

The Mysak Report

Dedicated to Apartment Building Sales

Summer 2011

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2012 Rent Increase Guideline: 3.1%

Ontario landlords can increase their rents next year by up to 3.1% according to the new guideline announced by the Ontario government. The rate for 2012 is more than four times higher than the current rate for 2011 which is currently set at 0.7%. Ontario's annual rent increase guideline is based on the Ontario Consumer Price Index (CPI), which is a measure of inflation calculated monthly by Statistics Canada.

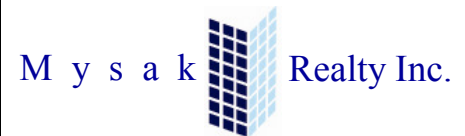
The average yearly guideline increase from 1993 - 2003 was 3.17% compared to an average yearly increase between 2004-2011 of just 1.89%.

The guideline is the maximum amount landlords can increase a tenant's rent during the year without making an application

to the Landlord and Tenant Board (LTB). Landlords who wish to raise rents that are higher than the guideline can apply to the LTB. A landlord can apply for an above guideline increase (AGI) for many reasons. An example would be extensive renovations and/or replacements to their building. Eligible capital expenditures included are renovations which:

- Protect or restore the physical integrity of the residential complex
- Are necessary to maintain plumbing, heating, mechanical and electrical
- Help provide access for persons with disabilities
- Promote energy or water conservation

For more information about the 2012 Rent Increase Guideline please contact our office at 416-767-5500 or visit our website at



Are you considering selling?

We are always actively looking for new properties to sell. If you or anyone you know are considering selling, please call us at 416-767-5500 or send us an email to info@mysakrealty.com.

FOR SALE - Toronto



TORONTO, 26 Units Asking \$2,560,000

This building is in a quiet residential area with TTC stops just a short 2 minute walk away. Consisting of 5 - bachelor units, 12 - 1 bedroom units, and 9 - 2 bedroom units. Most of the units have been renovated. Upside Potential on Rents

Laundry facilities on-site, New roof in 2010, Thermal Windows, Fire Compliant, Excellent superintendent taking care of the building. Call our office for further information or to book a viewing.

FOR SALE - Toronto



TORONTO, 26 Units Asking \$2,250,000

Immaculately maintained building in a good residential rental area, steps from TTC bus stops. Consisting of 5 - bachelor units, 12 - 1 bedroom units, and 9 - 2 bedroom units. Pride of ownership throughout. Laundry facilities on-site, Thermal

Windows, Fire Compliant, Most Tenants pay their own hydro. Call our office for an Investment Information Sheet and Rent Roll 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.

Recent Interest Rate News

Borrowers in the apartment market have seen a substantial decline in interest rates recently. From July 22 through August 9, 2011, 5 and 10 year bond yields that are relevant to the apartment market declined by approximately 55 and 35 basis points respectively (a basis point is one-hundredth of one percent). This is on top of a decline of about 40 and 50 basis points for 5 and 10 years, respectively, from April 1 to mid July, 2011.

This market volatility has presented a great opportunity for borrowers to lock in the lowest rates in recent memory. However, as every experienced property investor knows, rates can reverse just as quickly. Sudden changes in market sentiment among mortgage investors could result in adjustments to mortgage options available to borrowers.

This rapidly changing interest rate environment warrants close attention on the part of borrowers. As the market evolves, borrowers should clearly understand their options in the loan commitment/agreement with regard to early rate-locks, hedging costs and the "spread" over bond yields or cost of funds that determine the interest rate that will be in effect.

CMHC Insured Second Mortgage?

Many investors are not aware that CMHC insured second mortgage loans are available for apartment buildings. Purchase transactions often close with the purchaser assuming existing financing. Since apartment values have increased recently, there is often a large gap between existing financing in place that

is to be assumed and the purchase price. Vendor Take Back's (VTB's) are common here.

Investors should also consider CMHC insured second mortgage financing. It isn't a solution in every case, but there are a few very general "flags" that investors should be aware of: the first mortgage should offer a relatively conservative Loan to Value ratio, which leads to a large second; the first mortgage should feature a remaining amortization period that is not less than 15 years; and the first mortgage should have a remaining term of at least 5 years.

