

WELCOME TO THE...

MCAP FALL 2015 BREAKFAST SEMINAR

Presented By: MCAP Development Finance Group

AGENDA



Canadian Market Misconceptions & GTA Housing Update

Presented by: Ben Myers, Senior Vice President, Fortress Real Developments

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



Ben Myers, SVP, Fortress Real Developments

Canadian Market Misconceptions & GTA Housing Update

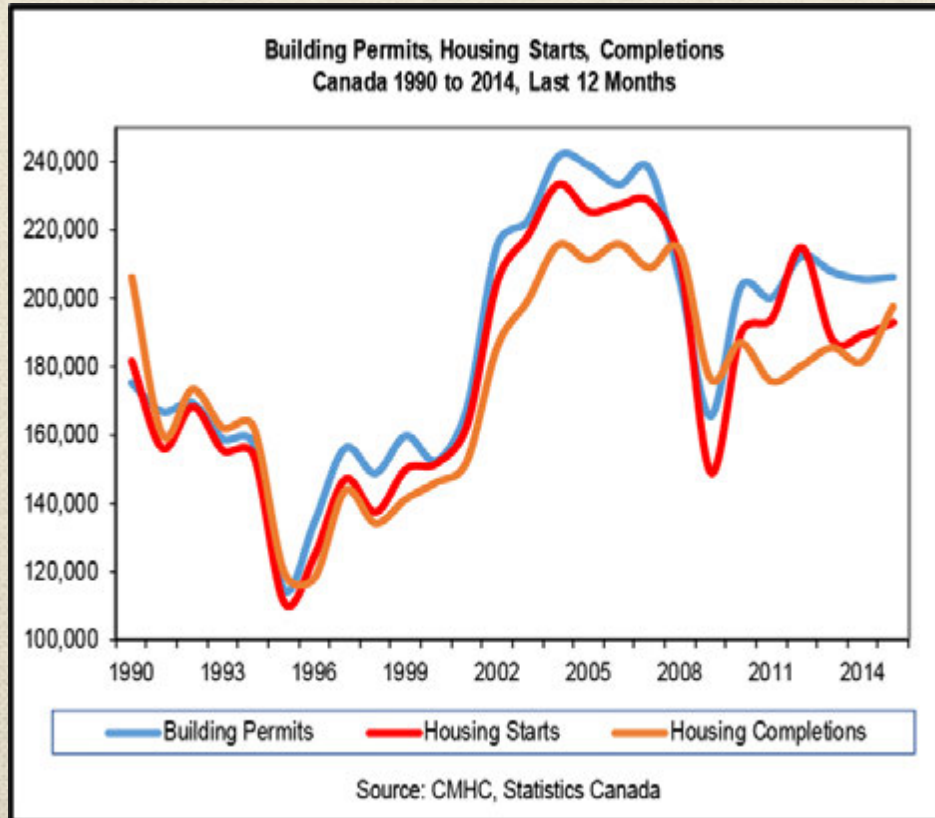
November 27, 2015 – MCAP Breakfast

@BenMyers29



CANADA

Is Canada Overbuilding?



Building Permits

25-yr Avg: 186,000

10-yr Avg: 211,000

Last 12 Months: 206,000

Housing Starts

25-yr Avg: 179,000

10-yr Avg: 202,000

Last 12 Months: 193,000

Housing Starts

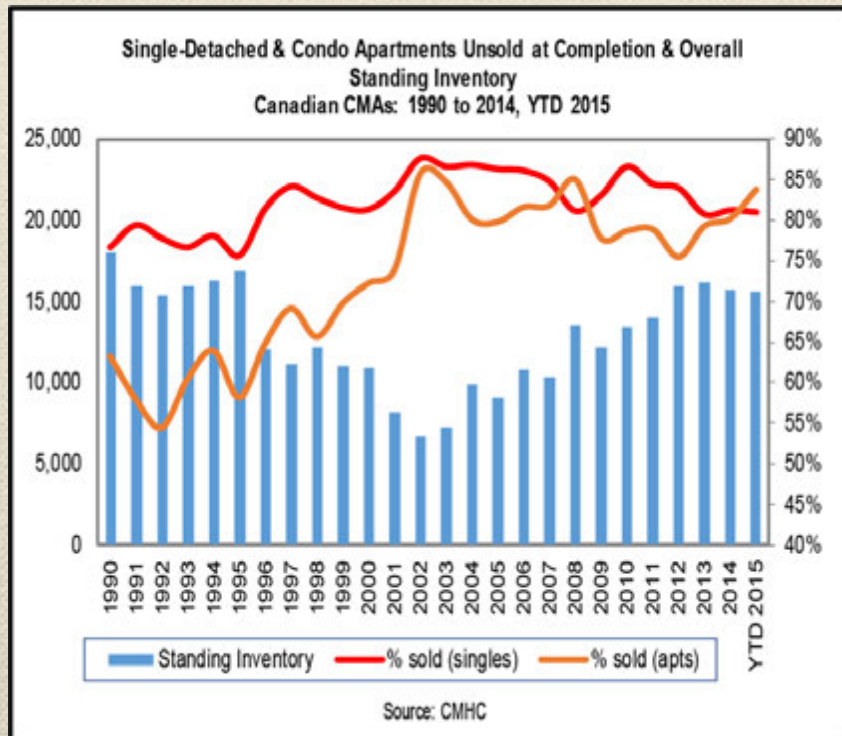
25-yr Avg: 179,000

10-yr Avg: 202,000

Last 12 Months: 193,000

75% of the top Canadian housing analysts believe 180,000 to 195,000 is demographically stable range for Canadian housing activity

