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DISTRIBUTION TO OWNERS OF OVER 11,000 APARTMENT BUILDINGS

APARTMENT REPORT SUMMER 2002

DANNY'S CORNER



Danny Iannuzziello
Broker

During the period of October 2001 to February 2002, our team at Skyview Realty Ltd. sold another record breaking 15 apartment buildings. Included in those sales were buildings that we may have previously had some difficulty in pushing to the top of the price

threshold. The minute interest rates dropped multiple offers sparked a flurry of activity and deals got done.

Of all sales that Skyview has been involved with from January 2001 to date, the general profiles of Sellers are: 57% people retiring; 23% people getting out of the business and into some other investments; 10% have sold to upgrade to a larger building; 5% downsizing their portfolios; 5% partnership breakups.

The profile of Buyers are: 52% people already owning buildings and buying more properties; 42% new money entering the market; 6% having sold to upgrade to larger buildings. Of the 52% of people buying more buildings, 55% of those buyers have entered the market since the last recession in the early 90's.

Although the overall number of apartment sales has generally declined over the past couple of years and good supply is slowing down, the demand is still very strong, thus maintaining high price thresholds. We've seen CAP rates go from 11% in the mid 90's to just over 7% recently in the GTA. CAP rates are still better on the perimeter (1- 1-1/2 hours from Toronto) at approximately just under 9%.

We are seeing other trends developing that

CONSIDERING YOUR BUILDING'S ROOF AS A PROFIT CENTRE

Improving Cash on Cash Returns on Multi-Unit Residential Properties

By Howard A. Glowinsky
Elite Roofing and Contractors Limited

Well maintained capital items on multi-unit properties will boost cash on cash returns! This article will set out a number of reasons that your roof should be considered a profit centre and not simply a cost centre.

1. Problems found on due diligence inspections lower your cost of acquisition.

2. Money invested in your roofing system might be eligible for inclusion in a rent review submission for capital items to raise rents forever!

3. Cellular providers will pay to rent roof areas to mount antennas and other equipment.

4. Well maintained roofs will defer some brick restoration problems and save further outlays for other capital items.

Due diligence inspections

A thorough inspection of a roofing system will enable purchasers (and vendors) to accurately assess this important capital item. A visual inspection of the corridors, mechanical rooms, stairwell and one or more penthouse apartments is required. The estimated remaining useful life of the roof membrane can be assessed by your professional roofing contractor.

are being monitored, which may have an impact on values:

- increase in vacancies, predominately in the upper end of the rental market
- renters being lost to the purchase of homes, condos due to low interest rates
- condo developers setting aside apartments to the rental pool
- impact on the raising of interest rates
- declining CAP rates on buildings outside GTA
- in the event of a new provincial government in the next election, impact on changes to Tenant Protection Act

Roof replacement or repair budgets can be prepared to aid in final negotiations of purchase price. It has been this author's experience that CMHC will review a properly detailed roof inspection report to ADJUST mortgage holdbacks on mortgage applications.

Rent review submissions

There is an opportunity, on some properties, to recover cash invested in your roofing system through capital recoveries permitted under the Tenant Protection Act. Any recoveries permitted will increase rents forever! The recovery would be greater on a roof replacement than on cash expended on repairs and maintenance.

Cellular antennas

Many high rise buildings have roof mounted cellular antennas and equipment. A thorough examination of the roof system should be done prior to signing a rental agreement of lease renewal. There are significant additional costs involved with roofing, repairs or replacement, underneath steel beams, cable trays and cellular equipment shelters. It is prudent to assess the condition of the roof system before mounting and installing equipment so that

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- recently released population growth figures of various cities in the golden horseshoe

Overall and long term, the apartment market in the golden horseshoe is of continued growth. Look for Hamilton to be an uprising investment area.

