



**SKYVIEW**

REALTY LTD., BROKERAGE

# SkyViews

*Apartment Report - Winter 2009*

## DANNY'S CORNER



**Danny Iannuzziello**  
Broker of Record

We, at Skyview, would like to take a moment to wish you much success for 2009 and hope you had very joyful and fulfilling holidays.

As is our tradition, this year the Skyview team assembled some toy

and gift donations to provide for the many needy children at Bloorview Kids Rehab. As we give in your honour, in lieu of holiday cards, we trust you will also share the warmth we received in our hearts knowing some children in need would have special presents at the holiday season.

As we had anticipated, 2008 presented some challenges relating to the overall economy. I have decided to share my thoughts and perspectives about the current state of our economy in this issue's article. I trust it will help you to gain insight into the changes and trends we are seeing at Skyview and in our industry as a whole.

Our team looks forward to working with you in 2009 and wishes you much success in all this year may bring!

■ Danny Iannuzziello

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416.444.6545

## Understanding Our Economic Times

### *Perspectives on Today's Multi-Residential Industry*

By Danny Iannuzziello, Broker of Record, Skyview Realty Ltd, Brokerage

For the past several months, we have all been watching the economy intently, trying to decipher the mixed messages we would receive from the media. From day to day, we would listen to economists and strategists warn of an impending recession or depression. How do we interpret the signs of these times and more importantly determine how it will affect our multi-unit residential businesses?

Just a few short months ago, we watched as the U.S. economy nearly collapsed on itself, seeing its effects trickle into our Canadian economy. From the automotive industry, to the stock market, to the drop in the price of oil and the Canadian dollar, we are witnessing the results of a recession. Some experts believe this current recession has already been in effect for the past 12 months though, it seems, public awareness has only started to catch up to that reality.

Even though we may be surrounded by a lot of negativity in the apartment building industry, it is my experience that, unlike previous recessions, we may not have need for panic. I believe, this time around, we may be embarking on greater profits for us in the multi-residential industry.

One of the privileges of working in this industry over the past three decades has been the perspective I am able to obtain from Skyview's own real estate transactions, my ownership in buildings across various markets in the Golden Horseshoe, and our variety of contacts within our industry. I have noticed some interesting trends develop over the past few months.

### Sales and Values

First, while in years past there has been a flurry of activity around almost any new property listing in the market, lately we are seeing an attitude of cautiousness among buyers. This was most evident six months ago as we saw a significant drop in marketing responses on new listings, unrelated to the location of the building. Shortly after, however, we saw responses rise back to average levels and even exceed our expectations, given the state of the overall economy. While smaller properties have been seeing less activity, rightly-priced buildings of any size (especially mid-large size properties) are still very much in demand and continue to offer great return on investment. In the past recession, in the multi-unit residential market specifically, values dropped significantly and there was, on the whole, a lack of money in the marketplace. In the late eighties, buyers were purchasing properties at approximately 7% CAP rates with mortgage rates approximately at 11%, thus creating negative cash flows. This time around the lesson was learned, availability of money continues to flow into the market and values remain virtually unchanged.

Properties with little-to-no mortgage against them are having the most success in a sale. Buyers are now coming through the "wait-and-see" period and are taking advantage of the lower overall, all-in interest rates being offered by lending institutions. At time of publication, rates had dipped to less than 3.75% for a CMHC 5-year term.

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



## Here to Serve You... The Skyview Sales Team!



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*Broker of Record*



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## FREE Coin Counting Service

TD Bank has recently started providing a valuable service to those of us who are using coin-operated laundry machines in our buildings.

