

# Canadian Apartment Investment Conference

Session C1 – What's going on with  
financing and underwriting? How  
exposed could you be?

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## Transaction 1: First and Second Mortgage

**CMHC Insured First Mortgage: \$95,153,309**  
**Conventional Second Mortgage: \$16,666,250**  
**Total Financing Provided: \$111,819,559**

**Property Type: 502 Unit Multi-Family High-rise with Ground Floor Retail Component**  
**Location: Toronto**

### Challenges

- Provide most competitive rate and maximize leverage
- CMHC valuation based on more conservative cap rates limiting leverage
- Building had historical vacancy issues
- Area is not an established location for commercial tenants
- Complex Borrower structure

### Solutions

- Obtained maximum CMHC financing @ 85% LTV (58% of purchase price)
- Arranged second mortgage to top up to 69% of purchase price
- Borrower injected substantial cash equity (\$47 Million +)
- Strong guarantees provided by the borrowing group
- 10 year term on the loans

## **Transaction 2: First Mortgage**

**First Mortgage: \$32,000,000**

**Property Type: 291 Unit Multi-Family High-rise with over 30,000 sq. ft. of retail and office space**

**Location: Montreal**

### **Challenges**

- **Provide most competitive rate and maximize leverage on a non-recourse basis for 10 years**
- **Commercial space on the ground floor and second story office space with some vacancy**
- **High equity pull-out, \$21M**

### **Solutions**

- **Obtained 65% of appraised value for 10 years at competitive spread**
- **Consistent operating history to rely on.**
- **Location is irreplaceable at a subway location**
- **Comfort in the management of the asset**
- **Value add property, with potential to construct an additional tower on the adjacent parkade**



## **Transaction 3: Second Mortgage Portfolio**

**Second mortgage: \$9,875,000**

**Location: 7 properties in southwestern Ontario, 795 units**

### **Challenges**

- **80% loan to value request**
- **Low pricing request considering a second mortgage**
- **Smaller market**
- **Tight Debt Service Coverage**

### **Solutions**

- **Blanket mortgage, diversified risk given properties located in several different markets**
- **CMLS held 3 of the existing first mortgage loans**
- **Comfortable with the sponsorship, guarantor and management**
- **3 year term amortized over 25 years**
- **Good quality assets with minimal capital expenditure projected over the term of the loan**