

APARTMENT DIGEST

Joint Tenancy or Tenants in Common?

Economic Indicators:

Real GDP Growth	
Q3 2016	3.5%
Toronto Employment Growth	
Oct 2016	-0.4%
Toronto Unemployment Rate	
Oct 2016	7.1%
Inflation	
Oct 2016	1.5 %
Bank of Canada Overnight Rate	
Nov 2016	0.5%
Prime Rate	
Nov 2016	2.7%
5 Year Mortgage Rate Fixed	
Nov 2016	4.6%

Many times when reviewing a person's financial affairs, I ask how their properties are held. The typical response is a list of names on title. When I question if the individuals on title are joint tenancy or tenants-in-common, the response is, "I don't know. Is there a difference?" My response is, yes.

The primary difference between joint tenancy and tenants-in-common is the right of survivorship. Only joint tenancy has the right to survivorship. Property held by tenants-in-common becomes the ownership of the deceased's estate leading to probate fees being charged before transferring to the beneficiary(ies) through the Will.

When property is held in joint tenancy, the shareholder's interest is transferred to the remaining shareholders in the event of death until the last shareholder has full control. Only the last person can use his or her Will to give the property to someone else.

For example, let's say Adelle, Sarah and Robert are joint tenants of a house. Robert passes away. He wants to leave his share to his wife. He can't because he's a joint tenant. Adelle and Sarah now own the property equally. Sarah dies. Adelle now owns the whole property. Since she

is the only name now on title, she can leave the property to her husband and children. There is nothing for Sarah's and Robert's families.

Some people transfer property to joint tenancy to avoid probate fees. There can be a series of complications with this approach:

- Land transfer tax
- Income tax triggered on the disposition of one's interest
- Possible loss of control of the property
- Concern of creditors from new joint owner

Typically a husband and wife will hold property such as a matrimonial home as joint tenants. When the first spouse dies, the other one will automatically inherit the home without having to go through probate. (Keep in mind, joint tenancy is not always done with second marriages.)

Tenants-in-common has a different outcome. The share ownership doesn't have to be equally distributed. Someone can own 60% and the remaining individuals, 30% and 10%. Typically, this occurs based upon the amount of investment capital made at time of transaction. Each shareholder can appoint their share in their Will or sell it without the permission of the other shareholders.

To adapt our example above, Adelle, Sarah and Robert are tenants-in-common of the property and are equal owners. When Robert passes away, he leaves his share to his wife, Clara. Now the owners are Adelle, Sarah and Clara. Sarah passes away and leaves her share to her husband, Richard. Now the owners are Adelle, Clara and Richard. This way, each of the individual owners retains control of his or her share.

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Do you know what Cogeneration Is?

The world's first central power plant was opened in New York nearly 135 years ago. It used an energy efficient technology that's only now gaining widespread adoption.

Built by Thomas Edison's company in 1882, the Pearl Street Station was the world's first combined heat and power (CHP) plant. It harnessed the heat emanating from its steam engines to warm nearby buildings. But it's only recently that the practice of cogenerating heat and electricity has started to see widespread adoption.

Cogeneration is gaining fresh momentum because it saves money and alleviates the electricity demand on the grid. Worldwide, there are more than 15,500 GE Jenbacher gas engines powering CHP systems in 100-plus countries. For example, a 12-MW CHP system powered by four Jenbacher gas engines provides onsite power and heat at a 55-acre tomato greenhouse complex in Ontario. Operated by Great Northern Hydroponics, the system also produces a ready supply of CO₂ to fertilize the facility's tomato crop. Or take a beverage facility in the GTA, where a 2MW CHP system powered by one Jenbacher engine is currently being installed. The system will provide power for the plant as well as steam and hot water that will be used in their bottling process. **Many governments around the world have legislated incentives to improve the uptake of CHP technology, including Ontario, which covers up to 40% of the capital cost of an installation.**

Richard Laszlo, director of Research & Strategic Initiatives at Quality Urban Energy Systems of Tomorrow (QUEST), a non-profit organization that promotes smart energy communities in Canada, says the incentive can shave one to three years off a project's expected payback time. **"Ontario is showing real leadership on this," Laszlo says. "It's one of the things they have done with energy policy that makes a lot of sense."**

But favourable governmental policies are just one of the three big factors driving interest in CHP. Under Ontario's Conservation First Framework, the government recognizes CHP projects as conservation measures, because they decrease demand from the grid. The government has set a conservation target of seven terawatt-hours over the next six years, a goal that local distribution companies say can only be achieved through increased use of cogeneration.

Another factor driving interest is that the "spark spread" is increasing. Spark spread is the difference between how much electricity costs from the grid and how much it costs companies to produce it themselves with natural gas. In other words, it can be cheaper for companies to produce more power behind the meter, although they still have to remain connected to the grid in Ontario to qualify for the government's incentives.

A third major reason is that while there haven't been huge leaps in terms of the basic technology behind CHP, it's much simpler to install now because CHP manufacturers have made it

more modular, almost like "plug and play," Laszlo says. "The packaging is much easier."

When you consider these three elements together—conservation benefits, energy efficiency, and ease of use—it's clear why CHP is gaining interest among customers and industry players alike.

CHP works best at facilities with a consistent heating or cooling load, but for those without, there are still attractive onsite power options. In Ontario, the Industrial Conservation Initiative (ICI) offers a strong incentive to large electricity consumers who reduce their electricity consumption during peak times. Those who participate can reduce their electricity bill by up to 50%. For now, this initiative is restricted to customers with a monthly peak demand greater than 3000 kW, but recently, Ontario has proposed expanding the incentive to include customers greater than 1000 kW. Through a combination of software and onsite power, GE is helping customers reduce their peak load and achieve these outcomes.

