



SKYVIEW
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SkyViews

DISTRIBUTION TO OWNERS OF OVER 11,500 APARTMENT BUILDINGS

APARTMENT REPORT

FALL 2004

DANNY'S CORNER



Danny Iannuzziello
Broker

I hope everyone had a wonderful summer and is now ready to make trades in apartment buildings again. In the last few months of 2004 we recommend

that you top up your rents to their highest potential for each individual unit. This should be done prior to the new government's imposed 1.5% increase for 2005 as was announced in mid-August and before any new legislation to replace the Tenant Protection Act scheduled for the fall that would eliminate vacancy decontrol.

Although the climate is changing with respect to legislation we are not seeing any slow down in the market. In fact, at the time of going to print we were one building shy of breaking a Skyview record for the most buildings sold for a one year period. There is still significant money available in the market to purchase apartment buildings.

As indicated in our last issue of Skyviews, building evaluations are becoming more complex and more building specific. In almost 25 years of being involved in the sale of rental properties I've never seen an overall market quite like I'm seeing right now.

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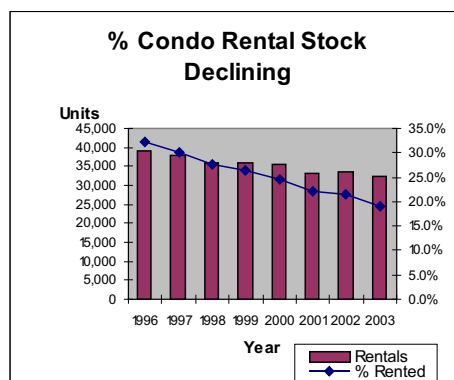
The Impact of the Condominium Rental Market on the Apartment Rental Market

By DEREK LOBO

Growth in condo rental stock is not the reason for the high vacancy rates being experienced in the purposed built apartment sector. In fact, the sector has been on a general declining trend since 1996. Between 1996 and 2003, total rental condos in the Toronto CMA declined by some 6,679 units.

The sector as a percentage of the total Condo market has also been declining. For the same period 1996 to 2003 the percentage of rental condos fell from 32.1% to 19.1%.

Please see graph below.



Data Source: CMHC

The Competing Ground

DALA's survey of the Toronto condo rental market revealed the following relative to its purposed built counterpart:

- Larger proportion of newer stock
- Better amenities
- Higher Rent per sq ft.
- Higher unit preservation values, reflecting better maintained apartments

The Segment of the purposed built sector most impacted by competition from the condo rental sector is that of newer apartments in the higher end of the market. Here there is convergence in amenities provided, type of lifestyle catered for and target audience.

Vacancy rates have been the highest in these apartments as well. The Altus report

revealed average vacancy rates of 5.35% in 2004 for grade A apartments. Even though vacancy rates are much lower in the condo rental sector, they have been increasing. Vacancy rates increased from 0.4% in 2002 to 1.6% in 2003 in the GTA.

This means condo apartments are staying empty for longer periods. Owners of this sector unlike the purpose built sector tend to be small investors who are unable to spread losses in rental revenue over larger portfolios. They are more dependent on monthly rentals to meet monthly mortgage and maintenance commitments.

Impact on the Market

While rental prices are slipping in both sectors in an attempt to deal with the vacancy issue, there is a greater readiness to decrease prices in the condo rental sector. Prospects are therefore being lured towards condo rentals by price reductions and the reputation that goes with condos for better-maintained buildings. The result is price decreases in the condo rental sector and pressure for further decreases in the purposed built sector in order to compete.

One game card that is often not used in the purposed built sector is security of tenure. In condos, renters may not be guaranteed tenure for more than a year. With purposed built apartments, renters can live there for as long as they want, given they are good tenants.

