



MCAP

Welcome to the Fall 2018 Breakfast Seminar

**Presented by:
MCAP Development Finance Group**

AGENDA

GTA Condo Market Outlook

Presented by: Shaun Hildebrand, President, Urbanation

MCAP High-Rise Condominium Land Value Report

Presented by: David McCrossan, Director, Development Finance Group

MCAP Lot Value Report

Presented by: Bruno Iacovetta, Managing Director, Development Finance Group

URBANATION

GTA Condo Market Outlook

MCAP Breakfast Seminar
December 6, 2018



Headlines Shape Confidence

February 2018

“We just got the first real picture of the Toronto housing market — and its ugly”

--Bloomberg News

July 2018

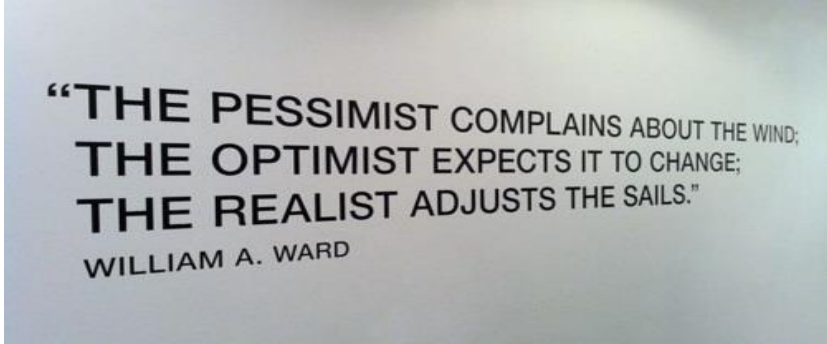
“June home sales slightly higher in the GTA”

--The Canadian Press

November 2018

“Toronto’s homes sales climb in October and new listings fall ”

--Globe and Mail



**“THE PESSIMIST COMPLAINS ABOUT THE WIND;
THE OPTIMIST EXPECTS IT TO CHANGE;
THE REALIST ADJUSTS THE SAILS.”**
WILLIAM A. WARD

GTA Condo Market Key Facts

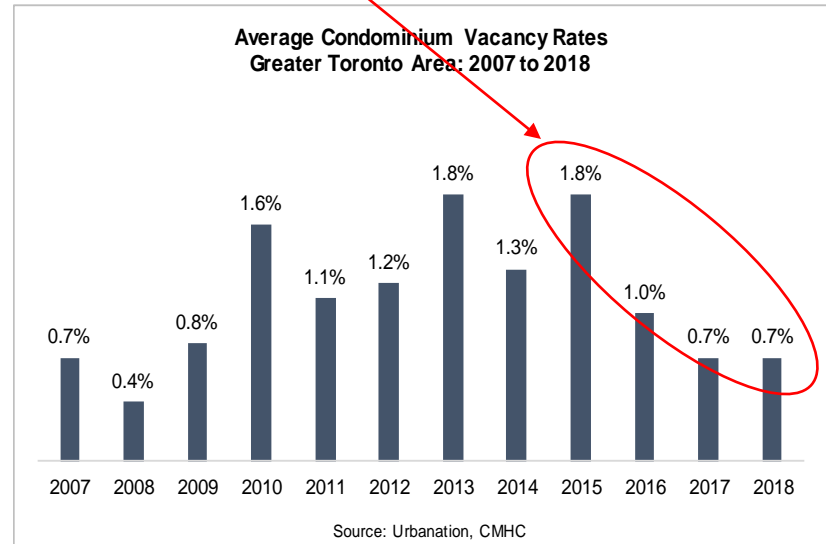
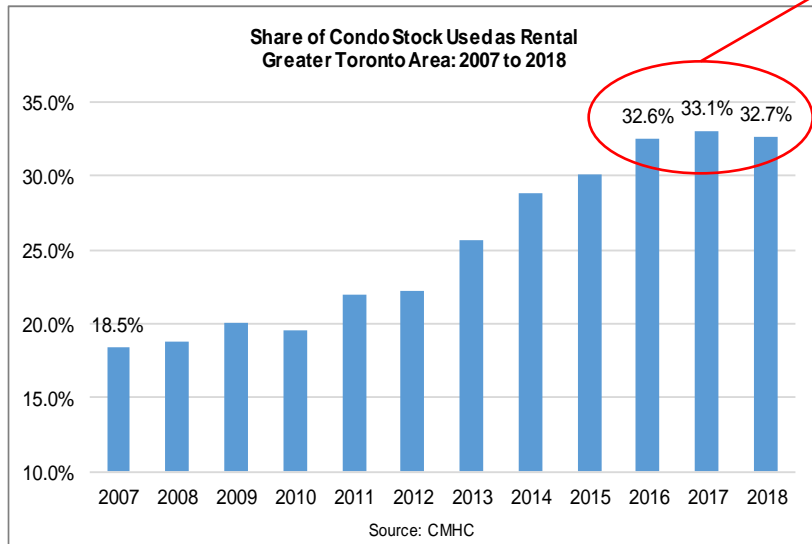
- 150,000 Condos Sold in Past 3 Years
- Condo Prices Up 50% in 3 Years
- Avg. Downtown Price > \$1,000 PSF
- \$100,000+ Income to buy Avg. Unit
- Avg. Condo Rent = \$2,385
- 120,000 New Condos in Development
- Condo Vacancy Rate = 0.7%



Condo Rental Supply & Vacancy Rates

**Net Increase in
Condo Rentals**

2016.....	14,576
2017.....	7,197
2018.....	4,410



Downtown Toronto Stats

Downtown Population = 870,000

Growth of 10,000 pp/year from 2011 to 2016

Downtown Toronto Employment = 565,000

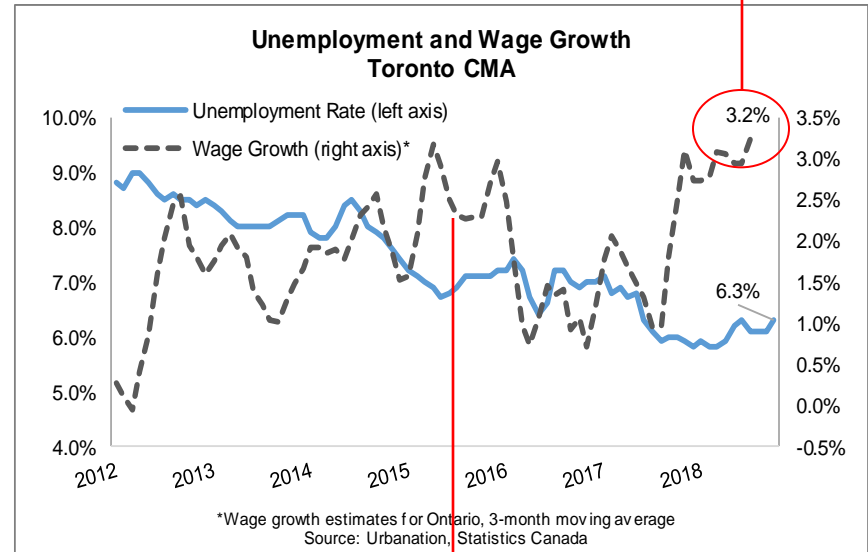
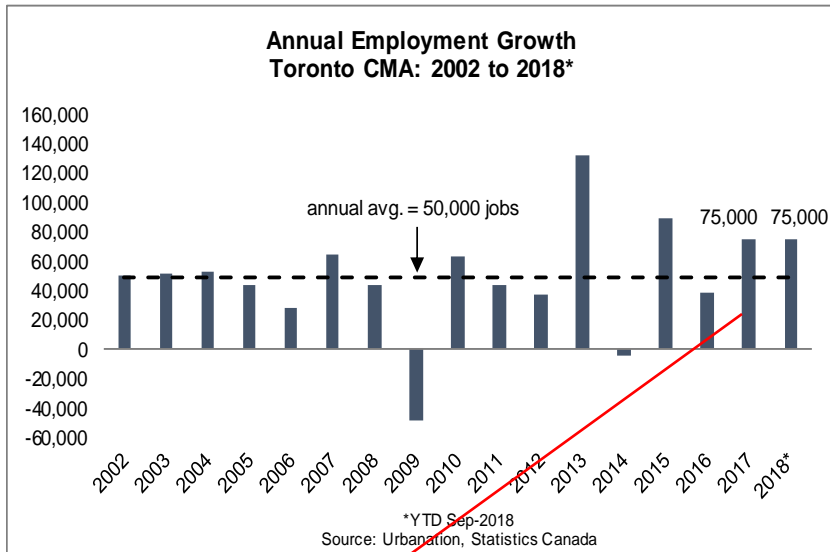
5-year Avg. Job Growth = 20,000/yr



Back to Basics: Toronto Job Market

2011-2016 GDP Growth
 Toronto.....3.5%
 Ontario.....2.1%
 Canada.....1.8%

Incomes growing in line with housing prices

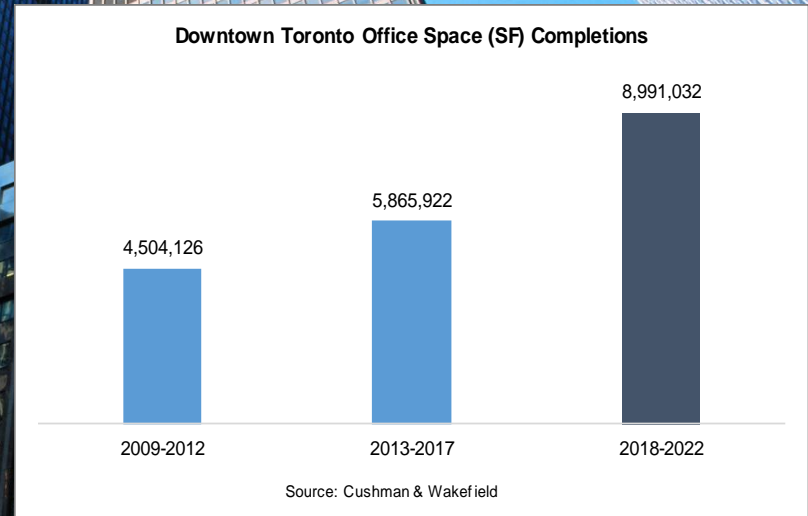


58,000 added in City of Toronto (+3.9%) → 72% in full-time work, 50% in office jobs

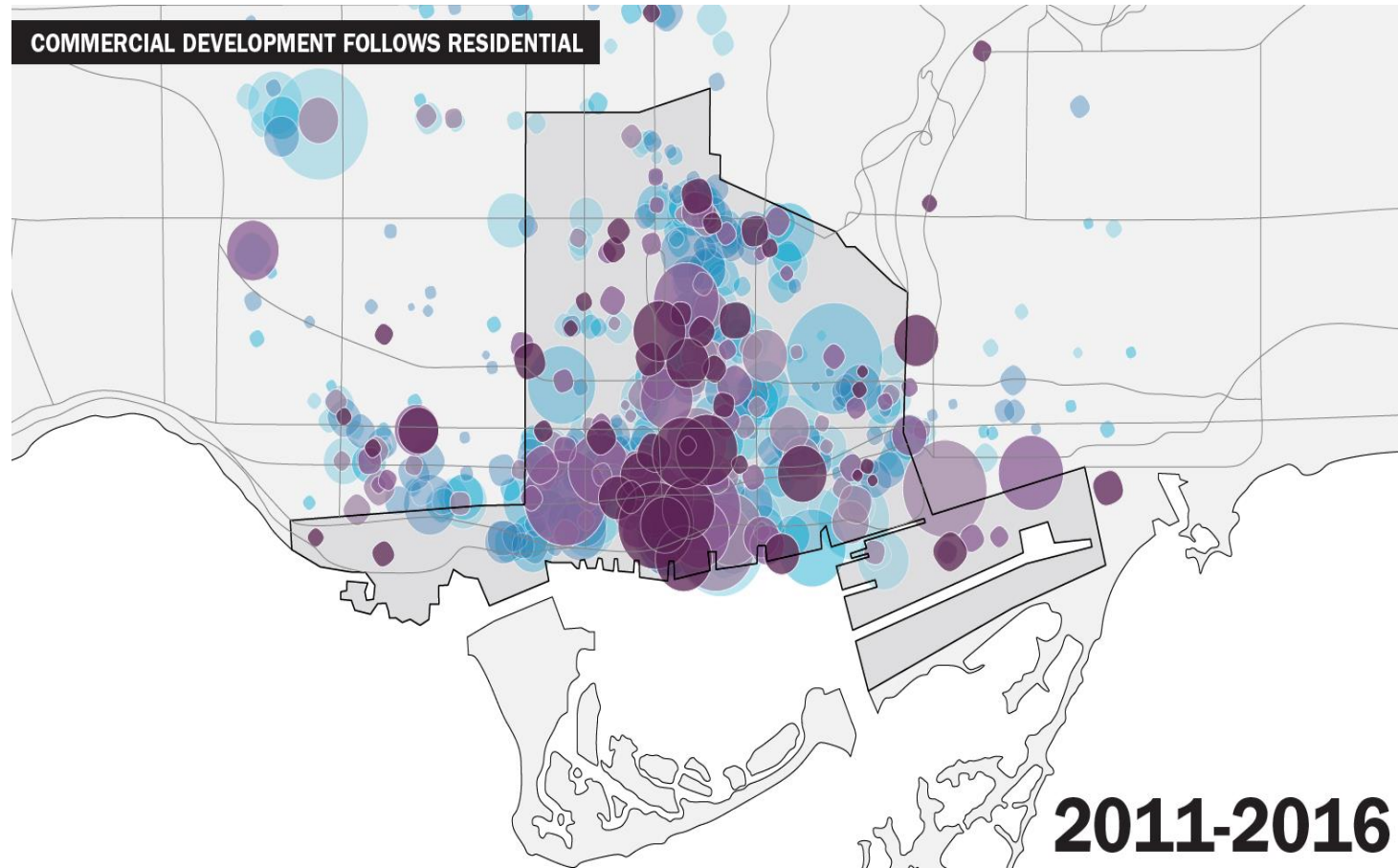
Avg. HH Income in Downtown Toronto as of 2015 = \$118,000

~\$125K today

Downtown Office Space



Downtown Office Development



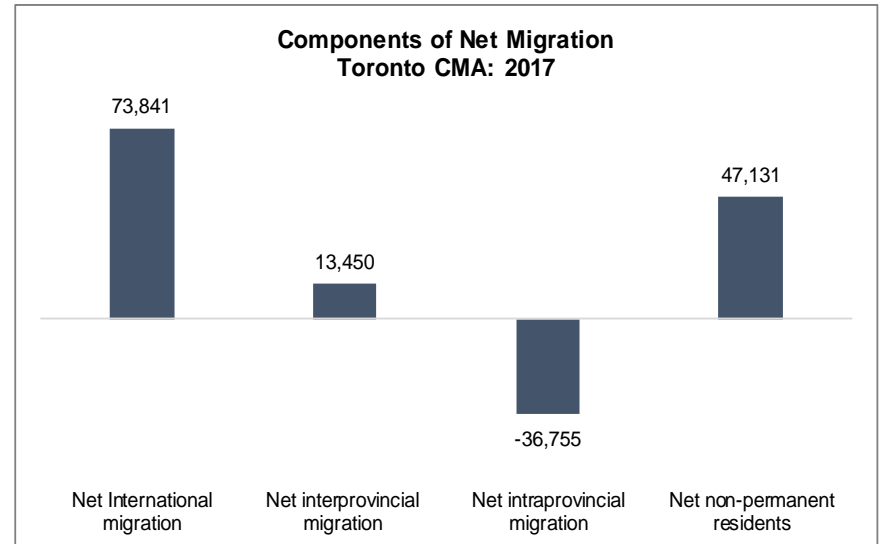
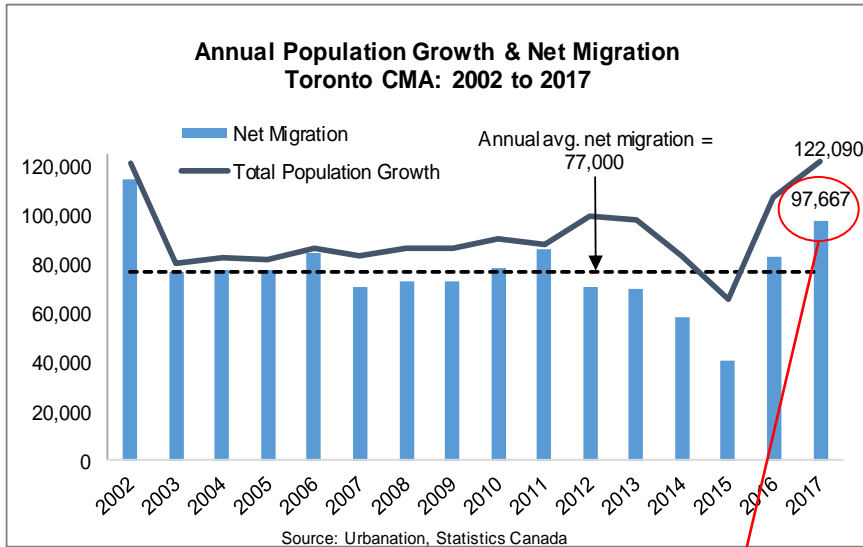
Source: architectsAlliance, City of Toronto

Population Inflows

National Immigration Targets

2011-2015.....260,000
 2016-2017.....300,000
 2018.....310,000
 2019.....330,000
 2020.....340,000

Toronto is Canada's #1 destination for international migrants

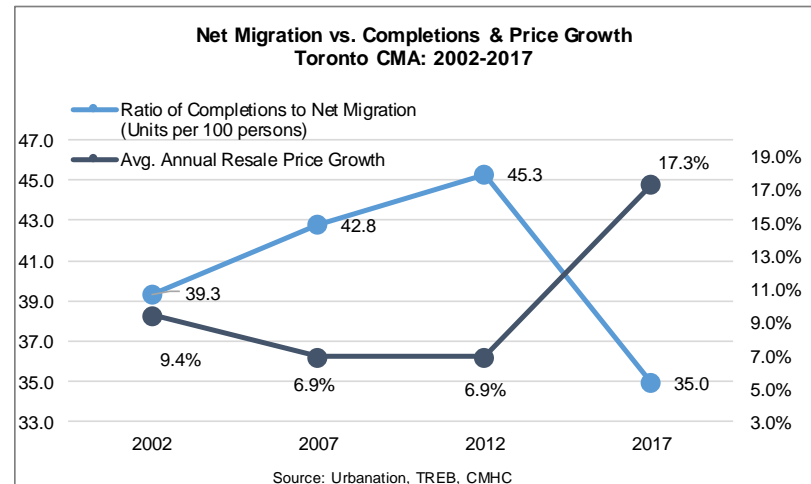
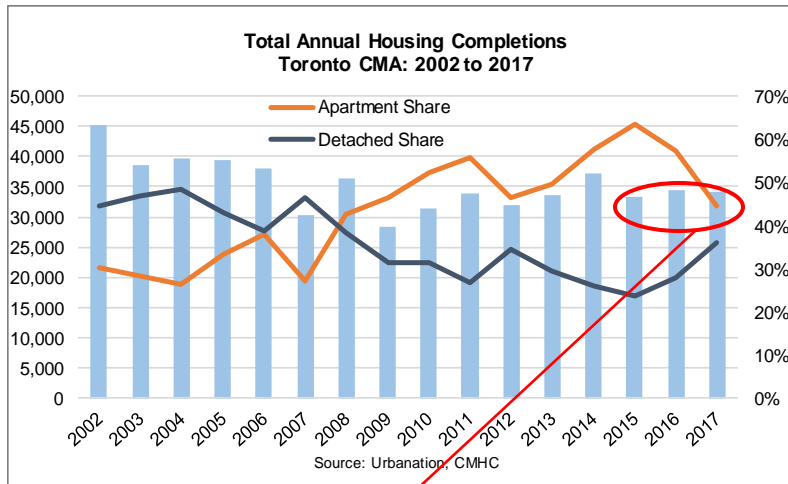


Requires an extra 8-10K housing units

82% of Net Migrants between 15 and 34

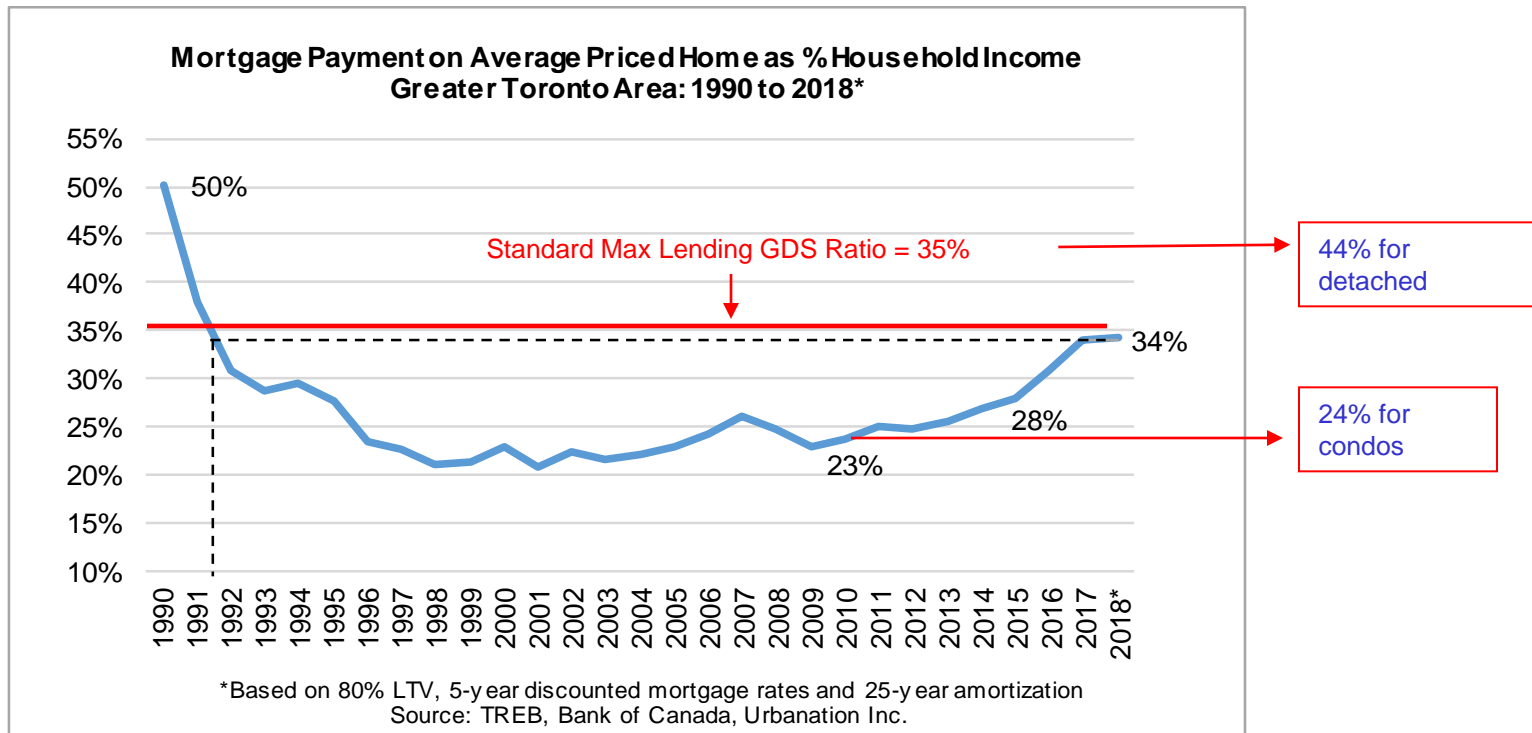
15-34 Population ↑ 50,000 persons

Supply vs. Demographic Growth

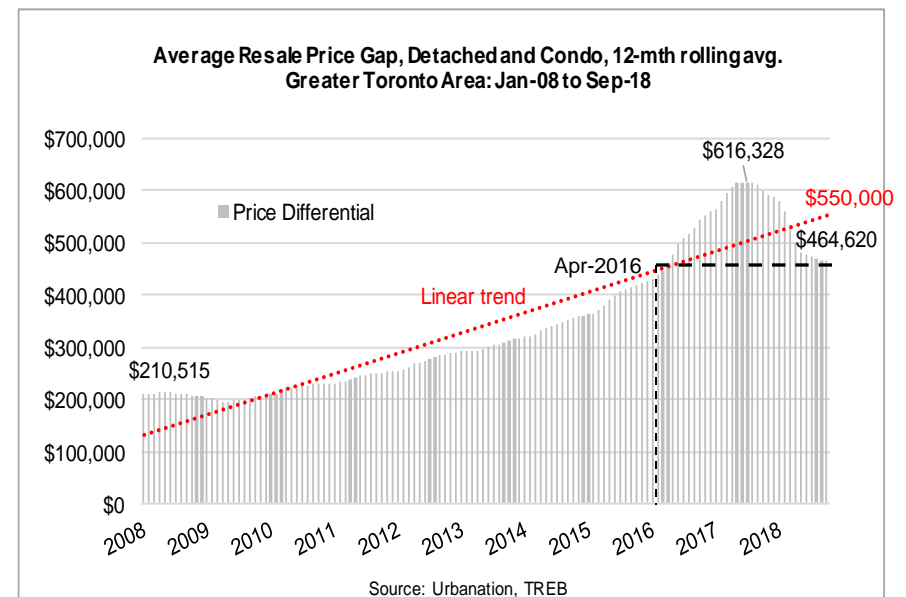
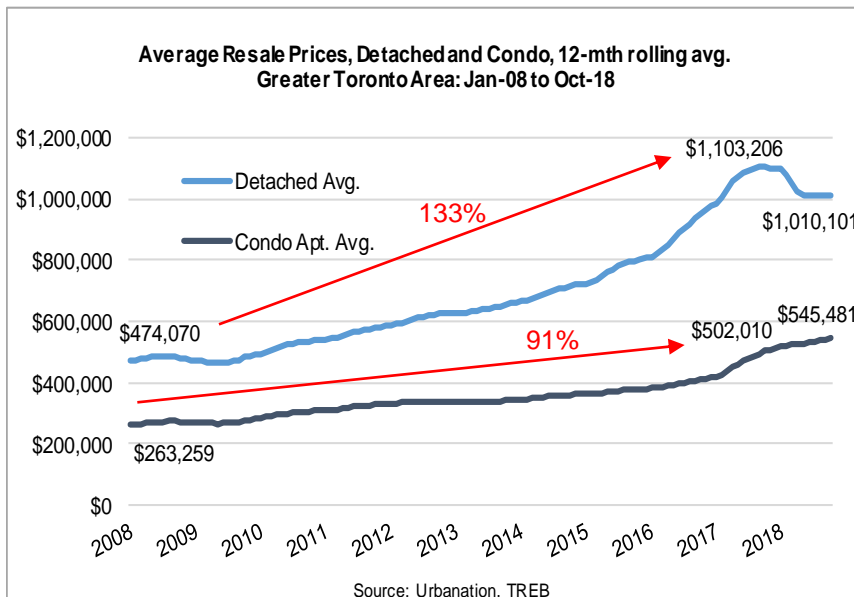


