DISTRIBUTION TO OWNERS OF OVER 11,500 APARTMENT BUILDINGS

SKYVIEW
REALTY LTD., BROKERAGE

SkyViews

Apartment Report - Fall 2011

DANNY'S CORNER

I trust you had a great summer and as we begin the Fall season in the Apartment industry, we've seen some interesting developments in the bonds market. Following the raising of the debt ceiling south of the border, we've noticed a decrease in interest rates and indications are that they will stay low for the near future. For owners of apartment buildings, it translates into greater opportunities to sell your property as Buyer's continue to take advantage of low borrowing costs. Buildings that are priced right for the market are selling fast, often with multiple offers on the table.

The Ministry of Municipal Affairs and Housing recently announced their 2012 Rent Increase Guideline, and we were pleased to see it returning to a more reasonable percentage at 3.1% versus the last few years' low increase allowances.

Recently, we have been noticing a shift in Capitalization Rates in strong markets like the City of Toronto. To that end, I have asked my friend Sandy Mandel, an appraiser of multi-unit residential properties, to provide his insight into the Apartment Market as it stands mid-way through 2011. I welcome you to visit his full report on our website at www.skyviewrealty.com/articles.html.

As always, my team and I are here to support you in your multi-unit residential business. If you are interested in discussing your property in detail, please contact us at your convenience. All the best to you and yours as we look forward to the final months of 2011!

▪ Danny Iannuzziello

MULTI- UNIT RESIDENTIAL 2011 Q2 MARKET OVERVIEW

By: Sandy Mandel, Sanford Mandel & Associates Inc.

While the dynamics of the multi-unit residential investment market continue to evolve, several longer-term themes have emerged:

First and foremost, Stability: Though it has benefited in strong periods and has not been immune to downturns, the multi-unit residential sector's performance remains relatively stable and consistent when compared to other sectors. In the industrial and retail sectors for example, changing physical requirements or fickle shopping habits can render an asset obsolete. Moreover, the loss of a single tenant can prove catastrophic. In the multi-unit residential sector, the essential form of residential buildings remains unchanged and risk is spread among numerous, roughly equal tenancies.

The supply/demand imbalance: Despite the evolving challenges, many longer-term owners have recapitalized their buildings, streamlined and modernized operations and refinanced debt at very favourable rates. Few, if any would be in an unenviable position. Among more recent entrants, the inability to redeploy capital and achieve similar yields has reduced their temptation to take profits. Facing these entrenched owners has been a mix of traditional local private equity investors, domestic and offshore investors, corporate landlords and REITs as well as institutional investors and pension funds. This dynamic has fostered a competitive brokerage community and enabled brokers to orchestrate competitive bidding.

Consolidation: Original developers retain large portfolios and smaller buildings are the subjects of intergenerational transfers. However, properties and portfolios that do come to market are increasingly acquired by an expanding contingent of REITS, corporate and institutional investors and large-scale private equity investors. Several portfolios exceed 20,000 suites with assets across the country.

Capitalization Rates - Compression and Consolidation in the Rear View Mirror, Proven Stability Now

Capitalization rates hovered in the 10% range in the mid-1990s and declined to the 7% - 9% range following the introduction of the TPA. By the early 2000s, the leading edge was in 6% territory. 2002 saw a continuing release of properties. Despite rising operational challenges and uncertainty, the strength of the market was demonstrated by the absorption of several major portfolios. Demand continued in 2004, bolstered by the appetites of institutional, offshore and traditional private investors. Weak yields from other forms of investment hastened demand for small buildings from experienced and inexperienced private investors. Demand was underpinned by continuing low mortgage rates.

By 2005, the prospect of rental erosion, rising vacancies and further pressure on operating costs would have been expected to exert upward pressure on capitalization rates. However, the disconnect between on-the-ground operations and the demands of apparently flush capital markets produced precisely the opposite result. If a capitalization rate of say, 7.0% was seen to be a threshold level in 2004, it had shifted from the floor to the ceiling by 2005.

The continuing trend introduced the terms 'frothy' and 'cap rate compression' into the apartment market lexicon. Deals continued to set new benchmarks with capitalization rates for good suburban properties firmly in the 6% range. Continuing compression through 2006 and 2007 urged the threshold to 6%. This was certainly the case for prime assets where benchmarks were solidly in the 5% range and for premium properties where sub-5% deals were no longer surprising.

