MCAP GTA & SOUTHWESTERN ONTARIO RESIDENTIAL LAND VALUE **MARKET REPORT**

Spring 2019

Thursday, June 6, 2019

MCAP

Q1 GTA LOW-RISE MARKET OVERVIEW

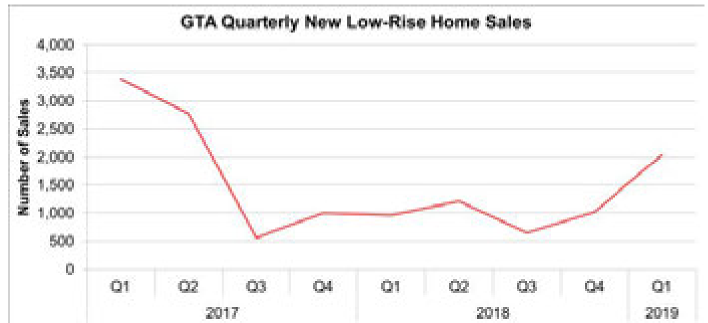
MCAP

HIGHLIGHTS

- MCAP expects sales volume to reach +/- 10,000 units as additional projects launch or re-launch "right priced" product. Any government policy changes that specifically address affordability, for example a downward adjustment to the mortgage stress test qualification rate, could accelerate the pace of sales through late 2019 and 2020.
- Markets like Brampton, Whitby, Milton and Oakville have had their reset buttons hit by larger scale production builders and will move towards sellers' market conditions. Minor price increases are expected in these markets over 2019. Lot values in these markets appear to be at or near bottom and we expect lot values to start creeping up as new product enters those markets.
- Other markets specifically in York and Durham (excluding Whitby), with a larger supply of lots, will take longer to reach balanced market conditions as they now sit at 17 months of supply and 22 months of supply respectively. Sales prices, and therefore lot values, are expected to dip further in these markets as "right priced" product is released over the next 6 months.

NEW HOME SALES

2019 has shown early signs that it will be a year of transition as sales volumes in Q1 2019 totalled 2,038 units. This represents the best quarter for new home sales since Q2 2017 (2,547) and compares favourably to Q1 2018 which achieved only 927 sales. For further context, Q1 2019 sales represent 53% of total low-rise sales achieved in 2018 (3,831) and 26% of 2017 sales (7,714). MCAP is projecting 2019 sales of +/- 10,000 units. This projection is still off the average of just above 16,000 homes per year between 2010 and 2016, but if achieved, it would still represent a substantial increase over 2017 and 2018 sales volume.



(Sources: RealNet)

Sales will likely remain localized to select markets and projects where larger production style builders have product and are ready to launch at well positioned price points. We are already seeing sales traction beginning to take hold in markets like Brampton, Oakville, Milton and Whitby. In these markets, MCAP expects to see sales velocity trend positively throughout 2019 as builders bring more product on stream.

Much of the Q1 2019 sales traction has been generated by large scale production builders. Specifically, Mattamy Homes represents 36% of Q1 2019 sales. When combined with sales achieved by Great Gulf Homes and Treasure Hill Homes in Q1, these three builders represent a 54% market share for the quarter.

Builder	Project	Municipality	Detached	Towns	Semi-Detached	Q1 Sales
Mattamy Homes	Hawthorne South	Milton	121	170	0	291
Mattamy Homes	Mount Pleasant North	Brampton	127	76	0	203
Mattamy Homes	East Preserve/Preserve	Oakville	154	56	0	210
Mattamy Homes	Queens Common	Whitby	6	31	0	31
Great Gulf	Arbor Peaks	Milton	20	19	7	46
Great Gulf	Whitby Meadows	Whitby	53	20	0	73
Great Gulf	Westfield	Brampton	35	0	22	57
Treasure Hill	Adena Views	Aurora	107	0	0	107
Treasure Hill	Georgina Heights	Georgina	41	0	0	41
Treasure Hill	Trendi Towns	Markham	0	19	0	19
Paradise Developments	High Point	Brampton	0	49	50	99
Total			**664**	**440**	**79**	**1183**

(Sources: RealNet)

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Q1 GTA LOW-RISE MARKET OVERVIEW

These builders have been able to set the markets in which they are participating and found price points at which they can generate sales. Others builders with product in these markets can now assess their relative value at launch or re-launch. Moderate price appreciation is expected in these markets over 2019.

