

DANNY'S CORNER



Danny Iannuzziello
President &
Broker of Record

As we approach phase two of Ontario's reopening plan, we're starting to see government restrictions begin to ease, marking a great start to the summer so far! The Government's vaccine rollout plan has been very effective in its distribution thus far. The

economic growth that shrank by about 40% in the second quarter of 2021 may recover dramatically on the other side of the vaccine treatment and return to pre-pandemic levels. We have been listening to the experts and as Benjamin Tal has said "This crisis is different because it has an end game". The economy that is waiting for us is going to be different because, its correlated with the trajectory of the virus, and the vaccine.

The expanding job market will positively benefit the recovery of the economy, especially to our residents collecting unemployment. It is estimated that the majority of individuals who experienced job loss during the pandemic worked in low paying jobs. This adversely impacted the rental market. As we enter a period similar to a recession, we may witness some volatility for about a year, but we can expect there will not be much lasting damage. The unemployment rate is set to recover and stabilize at around 8%. In relation to the beginning of the pandemic, where we reached levels of 5% and the current rate of 13%.

Interest rates are expected to remain low for the time being as the Government makes it a priority to inject enough liquidity into the economy as a short-term solution to support the public. Dru McAuley from First National in our feature article will give more insight to this. He will focus on the impact of interest rates vs bond yields and how spreads have impacted financing during the pandemic and what is expected moving forward.

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YOU HEARD IT FROM THE EXPERTS...

Apartment Financing Update

By: Dru McAuley, Assistant VP - First National Financial LP

For apartment owners and investors, it is always worthwhile to consider recent market developments that could impact this real estate asset class. In this note, I comment on three developments – interest rates, insurance requirements and CMHC processing times – that should be top of mind for all borrowers.

INTEREST RATES AND SPREADS

A primary focus for all borrowers is interest rates. An interest rate for most apartment loans is driven by two components: the underlying bond yield (or interest rate on the bond) and the "spread" over the underlying bond yield. The underlying bond yield is typically the yield on Government of Canada bonds or, in cases where the loan is likely to be securitized, the Canada Mortgage Bond. For example, in 2020 when the effects of the COVID pandemic became apparent and resulted in bond yields dropping to historically low levels, the spread over bond yields increased to ensure that rates were sufficiently attractive to entice bond investors – and lenders – to remain in the market as participants. Even with the spread increase, some lenders – notably not First National – completely withdrew from the market for a time. Now that bond yields have increased – 5- and 10- year Government of Canada bond yields have roughly tripled since August 2020 (the 5 year bond that was yielding 0.30% is now yielding 0.84% and the 10 year bond that was yielding 0.43% is now yielding 1.38%) we have seen a narrowing of the wider spreads on mortgage rates quoted on apartment projects.

Commentators often speak of interest rates rising and falling, as the case may be, but equally important is the spread being quoted, which can change from time to time with little notice. Prudent investors should be mindful of this.

INSURANCE COVERAGE

Another development in the apartment industry – and most other lines of business – is a significant change to insurance coverages available. Recent events have caused insurance premiums to increase and, more importantly, the availability of some coverages to decrease. The insurance industry refers to current conditions as a "hard market" which reflects tougher qualifying criteria for coverages and the fact that there are fewer insurers, or fewer insurers offering the same coverage than was the case a couple of years ago. It is understandable that apartment investors will look to reduce insurance costs but most loans have minimum insurance requirements that must be adhered to or the loan goes into default, even though payments are current. Reducing insurance expenses by reducing coverage leads to buildings being underinsured – more common than one would expect – which is neither wise nor in keeping with loan covenants regarding insurance. In the past, insurance would get dealt with on the path to closing a loan. Now, however, the first thing we advise purchasers is to ensure that insurance coverage is available – call your agent first, not last.