The onset of the global economic crisis in the fall of 2008

... (continued on page 2)

TORONTO - CURRENTLY 62 SUITES FOR POTENTIAL REDEVELOPMENT

- Asking $8,400,000
- Asking $230 per Square Foot
- Large Lot Offered for Development in Upper Beaches East York Area
- Current Structures on Property are Mixed Single Family Dwelling, Multi-Unit Residential, and Rooming Houses
- Potential to Purchase Additional Single House for Full Block Development *(Shaded in Green)*
- Ideal Location for Development of Condo Townhomes, Apartment Building, or Condo Building
- Over 245' of Frontage on a Busy Street with Transit at the Doorstep
- Located in a Desirable Neighbourhood wedged between Beaches & Danforth
- Treat Financing as Clear

Q2 Market Overview... (continued from page 1)

and the onslaught of dire economic news through the spring of 2009 certainly affected commercial property markets. The impact was quite pronounced in the industrial and commercial sectors. However, there was an expectation that the multi-unit residential sector's traditional strengths would support it through the crisis. While bumps and bruises were to be expected, positive fundamentals including strong rental demand, utility cost moderation and above all, the availability of low-rate CMHC insured financing would prevent a battering. While the deal flow certainly slowed, apartments remained the most liquid asset class through the crisis.

With the arrival of fall 2009, a view that catastrophe had been averted and that the worst of the crisis was over appeared to have been emerging. While there was an expectation that apartment capitalization rates would succumb to broader upward pressures, deals done in the late spring, summer and fall of 2009 reflect rates that only tilt toward the upper ranges prior to the crisis. By the winter of 2010, normal trading volumes had resumed and apartment market participants seemed as confident as ever. With the arrival of fall 2010, concerns about a 'double dip' recession were gaining momentum. However, stakeholders may well take heart knowing that the fundamental strength of this sector has been tested and proven.

Outlook

As the 2011 market continues to unfold, it appears that a combination of forces will continue to reshape the conventional apartment market. In the shorter-term, pessimistic

investors remain spooked and will likely linger on the sidelines. However, optomistic investors will be encouraged by the apartment market's traditional strengths and in particular, its stability. To put this in perspective, 45-year old concrete apartment buildings look very attractive at time when the global financial system teeters on the edge of meltdown.

Looking forward, conventional apartment fundamentals including the firming of the rental market and the availability of low-rate financing are favourable. While a variety of challenges continue to arise, owners remain in an enviable position, perhaps more so in the current environment.

For the Complete 2011 Q2 Market Overview visit our website at:
www.skyviewrealty.com/articles.html

Article Provided By:
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Sanford Mandel & Associates Inc.
Tel: 416-489-4883

RENT INCREASE GUIDELINE FOR 2012:

3.1%

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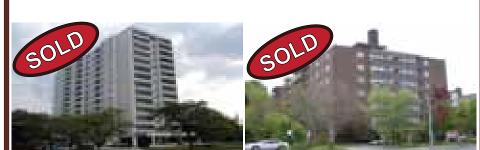

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ST. CATHARINES

- Asking $1,200,000
- Asking $75,000 per Suite
- Property in Very Good Condition
- Easy Access, Right Off QEW
- Potential Upside in Rents
- Roof Less Than 1 Year Old
- Potential To Add Bachelor Unit
- Balconies Upgraded
- Vinyl Windows
- Great Size Suites
- 2 x One Bedrooms
  14 x Two Bedrooms
- Superintendent On Site
- Long Term Owner
- Owner Currently Paying Utilities
- 7.0% CAP Rate
- 24.8 R.O.I.
- Treat Mortgage as Clear

16 Suites

TORONTO

3131 EGLINTON AVENUE

March 2011 82 Suites $5,280,000

This property was listed and sold by Skyview Realty Ltd. Located in a great rental area of Scarborough, this property required repositioning in order to maximize its potential. There was also upside as current rents were below market rates. At the time of listing there were significant vacancies and pending city work orders from a rehabilitation audit. Some recent upgrades included plumbing, balconies, canopy, and the underground garage walkway.

