Why Invest in Real Estate?

Leveragability - Houses are a “hard asset” that you can get financing on and benefit from the borrowed funds invested in addition to your own funds.

Positive Cash Flow - We only invest in properties that provide monthly income after all expenses are paid. We locate, and acquire properties following the Authentic Canadian Real Estate System.

Principal Reduction - In 25 years the tenants will have paid for a mortgage free house. With every mortgage payment a portion of the money borrowed to purchase the property is paid down.

Asset Appreciation - (Forced and Passive) The average home price is $407,071, up by 5.7% Lethbridge (+12.0%), Edmonton (+10.6%), Calgary (+3.8%).

Inflation Protection - Lets pretend my parents purchased a basket of goods when I was born for $100. today they would pay $459.34 to buy the same basket of goods. Over the last 50 years rental incomes and real estate value have grown 3.89% annually with inflation. So if you have $100,000 now for retirement in 25 years it will only buy $55,725. worth of goods, But real estate income grows with inflation.

Tax Benefits - Taxes erode your returns on stocks, bonds, on other equities. Real estate enjoys many tax advantaged strategies. Capital gains deductions on personal residence, Closing cost and professional services expense deductions, insurance and interest.

Diversification - Following a multiyear decline in interest rates and global financial upheaval many investors are allocating upwards of 50% of their portfolio in real assets. Real assets combine yield, stability, and growth with down side protection.
Real Estate is Stable, it is Slow to Rise and Slow to Fall

Real estate has long been a favourite asset class of the wealthy. The latest data suggests that the belief in real estate hasn’t changed much over the past several years, despite one of the most challenging real estate markets in history: current allocation stands at 24%, just 2% lower than its high back in 2008. If anything, the data suggests that the wealthy have viewed the great real estate shakedown of the past several years as a buying opportunity rather than a reason to sell everything and stuff the cash under the mattress.

“Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.”

- Franklin D. Roosevelt

There are safer investments such as bonds unfortunately the returns commonly won’t outpace inflation. Real estate has proven to be one of the most stable investments. There are market cycles just like in any investment, but over time the predictability of real estate values and returns have been a great investment that combines yield, stability, and growth with down side protection.
Finding Good Places to Invest

The Real Estate Key Cycle

We find areas that show increased Gross Domestic Product, Employment, and Population Growth we analyze Affordability, Average Incomes, Rent Rates and Vacancies. **Key indicators** such as the amount of construction, Average Sale Price, number of listings, and days on market help us determine the potential Rate of Return On Investment.

We then start nailing down which neighbourhoods are being revitalized and their access to amenities and transportation. Sounds easy but houses need to fit our Tenant Profile and fit into a strict buying system that insures a Cash Flowing Investment.

January 2015 Alberta is sitting at Increased Rents. We are projecting that the recent drop in oil prices will have the effect of stalling and stretching this stage out for a year or two. As an employer it is market cooling that was needed. For landlords and people acquiring real estate it’s short term good news.
Canada has Strong Economic Fundamentals Despite the Global Slowdown

Consensus Economics

- According to Consensus Economics, Canada has been a top performer among the G-7 in GDP growth over the 2008-11 period and is expected to remain so through 2012-13.

Real GDP Growth and Projections (%)

Source: Consensus Forecasts, February 2012, Consensus Economics Inc.
Canada also has Superior Employment Growth….

- Strong economic growth and rising demand for Canadian commodities over the last decade, combined with provincial and federal policies to improve the flexibility and adaptability to the changing workplace, have helped generate healthy gains in employment.

### Employment Growth (%)
**2000-2010**

- **Canada**: 1.45
- **Italy**: 0.76
- **France**: 0.62
- **Germany**: 0.62
- **U.K.**: 0.57
- **U.S.**: 0.11
- **Japan**: -0.28

Source: U.S. Bureau of Labour Statistics, OECD Economic Outlook, No.90, November 2011
• Canada has enjoyed eleven consecutive annual federal budget surpluses ending in 2007-08; it has undertaken one of the largest stimulus packages among developed economies in the current global economic downturn.

• Starting with Budget 2010, Canada chose to run short deficits to stimulate its economy without putting long-term prosperity at risk.

• As a percentage of GDP, the budgetary deficit is projected to decline from 2.1% in 2010-11 to 0.2% in 2015-16. The savings targeted by the deficit reduction plan, which aims to produce at least $4 billion in ongoing annual budgetary savings by 2014-15 will allow the government to return to budgetary balance by 2015-16.

