

# The Mysak Report

Dedicated to Apartment Building Sales

Summer 2012

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## New Legislation Caps Annual Rent Increase Guideline

Bill 19, the legislation introduced by the government to cap the annual rent increase guideline has now become law. With much opposition from landlords Housing Minister Kathleen Wynne, argues that tenants will benefit from more predictable and stable rents so they have safe and affordable housing, and for landlords, the cap will ensure a fair return so they can properly maintain and repair rental properties. This amendment includes a provision for the review of the cap every four years.

The change amends the Residential Tenancies Act, 2006 (RTA) by limiting

the annual rent increase guideline to 2.5%. The revised RTA will prohibit the government from setting the guideline above 2.5%, even if the calculation results in a higher rate. The maximum rate will apply to rent increases between January 1 and December 31, 2013.

The guideline is the maximum amount that most landlords can raise a tenant's rent without first obtaining approval from the Landlord and Tenant Board. This increase can occur once every 12 months, with 90 days written notice, with the use of an N1 form.

However, as described in Section 6 (2) of the RTA some properties are exempt from the guideline provision. The amount

of rent increase is not limited to the guideline amount if:

- **It was not occupied for any purpose before June 17, 1998** - meaning it is either a new building (often a condominium building) built since 1997, or an older building with a new unit or never occupied, residentially or otherwise, before June 17 1998.
- **It is a rental unit no part of which has been previously rented since July 29, 1975** - meaning only the owner has used or occupied the unit since 1975; or

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## FOR SALE - Hamilton



**HAMILTON, 110 Units**  
**Asking \$4,630,000**

Great location in nice neighborhood, walking distance to downtown Hamilton Go station and St. Joseph Hospital. Bright spacious apartments with hardwood floors throughout. 54-bachelor units, 24 - Jr. 1 bedroom units. 29 - 1 bedroom units plus 3 Rooms.

24 hour secured entry. Tenants pay their own hydro. Call our office for further information or to book an appointment for viewing.

## FOR SALE - Toronto Central



**TORONTO, 42 Units**  
**Asking \$4,900,000**

Pride of ownership through out! Rents are well below market for neighborhood. Excellent location close to street car, shopping and new developments. Consisting of 7 - bachelor units, 23 - 1 bedroom units, and 12 - 2 bedroom units. Laundry facilities on-site, Thermal Windows, Fire Com-

pliant. Call our office for further information or to book a viewing.

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

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## Industry Professionals

### Accountant

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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.

### Financing Apartment Building Mortgages with CMHC Insurance

As most apartment investors are aware, CMHC insured mortgage loans are almost always the automatic financing choice in the current market. The historically low rates that are available to borrowers as a result of CMHC mortgage insurance are very compelling.

CMHC is an agency of the federal government and, accordingly, the loan implicitly guaranteed by the Government of Canada. This is the reason CMHC insured mortgages feature interest rates that are lower than conventional mortgage loans.

While it is prominent in apartment financing, there are still investors who have little experience with CMHC mortgage insurance. Some investors do not fully appreciate the specific role played by CMHC and the conditions associated with an insured mortgage.

In order to issue the certificate of insurance, CMHC undertakes a full review of the building's income and expense data, the financial condition of the borrower and the physical condition of the building - the same due diligence that a lender completes in order to arrive at a lending decision. The lender will fund the loan in accordance with the approval conditions stipulated in the certificate of insurance that is issued by CMHC.

In order to provide general information that investors might find useful, a summary of some features of the CMHC program is warranted.

**CMHC Costs:** There are two components to CMHC costs: (a) the application fee (\$150

per unit for the first 100 units; \$100 per unit thereafter) and (b) the mortgage insurance premium (MIP). These are one time charges that cover the life of the loan - the full amortization period (i.e. 25 years), not the term of the loan say ( 5 or 10 years). These costs are added to the loan and are in effect financed over the amortization period. **Personal Guarantees:** If building ownership is held in a company name, then the shareholders are usually required to provide a personal guarantee. The amount of the guarantee depends upon the ratio of the loan amount to the lending value. At a loan to lending value ratio of 85% (the maximum), guarantees are usually required for 50% of the loan amount. The guarantee level reduces by 2% for every 1% reduction in loan to lending value ratio. **Environmental Reports:** A Phase 1 Environmental Site Assessment (Phase 1 ESA) will be required on all properties of more than 6 units. Reports more than 6 months old need to be updated. Government regulations affecting environmental issues do change from time to time. A property that was in compliance at a certain point in time may no longer be in compliance if new regulations are imposed. **Appraisals:** CMHC establishes its own lending value on properties of more than 6 units. An appraisal report is not required. **Building Condition Assessment:** CMHC conducts its own technical inspection. BCAs are not required unless there are obvious signs of deterioration, in which case CMHC will request a report from an engineer or contractor that addresses the nature of the deficiency, with costs to rectify any issues

