

The Mysak Report

Dedicated to Apartment Building Sales

Spring 2012

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The Importance of Due Diligence

Due diligence material is as important to a seller as it is to a buyer. A buyer needs to be able to review all documentation that verifies income, expenses, and other stated facts, in order to make a sound decision when purchasing. A seller should have all of the due diligence material ready and verified before selling their property in order to cut down on conditional periods.

Before marketing any property for sale, Mysak Realty works with sellers to create a detailed due diligence package. Our staff verifies all expenses by reviewing every bill and also examines all contracts and rental agreements. This means that when we market your building to potential buyers all information is as accurate as possi-

-ble and negotiations can start off on the right foot.

Due diligence material should include:

- A detailed, up to date, rent roll, as well as all current rental agreements
- Bills for the most recent 12 months, including property tax, insurance and utilities
- Any other contracts pertaining to the building such as, superintendent/management, laundry, gas, waste management, etc.
- A list of all capital improvements, existing environmental reports, fire compliance letters from the city, etc.

Attention all apartment building owners that are considering selling.

We are searching for buildings of all sizes throughout Southern Ontario. There is a large demand for apartment buildings and we have a growing list of buyers looking to purchase. Please call us immediately to set up an appointment for an evaluation of your building and let us get to work on getting your building sold.

We are moving to a new location:

**2358A Bloor St. W.
Toronto, ON
M6S 1P3**

DRASTICALLY REDUCED



WALLACEBURG, 30 Units Drastically Reduced from \$1,395,000 to \$1,095,000

14.5% Cap rate (projected). Fantastic Investment Opportunity, Turn key Investment. with 2 - bachelor units, 11 - 1 bedroom units, and 17 - 2 bedroom units. Features include an on-site fitness centre

and BBQ area for tenants. New Elevator installed in 2012. Within walking distance to restaurants, schools, and recreational facilities. Clean Environmental Available. Call our office for an Investment Information Sheet and Rent Roll or to book an appointment for viewing.

DRASTICALLY REDUCED



WALLACEBURG, 33 Units Drastically Reduced from \$1,495,000 to \$1,195,000

12.2% Cap rate (projected) Extraordinary building situated on the banks of the Sydenham River. Great Cash Flow, 18-1 bedroom units, 14 - 2 bedroom units, and 1 - 3 bedroom unit. Close to shops and all amenities. All units

have been renovated. Laundry facilities on-site, newer roof, ample parking, fire compliant. Clean Environmental Available. Call our office for further information or to book an appointment for viewing.

**PLEASE CALL US TO LEARN MORE
ABOUT OUR UNIQUE AND PROVEN
SELLING METHODS**

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OUR MISSION STATEMENT

We are a powerfully united team dedicated to apartment building sales and passionately committed to helping our clients achieve their real estate goals, by telling them the truth and using our proven non-traditional selling methods.

Mortgage Market Pricing: A Summary

I often find that many apartment owners are unclear as to how mortgage rates are established. The news media provide interest rate coverage as part of the ongoing discussion of the economy, which is typically front page news these days. The consistent theme is that rates will stay low for quite some time. However, commentators do not distinguish between short term and long term rates. The consistent theme of low rates applies to the Bank Rate and Prime Rate.

The Bank of Canada seems committed to a low rate policy, but this applies to the rate that the Bank can manage – The Bank Rate. That rate in turn, affects the Prime Rate that most consumers are familiar with. The Bank Rate is the rate that the central bank, The Bank of Canada, charges on loans and advances to Canadian commercial banks on an overnight basis. In other words, the Bank Rate that is widely covered in the press, and also the Prime Rate, are the rates charged on loans for one day.

The rates that are important to real estate investors are the longer term rates for five and ten year mortgage loans. These rates occur as a function of the independently operating bond market, which is disconnected from an overnight rate. Borrowers are often surprised to discover, for example, that bond and mortgage rates are rising (or falling) while the Prime rate remains constant. In fact, this has happened recently. On February 1, 2012, the ten year Canada Mortgage Bond

featured a yield of 2.41%, rising to 2.83% on March 17 and then trending back down to 2.49% on May 14, 2012. This substantial swing of about 40 basis points (a basis point is one one-hundredth of one percent) would have a meaningful impact on loan rates. These movements occurred while the Bank Rate and Prime Rate remained unchanged.