**Federal Government Budgetary Balance**
(% of GDP)

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</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>-2.1</td>
<td>-1.8</td>
<td>-1.6</td>
<td>-0.9</td>
<td>-0.4</td>
<td>-0.2</td>
<td>-1.1</td>
</tr>
<tr>
<td>U.S.</td>
<td>-10.0</td>
<td>-8.0</td>
<td>-6.0</td>
<td>-4.0</td>
<td>-2.0</td>
<td>0.0</td>
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</table>

* Forecasts for both countries

Source Canada: Update of Economic and Fiscal Projections Finance Canada, November 8, 2011
Canada’s solid fiscal situation and low inflation has led to lower interest rates.

The sharp decline in interest rates in both Canada and the U.S. in early 2009 were a consequence of the global economic downturn. Rates in the U.S. were lowered more than in Canada because of the greater severity of the slump in the U.S. economy.

According the Prosperity Potential Index*, Canada ranks 1<sup>st</sup> in the G-7 and 6<sup>th</sup> among 30 developed countries in terms of the likelihood for economic prosperity in the year 2020.

* The Prosperity Potential Index measures the likelihood of economic prosperity in the year 2020 for 30 developed countries. The ranking is based on data from the OECD on areas that spark future economic development: demographics, trade, energy, technology and education. Source: Canadian Business Magazine, October 26, 2009
Canada is Acclaimed for its Superior Business Climate by the EIU…

- Canada understands the importance of its business community and has created an environment to encourage its success.
- Canada is the best place for doing business among the G-7 over the next five years according to the Economist Intelligence Unit and it ranked fifth overall out of 82 countries in the Economist Intelligence Unit’s global business rankings for the forecast period (2012-16), down from fourth from the historical period (2007-2011).
- The country also ranks well for its infrastructure, market opportunities, low taxes, and foreign trade and exchange controls.

Business Environment of Top Ten Countries, Rank for Forecast Period 2012-2016

Source: The Economist Intelligence Unit, February 2012
Canada was ranked #1 in Forbes’ latest annual study on the Best Countries for Business, up from 4th place last year.

Canada ranked in the top ten in 7 of the 11 criteria used in the study, most notably personal freedom (1st); degree of red tape involved in starting a business (3rd); investor protection (5th) and low corruption (6th).

Top Ten Countries to Conduct Business in 2011

1st
Canada

2nd
New Zealand

3rd
Hong Kong

4th
Ireland

5th
Denmark

6th
Singapore

7th
Sweden

8th
Norway

9th
U.K.

10th
U.S.A.

*Standing among 134 countries. Rankings based on the following eleven categories of quantitative and qualitative indicators: trade freedom, monetary freedom, property rights, innovation, technology, red tape, investor protection, corruption, personal freedom, tax burden and market performance.

Source: Forbes Publishing, October 2011
Canada is Considered a Safe Haven for Business Investment…

- According to Dun & Bradstreet’s Global Risk Indicator (GRI)*, Canada is considered one of the world’s safest countries to invest, due to the relatively mild slowdown experienced as a result of the global credit crisis.
- Canada ranks 1st in the G-7 and 2nd among the 131 countries evaluated in the GRI study.

Highest Ranked Countries in Terms of the Global Risk Indicator*

*The Global Risk Indicator (GRI) assesses economic, commercial, external and political risk to provide risk ratings for 131 countries worldwide.

*Source: Dun & Bradstreet, August 2009
Canada has Sound Financial Institutions…

- With the world in the midst of the current financial crisis, investors can take comfort in the fact that Canada has the soundest banking system in the G-7.
- Six of the 50 safest banks are in Canada, according to a recent study: Royal Bank of Canada (11th), Toronto Dominion Bank (13th), Scotiabank (18th), Caisse Centrale Desjardins (20th), Bank of Montreal (30th) and CIBC (31st).**

*Standing among 142 countries. Ranking based on the degree of soundness of financial institutions. Source: Global Competitiveness Report, 2011-2012

** Standing among 500 world banks based on total assets and long-term credit ratings. Source: Global Finance Magazine, August 2011
Canada was able to weather the storm as world credit markets collapsed in 2008 due to the stability of its equity markets and strength of its economic policy. In 2009, the Milken Institute ranked Canada 1st in its Capital Access Index.

*Standing among 122 countries. Milken Institute, April 2010*
Many view Canada, with its stable banking system and relatively stable political environment, as a good bet against global volatility.

Canada was the world’s number 12 exporter in 2013. Canada shipped US$457.9 billion worth of goods, up by 45.3% since 2009.