The CMHC insured second mortgage offers a few advantages over VTBs or private mortgages: a renewal is always available for CMHC insured mortgages. VTBs and private mortgages offer no guarantee of a renewal at maturity; a structural advantage of the CMHC insured second mortgage is that the existing first mortgage can be re-amortized at its maturity to the longer second mortgage amortization period, which offers a significant boost to returns; and rates in effect are usually at the same rates as insured first mortgages.

CMHC Insured Second Mortgage?

In the current market CMHC insured mortgages are financed at such low rates that they are the default option of most apartment investors. However, many owners are not familiar with the process and often ask "what is CMHC looking for?"

There are basically three considerations when CMHC assesses an application for mortgage insurance:

1. **Physical Condition of the Building:** CMHC sends a technical officer to inspect the property to ensure it meets minimum housing standards with an emphasis on life and safety issues, structural integrity of the building and identifying instances of deferred maintenance. A non-CMHC insured loan will often call for an engineering report to be provided as part of the application process in order to identify the same issues.
2. **Financial Condition of the Building:** Are the rents sustainable? Have the expenses been verified by reviewing the tax, water, heat and hydro bills for the last 12 or 24 months? Are the expenses for Repairs and Maintenance realistic? Is the borrower able to effectively manage the building to maximize sustainable revenues, control costs and provide quality housing to tenants?
3. **Financial Condition of the Borrower:** Borrowers have to meet a net worth requirement (25% of the loan amount) and provide evidence of liquid assets (i.e. via bank/brokerage statements), income and expense details of other income producing real estate and the capacity to cover reasonable, unforeseen expenses (i.e. boiler or roof replacement).

Dru McAuley is Assistant Vice President, Commercial Lending at First National Financial LP. He would be pleased to answer any questions or discuss this article. He can be reached at 416-593-2918 or toll free at 1-800-465-0039.

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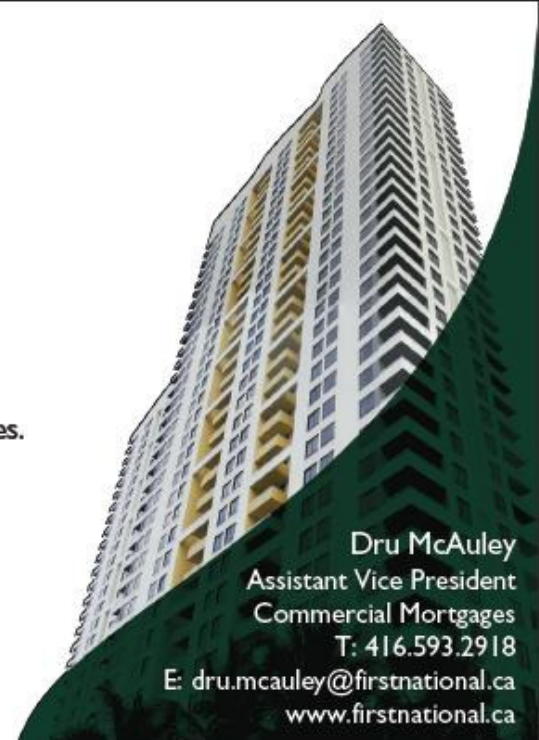
Quick closings available

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

- Terms up to 20 years
- Attractive rates (fixed or floating)
- Higher loan amounts (up to 85% LTV)
- Extended amortization

**Make First National
your first call**

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www.firstnational.ca



FOR SALE - Toronto



TORONTO, 12 Units
Asking \$1,375,000
 Immaculate Turn key Investment. Completely renovated from top to bottom with granite countertops. Open concept 1 bedroom units. Corner property located on a Major Street which makes for easy renting. Consisting of 1 - bachelor unit, and 11 - 1 bedroom units. Laundry facilities on-site. A MUST SEE!

FOR SALE - Kitchener



KITCHENER, 15 Units,
Asking \$1,150,000
 Attention Renovators & Handymen, Opportunity Knocks! Building in Need of some TLC. 15 - 2 Bedroom Units in Great Rental Location Close To All Amenities, Upside Potential On Rents! Newer Furnace, Ample Parking, Laundry Facilities On Site. Property Is Being Sold In 'As Is' Condition.

FOR SALE - Bradford



BRADFORD, 24 Units
Asking \$2,400,000
 Pristine 24 Unit building with 1 - Bachelor, 13 - 1 bedrooms, 9 - 2 bedrooms, 1 - 3 bedroom. Pride Of Ownership Throughout. New roof 2010, New Furnace 2003, Thermal Windows. No Major Capital Items Needed for Years To Come. Close To New Smart Centre Development And Highway.