Some short term price depreciation is anticipated in other markets like York and Durham (outside of Whitby) where significant sales traction has not yet taken place. As homes sold at the peak of the market in 2017 continue to close in these regions, projects will be able to re-launch remaining product or launch the next phase of a project at lower price points. This softening is not expected to last as pent up demand from historically low sales in 2018 begins to enter the market fuelled by stable mortgage rates in 2019 and exceptionally high population growth in Ontario (255,835 people in 2018 and 220,022 in 2017 versus the average from 2006 – 2016 of 95,000 people per year), the GTA being the largest benefactor of this growth.

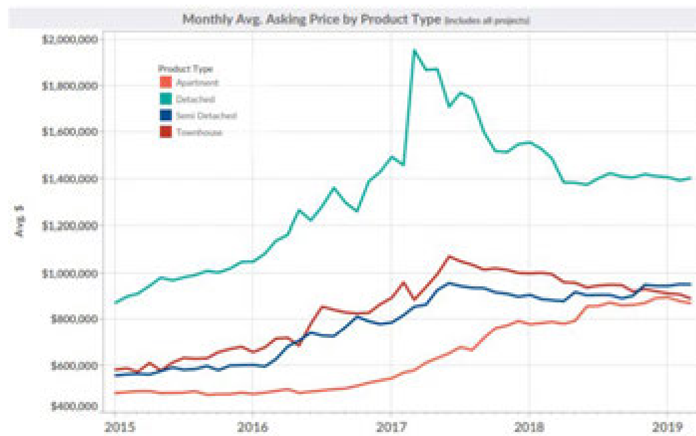
NEW HOMES SALE PRICES

The benchmark price of a single family home fell slightly from Q4 2018 to $1,116,640 from $1,143,505. Although the benchmark price has been hovering just above $1.1MM since early 2018, it is down +/-16% from its peak in 2017 at just over $1.3MM but remains 8% above Q4 2016. This implies single family homes purchased Q1 2017 and earlier remain in the money while homes purchased at peak values in mid to late 2017 through early 2018 represent possible future closing risks. Homes purchased in this time frame have begun closing which will continue through early 2020. Based on our experience within the MCAP portfolio and conversations with industry experts, some isolated projects are encountering higher than normal closing issues, but the situation does not appear to be widespread.

Average asking prices for detached homes have remained relatively flat since early 2018 at +/-$1.4MM. This is down +/-28% from the 2017 peak of +/- $1.9MM. As stated earlier, in the short term we could see prices come down further as detached homes sold at the peak close and existing supply is relisted at lower price points.

(Sources: RealNet)

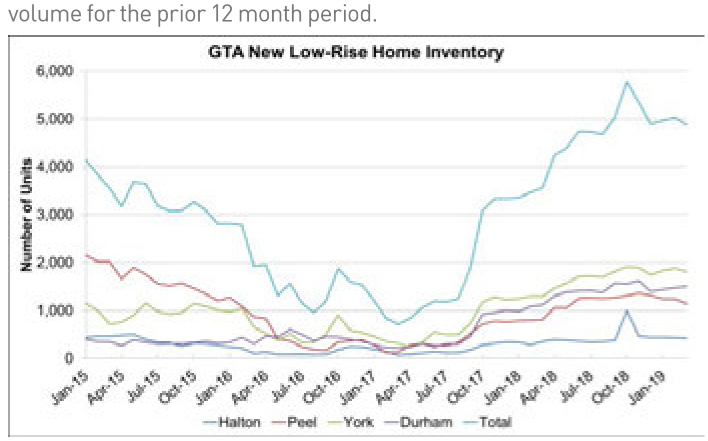
Average asking prices for townhouse product fell slightly over the quarter but remained at +/-$900,000. Semi-detached product increased back to 2017 levels at +/-$950,000 but represents a very small segment of the market.