A Rise in Standing Inventory is Expected with Overbuilding



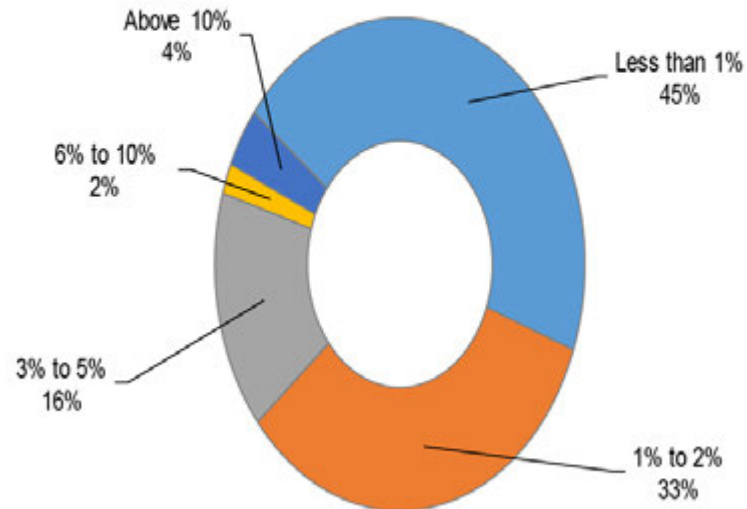
Unsold inventory is elevated historically, but below 2011 levels.

Percent of ownership apartments that were sold at completion in 2015 (84%) is near 25-year market high.

Will Buyers Close on their New Home Purchases?

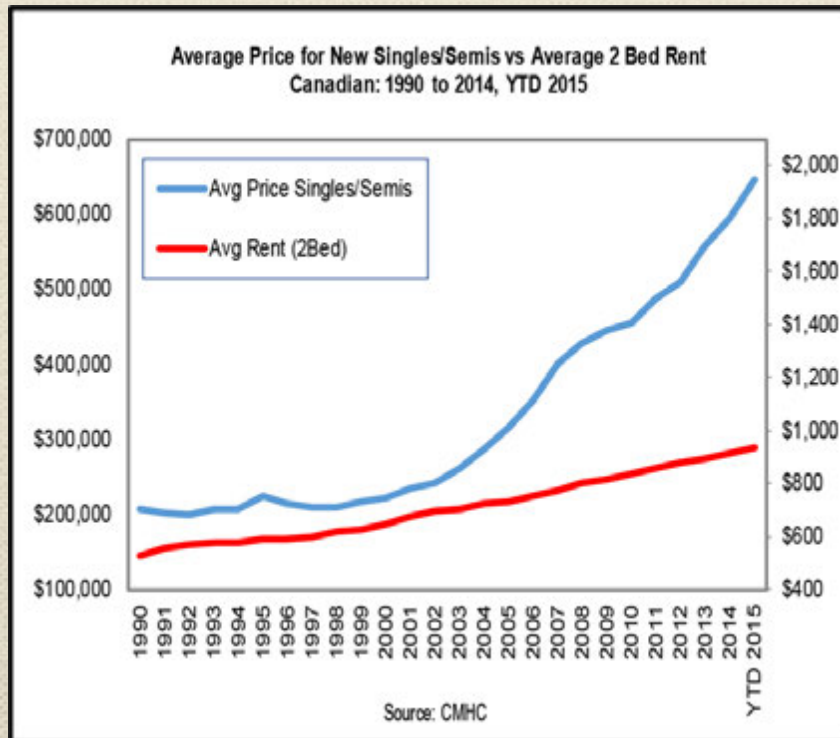
78% of builders/developers surveyed by Fortress expect that less than 2% of purchasers will have trouble closing on their suites.

Fortress Residential Developer Survey:
What Percentage of your Purchasers do you Expect will Not Close on their Units over the Next Couple of Years?



Source: June 2015 Fortress RDI Residential Developer Survey

Are Canadian House Prices Overvalued?



Most Common 'Valuation' Chart Shows Price-to-Rent Comparison

Ignores These Four Big Factors

- Interest Rates have declined significantly
- About 90% of completions over the past 20 years have been ownership, skews prices higher
- Doesn't consider condo rents
- Not apples-to-apples, houses vs apartments

The Bank of Canada & OECD Reports are Missing Something



Canada Overvaluation Estimates:

