



**SKYVIEW**

REALTY LTD., BROKERAGE

# SkyViews

Apartment Report - Summer 2010

## DANNY'S CORNER

As the summer months approach, we continue to experience a significant amount of anticipation and activity in our market. We still see a number of investors diversifying from other types of investments



and investing into residential bricks and mortar. In most cases we are receiving multiple offers on buildings. Interest rates are still fueling the fire.

Notwithstanding the activity, I am somewhat cautiously watching to see where the market may be heading over the next few months given the increased costs in utilities and HST (Harmonized Sales Tax).

In a recent seminar that I attended, two leading apartment owners described how the increased costs will translate in higher rents from their tenants. This will be achieved by scrutinizing rent rolls and becoming more aggressive with AGI (above guideline increases), higher rents on turnovers, and being more aggressive to turnover apartments below market rent. I am somewhat cautious with this approach especially in buildings where most units are already achieving market rents.

I welcome my long time friend, Dru McAuley, an expert in the field of multi-unit residential financing, (First National) to share his insight on the mortgage market conditions at the present time.

I wish you and your family a wonderful summer season. If you would like to discuss your current portfolio and how to take advantage of the market's current status, I welcome you to call or email myself or the team at Skyview Realty. Thank you for your continued support and business!

■ Danny Iannuzziello

## Volatility in the Capital Markets Is Helpful to Apartment Investors

By Dru McAuley, First National Financial LP

Recent developments in the financial markets have meant a return to the dreaded "V" word – volatility. Markets are currently being influenced by the economic crisis in Greece, which has implications for other Euro zone countries such as Spain, Italy, Portugal and, more recently, Hungary. The resulting market turmoil has caused investors to flee to "save haven" instruments like the bond markets of North America.

An immediate local beneficiary of this shift to the bond market is the property market. Demand for bonds increases their price, which decreases interest rates. Bond prices and bond yields move inversely.

As we all know, real estate investing is a capital intensive business which can feature a large degree of leverage. This is particularly true of the apartment sector in Canada, where investors can borrow up to 85% of a property's value with CMHC insured mortgage financing. The effects of the "credit crunch" through 2008 and 2009 saw a very limited amount of mortgage debt available for several asset classes, including office and retail properties, for example. However, the availability of CMHC insured financing for apartment buildings allowed this sector to avoid a credit crunch. Capital for apartment mortgage debt continued to be available at historically low rates, which in turn led the sector to perform very well, considering the economic fallout in other areas of the economy.

Prior to the Greek crisis (which commenced mid-April, 2010), rates in Canada were starting to increase as the North American economy appeared to show some signs of stability and a cyclical recovery was starting to take root. Five and ten year Canada Mortgage Bond yields had increased about 80 and 50 basis points, respectively, from the end of November 2009 through to mid-April 2010.

The Canada Mortgage Bond is the primary rate-setting instrument for CMHC insured mortgages.

The current Euro zone crisis has seen the five and ten year Canada Mortgage Bond yields decline about 35 and 25 basis points, respectively, since mid-April.

The recent decline in rates has extended a bit of a windfall to the apartment sector, which could last a while as markets continue to be skittish over events in Europe.

This is a timely advantage to apartment investors as this renewed period of lower rates helps to offset the effects of the HST that are about to take effect.

An extended low interest rate environment will also lend support to apartment values generally and should continue to fuel an active mortgage market in the apartment sector.

As mentioned above, low rate, CMHC insured financing is the key. In this regard, it is worth noting the following:

- In Southern Ontario, including the GTA, CMHC will typically require 4 to 6 weeks to approve an application. Healthy volumes and summer holidays could see this timeline increase but, nevertheless, it is a reliable indicator and conditional financing periods in purchase agreements should be structured accordingly;
- In buildings with underground parking garages, we have seen CMHC underwriting frequently call for a condition report on the garage. Again, this should be factored into time lines.