Underbuilding by at least 10K units

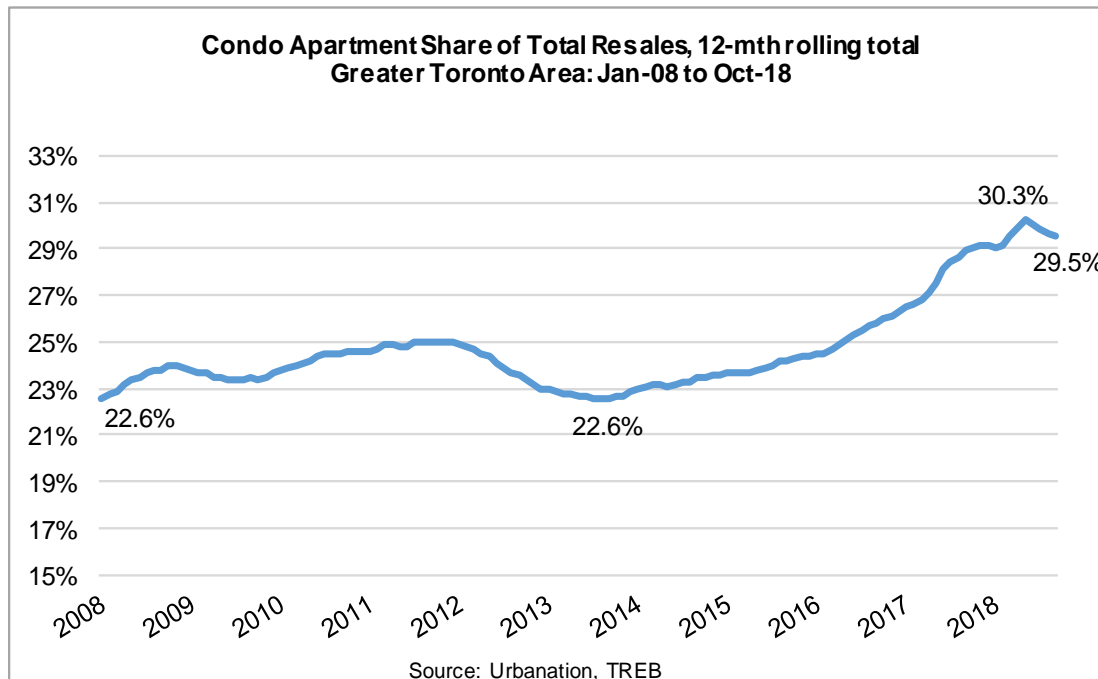
GTA Ownership Affordability Measure



Detached vs. Condo Prices

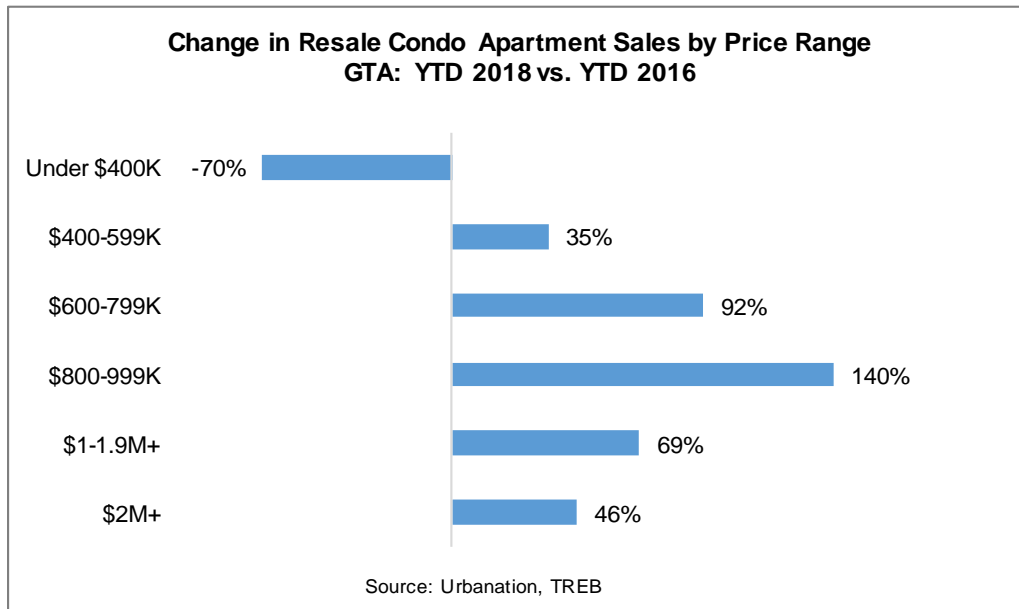


Condo Share of Total TREB Sales

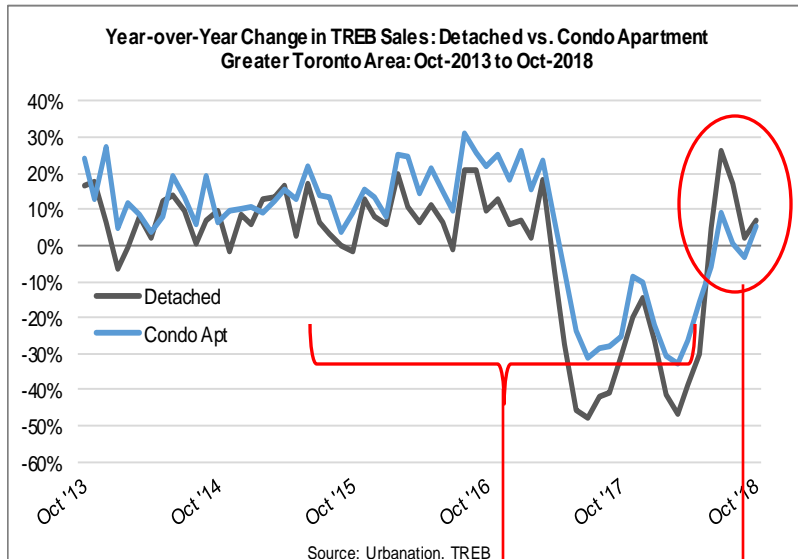


- 55% Condo Share in City of Toronto
- 45% Condo Share of GTA Homes <\$700,000

Condo Resale Activity by Price Range

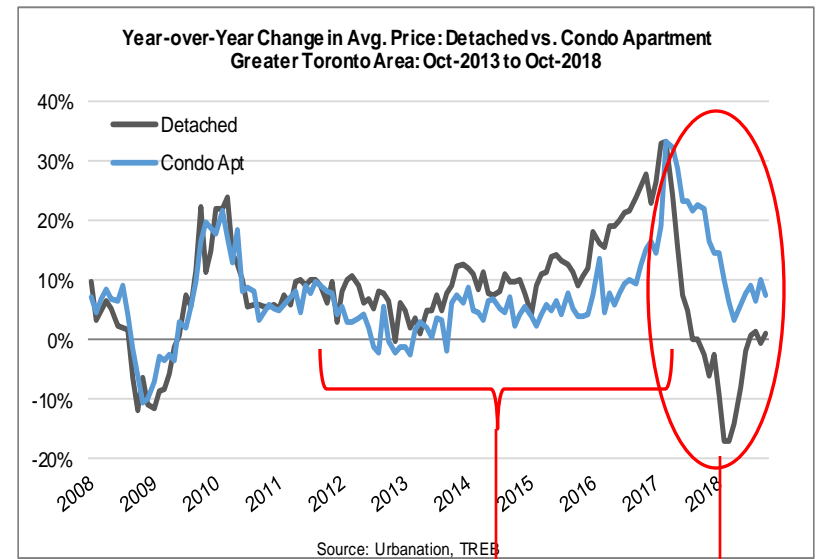


Condo vs. Detached Sales & Price Growth



Condo > Detached
for 37 months

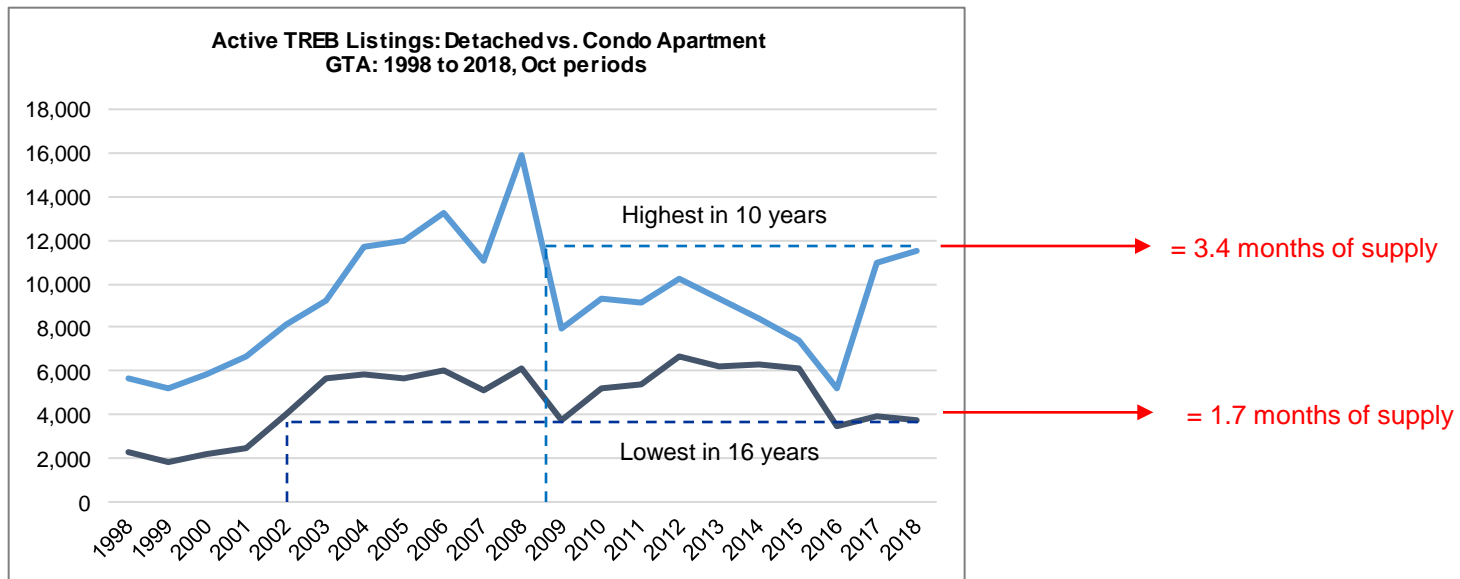
Detached > Condo
for 5 months



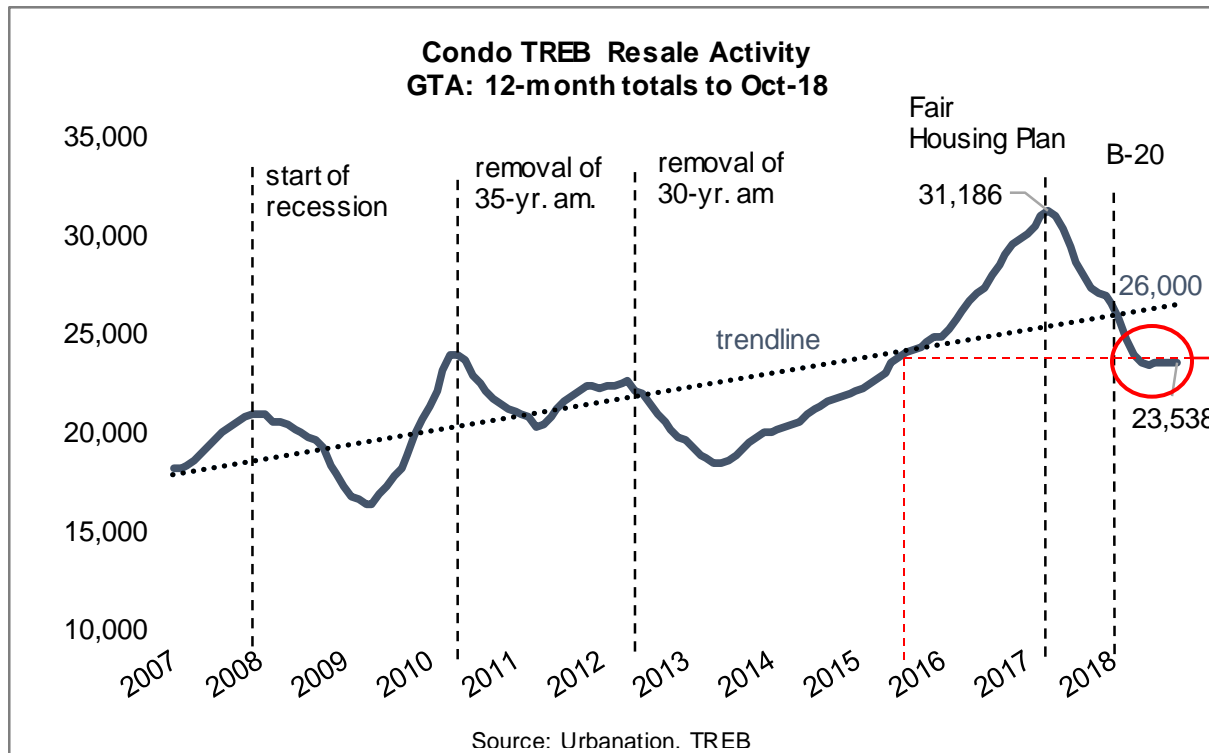
Detached > Condo
for 62 months

Condo > Detached
for 19 months

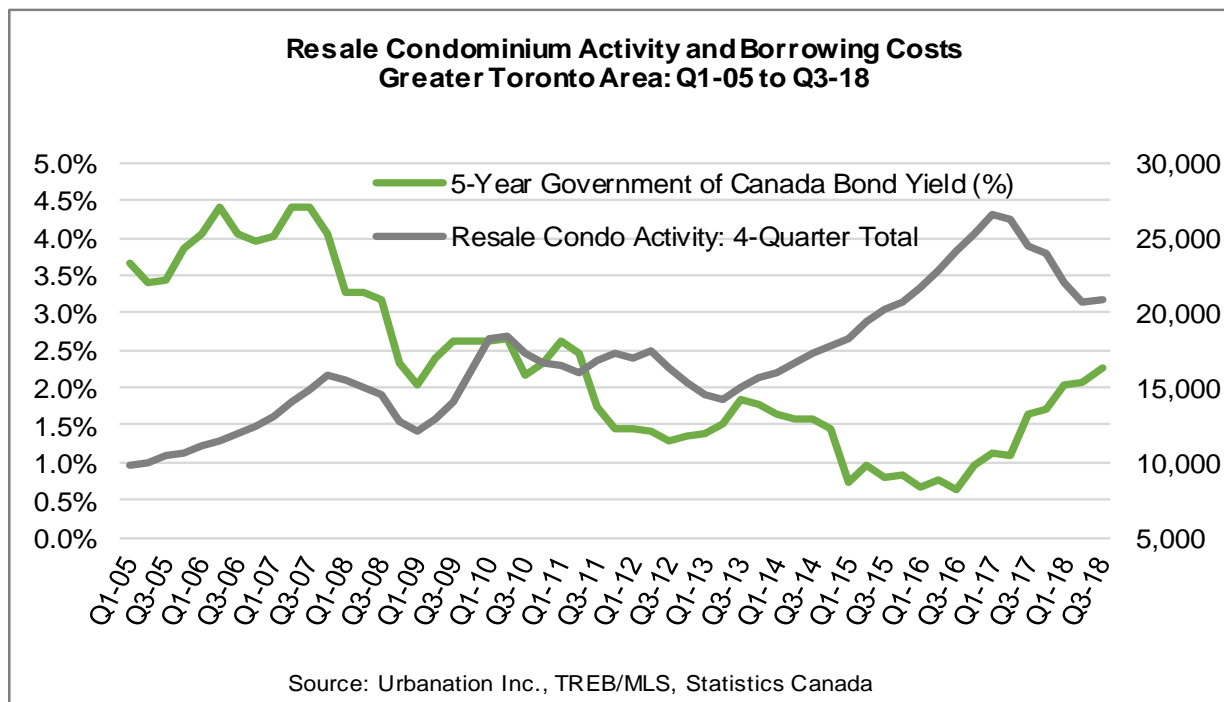
Condo vs. Detached Resale Supply



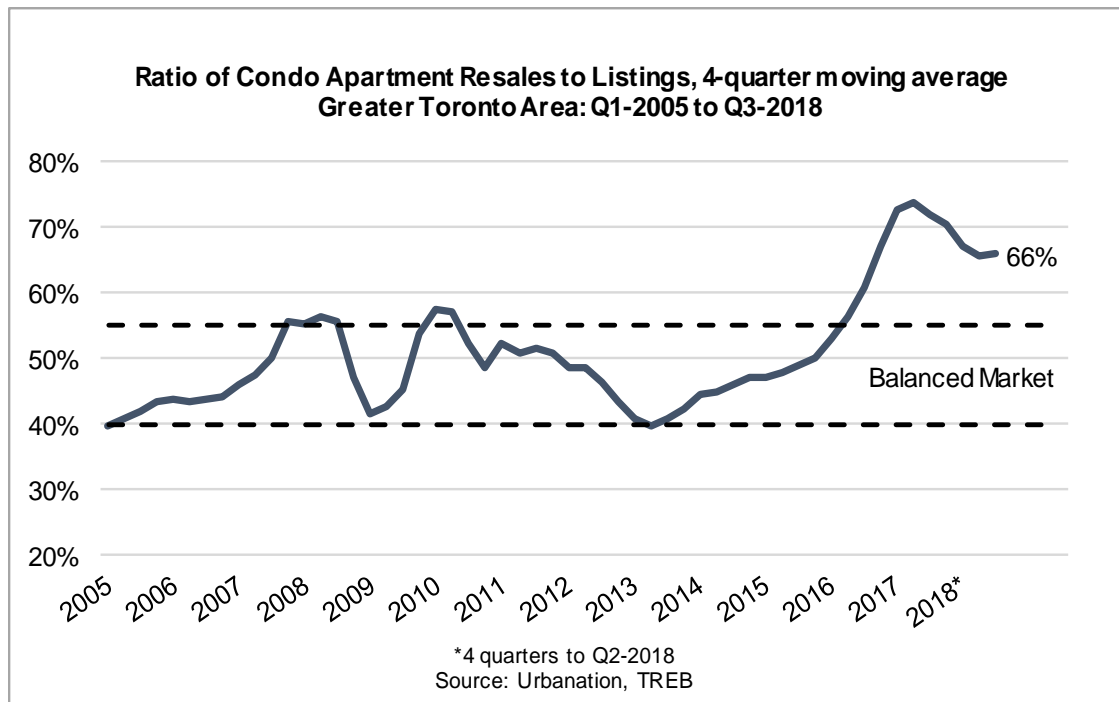
Condo Resale Activity Trend



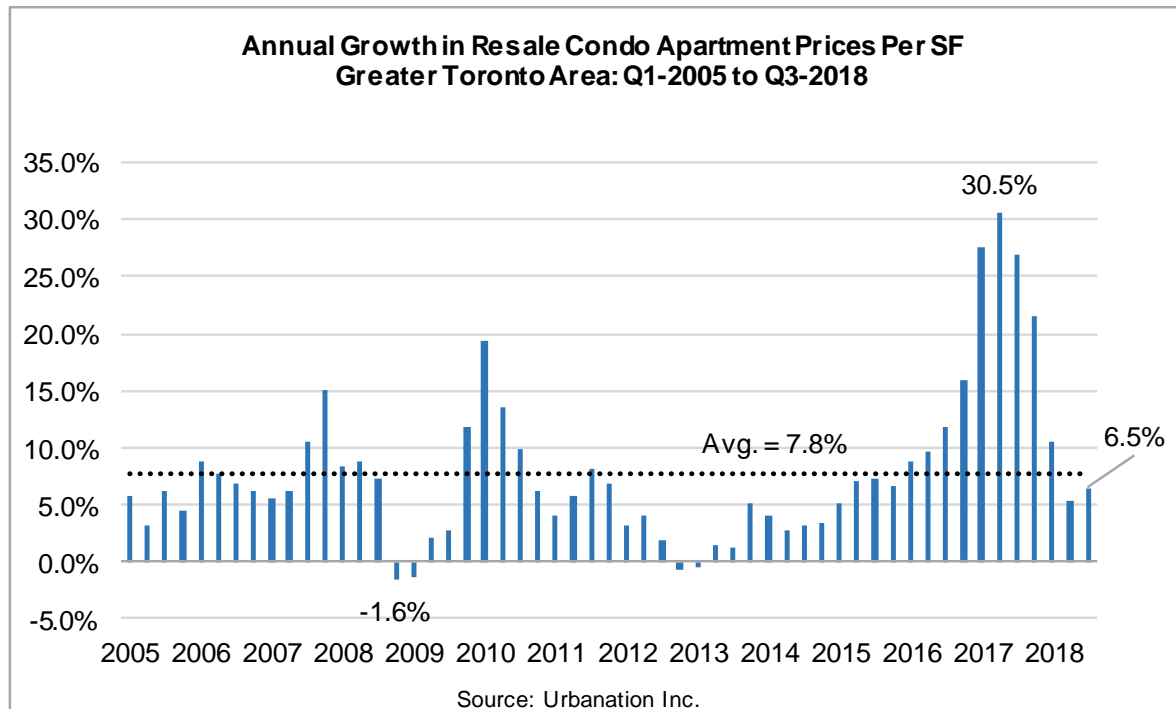
Condo Resale Trend vs. Interest Rates



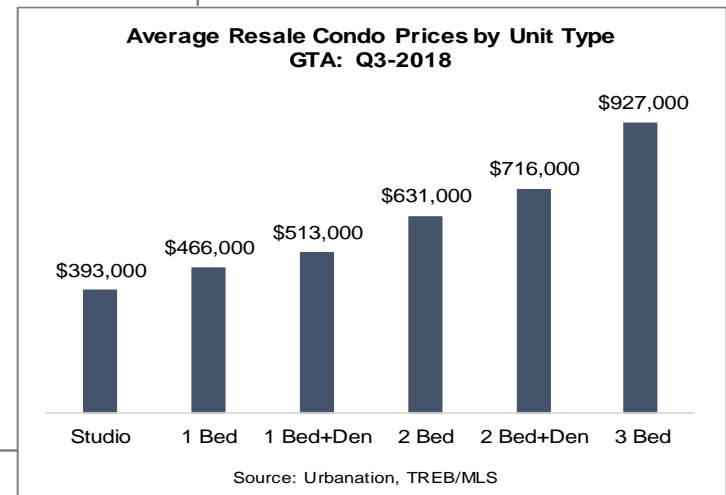
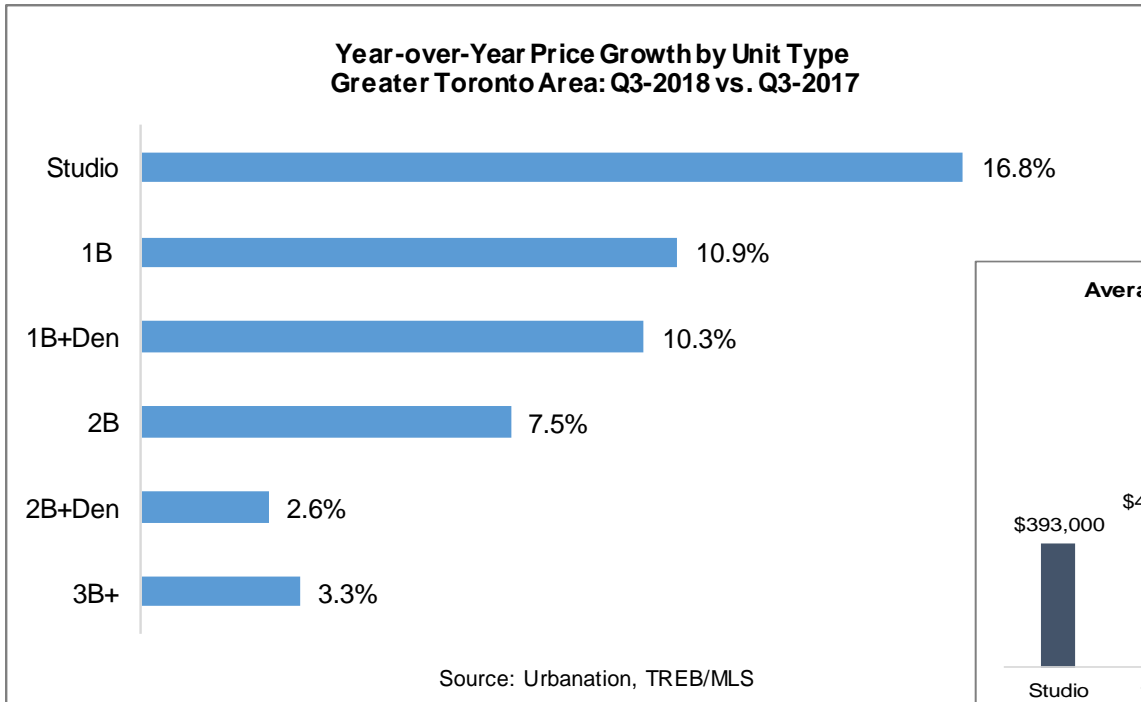
Resale Condo Sales-to-Listings Ratio



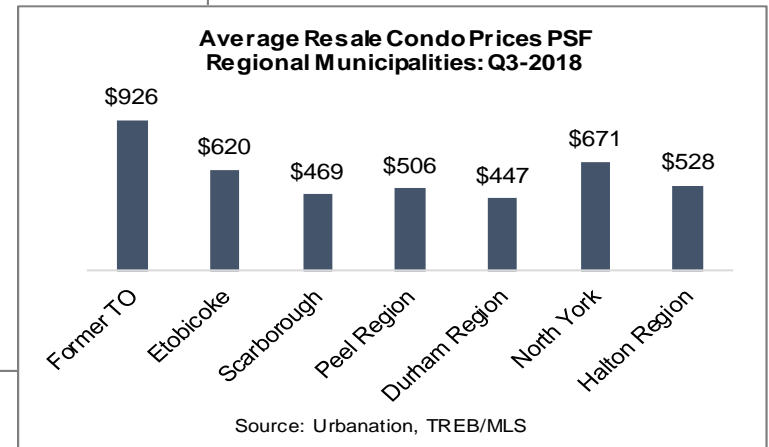
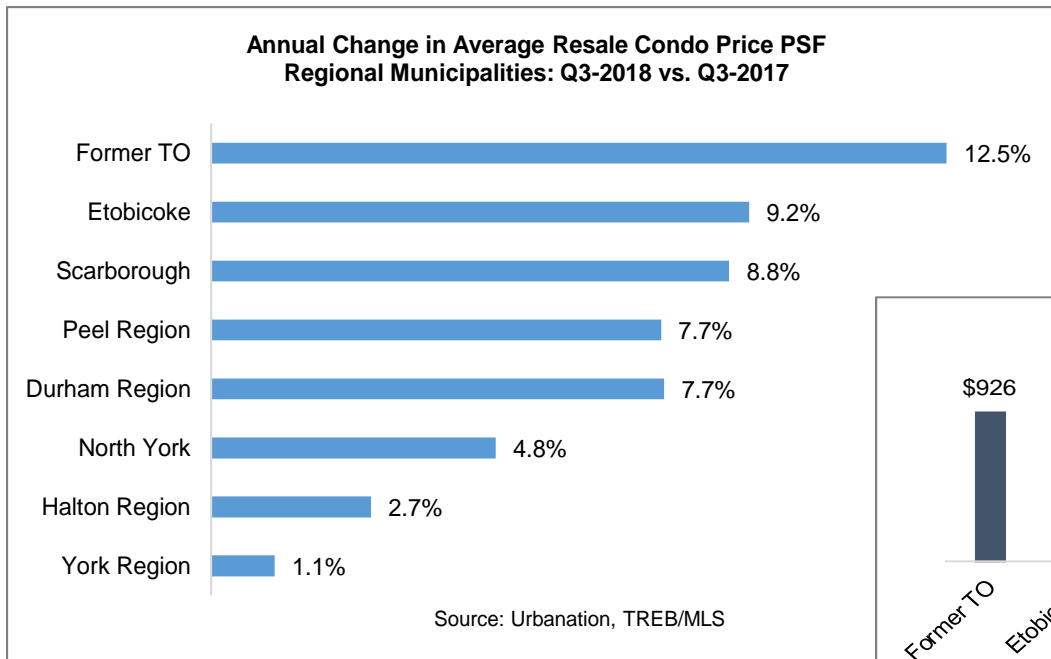
Annual Growth in Resale Condo Prices PSF



Condo Resale Price Growth by Unit Type

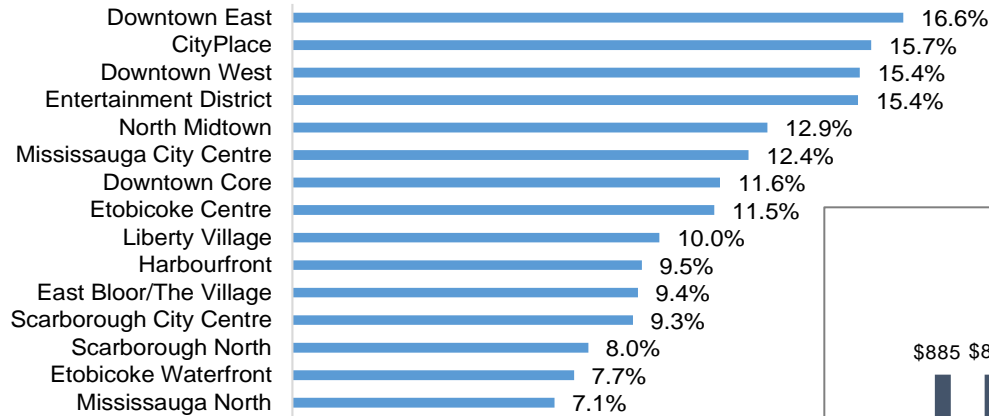


Resale Price PSF Growth by Area



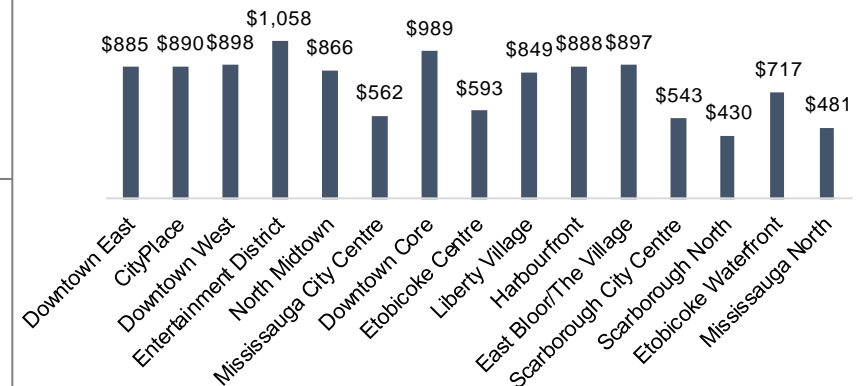
Resale Price PSF Growth by Submarket

Annual Change in Average Resale Condo Price PSF
Submarkets with at least 100 sales in Q3-18