that are identified. **Timing:** CMHC will normally require about 4-6 weeks to approve an application for mortgage insurance. Timing will vary across the country but this is the likely time frame in southern Ontario, including the GTA. **Interest Rates:** Rates over the last few months have been around 2.50% and 3.00% for 5 to 10 year loans., respectively. All long term rates are based on activity and rates in the bond market. **Term:** The minimum term on a new CMHC insured loan is 5 years. At the end of the initial term borrowers are free to elect a shorter (or longer) term in their own option. A substantial number of loans recently have been for 10 year terms, which reflects the desire of borrowers to lock in historically low rates for as long as possible. Terms of longer than 10 years are available but are seldom selected by borrowers. **Amortization Period:** A 25 year amortization period has traditionally been the norm. However, as prices have been creeping up over the last few years, most borrowers typically opt for a 30 year amortization. This has the effect of reducing monthly payments.

First National Finances over \$2 billion of CMHC insured loans on a fixed and floating basis.

Dru McAuley is Assistant Vice President, Commercial Lending at First National LP, a leading lender of CMHC insured mortgages on multi-unit properties. He can be reached at 416-593-2918 (toll free 1-800-465-0039) or via email at [dru.mcauley@firstnational.ca](mailto:dru.mcauley@firstnational.ca).

## FIRST NATIONAL

FINANCIAL LP



### Quick closings available

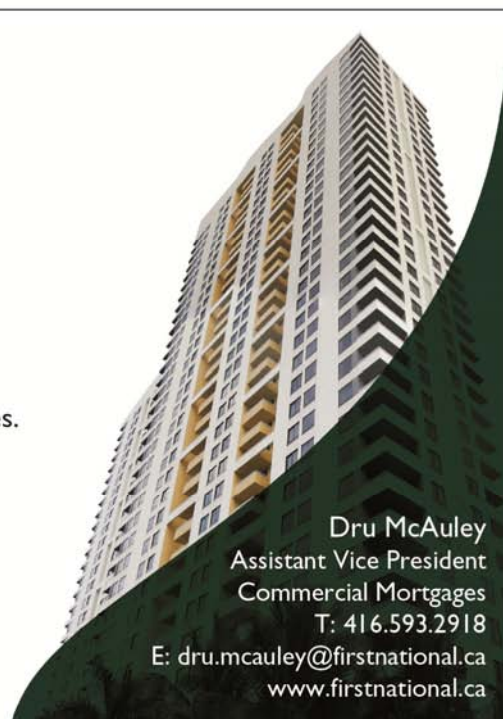
First National specializes in multi-family and commercial mortgage financing, and is a leading lender of CMHC insured mortgages for multi-family properties.

- 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.

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

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- **No part of the building, mobile home park or land lease community was occupied for residential purposes before November 1, 1991** - meaning the building was most likely commercially used before 1991 and then was converted to residential use.

Landlord and tenants may agree to increase or decrease the rent with the addition or removal of a services or

amenities. They can also agree to an increase when capital improvements have been made. Landlords should also remember that a key provision of the Residential Tenancies Act for landlords is vacancy de-control, which means when a rental unit becomes vacant a new rent can be charged and services or amenities can be added or removed.

In order to curb costs, Landlords are encouraged to consider installing a separate hydro meter for the rental unit as the rates for electricity are rapidly increasing in Ontario and there is curr-

ently no incentive for tenants to conserve hydro or take advantage of time of use rates.