Bank of Canada: 10% - 30%

Deutsche Bank: 63%

Fitch Ratings: 21%

IMF: 20%

Moody's Analytics: Less than 15%

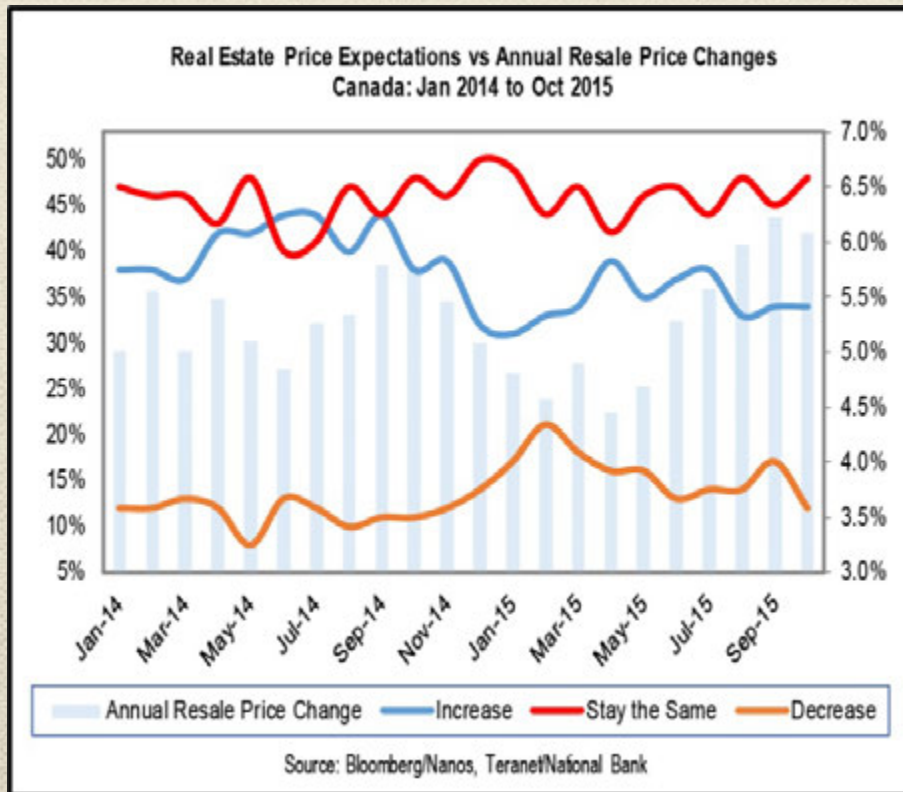
CMHC: Modestly

What you Missed from the BOC Report

1. Simple ratios like price-to-rent are easy to understand but are misleading in a number of ways
2. They concluded that housing has been overvalued since 2007 and has only experienced a modest degree of upward creep since 2009
3. They admitted that their model **IGNORES SUPPLY!**

94% of the top Canadian housing analysts believe these types of studies have no power to predict future price movements

Forget Economist's Opinion, What is Consumer's Opinion?

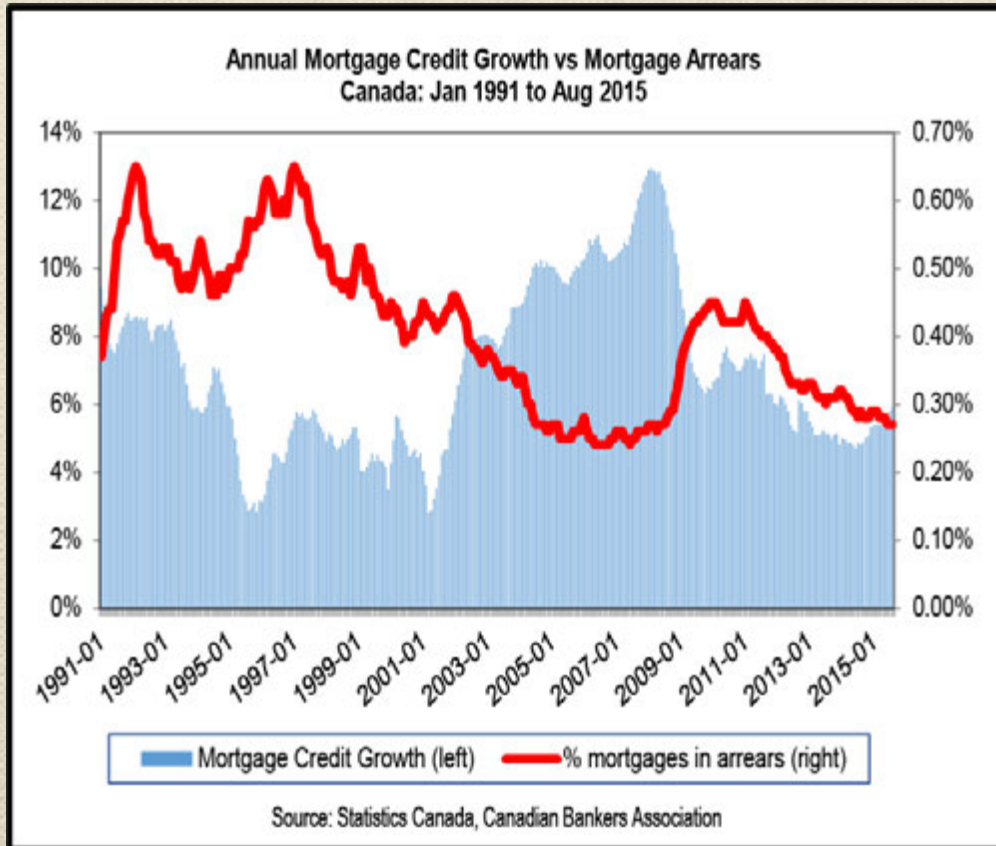


Half of Canadians Think House Prices will **Stay the Same**

Percent of Canadians that think house prices **Will Increase** is trending downward from 40%