FOR SALE - Toronto East



TORONTO 12 units,
Asking \$1,400,000
 "LITTLE INDIA" Great rental location near the beaches with easy TTC access. Easy to manage. Tenants pay heat and hydro. 2 - bachelor units, 6 - 1 bedroom units, 4 - 2 bedroom units. Some units updated with new kitchen cupboards and appliances. Fantastic curbside appeal !

SOLD in Spring 2011

4-6 Greenbrook Dr., Toronto*	23	23 units @ \$92,339/unit	\$2,123,800
278 St. Vincent St., Barrie	27	27 units @ \$85,185/unit	\$2,300,000
375 Lakeshore Rd. W.*	30	30 units @ \$50,000/unit	\$1,500,000
18 & 20 Fourteenth St., Toronto	34	34 units @ \$79,411/unit	\$2,700,000
25 Orchard St., London*	36	36 units @ 64,583/unit	\$2,325,000
357 Thompson Rd., London	44	44 Units @ \$46,590/unit	\$2,050,000
110 South Forster Park Dr., Oakville	48	48 units @ \$ 108,020/unit	\$5,185,000
524 & 526 Harvie Ave., Toronto	57	57 units @ \$73,508/unit	\$4,190,000
150 Sanford Ave. N., Hamilton	146	146 units @ \$46,575/unit	\$6,800,000

* Source of Info RealTrack

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

Join Our E-Mail Updates

Sign up today to start receiving Market Updates, Exclusive Apartment Building Listings, Recently Sold Properties and Helpful Landlord Information directly to your inbox. Send us an E-Mail to info@mysakrealty.com or call us at 416-767-5500.

Visit our website at www.MysakRealty.com for newly listed investment opportunities and Market Information

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FOR SALE - Hamilton



HAMILTON, 14 Units
REDUCED TO \$549,000
 Phenomenal 9.6% Cap Rate!
 Drastically reduced from \$649,000!! Converted Victorian mansion within walking distance to downtown. 4 - 2 bedroom units, 6 - 1 bedroom units and 4 - bachelor units. Large 60' x 160' lot. Fire Compliant, Newer

furnace, Most units have been renovated, Parking for 12 cars, Tenants pay Hydro. 2 basement units are not registered.

SOLD - South Etobicoke



SOUTH ETOBICOKE
34 Units, Asking \$2,798,000
 Fabulous opportunity to own two separately titled 3 storey walk up buildings in an excellent residential neighborhood. Consisting of 1 - bachelor unit, 18 - 1 bedroom units, 15 - 2 bedroom units. Close to the lake, shops, parks, public transportation and all amenities. Laundry facilities on site, newer windows, Most units have been updated & tenants pay hydro.

SOLD - Hamilton



HAMILTON, 146 Units
Asking \$7,950,000
 14 storey High Rise, 7.5% Cap Rate!! Built in the 1970's. Consisting of 13 - bachelor units, 106 - 2 bedroom units and 26 - 3 bedroom units. 90% of units have been extensively renovated, Windows were replaced in 2007, 2

new elevators installed in 2010, Tenants pay hydro, ample underground parking. In need of new management.

SOLD - Oakville



OAKVILLE, 48 Units
Asking \$5,300,000
PRIME location. Pride of Ownership throughout! Consisting of 2 - Bachelor units, 6 - 1 bedroom units and 40 - 2 bedroom units. Potential to increase income, Environmental report available upon request, Fire Compliant, New Thermal windows 2003, New High Efficiency Boiler 2008, Laundry Facilities on site & Tenants pay hydro.

FOR SALE - Central London



LONDON 12 units,
Asking \$795,000
 Immaculate Condition, Turnkey Investment with Phenomenal cash flow. Extremely well maintained. 7 - 1 bedroom units, 5 - 2 bedroom units. Thermal windows, laundry facilities onsite, ample parking.

Good Tenant profile with some tenants from Western University and Fanshawe College.

FOR SALE - Central London



LONDON 38 Units,
Asking \$2,595,000
 Fantastic Money Maker, Pride of ownership throughout. 18 x 1 bedroom units, 20 x 2 bedroom units. 70% of units have been renovated, upgraded security system, newer furnace, Thermal windows, ample parking &

most units have energy efficient appliances,. Call our office for an Investment Information sheet and Rent Roll.

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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