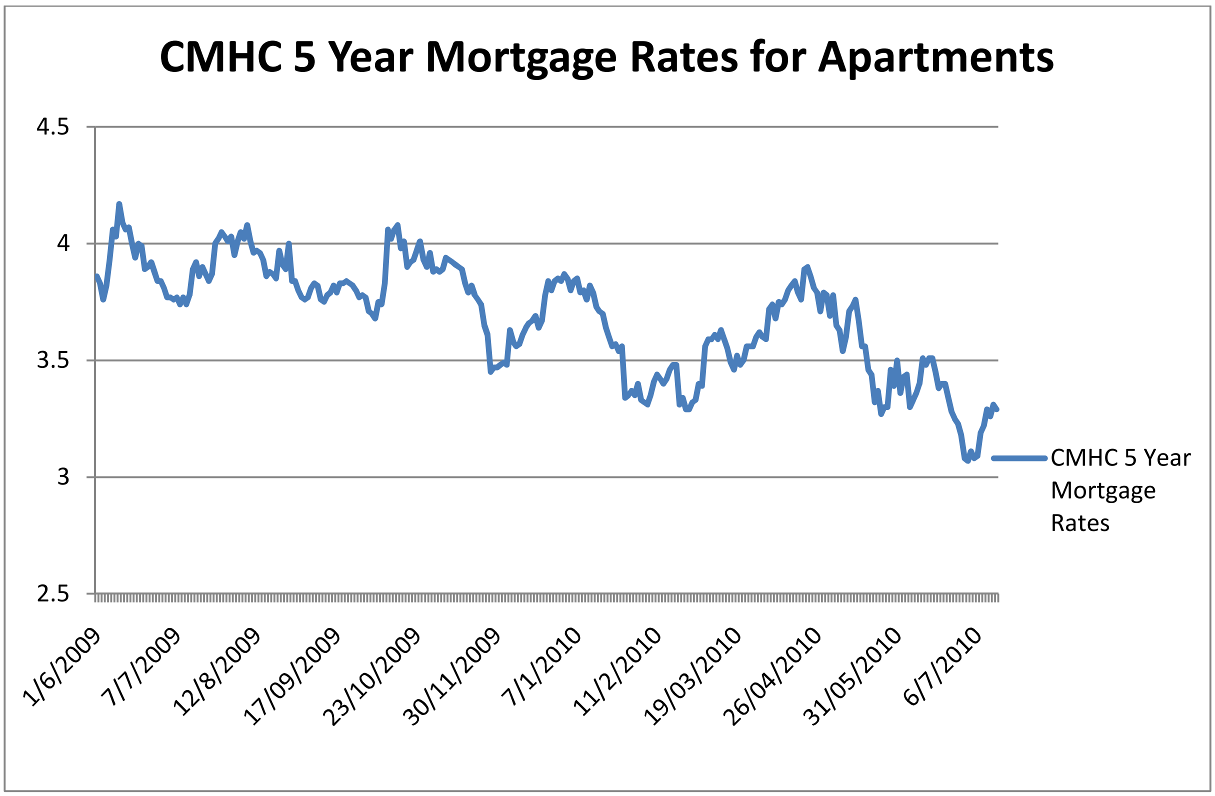
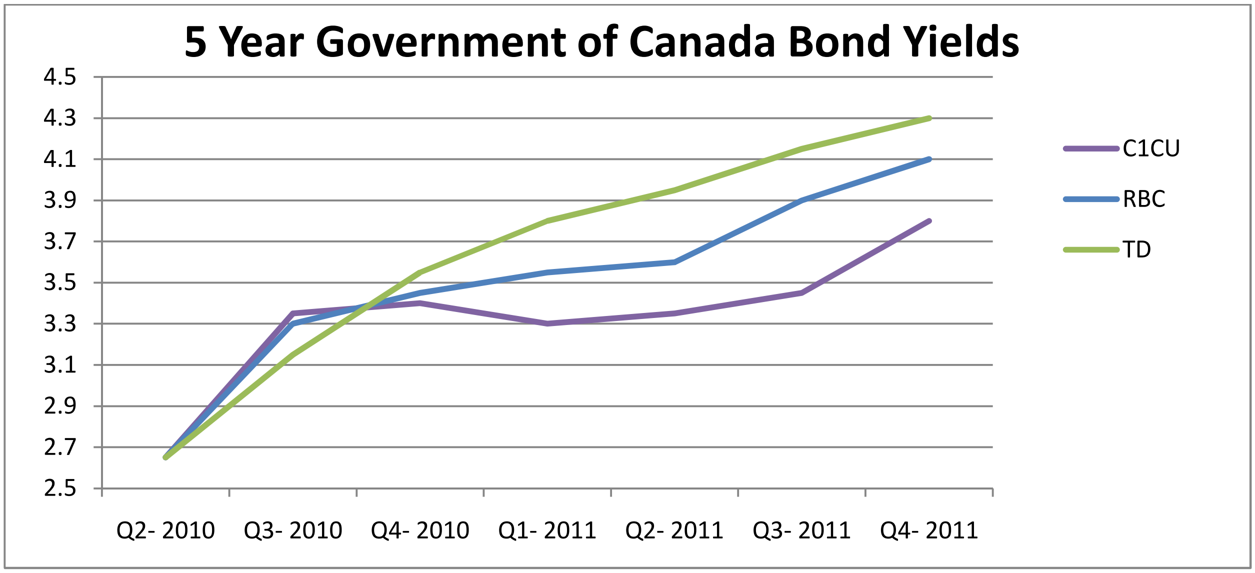
CURRENT MARKET FOR APARTMENT FINANCING

