



# SkyViews

Apartment Report - Winter 2024

## CLIFF'S CORNER



Can you believe we are already in 2024?! Where is the time going? I hope you had a great holiday season! We are seeing positive signs in the

economy, with inflation continuing downward over the last few months. The Bank of Canada has held off on any further rate increases for the time being and there is talk that decreases may be around the corner.

This fall we lost my dad after a couple of years of illness. In reflecting on his passing, I was reminded about the importance of passing along a legacy to the next generations. So when Gene Giordano approached me to provide an article for our clients, I knew this topic would resonate with you as well. Keeping the legacy going with your multi-family investments is at the very core of the motivation for many owners of apartment buildings. I hope you will find this topic insightful and beneficial to your business. Gene is not only knowledgeable in wealth management, he's also an experienced owner of multi-family.

As we enter this new year, if you are looking to divest any of your multi-unit residential properties, Skyview Realty knows the active buyers currently within the Ontario market and can provide you the expertise needed for a smooth transaction. We start with a complimentary and detailed evaluation based on the latest market trends. I welcome you to contact me to get started today!

**Cliff Ford**  
Sales Representative,  
Director of Sales & Marketing

## YOU HEARD IT FROM THE EXPERTS...

### Don't Make the Government your Beneficiary: Keeping Your Real Estate in the Family by Gene Giordano, Scotia Wealth Management

As a Canadian, it should not come with much surprise to hear that there are only a handful of assets left that do not attract the attention of the Canada Revenue Agency (CRA) tax collector. The principal residence (family home), tax-free savings accounts, tax-exempt life insurance, and lottery winnings – that's about it. Now unless you plan on winning the lottery anytime soon, we'll have to keep our focus on the first three tax-free assets. **In fact, one of these assets can help solve the most significant threat to the wealth of Canadian real estate investors – more on this later.**

The principal residence exemption provision in the Income Tax Act allows Canadians to sell their family home with zero tax consequences. **Unfortunately, investment real estate is not privy to the same preferred tax treatment.**

#### The Problem:

While most Canadian real estate investors have benefited from several decades of tremendous growth, most are not aware of the significant tax problem that looms in their family's future. **In many cases, lack of adequate planning can lead to the forced liquidation of investment real estate portfolios; all for the sole purpose of paying the CRA.**

In Canada, when a real estate investor and their spouse pass away, **roughly \$0.25 for every \$1 of capital gains is payable directly to the government.** For example, suppose an investor purchases \$10 million worth of investment real estate that has grown to

\$50 million. This portfolio would have an unrealized capital gain of \$40 million. **When the investor and their spouse pass away, \$10 million must be paid to the government by the investor's beneficiaries.**

**More often than not, the investor's family will be forced to sell the investment portfolio to pay for the \$10 million tax bill.**

#### A few, Inadequate Solutions:

An investor could begin setting aside funds today to pay for the eventual tax liability. However, a few problems arise. First, the investor must be alive long enough to accumulate the necessary funds. Second, due to income taxes, the investor would need to earn twice the amount needed in pre-tax dollars to pay the tax bill. For example, if the tax bill is estimated to be \$10 million, the investor would need to earn \$20 million due to income taxes. Third, setting aside money to pay future taxes prevents the investor from allocating this capital towards buying more investment real estate, resulting in a very significant opportunity cost.

Another potential solution is for the investor's beneficiaries to borrow against the equity of the investment real estate to pay the tax bill. The problem with borrowing is the beneficiaries will eventually need to pay back the debt, with interest that is not tax-deductible.