(Sources: RealNet)

NEW HOME INVENTORY

Low-rise lot inventory levels have dropped for the second consecutive quarter since peaking at 5,300 in October 2018, after 6 straight quarters of increases. Inventory now stands at 5,054 lots, representing a +/- 12 month supply based on the historically low sales volume for the prior 12 month period.



(Sources: RealNet)

Compositionally, 49% of the lots are detached lots, 41% are townhouse lots, 9% are semi-detached and 1% of the lots are linked. York currently has a supply of 1,808 lots, Durham has 1,503 lots, Peel has 1,139 lots and Halton has 418 lots.

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LOT VALUES

For the Period Ending June 6, 2019

YORK REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
RICHMOND HILL	$23,000 - $25,000	$22,000 - $23,000	$21,000 - $22,000
MARKHAM	$27,000 - $29,000	$21,000 - $23,000	$20,000 - $22,000
VAUGHAN	$24,000 - $25,000	$18,000 - $20,000	$17,000 - $19,000
EAST GWILLIMBURY	$9,000 - $10,000	$8,000 - $10,000	$8,000 - $10,000

PEEL REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
BRAMPTON	$14,000 - $15,000	$11,000 - $13,000	$11,000 - $12,000
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	$13,000 - $15,000	$9,000 - $11,000	$10,000 - $12,000
WHITBY	$9,000 - $10,000	$9,000 - $10,000	$9,000 - $10,000
OSHAWA	$8,000 - $9,000	$8,000 - $9,000	$8,000 - $9,000
CLARINGTON	$7,000 - $8,000	$7,000 - $8,000	$7,000 - $8,000

HALTON REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
OAKVILLE	$16,000 - $18,000	$16,000 - $18,000	$16,000 - $18,000
MILTON	$11,000 - $12,000	$10,000 - $12,000	$11,000 - $12,000

OUTSIDE GTA

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

** Values include all levies*

Q1 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

MCAP

HIGHLIGHTS

- Re-sale prices have grown 7% YoY after accelerated growth of 23% for the year prior. This moderation is expected to continue given that the re-sale market is end-user driven and affordability remains the primary issue (Bill B20)
- In the new condominium market, moderate growth is expected for the remainder of 2019 as investors wait for their rental economics to catch up with record high price points
- The lack of new condominium product is helping to buoy the market against price declines as investors pull back
- As Bill 180 takes effect, much needed new housing supply could begin to enter the market, helping alleviate pressures on supply and demand however, this is expected to take time and not materially affect the 2019 outlook

REMARKS

Housing ownership demand has seen a shift down market from low rise to high rise product, fueled by the erosion of low rise affordability, Toronto's vertical transformation, and the continued scarcity of rental housing. A healthy condo market attracts two distinct purchaser groups; owner occupiers and investors, and a frothy condo market adds a third, being speculators.

The re-sale condo market is considered the purest measure of condo supply & demand because it caters primarily to owner occupiers, most of whom are unable/unwilling to project their housing needs 4 years in advance. The creation of new condominium product, on the other hand, is dependent on strong investor support during the pre-construction phase in order to qualify for financing. As detailed below, both the re-sale and new condo markets have been showing signs of moderation, which is expected to continue through 2019. Given the rapid price increases over 2017 & 2018, this moderation is welcomed as that rate of growth was unsustainable and encouraged speculation.

Strong demand for existing condominium product from mid-2016 to mid-2017 resulted in an escalation of the Sales to Listing Ratio (SLR) from 53% to nearly 75% over that same time period. This caused sale prices to increase by approximately 23% over the same time period. However, since the introduction of Bill B-20, the SLR has dropped to about 67% and prices have increased relatively moderately by 7% YoY with approximately 14,200 units selling at an average price of $760/SF. With the SLR ratio still above the 10-yr. average of 54%, PSF resale prices are not expected to decline and low single-digit growth is expected to continue through 2019.