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

DANNY'S CORNER

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We continue to see a substantial number of people selling their apartment buildings, especially those that are retiring. This group feels that the price thresholds are as high as they have ever seen them. Buyers coming into the market feel that they could finance their acquisitions long term with low interest rates, and capture the increase in rents as turnover on apartments occur.

The Bank of Canada continues to increase money supply to finance government spending which may cause hyperinflation in the future. In the short term however, inflation is not seen as being impactful but it is a market trend to watch.

The Government of Ontario recently announced that there will be a guideline rent increase that will take effect as of January 1st, 2022, at 1.2%. This number represents the maximum most landlords can raise their tenants' rent between January 1st and December 31st, 2022, without the approval of the LTB.

The current supply for rental housing remains significantly low throughout most of the province. Border restrictions in the post pandemic era are set to be modified for fully vaccinated individuals and with the resumption of immigration, this will create a higher demand. This asset class continues to remain very resilient.

If you are considering selling your multi-unit residential property in the upcoming months, my team would be happy to meet with you to discuss your options, show you our marketing initiatives and prepare a complimentary evaluation of your property to achieve the top dollar for you. I welcome you to contact us anytime to hear about our unique approach to selling apartment buildings.

Keeping you updated as always,

Danny Iannuzziello, President and Broker of Record

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- Industry Related Articles!
- News, Resources and Valuable Links!
- Updates on Properties Sold Within Your Area!

Contact our Marketing Coordinator, Tysha Campbell, with your full name and email address to begin receiving your weekly email blast straight to your inbox!

info@skyviewrealty.com
416-444-6545 x 21

Apartment Financing Update

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CMHC FINANCING

CMHC mortgage insurance is a desirable option for long-term apartment financing, in most cases. This remains true, although there have been some recent developments that investors should consider. The current low-rate environment and the general appeal of apartment properties has caused CMHC to experience significant business volume increases. CMHC responded by adding employees, who take time to train. The net effect is that it takes a longer period of time to get a file approved for mortgage insurance. Given the substantial lag between deal submission and eventual approval, a couple of key concerns keep emerging. One is that purchasers or vendors might not have enough time to wait for a mortgage insurance application to be approved. Another is that the drawn-out approval process could have a meaningful impact on borrowers if rates increase significantly during the application process. For this reason, it is important to have a back-up plan. As a countermeasure to offset time delays that could scupper an acquisition, purchasers should think about a short-term financing alternative pending the CMHC approval process and, choose a lender that offers an early rate lock program to ensure that purchases are made in the same timeframe as financing availability. First National offers a solution to both concerns. We encourage you to speak with your First National advisor for information on how we can assist you.

Dru McAuley is Assistant Vice President, Commercial Lending at First National Financial LP, a leading lender of both CMHC insured and conventional, non-CMHC insured mortgages on multi-unit properties. First National also provides short term or conventional financing in virtually all segments of the real estate market.

A recent addition to the First National product line is a core conventional mortgage that is suitable for large loans in primary and secondary markets that could be helpful to borrowers who need financing more quickly and are not able to accommodate long wait times. Call for details.

He would be pleased to answer any questions or discuss this article. He can be reached at 416-593-2918 (toll free 1-800-465-0039) or dru.mcauley@firstnational.ca. Contact Dru if you would like to receive a daily interest rate summary in your inbox. (Copyright 2021 Dru McAuley; all rights reserved).



WE DON'T JUST LIST APARTMENT BUILDINGS... WE SELL THEM!