As for future rate movements, it is pure crystal ball gazing (which I am not qualified to do) to predict where rates might be a year from now. However, recall that rates

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

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Website: [www.SkyviewRealty.com](http://www.SkyviewRealty.com)

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



# Considerations When Selling An Apartment Building

When it comes to selling your apartment building, there are many things to consider. The most important, however, is which brokerage firm you will choose to represent your interests and generate the right potential buyers. The following is a general guideline for choosing the right brokerage firm for you.

## 1) Go with Experience

Real Estate markets change from year to year, even from month to month. When dealing with a brokerage, you need to find the delicate balance of experience coupled with the up-to-date understanding of today's current marketplace and trends. Experience alone will fail to provide you with strategies that will apply to current trends in the industry. On the other hand, a brokerage that lacks experience will not be able to accurately predict and prepare for upcoming trends.

## 2) Look Out for Number One

Above all else, the brokerage you choose should look after your interests and work hard knowing that they have your trust, confidence and commitment. Your brokerage should ultimately be looking to serve your needs throughout the process of selling.

## 3) Take the Right Approach

Some brokerages focus on the approach of "Bring Me an Offer". While multiple offers can be beneficial, finding the right buyer with the right offer is the most crucial element in working with a brokerage. A good brokerage will bring the right people to the table to help you sell your building.

## 4) Know Your Value

Many brokerages waste valuable time and resources hoping to pinpoint the market value for your building. The right brokerage, however, will have the knowledge and experience to provide an accurate opinion of value prior to even listing your building. Knowing what your building is worth will help you get the right return on your investment.

## 5) Exposure is Key

Marketing your property is not just a matter of using one or two forms of communication to blanket the market in hopes of finding potential buyers. To properly market your property, the right brokerage will utilize what is called "target marketing". Having access to multiple forms of communication, your brokerage

should identify the best strategy to reach all buyers in the apartment building industry directly, resulting in you getting the most efficient marketing results.

## 6) Knowing the Buyers

Your ideal brokerage is connected not only to you but also to a network of current buyers. When you are ready for your property to be listed, your brokerage should already have contacts with potential buyers and know who would be the right fit for your building.

## 7) Real Estate Networking

Along with knowledge of current buyers, a brokerage should have already established relationships with other companies in the industry - appraisers, environmental and structural inspectors, financial institutions, etc. Having an established network of industry professionals can assist you in bringing your transaction to a quicker close.

## 8) Beyond the Offer

Many real estate transactions fail at the most crucial stage... the due diligence process. Having a brokerage that engages in a thorough due diligence process ensures that your building's information is verified for the buyer and your transaction closes smoothly and promptly.

## 9) Get What You Pay For

Whether you are paying a low or high commission fee to the brokerage of your choice, you need to be confident in the level of service you received. The right brokerage will be dedicated to providing the ultimate service for the commission fees you pay.

## The Bottom Line

When all is said and done, the most important element in dealing with a brokerage is achieving top dollar for your apartment building. Finding the right brokerage - one that fulfills the above criteria - ensures that you will walk away from your transaction with the confidence that you have received exceptional service, maximum exposure, hassle-free processes, and the financial results you had planned for.

## Skyview Realty is THAT Brokerage!

## Volatility in the Capital Markets... Cont'd from Page 1

were increasing "naturally" prior to the current Greek crisis. Should markets become convinced that the Euro zone matter has been satisfactorily managed, it seems plausible that rates could revert to an upward trend. Accordingly, the comparatively low borrowing rates currently available could be a small window of opportunity for apartment investors.

With this in mind, prudent investors are aggressively seeking acquisitions and are also reviewing the prospect of incurring prepayment penalties on loans maturing within the next 12 months in order to lock in renewal rates early for extended mortgage terms, or to increase loan balances, for extended terms, in the current low rate environment. A variety of factors will influence how feasible it is for borrowers to incur prepayment penalties.

The current interest rate environment has been good for the apartment market. Early renewals are one more option in a borrower's favour.

