



77C CORNERSTONE
REAL ESTATE LP

Two Sevens Capital | **Q2 Report** | 2021

As At June 30th, 2021

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Dear Investor/Partner:

I am pleased to bring you this report on behalf of our 77C Cornerstone Real Estate LP fund. This report is the first of which you can expect to receive on a quarterly basis going forward. As we begin to reflect on the first 90+ days from the launch of the Cornerstone fund, we have committed to ourselves as operators and to you the unitholders to bring forth the same diligence, care and execution that has brought us great success in our previous two funds Two Sevens Capital Residential LP I & II.

April Highlights

- 77C Cornerstone Real Estate LP was launched.
- 385 Melvin Avenue and 509 MacDonnell Street were put under contract.

June Highlights:

- Limestone Property Management (Kingston) and Hanlyn Property Manager (Hamilton) were contracted.
- 385 Melvin Avenue, Hamilton, ON was acquired off market at an attractive price of \$3,300,000. The property offers 68%+ rent upside by upgrading units to condo quality suites. The acquisition is in a location familiar to us and ideally located in a neighbourhood that has been transitioning for over 10 years. The asset at 385 Melvin Avenue, is surrounded by several other buildings that have been recently acquired by established institutional investment funds. This provides added confidence in our assumptions about the location. The property has a sister building located next door that could be a beneficial future acquisition for the fund.
- 509 MacDonnell Street, Kingston, ON was purchased for \$3,877,000. The Manager was able to negotiate that price down to \$3,700,000 for additional costs discovered during due diligence. The property was then appraised for \$4,550,000 creating an \$850,000 increase in equity value for the fund through acquiring the asset. The property is surrounded by several independent small businesses such as a microbrewery, a cross-fit gym, and restaurants. There are also office buildings and new residential developments nearby.

We sincerely appreciate your trust and support as we look forward to creating more and more value for our investment partners.

Best,

Adam Batstone
Founder & CEO

77C Cornerstone Real Estate LP

Two Sevens Capital

Portfolio Level | Q2 Report | 2021

Unit Type: Class A
 Unit Price: \$100.00
 Quarterly Distribution: \$1.50
 Current Equivalent Yield: 6.0%



Portfolio Proforma

Asset Overview

Purchase Price		\$7,000,000
Price-Per-Door		\$166,666
No. Of Units		42
Total Unit Mix	1-Bed-21.4%	9
	2-Bed-76.2%	32
	3-Bed-2.4%	1
Avg. Vintage		1965
Est. WA. Stabilized Cap Rate		5.32%

Acquisition Summary

Down Payment	\$1,811,100
Due Diligence	\$50,000
Financing Fees	\$104,864
Real Estate Acquisition Fee	\$140,000
Taxes	\$169,072
Property Discovery Fee	\$33,000
Total LP Equity (=Closing Costs)	\$2,308,036

Financing Overview

	At Acquisition	2025 (Refinance)
Total Asset Market Value	\$7,000,000	\$11,615,924
Total Mortgage Amount	\$5,188,900	\$8,600,697
Total Limited Partner Equity	\$2,308,036	\$5,960,409
WA. LTV	74.13%	74.06%
WA. Term	1.2 Years	5 Years
WA. Interest Rate	4.90%	3.00%

Operating Proforma

	At Acquisition	2022	2025	2030
Asset Market Value	\$7,850,000	\$7,850,000	\$11,615,924	\$13,922,317
Per-Door-Market-Value	\$186,905	\$186,905	\$276,570	\$331,484
Effective Gross Income (EGI)	\$477,099	\$537,745	\$783,809	\$914,314
Operating Expenses	(\$254,687)	(\$262,337)	(\$289,051)	(\$321,582)
Net Operating Income (NOI)	\$222,412	\$275,368	\$494,758	\$592,733

Unit Metrics

	Avg. In Place Rent	Market Rent	Delta
1-Bed	\$908	\$1,250	38%
2-Bed	\$1,015	\$1,534	53%
3-Bed	\$1,138	\$1,650	45%
Weighted Avg.	\$1,005	\$1,506	51%

Investing Activities

	2021	2022	2025	2030
Total Units Renovated	8	16	40	42
Cumulative Capex Improvements	\$496,077	\$992,154	\$2,480,384	\$2,601,280

WA. Key Metrics

	2021	2022	2025	2030
Growth in Asset Value	12%	12%	66%	99%
NOI Growth	(5%)	19%	112%	155%
Operating Expense Ratio	53%	49%	37%	35%

1. This proforma is a forecasted model showcased to provide insights as to why the Manager decided to acquire this asset.

