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AGENDA

- About Canada ICI
- Highlight Transactions
- Residential vs. Commercial Property Financing
- Multi-Family vs. Commercial Financing
- Timeline of a Commercial Acquisition
- Questions

ABOUT CANADA ICI

- Commercial Mortgage Brokerage
- Originate Debt and Equity
- Founded in 1993
- Fund $2.5B+ Annually
- 60 Staff from Various Industry Segments
- Active in 3 Different Business Verticals
  - Mortgage Brokerage
  - Sector Mortgage Investment Corporation
  - Mortgage Servicing

COMMERCIAL vs. RESIDENTIAL FINANCING

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COMMERCIAL/RESIDENTIAL FINANCING

3 main differences between residential and commercial financing:

- 1. Qualification
  - Commercial financing focuses on the property generating satisfactory cash flow
  - Residential financing focuses on the borrower's personal income as a major factor which requires a pre-approval submission
  - Commercial financing requires a fee to be paid from the borrower to the broker, residential financing requires a fee to be paid from the lender to the broker
- 2. Interest Rates
  - Commercial financing interest rates tend to be higher than residential interest rates
- 3. Loan to Value
  - Commercial financing requires more borrower equity for the property as and has various benchmarks for loan to value dependent on asset type.

OTHER CONSIDERATIONS

1. The turnaround time for commercial financing is greater than residential financing.
   - The turnaround time for a typical deal structure is 30 – 45 days for due diligence and 30 days to close.
2. Commercial lenders require third party reports which is an added cost to the Borrower.
3. Third Party Reports:
   - Appraisal
   - Building Condition Report
   - Phase 1 Environmental Assessment Report

   Please note that each of these above reports have a typical timeline of approximately 3 – 4 weeks until finalized.

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MULTI-FAMILY vs. COMMERCIAL

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CMHC: Canadian Mortgage & Housing Corp.

CMHC Financing:

CMHC (Canadian Mortgage and Housing Corporation provides insurance for multi-residential properties. They determine what they believe is market value for a property and will insure up to 85% of that value, for a fee. CMHC is not a Lender, rather they are an insurance company, insuring the mortgage for the Lender.

<u>Benefits to using CMHC:</u>

1. Very low interest rates

<u>Detriments to using CMHC:</u>

1. Lower Valuations. Their “market value” is below what an appraised value would be
2. Additional Fees
3. Longer timelines

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OTHER DIFFERENCES

- Canadian residential leases versus commercial are gross leases, meaning landlord pays all expenses and does not bill back
- Higher leverage is easier on multi-family versus commercial due to lease fill timeline being much shorter

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TIMELINE OF FINANCING

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TIMELINE OF FINANCING

1. Contact a commercial real estate agent at a reputable firm
2. Receive due diligence regarding applicable property
3. Acquire the property under contract
4. Contact a commercial mortgage broker and engage third party reports
5. Commercial mortgage brokerage will underwrite the deal with applicable documents and provide a valuation of the property
6. The commercial mortgage brokerage will receive term sheets that indicate the terms from various Lenders
7. The Borrower will choose a term sheet that best suites his/her needs
8. The Lender will provide a commitment letter for the Borrower to sign, lock in rate if applicable and proceed with the prefunding documentation
9. The Borrower removes conditions
10. The Borrower closes the transaction by receiving the funds

QUESTIONS?

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