The forecast is that vacancy rates will continue to increase into 2005 and the competition will continue to increase between both sectors. Property owners when competing with the condo rental market must be aware of the main competing factors and market the benefits that supply that lifestyle. Owners should also train their leasing staff to make the prospect aware of the security of tenure that comes with purpose built apartment living versus condo rental. ■

Derek Lobo is a leading Apartment Leasing Consultant across North America
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PROPERTIES CURRENTLY OFFERED FOR SALE



HISTORIC CHARACTER

AVAILABLE IN HAMILTON

17 Suite Apartment Building

- Asking \$1,100,000
- Fully occupied
- Exclusive location, close to Chateau Royale
- Condominium potential
- Extensive hardwood, marble & tile
- Extremely large units
- Current rents are below market
- 1 x Bachelor
- 6 x One bedroom
- 6 x Two bedrooms
- 4 x Three bedrooms
- 22.1% R.O.I., 8.7% CAP Rate
- Tenants Pay hydro
- First mortgage may be assumed
- Seller will consider a VTB to sell



EXCLUSIVE LISTING

AVAILABLE IN TORONTO

82 Suite Apartment Building

- Asking \$5,690,000
- \$69,390/Suite
- Building requires repositioning in the market, currently experiencing vacancies
- Fire Retrofit complete
- Visit www.skyviewrealty.com for additional pictures
- 42 x One bedroom
- 34 x Two bedrooms
- 6 x Three bedrooms
- 15% Downpayment
- 19.0% R.O.I., 7.0% CAP Rate
- Attractive financing (See agent for details)
- Room to build 1 additional apartment



EXCLUSIVE LISTING

15 MINUTES SOUTH OF BARRIE

10-Plex plus 7 Townhouses

- Asking \$1,150,000
- \$67,647/Suite
- Extremely large lot, potential for 3 homes or additional townhouses
- Townhome tenants pay utilities
- New furnaces in all townhouses
- Treat mortgages as clear
- Located in Cookstown
- 4 x One bedroom
- 5 x Two bedrooms
- 1 x Three bedrooms
- 7 x 2 bedroom townhomes
- 15% Downpayment, 22.2% R.O.I.
- Vendor take back to sell



CHANCE OF A LIFETIME

AVAILABLE IN TORONTO

52 Suite Apartment Building

- Asking \$4,000,000
- Excellent building, excellent location
- Rents below market
- Fully occupied
- Great upside potential
- Many upgrades in past 5 years.
- Same owner since 1965
- 17 x One bedroom
- 35 x Two bedrooms
- 15% Downpayment
- 18.3% R.O.I.
- Owner retiring
- Excellent tenant profile
- Treat mortgages as clear



VENDOR MOTIVATED

NEW ASKING PRICE

AVAILABLE IN TORONTO

16 Residential + 3 Commercial

- Asking \$1,600,000
- Tenants pay hydro
- Building is well kept
- New roof and boiler in 2004
- One commercial tenant is laundromat with lease expiring 2011
- One unit non-conforming
- 7 x Bachelors
- 7 x One bedrooms
- 2 x Two bedrooms
- 3 x Stores
- 15% Downpayment
- 23.8% R.O.I., 8.8% CAP Rate
- Treat mortgages as clear, VTB to sell



EXCLUSIVE LISTING

FOR SALE HAMILTON MOUNTAIN

22 Unit Apartment Building

- Asking \$1,315,000
- Well maintained
- Fully occupied
- All apartments have gas stoves
- New thermo windows at front of building
- VTB mortgage to sell
- 21 x Two bedrooms
- 1 x Three bedrooms
- 15% Downpayment
- 8.1% CAP Rate
- 22.7% R.O.I.
- Can be purchased as part of package with other buildings

For these and other buildings we have for sale please call (416) 444-6545 • Fax (416) 444-6997

THE SKYVIEW TEAM

220 Duncan Mill Rd. Suite 419, Toronto, ON M3B 3J5

PROPERTIES FOR SALE INTENDED FOR PRINCIPALS ONLY

Not intended to solicit properties already for sale. Not intended to interfere with Purchaser-Agency Agreements.