FORT ERIE

- Asking $600,000
- Asking $37,500 per Suite
- Close to Busy Tourist Area, Restaurants, Hospital and Border
- Easy Access to QEW and Public Transit
- Potential Upside in Rents
- Most Units Have Updated Flooring
- Roof New in 2003
- 2 x Jr. One Bedrooms
  12 x One Bedrooms
  2 x Two Bedrooms
- On Site Superintendent
- Separately Metered
- Great Starter Investment
- 7.0% CAP Rate
- 26.0% R.O.I.
- Treat Financing as Clear

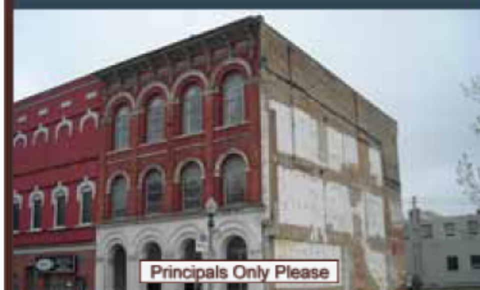
16 Suites

TRENTON

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

14 Suites

WOODSTOCK



- Asking $349,000
- Asking $58 per Square Foot
- Lot 35.43 ft. x 115.00 ft.
- Approx. 6,100 sq. ft. + Basement
- 3 Floors with Elevator
- Rear Parking Area
- Very Unique and Architecturally Interesting Facade.
- Possible conversion of 2nd & 3rd Floors to Residential Apartments
- Property Being Sold "As is, Where is"
- Gas Heating
- Interior Access Hatch to Roof
- Fire Alarm Panel on Main Floor
- Treat Financing as Clear

Vacant Commercial Building

WELLAND

- Asking $999,000
- Only $31 Per Square Foot
- Separate Lot Included (81x118ft) Across the Road for Possible Development or Private Parking.
- Roof Top Antenna for Extra Income
- Located in Welland's Downtown Redevelopment Zone, Many Allowable Uses
- 5 Floors of Finished Office Space
- Bathrooms and Separate Furnace on Every Floor
- Ideal for End User With Additional Income Generation
- Great Location for Medical Center, College or Call Center
- Vendor Will Consider 15% VTB to Qualified Purchaser

Commercial Building

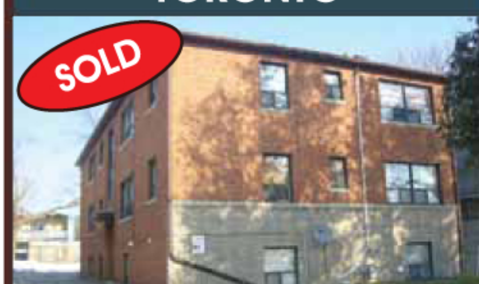
BROCKVILLE

1345-1375 KENSINGTON PKWY

April 2011 84 Suites $6,600,000

This building was listed and sold by Skyview Realty Ltd, Brokerage. This property, consisting of two buildings on approx. 4.4 acres, was situated in a great rental community of Brockville. The buildings featured attractive duplex layouts. Both buildings were ready for conversion to individualized metering. Prior to selling, the Vendors were actively involved in the management of the property and maintained a very good tenant profile.

TORONTO

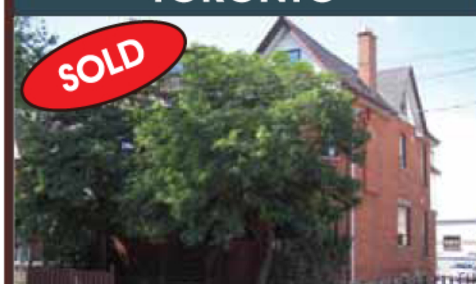


92 ASH CRESCENT

July 2011 9 Suites $930,000

This building was listed and sold by Skyview Realty Ltd, Brokerage. This well maintained property had been in the same ownership hands for 40 years. Recent upgrades to the building included Windows, Roof, and Parking Lot Repairs. Located within steps of Lakeshore Road and Public Transit, it was an easily rented investment property. At time of closing, there was one vacancy.

TORONTO



554 LANSDOWNE AVENUE

August 2011 9 Suites $915,000

This property was listed and sold by Skyview Realty Ltd. Located close to the Bloor Subway station, it was in an ideal rental location. The property was completely gutted and rebuilt in 1987 with new plumbing, wiring, thermo windows, kitchens and baths. Some of the units featured private decks. The two bedroom unit featured two full bathrooms and a decorative fireplace. The Seller was a professional management company (REIT) and maintained the property very well. At the time of closing, there were no vacancies at the property.

industry report

trends and services

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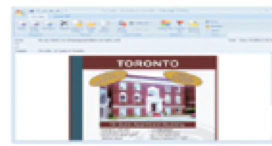

