



SKYVIEW
REALTY LTD. BROKERAGE

SkyViews

Apartment Report - Summer 2009

DANNY'S CORNER



Danny Iannuzziello
Broker of Record

Over the past year, we've all watched the financial market closely to see how our industry would be affected by the recession. I've asked a couple of industry-leading professionals in the multi-unit residential sector to comment on the trends affecting our industry, and offer

advice on improving your building's bottom line.

Despite the global economic crisis, Sandy Mandel of Sanford Mandel & Associates Inc confirms that "the multi-unit residential sector's performance remains relatively stable and consistent when compared to other sectors."

Sandy does, however, caution that we may not have seen the recession's full effects on property values in Ontario. The full impact has "yet to register in the rear-view capitalization rate mirror... Trades even in late 2008 and the few trades in early 2009 may not give a clear reading on the current market pulse."

It is Sandy's belief that, in the near future, there will be a property value "re-pricing" in the market with buyers paying a premium for "strong locations, well maintained buildings and professional operations" and "corresponding discounts for challenged counterparts".

One of the ways in which to increase your property's value is through a condo conversion. Mark McMackin is an expert in the field of condominium conversions. With many multi-unit residential owners considering conversions on their buildings, I asked Mark to explain the process and benefits it could bring to your investment property.

Continued on Page 2....

The A B C's of Condo Conversion

By Mark McMackin, Ricketts, Harris LLP

Generally speaking, a condominium conversion is the process of converting an income property or other land held under one title into individual units for sale. Subject to any specific restrictions that are imposed by municipal or other approval authorities, any type of existing structure can be converted to a condominium. Condominium conversion is possible for all different types of properties, including multi-family residential buildings, co-operatives or co-ownerships, multi-family row dwellings, and industrial or commercial buildings which can be converted into individual housing units or commercial units.

Why are Condo Conversions Popular?

Typically, the market for condo conversions occurs when the price of single family homes increase beyond the reach of the first time buyer. Converted condominiums provide an excellent opportunity for a small percentage of tenants to own their own units given low interest rates and first time ownership grants like those in Peel Region of \$10,000.00. Furthermore, due to these market factors, investors, both domestic and foreign, are increasingly interested in converted condominiums as an affordable means of acquiring property for investment purposes. Smaller investors, domestic and foreign, who are now completely disillusioned by the stock market are showing continued interest as well, purchasing several condominium units rather than a large, single-title property. Multiple types of investors, including developers and landlords/owners, wishing to capitalize on this market demand and flexibility on maximizing their return on investment and tax reduction, often decide to pursue condo conversions.

What are the Key Benefits of Condo Conversions?

Condominium conversions can result in significant tax benefits for a property owner because they allow a property owner to take advantage of the lower realty taxes for single-

family property units as compared to multi-family commercial mill rates. For example, a multi-family property in Toronto can have taxes of up to 3.8 times the amount that would be paid on the same building if it were composed of a series of single-family condominium units rather than a single, multi-family unit property. Conversion also provides for greater estate planning flexibility for those smaller multi-family owners given the liquidity of the asset. In this circumstance for instance, a 6 unit owner can dispose of a unit at will for any purpose such as retirement. I have also started performing conversions on family owned factories where the parents who own it are unsure of growth in the future due to disinterest of their children.

In addition, condominium conversions generally result in an increase in the value of the units if sold either to unit owners or investor groups. Some of this increase in value comes from the conversion itself, and some comes from minor upgrades to the units and common areas that may occur during the conversion process. In each conversion, it is necessary to offset the amount of the increase by any costs required to bring the building in line with various municipal standards (which normally have been met by virtue of being an apartment complex already). Furthermore, as you are not changing "a brick" on the building municipalities cannot impose development charges or other weighty development measures. However, the net increase can be a significant incentive for property owners considering conversion.

There is an advantage to developers/owners in considering conversion as well. In a market where construction costs are high, a conversion of an existing multi-family structure will often be much more cost effective and easier given the dearth of stick built financing currently available. Even current property owners can take advantage of

Continued on Page 2....

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

Email: info@skyviewrealty.com

Website: www.SkyViewRealty.com

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



these benefits; the comparatively fast process of conversion (6-9 months) in most jurisdictions often makes it possible to sell and presell individual units when they are in the process.

Mark McMackin, a partner with Ricketts, Harris LLP, has been engaged in this area with his team of Planning and Survey staff for 13 years. Mark has completed and is currently engaged in the process throughout Ontario on many projects. If you would be interested in learning more about the potential of your building for conversion, from 4 – 400 units, please contact Mark by phone at (416)-364-6211 ext. 214 or by email at mmcmackin@rickettsharris.com. You can also find more information on our law firm's website at www.rickettsharris.com and www.condoconversions.ca.