You can visit any of the following locations to have your coins sorted and counted for free:

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Brampton, ON. L7A 3R9

1440 Royal York Road (at Eglinton)  
Etobicoke, ON M9P 3B1

808 York Mills Road (at Leslie)  
Toronto, ON. M3B 1X8

5000 New Street (at Appleby Line)  
Burlington, ON. L7L 1V1

5887 Main Street (at West Lawn Cr)  
Stouffville, ON. L4A 1N2

1684 Danforth Ave (at Woodington)  
Toronto, ON. M4C 1H6

1119 Fennell Ave E. (at Upper Ottawa)  
Hamilton, ON. L8T 1S2

1260 Commissioners Rd W (at Boler)  
London, ON. N6K 1C7

1005 Ottawa Street N (at River Road)  
Kitchener, ON. N2A 1H2

1365 Fanshawe Pk Rd W (at Hyde Park)  
London, ON. N6G 0E3

## Understanding Our Economic Times - Continued from Page 1

### Financing

The second trend we've noticed at Skyview relates to financing of buildings. In 2008, an unprecedented 100% of Skyview's listing transactions and refinancing projects were financed through CMHC versus a conventional mortgage. It is clear that CMHC has become the frontrunner as a financing option for investors of apartment buildings. This is because the conventional rate is significantly higher than the CMHC rate, especially on a 5-year term. Ten year terms have become almost non-existent and the spread on these 10-year terms has become unattractive. The payback for the premium paid for CMHC financing now has approximately a 3-year payback versus 4 to 4.5-year payback in recent times.

A negative change that I am noticing in the area of financing relates mostly to the overall availability of lending funds in the market. The conduit money, for example, has basically dried up during this economic downturn meaning there is less available for financing projects. This cannot be translated to mean that financing is problematic, especially for our multi-residential industry.

While lending institutions are now charging larger spreads to obtain financing on a project, multi-unit investment properties are still favoured amongst the wide array of commercial properties.

There are a few myths surfacing around financing practices at this time. They suggest that CMHC are forcing owners into greater holdbacks when financing a property and undervaluing buildings overall. This, however, is not the case. Holdbacks, like properties themselves, are dealt with on a case-by-case basis. CMHC continues to look at each property on an individual basis and qualify them for financing based on the building's financial performance, structural soundness, and the buyer's covenant.

We are, however, experiencing greater delays for obtaining financing and lending institutions are telling us when they will be closing the transaction based on availability of funds. While one could interpret this to mean there is a lack of funds, the fact is that financing is still available in the market though your patience may be needed in order to complete the process. Funds are available, as in the past 60 days, the Canadian government has been buying back the mortgage securities from lending institutions - specifically the 5-year terms - freeing up more funds in the market for lending institutions to draw from.

### Vacancy Rates

Another sign of stability in our market relates to vacancy rates. CMHC just released its Fall 2008 edition of the Ontario Rental Market Survey. In the survey, it shows a trend towards lower vacancy rates overall,

especially most markets residing in the Golden Horseshoe. The majority of rental markets report vacancy rates dropping and hovering around the 2-3% balanced market rates. Combine these lower vacancy rates with average rental rates on the rise and we could see building values increase during this economy. Also, with the overall cautiousness in the economy, more and more potential home buyers are opting out of ownership and staying put in rental housing. This will only help to stabilize the multi-unit residential market all the more. There is always the possibility of tenants losing jobs which could increase the possibility of the bad debt factor, but overall other operating costs should be somewhat stable.

Heading into these turbulent times, one could assume the multi-unit residential market is safe. To ensure that this investment vehicle is indeed safe, it is important to make sure your business is not overly leveraged.

As we look to the year ahead, I feel confident that towards the end of 2009 we will start to see a turnaround in the overall economy. When we emerge from this recession, it is my perspective that we will experience lower financing rates, lower vacancy rates, and greater values for our properties.

**Danny Iannuzziello, Broker of Record**  
**Skyview Realty Ltd, Brokerage**



## BELLEVILLE

**TENANT  
WAITING LIST**



Principals Only Please

- Asking \$2,125,000
- Asking \$59,027 per Suite
- Tenants Pay Own Hydro
- Tenants Pay Own Heat
- Large Lot with Extra Parking
- Convert Electrical Hot Water Tanks for Potential Upside
- Excellent Suite Mix
- 3 x One Bedrooms
- 33 x Two Bedrooms
- 14 Suites Updated
- Excellent Tenant Profile
- Family Oriented Complex
- 7.0% CAP Rate
- **19.7% R.O.I**
- Treat Mortgage as Clear