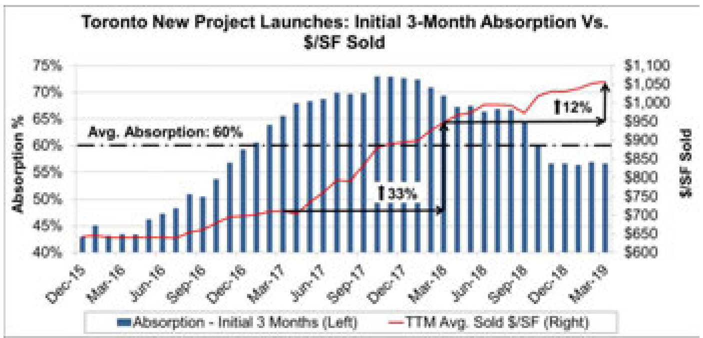
(Source: Urbanation, TREB)

For those who either cannot afford or prefer not to purchase a home, purpose-built apartments or condominium rentals are the two primary housing options available. New purpose-built rental construction has seen a resurgence in light of strong rental market fundamentals (high rents and low vacancies). This segment of the market is dominated by large, institutional developers who have in part been able to leverage under-utilized residential and commercial assets already owned thus substantially reducing their land cost. The reported 12 month average stabilized purpose built vacancy is just 0.35%, so the 9,500 units currently under construction and scheduled for completion by 2023 will fall far short of servicing demand. Until that changes, investor-owned condominiums will continue to function as Toronto's de-facto rental market.

Private condominium investors/landlords have been a key factor in the success of new condominium projects in Toronto by purchasing pre-construction units expecting to achieve an acceptable return on their equity based on the unit's rental economics. Due to the rapid price appreciation of pre-construction condominiums investors return on equity (ROE) has been compressed and they have begun to pull back on new construction purchases.

Since March 2017, PSF prices being achieved on new condominium launches rose 45%. As prices rose, the absorption rate within the first 3 months of launch began to decline, from a peak of 73% in October 2017 to 57% as of March 2019. The initial 3 month absorption of a new condominium project now sits close to the 3 year average of 60%.

Q1 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW



(Source: Urbanation, Altus)

This decline can be attributed to decreased interest from speculators looking for a quick return coupled with a loss of investor appetite for condominium product due to reduced ROE expectations. At current rental rates and current condominium launch prices, investor return expectations have been eroded to nearly 0%. Consequently, investors should not be relied upon as heavily to drive pre-construction sales going forward in projects looking to achieve maximum price points.

PSF condominium prices are expected to moderate in 2019 at low single-digit growth, while condominium investors sit on the sidelines waiting for rental rates to appreciate to the point where the rental economics begin to satisfy investor ROE requirements. With the Leases to Listing Ratio (LLR) at 80% and rents increasing 10% YoY, it's expected that investors will not have to wait long for the rental market to catch up to price points.

(Source: Urbanation, TREB)

Any price declines that could have been created by lower investor demand are expected to be offset by a lack of new supply in the market. There were 50 new condominium projects launched in Toronto over the last 12 months, the lowest 12 month rolling total since February 2017. Only 4 launches occurred in Q1-2019, which is the lowest level in Toronto tracking back to December, 2015. This has had a profound impact on active project sales. 12,700 new condominiums were sold in the 12 months to Q2-2019, a YoY decline of 4,500 sales.

Such a statistic typically forms the basis of ominous headlines, likely without the caveat that that 88% of all units in active projects are sold (down only 1% YoY).

On May 2, the Ontario government announced its new Housing Supply Action Plan (Bill 108). One of the most notable and controversial features of the Bill is the reversion of LPAT's authority back to that of the OMB, allowing for the Tribunal to once again make decisions based on the best planning outcome. The creation of the LPAT was intended primarily to show more deference to the municipalities in planning decisions, but the new process produced unintended results at a time when the state of Toronto housing was often regarded as a "crisis." It has been reported that there are currently as many as 1,000 appeal cases, representing about 100,000 housing units in proposed projects across Ontario, that are waiting to be heard at the LPAT. Hopefully Bill 108 will help clear the backlog of cases and bring on much needed housing supply to the Toronto market.

