

## DANNY'S CORNER



Spring is in the air! In 2015, we saw a record number of extreme cold weather alerts which contributed to increased utility costs at apartment buildings across the province. This year was quite the opposite with record setting

seasonal highs it should hopefully translate into lower utility costs, which is a welcome reprieve from last year to now.

An area that often requires capital investment is your building's elevator system. With the average age of apartment buildings around 60 years, the elevator systems require consistent maintenance and the T.S.S.A. continue to amend the standards to ensure that the elevators remain safe for your tenants' use. To this end, we have asked our friends at National Elevator to provide an article on the newest regulations and requirements relating to elevator modernization.

Every year we look forward to the CMHC January Breakfast put on by FRPO and GTAA. This year was no exception as a few of us from the Skyview Team went to listen to CMHC's insights into our rental market. It is always a good reminder of the strengths and opportunities in our industry. In addition, they always provide insight that explains what we may be starting to see at our buildings. Cliff from our office provides a few of the key points from that morning seminar on the 2nd page of this newsletter

As the warmer weather approaches, we are starting to see more opportunities for Sellers to get top dollar on their investment properties. If you would be interested in learning about your property's value in the marketplace and to tap into Skyview Realty's large list of qualified buyers, I welcome you to contact myself or my team today!

-Danny Iannuzziello

## Mandated Elevator Modernization

by Michael Morgenstern, National Elevator Consulting

The Technical Standards and Safety Association (TSSA) regulates and enforces the Technical Standards and Safety Act, 2000 in Ontario as well as the B44 Safety Code for Elevators and Escalators. Over the past years, the TSSA has issued directly to building owners various Director's Safety Orders mandating costly elevator modernization work. Recent Director's Safety Orders include the replacement of single bottom cylinders on hydraulic elevators, the addition of car top safety railings, the lengthening of car platform aprons, and also our topic for today, the requirement to replace single speed elevator controls as outlined in TSSA Director's Safety Order 267/14. To be clear, TSSA Director's Safety Orders are required alterations and not simply recommended procedures. Failure to comply with a Director's Safety Order could result in an elevator being removed from service by the TSSA.

The TSSA in May of 2014 released 267/14 which mandated the replacement of all single speed elevator controls over a period of five years. Replacement of the controls can be required as early as January 1, 2018 or as far out as January 1, 2022. Compliance due dates are based on the installation number associated for each elevator, with lower installation numbers representing older elevators, and presumably warranting compliance earlier in the five-year period rather than later.

The safety concern with single speed elevators is that it is unfeasible to maintain floor landing levels that are consistently within 13 mm (the vertical distance between the hall door sill and the elevator door sill) as required by the B44 Safety Code for Elevators and Escalators. The trip and fall hazard created when elevators do not stop level with a building floor is significant. Modern elevators are stopped electrically at a specific floor level and the brake mechanism is engaged as a safety device to prevent the elevator from moving after it has stopped. Older single speed systems have an instantaneous brake which stops the elevator as it travels along at normal speed. Applying full brake pressure at normal speed not only triggers a jerking sensation to passengers, but variables such as elevator load, brake adjustment and brake

drum temperature, can all impact where the elevator will stop once the brake is applied.

The replacement of single speed controls will have a serious financial impact to building Owners. These types of elevators were installed in smaller low rise apartments that usually do not generate the cash flow necessary to easily absorb the \$80,000 to \$150,000 per elevator cost to comply with 267/14. In principle there is a less expensive option of designing a basic retrofit control system to meet the requirements of the Director's Order in the strictest sense without performing a complete equipment modernization, however, we have yet to find a reputable elevator contractor in Ontario that is willing to integrate a new drive system into an old single speed controller.

The vast majority of elevator contractors are only quoting on complete controller replacements and including all additional required safety items to comply with today's B44 Safety Code for Elevators and Escalators as a minimum scope of work. In most circumstances it does make more sense (both practically and financially) to completely modernize the entire elevator considering the vintage of single speed systems. By doing so the elevator will thereafter comply with all current Code requirements, all Director's Safety Orders will be addressed, and the building will have reliable elevator service for another 30 years.

The TSSA has indicated that approximately 1100 elevators in Ontario will be impacted by Director's Safety Order 267/14. Considering that most building Owners will spend on average \$125,000 per elevator for a complete modernization, the collective cost of 267/14 is likely going to exceed \$135,000,000. If you have not already done so, we suggest that you discuss your particular situation with an independent elevator professional to ensure that you have a solid plan moving forward.