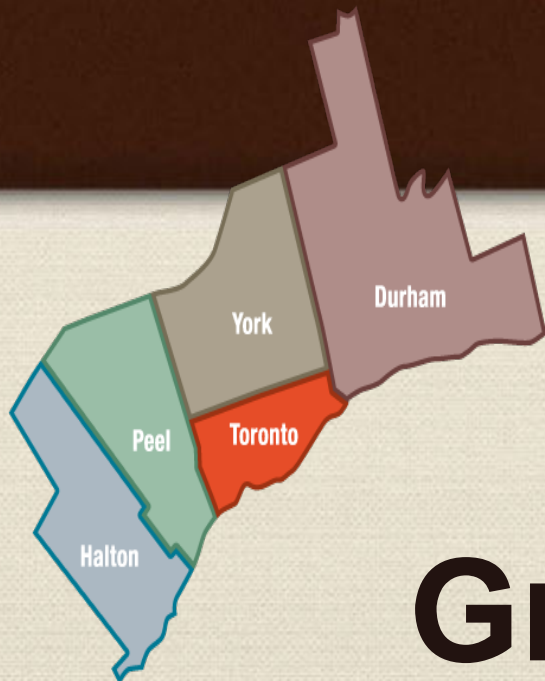
The share of Canadians that think house prices **Will Decrease** trended upward in early 2015, but has since declined

Mortgage Growth below Average, Arrears near All-Time Low



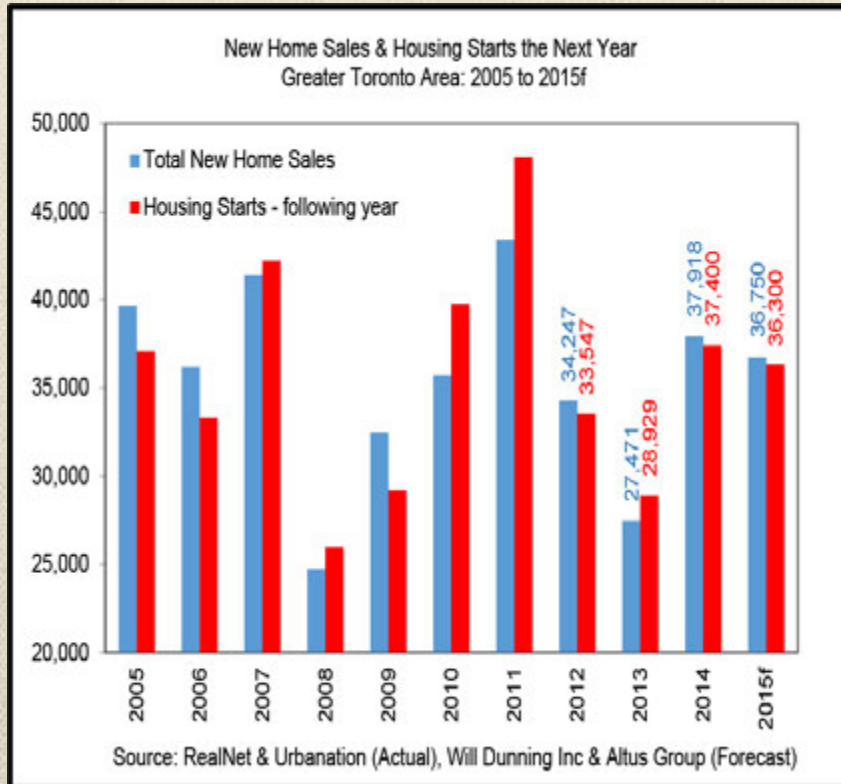
Just 0.27% of Canadian Mortgages are in Arrears

Mortgage Credit Growth at 6%, compared to long-run average of 7%



Greater Toronto Area

New Homes Sales in 2015 similar to 2014



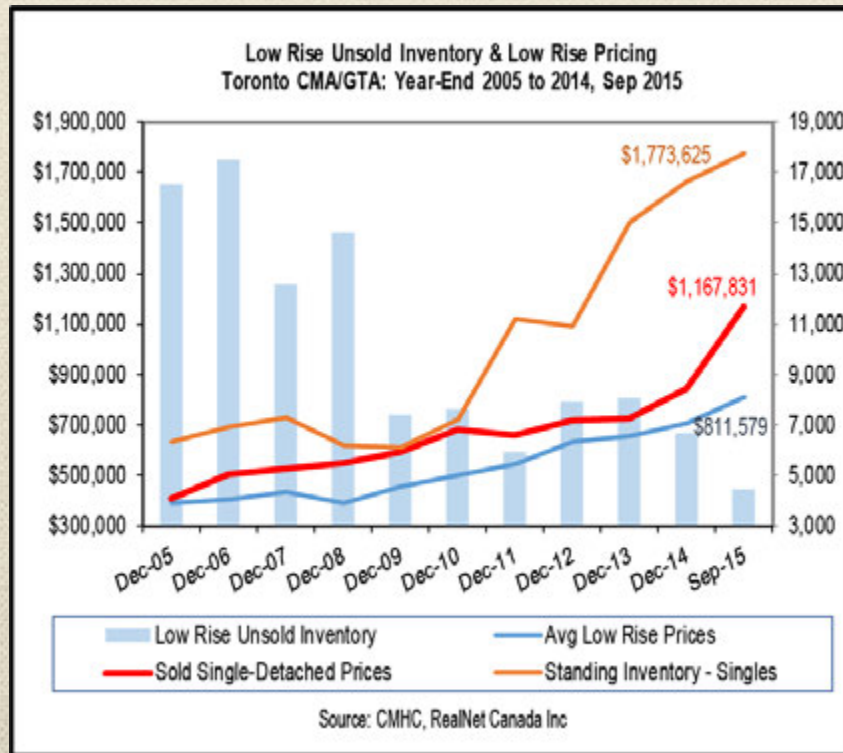
More Low-Rise Sales Expected in 2015 than High-Rise