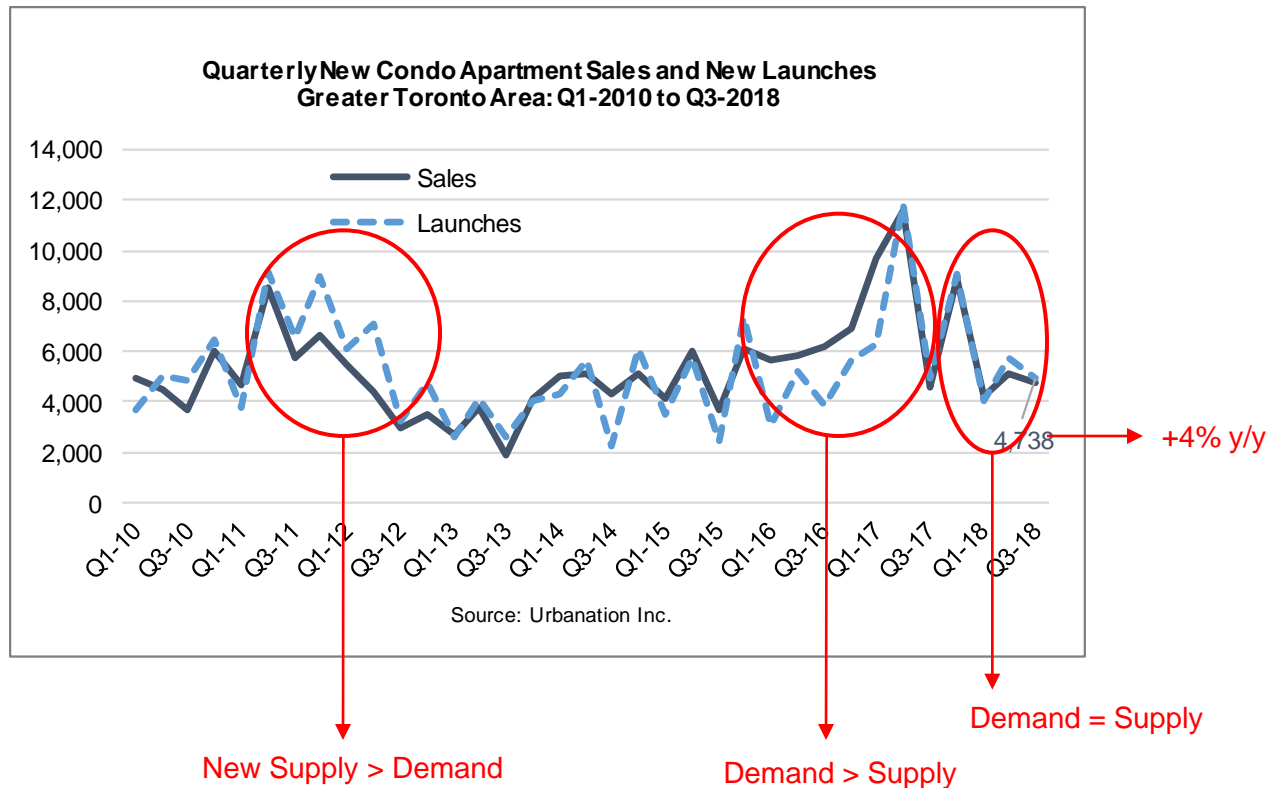
Source: Urbanation, TREB/MLS

Average Resale Condo Prices PSF
Regional Municipalities: Q3-2018

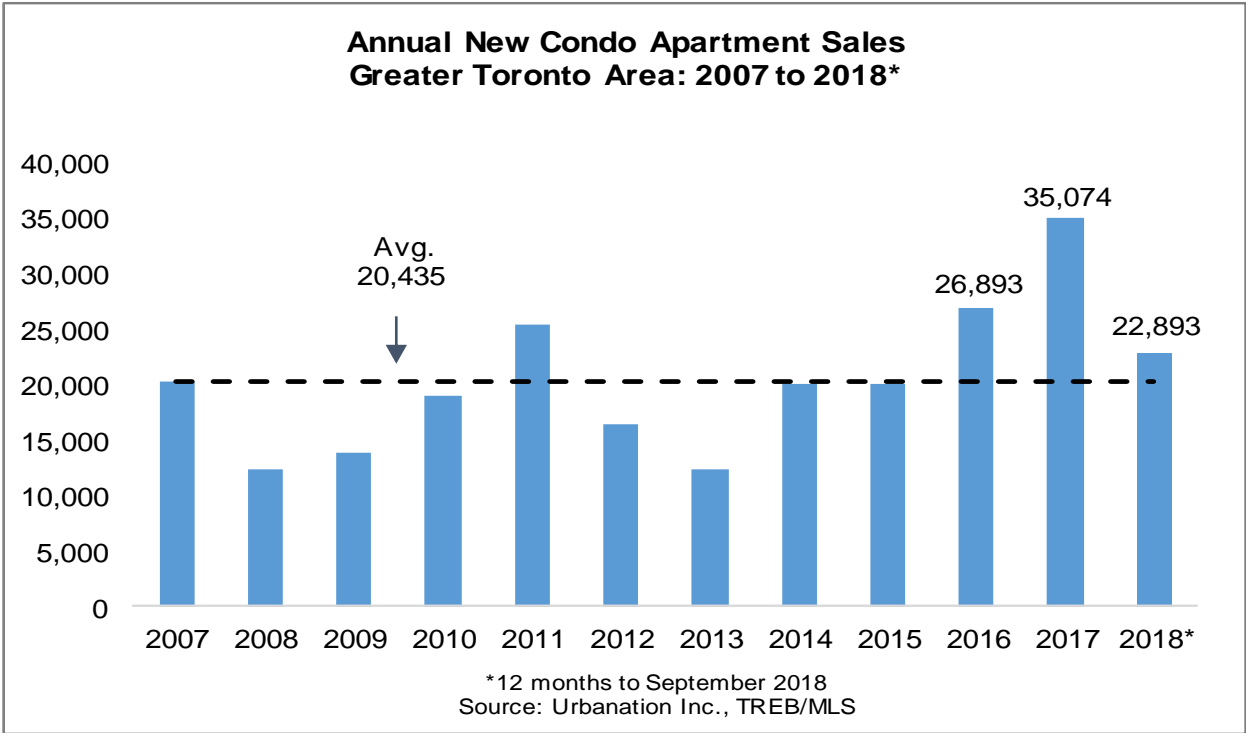


Source: Urbanation, TREB/MLS

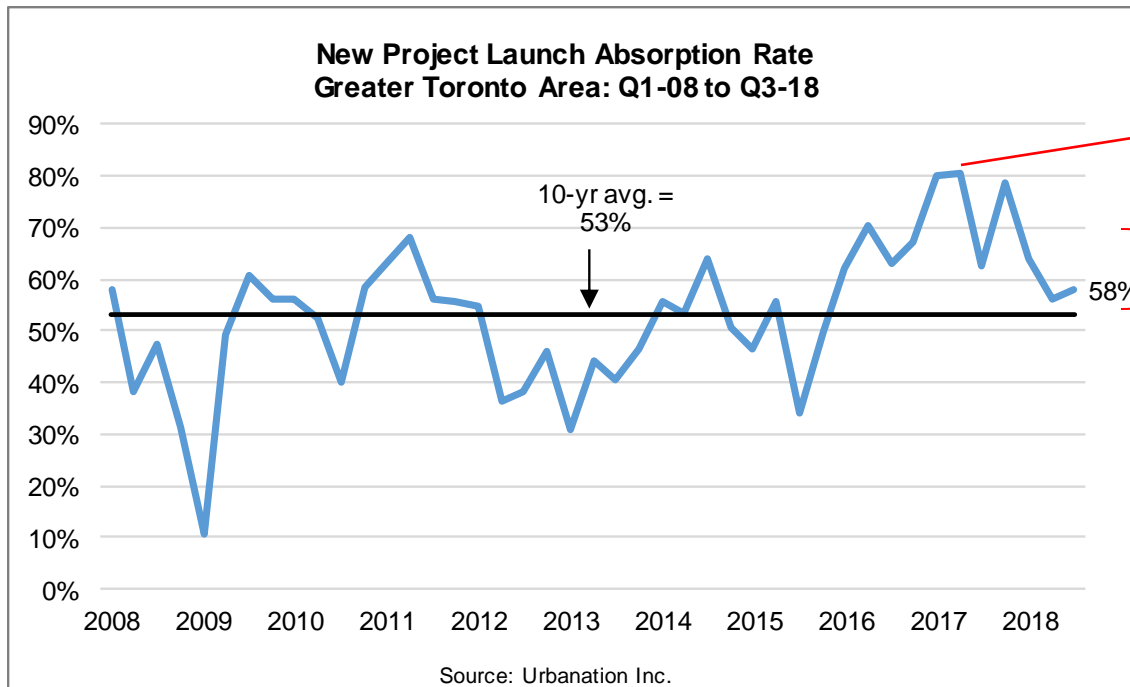
Quarterly New Condo Sales & Launches



Annual New Condo Sales



Quarterly New Launch Absorption Rates

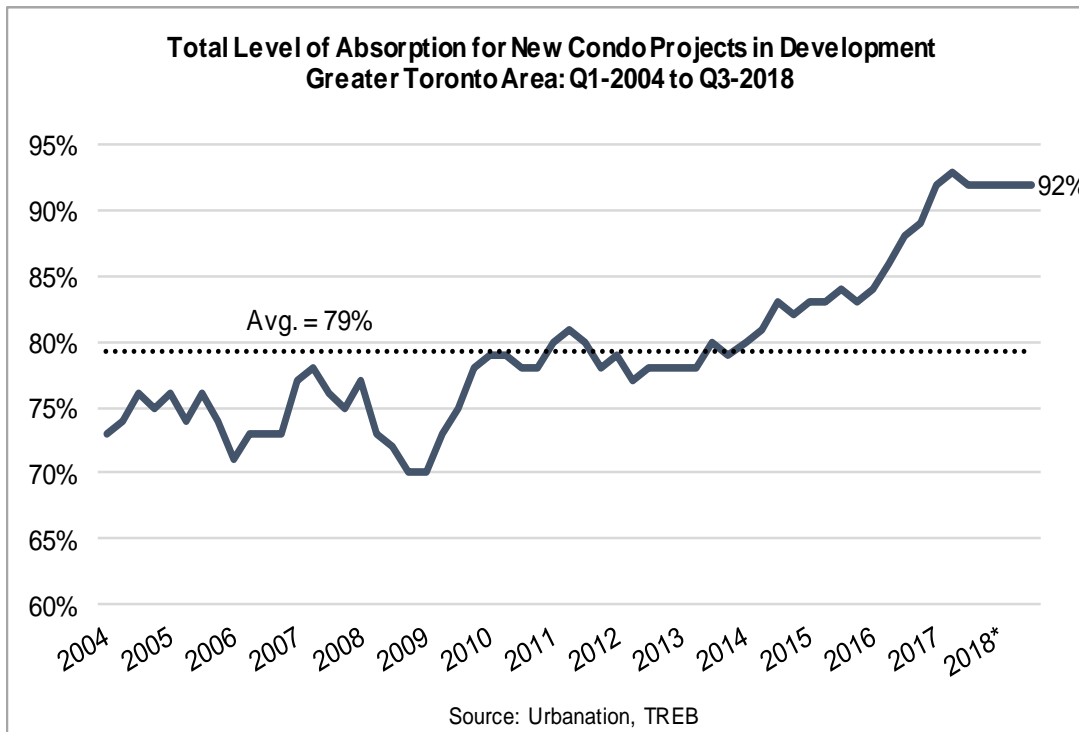


Large scale projects, high investor share

Increased share of mid-rise projects + end-user buyers

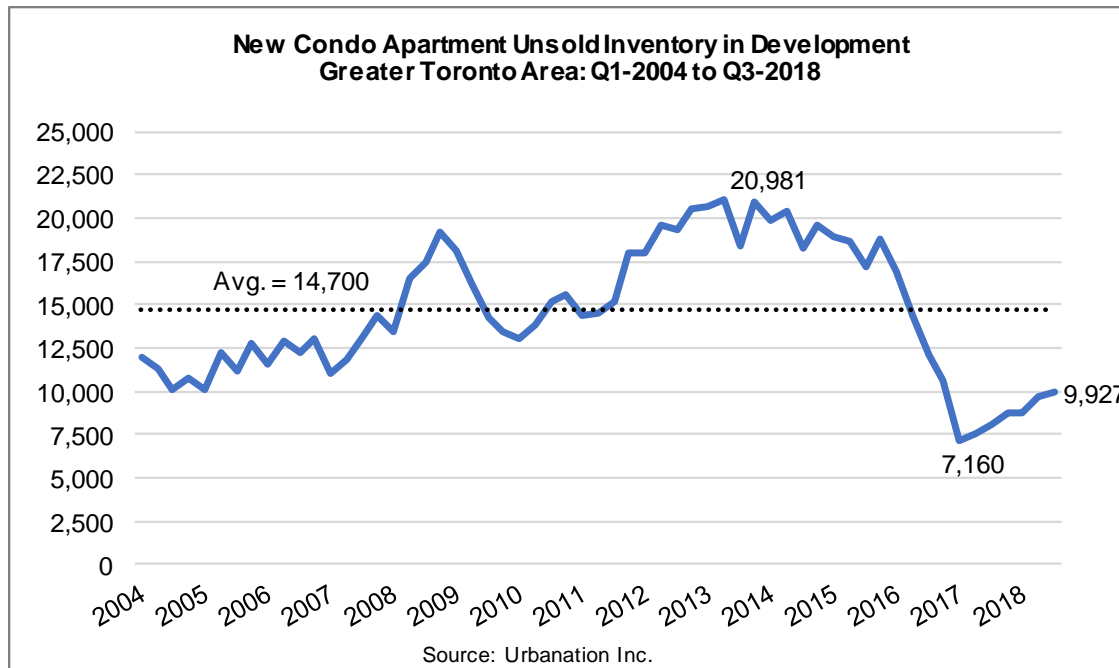
***Opening quarter absorption rate above 55% for 11 straight quarters

Total % Sold in Development



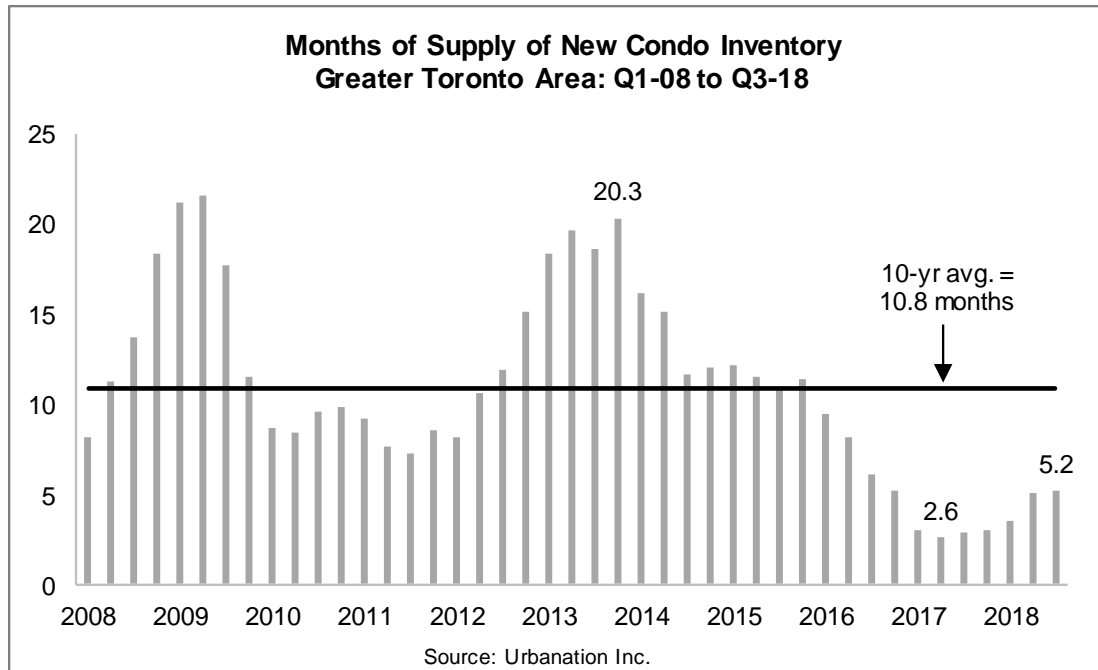
	<u>Units</u>	<u>% Sold</u>
Pre-construction	31,333.....	80%
Under construction	67,581.....	95%
Recently completed	21,748.....	99%

New Condo Unsold Inventory

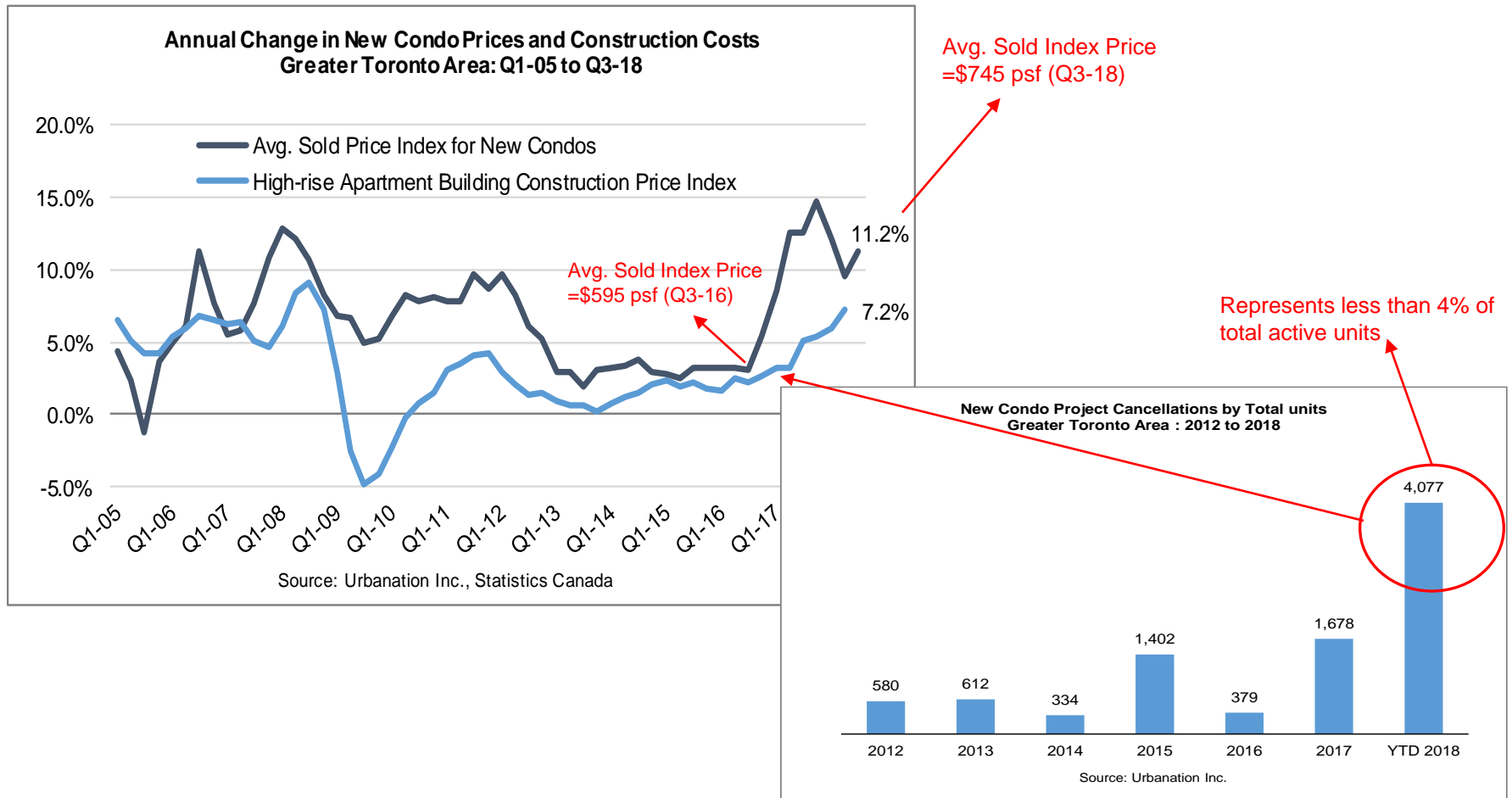


	<u>Unsold Units</u>
Pre-construction	6,380
Under construction	3,235
Recently completed	312

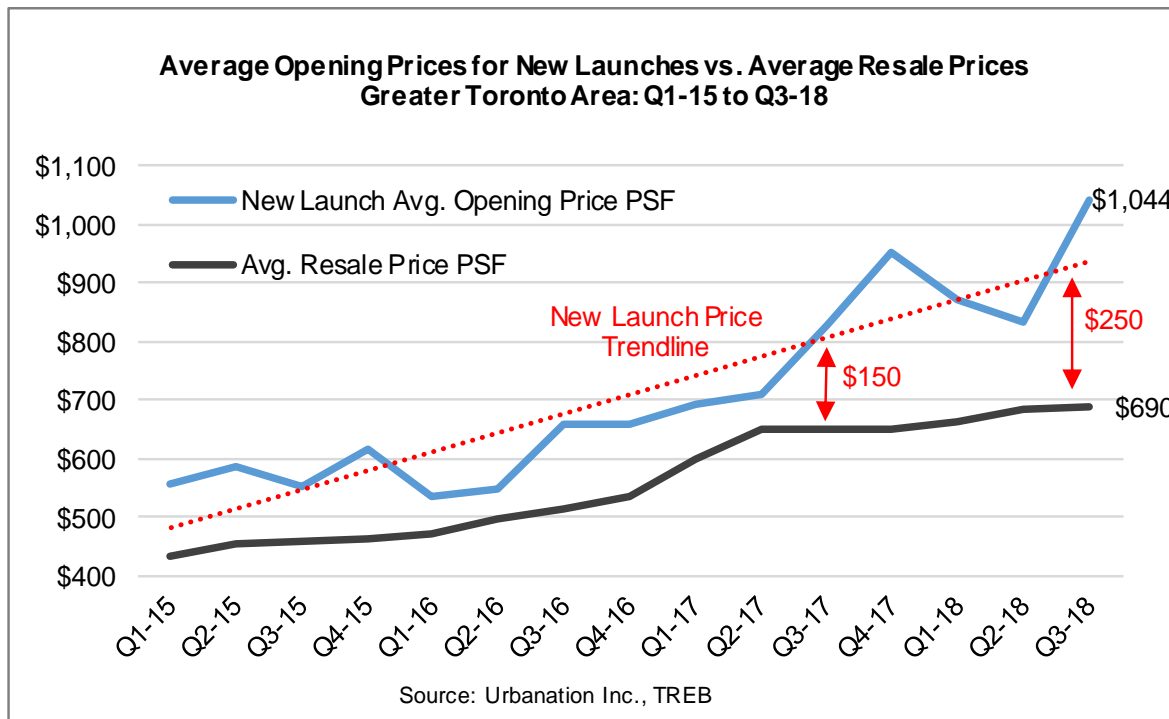
New Condo Months of Supply



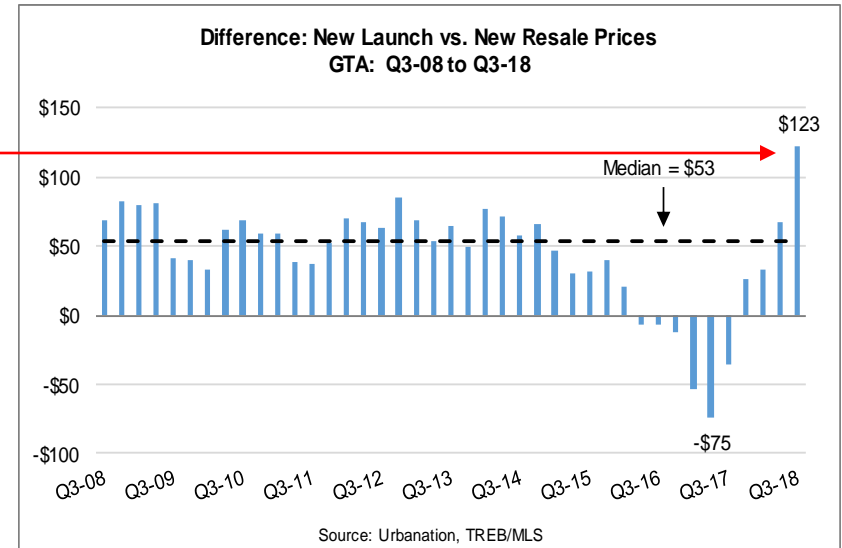
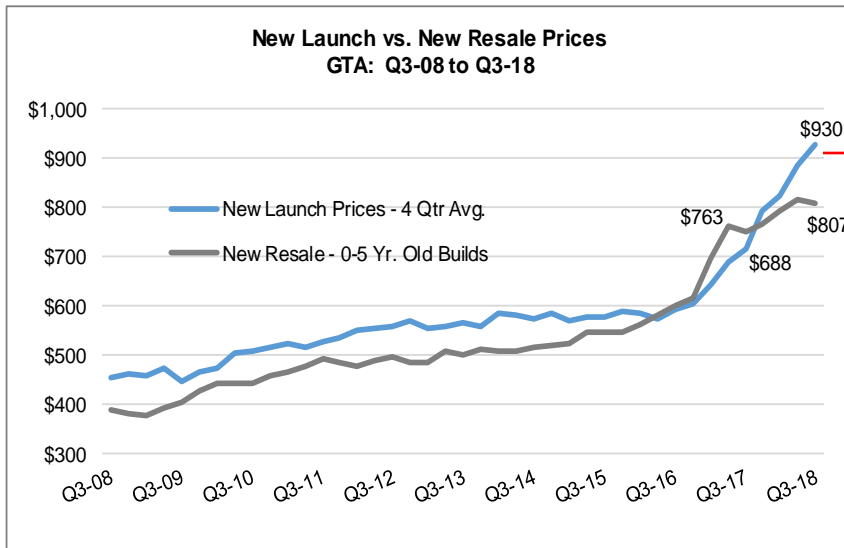
New Condo Price Growth vs. Construction Costs