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



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Broker of Record



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ARE YOU THINKING OF SELLING?

Below is a partial list of services that our team at Skyview Realty, Ltd. Brokerage will provide for you.

- Provide you up front with a market evaluation of your building.
- Determine an asking price which is acceptable to you.
- Describe how to prepare your building for the best exposure in the market place.
- Prepare a marketing information package to be presented to all prospective purchasers.
- Create a dynamic marketing plan.
- Marketing directly to all prospective purchasers of apartment buildings.
- Follow up and represent the building to qualified potential builders.
- Negotiate an agreement of purchase and sale.
- Advise on various clauses pertinent to the purchase and sale of a prospective building.
- Facilitate the transaction during the due diligence process to ensure a smooth closing.
- Maintain the relationship even after close by providing resources and assistance.

By using Skyview Realty, Ltd. Brokerage, you don't just sell your apartment building, you experience a sense of comfort that you are making a proper decision each step of the way.

My team and I look forward to sharing that experience with you. We can be contacted at anytime through our office at (416) 444-6545.

- **Danny Iannuzziello**, Broker of Record

**"We Don't' Just
List Apartment
Buildings,
We Sell Them!"**

DANNY'S CORNER
... Continued from Page 1

I would, also, like to extend a 'congratulations' to my good friend Mac Champsee. He was recently featured as part of the 'TowerWise Program' for his commitment to cut costs and emissions in multi-unit residential properties throughout Toronto.

BELLEVILLE

FURTHER PRICE REDUCTION



Principals Only Please

- Asking \$2,050,000
- Asking \$56,944 per Suite
- Tenants Pay Own Hydro
- Tenants Pay Own Heat
- Convert Electrical Hot Water Tanks to Gas Water Tanks for Potential Upside
- Large Lot with Extra Parking
- Excellent Suite Mix
- 3 x One Bedrooms
- 33 x Two Bedrooms
- Excellent Tenant Profile
- Family Oriented Complex
- 7.3% CAP Rate
- 27.8% R.O.I.
- Treat Mortgage as Clear
- Fire Retrofit Letter of Compliance

36 Suites

HAMILTON

DISTRESS SALE



Principals Only Please

- Asking \$4,500,000
- Asking \$38,136 per Suite
- Updated Fire Panel
- Updated Intercom System
- Rooftop Antenna Revenue
- Very Bright Suites with Large Windows
- Located in High Employment Area
- Easy Access to Q.E.W. and Surrounding Areas
- 2 x Bachelors
- 60 x One Bedrooms
- 56 x Two Bedrooms
- Building is in Distressed Condition and is in Immediate Need of New Management and Repair
- Significant Vacancies
- Treat Financing as Clear
- More Pictures at www.skyviewrealty.com

118 Suites

OSHAWA

28.7% R.O.I.



Principals Only Please

- Asking \$1,550,000
- Asking \$67,391 per Suite
- Built in 1987
- Individual Hydro Meters
- New Roof in 2006
- Heat and Hydro Recovered from Tenants
- Electric Baseboard Heating
- Thermal Windows
- 8 x One Bedrooms
- 15 x Two Bedrooms
- Easy Building to Manage
- 8.2% CAP Rate 28.7% R.O.I.
- 1 Unit Non-Conforming
- Easy Financing with VTB
- Ex. First Mortgage approx. \$1,071,631 @ 4.61% paying \$6,145.59 due February 2011

23 Suites

HAMILTON

\$48,750 DOWNPAYMENT



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 Thermal Windows in 2001
- New Circuit Breakers in 2001
- Tenants Pay Own Hydro
- 14 Suites Updated
- 4 x One Bedrooms
- 2 x Two Bedrooms
- Minutes away from the Eaton Centre and Hamilton General Hospital
- Situated in the Employment District
- 8.1% CAP Rate 30.7% R.O.I.
- Treat Mortgage as Clear
- Forgivable Low Rise Rehabilitation Mortgages to be Assumed by the Buyer

6 Suites

TORONTO

TENANT WAITING LIST



Principals Only Please

- Asking \$1,430,000
- Asking \$79,444 per Suite
- Tenants Pay Own Hydro
- Many Common Area Upgrades
- 10 Suites Recently Renovated
- Brand New Appliances in Updated Suites
- Brand New Laundry Room with New Washer and Dryer
- 7 x Bachelors
- 1 x Small Bachelor
- 10 x One Bedrooms
- Excellent Tenant Profile
- Rapid TTC Line at Door
- High Demand Neighbourhood
- 6.2% CAP Rate
- 21.0% R.O.I.
- Treat Mortgage as Clear

18 Suites

TRENTON

WATERFRONT PROPERTY



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
- 14 Suites Updated
- 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

LONDON

26.3% R.O.I.



