



SKYVIEW
REALTY LTD.

SkyViews

DISTRIBUTION TO OWNERS OF OVER 11,500 APARTMENT BUILDINGS

APARTMENT REPORT SPRING 2005

DANNY'S CORNER



Danny Iannuzziello
Broker

First time buyers frequently ask me about other costs associated with purchasing an apartment building. So I thought I'd try to address some of those questions here.

Arranging a New Mortgage:

1. Mortgage Broker 0.5% - 1.5% of the loan amount.
2. Lenders' fees between \$2,000 to \$8,000 depending on size of building.
3. Lenders' lawyers between \$2,000 to \$5,000 plus disbursements.

Assuming an Existing Mortgage

1. Assumption fee of approximately \$500 to \$3,000 depending on size of project.
2. Lender's lawyer fees between \$1,500 to \$3,000.

Costs You Should Budget For:

1. Environmental Audit: \$1,100 - \$2,500
2. Structural Report: \$1,100-\$2,500
3. Appraisal: \$1,500-\$3,000
4. Land Transfer Tax: Approx. 1.5% of Purchase Price
5. Buyer legal fees: \$1,500 - \$5,000 (Plus disbursements)

Other Potential Costs

1. Fire Retrofit Consulting Reports
2. Elevator Consulting Reports
3. Mechanical Inspection Reports
4. Electrical Audits

Continued on Page 3

KNOB AND TUBE WIRING IN APARTMENTS

Knob and tube wiring, more recently referred to as open wiring, was a wiring method used in the early 1900s to 1940s in the residential dwelling sector. Over the years wiring installation practices have changed in the residential sector and knob and tube wiring is no longer installed; however, parts continue to be available for maintenance purposes.

Typical knob and tube installation

Existing knob and tube conductors concealed in walls, floor spaces, etc; supplying general lighting and receptacle circuits are permitted to remain in place if:

They are protected by a 15 ampere fuse or circuit breaker; and

No additional outlets have been added to the original installation so as to overload the circuit; and

The conductors, where visible, appear to be in good condition.

If your apartment building has knob and tube wiring, we recommend that you follow these guidelines:

Arrange for a qualified electrical contractor check the "knob and tube" conductors in your existing installations for sign of deterioration and damage; or request a general inspection from ESA. The General Inspection report will identify visible electrical safety concerns in your electrical wiring.

"Knob & tube" conductors should be replaced where exposed conductors show evidence of mechanical abuse and or deterioration, poor connections, overheating, alterations that result in overloading, or if changes to wiring contravene any section of the Ontario Electrical Safety Code.

Knob and tube wiring may not have the electrical capacity to meet today's needs. As a result, modifications may have been made to the electrical system with what the Electrical

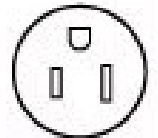
Safety Authority classifies as unsafe practices:

- Improper use of extension cords; using improperly rated extension cords; or using extension cords as permanent wiring;
- Improper fuse replacement using 20 or 30 amp fuses to replace 15 amp;
- Improper connections - adding receptacles and outlets on existing circuits or improperly connecting to the knob and tube wiring (this work should be done by a qualified electrician);
- Removing ground pins; ground pins on power bars or electrical equipment should not be removed to accommodate the two pin receptacles used in knob and tube wiring (2 pin to 3 pin are not permitted)
- Improper replacement of two pin receptacles. If you require a three prong receptacle, only use a GFCI receptacle

Where grounding type receptacles (three pin) are used in existing knob and tube installations to replace the ungrounded type (two pin) receptacle special caution must be exercised. Rule 26-700 (8) permits a Ground Fault Circuit Interrupter (GFCI) type of receptacle to be installed on an ungrounded circuit without a bonding conductor, this is the preferred method. Rule 26-700(7) provides a second option which permits the installation of an external bond conductor to the system ground conductor or metallic cold water pipe if they are bonded to ground. This method is not as desirable and may be difficult to accomplish.



**Two Pin
(Ungrounded)**



**Three Pin
(Grounded)**

Continued Page 4...

WE SPECIALIZE IN THE SALE OF APARTMENT BUILDINGS



IF YOU ARE THINKING OF BUYING OR SELLING, PLEASE CALL (416) 444-6545 • Fax (416) 444-6997

For future mailing, please inform us if there is a change of address

E-mail: info@skyviewrealty.com

Website: www.skyviewrealty.com

NOT INTENDED TO SOLICIT PROPERTIES ALREADY FOR SALE. NOT INTENDED TO INTERFERE WITH PURCHASER-AGENCY AGREEMENTS.

PROPERTIES CURRENTLY OFFERED FOR SALE



20.4%
R.O.I...

