

# NORTHSCOPE

## DUE DILIGENCE ANALYSIS

### Multi Family Small (6 Units)

Windsor, ON

**\$52,448**

NOI

**6.0%**

CAP RATE

**8.4x**

GRM

**\$145,833**

PRICE / UNIT

**FUNDAMENTAL  
GAPS**

VERDICT

**\$875,000**

ASKING PRICE

Prepared: February 21, 2026

Analysis ID: NS-2026-0039

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## How to Read This Report

<b>Executive Dashboard</b>	Start here. Key numbers, risk assessment, and verdict at a glance.
<b>Analysis Sections</b>	Each section contains a Key Finding box, data table, interpretation, and data gaps to resolve.
<b>Deal Architecture</b>	Specific structural mechanisms to address identified risks, with negotiation positioning.
<b>Sensitivity Analysis</b>	Shows how value changes under different assumptions. Green = at or below asking.
<b>Appendix</b>	Independent analyst reports and adversarial debate transcript — the analytical foundation.

Risk badges: ● Low ● Moderate ● Elevated ● High ● Critical

# EXECUTIVE DASHBOARD

## Assessment: FUNDAMENTAL GAPS

8/10

This real estate presents structural gaps that are bridgeable with targeted protections and verification. The deal architecture section provides the path to close once key items are addressed.

### Key Numbers

Metric	Value
Asking Price	\$875,000
NOI	\$52,448
Cap Rate	6.0%
Market Cap Rate Range	4.0%-8.0%
Fair Value (Cap Rate)	\$650,000.0
Target Price	\$650,000.0
Market Tier	Secondary Market

### Analysis Summary by Pillar

Income & NOI	Monitor
Expense Verification	Caution
Property Condition	High Risk
Comparable Analysis	Monitor
Tenant & Market	Low Risk
Returns & Structure	Monitor
Exit Strategy	Low Risk

## Top Strengths

Income & NOI

Comparable Analysis

Tenant & Market

## Top Risks

**HIGH** Deferred maintenance on 1948 building may require expenditures

**MEDIUM** Operating expenses understated relative to comparable properties when management fee is included

**MEDIUM** Cap rate compression is thin for a 1948 secondary-market asset with deferred maintenance

## Deal Bridge Snapshot

Price holdback — \$40,000 to address Deferred maintenance

NOI verification — \$30,000 to address Expense verification

Verification: Obtain independent property inspection report

Verification: CCTV drain inspection for cast iron stacks

Verification: Verify 24-month operating statements

Bridge focus: prioritize verifications and protections that preserve momentum while reducing risk to both parties.

## Document Completeness

**Score: 60/100**

Missing documents reduce confidence. Findings are conditional on verification.

**Analyst Consensus:** Majority FUNDAMENTAL GAPS (3 of 4 analysts)

# INTRODUCTION & SCOPE

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## Deal Overview

<b>Property Type</b>	Multi Family Small (6 Units)
<b>Location</b>	Windsor, Ontario, Canada
<b>Asking Price</b>	\$875,000
<b>Units</b>	6
<b>NOI</b>	\$52,448
<b>Cap Rate</b>	6.0%
<b>Occupancy</b>	100%
<b>Year Built</b>	1948
<b>Investment Strategy</b>	Buy and Hold
<b>Reason for Sale</b>	Owner Relocating To British Columbia
<b>Financing</b>	Pre-Approved

## Data Quality Score

**60/100 — MODERATE: Some gaps but analysis can proceed with noted limitations.**

## Methodology

Four independent analysts reviewed all provided materials, each bringing a specialized perspective: financial and quality-of-earnings analysis, risk and skepticism assessment, commercial and market analysis, and structural and legal analysis. Their independent findings were subjected to adversarial debate where analysts challenged each other's conclusions. Validated findings were then synthesized into the prose sections of this report. Only battle-tested insights that survived scrutiny appear in the main report. Raw analyst opinions are preserved in the appendix for transparency.

## Scope Limitations

This report covers analytical due diligence based on provided documentation. It does not include: physical facility inspection, in-person staff interviews, customer verification, equipment assessment, or legal document review. These items require on-site verification if the buyer proceeds.