Principals Only Please

- Asking \$2,100,000
- Asking \$55,263 per suite
- Individual Meters
- Hydro Paid by Tenants
- Thermal Windows
- Updated HWG Boilers
- Quiet, Dead-End Location
- Backs on to Adult Education Centre
- 18 x One Bedrooms
- 20 x Two Bedrooms
- 8.1% CAP Rate
- 26.3% R.O.I.
- Existing 1st Mortgage of approx. \$1,212,702 @ 4.92% paying \$6,501 P+I due June 2013

38 Suites

LONDON

\$39,773/SUITE 24.0% R.O.I.



Principals Only Please

- Asking \$1,750,000
- Asking \$39,773 per suite
- Thermal Vinyl Windows
- Sloped Shingled Roofs
- Individual Hydro Meters
- Individual Gas Furnaces in Suites
- Two Separate Buildings on One Title
- Lots of Parking
- 17 x Bachelors
- 27 x One Bedrooms
- Excellent Superintendent
- Good Neighbourhood
- 24.0% R.O.I.
- Existing 1st Mortgage of approx. \$709,000 @ 4.837% paying \$6,236.87 due Sept. 2011

44 Suites

LONDON

\$67,500 DOWNPAYMENT

GREAT FIRST INVESTMENT



Principals Only Please

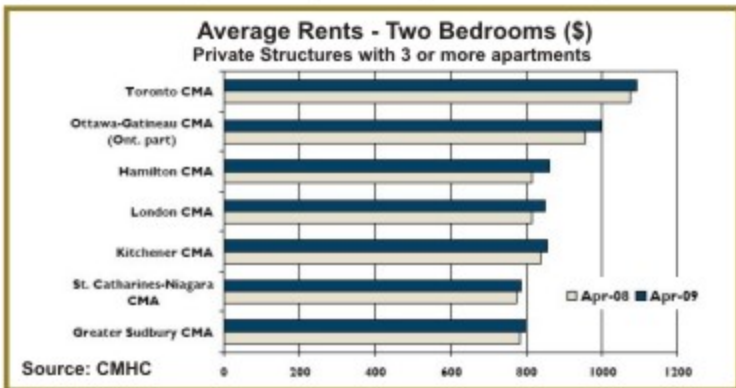
- Asking \$450,000
- Asking \$37,500 per Suite
- Great Starter Building
- Potential Upside with New Management
- Tenants Pay Own Heat and Hydro with Individual Meters
- Fire Retrofit Letter of Compliance
- Capital Items in Good Condition
- 7 x One Bedrooms
- 5 x Two Bedrooms
- Located Close to Downtown Core and Education Facilities
- 9.3% CAP Rate 35.2% R.O.I.
- Existing 1st Mortgage of \$311,000 @ 4.7% paying \$1,895.57 due April 2010

12 Suites

industry report

trends and services

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



SOME OF SKYVIEW'S RECENT TRANSACTIONS

1501 QUEEN ST. W., TORONTO

April 2009 38 Suites \$1,507,500
This building was listed and sold by Skyview Realty Ltd., Brokerage for \$1,507,500 or \$39,671 per suite. The Buyer arranged his financing for 50% of the purchase price. The building was in fair to good condition and needed some updating in the common areas and suites. Some restoration work was required to the exterior. This building had mostly bachelor units and was fully occupied on closing.



400 SECOND ST., COLLINGWOOD

May 2009 18 Suites \$1,475,000
This building was listed and sold by Skyview Realty Ltd., Brokerage for \$1,475,000 or \$81,944 per suite. A new first mortgage was placed on the property for 85% of the purchase price at 3.69% with a 5 year term. The building was in excellent condition and very unique with large suites and common area. There was the potential to add 6 more units. The property was fully occupied on closing.



SKYVIEW'S
RECOMMENDED
SERVICES

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1-3 HAVELOCK ST., TORONTO

June 2009 34 Suites \$2,475,000
This building was listed and sold by Skyview Realty Ltd., Brokerage for \$2,475,000 or \$72,794 per suite. A new first CMHC insured mortgage was placed on the property for 82% of the purchase price at 3.65% with a 5 year term and a 30 year amortization. The building was in good condition with a good tenant profile and was fully occupied on closing.



WATCH ON
INTEREST RATES



- ◆ Canadian Prime Rate (5 Year)
- Canadian Bond Rate (5 Year)
- ▲ Residential Mortgage Rate (5 Year)

SkyViews

Summer 2009

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

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