Disclaimer: No information, forward looking statements, or estimations represent any final determination. While every effort has been made to ensure accuracy in this document, numbers are subject to change and are not guaranteed. E & OE.

77C Cornerstone Real Estate LP
Two Sevens Capital
385 Melvin Avenue Ltd. | Q2 Report | 2021

Unit Type: Class A
Unit Price: \$100.00
Quarterly Distribution: \$1.50
Current Equivalent Yield: 6.0%



Asset Proforma

Asset Overview

Purchase Price	\$3,300,000
Price-Per-Door	\$165,000
No. Of Units	20
Total Unit Mix	1-Bed-10.0% 2-Bed-90.0%
Vintage	1961
Est. Stabilized Cap Rate	5.07%

Acquisition Summary

Down Payment	\$825,000
Due Diligence	\$25,000
Financing Fees	\$49,500
Real Estate Acquisition Fee	\$66,000
Taxes	\$81,780
Property Discovery Fee	\$33,000
Total LP Equity (=Closing Costs)	\$1,080,280



Financing Overview

	At Acquisition	2025 (Refinance)
Asset Market Value	\$3,300,000	\$5,591,769
Mortgage Amount	\$2,475,000	\$4,082,580
Total Limited Partner Equity	\$1,080,280	\$2,874,920
LTV	75.00%	73.00%
Term	2 Years	5 Years
Interest Rate	4.50%	3.00%

Operating Proforma

	At Acquisition	2022	2025	2030
Asset Market Value	\$3,300,000	\$3,300,000	\$5,591,769	\$6,754,342
Per-Door-Market-Value	\$165,000	\$165,000	\$279,588	\$337,717
Effective Gross Income (EGI)	\$219,555	\$255,140	\$365,349	\$427,820
Operating Expenses	(\$124,990)	(\$129,050)	(\$141,678)	(\$157,647)
Net Operating Income (NOI)	\$94,565	\$126,050	\$223,671	\$270,174

Unit Metrics

	Avg. In Place Rent	Market Rent	Delta
1-Bed	\$865	\$1,250	45%
2-Bed	\$907	\$1,550	71%
3-Bed			
Weighted Avg.	\$903	\$1,520	68%

Investing Activities

	2021	2022	2025	2030
Total Units Renovated	4	8	20	20
Cumulative Capex Improvements	\$254,285	\$508,570	\$1,271,424	\$1,271,424

Key Metrics

	2021	2022	2025	2030
Growth in Asset Value	0%	0%	69%	105%
NOI Growth	8%	44%	155%	208%
Operating Expense Ratio	57%	51%	39%	37%

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77C Cornerstone Real Estate LP
Two Sevens Capital
 509 MacDonnell Street Ltd. | [Q2 Report](#) | 2021

Unit Type: Class A
 Unit Price: \$100.00
 Quarterly Distribution: \$1.50
 Current Equivalent Yield: 6.0%



Asset Proforma

Asset Overview

Purchase Price		\$3,700,000
Price-Per-Door		\$168,182
No. Of Units		22
	1-Bed-31.8%	7
Total Unit Mix	2-Bed-63.6%	14
	3-Bed-4.5%	1
Vintage		1968
Est. Stabilized Cap Rate		5.54%

Acquisition Summary

Down Payment	\$986,100
Due Diligence	\$25,000
Financing Fees	\$55,364
Real Estate Acquisition Fee	\$74,000
Taxes	\$87,292
Property Discovery Fee	\$0
Total LP Equity (=Closing Costs)	\$1,227,756



Financing Overview

	At Acquisition	2025 (Refinance)
Asset Market Value	\$3,700,000	\$6,024,155
Mortgage Amount	\$2,713,900	\$4,518,117
Total Limited Partner Equity	\$1,227,756	\$3,085,489
LTV	73.35%	75.00%
*Term (Bridge to CMHC)	6-months	5 Years
Interest Rate	5.25%	3.00%

Operating Proforma

	At Acquisition	2022	2025	2030
Asset Market Value	\$4,550,000	\$4,550,000	\$6,024,155	\$7,167,975
Per-Door-Market-Value	\$206,818	\$206,818	\$273,825	\$325,817
Effective Gross Income (EGI)	\$257,544	\$282,605	\$418,460	\$486,494
Operating Expenses	(\$129,697)	(\$133,287)	(\$147,373)	(\$163,935)
Net Operating Income (NOI)	\$127,847	\$149,318	\$271,087	\$322,559