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Q1 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

HIGH-RISE CONDOMINIUM LAND VALUES – JUNE, 2019

The preceding market overview provides the basis for calculating the June, 2019 High-Rise Condominium Land Values. Information from Urbanation, Altus, Glynn Group, and MCAP is utilized to undertake an extensive residual analysis process to arrive at forward-looking, short-term estimates of approved land values in the tracked submarkets. The following commentary touches on key aspects of the tracked submarkets that guided value estimate decisions and provided support to the residual analyses:

DOWNTOWN WEST (DW)

- Alterra launched "Rush" in November, 2018 and sold all 125 units by April, 2019 at an average of $1,166/SF
- New condominium sales averaged $840/SF in the last 12 months, up 20% YoY
- Unsold asking price averaged $1,400/SF in the last 12 months, up 40% YoY
- 4.7 months' of supply remaining, in line with Q1-2018
- Value estimates edged up from December, 2018 given the strong sales performance, rising sale price points, and consistent supply level but the magnitude of the increases were tempered by the relatively high average asking price and the diverse nature of the submarket
  - DW High is now approximately in-line with the DC Low

DOWNTOWN EAST (DE)

- A project resumed sales in March, 2019 for 1 month only, achieving 16 sales during that time at an average of $1,076/SF, 11% higher than its prior sales achieved in mid-2018
- New condominium sales averaged $770/SF in the last 12 months, up 12% YoY
- Unsold asking price averaged $1,295/SF in the last 12 months, up 42% YoY
- 5.0 months' of supply remaining, up from 2.5 months in Q1-2018
- Values estimates remain unchanged from December, 2018 given the diverse nature of the submarket, the rising supply level, and the high average asking price
  - Low and High remain approximately in-line with those of DW, High is now generally in-line with DC Low

DOWNTOWN CORE (DC)

- Cresford launched "YSL Residences" in October, 2018 and is 73% sold at an average of $1,510/SF
  - First DC project launch since Oct. 2017
  - No other new launches, aside from Davpart's "United BLDG" for which sales data has not yet been released
- Value estimates have been heavily influenced by the recent, successful YSL project launch
  - Value estimate increases are primarily a reflection of the updated sales data used in the residual analyses; previously hesitant to increase values at this magnitude given the lack of new project launch data
  - DC High is now at the Low end of the BY range

TORONTO WEST (TW)

- Three (3) new project launches since October, 2018 that have sold well to date (60-70%) at an average of $865 to $1,060/SF
- 6.1 months' of supply remaining
- Value estimates increased modestly with support from residual analyses conclusions
  - Approximately in-line with TE but with lower high end

TORONTO EAST (TE)

- Fieldgate launched "The Poet" on Queen St. E. in November, 2018 and is ~50% sold at an average of $1,030/SF
  - Two (2) other recently launched projects are well-sold at ~$970/SF
- New condominium sales averaged $635/SF in the last 12 months, up 15% YoY
- Unsold asking price averaged $960/SF in the last 12 months, up 17% YoY
- 5.6 months' of supply remaining, up from 4.7 months in Q1-2018
- Value estimate increases are reflective of the solid sales figures reported for recent launches at increasing price points
  - Low end remains unchanged, given diverse nature of the submarket
  - High end is increased, now in-line with the Market Value average for DE & DW

BLOOR-YORKVILLE (BY)

- Lanterra's "50 Scollard" is the most recent project to launch in BY (June, 2018) achieving 10 sales to date at an average of $2,100/SF
  - End-user purchaser profile
  - Represents high end of the market
- Seven (7) other active projects previously launched in BY are at least 80% sold
- Value estimate increases are supported by residual analyses utilizing the updated sales data
  - Increases are more reflective of availability of data, not sudden changes in submarket conditions
  - 50 Scollard used as a benchmark ceiling value
  - Residual analyses provide a consistent range for the Market Value and Low estimates

Q1 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

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NORTH TORONTO (NT)