- Oil $119.7 Billion is 26.1% of total exports
- Vehicles $59.3 Billion 13%
- Machines, Engines, Pumps $31.2 Billion 6.8%
- Gems, Precious Metals $23.2 Billion 5.1%
- Electronic Equipment $14.1 Billion 3.1%
- Plastic $12.6 Billion 2.7%
- Wood $12.3 2.7%
- Aircraft, Spacecraft 10.5 Billion 2.3%

Canada has some of the best resources and the best human, social and economic policies, and is primed to be a world leader in energy markets. Canada is a world leader in democratic freedom, transparency, environmental protection and worker rights. Out of 135 countries across the globe Canada came in 3rd for giving via aid and charity. Given our astonishingly positive record, is there any doubt that Canada should be the energy supplier of choice, selling more energy to the world markets.

Asia wants to convert its nuclear power generation to the safer and more environmentally friendly Liquid Natural Gas. The export of LNG could facilitate Canadian natural gas production growth and result in significant investment, jobs and economic growth.

The Government of Canada joined Irving Shipbuilding and its employees to celebrate the signing of the $2.3B Arctic Offshore Patrol Ships (AOPS) Build Contract at Halifax Shipyard. (January 2015) Just the start of many more ships to build. Ship building has the potential to rival the vehicle export market.
Millionaire investment advantages, for the middle class

The Alberta Promise
Why we Invest Here
Real Estate is Driven by 2 Things 
Economic Fundamentals and People

Alberta leads the country in Gross Domestic Product Growth. GDP growth means jobs and people moving to Alberta to fill them. As of July 2014 the unemployment rate is 4.5% trending down. That is 2% lower than Canada as whole.

The people of Alberta enjoy a very high quality of life, including the lowest overall taxes in Canada. Albertans have the highest disposable incomes in Canada, the lowest unemployment rate, and a big, beautiful backyard to enjoy all year long. That’s why so many people think Alberta is an ideal place to live, work, and do business.

The population grew from June 2013 to July 2014 by 134,750 people. That’s more than the total population of Red Deer moving to Alberta in just one year. All this population growth creates demand for rental housing, rents climb and there is upward pressure on house prices.

Alberta has a presence in many industries such as Agriculture, Forestry, Education, Tourism, Finance, and Manufacturing, the politics and culture of the province have been closely tied to the production of fossil energy since the 1940s. The Oil Sands, Industrial Heartland, and Shale gas are the major investments that will require labour and housing growth.

http://oilsands.alberta.ca/economicinvestment.html#.VKbdSPPsI1.email
Oil Sands 2014 - 2038

- Oil sands production is forecasted to grow from 1.98 million barrels per day to 3.7 million barrels by 2020 and 5.2 million barrels by 2030.

- Total investment in oil sands projects and re-investment (sustaining capital) will exceed $514 billion. Revenues from all existing and new projects will exceed $2,484 Billion.

- Total GDP impact of all oil sand investment revenues is estimated to be $3,865 Billion for Canada.

- Related (direct, indirect and induced) employment as a result of construction of new projects and the operation of new is expected to grow from 514,000 (2014) jobs to a peak of 802,000 jobs in 2028.

- Direct employment in Alberta is expected to grow from 146,000 jobs in 2014 to a peak of 256,000 jobs in 2024.

- Taxes directed to the Canadian Federal Government will total 574 Billion. Royalties collected by the Alberta Government will exceed $600 Billion over the next 25 years.
The Industrial Heart Land is a 582 square km Area Just North and East of Edmonton with more than 20 billion in Investment

- North West Redwater Partnership - Bitumen Refinery - $8.5 billion
- Williams Energy
  - Off-gas pipeline and fractionization - propylene PDH facility - $1.1 billion
- Pembina Pipelines
  - NGL fractionization expansion - Heartland Hub Logistic Center - $800 million
- Sasol
  - Gas to Liquids Facility - multi billion
- MEG Energy
  - “HI—Q” test facility - $100 million
- Keyera
  - Fractionazion Capacity Expansion - $330 million
- Carbon Capture and Storage Projects - Shell Quest - Enhance Energy - $2.5 billion
- Canexus Bitumen Rail Facility - $125 million
- Veresen co
  - gen facility - $200 million
- Atco Power - $850 million
- Air Product - $300 million
Shale Gas

The Fort St John site C dam announcement is important not only because the dam will generate cheap clean power for a long time but because it was approved after extensive review of environmental impact.

This is seen as a step closer to getting Liquid Natural Gas to foreign markets via the North West pipe line.