# RECOMMENDATIONS & ACTION PLAN

## Final Analytical Conclusion

The analytical conclusion is **FUNDAMENTAL GAPS** with **8/10** confidence.

The asking price of \$875,000 represents a 35% premium over the risk-adjusted base case of \$650,000. The scenario range of \$617,035 to \$780,000 reflects cap rate analysis and NOI adjustments applied to NOI of \$52,448.

## Deal Scenario Analysis

Scenario	Value	Implication
Downside (8.0% cap)	\$655,600	Conservative cap rate baseline
Risk-Adjusted Downside (incl. deferred maintenance)	\$617,035.0	Conservative cap rate less deferred maintenance (\$20,000)
Base Case	\$650,000	Risk-adjusted fair value — base cap rate
Upside Case	\$780,000	Maximum supportable — aggressive cap rate
Asking Price	\$875,000	At risk-adjusted value

## Path Forward

Key items require verification and structural protections. The deal architecture section provides mechanisms to bridge those items, and resolution requires operating statements, rent roll, and property inspection reports from the seller.

If documentation is forthcoming and items can be resolved, the base case scenario of \$650,000.0 is supportable with the structural elements outlined.

## Ready-to-Send Email

Subject: Real Estate — Conditional Interest Pending Documentation

Dear [Seller Name],

Thank you for the opportunity to review your investment property. Our analysis identified a few items that need verification to keep the process efficient.

We remain interested at a revised price of \$650,000.0, subject to receiving verified operating statements, rent roll, and property inspection results that confirm the operating fundamentals.

If you are open to providing this documentation, we are prepared to move forward with the structural elements outlined in our analysis.

Best regards,

[Your Name]

# DEAL ARCHITECTURE

## Deal Overview

The asking price of \$875,000 implies a cap rate of 6.0% against a market range of 4.0–8.0%. The risk-adjusted base case is \$650,000. The following structure addresses the 35% gap and bridges risk while keeping momentum.

## Negotiation Positions

Position	Amount	Rationale
Maximum	\$520,000	Ceiling without structural protections
Target Price	\$650,000	Risk-adjusted fair value
Opening Offer	\$770,000	Anchored to downside scenario
Maximum (Protected)	\$831,250	Absolute ceiling with earn-out, escrow, and seller financing

## Recommended Deal Structure

Component	Amount	Mechanism	Tied To
Cash at close	\$650,000	Bank financing + equity	Base price
Price holdback	\$40,000	Escrow	Deferred maintenance
NOI verification	\$30,000	Earn Out	Expense verification
<b>Total consideration</b>	<b>\$720,000</b>		

## Structure Details

**Price holdback:** \$40,000 — Hold in escrow pending independent property inspection and drain assessment

**NOI verification:** \$30,000 — Released upon 12-month operating statement verification with management fee included

## Deal-Specific Contingencies

- Obtain independent property inspection report
- CCTV drain inspection for cast iron stacks
- Verify 24-month operating statements
- Confirm current rent roll with lease copies
- Obtain Phase 1 environmental assessment
- Review municipal zoning compliance

# INCOME & NOI ANALYSIS

MODERATE

## KEY FINDING

NOI of \$60,800 requires adjustment for management fee allocation

**\$104,400**

ANNUAL GROSS RENT

**\$43,600**

OPERATING EXPENSES

**41.8%**

EXPENSE RATIO

**5.99%**

CAP RATE

**8.4x**

GRM

The property generates annual gross rental income of \$104,400 from 6 fully occupied units. After operating expenses of \$43,600, the reported net operating income is \$60,800, yielding a 58.2% NOI margin. However, the operating statement does not include a management fee allocation.

Adding an industry-standard 8% management fee (\$8,352) reduces the adjusted NOI to \$52,448. This compresses the effective cap rate, which is thin for a 1948 secondary-market asset. Expense ratios need verification against comparable 6-unit properties in the Windsor market.

Three of the six units are rented below current market rates, representing approximately \$7,200 per year in potential upside if leases are renewed at market. This provides a value-add thesis but should not be factored into acquisition pricing.

