



**SKYVIEW**

REALTY LTD., BROKERAGE

# SkyViews

Apartment Report - Summer 2011

## DANNY'S CORNER



Our industry has always thrived on relationships - those unique connections between individuals from all walks of life who share common interests and goals. One individual who has represented a significant number of

investors in this industry was John Zeiler, a Solicitor in the Toronto area. I know that all of us who had worked with John over the years appreciated both his integrity and the commitment to his clients. John will certainly be missed!

The world of financing apartment buildings is constantly changing so to keep you apprised of upcoming developments, I have asked my friend Michael Lombard, Vice-President of People's Trust, to provide an update on some of these recent changes and how they could impact our industry.

On the second page of this newsletter, I have also included a bulletin from FRPO about the annual rent increases. If you have not applied a 2011 Increase on some or all of your rents already this year, you may find this information very useful.

As part of Skyview's commitment to the environment, we have begun to send our quarterly newsletter digitally versus the traditional print medium. Those of you who have an email address on file with us, would have already received this newsletter in your inbox. If you have not provided Skyview with an email address as of yet, I encourage you to fill out the page insert that was sent with this newsletter. With an email address on file, you will not only receive our newsletter by email but also updates on property listings and industry trends. If you want to continue receiving the newsletter by mail, please contact us and let us know.

The Skyview Team wishes you a very happy and safe summer season! We welcome you to give us a call if there is anything we can assist you with in your multi-unit residential business!

■ Danny Iannuzziello

## IFRS & CMHC INSURED MULTI-FAMILY FINANCING

By Michael Lombard, People's Trust

By now, most of you have probably heard the term International Financial Reporting Standard or its acronym IFRS. It is essentially a newly-adopted set of accounting rules that apply to all federally regulated lenders. IFRS is having a significant impact on how Canadian mortgage lenders will financially account for their lending activities.

In the near term this should have little impact on borrowers investing in the multifamily asset class, however in the long term there could be significant impacts both in terms of borrowing costs (increased spreads) and availability of capital.

Prior to IFRS, lenders could fund and securitize bundles of CMHC insured mortgages with virtually no impact to their balance sheets. Under IFRS, mortgages that are securitized must be reflected on a lender's balance sheet. Prior to January 1, 2011 that was not the case. (IFRS securitization guidelines don't take effect on the big banks until November 1 of this year.) Once the securitised mortgage is accounted for on a lenders balance sheet, the lender must allocate capital to that mortgage. Even though this mortgage loan has been sold to an investor, for accounting purposes the lender is still considered to hold this mortgage on the balance sheet.

In order to continue to meet federally mandated asset to capital ratios, lenders will be required to boost their capital reserves in order to allocate capital to these mortgages. For larger mortgage lenders such as the big banks, this does not present a major issue. The banks are well capitalised and have traditionally not relied on securitisation to leverage their lending activities.

It does however have a major impact on smaller lenders such as trust companies, credit unions and non-bank lenders.

The first impact will be how these smaller lenders price their mortgages going forward.

Due to requirement to boost capital reserves and the increased cost associated with doing this, smaller lenders may be forced to increase their spreads or turn their focus to other mortgage products in order to deal with these increased costs.

The second impact would be that if the smaller lenders feel that funding and securitising insured mortgages no longer provides returns adequate to justify the practice, they may abandon or curtail their activities in that business line. While increasing spreads or reduction in available capital has not been observed to this point in the cycle, it should be pointed out that the implementation of IFRS is a very recent development.

While the experts seem to be divided on the future impact of IFRS, it is our opinion that a likely scenario will be both an increase in spreads and fewer options amongst lenders participating in this market. This could occur through the smaller lenders increasing their spreads, which could result in larger lenders following suit. It could also occur if the smaller lenders decide that capital is more profitably employed through other business lines, resulting in less competition and again higher spreads.

The message that borrowers should be taking from the foregoing is that while the current climate for obtaining financing for multifamily properties is very robust, there are factors in play that may significantly impact price and availability in the not too distant future.

**Article Provided by:**  
**Michael Lombard**  
**Vice President and Regional Manager - Ontario**  
**People's Trust**  
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NOT INTENDED TO SOLICIT PROPERTIES ALREADY FOR SALE. NOT INTENDED TO INTERFERE WITH BUYER-AGENCY AGREEMENTS.



