

NEW LISTINGS

1375 MIDLAND AVENUE, TORONTO

Rental Apartment – 145 Suites



- Short walk to the Eglinton LRT Station
- Approximately \$2,000,000 in recent capital improvements
- Actual 2008 vacancy loss only 0.6%
- Underground Parking
- Desirable suite mix
- Built 1968

Asking price is \$10,600,000 or 6.75% cap rate or \$73,000 per Suite

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901 JANE STREET, TORONTO

Retail Plaza – Fully Leased

- 23,378 SF Building
- NOI: \$315,000
- Upside Potential
- High Traffic Corner

Asking price is \$4,500,000

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3122 EGLINTON AV. EAST, TORONTO

Mixed Use – Development

- 1.52 Acre Site
- 18,334 SF Building
- Redevelopment Potential
- Commercial Zoning

Asking price is \$2,200,000

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200 ANNETTE STREET, TORONTO

Church / Potential Residential Development

- 7,791 SF Building
- Approximately 225 pews
- Historical Designation

Asking Price is \$725,000

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RECENT GTA RENTAL APARTMENT SALES

Source: Marshnet.com

2313 & 2323 LAKESHORE BOULEVARD WEST – Etobicoke – 6.6% Cap – 266 suites in twin towers located just west of Park Lawn Road. Closed December 22, 2008 for \$23,850,000 or \$89,662 per suite.

24 FOREST MANOR ROAD – North York – 5.8% Cap – 128 suites located just south of Sheppard Ave. E and Don Mills Rd. Closed December 12, 2008 for \$12,800,000 or \$100,000 per suite.

1867 BLOOR STREET - Mississauga – 6.4% Cap – 133 suites located between Dixie Rd and Hwy 427. Closed December 9, 2008 for \$12,750,000 or \$95,865 per suite.

EI-Ad Portfolio – GTA – 6.9% Cap – 2259 suites in 17 buildings located in Toronto, North York, Scarborough, Etobicoke and Mississauga. Closed December 8, 2008 for \$209,556,832 or \$92,765 per suite.

2 SILVER MAPLE COURT, 4 SILVER MAPLE COURT – Brampton – 6.1% Cap – 416 suites located just south east of the Dixie Rd and Queen St. E intersection. Closed October 27, 2008 for \$49,050,000 or \$117,909 per suite.

195 REXLEIGH DRIVE – Toronto – 112 suites located east of the Victoria Park and St. Clair E intersection. Closed October 16, 2008 for \$10,000,000 or \$89,286 per suite..



INDUSTRY COMMENTARY

THE APPEAL OF GTA MULTI-UNIT APARTMENT PROPERTIES INTENSIFIES IN 2008

The appeal for multi-unit apartment properties has intensified through 2008, as evidenced by the continuing compression in cash-on-cash returns that investors will accept.

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LIFE LESSONS at P.G. GAGNÉ COMMERCIAL REAL ESTATE CORP – Lesson #36

Mayonnaise Jar & The Two Beers...

When things in your life seem almost too much to handle, when 24 hours in a day are not enough, remember the mayonnaise jar and the 2 Beers. A professor stood before his philosophy class and had some items in front of him. When the class began, he wordlessly picked up a very large and empty mayonnaise jar and proceeded to fill it with golf balls. For the entire storey click the finger!

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THE APPEAL OF GTA MULTI-UNIT APARTMENT PROPERTIES INTENSIFIES IN 2008

While the dollar volume in sales of rental apartment buildings greater than 100 units in the GTA remained generally stable from 2007 to 2008, the appeal for the asset class has intensified through 2008. The evidence is apparent in the continuing compression in cash-on-cash returns that investors will accept. These returns are calculated using the average cap rate for the year, assuming that all purchases are CMHC financed at an 80% loan-value ratio on a 5-year term and 25-year amortization.

Cash-on-cash returns in 2008 have compressed to their lowest levels in 15 years, reaching 1.04% in the 416 area and 3.6% in the 905 area (fig.1 & fig.2).