- Tribute launched "Yonge & Soudan" in January, 2019 and is 55% sold at an average of $1,066/SF
- New condominium sales averaged $830/SF in the last 12 months, up 13% YoY
- Unsold asking price averaged $1,120/SF, up 19% YoY
- 5.6 months' of supply remaining, up from 4.1 months in Q1-2018
- Market Value and Low estimate edged up from December, 2018; High end is now in-line with the DC Market Value average and below the Low end of BY

NORTH YONGE CORRIDOR (NYC)

- The 2nd phase of Aoyuan's "M2M" development, "T1", launched sales in March, 2019 and is 51% sold at an average of $1,005/SF
- New condominium sales averaged $725/SF in the last 12 months, up 11% YoY
- Unsold asking price averaged $1,000/SF, up 8% YoY
- 8.6 months' of supply remaining, down from 15 months in Q1-2018
- Market Value estimate has edged up from December, 2018; High end now just above NT Low

HWY. 7 / YONGE CORRIDOR

- No recent new launches in this submarket
- Most recent launch in Richmond Hill is Sequoia Grove Homes' "Elgin East at Bayview – 2nd Phase" which launched in March, 2019 and has reported only 11 sales to date at $713/SF (8.5% higher than Phase 1 sales achieved in 2018)
- Given a lack of reliable data, we have left the values for this submarket unchanged from December, 2018

VAUGHAN

- Cortel Group launched "CG Tower (Expo Phase 5)" in November, 2018 and is 52% sold at an average of $847/SF (27% higher than Phase 4 sales achieved in 2017)
    - — Most recent launch since 2017
- Given a lack of reliable data, we have left the values for this submarket unchanged from December, 2018

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HIGH-RISE CONDOMINIUM LAND VALUES

For the Period Ending June 6, 2019

SUB-MARKET	LOW $ / SF	HIGH $ / SF	MARKET VALUE $ / SF
DOWNTOWN WEST	$125	$215	$165 - $175
DOWNTOWN EAST	$120	$210	$150 - $160
DOWNTOWN CORE	$225	$330	$265 - $275
TORONTO WEST	$65	$140	$95 - $105
TORONTO EAST	$60	$165	$105 - $115
BLOOR-YORKVILLE	$300	$430	$350 - $375
NORTH TORONTO	$145	$265	$170 - $180
NORTH YONGE CORRIDOR	$70	$155	$90 - $100
HWY 7/YONGE CORRIDOR	$45	$65	$60 - $65
VAUGHAN	$45	$80	$55 - $65

**Values based on Gross Buildable SF (fully approved)*

SUBMARKET DELINEATION

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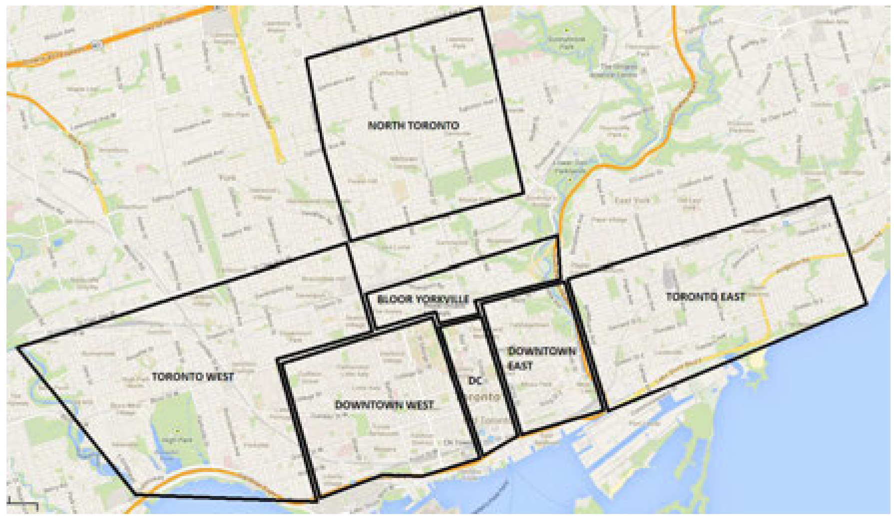
SUB-MARKET
DOWNTOWN WEST
DOWNTOWN EAST
DOWNTOWN CORE
TORONTO WEST
TORONTO EAST
BLOOR-YORKVILLE
NORTH TORONTO
NORTH YONGE CORRIDOR
HWY 7/YONGE CORRIDOR
VAUGHAN