DANNY IANNUZZIELLO
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CLIFF FORD
SALES REPRESENTATIVE

HAMILTON



FOR SALE

IDEAL SPACE TO DEVELOP SIZABLE BUILDING

- Asking \$2,850,000
- 18 x Bachelor Rooms
- Approx 16,000 Sq ft of Space
- 1 x 3 Bedroom Apt
- Great Rental Demand Area
- 2 x Commercial Units
- Can Convert to All Residential Units
- Commercial Component Vacant
- Parking Lot Next Door Also Included
- Tax & Other Incentives May Be Provided to Revitalize This Area
- Upside on Turnover
- Treat Financing As Clear

REDEVELOPMENT OPPORTUNITY

ORILLIA



FOR SALE

Principals Only Please

UNPRICED, SIDE BY SIDE BUILDINGS

- Bid Submission Process
- Bach Apts: 1 + 0 = 1
- Sold Individually or As A Package
- 1 Bed Apts: 15 + 27 = 42
- Affordable Housing Program Expires In 2031 + 2027
- 2 Bed Apts: 79 + 33 = 112
- Significant Upside on Turnover
- 3 Beds Apts: 8 + 0 = 8
- Each Unit Has Own HVAC & Hot Water Tank
- Constructed in 2011 + 2007
- Existing Forgivable Loans To Be Assumed By Buyer

163 SUITES IN TWO BUILDINGS

CHATHAM



SOLD COND

HISTORICAL BUILDING WITH LARGE UNITS

- Asking \$2,850,000
- 1 x Legal Bachelor
- 4.5 % CAP Rate
- Bachelor is Currently a AirBnb Short Term Rental
- Interior Rebuilt in 1998 for Apartments
- 10 x Large 2 Bedrooms
- Formerly Business School
- Property Tax Credit Applied to Expenses
- Formerly OPP Headquarters
- Upside on Turnover
- Historical Designation on Property
- Treat Financing As Clear

11 SUITES

HAMILTON



SOLD FIRM

Principals Only Please

CLOSE TO HAMILTON EDGE

- Bid Submission Process
- 31 x 1 Bedrooms
- Beautiful Views of City
- 12 x 2 Bedrooms
- Great Rental Demand Area
- 2 x 3 Bedrooms
- All Tenants Pay Own Hydro
- Significant Upside on Turnover
- All Equipment Is Owned
- Recent Improvements: Roof, Windows And Balconies
- Owned By Original Builder
- Treat Financing As Clear

44 SUITES

NIAGARA FALLS



SOLD FIRM

Principals Only Please

6 STOREY BUILDING IN GREAT LOCATION

- Off Market Listing
- 1 x Bachelor, NR
- Listed at \$8,300,000
- 22 x 1 Bedroom
- 6 Storey Building
- 34 x 2 Bedroom
- Elevator Replaced in 2016
- Built in 1983 By Current Owner
- Parking Repaved in 2016
- Buyers To Rely on Their Own Due Diligence
- Superintendent Cost is a Free Apt (\$13,800.00 Value)
- Close to GO & VIA Rail

57 SUITES

SAULT STE MARIE



SOLD FIRM

Principals Only Please

HIGH-RISE WITH SOCIAL HOUSING PROGRAM

- Listed at \$12,500,000
- 125 x 1 Bedrooms
- Listed at \$99,206 per Suite
- 1 x 2 Bedrooms
- 121/126 Units With Housing Program
- Non-Registered Suite on Top Floor
- Program Expires in 2023
- 5.3% CAP Rate
- Can Add 1-2 Units in Party Room
- 10.6% R.O.I
- Upside in Rents & Utilities
- Treat Financing As Clear

126 SUITES

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 info@skyviewrealty.com

WE HAVE BUYERS!

Ady Steen

Vice-President
Regional Manager - Ontario



Telephone: 416.304.2089
Facsimile: 416.368.3328
ady@peoplestrust.com
www.peoplestrust.com

