

The Mysak Report

Dedicated to Apartment Building Sales

Spring 2014

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What keeps your building running...

When you buy an apartment building you are also buying a collection of integrated components and systems, each of which has its own economic life span. Outlined below is a list of each of these systems and a rough estimate of when they would eventually need replacing:

Plumbing: Plumbing lines can last from 50 to 70 years, but when they do need replacing it can cost upwards of \$10,000 per unit to replace all water lines and valves.

Boiler: One of the most crucial systems in any building is the boiler. The units should last about 30 years. If the boiler is almost rusted through it should most likely be changed. If the condition of the metal does not indicate any issues, it is most practical

to estimate the cost of a new boiler vs. the cost of making enough improvements to the existing boiler to make it work about as well as a new one.

Elevator: The cab usually needs to be replaced within 20 years mainly due to wear and tear. The drive motor lasts about the same time, however in some older buildings the motors are 50 years old and still running smoothly.

Balcony: A better-quality concrete means balconies can last 75 years, instead of 50.

Balcony railing: Steel railings have been replaced with less-corrosive aluminum, which can last 30 to 40 years. The railings are now attached to the front of the concrete slab, instead of the top, making it difficult for water to seep into the concrete

and corrode the steel.

Roof: A roof can last 20 to 30 years, depending on the technology chosen.

Parking Garage: Better concrete and improved systems for draining salt water have improved their durability. Garages still need significant maintenance but can last 30 to 50 years.

Are you considering selling?

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

SOLD - Toronto



TORONTO, 52 Units
Asking \$6,100,000

Excellent opportunity to invest in popular South Etobicoke. Located 2 blocks away from million dollar houses and the lake. 2 min walk to 24hr street car on lake-shore. 10 Min walk to the expanding campus of Humber College. Consisting of 16 - 1 bedroom units, and 36 - 2 bedroom units. No financing to assume. Roof approx 7 yrs old. Call our office for an Investment Information Sheet or to book an appointment for viewing.

SOLD - Toronto



TORONTO, 7 Units
Asking \$1,199,000

Well maintained building consisting of 1 - bachelor unit, and 6 - 2 bedroom units. Located within walking distance from Humber College, and 24 Hr transit. Large and spacious apartment units, most kitchen have been renovated. Thermal

windows. Tenants pay hydro. New Roof in 2004, parking onsite. Call our office for an Investment Information Sheet 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.

LOAN PROCESSING CONTINUES TO EVOLVE

As regular readers of my column in the Mysak Newsletter are aware, the lending/borrowing landscape has changed dramatically over the last few years. Borrowers are often caught off guard by new regulations. A recent example is interesting and, in fact, quite typical at lending institutions.

A borrower who owned a number of apartment buildings for several years was in the market for new financing. However, the borrower had not been active for four or five years. The borrower was taken aback at the level of financial information and disclosure that was requested, which was much more detailed than what he was used to. He eventually got to the point of saying “take it or leave it”, which might have worked in years past in terms of proceeding with the deal. However, the lender had no choice but to leave it, for the following reasons:

- The regulatory climate in Canada (and G8 countries generally) has become much more stringent due to new laws relating to anti-terrorism, money laundering and tax avoidance.
- The federal banking regulator in Canada, OSFI (the Office of the Superintendent of Financial Institutions), has made it clear that compliance with the regulations will be strictly enforced.
- OSFI maintains a strong presence at major lending institutions to review files to

ensure compliance with regulations.

- Failure of financial institutions to comply can result in serious censure, including fines and restrictions on lending activity. No institution is going to willingly risk such penalties for one loan. Accordingly, there is little “wiggle room” and lenders must ensure borrowers meet the requirements for disclosure.

On the subject of disclosure, a common issue that crops up time and again in loan processing is the question of who actually owns the asset. A borrower will declare ownership at the outset but at closing it becomes apparent that the asset is not owned by the borrower but rather by a trust, typically controlled by the borrower who has complete control over the asset. This leads to complications and additional legal expense in order to redraft documents that reflect the accurate ownership. The current regulations obligate the lender to confirm ownership, which in turn might impact the guarantees required by the lender for the loan. CMHC policy, for example, requires all beneficiaries to provide guarantees for a loan amount that is 85% of property value. By the way, in the example above, the borrower eventually provided the information that was requested in order to complete the transaction. There was no other choice.

Speaking of CMHC, readers will recall the Spring 2013 Mysak Newsletter where I pointed out that OSFI had taken control of CMHC and borrowers should be monitoring

this considering CMHC’s strong presence in apartment financing. There have been a few changes. The senior executive ranks have turned over and my own observation is that underwriting and disclosure standards have tightened up. This is not surprising – as noted above more stringent regulations have become commonplace and one should expect CMHC to reflect these new standards.