New Condo Launch Price vs. Resale Price PSF

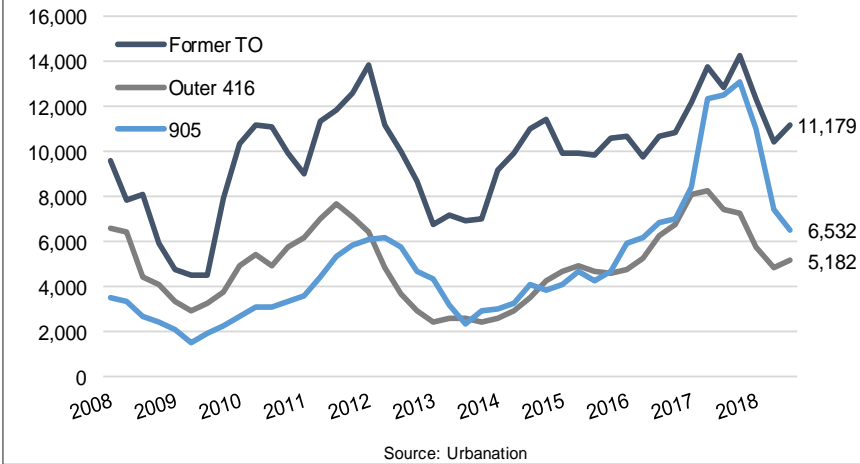


New Condo Launch Price vs. Resale Price PSF

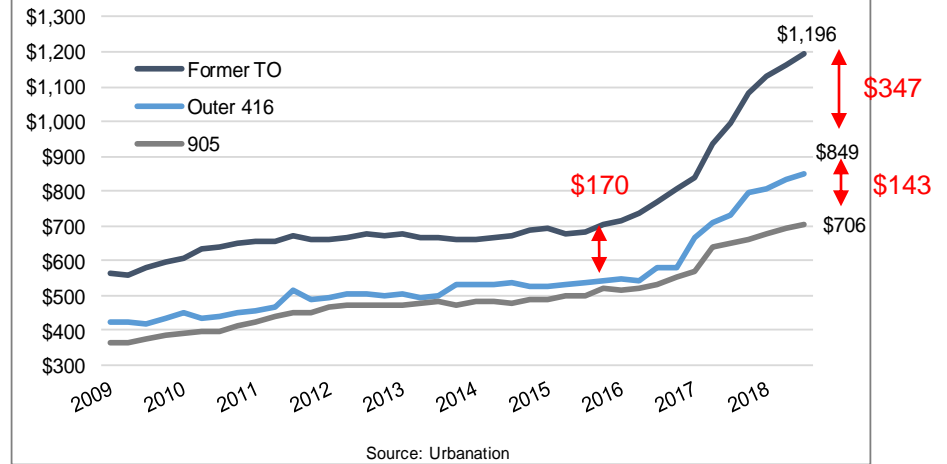


New Condo Market Activity by Area

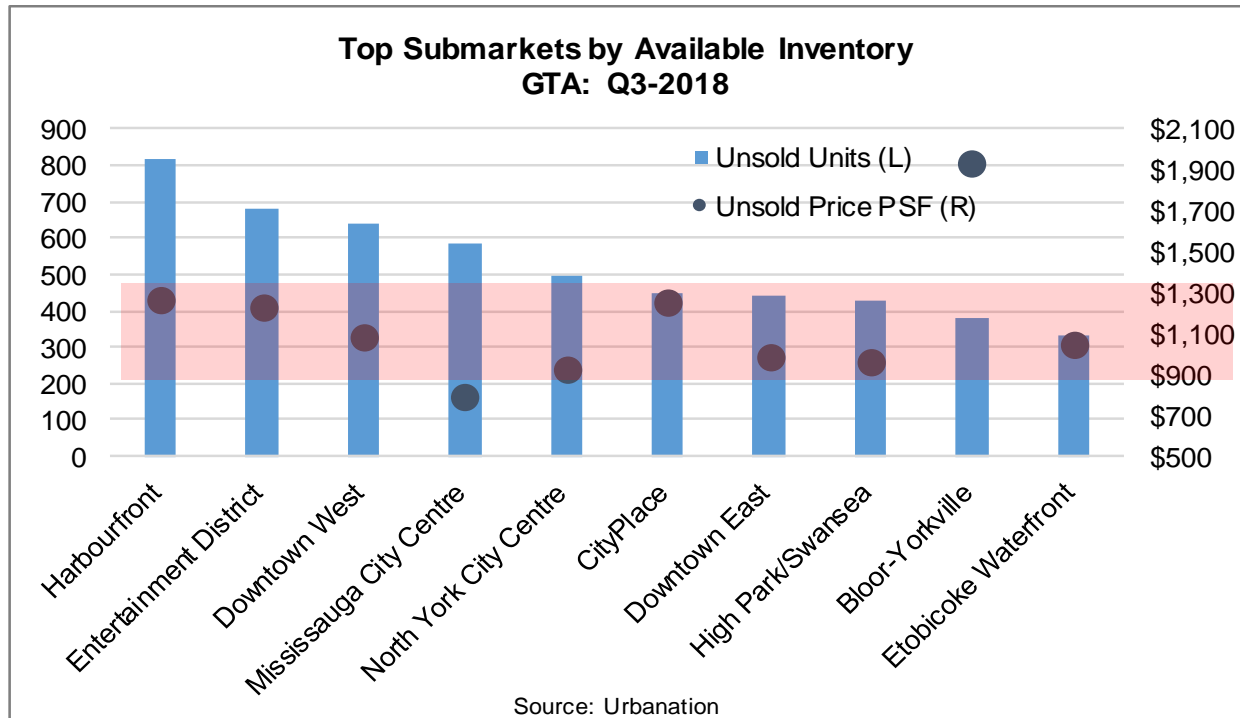
New Condo Apartment Sales by Area
GTA: Q108 to Q3-18, 4-Quarter Totals



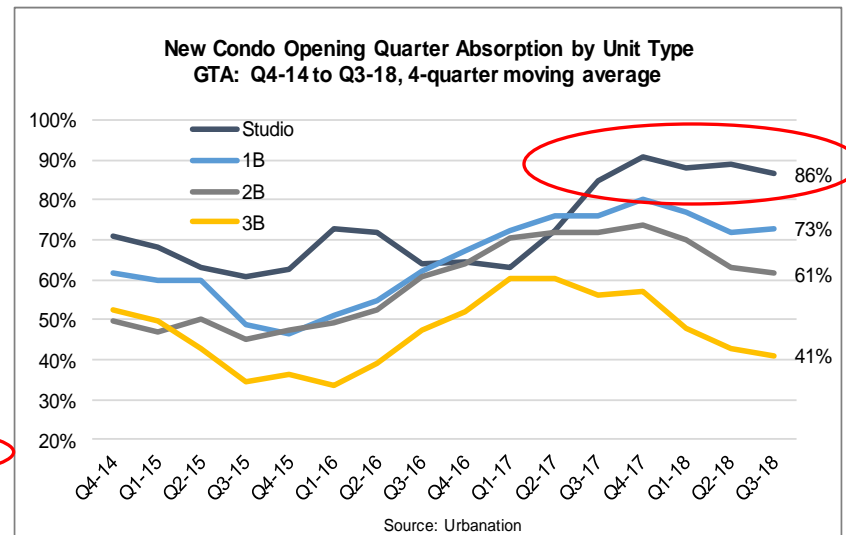
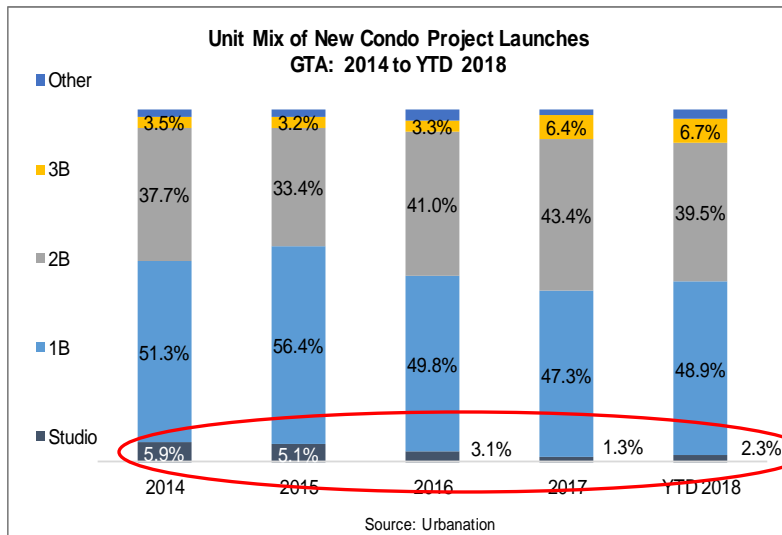
Average New Condo Unsold Price PSF by Area
GTA: Q1-09 to Q3-18



New Condo Inventory by Submarket

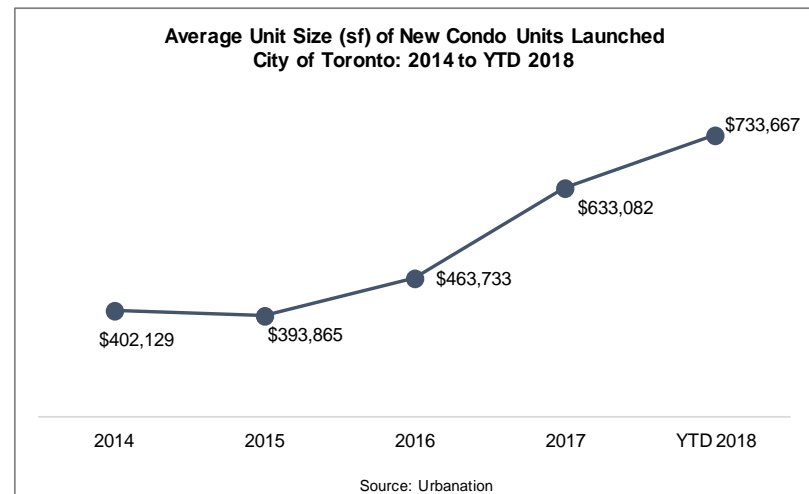
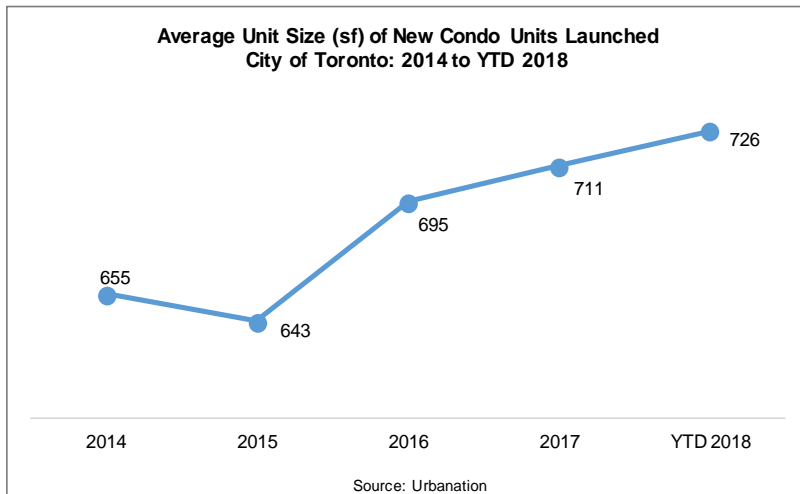


Unit Mix & Opening Absorption by Unit Type

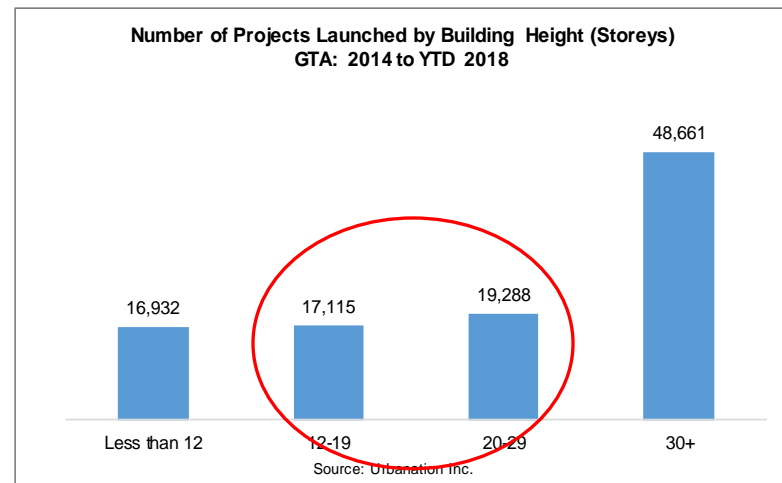
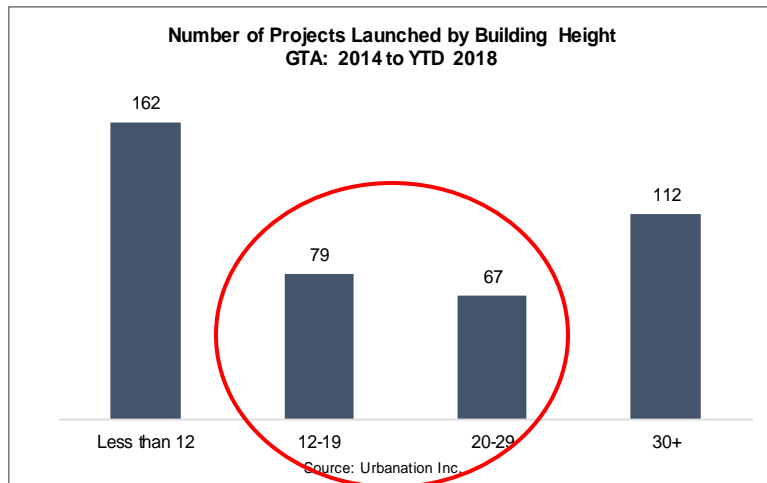


Average New Condo Launch Size & Price: 416

Median Price City of Toronto: Nov-18
Detached..... \$1,000,000
Semi.....\$905,000
Row/Town.....\$902,000

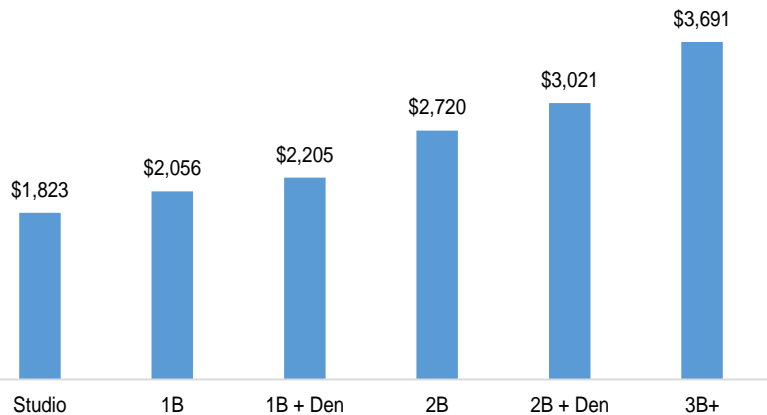


New Condo Development by Building Height



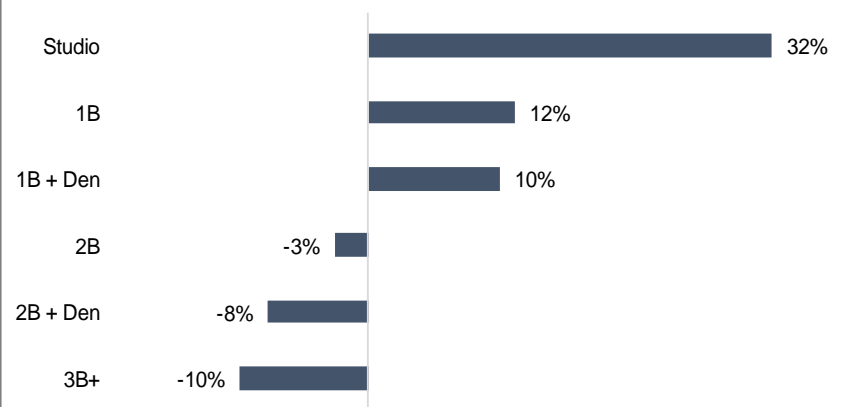
Condo Rents and Lease Activity by Unit Type

Average Condominium Rents by Unit Type
Greater Toronto Area: Q3-2018



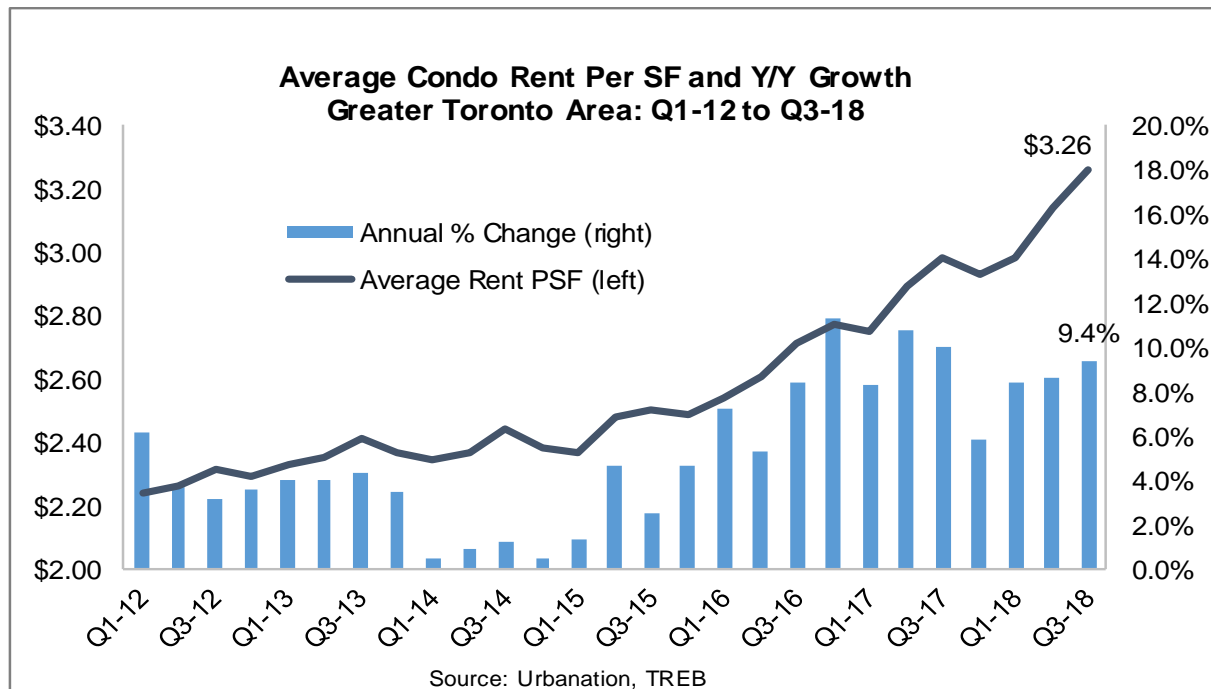
Source: Urbanation, TREB/MLS

Annual Change in Condominium Lease Transactions
Greater Toronto Area: Q3-2018

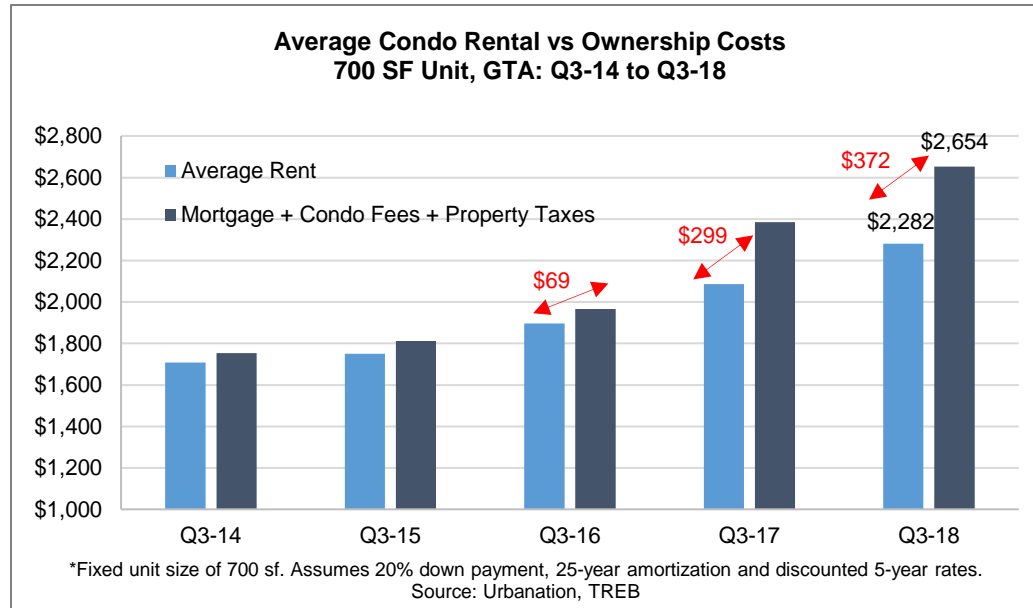


Source: Urbanation, TREB/MLS

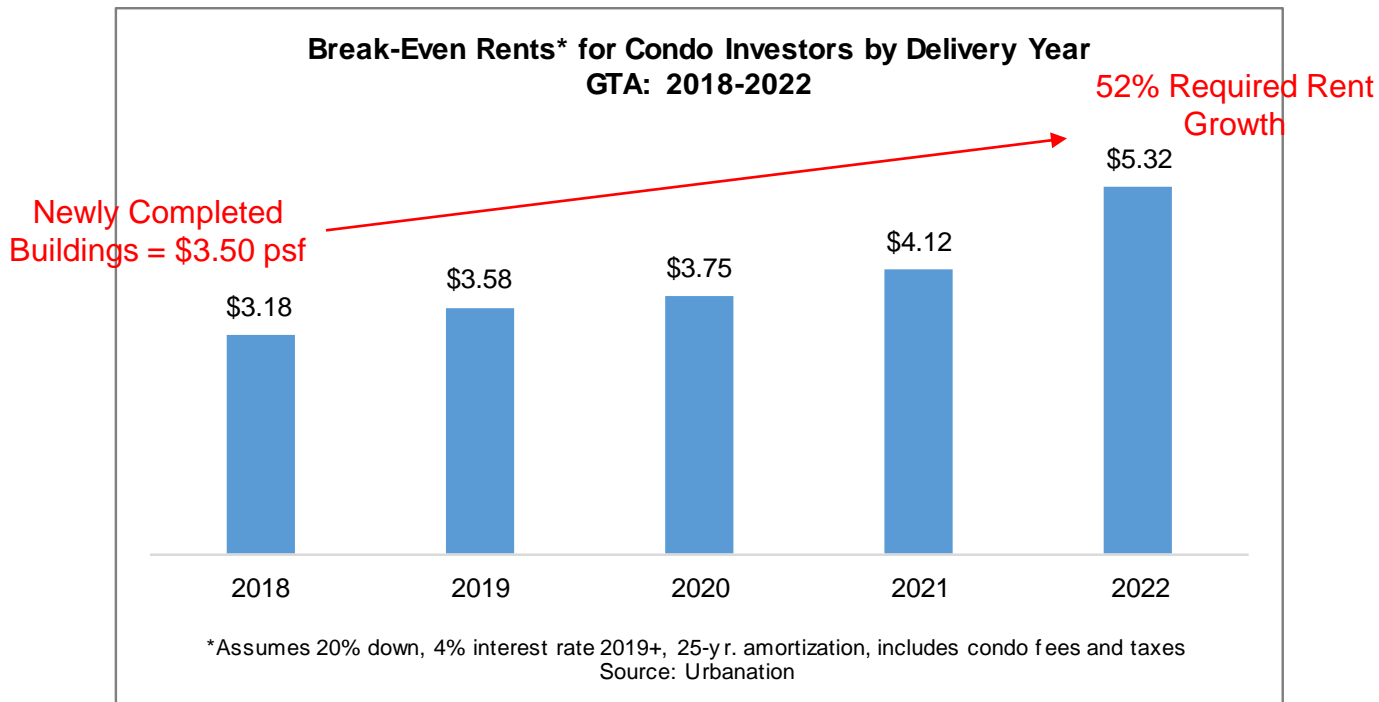
Condo Rents PSF & Annual Growth



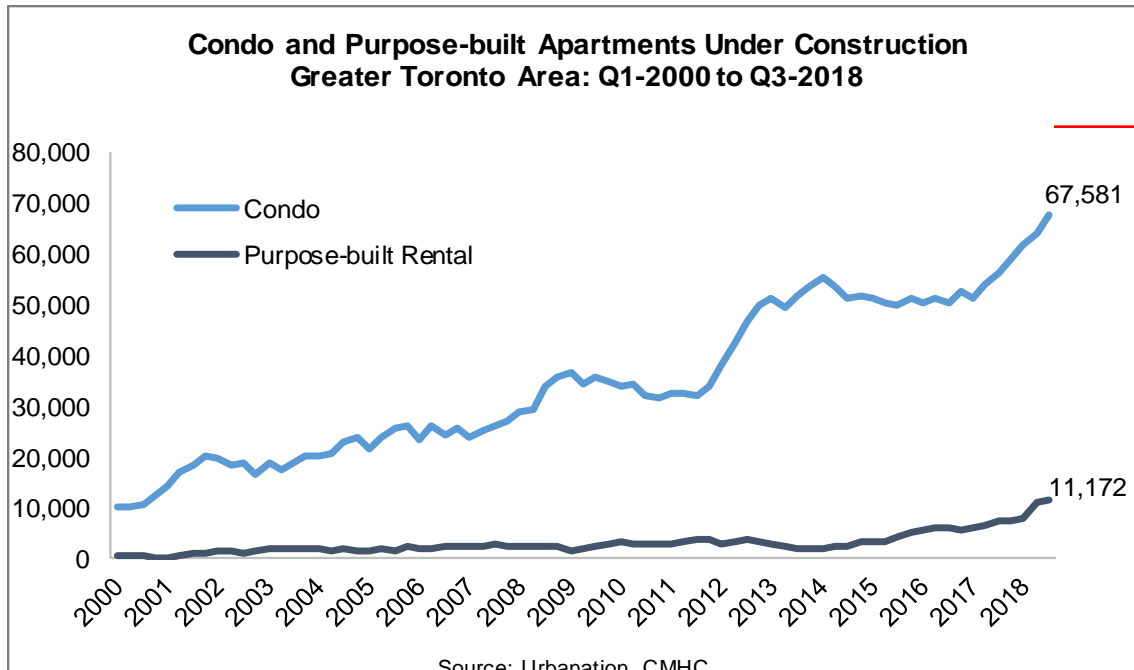
Cost of Owning vs. Renting



Required Break-Even Rents



Apartment Construction Levels

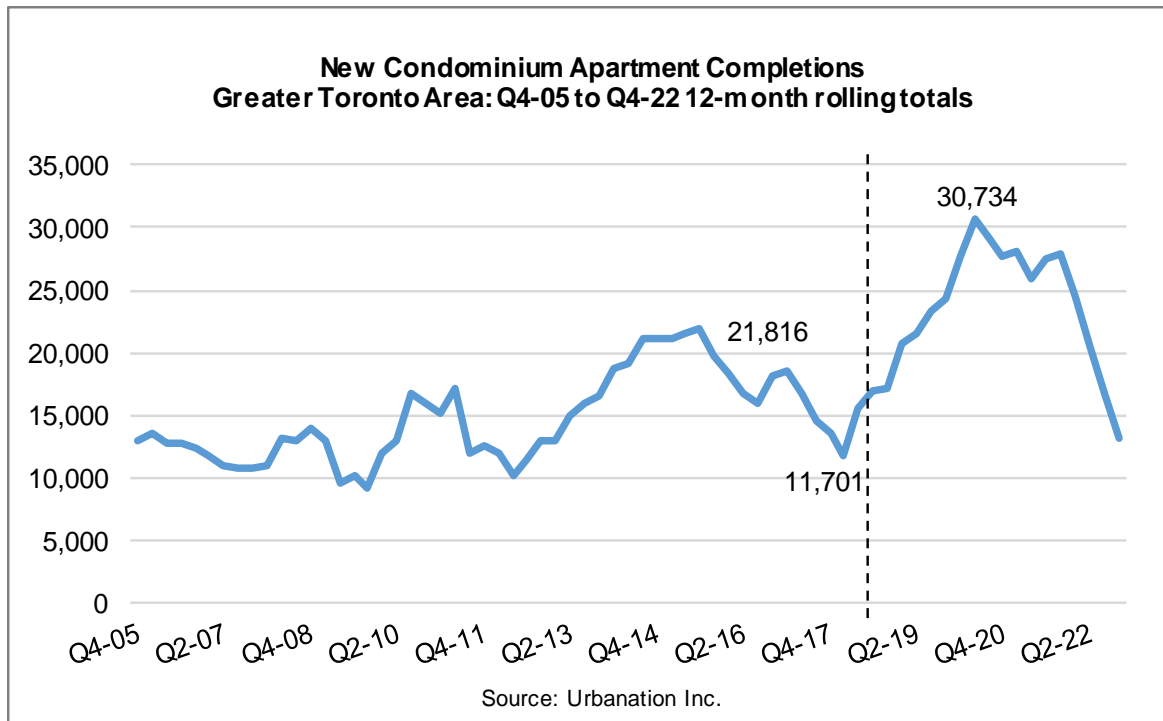


Completions
2019-2021 Avg.

