83M to $3.24M at a conservative 3.5% annual rate.

CAPITAL STRUCTURE	AMOUNT
Purchase price	$47.0M
Loan (60% LTV)	$28.2M
Acquisition costs (2%)	$0.9M
Equity cheque	$19.7M

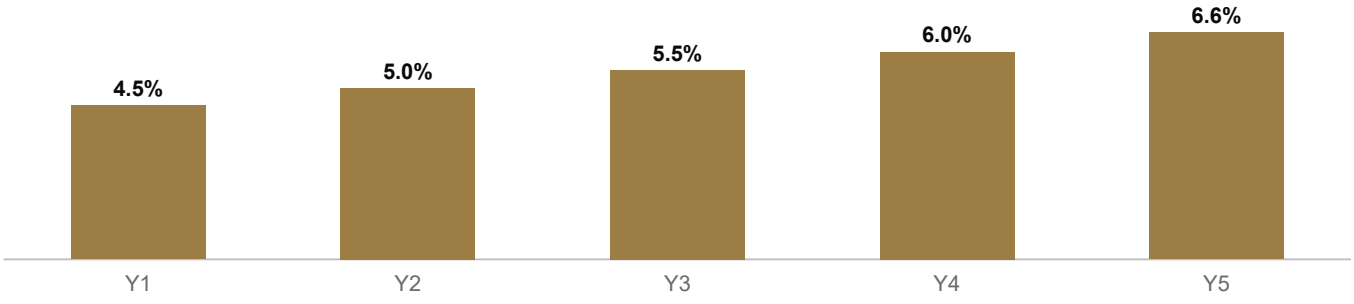
Returns

On a five-year hold with the exit cap held flat to entry at 6.00%, the deal returns a **12.6% levered IRR** and a **1.74x equity multiple** on the $19.7M equity, against an 8.6% unlevered IRR. Cash-on-cash builds from 4.5% to 6.6% as rents grow and the loan amortizes.

YEAR	NOI	DEBT SVC	DSCR	LEV CF	COC
1	$2.83M	$1.89M	1.50x	$0.88M	4.5%
2	$2.92M	$1.89M	1.55x	$0.98M	5.0%
3	$3.03M	$1.89M	1.60x	$1.08M	5.5%
4	$3.13M	$1.89M	1.66x	$1.19M	6.0%
5	$3.24M	$1.89M	1.72x	$1.30M	6.6%

RETURN METRIC	VALUE
Unlevered IRR	8.6%
Levered IRR	12.6%
Equity multiple	1.74x
Avg cash-on-cash	5.5%
Debt yield	10.02%
Exit value	$55.9M

FIGURE 2 · CASH-ON-CASH YIELD BY YEAR

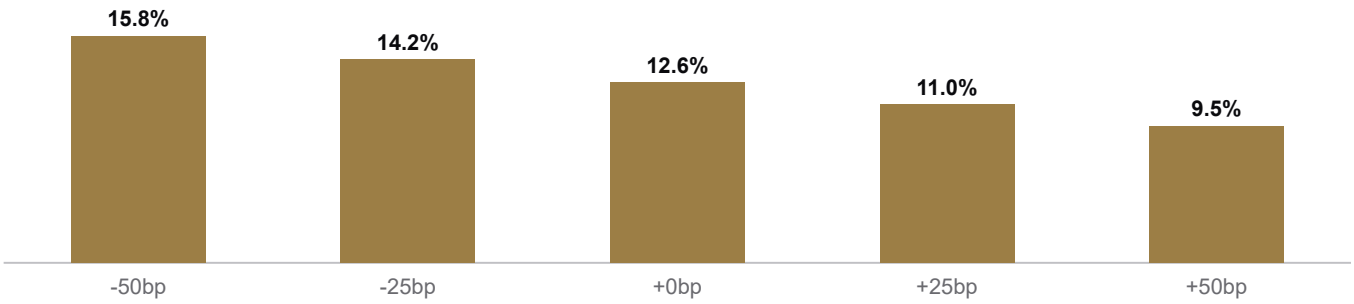


Levered cash yield on equity, before the exit, rising with NOI growth and amortization.

Sensitivity

The two factors that move a real-estate return most are the exit cap rate and rent growth. The grid holds the deal across both: even a 50bp exit-cap expansion stays positive, and the base case has room above the 5.25% debt cost.

FIGURE 3 · LEVERED IRR VS EXIT-CAP SHIFT (AT BASE RENT GROWTH)



Even a 50bp exit-cap expansion keeps the levered IRR comfortably positive; the base case carries cushion above the 5.25% cost of debt.

GROWTH \ EXIT CAP	-50BP	-25BP	+0BP	+25BP	+50BP
-1 ppt	13.8%	12.1%	10.5%	8.9%	7.3%
+0 ppt	15.8%	14.2%	12.6%	11.0%	9.5%
+1 ppt	17.7%	16.1%	14.6%	13.1%	11.6%

Key Risks

HIGH **Exit-cap expansion**

The dominant driver; underwriting holds the exit flat to entry rather than assuming compression, and the grid above shows the deal survives a 50bp widening.

MED **Rent-growth softening**

2025 growth is slowing on record supply; the model already assumes 3.5%, below the ~5.1% recent print, leaving headroom.

MED **Rate / refinancing**

Debt is sized to a 1.50x minimum DSCR and a 10.02% debt yield, so coverage absorbs a higher refinancing rate at exit.

Recommendation

> PROCEED
>
> Approve the $19.7M equity commitment. The asset is bought below prime pricing, leverage is accretive, coverage is strong, and the return holds without cap compression. The downside case is exit-cap expansion, which the sensitivity isolates and the deal withstands.

Method & Sources

Method follows standard real-estate underwriting: pro forma to NOI, cap-rate valuation (value = NOI / cap), amortizing debt with DSCR and debt yield, and a forward-NOI exit. The asset and figures are illustrative; live deals come off the rent roll and offering memorandum.

Sources. [1] Geltner & Miller, *Commercial Real Estate Analysis and Investments* (3rd ed., 2014): the pro-forma-to-NOI build and cap-rate valuation (value = NOI / cap). [2] DSCR and debt-yield coverage tests per Argus Enterprise underwriting conventions, with NCREIF and ULI market references for cap-rate and operating benchmarks. Model open-sourced at github.com/sophia-ize-iyamu/cornerstone-re-model.

Market data, fact-checked (Jun 2026): CBRE, *Canadian Cap Rates & Investment Insights*, Q4 2025 (multifamily cap range); CMHC, *Rental Market Report*, Dec 11 2025 (national vacancy 3.1%, two-bedroom rent +5.1%); Bank of Canada, policy-rate decision, Jun 10 2026 (overnight 2.25%, prime 4.45%); Altus Group,

Canadian CRE Investment Trends, Q4 2025; Cushman & Wakefield, *Canadian Cap Rates*, 2025; Statistics Canada, rent CPI, 2025.

RESEARCH UPDATE · SEPTEMBER 17, 2026

Cornerstone: Multifamily Acquisition Model

Real estate · Underwriting model

Reviewed on 17 September 2026. The figures in this model are illustrative and are stated as such: a 200-unit asset at a C$47M purchase, a 6.01% going-in cap against a 5.25% debt rate, debt sized to a 1.50x minimum DSCR. It is a demonstration of underwriting method rather than a live transaction, so no market re-mark applies. Every assumption remains visible and changeable by the reader.

Note. This page records a review dated September 17, 2026. The analysis above is unchanged.