Source: National Post

The Apartment Group is affiliated with a company that specializes in cogeneration technology. They have devised a device that is really suitable for the apartment building.

We have begun discussions with some of our clients regarding this technology and so far they have been positive. We have completed three installations thus far. One REIT will shortly be installing CHP in all buildings in their portfolio that fit the CHP profile.

Generally, CHP is suitable for buildings with hydro is bulk metered and the buildings are generally larger than 100 units. Many owners are finding out that it is great to install hydro saving devices but the rates are going up so fast that it eats into the savings. The like CHP as it pulls them more and more OFF the GRID.

If you want to learn more please call John Kutchera 647-975-3396.

Condo Apartment Rents Exploding

Research firm Urbanation Inc. says shrinking condominium inventory in the Greater Toronto Area's high-rise sector, driven partially by landlords selling to would-be homeowners, helped drive the highest annual rental rate the firm has ever seen.

Urbanation, which has been tracking the condo sector since 1981, said Monday in its year-end report that Toronto condo rental rates jumped 11.7 per cent in 2016 with the average rental rent in the fourth quarter reaching \$2.77 per square foot per month.

With the average lease size in the GTA 719 square feet, that puts the average monthly rent for condos at \$1,990 per unit. In the former city of Toronto, which includes all of the downtown core, the average rent reached \$2,134 per month.

"The under-supply of rentals in the GTA continued to worsen throughout the year, causing rents to surge alongside home prices and further deteriorating housing affordability across the region," said Shaun Hildebrand, senior vice-president with Urbanation. "While less pressure on rent growth may arrive in 2017 due to a temporary rise in new apartment completions, it's become clear that more attention needs to be paid to building rentals over the longer-term."

The real estate company said the number of condo apartments leased through the multiple listing service system (MLS) in the GTA dropped by two per cent from a year earlier to 26,602 units in 2016 — the

first decline since the company started tracking those sales in 2011.

Urbanation chalked up the drop in rental activity to delays in condos under construction being finished and less rental turnover of existing stock, but also an increase in resale activity.

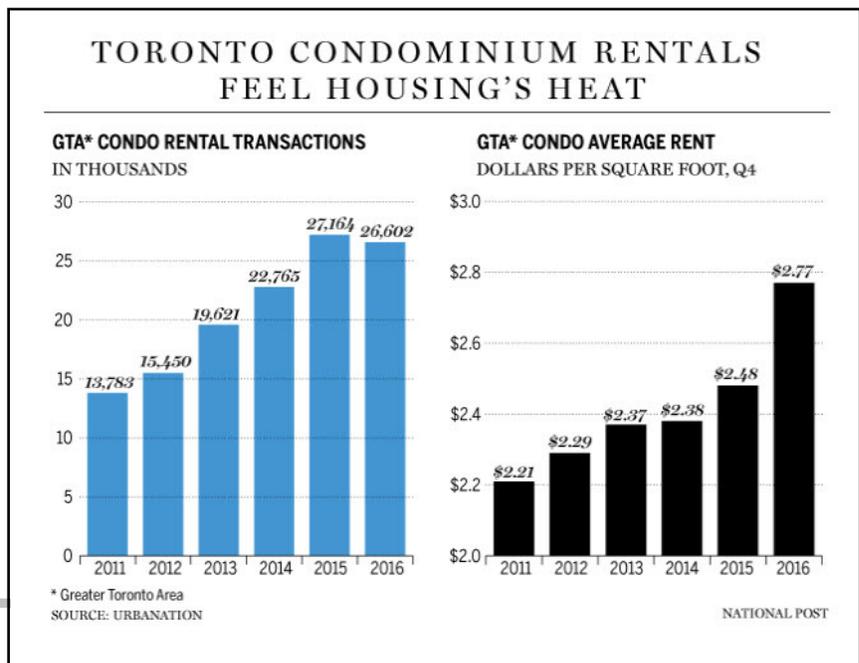
"With resale prices for condos up 15 per cent over the same period, more owners have become enticed to sell their units as opposed to holding onto them as rentals," the company said in a release. "At the same time, existing tenants have become less willing to move due to the high cost of renting in the open market."

The surge in demand for rental units comes amid an acceleration in housing prices. The Toronto Real Estate Board said this month that existing home prices across all housing stock rose 17.3 per cent in 2016 from 2015 with December prices up 21 per cent from a year earlier.

The Building Industry and Land Development Association says supply continues to dry up in the region which drove the average new detached home to \$1,230,961 in November, a 27 per cent increase from a year earlier. But the new condo sector has seen a drop in supply too, leading to 10 per cent increase in prices from a year earlier to an average of \$493,137 in November, the group said.

There is a bump in purpose-built rental coming with applications for new units reaching 27,812 units in 2016, increasing by 7,586 units in the past three months. Vacancy rates in the purpose-built segment of the market dropped to 0.6 per cent in 2016 from one per cent a year earlier.

Source: National Post
Gary Marr



RECENT SALES – GTA

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
174-178 Broadway Ave*	10	\$4.25	\$425,000	3.0%
1255 Birchmount Rd	68	\$9.66	\$142,000	NA
12 Maynard St.	4	\$1.65	\$412,000	NA
123 Huron St	18	\$4.00	\$222,250	3.25%
300-313 The Kingsway	30	\$5.743	\$193,400	3.75%

Source: Realtrack, CFAS * SOLD BY THE APARTMENT GROUP

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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 **\$4.0 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.

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