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# CMHC Indicates Continued Strength in the Ontario Apartment Industry

by Cliff Ford, Skyview Realty Ltd., Brokerage

On January 28th, 2016 FRPO and GTAA hosted their annual CMHC Rental Market Survey Breakfast. This popular information session has been steadily growing in numbers over the past years as owners and property managers alike gather to find out what the latest trends are in the apartment building sector. As always, Ted Tsiakopoulos and Dana Senagama from CMHC presented a slew of relevant data, facts, charts, and insights that showed our multi-unit residential market was not only surviving but thriving! If you were unable to attend this year, here are some of the salient points from that breakfast seminar:

## Vacancy Rates

As has been the case for a number of years, the Ontario market performed greater than all other provinces, except for British Columbia, when it comes to vacancy rates. In 2015, Ontario remained steady at just above a 2% overall vacancy rate, where the overall Canadian market was closer to 3.5%.

Within Ontario, the individual cities varied in their vacancy rates. CMHC indicated that some markets like Barrie and Oshawa saw decreased vacancy rates due to the demand for rental housing there. Cities like Toronto and Guelph have stayed the course and did not see a significant increase or decrease from 2014 to 2015. On the other hand, some markets saw greater vacancy increases such as Ottawa and Hamilton.

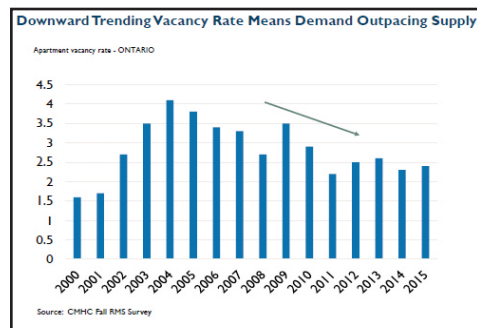
As it relates to vacancy rates, immigration continued to play a factor in those rates. It was reported that 62% of immigrants coming into Canada choose to rent first upon their arrival. This influx of new families looking for housing has created a downward pressure on the overall vacancy rates.

## Condo Market

For a few years now there has been some trepidation towards the condo market. Some apartment building owners saw this market as a threat when it appeared that many of the condo units coming available were being scooped up by investors to use as rental units. But there is no reason to fear the condo market according to CMHC. Their stats shows that of all the available units coming into this market through the expansion and building of new condominium properties, only one third or less are being kept as rental investment units and the remainder are being owner-occupied.

For those of us who are invested into the multi-unit residential market, we do not need to worry about the condo market infringing on our core business. Remember that

condos are filling a void and not necessarily taking away from our prime target tenants. Due to the nature of condo living, with amenities inside the building and higher-end finishings and fixtures, they address the need for high-end rental living. Those individuals that choose to continue to rent in condos rather than own their property, are looking for a certain lifestyle and are willing to pay the extra rental fees above what a purpose-built apartment unit would cost in today's market. Looking at it from the other side of the coin, this also presents an opportunity for owners of purpose-built apartments. Those who are willing to invest in upgrading their common areas and suite turnovers, to bring their property to a condo-style quality, have more proven rental upside potential as they can tap into the demand for these high-end units. Location and quality of property improvements certainly play a factor in determining the ability to achieve the rents at condo levels. CMHC indicated that those who have implemented these types of improvements are seeing the gap shrink between purpose-built rental rates and condo rental rates.



The downward trend on vacancy rates indicates there is more demand for rentals than there is supply. The condo market certainly addresses part of this demand but it also is a good indication that our market is stable in the purpose-built apartment sector. The driving force behind the demand for rentals are the Millennial generation (aged anywhere between 25-44 years old). Out of all age groups in Ontario renters, Millennials have the highest percentage of people who choose to rent versus own. Primarily, it is the cost gap between the cost of ownership and the cost of renting that causes this age group to remain in the rental market long after leaving their parents' house.

When you consider the factors driving the condo market and the overall demand for rental units, CMHC indicated that the condo market should not be something we fear in the multi-unit residential sector. Our

sector is strong and stable, and ultimately, almost counter-intuitively, supported by the continued development of the condo market.

## The 'Forecast'

No one has a crystal ball to predict the future, but when you have as much expertise and data as CMHC does, they often have a way of estimating the direction in which the rental market is heading. Ted and Dana's presentations gave us some key insights about where we should expect the market to go in 2016 and even into 2017.

The forecast on vacancy rates looked even more positive as CMHC expects the overall vacancy rates to continue to drop; stating that we could see decreases in vacancies by another 0.2% overall in 2016 through 2017.

The indicators on the Job Market and the Cost Gap also indicate downward pressure is coming on vacancy rates over the next year or two. The economic data provided by CMHC shows that Ontario's job market is on the rise. Pair this influx of working individuals with the ever increasing Cost Gap and it could mean that we will have more qualified tenants applying at our buildings. The Cost Gap, especially in major city markets, is ever increasing. The cost of ownership in a city like Toronto far outweighs the cost of renting. As such, many individuals remain as renters but can afford to live comfortably in a rental situation because of the job market growth.