AVAILABLE IN OSHAWA 12 Unit Apartment Building

- Asking \$899,000
- Asking \$74,917/Suite
- Fully occupied, low turnover
- Good rental location
- Close to Oshawa Centre
- Corner Lot
- Many capital upgrades in recent years, including Viessmann Boiler & HWT
- 11 x 2 bedrooms
- 1 x 1 bedroom
- 15 outdoor parking spaces
- 15% Downpayment
- 7.6% CAP Rate, 20.4% R.O.I.
- Easy to manage
- Treat mortgages as clear
- Seller will consider VTB to sell



VENDOR
MOTIVATED

AVAILABLE IN TORONTO 18 Units

- Asking \$1,250,000
- Asking \$69,444/Suite
- Fully occupied, some long term tenants
- Well maintained building
- Fire Retrofit complete
- Treat mortgages as clear
- VTB mortgage available with good downpayment
- 6 x Bachelors
- 6 x One bedroom
- 6 x Two bedrooms
- 8.2% CAP Rate
- 22.3% R.O.I.
- Large apartments
- Long term superintendent
- Owner retiring



EXCLUSIVE
LISTING

NEW
ASKING
PRICE

AVAILABLE IN TORONTO 10 Units

- Asking \$800,000
- Close to Humber River Regional Hospital
- Very well maintained
- Many upgrades in 1992
- Rents below market
- Upside potential
- Possibility for one additional unit
- 4 x One bedroom
- 6 x Two bedrooms
- 16.5% R.O.I.
- Treat mortgages as clear
- Possible VTB second mortgage
- Fire Retrofit complete
- Good rental location
- Owner Retiring



\$58,383
PER SUITE

DOWNTOWN TORONTO 24 Suites

- Asking \$1,400,000
- Bloor Street locale
- Some capital expenditures include new windows on north side, painted hallways, boiler in 1998, fridges/stoves
- Fully occupied
- Rents below market
- 8 x Bachelors
- 7 x One bedroom
- 9 x Two bedrooms
- This property being sold 'as is' low price/suite, improvements required, and low CAP Rate
- Treat mortgages as clear
- Seller may consider VTB to sell



EXCLUSIVE
LISTING

AVAILABLE IN OSHAWA Legal 9-plex

- Asking \$595,000
- Asking \$66,111/Suite
- Capital Expenditures include roof, boiler, gas water heater, gas dryer, electric washer, carpets
- Fire Retrofit complete
- Potential for hydro conversion
- 9 x Two bedrooms
- 15% Downpayment
- 8.5% CAP Rate
- 21.9% Return on Investment
- Fully occupied
- Treat mortgages as clear
- Small VTB Mortgage to sell
- View www.skyviewrealty.com for additional pictures



PRICED TO
SELL

AVAILABLE IN TORONTO 11 Units

- Asking \$839,000
- Asking \$76,273/Suite
- Vendor motivated to sell
- Well maintained building
- Good rental area
- Near Gerrard Street E. / Greenwood Avenue
- Separate hydro meters
- 5 outdoor parking spaces
- 1 x Bachelor (non-conforming)
- 6 x One bedroom
- 4 x Two bedrooms
- 8% CAP Rate, 23.1% R.O.I.
- Easy to manage
- Located west of the Beaches
- Treat mortgages as clear
- Possible VTB Second Mtg. To sell



EXCLUSIVE
LISTING

NORTH OSHAWA 20 Units

- Asking \$1,325,000
- Asking \$66,250/Suite
- Well maintained
- Fully occupied
- Many capital upgrades in recent years
- Existing Environmental report available
- 1 x Bachelor
- 7 x One bedroom
- 12 x Two bedrooms
- 15% Downpayment
- 8.3% CAP Rate, 21% R.O.I.
- Existing 1st Mortgage to be assumed
- VTB Mortgage to sell



OWNER
RETIRING

DOWNTOWN WHITBY 11 Units

- Asking \$710,000
- \$64,545/Suite
- Parking lot resurfaced Summer 2004
- Some additional upgrades required
- Potential for 1 additional apartment
- Tenants pay own hydro
- 3 x One bedroom
- 8 x Two bedrooms
- 8.6% CAP Rate
- 23.2% R.O.I.
- Fully occupied
- Some rents below market
- Treat mortgages as clear
- Seller to consider VTB to sell



EXCLUSIVE
LISTING

WEST OF BARRIE Ten-plex

- Asking \$620,000
- Tenants pay own hydro/gas
- Building in good condition
- Potential 2 additional apartments
- Large lot
- For additional pictures, www.skyviewrealty.com
- 6 x One bedroom
- 4 x Two bedrooms
- 15% Downpayment
- 20.7% R.O.I.
- Fully occupied
- Treat mortgages as clear
- Seller will consider VTB to sell

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.