# FOREGO A 2011 RENT INCREASE?

Article Provided by: *Vince Brescia (President & CEO of FRPO) / 416-385-1100 / www.frpo.org*

As FRPO members are painfully aware, the 2011 rent increase guideline is 0.7%. Furthermore, we already have a pretty good idea that next year's guideline will be somewhere around 2.7%, based on 8 of 12 months of CPI data used to calculate next year's guideline.

Given this situation, it may make some sense to forego rent increases in 2011.

FRPO has looked at the numbers, and has determined the following. For all renewals for June 2011 or later, technically you are better off foregoing a rent increase in 2011 and waiting until January 2012 to put through a rent increase.

The closer you get to the end of 2011, the more long term revenue you forego if you take the 2011 rent increase, as opposed to waiting until 2012. Perhaps an example better illustrates this.

Annual Revenue Difference If No 2011 Rent Increase								
Year	Lease Renewal Month							Avg
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2012	50	77	104	131	158	186	213	131
2013	15	15	36	57	77	98	141	63

Suppose the current rent for a unit is \$1000. The table above shows how much higher your annual revenues will be in either 2012 or 2013 if you forego a 2011 rent increase and wait until January 2012, depending upon the renewal date of your tenant. For a June renewal, your revenues will be \$50 higher in 2012, and \$213 for a December renewal. On average, your annual rents for the June to December

renewals would be \$131 higher.

If you have a 100 unit building, assuming an evenly distributed lease renewal pattern, this strategy would affect about half of your tenants. If you adopt the strategy, assuming it does not affect leasing in any way, your revenues would be \$6,550 greater in 2012. At a 6% cap rate, that affects your value by about \$109,000.

## 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!**

**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**

**TORONTO**



- Asking \$975,000
- Asking \$108,333 per Suite
- Modern Brick and Block Construction
- Steps to Lakeshore Streetcar, Shops and Restaurants
- Low Maintenance Property
- All Thermo Windows
- Recent Paved Parking Lot
- Good Rental Location
- 1 x Bachelor
- 6 x One Bedrooms
- 2 x Two Bedrooms
- Roof Less Than 10 Years Old
- Most Tenants Pay Hydro
- 6.0% CAP Rate
- 19.3% R.O.I.
- Treat Financing as Clear

**9 Suites**

**TORONTO**



- Asking \$6,600,000
- Located in Scarborough close to Schools, Parks, and All Amenities
- Most Suites have been Renovated to Feature Hardwood/Laminate Flooring and New Kitchen Cabinets
- Tenants Pay their Own Heat and Hydro
- Zoning May Allow for Future Additional Development
- 30 x Two Bedrooms
- 12 x Three Bedrooms
- Good Superintendent and Family-based Tenant Profile
- 6.6% CAP Rate
- 22.1% R.O.I.
- Treat Financing as Clear
- Seller May Consider VTB to Qualified Purchaser

**42 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**

**TORONTO**



**45 DRIFTWOOD AVE**

January 2011 136 Suites \$9,400,000

This property was listed and sold by Skyview Realty Ltd. Located in a great rental area in North York, the building experienced a very low vacancy rate. Prior to listing, the property had undergone a number of improvements including 100% of the windows replaced new, repairs to brick spalling, and underground parking garage lighting, painting, and insulation. There was also upside potential, with rents currently below market.

**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.

**BELLEVILLE**



**364-366 SIDNEY STREET**

April 2011 24 Suites \$1,212,000

This property, containing 24 units in 4 buildings, was listed by Skyview Realty Ltd. Brokerage and sold through a co-operating brokerage. Located on a main street in Belleville, in a good rental community, the property featured excess land between the buildings. At the time of sale, there were significant deficiencies and city work orders. In addition, approximately a third of the units were vacant.

**BROCKVILLE**



**1345-1375 KENSINGTON PKWY**

April 2011 84 Suites \$6,600,000

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 individualize metering. Prior to selling, the Vendors were actively involved in the management of the property and maintained a very good tenant profile.

**PORT COLBORNE**



**299-303 KILLALY STREET WEST**

May 2011 24 Suites \$1,350,000

This property, containing 24 units in 2 buildings, was listed and sold by Skyview Realty Ltd. Brokerage. The combined properties included excess land and had potential for additional development. The buildings were in good condition however the roof was near the end of useful life. At the time of closing, there was three vacant units.

