

The Mysak Report

Dedicated to Apartment Building Sales

Summer 2014

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Hiring a Property Manager...

Owning a rental property isn't just collecting your rents on time, it is also about making sure that your property is being properly managed and maintained. As one landlord said, "It's a penny business". If you are not careful you could face expensive repairs.

This is evident in a recent court case where a management company was hired to look after a property but failed to properly carry out their management duties, resulting in extensive damages. In this specific case the management contract said the company would only be responsible for 'gross negligence' and since they failed to properly qualify

the tenant at fault and did not inspect the property on a regular basis, they were indeed grossly negligent in their conduct.

The judge pointed out the fact that the tenant application form was incomplete, missing employer and banking information. The property manager also did not take any pictures at the beginning of the tenancy to prove what condition the unit was in at that time, and despite the first rent cheque bounced, no additional measures were taken to watch the property more carefully. Under Ontario law, a landlord is permitted access to a rental unit to make repairs, show the unit to potential buyers and to

view the state of repair as long as 24 hours notice is given.

When you hire a property manager or management company, ask how often they will inspect your property, what checks they will have in place to properly qualify tenants, and make sure they document the condition of the unit when the tenant moves in so you can prove any damages that may occur during the tenancy. By doing careful screening in advance and conducting regular visits you will avoid many unpleasant surprises when your tenant leaves.

FOR SALE - Toronto



TORONTO, 9 Units Asking \$1,100,000

Located in highly desired Mimico neighbourhood with fantastic curb side appeal. Consisting of 1 - bachelor unit, and 3 - 1 bedroom units, and 5 - 2 bedroom units. Being sold in as is condition, there are currently outstanding work orders against

the property, mostly minor. Most tenants pay their own hydro. Call our office for an Investment Information Sheet or to book an appointment for viewing.

FOR SALE - Orangeville



ORANGEVILLE, 20 Units REDUCED to \$1,900,000

6.2% Cap Rate! Excellent rental location, centrally located. Next to park & conservation area. This townhouse complex consists of 20 - 2 bedroom units. Most units have been renovated and are equipped with a fridge, stove, washer and a dryer. Water and Electric heat is paid by tenants. 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.

MORTGAGE MARKET UPDATE: INTEREST RATES AT A SEVENTH MONTH LOW

As most followers will have noticed, interest rates have been quite volatile while remaining in a historically low range. The low pint for rates was in the Spring of 2012. Then the Federal Reserve in the US started speaking about reduced monetary stimulus, which had the effect of causing rates to spike upward in anticipation of higher interest rates going forward. Sure enough, by the end of 2013, bond yields had increased about 85 and 115 basis points for 5 and 10 year maturities, respectively, since May 1, 2013. This was big news during all of 2013. Going into 2014, the apartment market seemed to have slowed down a little from the frantic pace of activity during 2013. Most observers interpreted that as a response to the higher rates in effect going into 2014.

However, rates have declined substantially since the beginning of 2014. By the end of July, rates had fallen by about 50 and 75 basis points for 5 and 10 year maturities, respectively. This big swing in rates is unusual in such a comparatively short period of time. Since bond rates affect mortgage rates, which in turn drive

mortgage pricing and, in fact building values, all investors should stay abreast of the new with respect to interest rates. Real estate is an exceedingly capital intensive business and the cost of capital is a key factor in any investor's strategy. This reality seems to be playing out: Rates spike up and the apartment market cools off. Rates spike down and the market picks up. From a slow start to 2014, the apartment market seems to have picked up in sales volume going into the summer of 2014 as rates declined.

The question for all investors is: how long will the continued low rates remain with us? The press is full of coverage about low rates continuing for some time. However, most coverage focuses on Bank Rate, which affects the Prime Rate. Longer term mortgages of 5 or 10 years have rates that are based on the bond market. They can rise as rapidly as they have declined so acting quickly on a purchase (or a refinance) is important so that an investor can transact in a market where the current price reflects current interest rates. You never want to acquire in one market, based on rates in effect at that time, and the finance in another as rates move quickly against you.

As regular readers of the Mysak Report will recall, I have written in the past about the new laws and regulation in effect regarding anti-money laundering, tax

avoidance, anti-terrorism and the overall trend towards transparency and disclosure. They seem to have caught the attention of a number of investors by surprise. I have heard from borrowers recently about longer turnaround times for financing decisions from lenders. This is frustrating for borrowers but should be expected. The new regulations obligate lenders to conduct more investigation, review more documentation, etc, which generally slows the process a little. All investors should take this into consideration when financing a property.

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 virtually all segments of the real estate market. He would be pleased to answer any questions or discuss this article. He can be reached at (toll free 1-800-465-0039) 416-593-2918 or dru.mcauley@firstnational.ca.

Contact Dru if you would like to stay current on interest rates activity by receiving a daily market update via email.

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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.

