

# APARTMENT DIGEST

## Energy Savings and Apartment Buildings

Many apartment building owners in the past considered the best way to hedge inflation and save on energy costs was to lock into bulk contracts for various terms. While this turned out to save money as rates increased it did the opposite when rates came down. For example, in 2008 natural gas costs were about \$0.31 per M3 and in the next year they were \$0.18. We will not explore bulk contracts here. Here will address where energy costs have gone in relation to rents and what can be done to reduce consumption.

In 2008, the Guideline Rental Increase (GRI) as set by the government was 2.6%. There have been various changes to how this is calculated over time. Today for 2014 the GRI is 0.8%. This is a 69% decline since 2008 or about 10% decline per year. The average GRI since 2008 was 1.9% per annum. This does not seem like much given inflation and high increases in apartment building expenses.

Realty taxes and utilities generally represent between 60-70% of the total expenses for apartment buildings. Since 2007 realty tax rates in Toronto for apartments have declined by about 3.3% per annum. This is as a result that apartments were always over taxed as compared to

other property classes. However, with the decrease in realty taxes comes a reduction in rents as well. So it is in a way a mixed blessing.

As mentioned above, gas rates have come down. In fact they have declined on average 10.5% per annum since 2007. This is a direct result of global demand and the recession depressing the price of natural gas. However, prices did increase between 2012 and 2013 by 15%. Many indicate that prices are set to rise again as we exit the recession. As such it might be time to lock into a contract. Spending monies to upgrade efficiencies (ie. boilers) at this time might not be economical give low prices.

Hydro and water are another story. Water has increased on average 11% per year since 2007 and hydro by almost 8% for the same period. Aging infrastructure and increased demand will see these rates continue to rise by double digits moving forward.

These are the area owners should concentrate on in implementing energy efficiencies as they will get the biggest bang for their buck. They should also apply for increases above the GRI as the double digit increases may be seen as "extraordinary".

What can be done and what should be done? Well every building is different and different measures will produce different savings and paybacks. Firstly, finding the right consultant who can find the right tools and is well versed in the various government grants and financing agencies (there are those who will 100% financed retrofits) is key.

Both hydro and water can be sub metered. This will pass the complete cost onto your tenants. However, this takes time and will initially reduce your rents but in the LONG run will produce the desired results.

On the hydro side there are many items such as: energy efficient lighting and ballasts; timers on lights in various rooms; motion sensor lighting; dimmers; delay switches; voltage harmonizers; etc. In our opinion all of these should be done over time. However, those that offer the largest payback is changing to energy efficient lights and installing motion sensor lighting.

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### Economic Indicators:

<b>Real GDP Growth</b>	
Q2 2013	+1.7%
<b>Toronto Employment Growth</b>	
Aug 2013	+4.6 %
<b>Toronto Unemployment Rate</b>	
Aug 2013	7.8%
<b>Inflation</b>	
Aug 2013	+1.1%
<b>Bank of Canada Overnight Rate</b>	
Sep 2013	1.0%
<b>Prime Rate</b>	
Sep 2013	3.0%
<b>5 Year Mortgage Rate Fixed</b>	
Sep 2013	5.34%

## Stop Paying for Air in your Water – UPDATE

Several months ago, the Encompass Group introduced the "H2minusO" cost-saving water technology to the Ontario market. In that article we discussed how our technology reduces your water cost by managing the amount of air measured, as water used, by your meter.

The article and a featured case study generated significant interest and as a result we conducted and continue to do many face-to-face introductory meetings, site visits and investment proposals for the valve.

Since then we have installed the device into both small and large facilities. The results have been positive in every installation and clients are experiencing a Return On Investment (ROI) ranging from .5 year to just over 3 years.

Even in cases where our clients have completed water saving retrofits, the H2minusO valve has still generated significant water cost savings.

The mandate of Encompass is to introduce innovative technologies that help businesses reduce their

operating cost. In the next news letter, Encompass will be introducing another technology that will reduce your electricity cost related to the cooling portion of your power bill - AircoFridgeOptimizer (AFO).

For a free no obligation site assessment for H2minusO please contact: Encompass Group

**Nando Presciutti**  
(416) 451-7838

**Errol Small**  
(647) 779-9889

### Recent High Lights of ROI:

Location	Type of Facility	Number Of Units	Pay-Back (in years)
Toronto	Multi-residential	65	3.0
Peel Region	Multi-residential	220	2.13
Guelph	Multi-residential	69	1.3
Toronto	Multi-residential	329 + commercial	0.5
Toronto	Multi-residential	432	1.21
Toronto	Multi-residential	216	3.3

## Energy Savings – cont'd

These two things will have largest immediate impact on consumption and are the least expensive to initiate. Especially buildings with large underground parking areas there is no need have all those lights on all the time. Motion sensors in common areas also are very practical. Payback on these items is generally under 1.5 years.

On the water side there are also many items such as: changing to low flush toilets; changing faucets and shower heads; changing flare valves: etc.

There is a new technology called H2 Minus. This is one the most cost effective things we have seen. It in effect compresses the air bubbles running through the main water line that goes through your meter. Right now you are paying water rates for air in your building.