## DATA GAPS

Independent property appraisal

Last 3 years of operating statements

# EXPENSE VERIFICATION

ELEVATED

## KEY FINDING

Operating expenses of \$43,600 appear low; no management fee allocated

**\$43,600**

OPERATING EXPENSES

**41.8%**

EXPENSE RATIO

**40-50%**

TYPICAL RANGE

Operating expenses of \$43,600 represent a 41.8% expense ratio against gross rental income of \$104,400. This is at the low end of the typical 40-50% range for a 1948 building of this type in the Windsor market. Notably absent is any management fee allocation.

Self-management by the current owner masks the true operating cost structure. A buyer using third-party management should budget 8-10% of gross rent (\$8,352-\$10,440) for property management, which would increase the effective expense ratio to 49.8-51.8%.

Insurance costs of \$4,800 appear reasonable for the replacement value of \$920,000. Property taxes of \$11,200 based on MPAC CVA of \$648,000 are current. The 2023 water damage claim (\$6,200) suggests plumbing vulnerability consistent with the 1948 cast iron drain stack concern identified in the property condition assessment.

## PROPERTY CONDITION ASSESSMENT

HIGH

### KEY FINDING

1948 building with cast iron drain stacks requiring replacement within 5-15 years

1948

YEAR BUILT

The 1948 construction year presents deferred maintenance risk. The property condition report identifies \$9,000 in immediate repairs (basement windows, driveway, fence, flooring) and \$16,000-\$24,000 in capital expenditure within 5-15 years for the cast iron drain stacks.

The drain stack replacement is the critical capital item -- original 1948 cast iron piping has an expected remaining life of 5-15 years and replacement costs for a 6-unit building typically run \$16,000-\$24,000. A CCTV drain inspection should be obtained before closing.

The overall condition rating is GOOD, suggesting the building has been reasonably maintained aside from these deferral items. Roof, windows (except basement), HVAC, and electrical systems are in serviceable condition.

### DATA GAPS

Phase 1 environmental assessment

Structural engineering report

# COMPARABLE ANALYSIS

MODERATE

## KEY FINDING

Cap rate compressed for secondary-market vintage asset

**5.99%**

ASKING CAP RATE

**4.5-6.5%**

COMPARABLE CAP RATE RANGE

Comparable 6-unit multi-family properties in the Windsor-Walkerville market trade between 4.5-6.5% cap rates depending on condition, age, and unit mix. The asking price of \$875,000 implies a going-in cap rate of 5.99% (before management fee adjustment) or 5.99% based on reported NOI.

After adjusting for management fee and using the risk-adjusted NOI of \$52,448, the effective cap rate compresses to approximately 6.0%. At the risk-adjusted fair value of \$650,000, the going-in cap rate would be 8.1%, which is more appropriate for a 1948 secondary-market asset with deferred maintenance.

Price per unit of \$145,833 is at the higher end of the Windsor multi-family market.

# TENANT & MARKET ANALYSIS

LOW

## KEY FINDING

100% occupancy with stable tenant base; 3 units below market rent

The Windsor-Walkerville rental market shows steady demand with low vacancy rates. All 6 units are currently occupied (100% occupancy). The rent roll shows a mix of month-to-month and fixed-term leases. Three units are rented below current market rates by approximately \$200/month each, representing \$7,200/year in potential upside.

This provides a value-add thesis for a buyer willing to implement rent increases. The Walkerville neighbourhood benefits from proximity to the University of Windsor and ongoing gentrification trends along Wyandotte Street.

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## RETURNS & DEAL STRUCTURE

MODERATE

### KEY FINDING

Cash-on-cash returns thin at asking price; value-add upside from below-market units

Based on reported NOI of \$60,800 and adjusted NOI of \$52,448, returns analysis shows: At asking price (\$875,000): Cap rate 5.99-6.95% depending on NOI used. Cash-on-cash return with 75% LTV mortgage at 4.89% is approximately 3.2% on adjusted NOI. At risk-adjusted price (\$650,000): Cap rate 8.1%, cash-on-cash approximately 7.8%.

The value-add upside from below-market units could add \$7,200/year to NOI over 12-24 months.

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## EXIT STRATEGY

LOW

### KEY FINDING

Multi-family residential has strong exit liquidity in Windsor market

Multi-family residential in Windsor has strong exit liquidity. Exit options include: hold-to-maturity with rent optimization, disposition to value-add investors after capital improvements and rent increases, or condo conversion (subject to municipal approval).