# industry report

trends and services



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Broker of Record

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Sales Representative

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**SKYVIEW'S  
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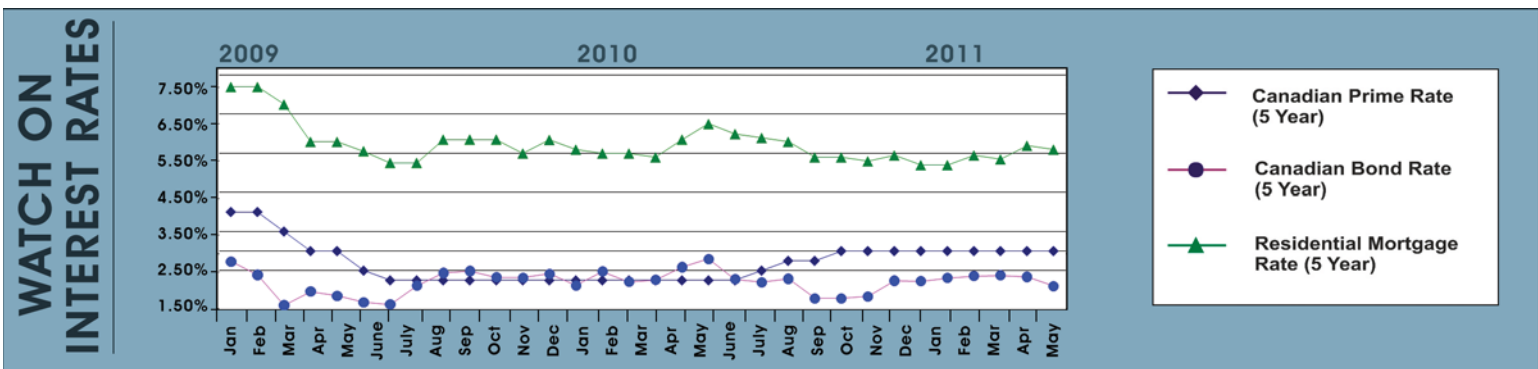


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## MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

16 TECUMSEH ST Hamilton	Mar. 1, 2011	23 Units @ \$ 57,639	\$ 1,400,000
51-95 INVERLOCHY BLVD Markham	Mar. 1, 2011	101 Units @ \$ 57,821	\$ 8,542,416
145 ELINOR AVE Scarborough	Mar. 2, 2011	21 Units @ \$150,000	\$ 3,150,000
508 DAWES RD East York	Mar. 4, 2011	66 Units @ \$ 58,750	\$ 3,877,500
1255 BIRCHMOUNT RD Scarborough	Mar. 17, 2011	68 Units @ \$ 60,147	\$ 4,089,998
195 WELLINGTON ST S Hamilton	Mar. 29, 2011	143 Units @ \$ 41,783	\$ 5,975,000
2501 EGLINTON AVE W York	Mar. 31, 2011	24 Units @ \$ 74,583	\$ 1,790,000
335 MELVIN AVE Hamilton	Mar. 31, 2011	44 Units @ \$ 54,545	\$ 2,400,000
333 DIXON RD Etobicoke	Apr. 1, 2011	55 Units @ \$ 99,091	\$ 5,450,000
620 NORTHCLIFFE BLVD York	Apr. 6, 2011	70 Units @ \$ 55,800	\$ 3,906,000
65 DYNEVOR RD York	Apr. 6, 2011	90 Units @ \$ 53,044	\$ 4,774,000
765 STEELES AVE W North York	Apr. 6, 2011	167 Units @ \$100,000	\$16,700,000
165 ERSKINE AVE Toronto	Apr. 6, 2011	40 Units @ \$ 88,619	\$ 3,544,767
665 ROSELAWN AVE Toronto	Apr. 6, 2011	87 Units @ \$160,848	\$13,993,800
225 VAN HORNE AVE North York	Apr. 6, 2011	153 Units @ \$ 95,983	\$14,685,465
890 MOUNT PLEASANT RD Toronto	Apr. 6, 2011	145 Units @ \$114,550	\$16,609,767
200 COSBURN AVE East York	Apr. 14, 2011	43 Units @ \$ 87,930	\$ 3,781,000
10 YORKWOODS GATE North York	Apr. 29, 2011	55 Units @ \$ 72,727	\$ 4,000,000
150 FERMANAGH AVE Toronto	May 18, 2011	65 Units @ \$111,769	\$ 7,265,000
1865 MARTIN GROVE RD Etobicoke	May 25, 2011	92 Units @ \$ 70,652	\$ 6,500,000

SOURCE: RealTrack Inc. [www.realtrack.com](http://www.realtrack.com) 1-877-962-9033



## SkyViews

Summer 2011

**PUBLICATION:**

Our newsletter is published quarterly: (January, March, June, and September).

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