



## Construction Cost Consultants

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by Ray D'Onofrio

### Construction Financing - understand what CMHC offers.

#### **Mortgage Loan Insurance for Multi-Unit Properties**

CMHC is the only provider in Canada of mortgage loan insurance for the construction, purchase and refinancing of large multi-unit residential properties, including rental buildings, licensed care facilities and retirement homes. Take advantage of CMHC's innovative products to help you grow your business. There are some aspects of the insurance which are not well understood.

#### **Multi-Unit Reference Guide**

Provides an overview of the fees, premiums, underwriting norms and documentation required for CMHC Mortgage Loan Insurance for multi-unit properties (5+ units), including rental, licensed care and retirement facilities, affordable housing projects and energy-efficient multi-unit housing.

#### **Two key points often overlooked by the borrower:**

1. Once your loan is approved BOTH by your Lender and by CMHC [ie: insured by CMHC] your Lender becomes a sort of 'middle man'. CMHC takes the risk away from your Lender, who is then able to reduce his financing rate given to you, Your Lender however, loses the decision making powers. CMHC is the sole decision maker.
2. If you are a builder of a rental property, do not overlook your Rental Achievement obligation. Assuming you are NOT building a licensed care or retirement facility, your total and maximum draw amount on your loan will be the lesser of 75% of costs or of the lending value. The remainder of the loan will NOT BE ADVANCED until your project has become rent stabilized. In most cases, CMHC will make the decision to reduce your first draw amount by the FULL AMOUNT required to stabilize the rents (property). You may find it totally unfair, but the practice does make sense. Your Project has been appraised with rent stabilization in-place. CMHC gave

**OUR BANKING CLIENTS, THANK YOU FOR YOUR BUSINESS:**



**Banque Laurentienne du Canada**



Ray D'Onofrio will be presenting cases on Construction Financing during the Federated Press seminar in January, 2010

eManagePro, represented by Monica Bialski, PQS, is on the Board of Directors of Économistes en Construction du Québec (ECQ)

you a great offer to finance 95% with this premise in place. When you begin your construction phase you will, more likely than not, not have first month rent deposits in place. So plan for this upfront and there will be no surprises.

CMHC Income Property (non-owner occupied) Provides investors with more housing finance choice when buying or refinancing a small rental property.

**Low construction starts in Canada's latest forecasts, but there are signs of optimism....**

CanaData's forecast for total non-residential building construction starts nation-wide in 2009 now stands at 45.5 million square feet. This is about half of what it was two years ago in 2007 at 92.1 million. Last year was the first year of decline in the recession and the square footage of ICI starts (industrial, commercial and institutional) dropped to 75.5 million. The new slightly revised forecasts for 2010 and 2011 are for 56.0 million and 70.0 million square feet respectively.

**Montreal – the only Canadian city with positive year to year third quarter construction indices**

One indication of the state of non-residential building markets can be found in Statistics Canada's construction price indices. The third quarter year-over-year change for seven major cities across the country was -10.0%. Montreal (+2.0%) was the only centre with an increase, although the decline in Halifax (-0.4%) was minimal. Also in the East, Ottawa (-2.9%) and Toronto (-5.1%) have recorded year over year drops in non-residential building construction costs. Those are nothing compared with the most populous cities in Western Canada – Calgary (-13.6%), Edmonton (-16.1%) and Vancouver (-19.4%). Market conditions are setting the tone.

On a quarter-to-quarter basis, Vancouver (-4.4%) is still the leader among declines and Montreal (+0.7%) is out front with the only increase. Source CanaData and Statistics Canada

## Do you want to be social entrepreneur?

For a number of years, eManagePro has been sponsoring a child Baldwin, now age 12, in Zambia, through [www.plancanada.ca](http://www.plancanada.ca). We are now committed to fundraising towards building of school in Mozambique. If you are not social entrepreneur, please become one by helping us to build the school. For details contact us at [info@emangepro.com](mailto:info@emangepro.com)



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