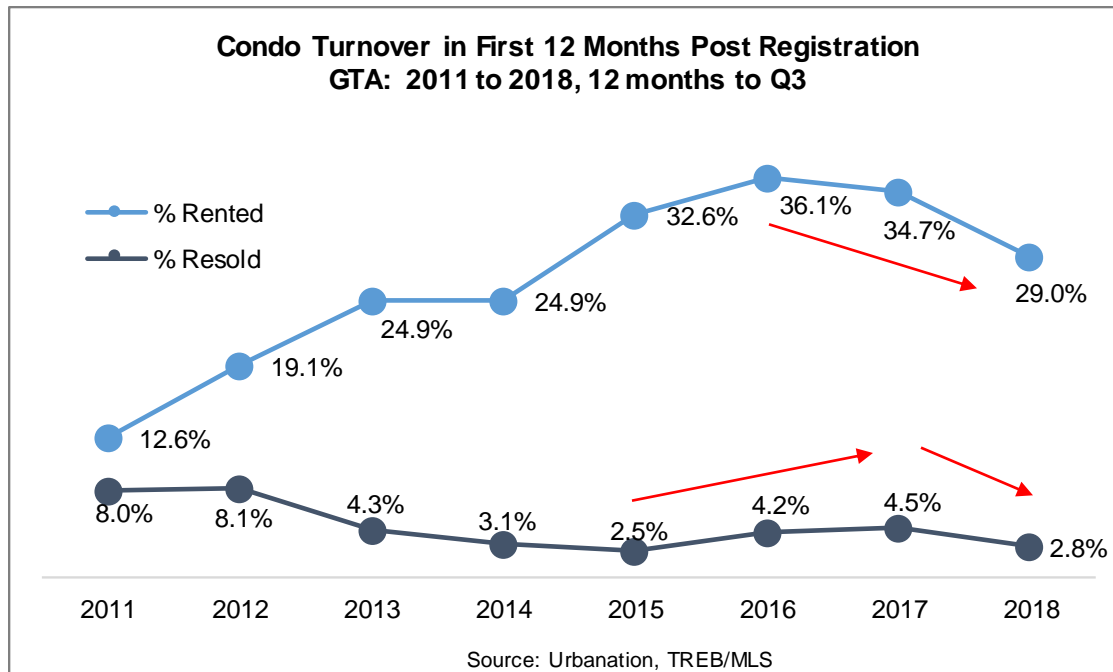
Condo.....20,000
 Condo Rental.....10,000
Purpose-built.....3,000

Rental Supply Growth.....13,000
 Rental Demand.....20,000
 Supply Deficit.....7,000

Condo Completions Trend



New Condo Resale and Rental Turnover

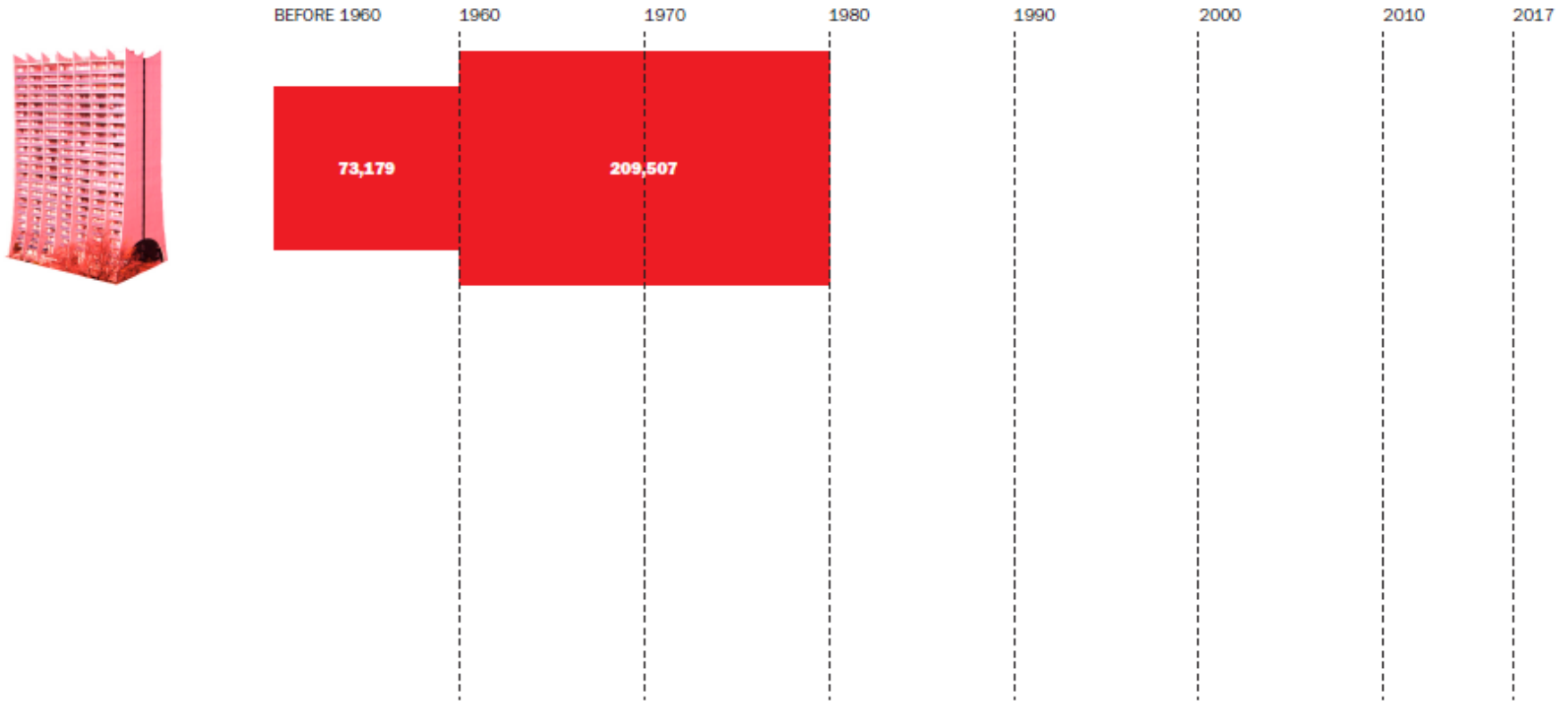


History of Rental Development: Toronto CMA



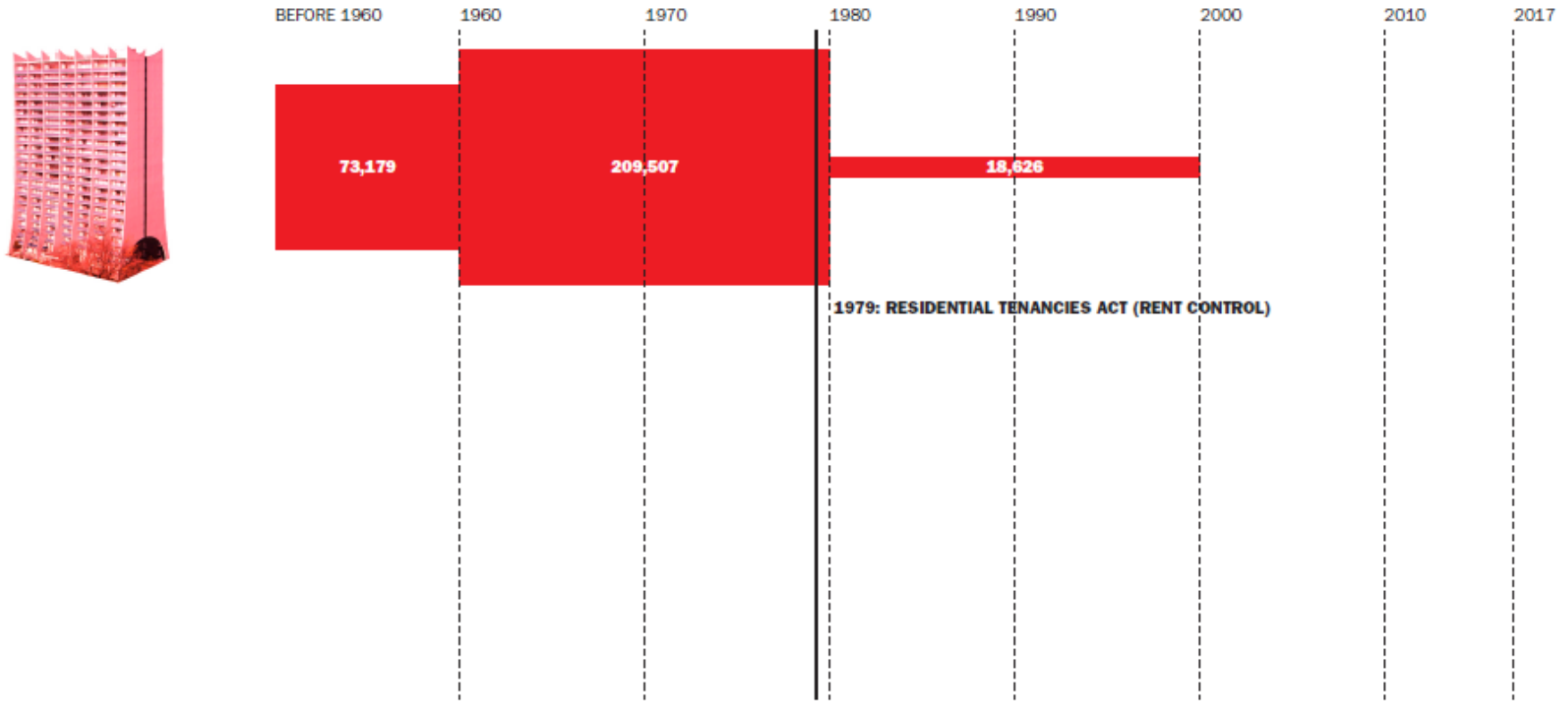
Source: architectsAlliance, CMHC

History of Rental Development: Toronto CMA



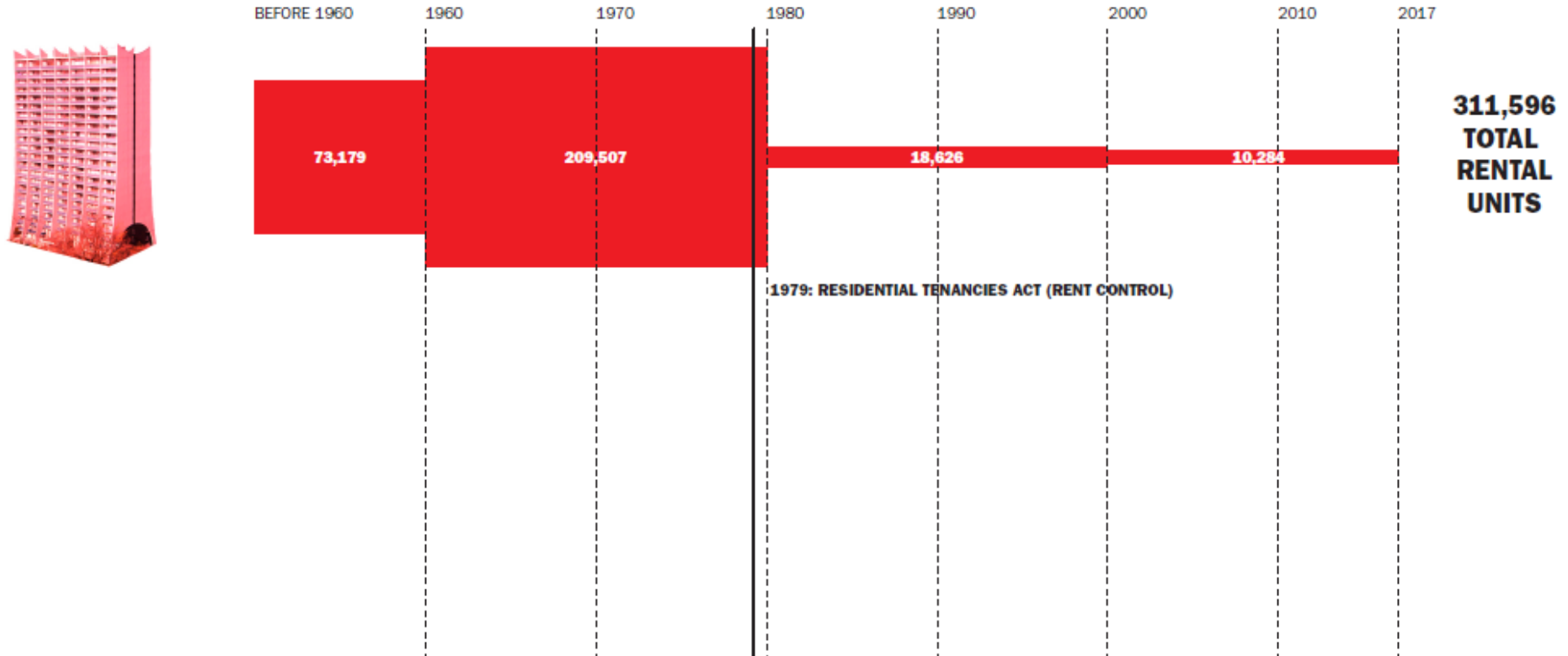
Source: architectsAlliance, CMHC

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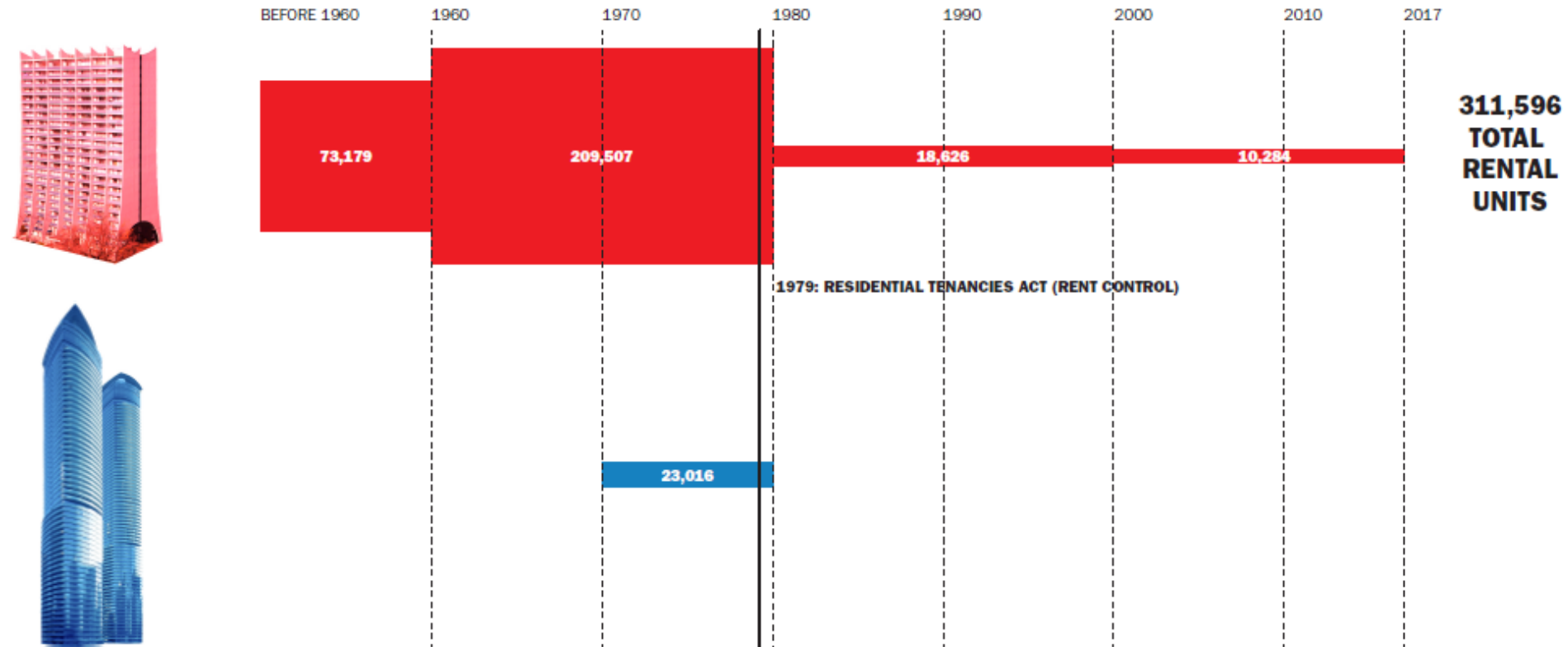
Source: architectsAlliance, CMHC

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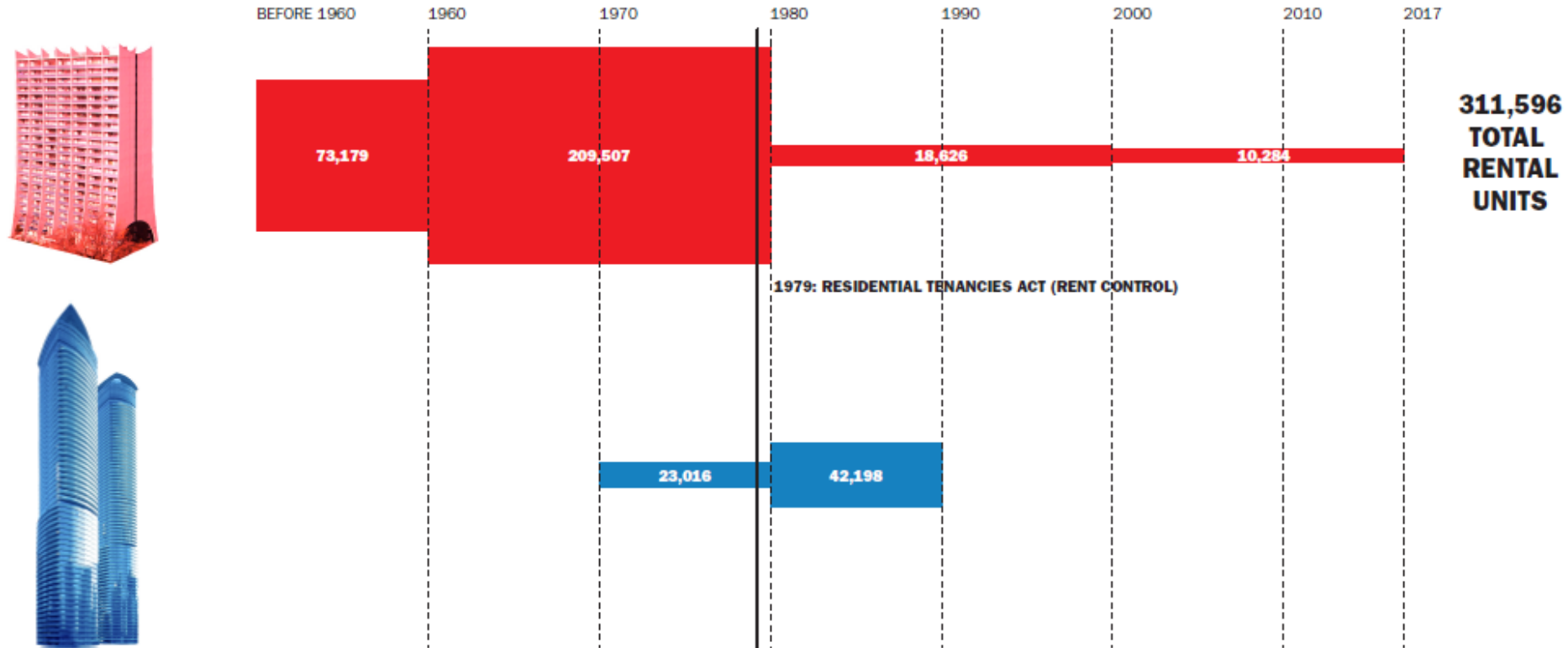
Source: architectsAlliance, CMHC

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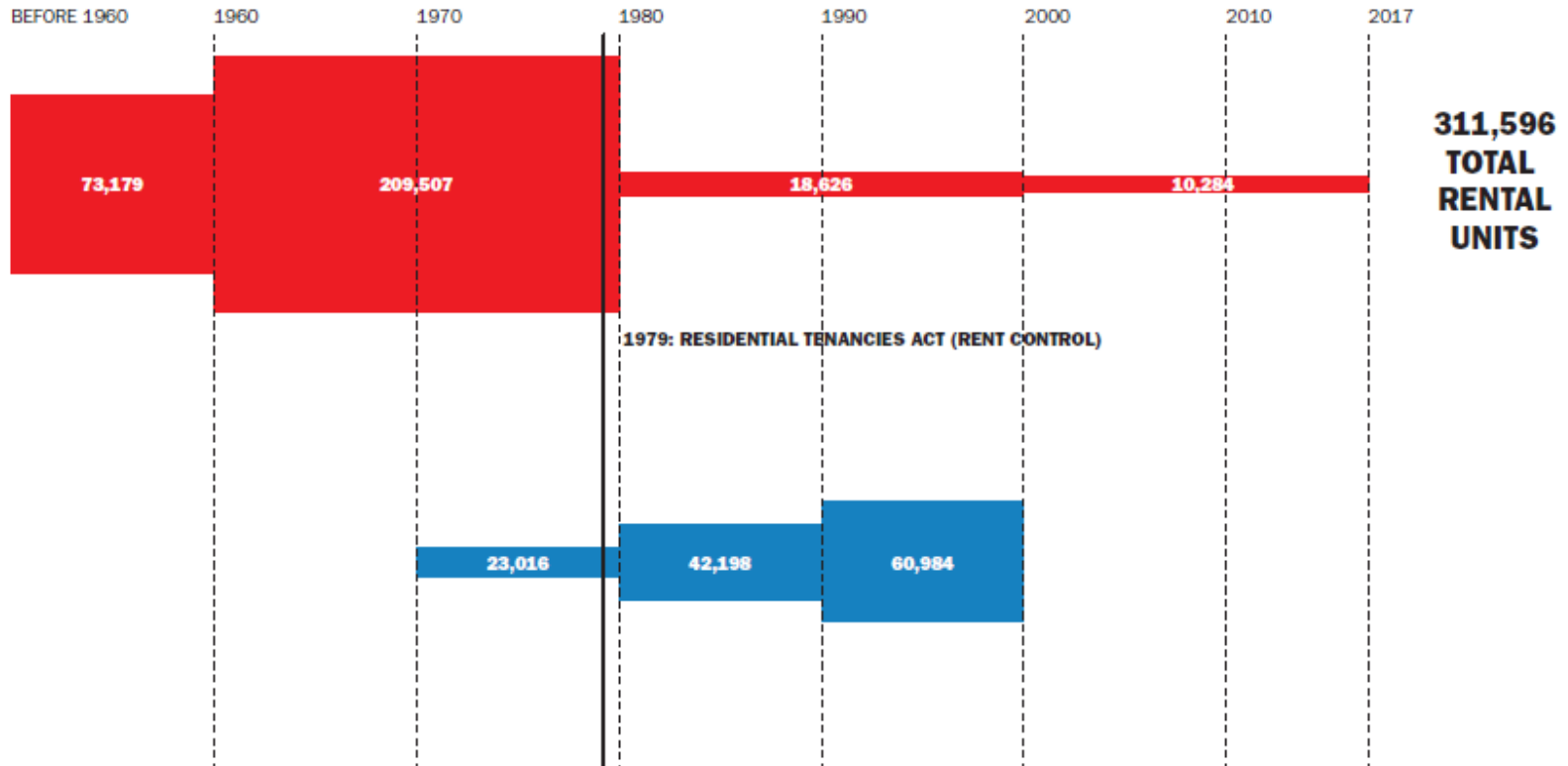
Source: architectsAlliance, CMHC