95 Wellington St West,
Suite 1310
Toronto, ON, M5J 2N7

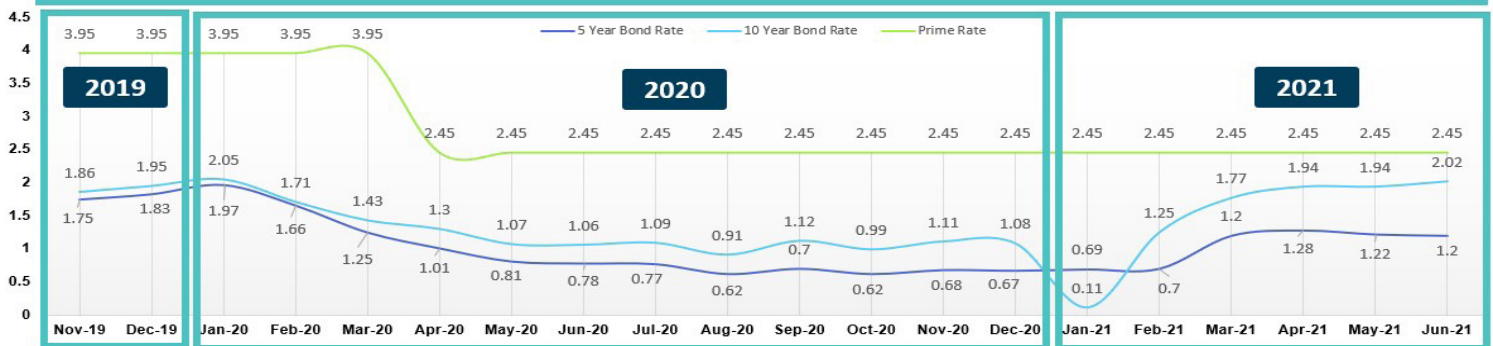
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MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

| | | | |
|---|---------------|------------------------|--------------|
| 2545 Lauzon Rd, Windsor | Mar. 08, 2021 | 68 Suites @ \$125,000 | \$8,500,000 |
| 323 Niagara Blvd, Fort Erie | Mar. 25, 2021 | 47 Suites @ \$112,766 | \$5,300,000 |
| 550 Langs Rd, Ottawa | Mar. 26, 2021 | 171 Suites @ \$257,310 | \$44,000,000 |
| 73 Clarence St, Brampton | Apr. 01, 2021 | 38 Suites @ \$298,684 | \$11,350,000 |
| 893 Kennedy Rd, Scarborough | Apr. 06, 2021 | 77 Suites @ \$285,714 | \$22,000,000 |
| 1505, 1515, 1525 Wilson Ave, North York | Apr. 06, 2021 | 131 Suites @ \$259,542 | \$34,000,000 |
| 7555 Goreway Dr, Mississauga | Apr. 06, 2021 | 272 Suites @ \$250,000 | \$68,000,000 |
| 1004 Lawrence Ave E, North York | Apr. 15, 2021 | 65 Suites @ \$84,004 | \$5,460,278 |
| 1004 Lawrence Ave E, North York | Apr. 15, 2021 | 65 Suites @ \$84,004 | \$5,460,278 |
| 26 Park St E, Mississauga | Apr. 16, 2021 | 82 Suites @ \$342,073 | \$28,050,000 |
| 324 Cambridge St N, Ottawa | May. 18, 2021 | 200 Suites @ \$218,750 | \$43,750,000 |
| 10 Highland Cres, Kitchener | May. 31, 2021 | 161 Suites @ \$196,894 | \$31,700,000 |
| 36 River Rd E, Kitchener | May. 31, 2021 | 39 Suites @ \$187,179 | \$7,300,000 |
| 500 & 504 Glenelm Cres, Waterloo | May. 31, 2021 | 71 Suites @ \$180,282 | \$12,800,000 |
| 3434 Eglinton Ave E, Scarborough | Jun. 01, 2021 | 218 Suites @ \$282,110 | \$61,500,000 |
| 920 Inverhouse Dr, Mississauga | Jun. 01, 2021 | 95 Suites @ \$347,379 | \$33,001,000 |

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WATCH ON INTEREST RATES



SkyViews
Summer 2021

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THE SKYVIEW TEAM

419-220 Duncan Mill Rd., Toronto, Ontario M3B 3J5
(416) 444-6545 Fax: (416) 444-6997
Email: info@skyviewrealty.com
www.SkyviewRealty.com

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