Lastly, as an investor in multi-unit residential properties, the economic indications presented by CMHC show that this 'commodity' remains a very stable investment. When compared to other investment models, the apartment building sector has far less volatility when compared to stocks, gold, or bonds.

CMHC has always provided great insight into the rental market in Ontario. This year's annual breakfast was no different. The multi-unit residential market remains strong and worthy of further investment. If you would like to learn more about CMHC's reporting and the individual statistics for each city and region in Ontario, I welcome you to visit our website to view them for yourself: [www.skyviewrealty.com/cmhcreports.html](http://www.skyviewrealty.com/cmhcreports.html)

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## TILLSONBURG

Solid Construction

Sold Conditionally



Principals Only Please

23 Suites

- Asking \$1,495,000
- Asking \$65,000 per Suite
- Sold, Purpose-Built 3 Storey Walk-Up (Brick and Concrete)
- Recent Upgrades Include New Ceramic Flooring in Hallways
- Many Units Have New Flooring and Kitchen Countertops
- All Balcony Slabs Re-Surfaced; All Railings Sanded & Painted
- 12 x One Bedrooms
- 11 x Two Bedrooms
- Located at End of Quiet Cul-de-Sac
- Well Maintained and Managed Investment Property
- All Hallway and Exterior Lighting Replaced
- 5.5% CAP Rate
- 11.7% R.O.I.
- Treat Mortgage as Clear!

## NIAGARA FALLS

EXCELLENT CONSTRUCTION

GREAT SUITE MIX



Principals Only Please

57 Suites

- Asking \$5,075,000
- Asking \$89,035 per Suite
- Near City of Niagara Falls Municipal Offices and Located in Downtown Area
- Built and Owned in 1983 by the Same Family
- New Elevator Being Installed by Owner
- Parking Lot Being Resurfaced by Owner
- 1 x Bachelor
- 22 x One Bedrooms
- 34 x Two Bedrooms
- Walking Distance to Via Rail Station
- Well Constructed Concrete Building
- 5.7% CAP Rate
- 13.9% R.O.I.
- Treat as Clear. Purchaser to Arrange Own Financing

## PORT HOPE

Large Corner Lot

Character Property



Principals Only Please

11 Suites

- Asking \$859,000
- Asking \$78,091 per suite
- Historically Designated & Known as Seaton Hall
- 2 1/2 Storey Late Victorian Age House, Rectangular Floor Plan with Three Projected Gabled Bays
- Many Features of the Earlier Italianate Style, such as Wide Soffits and Paired Windows
- Loads of Potential in this Converted Large Home
- 1 x Bachelor
- 8 x One Bedrooms
- 2 x Two Bedrooms
- Private Driveway with Outdoor Parking and Large Double Garage Currently Used for Storage
- Upside Potential with Unit Renovations
- 5.6% CAP Rate
- 22.0% R.O.I.
- Treat Mortgage as Clear

## NIAGARA FALLS

PRICE REDUCED!

LOW MAINTENANCE BUILDING



Principals Only Please

10 Suites

- Asking \$825,000
- Asking \$82,500 per Suite
- Located close to Access to Public Transit and Various Consumer Amenities within a Short Distance
- Potential Upside on Current Rents
- 8 of 10 Tenants Pay Their Own Hydro
- Potential to Add Additional Apartments
- 2 x Bachelor
- 8 x Two Bedrooms
- Building May Require Additional Capital and Upgrading in Order to Maximize its Potential
- 5.9% CAP Rate
- 16.2% R.O.I.
- Treat Financing as Clear
- Contact Dani Pizzoferrato for More Details

## TORONTO

UPSCALE Neighbourhood

Luxurious & Large Apts



Principals Only Please

5 Luxury Suites

- Asking \$2,850,000
- Asking \$570,000 per Suite
- Located in Toronto Community Known as "The Beaches"
- Four of the Five Suites are Well Over 1,000 Square Feet
- Property is Full of Character and very Appealing to Tenants
- 2 x Two Bedrooms
- 3 x Three Bedrooms
- Excellent Tenant Profile
- Potential Upside on Some Rents on Turnover
- 4.0% CAP Rate
- Treat Financing as Clear

## BELLEVILLE

27.0% R.O.I

TREAT AS CLEAR



Principals Only Please

12 Suites

- Asking \$1,149,000
- Asking \$95,750 per Suite
- Tidy 12 Plex with On-Site Superintendent
- Located in a Quiet Residential Neighbourhood
- Electric Baseboard Heating System
- Nice Size Lot 133 Feet x 133 Feet with Ample Paved Parking Area
- 2 x One Bedrooms
- 9 x Two Bedrooms
- 1 x Three Bedrooms
- Good Size Apartment Units
- Located in Proximity to Shopping, Schools and Park
- 27.0% R.O.I
- Treat as Clear. Purchaser to Arrange