I would like to thank my friend, Howard Glowinski of Elite Roofing for providing some insight on roofing in this issue ■

DANNY IANNUZZIELLO

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PROPERTIES CURRENTLY OFFERED FOR SALE

ASKING \$42,810/SUITE



Back on the Market

FOR SALE IN HAMILTON
21 Unit Apartment Building

- Asking \$899,000
- Built in 1961
- Well maintained building
- Occupied predominately by seniors, some over 30 years
- RENTS WELL BELOW MARKET
- 15% downpayment
- 22.5% Return on Investment
- VTB mortgage to sell
- Treat as clear
- 10 x one bedrooms
- 11 x two bedrooms

CONDO STATUS



DOWNTOWN HAMILTON (HESS VILLAGE)
24 Apartment Units

- Asking 1,300,000
- Building recently approved for Condo Status
- Bank to consider individual mortgages for each unit
- Tax rate would be reduced by 37%
- 16 x one bedrooms
- 8 x two bedrooms
- 17.4% R.O.I.
- Vendor Take Mortgage to sell
- Rents well below market
- Cash required - \$195,000

MOTIVATED VENDOR



AVAILABLE IN TORONTO
12 Plex in Beaches Area

- Asking \$935,000
- Fully occupied
- Rents below market
- Upgrades include: Roof 2001, Boiler 1996
- 1 x bachelor
- 11 x one bedrooms
- 15% downpayment
- 17.3% R.O.I.
- Vendor motivated to sell will consider VTB 1st mortgage

GREAT LOCATION



GUILDWOOD VILLAGE (TORONTO)
6 Plex on Large Lot

- Asking \$695,000
- 15% downpayment
- 14% R.O.I.
- VTB to sell
- New forced air gas heating
- Steps to Lake Ontario and Scarborough Bluffs
- 2 x two bedrooms
- 4 x three bedrooms
- Very spacious apartment units

REDUCED TO SELL



FOR SALE IN ETOBICOKE
6 Plex Close to Lake Ontario

- Asking \$399,000
- Fully occupied
- Rents below market
- Copper plumbing throughout
- Vendor take to sell
- Individual hydro meters
- Build circa 1965
- 15% downpayment
- \$60,000 downpayment

SOLD CONDITIONALLY



AVAILABLE IN WHITBY
13 Suite Apartment Building

- Asking \$640,000
- 7 x 1 bedrooms
- 4 x 2 bedrooms
- 2 x 3 bedrooms
- 15% down
- 27.7% Return on Investment
- Fire retrofit complete
- New roof year 2000
- New boiler 1998
- VTB to sell
- Vendor motivated and will consider all offers

PROPERTIES FOR SALE INTENDED FOR PRINCIPALS ONLY

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

SKYVIEW REALTY LTD.

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

ARE YOU THINKING OF SELLING

When you think of selling your apartment building, just a quick note to let you know how our dynamic marketing plan will help you get top dollar for your building. As you may be aware, our team at **Skyview Realty Ltd.** are specialists in apartment building sales, and we have a **proven track record marketing apartment buildings.**

What we do for every property we sell is develop a dynamic marketing plan tailored specifically for your building. Our objective is **for you to achieve maximum market value for your building** by providing the greatest market exposure.

Our marketing efforts are also dependent upon your level of comfort. We have a wide range of marketing options from the "very discreet approach" to "creating a competitive bidding process" to the "full range coverage." We may have a buyer readily available, or we must work with someone over a period of time to ensure your building meets their investment needs. In the end, we have a 92% success rate in closing our listed properties.

OUR DYNAMIC SIX-STEP MARKETING PLAN

1) From our various sources of Purchasers:

Returning satisfied clients Referrals Hot buyers list Current qualified buyers list Current investors ready to buy in general area of your building
Individuals outbid on a previous deal Individuals we know through our various contacts New investors entering the marketplace
Out of province/country investors Specific target markets Members of landlord associations Investors through other qualified real estate agents.

2) Using our wide range of Mediums:

Marketing information package Direct telephone contact Fax telemarketing system Quarterly newsletter directed to 11,000 apartment building owners province wide
Newspaper advertising (metropolitan, national, specific target) Multiple Listing Service "For Sale" signs
Flyers/Brochures Direct mail program Internet/Email contact system Skyview Web Site Commercial Investor Magazine

3) Developing prospective Purchasers specifically for your building.

4) Providing each prospective Purchaser with an Information Marketing Package which describes the relevant information that would assist one in submitting an offer.

5) Working diligently with all qualified potential Purchasers over a period of time showing the building, answering all questions until such time that they are ready to purchase your building, then seeing them through the due diligence process which reinforces their buying decision.

6) Closing the transaction at the highest possible price with no apparent problems.