Average sales 2005 to 2014: 35,300

Average starts 2006 to 2015: 35,500

Most analysts believe about 34,000 to 38,000 new units is level of activity supported by GTA demographics

Low-Rise Inventory Way Down, Single-Detached Prices Spike

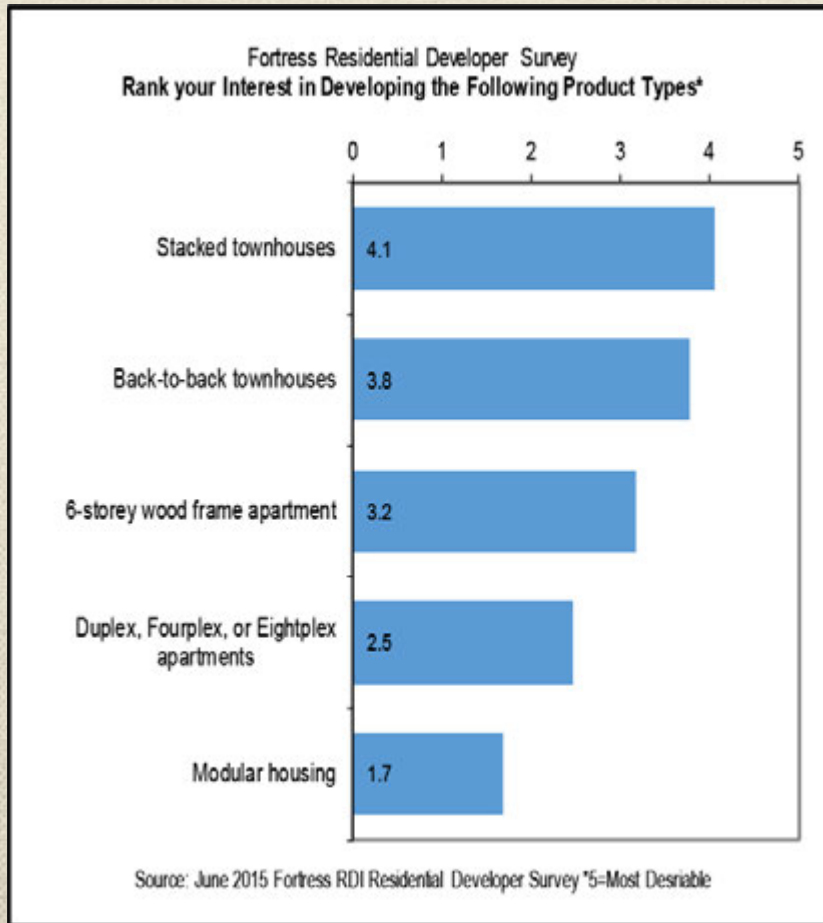


Over 17,000 units of low-rise new home supply in 2006, dropped to under 4,500 units in 2015

Annual Price Growth

New Low-Rise Housing: 17.7%
 Absorbed Single-Detached: 39.4%
 Completed & Unsold Singles: 19.0%

Boom in Stacked Townhouse Projects in the GTA



Most Popular Stacked Townhouse Unit Size per Fortress Survey:

Average: 1,141 sf

Median: 1,000 sf

Summary of Recent GTA Stacked Townhouse Activity

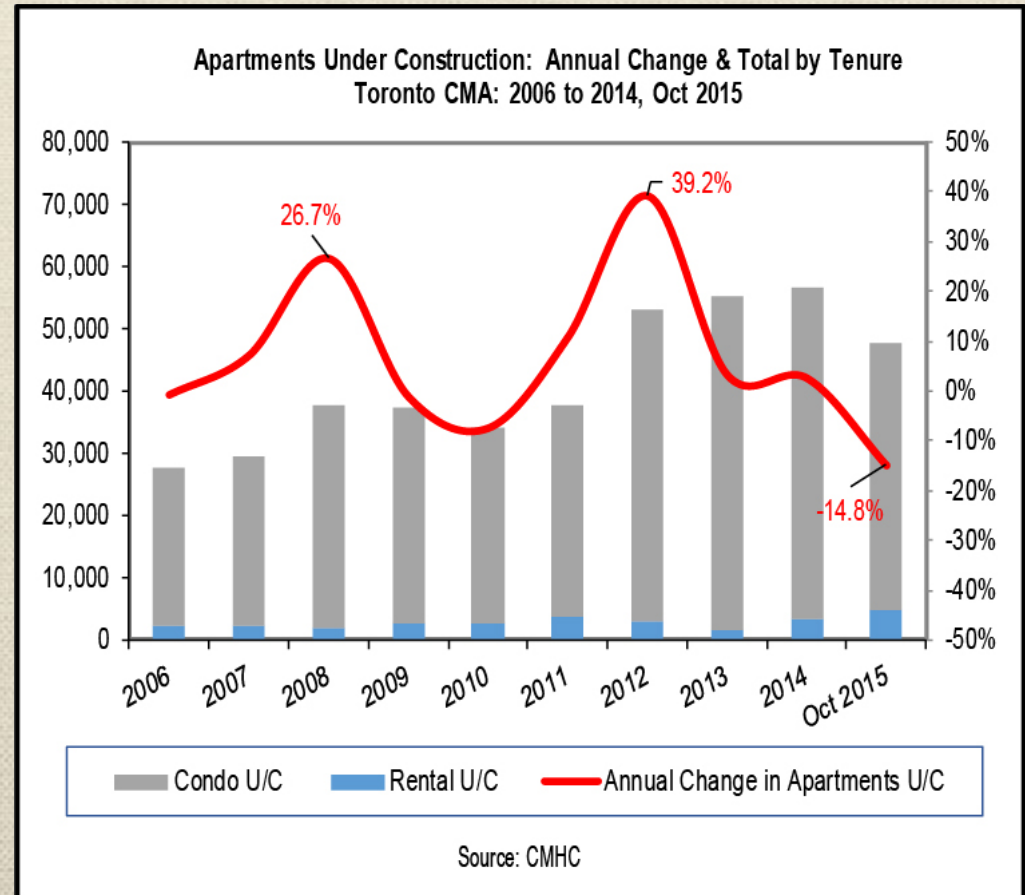
Year	Projects Launched	Average Size	Average Price	Average PSF
2011	9	914	\$353,554	\$387
2012	22	942	\$379,644	\$403
2013	16	1015	\$361,566	\$356
2014	18	952	\$404,074	\$424
2015 YTD	20	1046	\$439,868	\$421