July 15, 2010

With the current volatility in the interest rate market, a question we often get asked by clients is "what are interest rates going to do in the future?" While there is no way to predict the future, we can look into what interest rates have done historically and at the forecasts put forward by some of the top economists in the region.



The above graph shows the general trend of interest rate pricing for CMHC insured apartment loans over the past 12 months. The current environment for lending on multi-family properties is optimal, with bond yields at historically low levels, and lender spreads that have been constricting as the year has gone on. Realtech Capital Group recently arranged a ~$1,000,000 CMHC insured apartment loan at a rate of **3.33%**. Pricing can be even more competitive for larger mortgage amounts.



This graph shows the interest rate forecast from 3 of the country's top economists. The obvious trend is that rates are expected to increase substantially over the next year and half. The current rate environment is unlikely to remain this low for an extended period of time. Most experts feel that 5-year bond yields will be over 3.5% by this time next year and will be getting close to 4.0% by the end of 2011 (5 Year GoC bond yields are currently 2.48%). This represents a projected increase of approximately 1.0% - 1.5% in commercial mortgage interest rates over the next 12 to 18 months.

One strategy that has been beneficial for clients was arranging the CMHC financing and obtaining the Certificate of Insurance several months in advance of the pending mortgage renewal date. The CMHC Certificate of Insurance is valid for up to 6 months prior to funding, and having the approval in place ahead of time allows a lender to monitor bond yields and choose the most advantageous time to lock in the interest rate, thereby maximizing interest rate savings. With a small premium, lenders are able to fix rates up to 6 months in advance of the funding/renewal date.

If your mortgage renewal date is approaching or your building is currently sitting without any debt on it, now would be a great time to look at getting a mortgage in place at these historically low interest rates. If you have an existing mortgage on your property, it may even be worthwhile to pay the penalty to break your existing mortgage in order to take advantage of the current interest rate environment. Many lenders are able to prepare a cost-benefit analysis tailored to your current situation, to determine your potential interest rate savings.

The following example shows the interest savings and increased cash flow that could be attained for a hypothetical 45 unit rental building through CMHC financing versus conventional financing. In this example, you will see that the lower interest rate attainable with the CMHC financing results in a significantly improved annual cash flow, saving the owner approximately $22,647 per year. The second part of the table shows the substantial principal and interest savings over a 5 year CMHC term:

REFINANCE- 45 unit rental building	Conventional	CMHC Insured
Net Operating Income (NOI)	$ 260,000	$ 260,000
Cap Rate	6.00%	6.00%
Market Value of Subject Property	4,333,333	4,333,333
Requested Loan @ 65% LTV	2,816,667	2,816,667
CMHC Premium (1.75%)	0	49,292
CMHC Application Fee	0	6,000
Total Loan	2,816,667	2,871,958
Interest Rate	**5.000%**	**3.600%**
Interest Savings per Year		**35,869**
Annual Payments (Principal + Interest)	196,582	173,935
Cash Flow (NOI- Annual Payments)	**63,418**	**86,065**
Improved Annual Cash Flow		**$ 22,647**

REFINANCE- 45 unit rental building	Conventional	CMHC Insured
OSB at Start of term (5 year term)	$ 2,816,667	$ 2,872,708
Payments throughout term	982,912	869,677
Payment Savings throughout term		**113,235**
Interest throughout term	659,207	479,861
Interest Savings throughout term		**179,346**
Principal throughout term	323,705	389,816
Increased Principal paid throughout term		**66,111**
OSB at end of term	2,492,961	2,482,892

The benefits of insuring your mortgage with CMHC are real and anyone who owns an apartment or is looking to buy one should look into the savings that could be achieved on their investment property by taking advantage of current interest rates, before they continue on their anticipated upward trend.

So how do you get a CMHC insured apartment loan? CMHC does not deal directly with the public but instead deals with CMHC approved lenders and correspondents.

As we are an approved correspondent, apartment owners can contact us to get a "no obligation" assessment as to the amount, rate and other terms which might be available in today's market should they wish to obtain new financing. If your financing needs are greater than that available through a first mortgage, Realtech also directly funds secondary financing at competitive rates.

For more information, please contact one of the following:

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