**36 Suites**

## BRADFORD

**19.4% ROI**



Principals Only Please

- Asking \$2,369,900
- Asking \$98,746 per suite
- Individual Hydro Meters
- New Roof in 2003
- Thermal Windows
- New Boiler & Hot Water Heating System in 2003
- Enclosed Parking for 14 Cars and 10 Outdoor Spaces
- Driveways on East and West Side of Building
- 1 x Bachelors
- 13 x One Bedrooms
- 9 x Two Bedrooms
- 1 x Three Bedrooms
- Security Camera Surveillance System
- Flat Roof Re-Covered in 2003
- Parking Lot and Driveway Repaved in 2006
- 7.0% CAP Rate
- 19.4% R.O.I.
- Treat Financing as Clear

**24 Suites**

## OSHAWA

**24.5% R.O.I.**



Principals Only Please

- Asking \$1,650,000
- Asking \$71,739 per suite
- Building Built in 1987
- Individual Hydro Meters
- New Roof in 2006
- Heat & Hydro Recovered from Tenants
- Electric Baseboard Heating
- Thermal Windows
- 8 x 1 Bedrooms
- 15 x 2 Bedrooms
- Easy Building to Manage
- 7.6% CAP Rate
- 24.5% R.O.I.
- 1 Unit Non-Conforming
- Ex. 1st Mortgage approx. \$1,071,631 @ 4.61% paying \$6,145.59 due Feb 2011

**23 Suites**

## TRENTON

**27.3% R.O.I.**



Principals Only Please

- Asking \$815,000
- Asking \$58,214 per Suite
- 4 Semi-Detached Buildings
- 1 Six-Plex Building
- Potential Upside on Rents
- Tenants Pay Own Heat and Hydro on Turnover
- Thermal Windows
- Good Tenant Profile
- 5 x One Bedrooms
- 9 x Two Bedrooms
- Waterfront Property
- Overlooks Bay of Quinte
- Boat Launch
- 7.6% CAP Rate
- **27.3 R.O.I.**
- Treat Financing as Clear
- Seller Will Take VTB

**14 Suites**

## COLLINGWOOD

**POTENTIAL TO  
ADD SUITES**



Principals Only Please

- Asking \$1,600,000
- Asking \$88,889 per Suite
- Custodian Unit Not Included in Suite Count or Income
- Old Schoolhouse Converted in 1988 to Apartments
- Apartments are Large and Unique
- Extra Wide Halls and Staircases with Maplewood and Fir Wood Trim
- Potential Upside on Rents
- 11 x One Bedrooms
- 7 x Two Bedrooms
- 6,000 Square Feet of Open Space on Top Level has Potential for Construction of More Suites
- Tenants Pay Own Heat & Hydro and are Billed for Water Every 2 Months
- 7.4% CAP Rate
- 10.9% Cash Flow Return
- 23.1% R.O.I.
- Treat Mortgage as Clear

**18 Suites**

## TORONTO

**18.0%  
CASH FLOW**



Principals Only Please

- Asking \$1,450,000
- Building has a lot of Character from Another Era with a Great Corner Location
- Located in a Rapidly Redeveloping Area in West Downtown Toronto
- Commercial Tenant Pays Own Hydro and is Billed Back Every 2 Months for Property Taxes and Water
- 1 x Bachelor (Non-Registered)
- 7 x One Bedrooms
- 3 x Three Bedrooms
- 2 x Commercial (Combined and Leased to One Tenant)
- 6.5% CAP Rate
- **18.0% R.O.I.**
- Seller Take Back First Mortgage for 5 Years @ 4.5% per Annum

**11+ Suites**

## BRANTFORD

**UPSIDE  
POTENTIAL**



Principals Only Please

- Asking \$579,000
- Asking \$64,333 per suite
- Individual Hydro Meters
- Tenants Pay Own Heat
- Tenants Pay Own Hydro
- Six Suites Have New Flooring
- Good Size Rental Units
- Located in an Excellent Rental Area
- Upside Potential on Rents
- 8 x Two Bedrooms
- 1 x Bachelor (Non-Registered)
- Good Tenant Profile
- 7.5% CAP Rate
- 18.8% R.O.I.
- Treat Mortgage as Clear
- VTB 2nd Mortgage Available