Overall Apartment Construction Down, But Rental way UP

The number of apartments
(all tenures) have declined
15% annually.

Rental apartments under
construction up 50% from
the end of 2014.

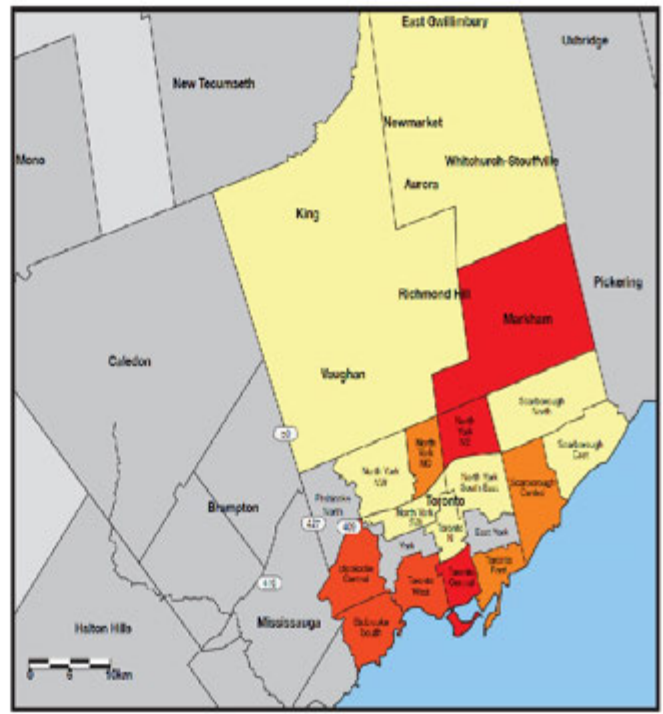
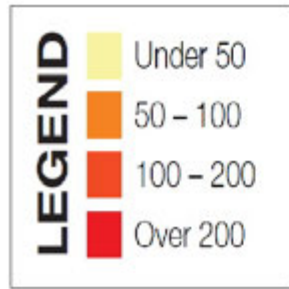
Condo Apartments under
construction down 20% from
the end of 2014.