The Walkerville location supports appreciation due to ongoing neighbourhood development. Expected hold period for optimal returns: 5-7 years with value-add execution.

# VALUATION & DEAL STRUCTURE

Step	Amount
Annual Gross Rent	\$104,400
Operating Expenses	-\$43,600
Reported NOI	\$60,800
Management Fee Adjustment	-\$8,352
Adjusted NOI	\$52,448
÷ Cap Rate (7.5%) → Fair Value	\$650,000
Deferred Maintenance	-\$20,000
Net Fair Value	\$630,000
Asking Price Gap	-\$245,000
Asking Price	\$875,000

The asking price of \$875,000 implies a 6.0% capitalization rate, compared to a typical market range of 5.0-7.5%. Fair value is estimated at \$750,000. The analysis indicates an opening offer of \$585,000 with a target of \$650,000.

## MARKET COMPARABLES

Comparable real estate transactions in the Windsor-Essex region typically trade at 4.5–6.5% cap rate (midpoint: 5.5%). The asking price implies a 6.0% cap rate, which is within the comparable range. Source: Northscope industry benchmarks based on comparable transaction data.

# SENSITIVITY ANALYSIS

The table below shows how the implied property value changes under different NOI and capitalization rate assumptions. Green cells indicate values at or below the asking price.

## NOI × Cap Rate — Implied Property Value

	\$41,958 (-20%)	\$47,203 (-10%)	\$52,448	\$57,692 (+10%)	\$62,937 (+20%)
6.00% (-1.50)	\$699,306	\$786,720	\$874,133	\$961,546	\$1,048,960
6.75% (-0.75)	\$621,605	\$699,306	\$777,007	\$854,708	\$932,408
7.50%	\$559,445	\$629,376	\$699,306	\$769,237	\$839,168
8.25% (+0.75)	\$508,586	\$572,160	\$635,733	\$699,306	\$762,880
9.00% (+1.50)	\$466,204	\$524,480	\$582,755	\$641,031	\$699,306

Green = at or below asking price (\$875,000). Red = above asking price. Gold border = base case estimate (\$650,000 after risk adjustment).

# APPENDIX: INDEPENDENT ANALYST REPORTS

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The following section contains raw, unvalidated reports from each independent analyst. These represent independent opinions before adversarial debate. Use for reference only — validated conclusions are in the main report.

## Income & NOI Specialist

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### FINANCIAL ANALYSIS

The property generates \$104,400 in annual gross rent from 6 units. Operating expenses of \$43,600 yield a reported NOI of \$60,800. However, the absence of a management fee allocation is a critical gap. Adding an 8% management fee (\$8,352) reduces adjusted NOI to \$52,448.

The implied cap rate at asking price is 5.99% based on reported NOI, or approximately 6.0% on adjusted NOI. This is compressed for a 1948 secondary-market asset.

Three units are rented below current market rates by approximately \$200/month each, representing \$7,200/year in potential rental upside. This supports a value-add thesis but should not be capitalized into the acquisition price.

The expense ratio of 41.8% is at the low end of the typical 40-50% range for vintage multi-family. A buyer should model 45-50% to account for management fees and deferred maintenance reserves.

## Property Condition Specialist

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### SUPPLEMENTAL RISK ANALYSIS

Five key findings from the risk assessment: Zero cash flow after debt service at modeled financing terms. DSCR of 1.0 leaves no margin. Any vacancy or unexpected expense creates negative carry. Deal structure must address financing terms, either through a larger equity contribution or a rate below the modeled level. No vacancy allowance in seller's financials. 100% occupancy with zero vacancy loss is not sustainable long-term. A 5% vacancy factor (\$5,220/year) is the minimum prudent assumption. Self-management masks true operating cost. The \$8,352/year management cost is real if the buyer cannot self-manage. This is already reflected in the \$52,448 adjusted NOI but must be explicitly modeled. Rent roll total (\$96,000) vs. intake gross rent (\$104,400): the \$8,400 gap is ancillary income (parking and laundry). Not a red flag, but ancillary income should be stress-tested as laundry income of \$4,800/year is estimated, not metered. Three month-to-month tenancies (50% of units) provide rent increase flexibility but also turnover risk. Standard for Ontario long-term tenancies where initial lease terms have expired.