#### The Solution – Keep the Real Estate within the Family:

**The most cost-effective method for**

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



## Don't Make the Government your Beneficiary

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keeping the real estate portfolio within the family is to utilize the third tax-free asset available to Canadians, tax-exempt life insurance. The investor can purchase a joint-last-to-die life insurance policy with a death benefit equal to the future tax liability on their real estate portfolio. With a joint-last-to-die policy, the death benefit pays out on the passing of the second spouse, tax-free, directly to the investor's beneficiaries. This timing is crucial, as it perfectly aligns with the timing in which the capital gains tax bill is due; on the passing of the second spouse. By matching the death benefit of the tax-exempt life insurance policy with the amount of the future tax-bill, the investor can ensure their estate has enough liquidity to pay for the taxes in full and avoid forced liquidation of their real estate. **As a result, the portfolio remains within the family and the investor's legacy prevails.**

**This solution also allows the investor to significantly reduce their tax cost since the cost of the tax-exempt policy is generally less than the tax-free death benefit.** For example, a 65-year-old couple would only need to invest \$3.75 million to acquire a joint-last-to-die life insurance policy projected to pay \$10 million, tax-free, at life expectancy.

### Case Study:

Adam and Jenny, a 65-year-old couple, have spent the last 40 years accumulating and managing their real estate portfolio. With retirement on the horizon, they have finally hired a property

management company to oversee the entire portfolio. However, selling their properties is strictly off the table, as they plan to create a family legacy and keep the real estate held within their family for generations.

At life expectancy, Adam and Jenny's tax liability is expected to amount to \$15 million. **Before inheriting the properties, their son Matthew will have to pay \$15 million directly to the government within as little as 6 months of his parents' passing.**

The following steps outline one approach Adam and Jenny can consider to avoid forced liquidation of their real estate portfolio:

- 1) Adam and Jenny purchase a joint-last-to-die whole life insurance policy with an initial death benefit of \$15 million. This policy requires annual premium installments of \$1,125,000 for eight years, totaling \$9 million.
- 2) The policy is collaterally assigned to a lending institution as security for a loan. After each premium installment is paid, Adam and Jenny immediately borrow back the same amount, leaving them cash flow neutral on the transaction.
- 3) The couple reinvest the borrowed funds in their investment portfolio to take advantage of loan tax deductions and maximize after-tax investment returns. The interest on the loan is paid annually using earned income from their portfolio.
- 4) At the passing of the second spouse, the insurance policy proceeds

would first pay off the loan used to fund the policy premiums, with the remaining proceeds being tax-free to the beneficiary of their estate. Based on the life expectancy outlined in their financial plan, at age 95, Adam and Jenny's insurance policy is projected to grow to \$24 million, resulting in their son Matthew receiving a \$15 million benefit and the \$9 million loan paid in full. Matthew will then use the \$15 million to pay for the \$15 million in taxes.

**Through careful planning, Adam and Jenny reduced their \$15 million tax cost to \$9 million and made arrangements to keep their real estate portfolio within the family.**

*This example has been simplified to explain the core element behind this concept. The exact terms of a life insurance policy and its benefits will be dictated by your unique circumstances, including health and financial qualifying criteria.*

For over 30 years, our team of experts have worked closely with real estate families in the preservation of their wealth. Should you like to learn more about whether our team can assist yours and your family's current or future situation, please do not hesitate to contact us today.

**FOR MORE INFORMATION:  
GENE GIORDANO, CFP, CIM  
SCOTIA WEALTH MANAGEMENT  
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## 2024 Rental Increase Guideline: 2.5%



Danny Iannuzziello  
President  
Broker of Record



Cliff Ford  
Sales Representative  
Director of Sales & Marketing



Pat Villani  
Sales Representative,  
Associate Vice President

WE DON'T  
JUST LIST  
APARTMENT  
BUILDINGS...

WE SELL THEM!

## MEET THE SKYVIEW SALES TEAM

## OAKVILLE

EXCESS LAND



- Seller asking \$11,500,000
- Recent improvements include exterior brick painting, hallway carpeting, new hot water tanks, & many units renovated
- Great Upside on rents of approx. \$12,000/month
- Large corner lot for potential future redevelopment
- Tenants Pay Own Hydro
- 18 x 2 Bedrooms
- 12 x 3 Bedrooms
- 1 x 3 Bedroom House
- Professionally Managed
- Ex. 1st Mortgage to be Assumed by Buyer at 2.04%
- VTB 2nd Available at 2.0%
- Average Financing Rate at 2.024% may be Achievable