**Dru McAuley is Assistant Vice President, Commercial Lending, at First National Financial LP. First National is a leading lender of CMHC insured mortgages on apartment properties and has a mortgage portfolio under administration in excess of \$49 billion.**

## 23 THORNTON AVENUE, TORONTO

April 2010 9 Suites \$915,000

This building was listed by Skyview Realty Ltd, Brokerage and sold by a co-operating brokerage. This property was located in an ideal rental neighbourhood with a very good tenant profile. The building's capital items were all in good condition with substantial renovations done over the previous 7 years. This property sold above the asking price, with multiple offers. At the time of closing, the building was fully occupied.



## 33 WHITING AVENUE, OSHAWA

March 2010 15 Suites \$1,050,000

This building was listed and sold by Skyview Realty Ltd, Brokerage. Skyview Realty Ltd assisted the buyer by arranging a first CMHC insured mortgage of \$845,000 @ 3.99% interest, due April 2015. This property was an excellent newer building with a good tenant profile. The building featured individual suite thermostats, hot water tanks, hydro meters and the tenants paid their own utilities. At the time of closing, there was one suite vacancy.



## 3333-3349 DANFORTH AVENUE, TORONTO

March 2010 16 Suites \$1,650,000

This building was listed and sold by Skyview Realty Ltd, Brokerage under Power of Sale status. Skyview Realty Ltd assisted the Buyer and the Seller facilitated the sale with a VTB mortgage for \$1,155,000 @ 5.25% interest on a 3-year term. This property package included 4 commercial units, 10 residential units, and a duplex house located adjacent to the property. At the time of closing, the property had significant vacancies.



**TORONTO**

**SOLD  
CONDITIONALLY**



Principals Only Please

- Asking \$2,268,000
- Asking \$81,000 per suite
- Capital Items are in Good Condition
- Tar and Gravel Roof is 5 Years New
- Tenants Pay Own Hydro
- Located at Bathurst and Finch in North York
- Long-term Ownership and Management
- 14 x One Bedrooms
- 13 x Two Bedrooms
- 1 x Three Bedrooms
- 5.5% CAP Rate with:
- Potential Upside on Rents
- Potential for One Additional Bachelor Unit to be Built
- Seller will Consider VTB to Sell with 25% Downpayment

**28 Suites**

**TORONTO**

**\$72,000/  
SUITE**



Principals Only Please

- Asking \$5,904,000
- Asking \$72,000 per suite
- Building Requires Repositioning
- Rents Significantly Below Market
- Suites feature Above Average Square Footage
- Recent Upgrades: Plumbing, Balconies, Canopy, Underground Walkway
- 42 x One Bedrooms
- 34 x Two Bedrooms
- 6 x Three Bedrooms
- Located in Great Rental Area
- 6.0% CAP Rate
- 17.4% R.O.I.
- Treat Financing as Clear
- Seller will Consider VTB
- Pending City Work Order on Rehabilitation Audit

**82 Suites**

**BROCKVILLE**

**26.0%  
R.O.I.**



Principals Only Please

- Asking \$6,700,000
- Asking \$79,762 per suite
- Beautifully Maintained Property with Excess Land and Good Landscaping
- Potential for Condo Conversion
- Conversion to Individualized Metering is Possible
- Two Bedroom Suites are Duplex Apartments
- Suites Contain Individual Thermostats
- 4 x Bachelor
- 9 x One Bedrooms
- 71 x Two Bedrooms
- 6.9% CAP Rate 26.0% R.O.I.
- Ex. 1st Mtg on Building 1 of \$2,551,129 @ 3.48% paying \$11,391.77 due June 2014
- Ex. 1st Mtg on Building 2 of \$1,913,346 @ 3.48% paying \$8,543.83 due June 2014
- Seller may Consider VTB to Facilitate the Sale

**84 Suites (2 Buildings)**

**PENETANGUISHENE**

**22.4%  
R.O.I.**



Principals Only Please

- Asking \$649,900
- Asking \$64,990 per suite
- Easy Building to Manage
- Thermo Windows
- Tenants Separately Metered for Hydro
- Bitumen Roof in Good Condition
- Good Size Suites and Tenant Profile
- 6 x One Bedrooms
- 3 x Two Bedrooms
- 1 x Unfinished Potential Suite
- Great Views of Penetang Bay
- 8.3% Potential CAP Rate
- 22.4% R.O.I.
- Treat Financing as Clear
- Seller may Consider holding Second Mortgage