Mortgage rates on apartment properties, and almost all long term real estate loans, are based on bond markets rates. These rates fluctuate from day to day, and intraday, in response to economic data that becomes available, such as unemployment data, inflation data, manufacturing output, etc. There is a constant stream of such information that reflects the current and future performance of the economy, which in turn impacts the demand for long term financing.

I mentioned the Canada Mortgage Bond. The Canada Mortgage Bond is the instrument issued by the Canada Housing Trust, an agency of the federal government. It holds only CMHC insured mortgage pools. Since most apartment acquisitions seem to be financed with CMHC insurance, it is the most appropriate benchmark rate for apartment borrowers.

Borrowers can access daily bond market coverage and a rate summary from First National. Simply give me a call and I can put you on my distribution list. There is no charge for this service. It is useful informa-

tion that is most relevant to them.

Speaking of CMHC...

You might have noticed a recent announcement from the Office of the Superintendent of Financial Institutions (OSFI). OSFI is the federal regulator of financial institutions in Canada and will be taking over supervision of CMHC. The role of OSFI is not to protect consumers but rather to protect and ensure the ongoing viability of Canada's financial institutions. This is an exceedingly important activity in the current era that has seen major bank failures and consequent economic distress in other countries.

Needless to say, OSFI has a very conservative outlook. As many Mysak Realty's clients know, CMHC already has a conservative outlook. Since CMHC plays a major role in insuring apartment building mortgages, this is an important announcement. Most industry participants are keen to discover what changes might be implemented as a result of this new level of supervision. Apartment owners should be monitoring the situation. It could have a significant impact on financing options that are available to borrowers.

Dru McAuley is Assistant Vice President, Commercial Lending at First National LP, a leading lender of CMHC. He can be reached at 416-593-2918 (toll free 1-800-465-0039) dru.mcauley@firstnational.ca.

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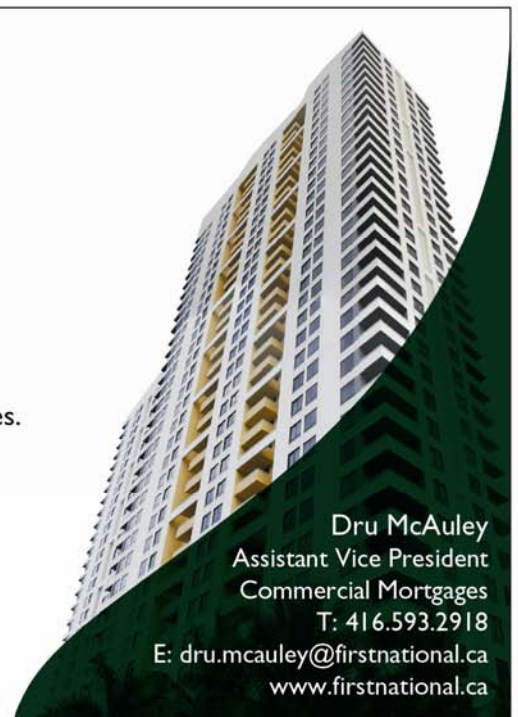
Quick closings available

First National specializes in multi-family and commercial mortgage financing, and is a leading lender of CMHC insured mortgages for multi-family properties.

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your first call.

Call Dru at 416.593.2918
to receive our daily bond
market update via email.



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SOLD - Oshawa



OSHAWA, 16+4 Stores
 Excellent opportunity. Immaculately maintained building located on a very busy street. Seldom a vacancy. long term tenants. 16 - 2 bedroom units, 4 - commercial units. Roof replaced in 2009. Tenants pay hydro, Ample parking.

SOLD - Cambridge



CAMBRIDGE, 18 Units
 Fabulous opportunity to own two separately titled 3 storey walk up buildings. Made up of 2 - bachelor units, 4 - 1 bedroom units, 12 - 2 bedroom units. Newer Roof, Windows Replaced, Ample Parking.