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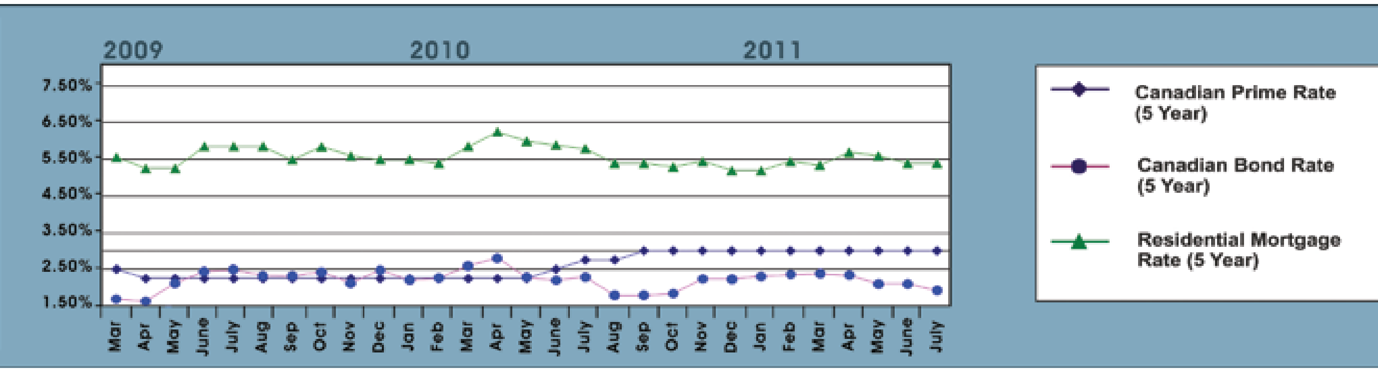
MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

5 HARTHAM PLACE North York	Jun. 1, 2011	26 Units @ $ 67,308	$ 1,750,000
1065 EGLINTON AVE W Toronto	Jun. 1, 2011	34 Units @ $ 82,353	$ 2,800,000
2180 WESTON RD Toronto	Jun. 1, 2011	62 Units @ $ 88,710	$ 5,500,000
2190 WESTON RD Toronto	Jun. 1, 2011	76 Units @ $ 75,000	$ 5,700,000
2402 - 2404, 2406 QUEEN ST E Scarborough	Jun. 1, 2011	54 Units @ $116,667	$ 6,300,000
8 OAKWOOD AVE N 206 - 212 LAKESHORE RD E	Jun. 1, 2011	63 Units @ $106,349	$ 6,700,000
150 SANFORD AVE N Hamilton	Jun. 1, 2011	146 Units @ $ 46,575	$ 6,800,000
3444 KEELE ST North York	Jun. 1, 2011	60 Units @ $ 85,000	$ 5,100,000
50 - 80 MOOREGATE CRES Kitchener	Jun. 8, 2011	536 Units @ $ 57,463	$30,800,000
24, 26, 28 HELEN AVE Brantford	Jun. 8, 2011	283 Units @ $ 54,647	$15,465,000
25 ORCHARD ST London	Jun. 10, 2011	36 Units @ $ 64,583	$ 2,325,000
228 GALLOWAY RD Scarborough	Jun. 15, 2011	60 Units @ $ 90,893	$ 5,453,554
524 - 526 HARVIE AVE Toronto	Jun. 17, 2011	58 Units @ $ 72,241	$ 4,190,000
434 WILLIAM ST Cobourg	Jun. 28, 2011	67 Units @ $ 82,836	$ 5,550,000
146 DOWLING AVE Toronto	Jun. 29, 2011	68 Units @ $ 80,882	$ 5,500,000
236 GORDON ST Guelph	Jun. 30, 2011	30 Units @ $ 68,500	$ 2,055,000
1 - 31A, 31 - 47 EASTERN AVE Brampton	Jun. 30, 2011	46 Units @ $105,000	$ 4,830,000
12 - 24 LEITH HILL RD North York	Jun. 30, 2011	224 Units @ $138,772	$31,085,000
2737 - 2757 KIPLING AVE Etobicoke	Jun. 30, 2011	731 Units @ $ 60,876	$44,500,000
165 ONTARIO ST St. Catharines	Jul. 8, 2011	158 Units @ $ 66,456	$10,500,000

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

WATCH ON INTEREST RATES



SkyViews

Fall 2011

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