Completed & Unsold Condo Supply is Not a Big Issue



GEOGRAPHIC DISTRIBUTION OF GTA STANDING CONDO INVENTORY



Condos completed over last 12 months / Percent sold

Markham: 2,168 / 88%

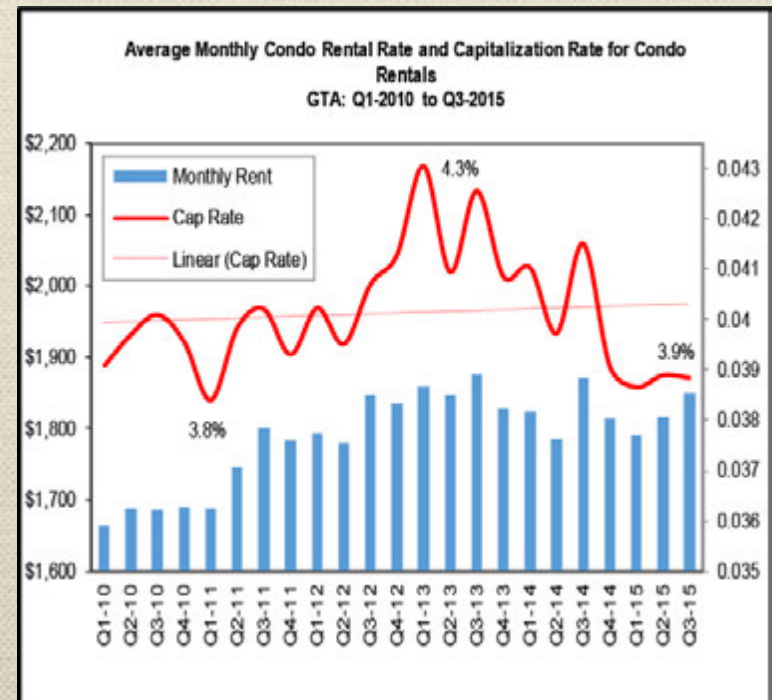
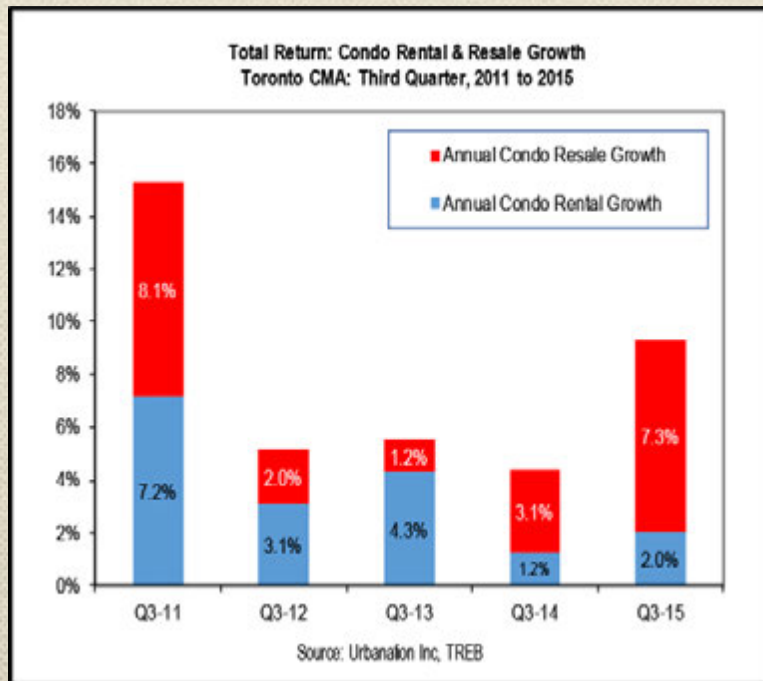
North York NE: 3,188 / 93%

Toronto Central: 12,293 / 95%

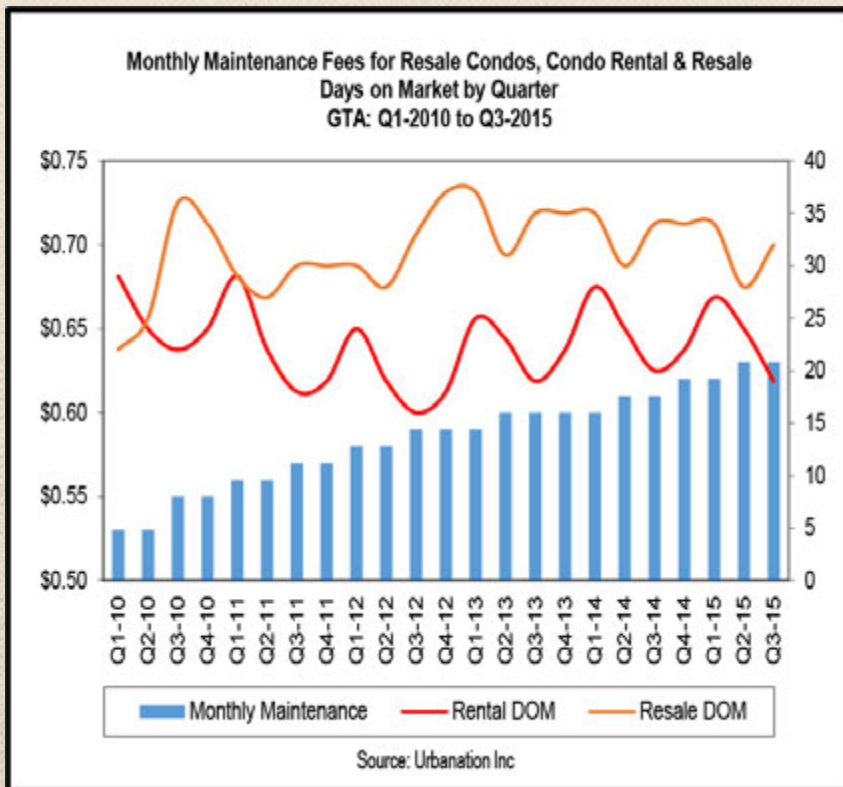
How are Condo Investors Doing?

Per-square-foot price appreciation for Condo Resales improving, Condo Lease rates growing slowly

End rents virtually unchanged over last 3 years. Cap rates at 4%.



Demand Stable in Condo Rental & Resale Markets per DOM



The average Days on Market it takes to Sell or Lease a condo in the GTA has been fairly stable for 5 years.

The average Monthly Maintenance Fee is now \$0.63 psf in the GTA, it have been growing by about 3% annually.



Ben Myers

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MCAP HIGH-RISE CONDOMINIUM LAND VALUES

For the period ending November 27, 2015

*Values based on gross buildable SF.