2019 LOW-RISE & HIGH-RISE LOANS

June 6, 2019

MCAP

MCAP's strength is working with developers and builders to create unique value-added financing solutions to meet their individual project needs. We offer a variety of loan types and loan structures to suit a wide range of development initiatives:

LAND LOANS
Land financing so you can acquire the right property for your project. We offer end to end support, working with you every step of the way.

LAND DEVELOPMENT LOANS
Non-revolving development financing and strategies to help get your project underway.

CONDOMINIUM CONSTRUCTION LOANS
MCAP provides financing for your mid-rise and/or high-rise condominium project.

FREEHOLD CONSTRUCTION LOANS
MCAP provides financing for the construction of single detached, semi-detached freehold and condominium townhouses on a revolving and cost to complete basis.

COMMERCIAL CONSTRUCTION LOANS
Financing for the construction of single or multi-tenant commercial buildings such as retail strip plazas, industrial condominiums and commercial office towers.

RESIDENTIAL INVENTORY LOANS
Financing for completed inventory units that are available for sale.

EQUITY AND MEZZANINE LOANS
Postponed and subordinated equity and mezzanine loans to help you meet your financing obligation as required by other MCAP loan facilities or by other Lenders.

LAND DEVELOPMENT & CONSTRUCTION LOAN 20 DETACHED UNITS, MARKHAM **$25,000,000**	**HIGH-RISE CONSTRUCTION LOAN** 234 HIGH RISE UNITS, SCARBOROUGH **$65,025,000**	**MEZZANINE LOAN** 122 MID RISE UNITS, TORONTO **$3,400,000**
LAND DEVELOPMENT & CONSTRUCTION LOAN 72 STACKED TOWNHOUSE UNITS, GUELPH **$10,800,000**	**LAND DEVELOPMENT & CONSTRUCTION LOAN** 14 DETACHED UNITS, TORONTO **$18,400,000**	**CONDO TOWNHOUSES CONSTRUCTION LOAN** 77 CONDO TOWNHOUSES, BRAMPTON **$29,700,000**
LAND DEVELOPMENT & CONSTRUCTION LOAN 37 DETACHED UNITS, BRAMPTON **$22,700,000**	**LAND DEVELOPMENT & CONSTRUCTION LOAN** 50 DETACHED UNITS, THOROLD **$15,800,000**	**COMMERCIAL TERM LOAN** 31,435 SF. RETAIL SPACE, ETOBICOKE **$8,900,000**
LOT DEPOSIT & CONSTRUCTION LOAN 24 TOWNHOUSE LOTS & 4 SEMI-DETACHED LOTS, VAUGHAN **$6,700,000**	**LAND DEVELOPMENT LOAN** 71 SINGLE DETACHED LOTS, BRAMPTON **$8,200,000**	**LAND LOAN** 2.4 ACRE FUTURE DEVELOPMENT SITE, MISSISSAUGA **$3,500,000**

FOR FURTHER INFORMATION, PLEASE CONTACT:

BRUNO IACOVETTA:	**416 368 8890**	bruno.iacovetta@mcap.com
JAMES TOBIAS:	**416 847 3484**	james.tobias@mcap.com
DAVID GWILLIAMS:	**416 847 3550**	david.gwilliams@mcap.com
MARIO POLICICCHIO:	**416 591 2748**	mario.policicchio@mcap.com

MCAP FINANCIAL
Development Finance Group
400-200 King Street West
Toronto, ON M5H 3T4
Tel: 416 598 2665
Fax: 416 368 8822

MCAP Financial Corporation
Ontario Mortgage Brokerage #10600 | Ontario Mortgage Administrator #11790