### DOCUMENTATION GAP ANALYSIS

Rent Roll: Provided. Complete with lease terms, rents, and market comparisons. Operating Statement: Provided. Detailed with line-item expenses and capex. Property Tax Assessment: Provided. MPAC assessment with history and tax calculation. Property Condition Report: Provided. Professional inspection with system-by-system assessment. Insurance Certificate: Provided. Current policy with claims history. Lease Copies: Not provided. MEDIUM risk: need to verify lease terms, rent amounts, and any special provisions. Title Search/Survey: Not provided. HIGH importance: must confirm clear title, legal description, no encumbrances. Building Permits: Not provided. HIGH importance: the conversion from semi-detached to 6 units must be legally permitted. Phase I ESA: Not provided. MEDIUM importance for 1948 building in former manufacturing area.

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## Market Comparables Specialist

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### COMMERCIAL VIABILITY ASSESSMENT

The Windsor-Walkerville rental market demonstrates stable fundamentals with low vacancy rates and steady demand driven by proximity to the University of Windsor, Devonshire Mall commercial corridor, and ongoing Wyandotte Street gentrification.

Current occupancy at 100% across all 6 units is strong but represents a ceiling rather than upside. Three units rented below market provide approximately \$7,200/year in organic rent growth potential through lease renewals. This is a legitimate value-add thesis.

The property type (small multi-family, 2-6 units) has strong demand from both owner-occupants and investors in the Windsor market. Exit liquidity is reasonable with a typical hold period of 5-7 years for value-add execution.

However, the asking cap rate of 5.99% is compressed for this asset profile. Comparable properties in Windsor trade at 5.5-7.5% cap rates, with 1948-vintage buildings typically at the higher end. The price per unit of \$145,833 positions this above median for the Windsor market.

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## Returns & Structure Specialist

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### STRUCTURAL AND CONDITION ASSESSMENT

The 1948 construction year places this building in a critical maintenance window. Key structural findings from the property condition report:

Immediate Repairs Required (\$9,000 total): Basement window replacement, driveway resurfacing, fence repair, and unit flooring replacement. These are routine maintenance items that should be addressed within the first year of ownership.

Capital Reserve Items (\$16,000-\$24,000 within 5-15 years): Cast iron drain stack replacement is the primary capital concern. Original 1948 cast iron piping has degraded but remains functional. A CCTV drain inspection is strongly recommended before closing to assess actual condition.

The 2023 water damage insurance claim (\$6,200) may be an early indicator of drain system deterioration. The correlation between the claim and the known drain stack condition warrants investigation.

Overall building condition is rated GOOD. Roof, windows (except basement), HVAC systems, and electrical are serviceable. The building has been reasonably maintained by the current owner despite the deferred items noted above.

Zoning compliance for the 6-unit configuration should be verified. If the original semi-detached was converted to 6 units without proper permits, there is regulatory and insurance risk.

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## DISCLAIMERS & METHODOLOGY

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### About This Report

Northscope provides due diligence analysis based on the documentation provided. Four independent analytical frameworks analyzed the materials, followed by adversarial debate to validate conclusions. This report is intended to supplement, not replace, professional advisory services.

**What We Cover**

Income and NOI verification, expense analysis, property condition assessment, comparable sales and cap rate benchmarking, tenant and market risk, returns analysis, and deal structure recommendations based on provided documentation.

**What Requires In-Person Verification**

Physical facility inspection, staff interviews, customer verification, equipment condition assessment, inventory count.

**Professional Support**

For complex situations, licensed professionals (CPA, attorney) can provide focused verification. Northscope analysis identifies specific areas requiring professional review, allowing targeted engagement.

**AI-Assisted Analysis Disclosure**

This report was generated using multiple large language model (LLM) analytical frameworks operating independently. Each model's conclusions were subjected to adversarial debate with other models before synthesis. While AI analysis provides systematic coverage and consistency, it should be treated as a supplement to professional judgment, not a replacement. All quantitative assertions are derived from provided documentation and Northscope's calculation engine, not generated by the language models.

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