Unit Metrics

	Avg. In Place Rent	Market Rent	Delta
1-Bed	\$947	\$1,250	32%
2-Bed	\$1,112	\$1,520	37%
3-Bed	\$1,138	\$1,650	45%
Weighted Avg.	\$1,096	\$1,493	36%

Investing Activities

	2021	2022	2025	2030
Total Units Renovated	4	8	20	22
Cumulative Capex Improvements	\$241,792	\$483,584	\$1,208,960	\$1,329,856

Key Metrics

	2021	2022	2025	2030
Growth in Asset Value	23%	23%	63%	94%
NOI Growth	(17%)	(4%)	74%	107%
Operating Expense Ratio	50%	47%	35%	34%

* The financing strategy is conducting a 6-month bridge to CMHC mortgage financing.

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Fund Metrics

\$0.570 M
Equity Raised
Chg. (+0.570 M)

\$2.308 M
Equity Deployed
Chg. (+2.308 M)

5,700
Units Issued
Chg. (+5,700)

6
Limited Partners
Chg. (+6)

6.0 %
Current Annual Yield
Chg. (- %)

\$8,550
Distributions Paid
Chg. (+8,550)

About The Fund

- The 77C Cornerstone Real Estate LP (the "Fund") will invest directly in value-add and core-plus multi-family real estate assets.
- Primarily the fund will acquire mid-cap apartment buildings that are 20–100 doors in size, inefficiently managed, and well-maintained yet aesthetically outdated.
- The Manager will acquire, revitalize and turnover rental units to increase asset growth and asset income.
- The fund objective is to provide meaningful growth and income to investors.

Investment Universe

The opportunity in Ontario for mid-cap multi-family assets is expansive with approximately \$45 Billion worth of mid-cap assets. The fund has leveraged empirical data to select 22 cities among 6 regions that exhibit the highest probability of supporting the funds objectives.



- Kitchener, Waterloo, Guelph - \$3.2B
- South Western Ontario - \$4.4B
- Hamilton Region - \$3.4B
- GTA Region - \$16.3B
- Capital Region (Kingston, Ottawa) - \$3.4B
- Northern Region (Sudbury, North Bay) - \$0.9B

What To Expect In Q3

With the Cornerstone funds first quarter completed, the funds first two acquisitions have set the stage for an impactful and momentous Q3. With a full operating cycle complete for Q3, the fund will be able to showcase:

- Gross Rental Income
- Expense Information
- Scheduled Renovations And Building Improvements
- Capex Spending
- Distribution Figures For Q3
- Reconciled Acquisition Metrics
- Financing Strategy Updates (CMHC loan status)

Our Core Values

- *Create & Contribute to Community*
- *Expand Boundaries*
- *Client Obsessed*
- *Operate with Care & Diligence*
- *Deliver Excellence*
- *Execute with Urgency & Intent*
- *Stay Curious*

Our Mission:

Transform Access To Wealth Creation.

Our Vision:

Provide significant and sustainable wealth creation for individuals and families by simplifying access to direct private investment.

Our Goal:

To create \$1 billion in wealth for our clients and partners by 2030.

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Two Sevens Capital

Assets (Acquired Date)

Two Sevens Capital RLP I

125 Limeridge Rd, Hamilton (Apr 19)

Total Limited Partners' Equity

No. Units

Acquisition Value

Est. Market Value (Jun, 21)

19

\$6,615,659

\$7,574,268

\$2,500,000

\$3,400,000

Two Sevens Capital RLP II

977 Mohawk Rd, Hamilton (Apr 19)

Total Limited Partners' Equity

66

\$10,150,000

\$16,100,000

\$4,500,000

\$9,450,000

77C Cornerstone Real Estate LP

385 Melvin Avenue, Hamilton (Jun 21)

508 MacDonnell Street, Hamilton (Jun 21)

Total Limited Partners' Equity

20

\$3,300,000

\$3,300,000

\$3,700,000

\$4,550,000

22

\$2,308,036

\$3,158,036

Total Asset Value

127

\$23,765,659

\$31,524,268

Total Limited Partners' Equity

\$9,308,036

\$16,008,036

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Our Vision:

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Unit Type:	Class A
Unit Price:	\$100.00
Quarterly Distribution:	\$1.50
Current Equivalent Yield:	6.0%



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