AVAILABLE IN HAMILTON 80 Apartments

- Asking \$3,200,000
- 15% Downpayment
- 19.0% R.O.I., Fully occupied
- Well maintained, rents below market
- Same owner for 27 years
- Tenants pay own hydro
- Treat mortgages as clear
- VTB Second mortgage to
- Five 16-Unit buildings
- 5 x Bachelors
- 52 x One bedroom (end units)
- 20 x One bedroom (middle units)
- 3 x Two bedrooms
- Upgrades in 1988 include roofs, windows, furnaces, parking lot, kitchen cabinets



AVAILABLE HAMILTON MOUNTAIN Legal 13 - Plex

- Asking \$855,000
- Fully occupied
- Well kept
- Potential for 1 additional apartment
- New thermo windows
- Tenants pay own hydro
- Visit www.skyviewrealty.com for additional pictures
- 2 x One bedroom
- 10 x Two bedrooms
- 1 x Three bedrooms
- 15% Downpayment
- 9.0% CAP Rate
- 28.5% R.O.I.
- Can be purchased as part of package with other buildings



AVAILABLE IN NEWMARKET 12 - Unit Courtyard Bungalow Townhouse

- Asking \$1,075,000
- \$89,583/townhouse
- Unique courtyard design with great landscaping and gardens
- Roof re-shingled in 2003 and new thermo windows in 1997
- Great location near Southlake Regional Hospital
- 12 x One bedroom
- 16.8% R.O.I.
- Fully occupied
- Pleasure to show
- Outstanding tenant profile
- Hydro could be separately metered
- Treat mortgages as clear
- VTB mortgage to sell



AVAILABLE IN BRANTFORD 31 Townhouses

- Asking \$1,790,000
- 3.22 Acres
- Tenants pay heat, hydro, water
- Tenants own their fridge/stove
- Lot allows for add. 19 townhomes
- Individual furnaces
- 5 minutes to Brantford Casino
- 31 x 3 bedroom townhouse
- 15% Downpayment
- 10.2% CAP Rate, 31.2% R.O.I.
- Environmental Report available
- Vendor motivated, VTB mtg. to sell
- Recent upgrades include roof, windows, doors, carpeting, kitchen and parking lot



AVAILABLE IN TORONTO 12 - Plex

- Asking \$960,000
- \$80,000/Suite
- Many capital upgrades
- Fire Retrofit complete
- Large storage areas in basement
- Rents below market
- Fully occupied
- 3 x Bachelors
- 9 x One bedrooms
- Tenants pay own hydro
- 15% Downpayment
- 18.7% R.O.I.
- Treat mortgages as clear
- Vendor take back to sell



NEAR DOWNTOWN HAMILTON 14 Unit Apartment Building

- Asking \$435,000
- Very well kept & fully occupied
- Rents well below market leading to significant upside
- New roof in 1999
- Windows 3, 7, & 9 years old
- Good Hamilton location
- 13 x Bachelors
- 1 x One bedroom
- 8.2% CAP Rate, 21.0% R.O.I.
- Fire Retrofit complete
- Treat mortgages as clear
- Seller will consider a second mortgage VTB to sell

Danny's Corner Continued

Generally speaking, in analyzing the golden horseshoe we may see markets such as Toronto or Mississauga that have slightly declined values of the past 18-20 months, now start to stabilize, whereas markets like Hamilton or Niagara Falls, values continue to increase slightly.

More specifically however, if evaluating two adjacent identical buildings in either Toronto or Hamilton, you may find that one building has upside potential - with willing buyers wanting to pay a premium - while the other building may experience significant vacancies and/or other problems and buyers are reluctant to pay market value. I'm not suggesting that the gap that we are experiencing never existed, I've never seen it quite this wide. How an owner deals with issues like vacancies, repairs to their buildings and competition for tenants are still important to the overall value of their building.

While the apartment market continues to change we are also in the midst of making some changes to our Skyview team. In this issue we welcome Steven Kealey, who comes to us from Welland where he has been instrumental in selling smaller buildings in the Niagara region. Once he has completed training and adapts to our systems, policies and procedures look for Steven to be of great service to our industry.

