



# Market vs. Income Approach: Turning a Liability into an Asset

How FoxyHome Helps Homeowners  
"Keep Your Home, Grow Your Wealth"

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# Two Ways to Value a Property

## Market Approach (Single-Family Home)



Value-based on similar recently sold properties.



Depends on what buyers in the market are paying.

## Income Approach (Multi-Dwelling Property)



Value-based on rental income or business income generated.



Buyers focus on profitability and return on investment.

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# Why the Same Property Can Be Either

## Liability



A property that costs you money each year (e.g., single-family home with no rental income).

## Asset



A property that generates income, covering expenses and leaving surplus cash in your pocket.

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# Costs & No Income = Liability

Property Value:  
**\$2,000,000**

## Annual Costs:

Maintenance:

**\$5,000**

Property Taxes:

**\$10,000**

Insurance/Utilities:

**\$10,000**

**Total:**

**\$25,000/year**

**No Rental  
Income**



**Out-of-  
Pocket Costs:**

**\$25,000/year**

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# Income & Profit = Asset

Monthly Rent  
per Unit:  
**\$7,500**

**Total Annual  
Rental Income:**

\$7,500  
×  
5 units  
×  
12 months  
=  
**\$450,000**

**Annual Expenses:**

Taxes: \$20,000  
Insurance: \$7,500  
Maintenance: \$15,000  
Vacancy Reserve: \$10,000  
Property Management: \$15,000  
Working Capital Reserve: \$10,000  
**Total: \$75,000**

**Net Income:**

**\$375,000**



**\$450,000**



**\$75,000**

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# Single-Family vs. Multi-Unit



**Single-Family Home:**  
Costs \$25,000/year  
(liability).



**5-Unit Building:**  
Earns \$375,000/year  
(asset).



Income-producing  
properties typically grow  
wealth faster than non-  
income properties.

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# Valuing a Property by Its Income



## Definition:

Return an investor expects on the property's income.



## Formula:

Value = Net Income ÷ CAP Rate .



## Lower CAP Rate = Higher Value

(e.g., 3% for AAA-quality properties).



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# From \$2M Home to \$12.5M Multi-Unit



**Net Income:**  
\$375,000/year



**CAP Rate:**  
3%



**Value:**  
 $\$375,000 \div 0.03 =$   
\$12,500,000



**Development Costs:**

- Original Land/Home: \$2,000,000
- Construction: \$6,000,000
- **Total: \$8,000,000**



**Development Profit:**

$\$12,500,000 - \$8,000,000$   
 $= \$4,500,000$



# How Joe and Maria Get It Done



## Mortgage:



\$5,000,000 (CMHC-insured, 4.14% interest, 50-year amortization).

Monthly Payment:

\$20,250

Annual Payment:

\$242,996

## Remaining Funding Need:



**\$1,000,000**  
(covered by FoxyHome).

## Ownership Split:



Joe & Maria:

2/3

**FoxyHome:**

**1/3**

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# A Steady Retirement Income



**Annual Rental Income:**

**\$450,000**



**Expenses:**

• **Mortgage:**

**\$242,996**

• **Other (taxes, maintenance, etc.):**

**\$75,000**

• **Total:**

**\$317,996**



**Net Surplus:**

**\$450,000 – \$317,996**



**\$132,004**

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# Splitting the Profits



## Joe & Maria vs. FoxyHome

### Development Profit:

**\$4,500,000**

**Joe & Maria (2/3):**

**\$3,000,000**

**FoxyHome (1/3):**

**\$1,500,000**



### Surplus Cash Flow

**\$132,004/year**

**Joe & Maria (2/3):**

**\$88,002.67**

**FoxyHome (1/3):**

**\$44,001.33**

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# Tax Advantages

## Why Most of the Income is Tax-Free

**Mortgage Interest:**

\$212,659/year  
(tax-deductible).

**Carry-Forward Losses:**

\$410,318 left after Year 1.

**Depreciation:**

\$360,000/year  
(paper expense).

**Effect:**

Surplus \$132,004 is effectively tax-free due to write-offs.

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# Accounting Loss vs. Actual Cash Flow



**Mortgage  
Payment:**

**\$242,996**  
(includes \$212,659  
interest + \$30,337  
principal).



**Depreciation:**

**\$360,000/year**  
(building +  
chattels).



**Total  
"Paper" Loss:**

**\$572,659.**

**Subtract  
Income  
(Principal +  
Surplus):**

**\$162,341.**

**Net Carry-Forward:  
\$410,318.**

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# From Liability to Cash-Flowing Asset



## Market vs. Income Approach:

Income-based valuations can skyrocket property value.



## CAP Rate:

At 3%, the property's worth \$12.5M vs. \$2M as a single-family home.



## Development Profit:

\$4.5M total, shared between homeowner and FoxyHome.



## Tax Advantages:

Depreciation + interest expense = near tax-free cash flow.



## Retirement Security:

Joe & Maria get \$88,002/year, plus future appreciation.

# Keep Your Home, Grow Your Wealth

## FoxyHome's Role:



1  
Provides the missing capital.



2  
Manages the transformation.



3  
Shares profits and cash flow.

## Outcome:

A once-costly home becomes a multimillion-dollar income asset.

Joe & Maria stay in the neighborhood, gain financial freedom, and secure a legacy.

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