We have brought this to a few apartment clients who have installed it and we have seen reductions in costs by as much as 15-30% and have paybacks as low as 6 months (see above).

In the end, all measure will reduce costs but all will have different paybacks and different pro's and con's. The critical point is that you must do something as you can see GRI's are moving as fast as the increase in hydro and water and that will not change for the medium term.

**The Apartment Group**

## Improve Your Amenities = Higher Rents

Many apartment building owners give little or NO consideration to building amenities. For many owners they consider amenities to be storage lockers and laundry room. While these are considered amenities they are not the only ones. Condo owners have figured out a long time ago that if you add more amenities you can charge higher prices for their units. In most cases the cost of these amenities quickly pay for themselves.

Apartment owners are constantly looking for ways to maximize rent levels. More recently some have been taking the condo example and adding higher end amenities to their buildings.

For example, some are converting lockers or storage rooms into small gym facilities. It may cost \$15,000 to \$25,000 to construct and furnish a small gym but it is not unheard of to get \$25-\$35 more per month in rent. If you have a two hundred unit building, in less than six months you will easily cover the cost of the new amenity.

“One type of amenity that is quickly growing in popularity is High Definition Golf simulators. These indoor golf systems have been proving successful for builders and property managers hoping to appeal to seniors, students and the luxury market.

This is really the ultimate amenity for condominium developments in a current or future space,” says Todd Richardson, President and CEO of Interactive Sports Technologies, the Canadian company behind the High Definition Golf Simulator. “Properties are really setting themselves apart and taking advantage of the mass appeal of golf.”

The HD Golf Simulators are less costly to install and maintain than most other popular amenities and also take up less space. Besides providing incredibly realistic golf, the system’s wide screens and surround sound also double as a home theatre for watching movies, playing video games or broadcasting presentations.

Luxury developers like Tridel have installed HD Golf, enabling them to market golf as an amenity

and position themselves as having leading-edge technology. Many apartments are retrofitting unused theatre rooms and squash courts to update their offerings and target new demographics. A growing number of student housing and senior living apartments have also started installing this new type of amenity.

Richardson says the biggest market for this type of amenity is in the North, where golf is seasonal. “Golf is one of the few sports that appeals to all ages and both sexes. There are a lot of golfers who want to keep up their game all year round,” says Richardson.

For more information visit: [www.hdgolf.com](http://www.hdgolf.com).

For sales inquiries contact:

**John Kutchera**  
1-866-323-0096 x230,  
[johnk@hdgolf.com](mailto:johnk@hdgolf.com).

*For a special discount, please mention you were referred by Lorenzo DiGianfelice.*



## Some of Our Current Listings

Address	Units	Price	Price Per Unit	Cap Rate
477 Dean Avenue Oshawa Townhouses	51	\$7,750,000	\$151,960	6.0%
1801-1807 Eglinton Avenue West Toronto – Retail & Apt.	47	\$14,000,000	NA	4.5%
425 East 42nd Street Hamilton Condo Towns	36	\$5,100,000	\$141,665	5.0%
488 Dupont Street Commercial	24,000 sf	\$11,360,000		5.25%
210 North Street Collingwood Townhouses	30	\$3,750,000	\$125,000	5.5%
London Retail & Apt. Condo	163	Negotiable		

### COMMERCIAL FOCUS REALTY INC., BROKERAGE

35 The Links Road  
Suite 202  
Toronto, Ontario  
M2P 1T7

Phone:

(416) 972-9220

Fax:

(416) 972-9588

We're on the Web!

See us at:

[www.cfrealty.ca](http://www.cfrealty.ca)

## About The Apartment Group

The Apartment Group is a dedicated team of professionals specializing in the sale of multi-residential investment properties. With over 40 years of combined experience, the team brings together their strengths including strong negotiation and sales skills along with highly technical market analysis and appraisal methods.

The Group has been involved in the sale and acquisition of all types of multi residential real estate from small 10 suite walk

up to portfolios over 800 suites in scale.

The Group has experience with those first time buyers and sellers who need that extra level of attention and experience with larger institutional buyers and REITs.

Their success is proven with the fact that over the past decade they have sold over \$3.0 billion worth of apartment buildings across Ontario and throughout Canada.

The market today is very tight. Having the right Broker working for you is more important than ever.

*Can your Broker bring you off market deals? Can they realistically analyze the deals they bring you? Can they be creative and show you the upside? Can they assist you in working through the mortgage mind field today?*

Please call us to see how we can help you.

# COMMERCIAL FOCUS REALTY inc.

Brokerage

### Lorenzo DiGianfelice, AACI

Broker of Record & Owner  
Direct – 416-907-8281  
[ldgianfelice@cfrealty.ca](mailto:ldgianfelice@cfrealty.ca)

We have a collection of seasoned Agents that can serve your needs. Whether you are buying or selling, let us show you how we can help. On staff we have appraisers, accountants, mortgage brokers and planners. **This is a total one stop real estate company that can assist you through the entire process.**

### Mitchell Chang

Salesperson, President & Owner  
Direct – 416-907-8280  
[mchang@cfrealty.ca](mailto:mchang@cfrealty.ca)