2005 PROPERTY TAX ASSESSMENT

The McGuinty Provincial Government recently revised the cycle of re-assessments in Ontario. Whereas current value assessments (CVAs) were to be updated on an annual basis based on the property's market value as at June 30 of the prior year, the CVAs will now be based on the market value as at Jan 1 of the prior year commencing with the 2006 Tax Year Assessment. To facilitate this change, the 2005 CVAs will be the same as for the 2004 Tax Year. This means that landlords will once again be asked to file rental data for the month of Jan 2005 & income/expense details of their buildings by mid-year.

To-date, the Municipal Property Assessment Corporation (MPAC) has determined the CVAs for Apartment Buildings by applying a Gross Income Multiplier (GIM) to the annualized median rents of the property obtained from the rental data supplied by the Owners. The GIMs were determined by MPAC's study of actual sales information for Apartment Buildings in different areas of the Province and Cities. The sales data was categorized for different types of buildings (e.g. Walk-ups vs. High Rises), location, condition etc. and then a GIM determined for each of the categories.

Using the rental data supplied by the Owner, MPAC first determines the median rents for each suite type in the building, adjusts for utilities paid for by tenants, and then using the median adjusted rents, determines the annualized median rental income for the property and then multiplies that with the appropriate GIM to determine the CVA.

For example, an average walk-up in the Old City of

Toronto with an annualized median rental income of \$100,000 will have a CVA of $\$1,000,000 \times 7.4 \text{ GIM} = \$7,400,000$

The Municipality then uses the CVA to determine the actual property taxes payable.

A large number of successful assessment appeals have been based on the fact that the median rental data used by MPAC was incorrect, number of parking spaces used was incorrect, or assumptions made that utilities were paid for by the tenants when in fact all utilities were paid for by the landlord. In some cases, several consecutive years of higher than average operating cost ratios, or actual sales price of the subject property in the Base Year can be used to argue that the CVA is incorrect, or challenges can be made of the GIMs based of the Owner/Agent's own sales study.

All Owners are entitled to receive from MPAC a copy of the General Property Information Sheet (GRAD Report) for their property which shows the median rents and GIM used in determining the CVA. Errors in the data shown on the GRAD Report can be corrected by talking to the Assessor, filing a Request for Reconsideration, or if no correction is made before mid-March, by filing an appeal before March 31 of the Tax Year to be appealed. Appeals may be filed online at <http://www.arb.gov.on.ca>. ■

Al Dharsee, P.Eng
Applecreek Consultants Ltd
905-940-8223

DANNY'S CORNER CONTINUED...

Adjustments

Adjustments are made depending on when you close. Typical adjustments include rent, prepaid rent, interest on prepaid rent, taxes, utilities, etc.

You should also note and budget for utility companies asking for deposits from new building owners and lenders asking to pay for Realty Taxes , thus asking buyers for a surplus in the account.

In this issue I also want to thank Ted Olechna from the Electrical Safety Authority for his article on Knob and Tube Wiring and Al Dharsee from Applecreek Consultants Ltd. for his timely article on property taxes.■

WE RECOMMEND

**Peoples
TRUST**

Jim Dysart
VICE-PRESIDENT &
REGIONAL MANAGER-ONTARIO

Suite 920, 130 Adelaide Street West
Toronto, Ontario M5H 3P5
(416) 304-2078
(416) 368-3328 (Facsimile)
E-mail: jim@peoplestrust.com

Incorporated under the Trust and Loan Companies Act of Canada

THINKING OF SELLING? CALL (416) 444-6545 TO SPEAK TO A SKYVIEW REPRESENTATIVE ABOUT LISTING YOUR PROPERTY

We don't just list Apartment Buildings, We Sell them!



KNOB AND TUBE WIRING CONTINUED...



Ground Fault Circuit Interrupter (GFCI) Type of Receptacle

As new electrical equipment is introduced into the dwelling unit there might be a need for additional outlets to be installed. Extension cords are not to be used as a substitute for permanent wiring. The following shall be followed when installing new receptacles:

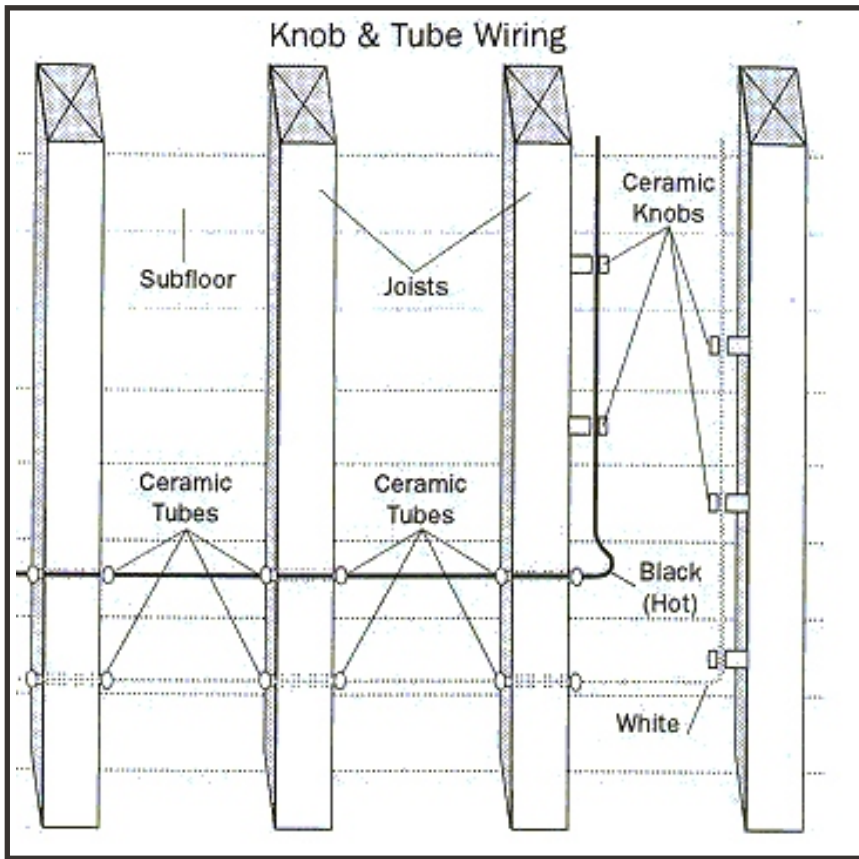
Outdoor receptacles should be GFCI protected,

Bathroom and washroom receptacles shall be GFCI protected.

Kitchen receptacles within 1 meter of a sink shall be GFCI protected.

New outlets shall follow the current Ontario Electrical Safety Code requirements for wiring, meaning a new branch circuit shall be grounded and receptacles that utilize the three pin grounded configuration listed in Diagram 1.

While knob and tube conductors in good condition and that have not been inappropriately altered will not present undue hazards it is worth noting that modern electrical installations contain safety benefits not found in older Electrical systems.



These include:

Generally larger electrical capacity and more electrical circuits reducing the need to use extension cords
Splices and joints made in approved electrical boxes
Dedicated electrical circuits for certain types of electrical equipment or appliances
Grounded and bonded receptacles, switches and light fixtures
Ground fault circuit interrupters in bathrooms and outdoor locations

And with the latest edition of the Ontario Electrical Safety Code

Arc Fault Circuit interrupters in bedroom receptacle circuits

And GFCIs near kitchen sinks

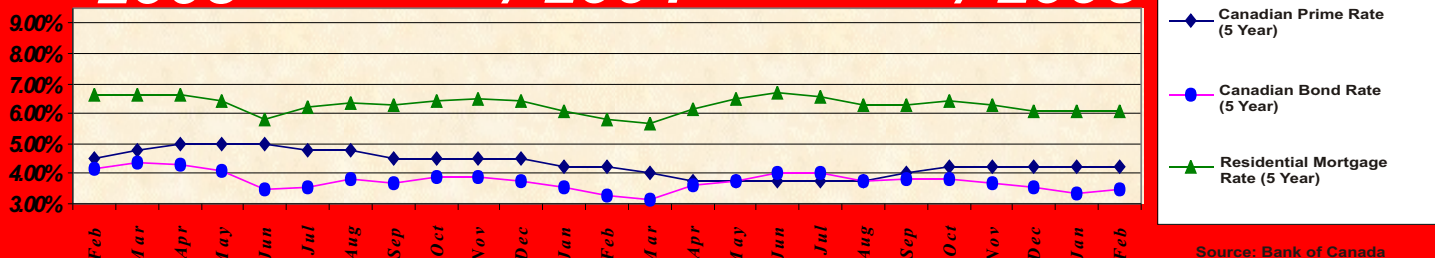
Anyone planning to modify knob and tube wiring, or any other electrical wiring, should have the work performed by a licensed electrical contractor or electrician and arrange for an electrical inspection by Electrical Safety Authority. ■

For information about the Electrical Safety Authority, please see www.esasafe.com

By Ted Olechna, P.Eng
Provincial Code Engineer
Electrical Safety Authority

Watch on Interest Rates...

2003 / 2004 / 2005



Source: Bank of Canada