**9 Suites**

## TORONTO

**23.7% R.O.I.**



Principals Only Please

- Asking \$2,475,000
- Asking \$72,794 per Suite
- Large Trendy One Bedroom Suites
- In Area of Re-Development
- Tenants Pay Own Hydro
- Thermal Windows
- Fully Occupied
- 14 x Bachelor
- 18 x One Bedrooms
- 2 x Jr. One Bedrooms
- Easy Building to Manage
- One New HWG Boiler in 2005
- 6.9% CAP Rate
- **23.7% R.O.I.**
- Treat Financing as Clear

**34 Suites**

## HAMILTON

**SOLID  
INVESTMENT  
POTENTIAL**



Principals Only Please

- Asking \$325,000
- Asking \$54,167 per suite
- New HWG Boiler in 2001
- New Roof in 2001
- New Plumbing in 2001
- New Thermo Windows in 2001
- New Circuit Breakers in 2001
- Tenants Pay Own Hydro
- 4 x One Bedrooms
- 2 x Two Bedrooms
- Minutes Away from the Eaton Centre and Hamilton General Hospital
- Situated in the Employment District
- **8% CAP Rate**
- 21.4% R.O.I.
- Treat Mortgage as Clear
- Forgivable Low Rise Rehabilitation Mortgage is to be Assumed by the Buyer

**6 Suites**

# industry report

## trends and services

**CMHC's Ontario Rental Market Report:** Shows Vacancy Rates on Average Decreasing and Average Rents Increasing Overall



## SOME OF SKYVIEW'S RECENT TRANSACTIONS

### 591 OXFORD ST, OSHAWA

November 2008 20 Suites \$1,350,000

This building was listed by a cooperating brokerage and Skyview Realty Ltd, Brokerage represented the Buyer in the transaction. The building was in fair to good condition with the potential for one additional suite. Heating was electric baseboard and there was potential to convert to individual hydro meters. Eight suites had subsidized rents from the City of Oshawa.



### 108-110 VICTORIA ST W, WHITBY

November 2008 23 Suites \$1,575,000

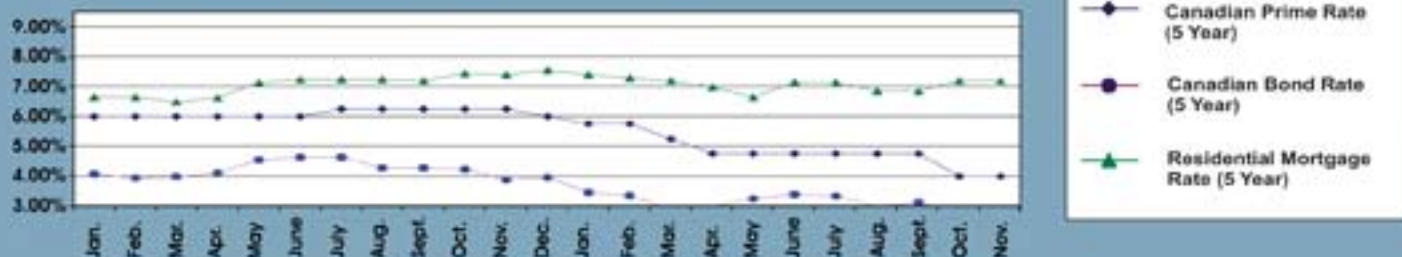
This building was listed and sold by Skyview Realty Ltd, Brokerage. The building was in fair condition and needed the replacement of some capital items. The location was superior and was surrounded by new development including condominiums. Heating was electric with the potential for individual meters. One unit was non-conforming.



## WATCH ON INTEREST RATES

2007

2008



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RECOMMENDED  
SERVICES

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Regional Manager - Ontario

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## SkyViews

### WINTER 2009

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