Another area that has seen changes recently is the product offering by mortgage lenders. From the abyss of the financial crisis a few years ago – when lending declined substantially – to the present there has been an explosion in new mortgage products: mezzanine lending, conduit lending, bridge loans, more conventional lenders in the marketplace. Each product lends itself to a specific financing problem that borrowers face from time to time. I would be pleased to review these options with borrowers who need a solution that is not a “cookie cutter”.

Dru McAuley is Assistant Vice President, Commercial Lending at First National Financial LP, a leading lender of CMHC insured mortgages on multi-unit properties. First National also provides short term or conventional financing in all segments of the real estate market. He would be pleased to answer any questions or discuss this article. Dru can be reached at (toll free 1-800-465-0039) 416-593-2918 or 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.

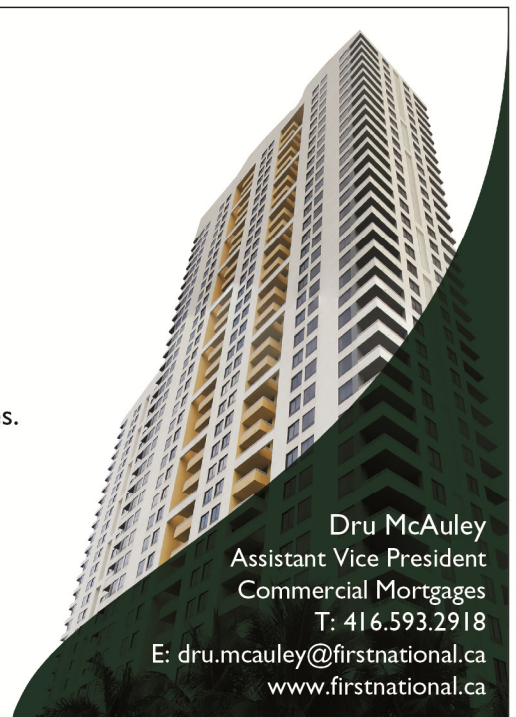
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SOLD - Port Hope

PORT HOPE, 27 Units + 5 Commercial Asking \$2,099,000

8.0% Cap Rate. Historic St. Lawrence Building Located in downtown Port Hope on one of Ontario's finest main streets, the St. Lawrence. Close to the shopping, cultural, and recreational facilities of a historic

community with 18 - bachelor units, 9 - 1 bedroom units, and 5 - Stores. Hydro paid by the owner. Call our office for an Investment Information Sheet and Rent Roll .

SOLD - Toronto

TORONTO, 52 Units + House Asking \$6,550,000

5.0% Cap Rate. House is on 50' x 140' and the apt. building is on 110' frontage. Building consists of 50 - 2 bedroom units, 2 - 4 bedroom units, and 1 - 2 bedroom house. Improvements include all new balconies, upgraded elevator, common areas

were updated as well. New garbage bins installed and parking lot was repaved in 2003. Tenants pay hydro. Call our office for an Investment Information Sheet and Rent Roll .

FOR SALE - Waterloo

WATERLOO, 5 Units Asking \$2,900,000

Brand new construction. Student Housing with 25 ensuite bedrooms. Ideal for mature students and young professionals, each suite is fully furnished with high-end amenities. The building is a 5 minute walking distance from University of

Waterloo and Wilfred Laurier. Close to major bus routes (University Ave., Columbia St.) Call our office for an Investment Information Sheet and Rent Roll or to book a viewing.

FOR SALE - Lindsay

LINDSAY, 14+3 Units Asking \$1,025,000

9.3% Cap Rate. The property is in good condition and is being sold at a price below its CVA. The building is located approximately 45 minutes north of Oshawa. 3 - bachelor units, 9 - 1 bedroom units, 2 - 2 bedroom units, plus 3 commercial units. Gross Income

Of Approx \$206,000. Call our office for an Investment Information Sheet and Rent Roll or to book a viewing.

Services:

- Tenant Management
- Rent Collection
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MYSAK

REALTY

Our new website will be launching in April 2014

www.MysakRealty.com

SOLD in Fall/Winter 2013

17 Anthony Rd., Toronto	11	11 units @ \$122,273/unit	\$1,345,000
1-3 Albany Heights, Belleville	12	12 units @ \$67,500/unit	\$810,000
87-97 Walton St., Port Hope	27+5	32 units @ \$62,500/unit	\$2,000,000
5-11 Birchlea Ave., Toronto	52	52 units @ \$110,096/unit	\$5,725,000
2808-2810 Keele St., Toronto	52+1	53 units @ \$121,698/unit	\$6,450,000
2328 Islington Ave., Toronto	68	68 units @ \$127,941/unit	\$8,700,000
1450-1500 Beckworth Ave., London	81	81 units @ \$70,370/unit	\$5,700,000
222 Nonquon Rd., Oshawa	139	139 units @ \$70,863/unit	\$9,850,000

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.

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

The 2014 Residential Rent Increase Guideline is 0.8%