Should you have any questions about marketing your apartment building or how I may assist you with my 22 years of apartment building marketing experience, I would enjoy the opportunity to be of assistance. Please call me anytime at (416) 444-6545. ■

Danny Iannuzziello, Broker



454 Timothy Avenue, Newmarket

This 6 Plex in Newmarket was listed and sold by Skyview Realty Ltd. for \$407,500. Financing was arranged for 4.8%. A VTB facilitated the deal. Closed: April 2002



900 Jane Street, Toronto

This 37 Suite was sold by Skyview Realty Ltd. In February 2002 for \$2,360,000. Skyview assisted with the restructuring of refinancing at 6.45% for 5 years. The building was in good condition. Closed: February 2002

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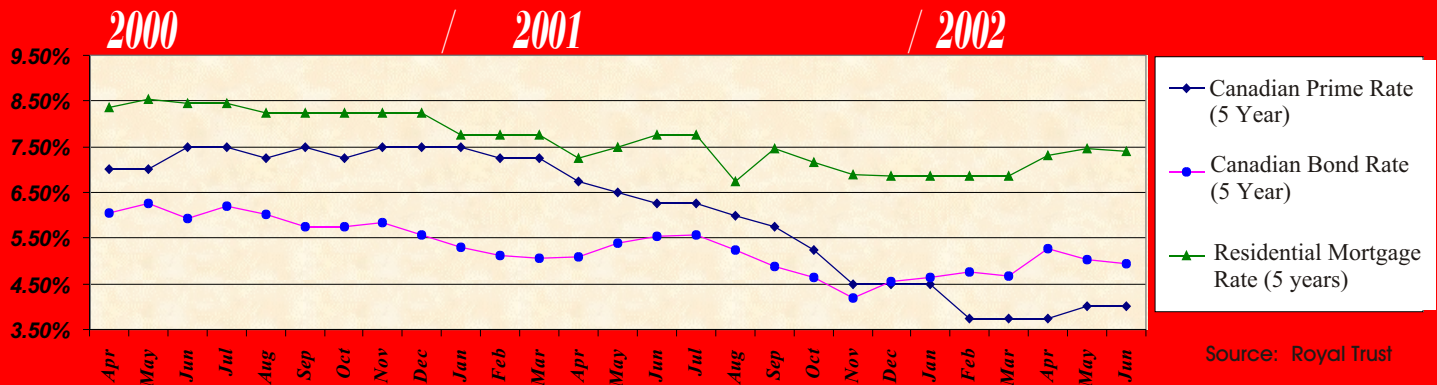


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Watch on Interest Rates



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IMPROVING CASH ON CASH RETURNS

responsibility for subsequent leaks can be properly apportioned. Cellular providers must be **actively involved** in any roofing repairs that may alter the alignment of antennas or involve the moving of cables.

Roof maintenance

The roof is one of many interdependent capital items in a multi-unit building. Such diverse equipment as boiler vents, plumbing stacks, storm drains, exhaust fans (for common areas) and elevators often penetrate roofing systems. The **ongoing** protection of the roofing system around each of these items is critical to ensure the long term performance and reliability of these other interdependent capital items. For example, prolonged roof leaks at boiler vent can rust out the heat exchanger!

The weakest detail on roofing systems is often at vertical upturns or penetrations. Some of these problems can be difficult to detect and may also not immediately appear to be related to roofing systems. There are many buildings that exhibit brick problems at or near the top of walls or at connections to concrete floor slabs. These brick problems can sometimes be traced to deficiencies with roofing upturns at roof edges (on perimeter, stairwell or mechanical penthouse walls).

The roof area is often used as a working platform for different construction trades including restoration, painters, window washers, metal cladding

and others. The safe installation of working platforms require outriggers and cables to be secured to anchors mounted through the roof. It is critical that these other contractors protect the roofing system from damage howsoever required. A short site meeting with all contractors, including your professional roofing contractor, can often prevent damage to the roofing system.

Conclusion

There is a significant investment in your roof and related building components. There are also opportunities to profit from an investment in your roof system. Regular inspections and timely attention to problems can lead to greater cash on cash returns!

Howard A. Glowinsky
Elite Roofing and Contractors Limited
howard@eliteroofing.com
Tel: 416-743-1908

New Tribunal Application Fees

Landlord Applications

\$150.00

L1, L2, L3, L6, L7 & L8

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