**[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](mailto:info@mysakrealty.com) or call us at 416-767-5500.

**FOR SALE - Hamilton**



**HAMILTON, 59 Units—Rare Opportunity!**

**Asking \$3,999,000**

Phenomenal 7.1% Cap Rate, Extremely well maintained buildings with great character and charm comprised of 3 separately titled buildings plus a parking lot. These properties can be sold Individually or as a package. Built in the early 1920's consisting of 3 - bachelor units, 28 - 1 bedroom units, 25 - 2 bedroom units, and 3 - 3 bedroom units. These building are situated on a Large Corner Lot in a prime location on a busy Major street which makes for easy Rentals. There's a Beautiful courtyard located in the centre of the property for Tenants' enjoyment. 80% of the units have been renovated and most tenants pay their own heat, hydro, and water. Many of the units have

washers and dryers ensuite. 2/3 of the windows have been replaced. Clean Phase 1 Report available on request. Call our office for an Investment Information Sheet and Rent Roll or to book an appointment for viewing.

**FOR SALE - Cobourg Beach**



**COBOURG, 8 Units**  
**Asking \$1,100,000**  
 LOCATION, LOCATION, LOCATION, LAND VALUE ONLY!  
 Just steps away from the elegant beach & park in the heart of Cobourg situated in an exclusive residential neighborhood. Consisting of 8 - 2 bedroom units. New Roof in

2008. Call our office for an Investment Information Sheet and Rent Roll or to book an appointment for viewing.

**FOR SALE - Cobourg**



**COBOURG, 13 Units**  
**Asking \$1,098,000**

Property known as Hatfield Hall Apartments, one of Cobourg's most historic buildings. Great rental location, close to beach, park and downtown. 4 - 1 bedroom units, and 9 - 2 bedroom units. Excellent tenant profile. Laundry facilities on-site. Fire

compliant. Immaculately maintained with many improvements. Call our office for further information.

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%**

## FOR SALE - Toronto West



**TORONTO, 10 Units**  
**Asking \$1,275,000**  
 Great location close to all amenities with convenient access to TTC bus stops and shopping. Consisting of 2 - 1 bedroom units, and 8 - 2 bedroom units. Potential for three extra units. Separately metered. Laundry facilities on-site. Ample parking. Call our office for further information or to book an appointment for viewing.

## FOR SALE - Toronto West



**TORONTO, 15 Units**  
**Asking \$1,850,000**  
 Pride of ownership throughout. Rents are well below market. Consisting of 8 - 1 bedroom units., and 7 - 2 bedroom units. Thousands spent on upgrades including all new mechanicals new roof, new furnace and refinished balconies. Call our office for further information or to book an appointment for viewing.

## FOR SALE - Picton



**PICTON, 54 Units**  
**Asking \$3,200,000**  
 Incredible investment opportunity, over 6.7 Acres of land. Large 2 & 3 bedroom townhouses located minutes from the lake with main street exposure. Roof re-shingled in 2010. Positive long term outlook. Possible condo conversion. Separately metered. Call our office for an more information.

## FOR SALE - Kitchener



**KITCHENER, 8 Units Plus 2 Retail \$829,000**  
 Perfect for handyman investor. Benefit of commercial tenants and residential in the same location. 1 - 1 bedroom units, 5 - 2 bedroom units, 2 - 3 bedroom units, plus 2 retail units. Separate hydro meters. Call our office for an Investment Information Sheet and Rent Roll or to book an appointment for viewing.

## SOLD in Spring 2012

160 Huron St., Toronto*	69	69 units @ \$139,435/unit	\$9,000,000
55 Woolley St., Cambridge*	44	44 units @ \$77,821/unit	\$3,035,000
1631 Victoria Park Ave., Toronto*	35	35 units @ \$90,000/unit	\$3,150,000
790 Wallace St., Wallaceburg	33	33 units @ \$34,242/unit	\$1,130,000
780 Wallace St., Wallaceburg	30	30 units @ \$34,333/unit	\$1,030,000
2553 Bloor St. W., Toronto	22	22 units @ \$137,500/unit	\$3,025,000
123 East St., Clinton	22	22 units @ \$56,682/unit	\$1,247,000
22-26 Norwood Rd., Toronto	14	14 units @ \$146,428/unit	\$2,050,000
5 Greenbrook Dr.	12	12 units @ \$71,250/unit	\$855,000

\* Source of Info RealTrack

### ADVERTISING

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