The Alberta Energy Regulator (AER), is evaluating the shale gas resource potential of all prospective shale gas formations in Alberta. As many as 15 prospective shale gas formations have been identified. Five of these formations (Duvernay, Muskwa, Basal Banff/Exshaw, North Nordegg, and the Wilrich) may contain 1,291 trillion cubic feet (TcF) of gas-in-place.
Agriculture, Forestry, Education, Tourism, Finance, and Manufacturing

Millionaire investment advantages, for the middle class
Alberta’s Major Agricultural Products 2013
Farm Cash Receipts ($ Billions)
Total: $11.8 Billion

- Beef Cattle: 3.28
- Canola & Flax: 2.63
- Wheat (incl. Durum): 2.28
- Dairy: 0.52
- Hogs: 0.42
- Oats, Rye & Barley: 0.40
- Other*: 2.22

*Includes specialty cash crops, honey, poultry, eggs, program payments, etc.
Source: Statistics Canada
Value of Alberta Manufacturing Shipments in 2013
Total: $73.8 Billion

- Refined Petroleum: $20.4 Billion
- Food & Beverage: $12.5 Billion
- Chemical Products: $12.3 Billion
- Machinery: $7.6 Billion
- Fabricated Metals: $5.9 Billion
- Wood Products: $3.6 Billion
- Construction Materials: $2.3 Billion
- Plastics & Rubber: $1.6 Billion
- Electronic & Electrical Products: $1.3 Billion
- Other Manufacturing: $6.3 Billion

Source: Statistics Canada
Financial Services

Financial Services Employment Growth 2003 - 2013
Percentage increase in Employment

- Alberta: 36.9%
- Ontario: 26.2%
- Canada: 23.8%
- British Columbia: 21.4%
- Quebec: 18.1%

Financial Services GDP Growth 2003 - 2013
Percentage increase in GDP

- Alberta: 64.0%
- British Columbia: 37.0%
- Canada: 31.5%
- Ontario: 27.2%
- Quebec: 25.7%

Source: Statistics Canada
Alberta Tourism Expenditures by Visitor Origin (2012)

Total: $7.4 Billion

- Alberta: 65%
- Other Canada: 19%
- United States: 7%
- Overseas: 9%

Source: Statistics Canada and Alberta Tourism, Parks and Recreation
Alberta has Highest Population Growth in North America
(Top 10 States/Provinces in Population Growth - 2004 to 2014)

- Alberta: 27.3%
- Utah: 22.5%
- Nevada: 21.0%
- Texas: 20.4%
- Arizona: 19.1%
- Idaho: 17.4%
- Colorado: 17.1%
- North Carolina: 17.1%
- District of Columbia: 16.3%
- Georgia: 16.1%

Sources: Statistics Canada, U.S. Census Bureau
Canadian vs. American Real Estate

United States house prices are on average about 62% lower than Canadian houses since the 2008 financial crisis. That does mean that you can buy a house with less money down?

There is somewhat of a Foreign exchange advantage. Over the last 5 years the Canadian dollar has been worth more than the US dollar 31% of the time and only as high as $1.05 currently the Canadian dollar is $0.79 That means you likely make a 5% gain but its more probable you will loose 21%.

If the dollar is good and housing prices are low the advantages have to be weighed against additional tax, management, travel, and legal expenses. You might make more money but can you bring it home?

It is possible to find areas in the United States that are showing strong economic fundamentals. What’s needed is an expert to analyze where the opportunities are going to be. If you just throw money at Williston, North Dakota you’ve missed the boat and are speculating not investing with sophistication.

It can be difficult for Canadians to obtain financing in the US and we feel foreign investment adds a layer of risk that is unnecessary given the boundless opportunities right here in Alberta.

If you’re looking for an exotic vacation spot we can refer you to a foreign expert to joint venture with.

Our research of Canadian Cities is rated based on the following 50 points scale

<table>
<thead>
<tr>
<th>Category</th>
<th>Points</th>
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<tbody>
<tr>
<td>Economic Stability</td>
<td>/12</td>
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<tr>
<td>Yield Growth Potential</td>
<td>/12</td>
</tr>
<tr>
<td>Local Politics Conductive to Business</td>
<td>/8</td>
</tr>
<tr>
<td>Access to Transportation</td>
<td>/8</td>
</tr>
<tr>
<td>Investor Insights</td>
<td>/10</td>
</tr>
</tbody>
</table>

**Total** /50

I welcome the opportunity to show you our City Scores and learn what your goals are and why.

Tony Sera
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Phone:(780)862-5762