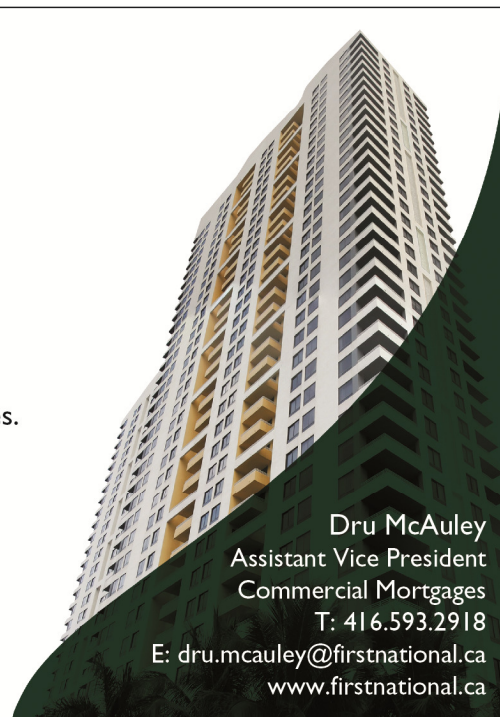
- Terms up to 20 years
- Attractive rates (fixed or floating)
- Higher loan amounts (up to 85% LTV)
- Extended amortization

**Make First National
your first call.**

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

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FOR SALE - Welland



WELLAND, 6 Units
Asking \$450,000

Charming 6 unit building, close to Niagara College and Brock University. Located next to the Canal and close to public transit and shopping. 6 - 2 bedroom bedroom units. Laundry facilities onsite. Newer windows, doors,

counters, flooring, bathrooms, Hi-Efficiency Furnaces and Hot Water Tanks. Large Newly Paved Parking Lot. Call our office for an Investment Information Sheet and Rent Roll or to book a viewing.

FOR SALE - Kitchener



KITCHENER, 3 Units
Asking \$450,000

Legal triplex plus two unregistered units. Outside improvements include some Newer windows, siding, and railings. Roof is 15 years old. Electrical and fire inspections complete. Approximately \$36,000 spent on capital improvements. Located

on a huge lot at the corner of two busy streets. Suitable to build Office Building. Call our office for an Investment Information Sheet and Rent Roll or to book a viewing.

FOR SALE - Toronto



TORONTO, 6 Units
Asking \$1,949,000

Legal Sixplex on a large lot, consisting of 1 - bachelor unit, and 5 - 1 bedroom units. Property suitable for re-development or additional units. Ample parking spots available onsite. Ave. Primary property corner of major inter-

section at Dufferin and Davenport. Downtown view that is visible from Hilltop. Call our office for an Investment Information Sheet or to book an appointment for 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.



Services:

- Tenant Management
- Rent Collection
- Advertising / Tenant Screening
- In-House Maintenance Staff
- Routine Inspections and Proactive Monitoring
- Landscaping
- Project Management for Larger Renovations
- Monthly Financial Statements

“If you want to invest in real estate, but are tired of being a landlord... Give us a call”

Full turnkey property management services for the real estate investor of any size

- Apartment Building
- Condominium
- Townhouse
- Single Family Home
- Duplex / Triplex / Four-plex

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SOLD - Hamilton



HAMILTON, 12 Units
Asking \$825,000
 8.1% Cap Rate. Well maintained 12 unit apartment building. Located in a good rental area in Hamilton. Close to shopping and all amenities. Consisting of 2 - 1 bedroom units, 7 - 2 bedroom units, 3 - 3 bedroom units. Tenants pay own hydro, water and gas. Majority of plumbing copper and pvc. Laundry facilities onsite. Call our office for more information.

FOR SALE - Lindsay



LINDSAY, 15 Units
Asking \$1,700,000
 Opportunity for investors, builders and developers. 3 buildings to be sold together. 3 - bachelor units, 5 - 1 bedroom units, 6 - 2 bedroom unit, plus a 4 bedroom house. Corner property located near Downtown Lindsay. These buildings have an abundance of character and charm. Tenants pay their own hydro. Call our office for more information or to book an appointment for viewing.

FOR SALE - Marathon, ON



MARATHON, ON, 84 Units
Asking \$1,499,000
 12.8% Cap Rate. Enjoy a view of the Bay. 3 - bachelor units, 26 - 1 bedroom units, 50 - 2 bedroom units, and 4 - 3 bedroom units. Renovated suites, in two individual buildings being sold together. Building is in need of new management. Tenants pay their own hydro. Call our office for more information or to book an appointment for viewing.

FOR SALE - Bothwell, ON



BOTHWELL, ON, 17 Units
Asking \$624,900
 Well managed properties with local hands-on superintendents. 6 Town homes, a 7Plex and a 4Plex. 13 - 2 bedroom units, and 4 - 1 bedroom units. Some units have balconies and patio areas for the tenants. Bothwell is a quiet small town nestled between London & Chatham. A great community to invest in. Call our office for more information.

SOLD in Spring 2014

25 Paisley Blvd. E., Mississauga	10	10 units @ \$165,000/unit	\$1,650,000
107-109 Balsam Ave. S., Hamilton	16	16 units @ \$62,063/unit	\$993,000
22 Woodfern Ct., Kitchener	17	17 units @ \$87,824/unit	\$1,493,000
33 Centre St, Bradford	24	24 units @ \$103,854/unit	\$2,492,500
210 Vaughan Rd., Toronto	25	25 units @ \$166,400/unit	\$4,160,000
26 Gulliver Rd., Toronto	53	53 units @ \$129,245/unit	\$6,850,000
202 Hespeler Rd., Cambridge	62	62 units @ \$102,419/unit	\$6,350,000
221 Melvin Ave., Hamilton	199	199 units @ \$47,242/unit	\$9,401,195

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%