**9+1 Suites**

**BELLEVILLE**

**HIGH  
DEMAND AREA**



Principals Only Please

- Asking \$2,050,000
- Asking \$56,944 per Suite
- Tenants Pay Own Hydro
- Tenants Pay Own Heat
- Large Lot with Extra Parking
- Convert Electrical Hot Water Tanks to Gas for Potential Upside
- Excellent Suite Mix
- 3 x One Bedrooms
- 33 x Two Bedrooms
- Fire Retrofit Letter of Compliance
- Common areas have begun updating of flooring and wall covering
- 7.7% CAP Rate
- 28.4% R.O.I.
- Treat Mortgage as Clear

**36 Suites**

**TRENTON**

**VTB  
AVAILABLE**



Principals Only Please

- Asking \$1,520,000
- Asking \$63,333 per suite
- 2 Buildings of 12 Suites Each
- Tenants Pay Own Hydro
- Building is Fully Occupied
- Sloped Shingled Roof - Updated in 2007
- New Balconies in 2009
- 2 x One Bedrooms
- 22 x Two Bedrooms
- Good Tenants
- Located close to CFB Trenton
- Surface Parking for 30 Cars
- 8.0% CAP Rate
- 25.9% R.O.I.
- Seller will Consider VTB

**24 Suites**

**TRENTON**

**WATERFRONT  
PROPERTY**



Principals Only Please

- Asking \$825,000
- Asking \$58,929 per Suite
- 4 Semi-Detached Buildings
- 1 Six-Plex Building
- Potential Upside on Rents
- Tenants Pay Own Heat and Hydro on Turnover
- Thermal Windows
- 5 x One Bedrooms
- 9 x Two Bedrooms
- Good Tenant Profile
- Overlooks Bay of Quinte
- Property has a Boat Launch
- 7.5% CAP Rate
- 26.7% R.O.I.
- Treat Financing as Clear
- Seller Will Take VTB

**14 Suites**

**TORONTO**

**PRICE  
REDUCED**



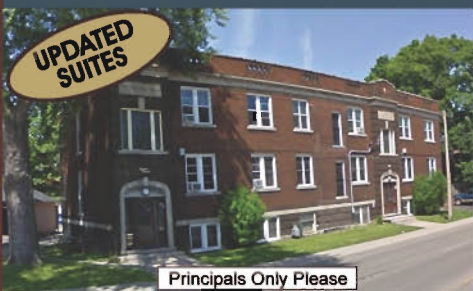
Principals Only Please

- Asking \$1,075,000
- Asking \$89,583 per suite
- Terrazzo Hallways on all Floors
- Thermal Windows (1987)
- Two (2) Driveways
- Fire Retrofit Complete
- Roof Resurfaced in 2008
- 1 x Bachelor
- 11 x Two Bedrooms
- Lot Size is 75 ft. Frontage x 147 ft. Depth
- Tenants Separately Metered for Hydro
- 6.7% CAP Rate
- 22.0% R.O.I.
- Treat Financing as Clear

**12 Suites**

**HAMILTON**

**UPDATED  
SUITES**



Principals Only Please

- Asking \$640,000
- Asking \$71,111 per suite
- Building has Character and Charm from Another Era
- Updated Washrooms and Kitchens
- Updated Front Windows Two Years Ago
- Roof Replaced One Years Ago
- 1 x Bachelor
- 8 x Two Bedrooms
- Quiet Residential Neighbourhood
- Suites are Individually Metered, Hydro paid by Tenants
- Good Size Suites
- 6.7% CAP Rate
- 21.8% R.O.I.
- Treat Financing as Clear