History of Rental Development: Toronto CMA



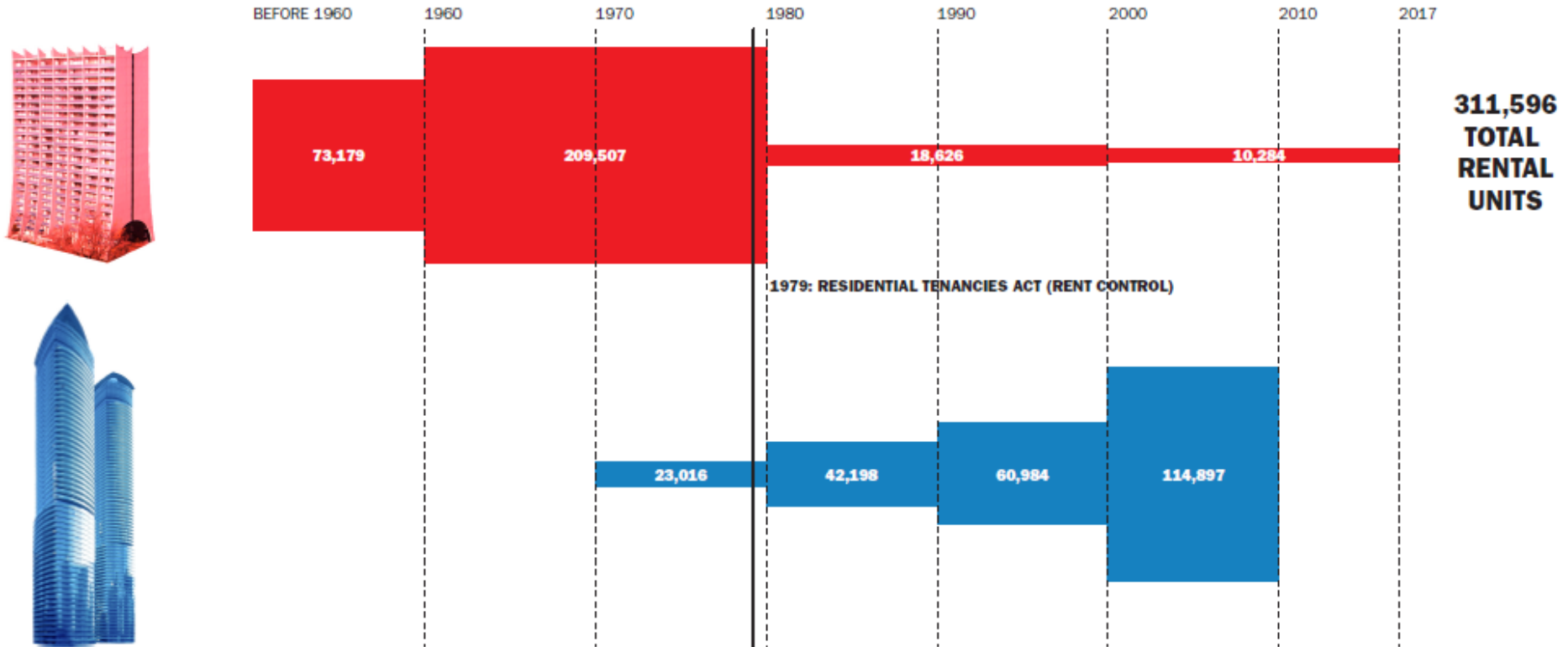
Source: architectsAlliance, CMHC

History of Rental Development: Toronto CMA



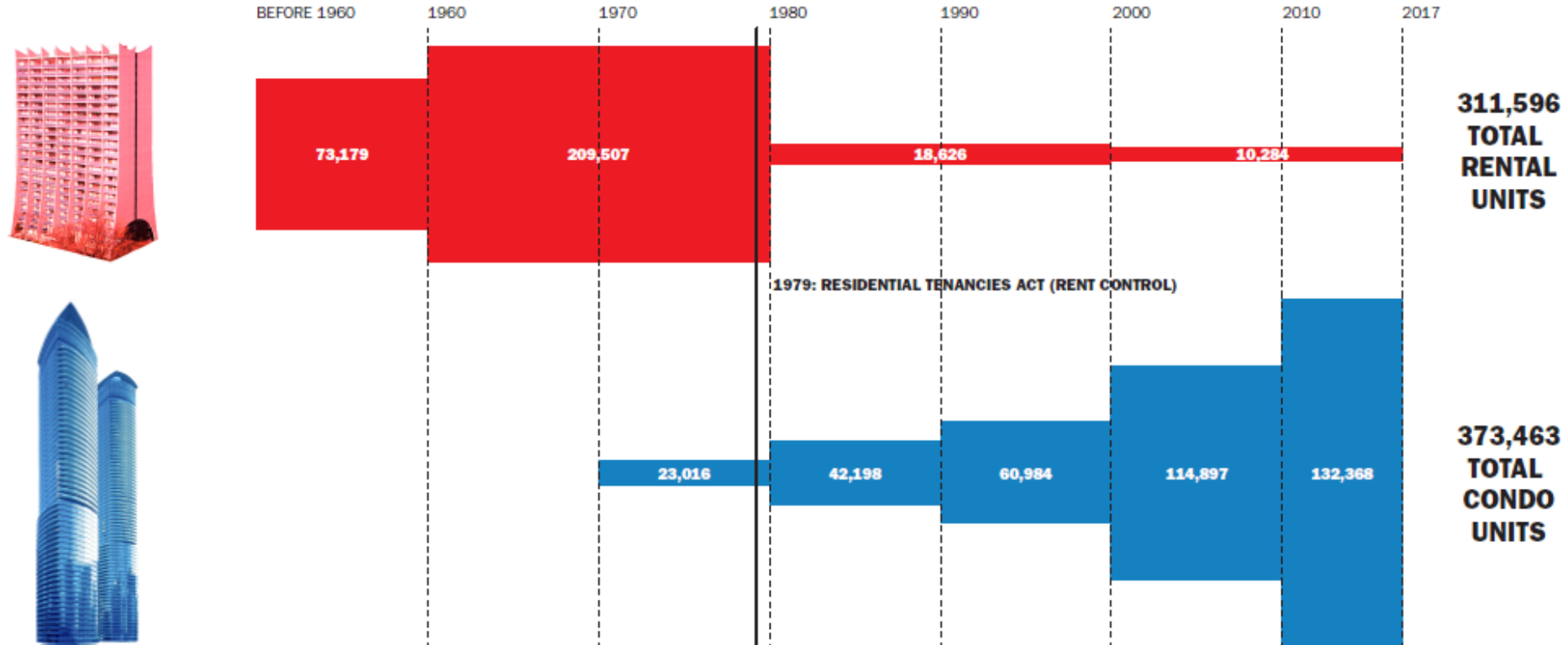
Source: architectsAlliance, CMHC

History of Rental Development: Toronto CMA



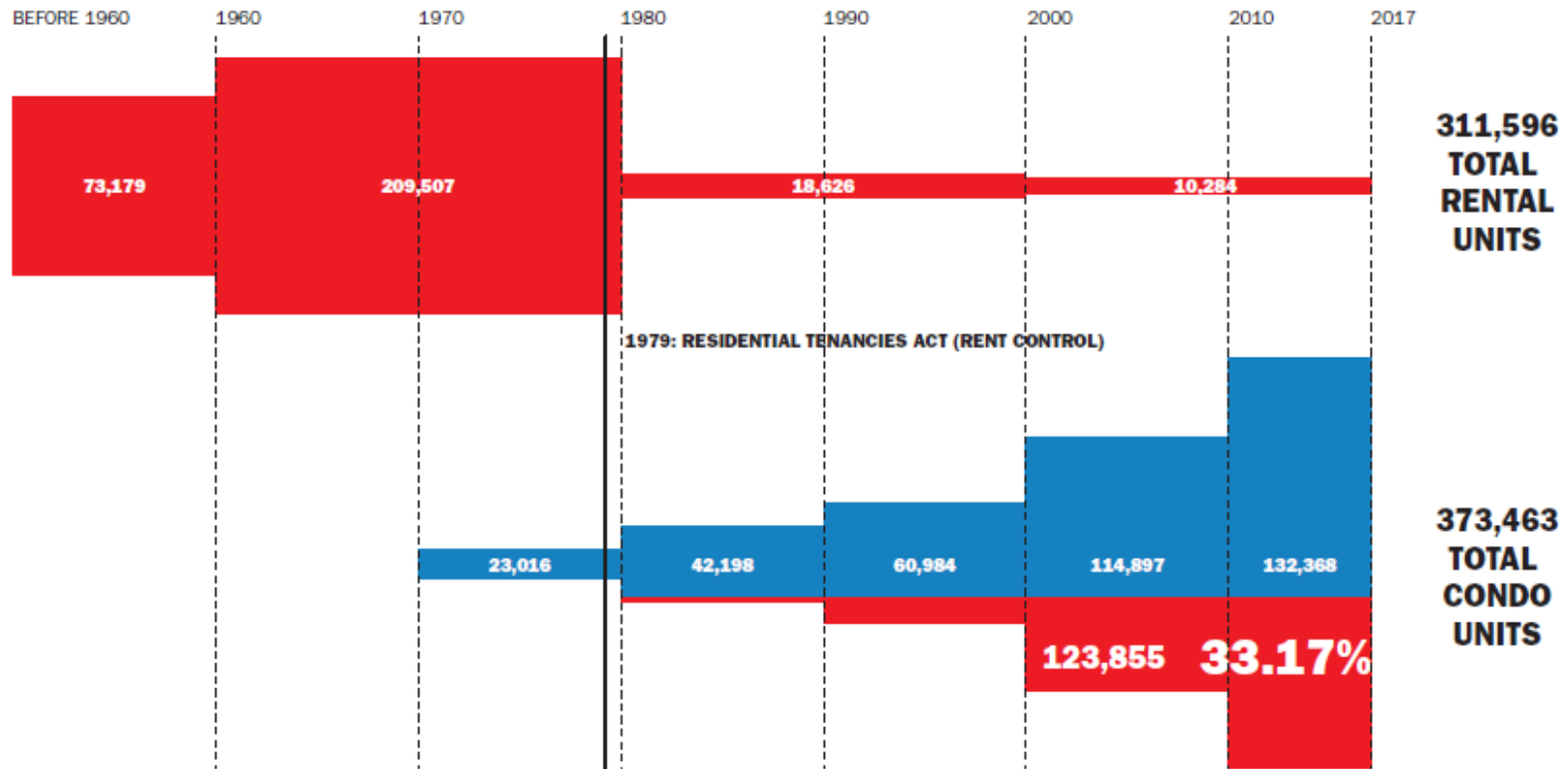
Source: architectsAlliance, CMHC

History of Rental Development: Toronto CMA



Source: architectsAlliance, CMHC

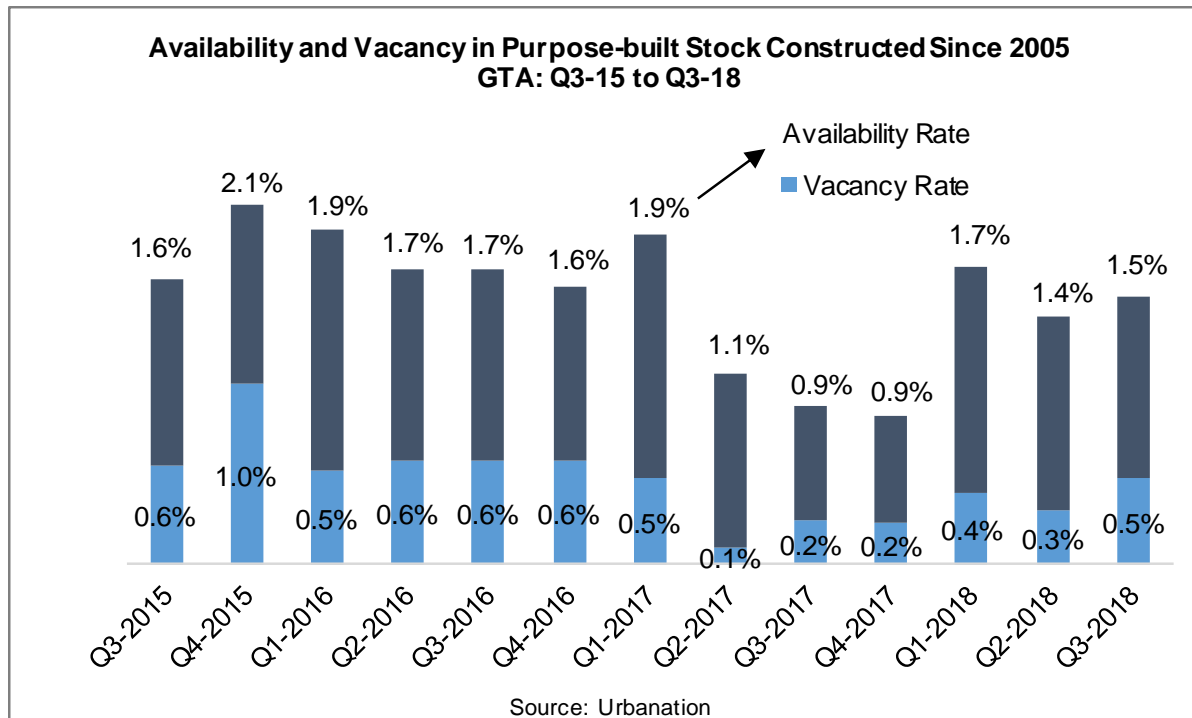
History of Rental Development: Toronto CMA



33% OF CONDOS USED AS RENTAL

Source: architectsAlliance, CMHC

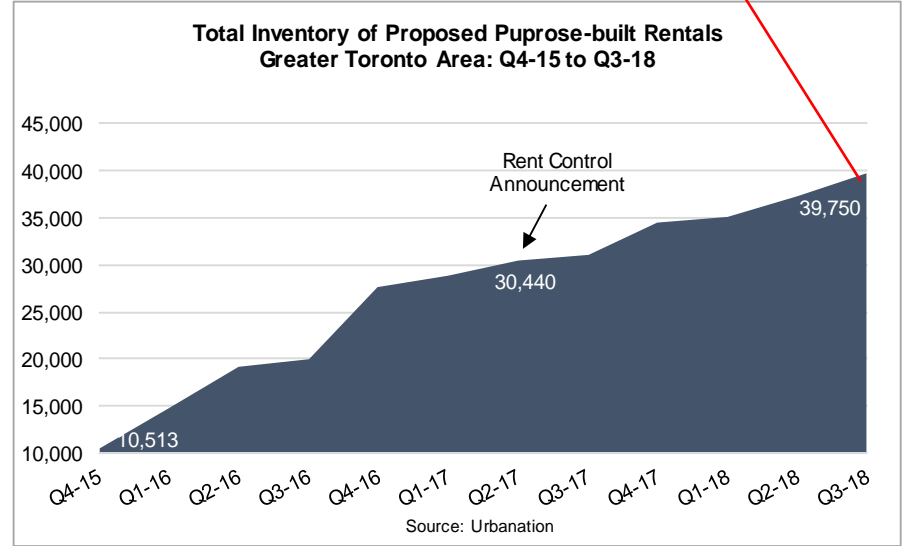
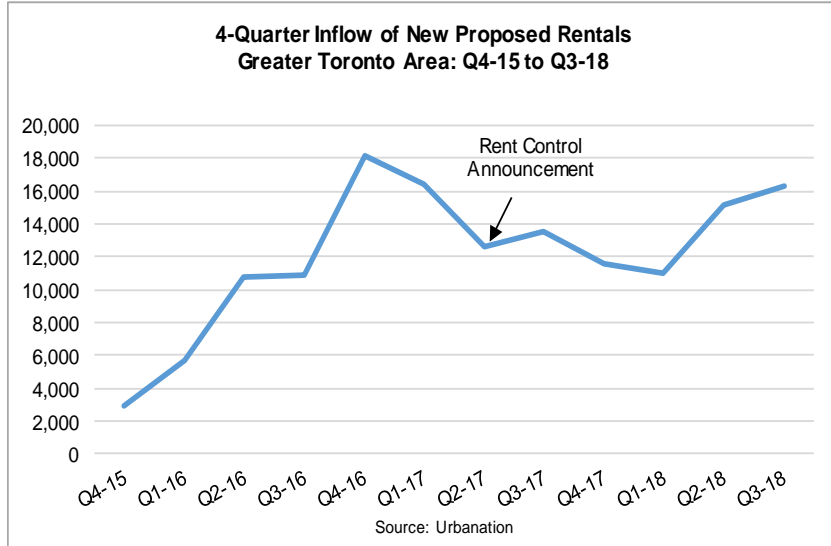
New Purpose-built Vacancy & Availability



Avg. Rent for
Units Built 2005+
= \$3.09 psf

Avg. Rent for Units
Completed in 2018
= \$3.76 psf

Purpose-built Rental Supply Pipeline



Summary of Key Points

- Strong fundamentals and relative affordability are supporting GTA condominium demand
- Elevated prices, higher rates, and tighter credit will create headwinds
- Expect gradual movement back to long-term trend level of ~26K sales under stable economic conditions
- Low supply will continue to push prices and rents higher in the short-term
- Record completions and higher inventories starting in second half of 2019 will begin to restrain price and rent growth
- Risk that new condo prices could overshoot in near-term, could see more investor selling in post 2021 period
- More rental supply on the way, but will remain insufficient to meet demand



MCAP

MCAP High-Rise Condominium Land Values

For the period ending December 6, 2018

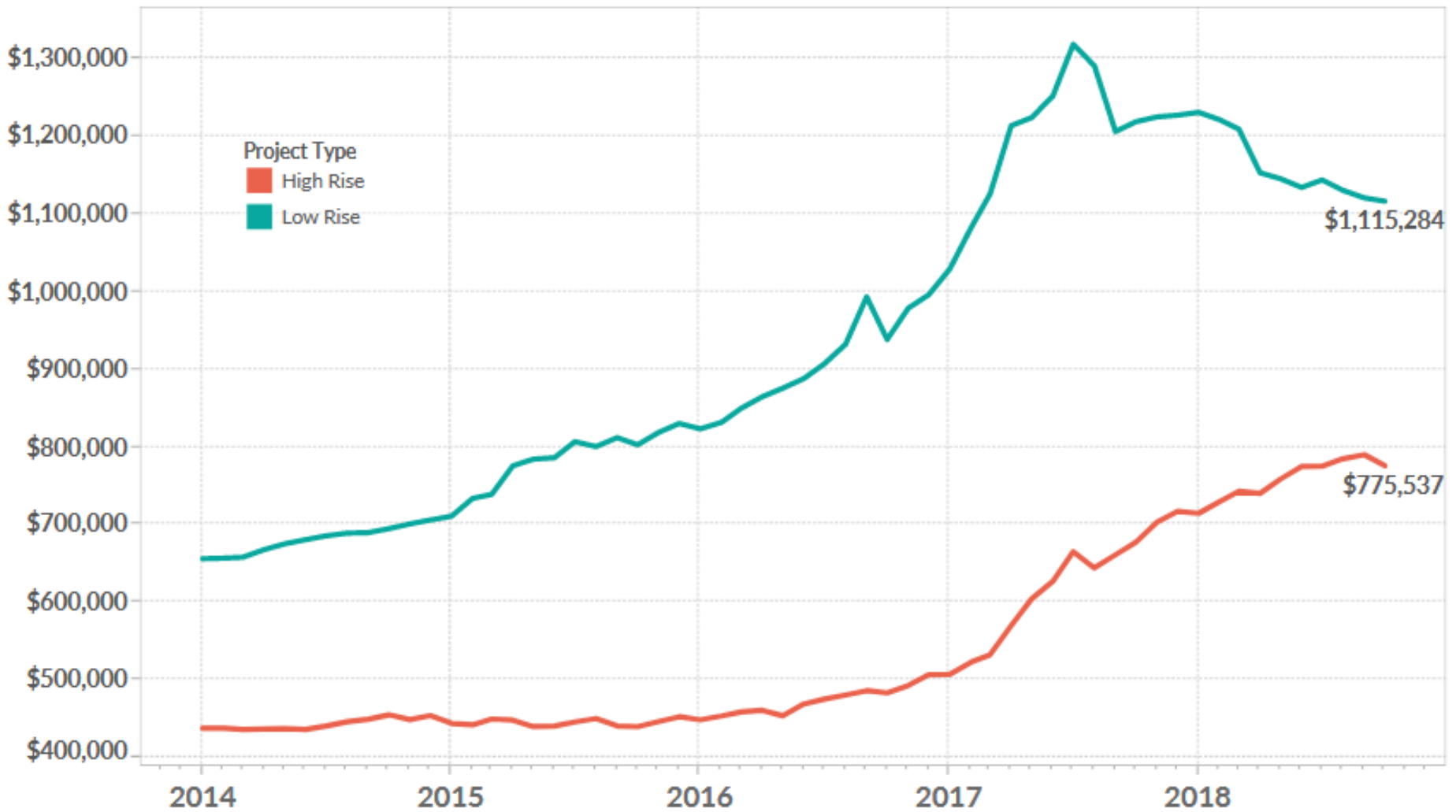
*Values based on gross buildable square feet

**Values based on fully zoned and approved

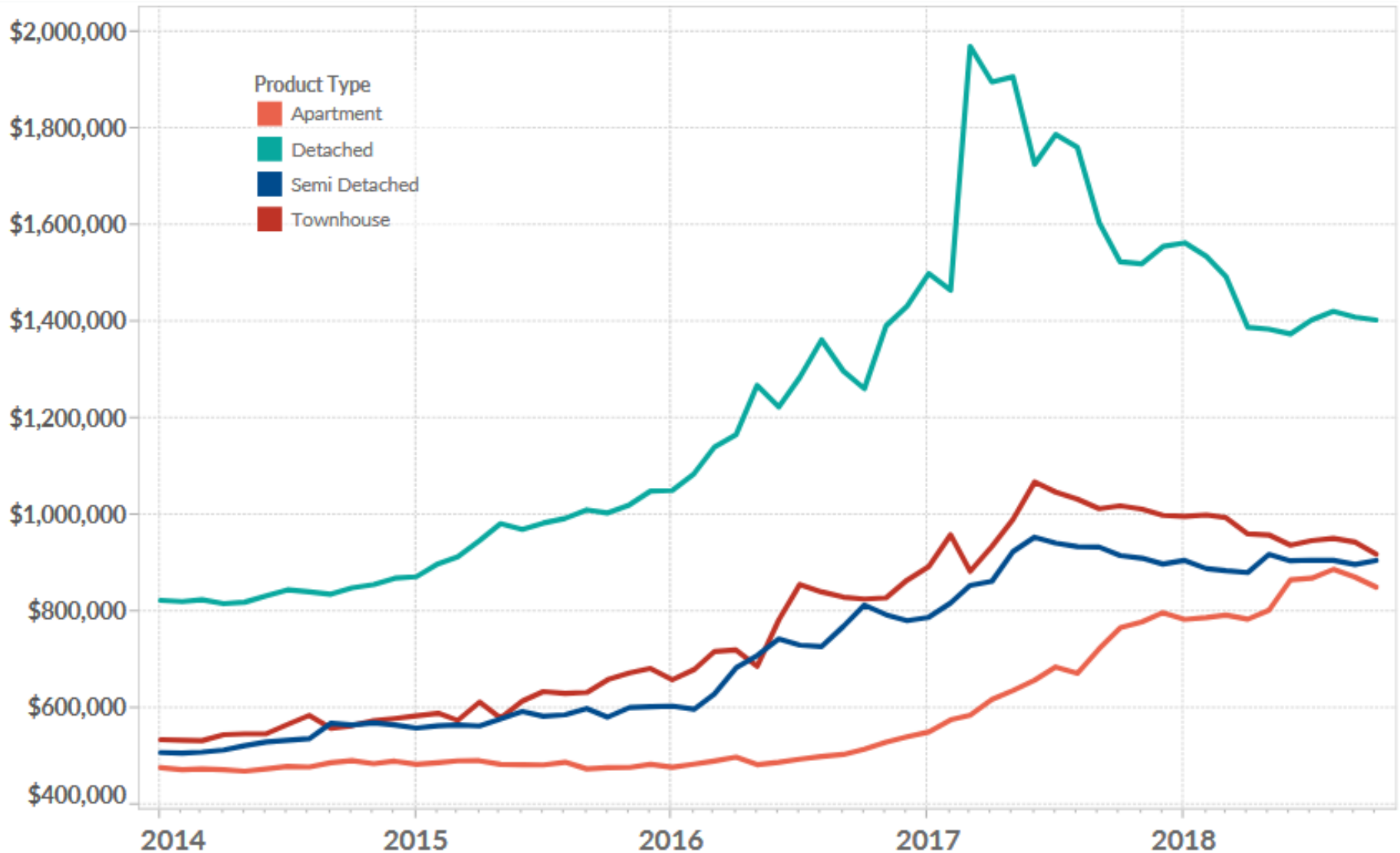
Land Value Analysis Process Overview

- Land transactions are not assessed individually given their diverse nature
- This report serves as a forward looking estimate of land values in the short term for approved land
- Information from RealNet, Urbanation, Altus, and MCAP employed to undertake an extensive residual analysis process with the following considerations:
 - Projects are assessed and rated by target market / grade of product relative to their submarket peers
 - Sales / listing prices
 - Unit sizes
 - HST costs
 - Building efficiency ratios
 - Hard construction costs
 - Soft costs
 - Typical high-rise condominium builder profit assumptions

New Home Price Index



Price by Product Type



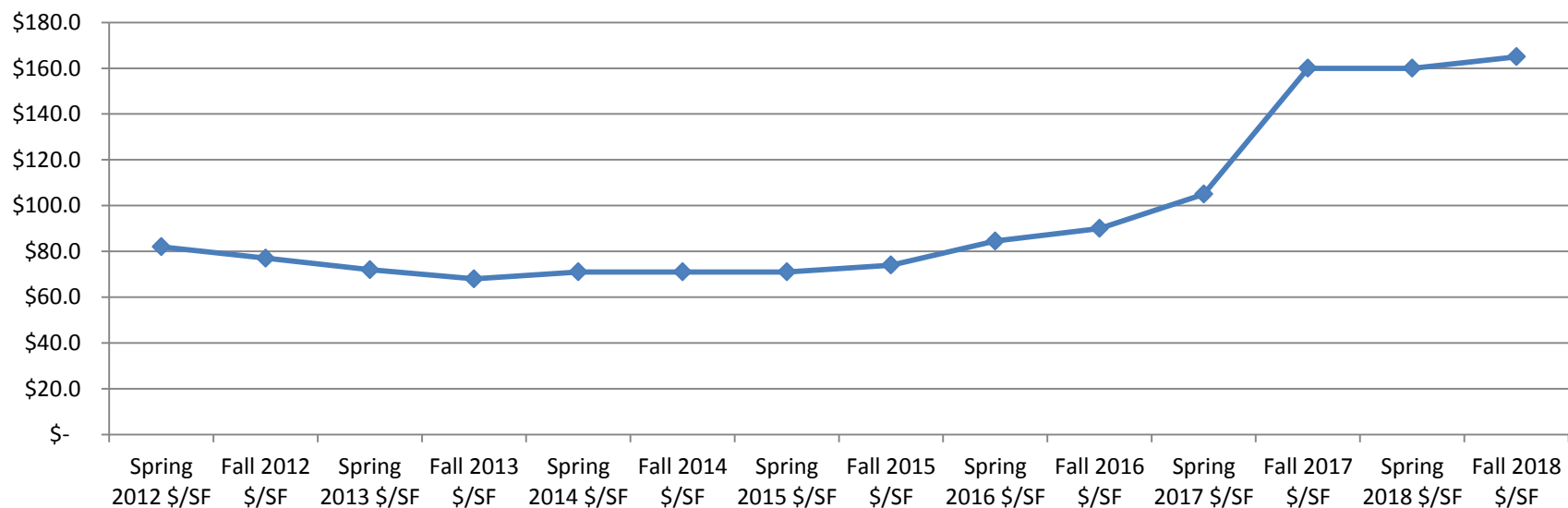
GTA High-Rise Land Overview

- 2018 YTD HR sales down 44% from record 2017 but consistent with 2012-2016
- High-Rise inventory still low (~11,000 units now v. ~17,000 on avg. before 2016)
- Only 272 units standing inventory
- # months condo supply at ~5.75 months across GTA
- 15% price appreciation in new units year over year, though growth moderating
- Very strong rental market continues to easily absorb condo supply (416 condo vacancy of <1% & average 416 condo rent of \$3.77 psf)
- Construction (hard costs) & Development (DCs, interest) costs are up too with end unit values moderating
- LR prices moderating with HR prices having caught up
- Interest rates & mortgage approvals create headwinds to further HR price growth, though supply is low and rental demand is strong → assume all largely offset

Downtown West

- \$1,230/SF Average Unit Price
- \$909,602 Average Sale Price
- ~7.0 Months Supply of Inventory

Downtown West



Median Land Value for Low End = \$120/SF

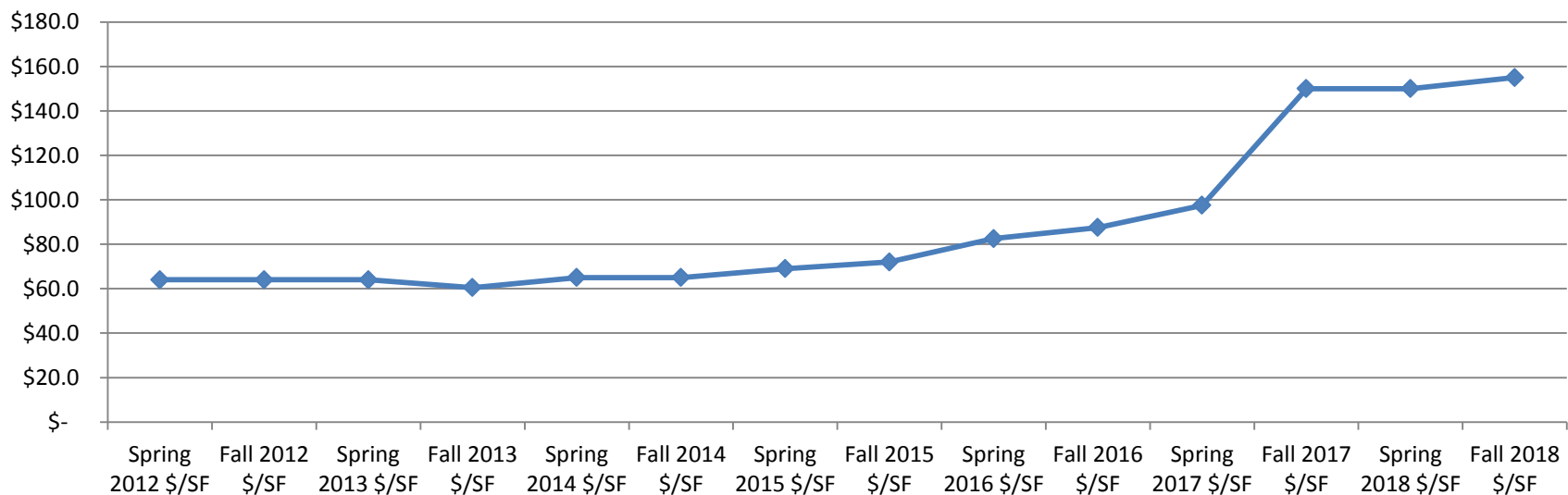
Median Land Value for High End = \$210/SF

MCAP Land Value Range for the Submarket = \$160 to \$170 / SF

Downtown East

- \$983/SF Average Unit Price
- \$845,350 Average Sale Price
- ~2.3 Months Supply of Inventory

Downtown East



Median Land Value for Low End = \$120/SF

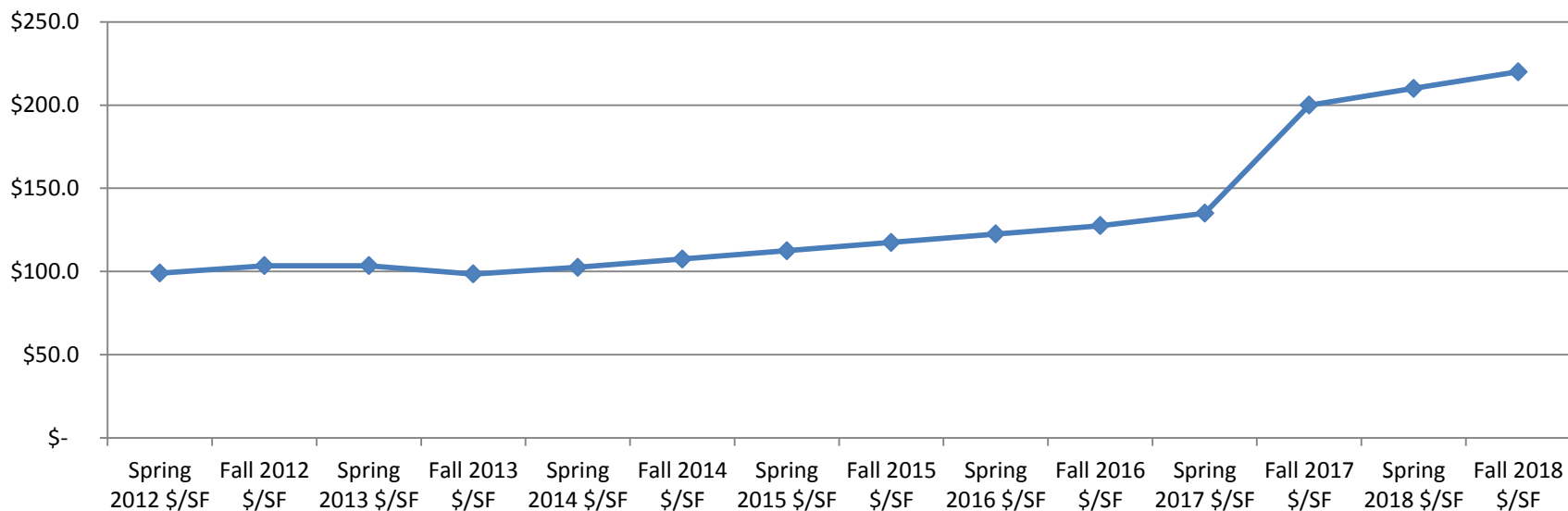
Median Land Value for High End = \$210/SF

MCAP Land Value Range for the Submarket = \$150 to \$160/ SF

Downtown Core

- \$1,351/SF Average Unit Price
- \$1,314,306 Average Sale Price
- ~0.9 Months Supply of Inventory

Downtown Core



Median Land Value for Low End = \$170/SF

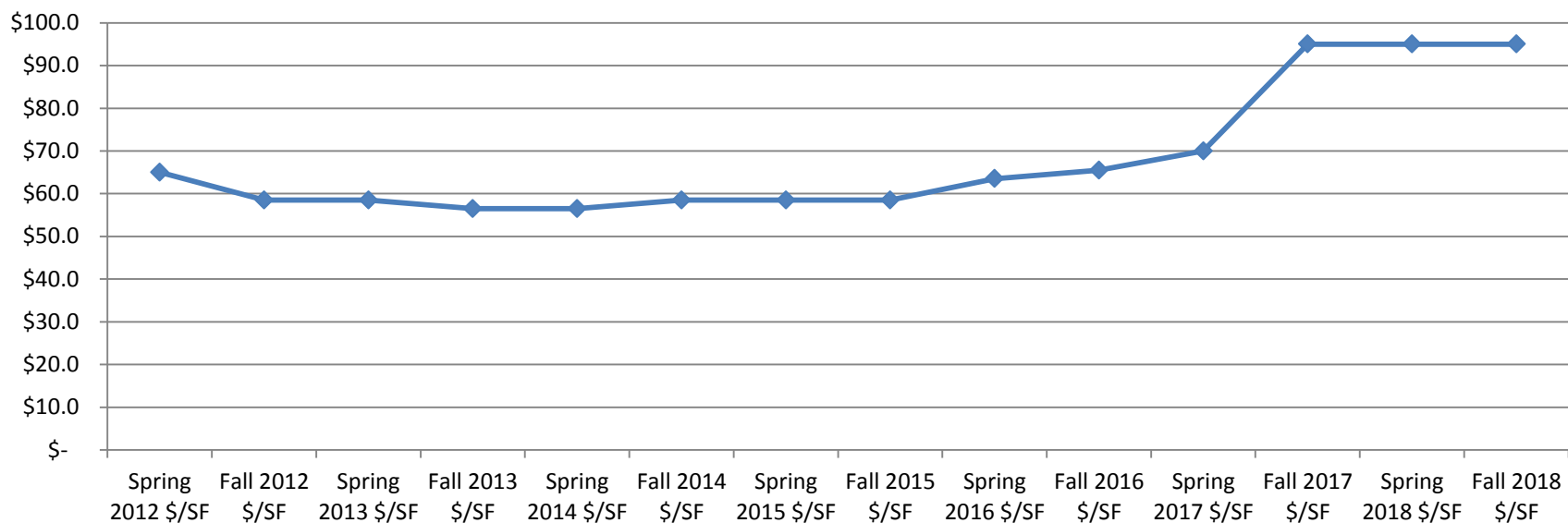
Median Land Value for High End = \$260/SF