Other interesting insights are as follows:

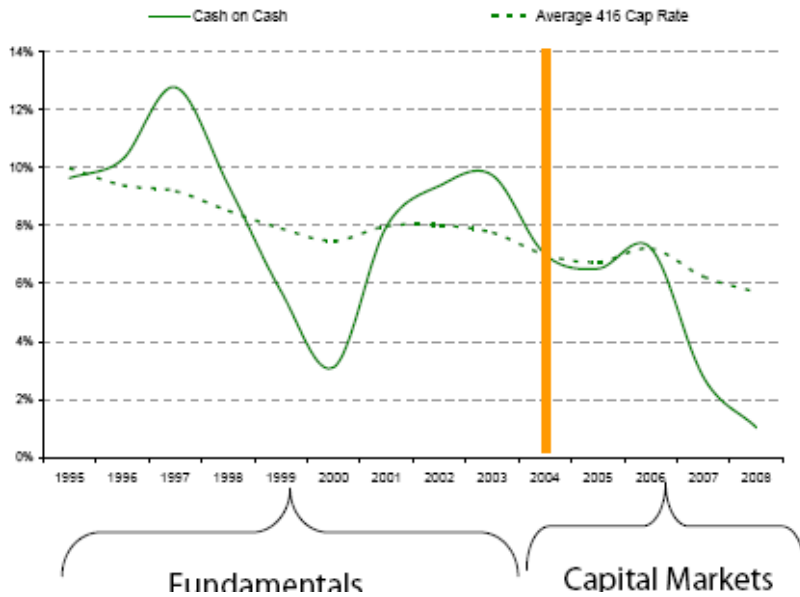
1. Average cap rates for GTA properties continued on their compressing trend in 2008 and reached their lowest overall average in 15 years at 5.3% for the 416 area and 6.2% for the 905 area (fig.3).
2. Prices per suite are still on a generally uptrend at \$95,170 and \$100,137 in the 416 area and 905 area respectively (fig.4).
3. \$393-million of apartment assets was transacted in 2008 in the 416 area and \$140-million was transacted in the 905 area. These amounts are above the historic 15-year average of \$300-million and \$120-million in both areas respectively (fig.3 or fig.4). The El-Ad portfolio sale to Transglobe accounted for roughly 50% of all dollar volume in the 416 area and 30% in the 905 area.

This market's leasing fundamentals were the primary drivers from 1995 to 2003. Declining expected cash-on-cash returns from 1995 to 2000 reflected optimism and expectations of capital growth, based on favourable rental fundamentals such as low vacancies, guaranteed rental increases, minimal releasing costs, and low rollover. Investors required a higher cash-on-cash return to cushion the weaker fundamentals beginning in 2000. A strong move to condominium rentals and to home ownership at the time caused vacancy rates to rise, depressing income gains and increasing releasing costs.

Leasing fundamentals had not improved by 2003-04 and yet cash-on-cash returns reversed back to their earlier downward trend. This trend continued through 2008. We believe that the capital markets had become a primary driver of the rental apartment market by that time. The cash-on-cash returns were driven lower by the "wall of capital" and the lack of attractive alternative investment opportunities creating such strong demand for rental apartment properties

416 - Cash on Cash | Cap Rate

Figure 1



905 - Cash on Cash | Cap Rate

Figure 2

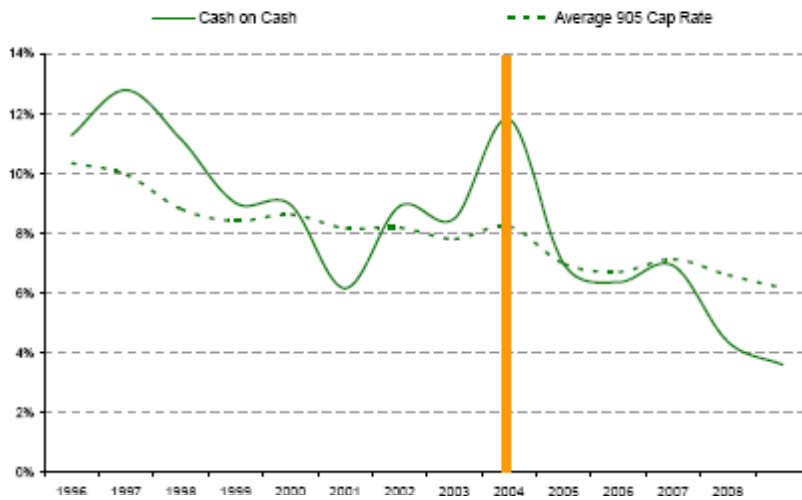


Figure 3

Figure 4