30 Suites + 1 House

## SAULT STE. MARIE

ATTRACTIVE FINANCING



- Asking \$14,900,000
- Located close to the waterfront with views of the river
- Great Upside on Rents!
- Built in the 1980's
- Hydro paid by owner - potential to convert to smart metering
- 81st unit is currently in the process of being built
- 1 x Bachelors
- 48 x One Bedrooms
- 24 x Two Bedrooms
- 8 x Three Bedrooms
- Ex. 1st Mtg of approx. \$9 million at 3.2% until 2032 to be assumed
- Seller will provide VTB 2nd mortgage at \$2.5 million at 3.2% interest only

81 Suites

## NIAGARA FALLS

GREAT UPSIDE



- Asking \$2,100,000
- Asking \$190,909 per Suite
- Located close to tourism area of Niagara Falls
- Average upside in rents per unit is \$300/month
- Roofs reshingled 3 years ago
- Vinyl thermal windows
- Heated by 3 hot water gas boilers, 1 of which is on demand
- 1 x Bachelors
- 2 x 1 Bedrooms
- 6 x 2 Bedrooms
- 2 x 3 Bedrooms
- Property contains three buildings: two fourplexes and one triplex
- 2-3 Vacant Units may be feasible on Closing
- Treat financing as clear

11 Suite Complex

## HAMILTON

GREAT LOCATION



- Asking \$4,155,000
- Asking \$207,750 per Suite
- Located near Downtown Hamilton, 5 minutes from St. Joseph's Health Care Centre
- Recent Improvements include Concrete Restoration, Elevator Replacement, Toilet Replacements, LED lighting, Security Cameras
- 10 x 1 Bedrooms
- 10 x 2 Bedrooms
- Great upside on turnover, averaging over \$300 per month per unit
- Tenants Pay their own Hydro - Separate Hydro Meters
- Treat Financing as Clear
- Seller may consider VTB 2nd Mortgage

20 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](mailto:info@skyviewrealty.com)

## WE HAVE BUYERS!

### Ady Steen

Vice President & Regional Manager  
Commercial Banking - Eastern Canada

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[peoplesgroup.com](http://peoplesgroup.com)



**Peoples Group**  
It's about you

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## MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

Address	Date	Description	Price
286-296 Saguenay Ave, Oshawa	Dec. 1, 2023	23 Suites @ \$192,391	\$4,425,000
28 Arlington Ave, St. Catharines	Nov. 17, 2023	40 Suites @ \$197,500	\$7,900,000
15 Rachael Rd, Orillia	Nov. 17, 2023	12 Suites @ \$126,000	\$1,512,002
250 Frederick St, Kitchener	Nov. 15, 2023	108 Suites @ \$200,000	\$21,600,000
10 Leacrest Crt, Kitchener	Nov. 15, 2023	25 Suites @ \$259,000	\$6,475,000
70 Cannifton Rd, Belleville	Oct. 31, 2023	24 Suites @ \$95,833	\$2,300,000
269 Rideau St, Kingston	Oct. 5, 2023	23 Suites @ \$183,696	\$4,225,000
353 Oakwood Ave, Toronto	Sept. 29, 2023	9 Suites @ \$619,444	\$5,575,000
30 Normandy Pl, Oakville	Sept. 22, 2023	70 Suites @ \$224,000	\$15,680,000
100-102 Maple Ave N, Pembroke	Sept. 14, 2023	24 Suites @ \$240,208	\$5,765,000
131 College Ave S, Sarnia	Sept. 14, 2023	36 Suites @ \$95,833	\$3,450,000
460 Henrietta St, Gananoque	Sept. 14, 2023	12 Suites @ \$166,667	\$2,000,000
462 Henrietta St, Gananoque	Sept. 14, 2023	12 Suites @ \$166,667	\$2,000,000

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

## WATCH ON INTEREST RATES



SOURCE: [www.bankofcanada.ca](http://www.bankofcanada.ca)

### SkyViews Winter 2024

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

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