SOLD - Clinton



CLINTON, 22 Units
 Beautifully renovated and well kept building. Converted piano factory. Close to all amenities. 2 - 1 bedroom units, and 20 - 2 bedroom units. New roof 2011. Coin laundry on each level. Property has outside seating areas for tenants.

SOLD - Toronto West



TORONTO, 22 Units
 Stunning English Tudor building with incredible charm. A+++ location, 5 minute walk to subway and Bloor West Village. 1 - bachelor unit, 21 - 1 bedroom units. Laundry facilities on-site, newer roof, ample parking, fire compliant.

SOLD - Toronto East



TORONTO, 14 Units
 12 unit building plus Duplex. This 2.5 storey building boasts great charm and has phenomenal curbside appeal. 1 - Duplex consisting of 2 x 3 bedroom units. 7 - 1 bedroom units, and 5 - 2 bedroom units. Hydro paid by tenants.

SOLD - Toronto West



TORONTO, 11 Units
 3.5 Storey building in great rental location, located close to shopping, public transit, and major highways. Seldom a vacancy. Consisting of 7 - 2 bedroom units, 4 - 2 bedroom units. Laundry facilities onsite, thermal windows, fire compliant.

SOLD - Kitchener



KITCHENER, 40 Units
 Three attached buildings with separate entrances in Downtown Kitchener. 1 - bachelor unit, 39 - 1 bedroom units. Excellent condition. Repairs in last few years include new roof, newly installed controlled entrances and new common area carpeting.

SOLD - Toronto East



TORONTO, 60 Units
 Beautiful 6 storey building located off Thorncliff Park. Close to shopping, schools, and parks. TTC at front door and subway close by. 21 - 1 bedroom units, 33 - 2 bedroom units, and 6 - 3 bedroom units. Shared laundry facilities onsite, 24hr maintenance staff.

If we can be of any assistance for your multi-residential needs please do not hesitate to call us!

The 2012 Residential Rent Increase Guideline is 3.1%

SOLD - Colborne



COLBORNE, 30 Units Plus 3 Stores

2 Apartment/Retail Buildings with huge potential. Located just 1.5 hours away from Toronto. Located in the centre of Ontario's apple orchards. Close to an abundance of restaurants and local attractions. Consisting of 1 - bachelor unit, 18 - 1 bedroom units, 11 - 2 bedroom units, and 3 Retail units. Great curb appeal, Ample parking, Separate hydro meters.

SOLD - Toronto West



TORONTO, 24 Apts Plus 2 Commercial Units

Located in high demand most desirable section of The Junction. Fantastic exposure with TTC at front door, easy to rent, seldom a vacancy. The property consists of a building having two retail stores and 24 apartments. 5 - bachelor units, 10 - 1 bedroom units, 6 - 2 bedroom units, 2 - 3 bedroom units, 1 - 4 bedroom unit and 2 Commercial units.

SOLD - Etobicoke



Toronto, 90 Units

Excellent location close to Woodbine Shopping Centre, parks, and schools. Building amenities include onsite laundry facilities, storage lockers, and 24hr emergency maintenance staff. The building features spacious

units with hardwood floors, some units have balconies. Outdoor parking is available.

SOLD - Toronto West



TORONTO, 48 Units

This classic 5 storey building is located in a good rental area. Consisting of 34 - 1 bedroom units, and 14 - 2 bedroom units. Many of the units have been recently renovated with some of the following features; hardwood floors, large bedrooms, and updated bathrooms. Laundry facilities onsite, as well as an onsite superintendent.

ADVERTISING

For advertising rates or to write an article for our newsletter, please contact our office via e-mail, info@mysakrealty.com

PUBLICATION

Our newsletter is published Quarterly and is mailed to over 16,000 Owners, Managers and Potential Purchasers

PRIVACY

We respect your privacy, If you wish to be removed from our mailing list, please contact our office via e-mail, regular mail or by phone.



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