MCAP Land Value Range for the Submarket = \$215 to \$225 / SF

Toronto West

- \$949/SF Average Unit Price
- \$761,875 Average Sale Price
- ~15.5 Months Supply of Inventory

Toronto West



Median Land Value for Low End = \$65/SF

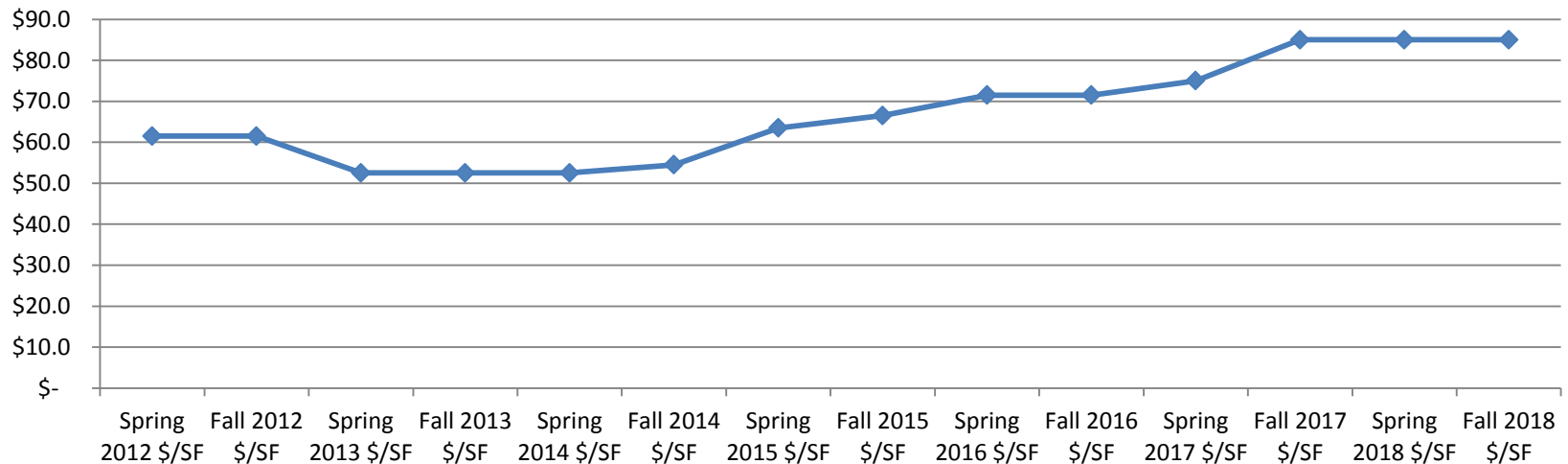
Median Land Value for High End = \$140/SF

MCAP Land Value Range for the Submarket = \$90 to \$100 / SF

Toronto East

- \$889/SF Average Unit Price
- \$837,501 Average Sale Price
- ~2.9 Months Supply of Inventory

Toronto East



Median Land Value for Low End = \$60/SF

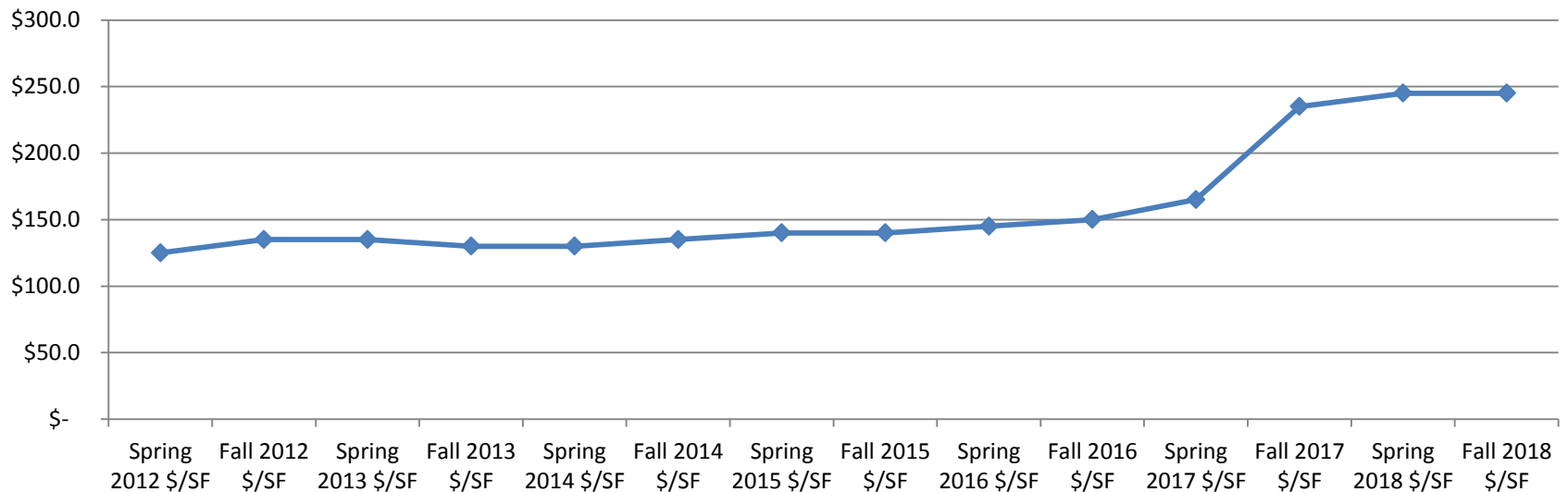
Median Land Value for High End = \$130/SF

MCAP Land Value Range for the Submarket = \$80 to \$90 / SF

Bloor / Yorkville

- \$2,089/SF Average Unit Price
- \$3,797,257 Average Sale Price
- ~11.6 Months Supply of Inventory

Bloor Yorkville



Median Land Value for Low End = \$170/SF

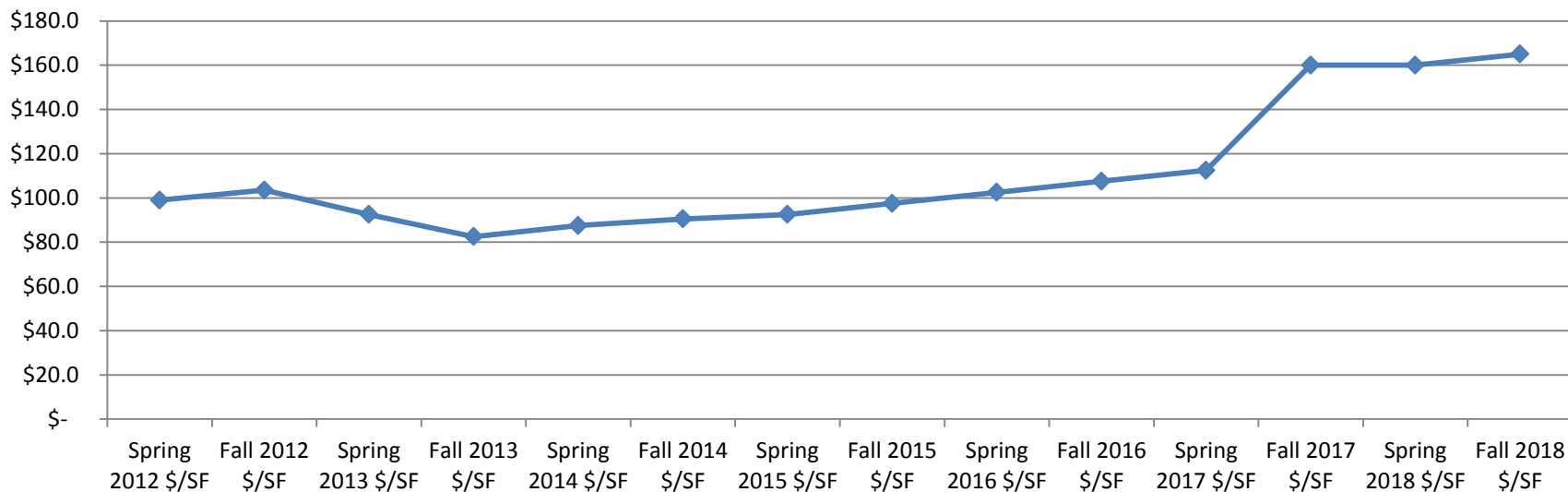
Median Land Value for High End = \$320/SF

MCAP Land Value Range for the Submarket = \$240 to \$250 / SF

North Toronto

- \$1,111/SF Average Unit Price
- \$988,772 Average Sale Price
- ~7.8 Months Supply of Inventory

North Toronto



Median Land Value for Low End = \$130/SF

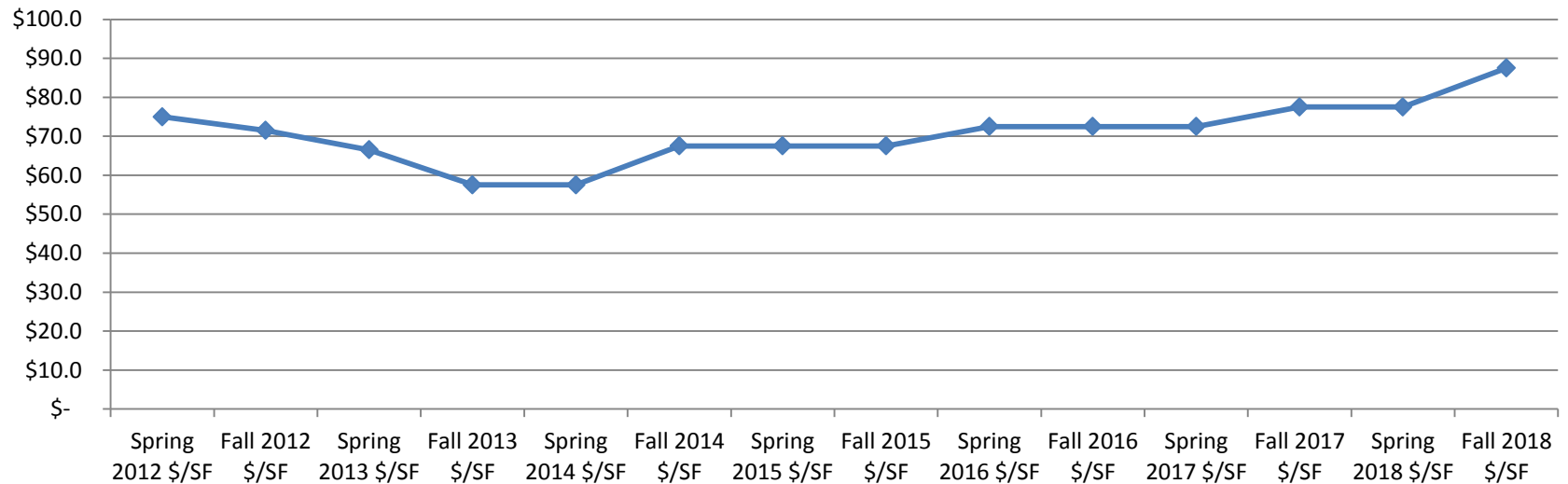
Median Land Value for High End = \$220/SF

MCAP Land Value Range for the Submarket = \$160 to \$170 / SF

North Yonge Corridor

- \$911/SF Average Unit Price
- \$692,590 Average Sale Price
- ~3.3 Months Supply of Inventory

North Yonge Corridor



Median Land Value for Low End = \$70/SF

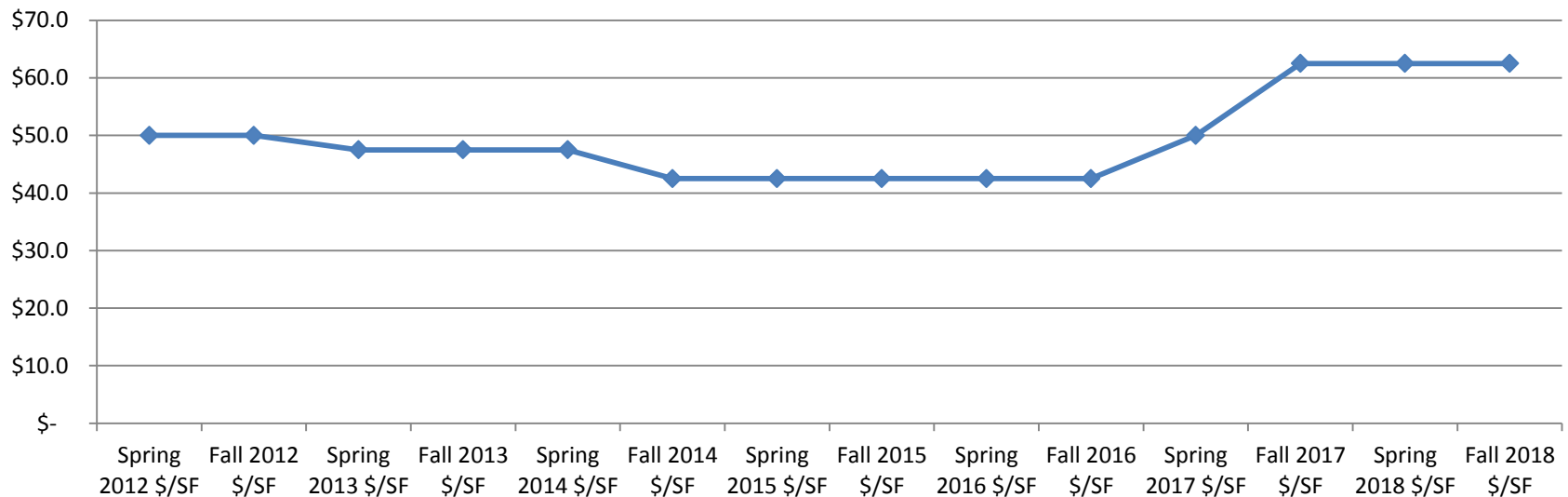
Median Land Value for High End = \$115/SF

MCAP Land Value Range for the Submarket = \$85 to \$90 / SF

HWY 7 / Yonge Corridor

- \$652/SF Average Unit Price
- \$599,893 Average Sale Price
- ~2.4 Months Supply of Inventory

HWY 7 / Yonge Corridor



Median Land Value for Low End = \$45/SF

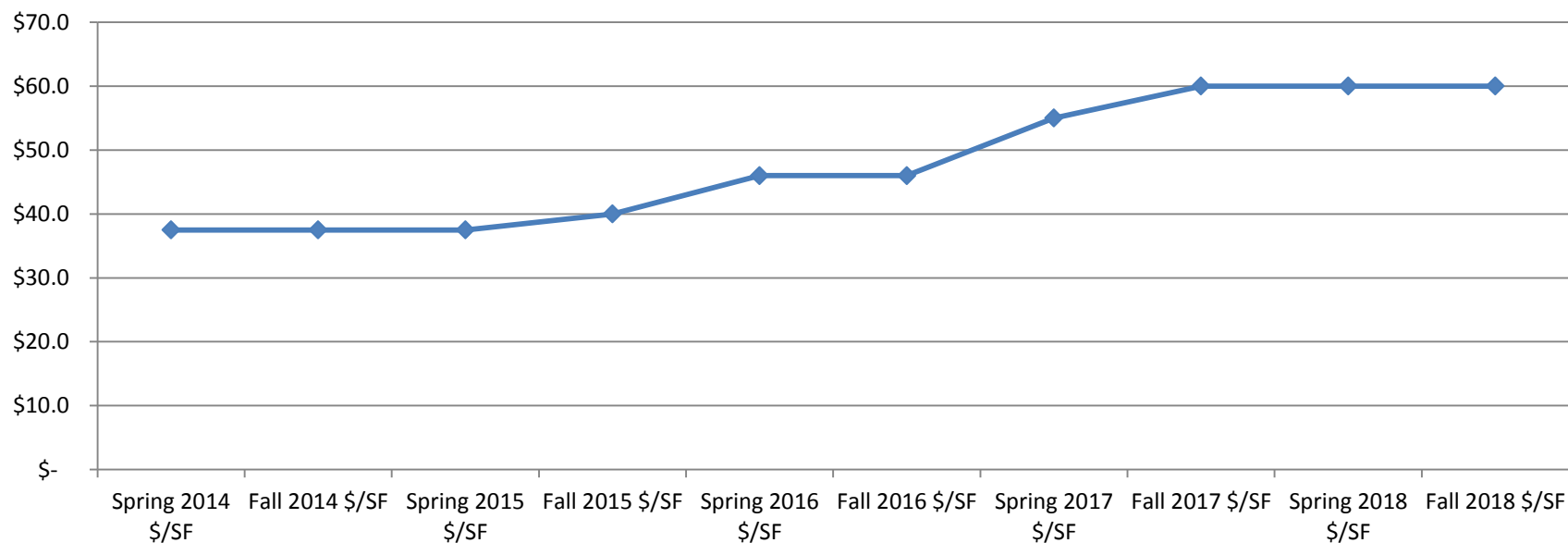
Median Land Value for High End = \$65/SF

MCAP Land Value Range for the Submarket = \$60 to \$65 / SF

Vaughan

- \$749/SF Average Unit Price
- \$726,972 Average Sale Price
- ~9.0 Month Supply of Inventory

Vaughan



Median Land Value for Low End = \$45/SF

Median Land Value for High End = \$80/SF

MCAP Land Value Range for the Submarket = \$55 to \$65 / SF

SUB-MARKET	LOW \$ / SF	HIGH \$ / SF	MARKET VALUE \$ / SF
DOWNTOWN WEST	\$120	\$210	\$160 - \$170
DOWNTOWN EAST	\$120	\$210	\$150 - \$160
DOWNTOWN CORE	\$170	\$260	\$215 - \$225
TORONTO WEST	\$65	\$140	\$90 - \$100
TORONTO EAST	\$60	\$130	\$80 - \$90
BLOOR YORKVILLE	\$170	\$320	\$240 - \$250
NORTH TORONTO	\$130	\$220	\$160 - \$170
NORTH YONGE CORRIDOR	\$70	\$115	\$85 - \$90
HWY. 7 / YONGE CORRIDOR	\$45	\$65	\$60 - \$65
VAUGHAN	\$45	\$80	\$55 - \$65



MCAP

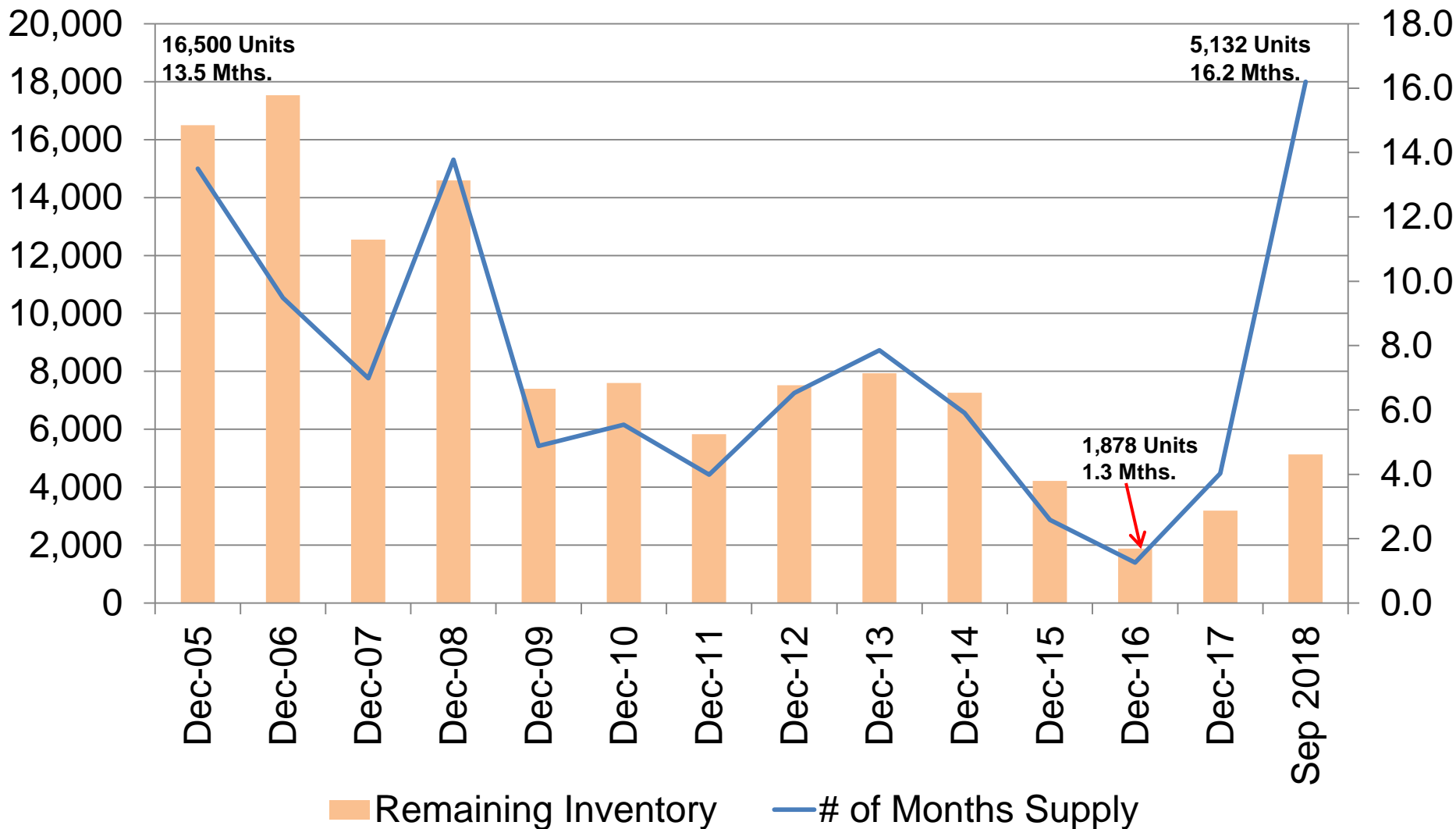
MCAP Lot Values

For the period ending December 6, 2018

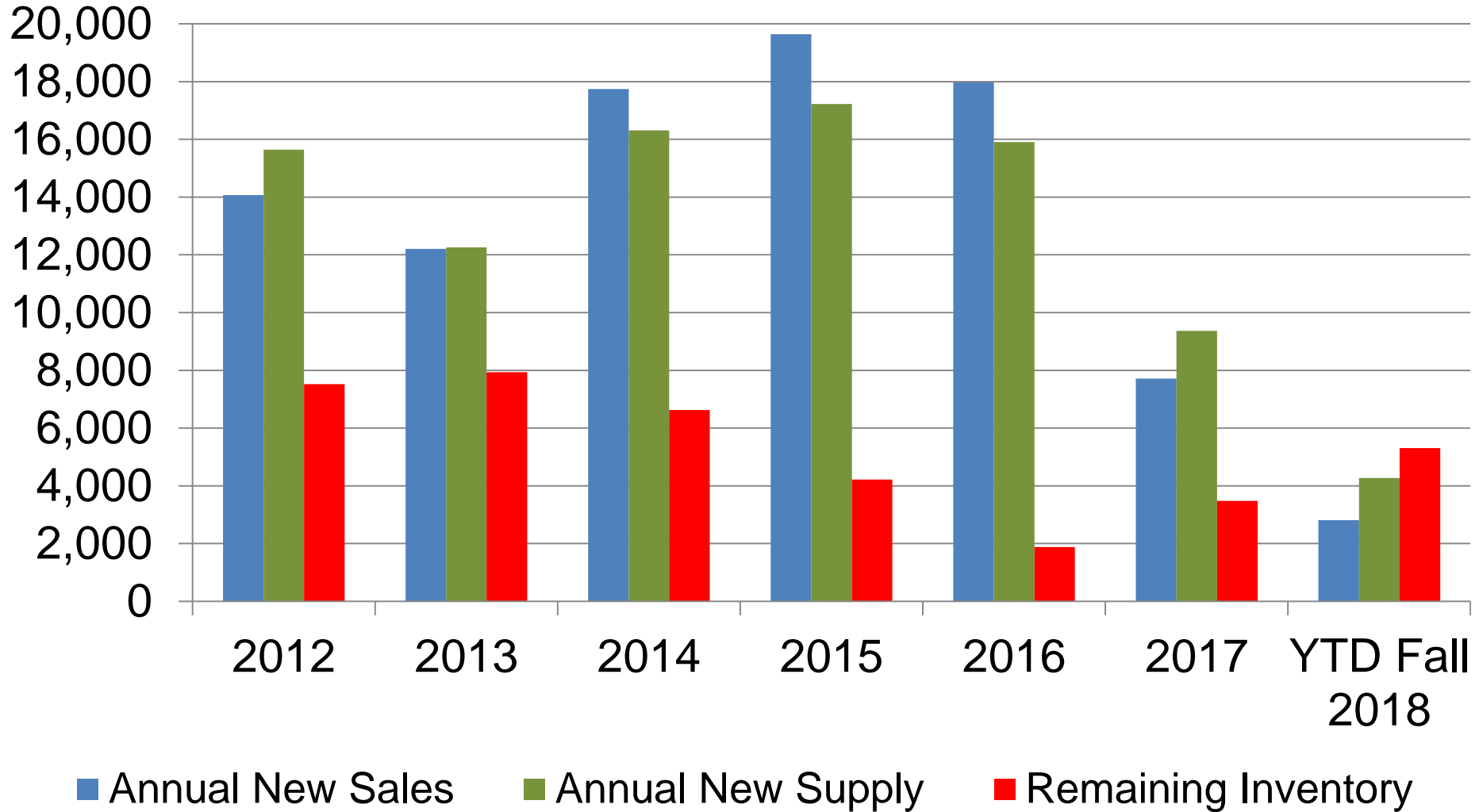
***Values based on standard builder financing terms**