**We Don't Just List Apartment Buildings...WE SELL THEM!**

**If you are considering selling your multi-unit residential property, give the Skyview Sales Team a call at 416-444-6545!**



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Associate Vice President

**Arsalan Wathra**  
Sales Representative



# industry report

SKYVIEW'S  
RECOMMENDED  
SERVICES

## Want an Offer?

Skyview Realty has a good number of active and qualified buyers who are looking for multi-unit residential buildings throughout Ontario.

If you are considering selling your property, we may be able to bring you an offer immediately.  
For more information, contact us at 416.444.6545 or [properties@skyviewrealty.com](mailto:properties@skyviewrealty.com)

## We Have Buyers!

**Michael Lombard**  
Vice-President  
Regional Manager - Ontario



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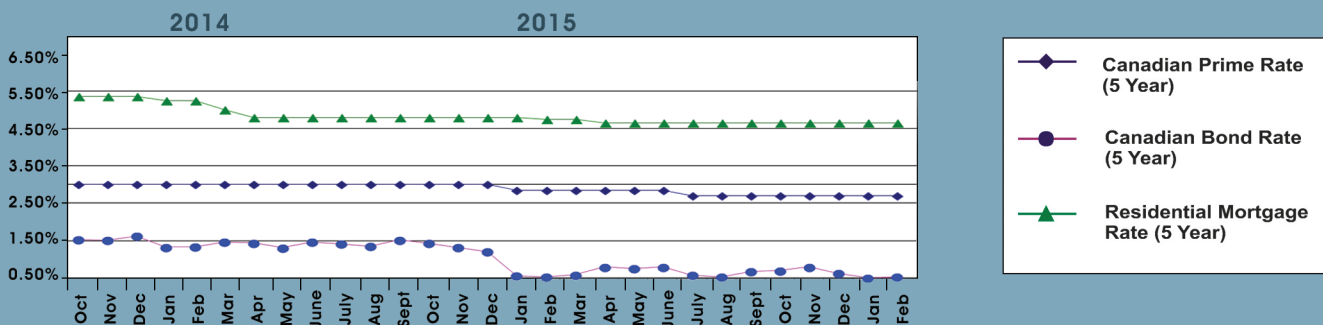
"Innovative Financial Products with Exceptional Client Services"

## MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

3480 Havenwood Drive & 1485 Williamsport Drive, Mississauga	Nov. 27, 2015	264 Units @ \$190,341	\$50,250,000
26 Twenty-Second Street, Etobicoke	Nov. 27, 2015	6 Units @ \$221,667	\$1,330,000
350 McArthur Avenue, Ottawa	Nov. 30, 2015	12 Units @ \$112,417	\$1,349,000
70 Melbourne Avenue, Toronto	Dec. 03, 2015	16 Units @ \$93,750	\$1,500,000
6035 Murray Street, Niagara Falls	Dec. 11, 2015	18 Units @ \$88,717	\$1,596,900
455 Maple Avenue, Burlington	Dec. 15, 2015	57 Units @ \$175,439	\$10,000,000
1259-1275 Brant Street, Burlington	Dec. 15, 2015	66 Units @ \$166,667	\$11,000,000
109 Westmount Drive North, Orillia	Dec. 15, 2015	17 Units @ \$86,765	\$1,475,000
33 Main Street North, Grand Valley	Dec. 16, 2015	24 Units @ \$87,917	\$2,110,000
1164 Ouelette Avenue, Windsor	Dec 18, 2015	42 Units @ \$32,738	\$1,375,000
575 University Avenue West, Windsor	Jan. 05, 2016	51 Units @ \$55,882	\$2,850,000
185 Durand Street, Sarnia	Jan. 06, 2016	31 Units @ \$64,516	\$2,000,000
300 Regina Street North, Waterloo	Jan. 07, 2016	412 Units @ \$203,883	\$84,000,000
625 Roselawn Avenue, Toronto	Jan. 15, 2016	91 Units @ 297, 253	\$27,050,000
101 Phillips Road, Port Hope	Jan. 26, 2016	86 Units @ \$100,000	\$8,600,000
18-20 Bradmon Drive, St. Catharines	Jan. 28, 2016	71 Units @ \$109,859	\$7,800,000

SOURCE: Realtrack Inc. [www.realtrack.com](http://www.realtrack.com) 1-877-962-9033

## WATCH ON INTEREST RATES



## SkyViews

### Spring 2016

#### PUBLICATION:

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