In this issue of Skyviews I've invited back my long time friend and rental consultant Derek Lobo to provide us with an update of the impact of the condo market on the apartment building rental market. ■

**RENT INCREASE
GUIDELINE FOR 2005 IS
1.5%**

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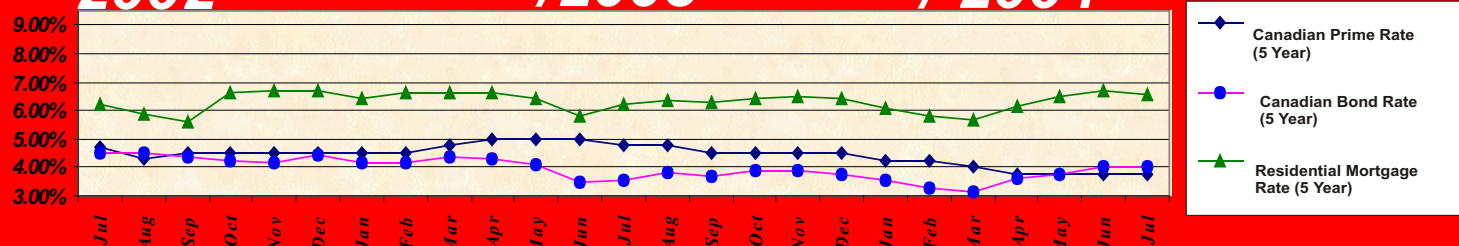
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Watch on Interest Rates...

2002

/2003

/ 2004



MULTI-UNIT RESIDENTIAL BUILDING IMPROVEMENT COSTS

The following are ballpark estimates for repairs and/or improvements to a typical single-storey industrial or retail structure. The costs reflect the Southern Ontario area. Our experience has shown that actual quotations can vary by as much as 300%. Naturally, the quality of workmanship and materials will influence cost. The complexity of the job, accessibility and current local economic conditions can also affect actual costs.

Roofing

Strip and replace built up tar and gravel roof \$4-\$7/sq. ft.
Strip and install single ply roof membrane \$5-\$8/sq. ft.

Exterior

Resurface asphalt paving \$2 - \$3/sq. ft.
Repoint exterior wall \$6 - \$8/sq. ft.
Recaulk windows \$2-\$3/linear ft. of caulking

Install insulated steel siding \$9 - \$11/sq. ft.
Replace windows- aluminum framed, double glazed \$20 - \$50/sq. ft.

Install interlocking brick walkway \$5 - \$7/sq. ft.
Rebuild masonry retaining wall \$30 - \$50/sq. ft.

Structural

Replace corroded steel lintel (shelf angle) supporting brick veneer \$160 - \$200/linear ft.

Repair delamination of conventional concrete slab (assuming only minor corrosion of reinforcing bar) \$15 - \$20/sq. ft.

Repair crack in concrete roof/wall slab by polyurethane injection \$30 - \$50/ linear ft. (Min. \$500)

Electrical

Replace circuit breaker panels \$1000-\$2,000 each
Install electrical outlets \$100-\$200 each

Heating and Ventilation

Replace 1,000,000 BTU/hr. Hot water boiler \$15,000 - \$20,000

Install pumps

5 H.P. and less \$500-\$1,500 each
5 H.P. to 10 H.P. \$3,000 each

Install roof mounted exhaust fans (<2000CFM) \$1,500 per fan

Install electric baseboard heater \$150 - \$300 each

Replace radiator control valve with thermo actuator \$150 - \$250

Install individual bathroom exhaust fan \$300 - \$500

Install 1 inch diameter gas piping \$10 - \$15/linear ft.

Plumbing

Replace water closet \$600 and up

Replace basin and faucet \$600 and up

Replace 1/2 inch diameter copper piping \$15/ft. (Min. 100 ft.)

Replace 3/4 inch diameter copper piping \$20/ft. (Min. 100 ft.)

piping

Replace storm or sanitary pipes

Underground (inside building) \$35-\$45/ft. (Min 100 linear ft.)

Underground (outside building) \$50-75/ft. (Min. 100 linear ft.)

Insulate supply water piping \$1-\$2/ft. (Min. 100 linear ft.)

Environmental

Underground storage tank removal \$5,000 - \$8,000

and minor soil cleanup

Asbestos removal

4 inch pipe \$15/ft. (Min. 200 ft.)

Elbows & T's \$50 each

Bore hole sampling (including laboratory testing) \$1,000 per hole

Laboratory testing/soil sampling \$100 - \$300 per test

Asbestos/Lead samples (taking sample and having tested) \$80 - \$100 per sample

Phase I Environmental Site

Assessment \$1,300 - \$1,800

Courtesy Carson Dunlop Weldon

FOR MORE INFORMATION, CONTACT RICHARD WELDON (416) 964-3246 OR VISIT

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