****Values include all levies**

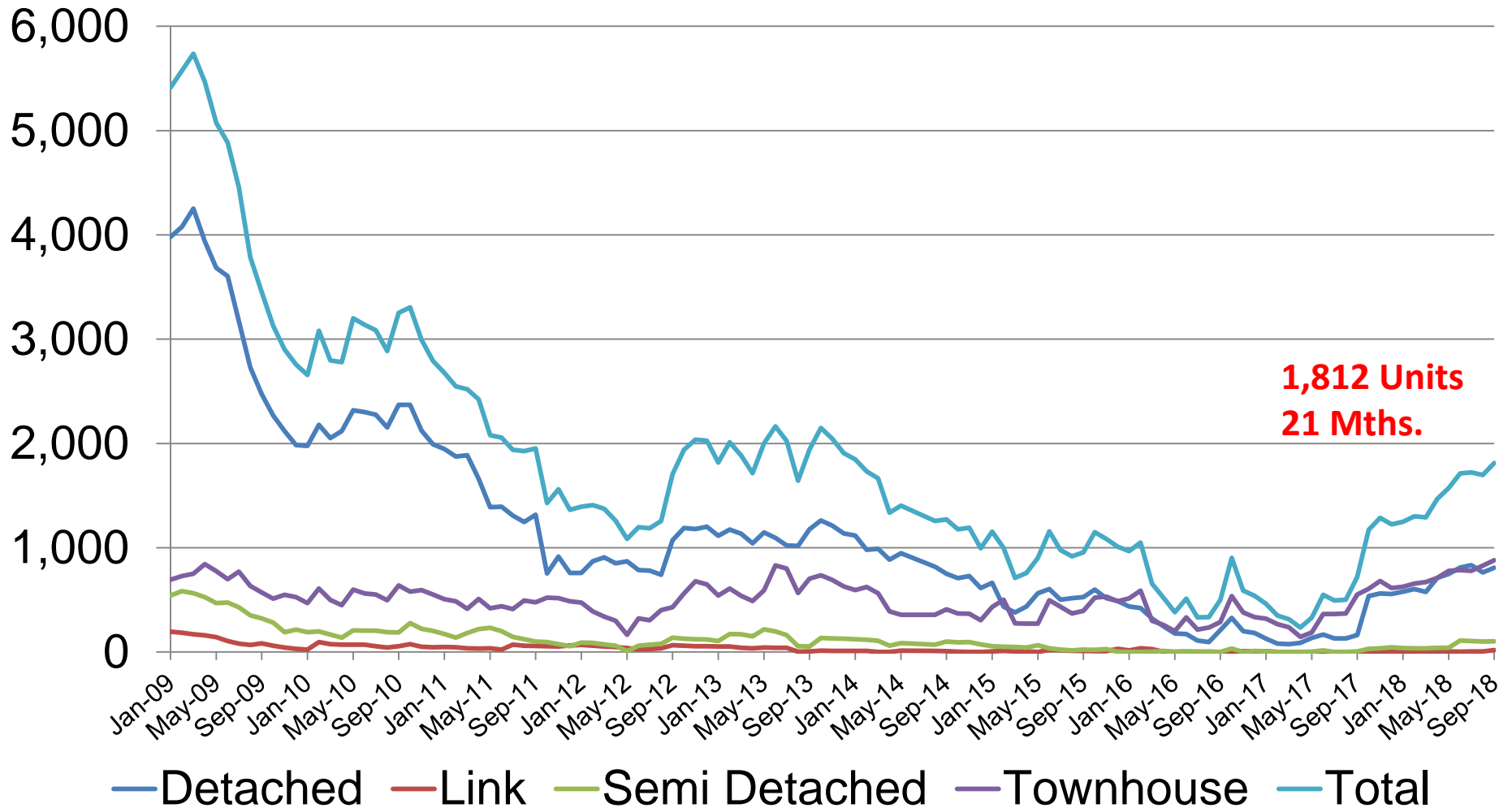
GTA Total Low-Rise Inventory



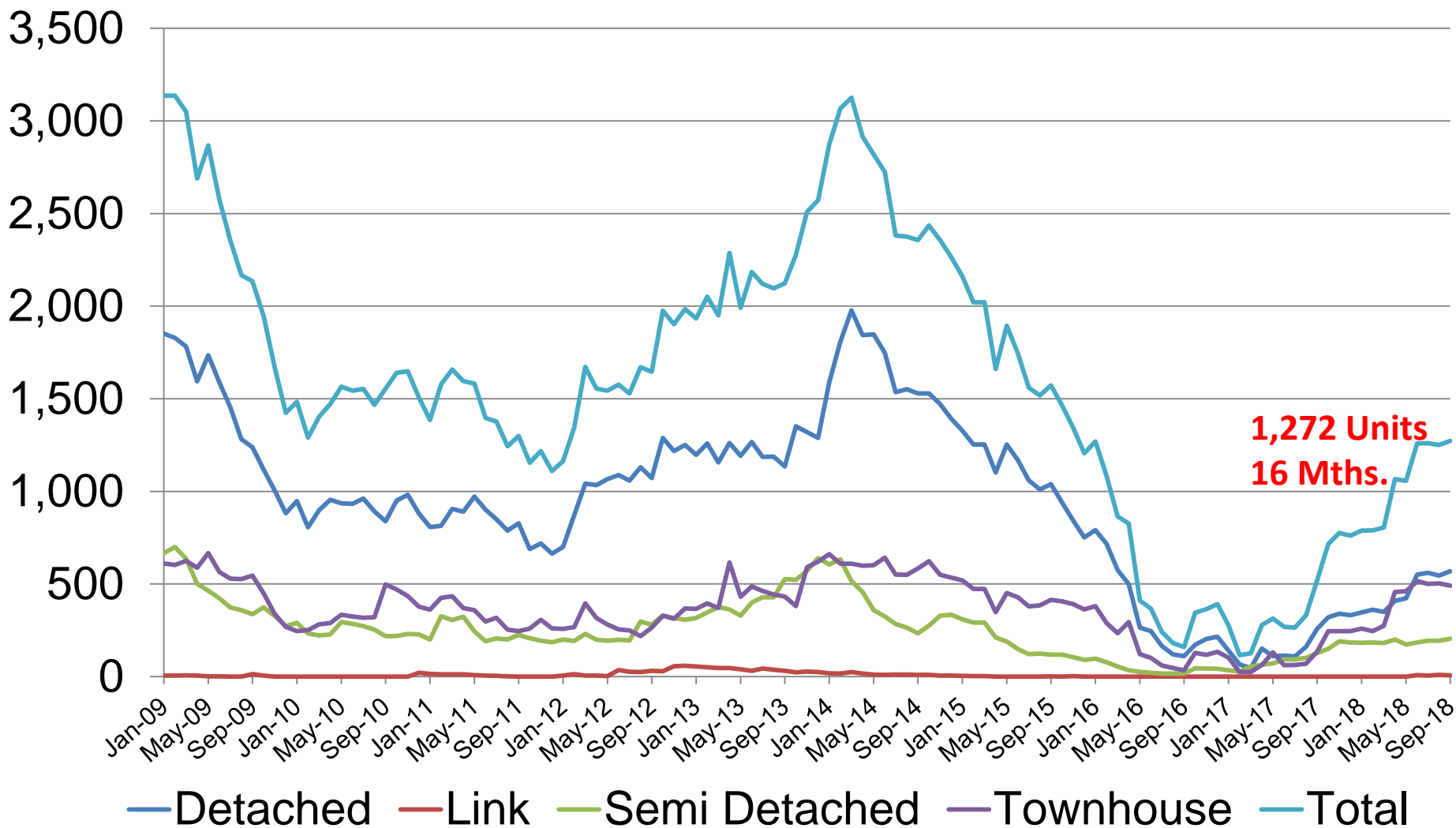
GTA Low-Rise Demand & Supply



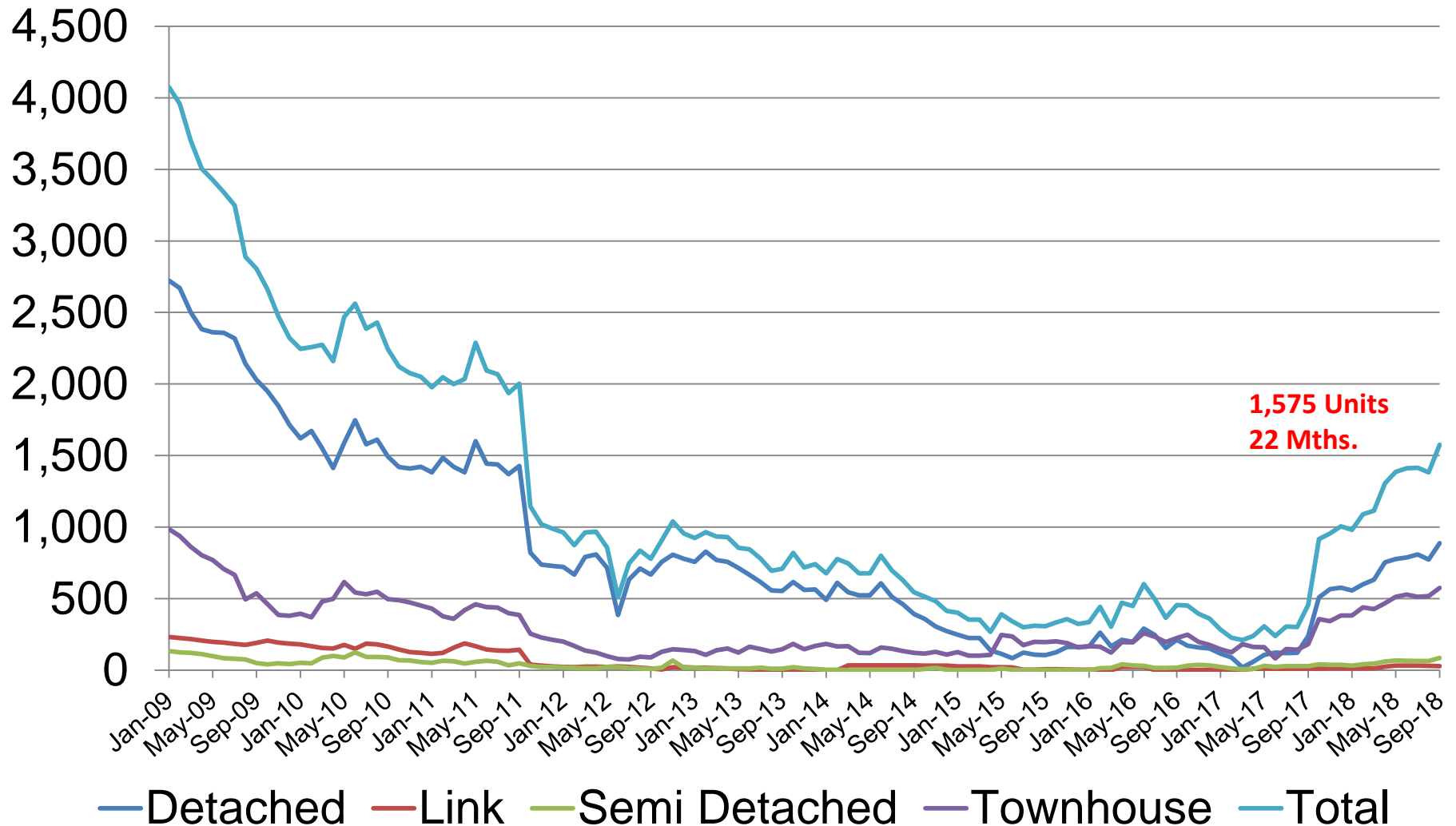
York Region Inventory



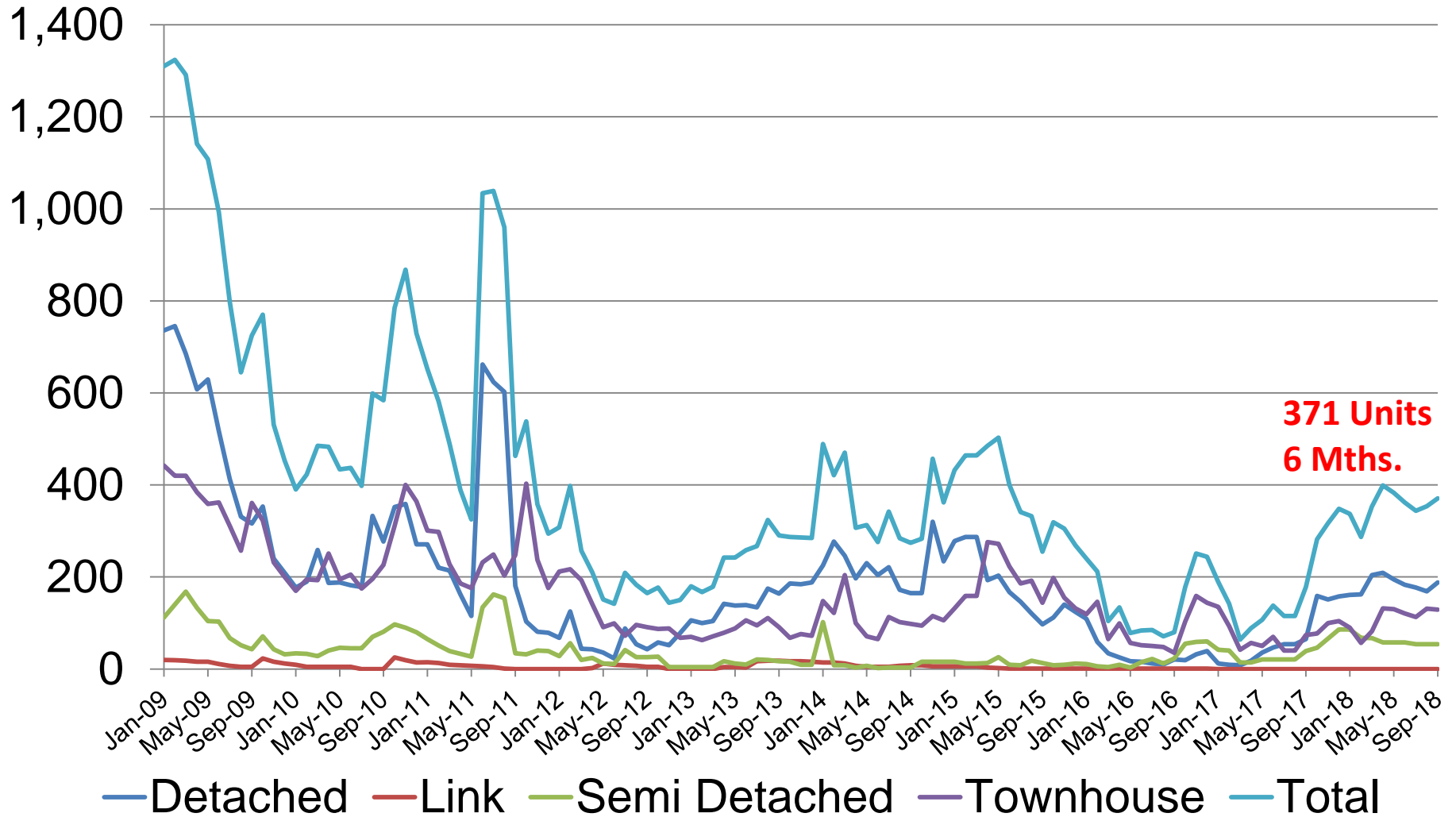
Peel Region Inventory



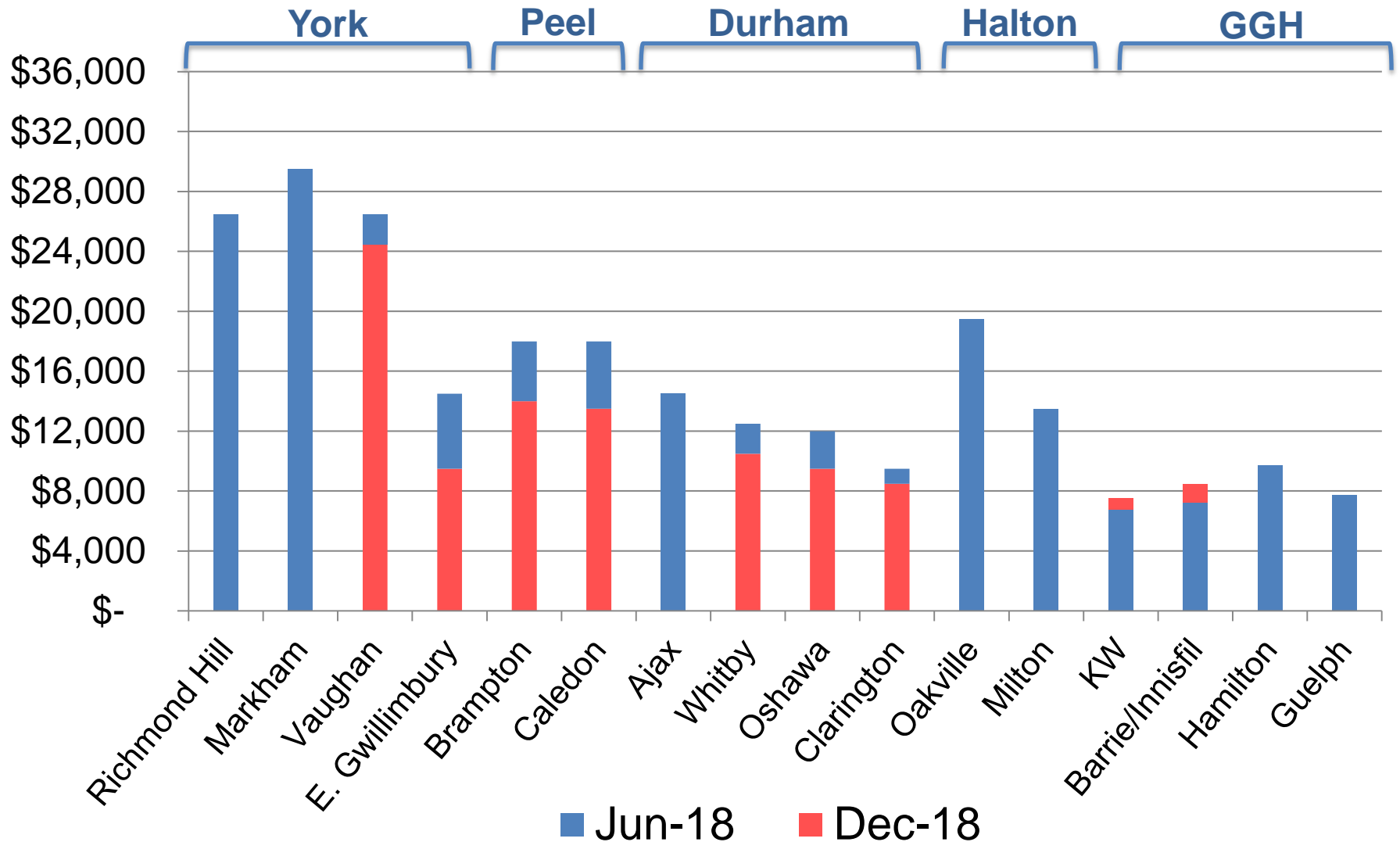
Durham Region Inventory



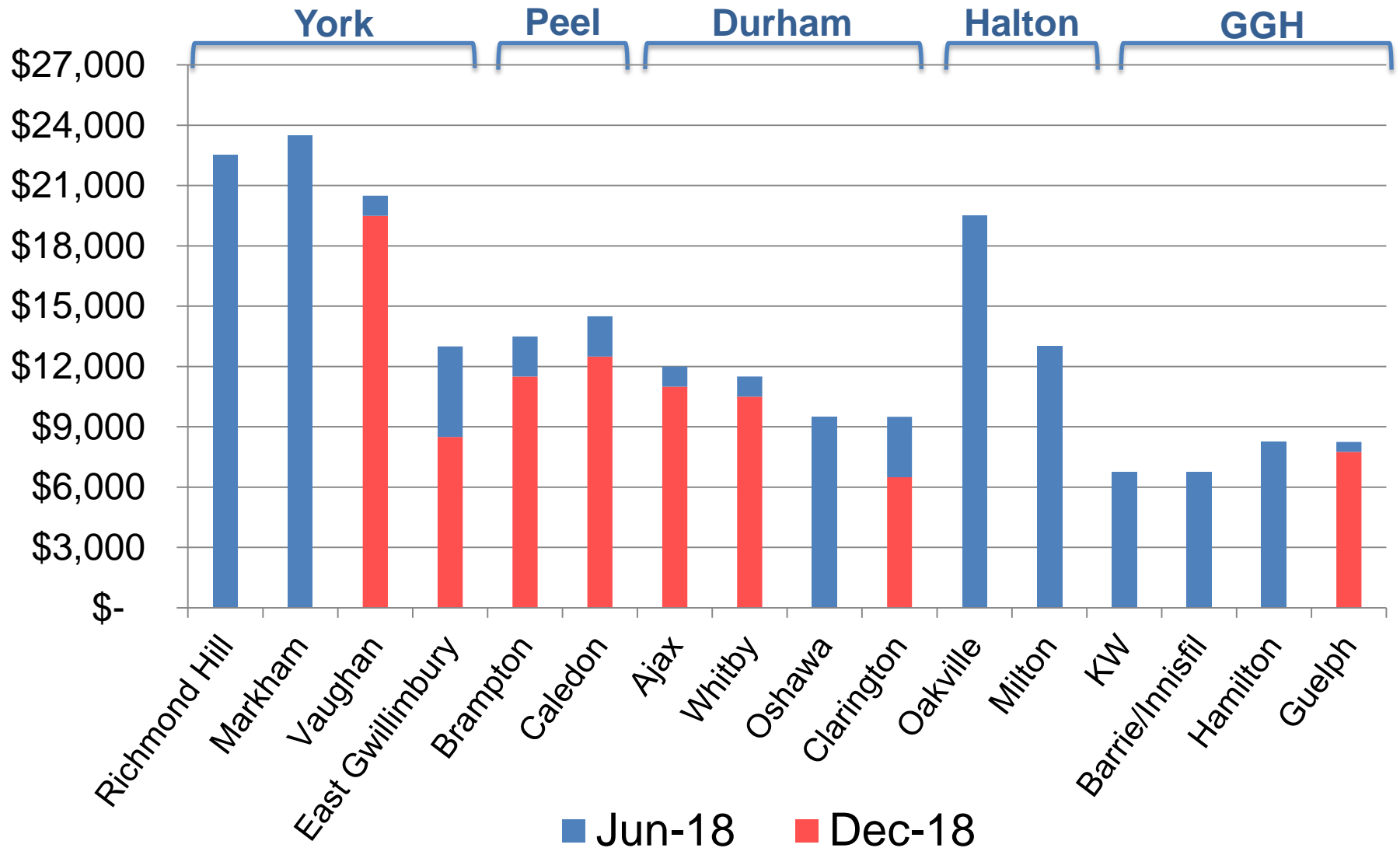
Halton Region Inventory



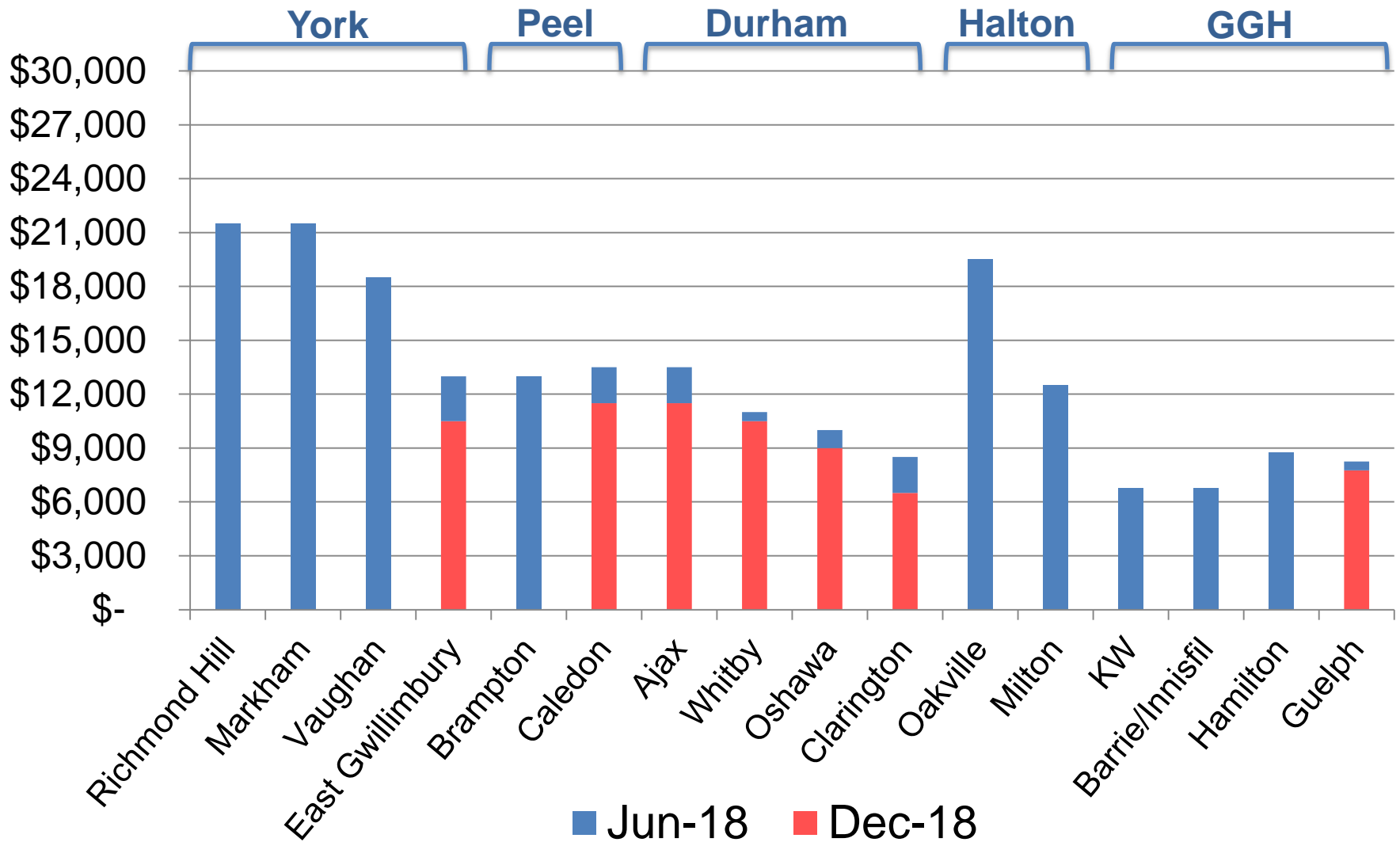
Townhouse Lot Values



30 F.F. – 36 F.F. Detached Lot Values

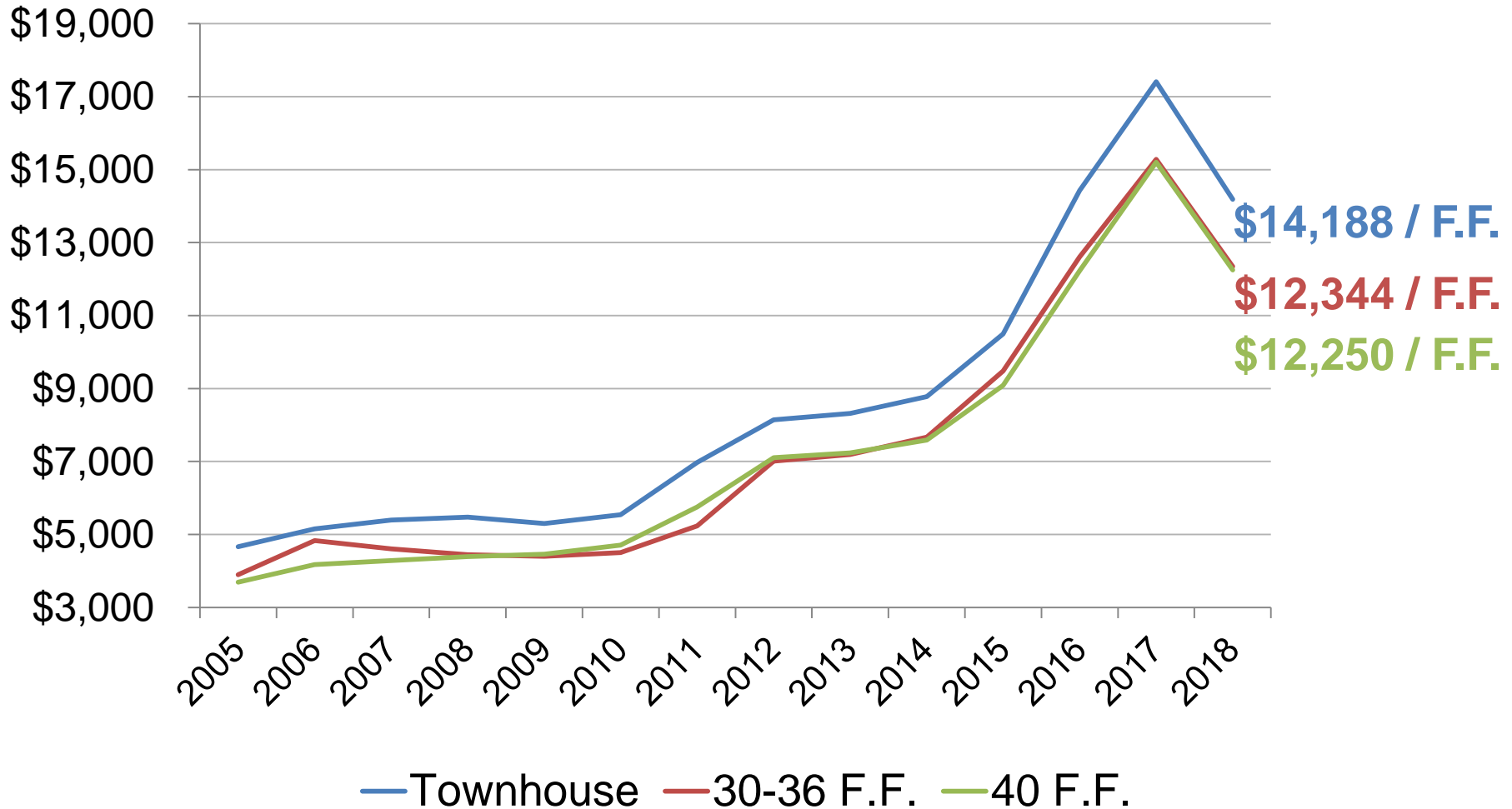


40 F.F. Detached Lot Values



GTA Average Serviced Lot Values

\$/FF



YORK REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
RICHMOND HILL	\$26,000-\$27,000	\$22,000-\$23,000	\$21,000-\$22,000
MARKHAM	\$29,000-\$30,000	\$23,000-\$24,000	\$21,000-\$22,000
VAUGHAN	\$24,000-\$25,000	\$19,000-\$20,000	\$18,000-\$19,000
EAST GWILLIMBURY	\$9,000-\$10,000	\$8,000-\$9,000	\$10,000-\$11,000

PEEL REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
BRAMPTON	\$13,500-\$14,500	\$11,000-\$12,000	\$12,500-\$13,500
CALEDON	\$13,000-\$14,000	\$12,000-\$13,000	\$11,000-\$12,000

DURHAM REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
AJAX	\$14,000 - \$15,000	\$10,500-\$11,500	\$11,000-\$12,000
WHITBY	\$10,000-\$11,000	\$10,000-\$11,000	\$10,000-\$11,000
OSHAWA	\$9,000-\$10,000	\$9,000-\$10,000	\$8,500-\$9,500
CLARINGTON	\$8,000-\$9,000	\$6,000-\$7,000	\$6,000-\$7,000

HALTON REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
OAKVILLE	\$19,000-\$20,000	\$19,000-\$20,000	\$19,000-\$20,000
MILTON	\$13,000-\$14,000	\$12,500-\$13,500	\$12,000-\$13,000

OUTSIDE GTA

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
KW	\$7,000-\$8,000	\$6,500-\$7,500	\$6,500 - \$7,000
BARRIE / INNISFIL	\$8,000-\$9,000	\$6,500-\$7,000	\$6,500 - \$7,000
HAMILTON	\$9,500-\$10,000	\$8,000-\$8,500	\$8,500-\$9,000
GUELPH	\$7,500-\$8,000	\$7,500-\$8,000	\$7,500-\$8,000



MCAP

**Thank you for
attending!**