**9 Suites**

# industry report

trends and services

SKYVIEW'S  
RECOMMENDED  
SERVICES

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



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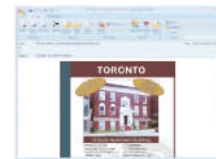
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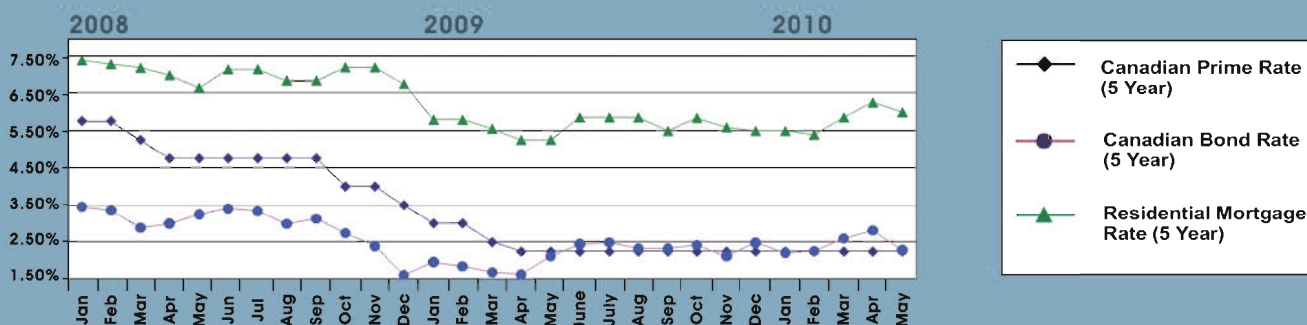
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## MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

2100 SHEROBBE RD Mississauga	May 14, 2010	199 Units @ \$155,779	\$31,000,000
5600 SHEPPARD AVE E Scarborough	May 11, 2010	120 Units @ \$ 57,197	\$ 6,863,600
600 KINGSTON RD Toronto	May 06, 2010	68 Units @ \$101,324	\$ 6,890,000
40 LAMBTON AVE Toronto	Apr 30, 2010	25 Units @ \$ 55,600	\$ 1,390,000
100 WINGARDEN CT Scarborough	Apr 27, 2010	266 Units @ \$ 69,361	\$18,450,000
249 DREW ST 209 & 215 STACEY AVE Oshawa	Apr 20, 2010	17 Units @ \$ 77,382	\$ 1,315,500
3 RIDGE HILL RD Toronto	Apr 19, 2010	12 Units @ \$220,667	\$ 2,648,000
740,750 YORK MILLS RD, 17 FARMSTEAD RD Toronto	Apr 15, 2010	413 Units @ \$120,700	\$49,849,000
333 CROCKETT ST Hamilton	Apr 15, 2010	26 Units @ \$ 59,231	\$ 1,540,000
1750 LAWRENCE AVE W North York	Apr 12, 2010	70 Units @ \$124,143	\$ 8,690,000
45 NORTH ST St. Catharines	Apr 09, 2010	38 Units @ \$ 42,763	\$ 1,625,000
3125 QUEEN FREDERICA DR Mississauga	Apr 07, 2010	73 Units @ \$105,822	\$ 7,725,000
105 KENWOOD AVE Toronto	Mar 29, 2010	28 Units @ \$ 73,214	\$ 2,050,000
622 UPPER WENTWORTH ST Hamilton	Mar 24, 2010	29 Units @ \$ 62,759	\$ 1,820,000
540 KING ST E Hamilton	Mar 19, 2010	36 Units @ \$ 29,861	\$ 1,075,000
4220 STANTON AVE Niagara Falls	Mar 17, 2010	18 Units @ \$ 58,656	\$ 1,055,800
255 PORTER ST Oshawa	Mar 15, 2010	24 Units @ \$ 87,500	\$ 2,100,000
1257 LAKESHORE RD E Mississauga	Mar 09, 2010	190 Units @ \$ 85,427	\$16,231,100
2170 LAKESHORE RD Burlington	Mar 09, 2010	46 Units @ \$ 58,596	\$ 2,695,400
385 MELVIN AVE Hamilton	Mar 03, 2010	20 Units @ \$ 50,250	\$ 1,005,000

SOURCE: RealTrack Inc. www.realtrack.com 1-877-962-9033

## WATCH ON INTEREST RATES



## SkyViews

Summer 2010

### PUBLICATION:

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