**Values are based on fully approved and zoned land

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
- 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

GTA HIGH RISE LAND OVERVIEW

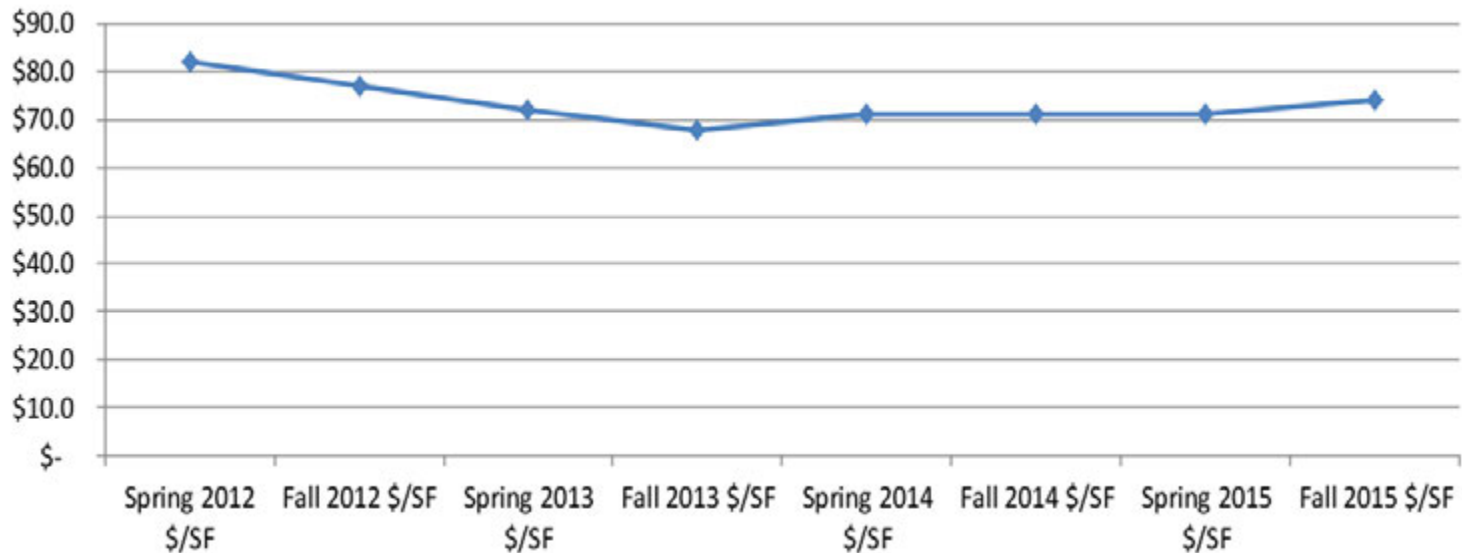


-
- 2015 High-Rise sales tracking for 5th best year of last 10
 - # months condo supply at ~13 months across GTA
 - Only 1,929 units standing inventory (~1.2 months supply)
 - 17,193 completions in 2015 → tracking ~6% below 2014's annual record of 25,571
 - Rental market continues to absorb significant condo supply
 - Purpose built rental option increasing in popularity
 - Relatively flat end unit values

DOWNTOWN WEST



- \$678/SF average unit price
- \$521,565 average sale price
- ~17 months supply



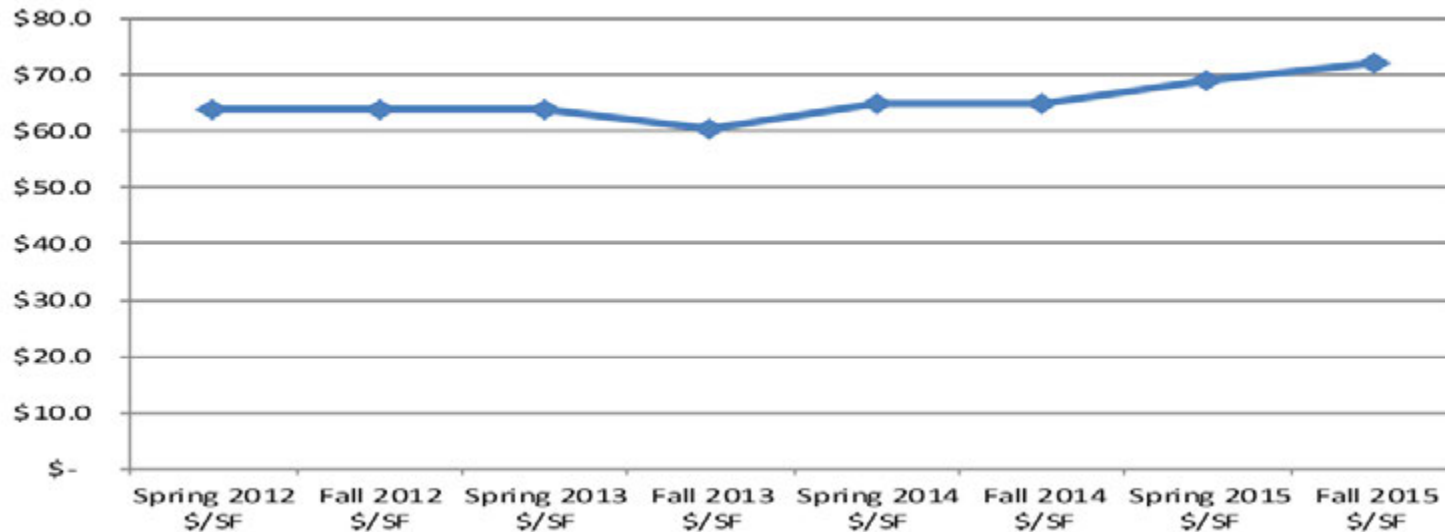
Median Land Value for Low End = \$60 / SF Median Land Value for High End = \$130 / SF

MCAP Land Value Range for the Submarket = \$70 to \$78 /SF

DOWNTOWN EAST



- \$619/SF average unit price
- \$437,958 average sale price
- ~7.2 months supply



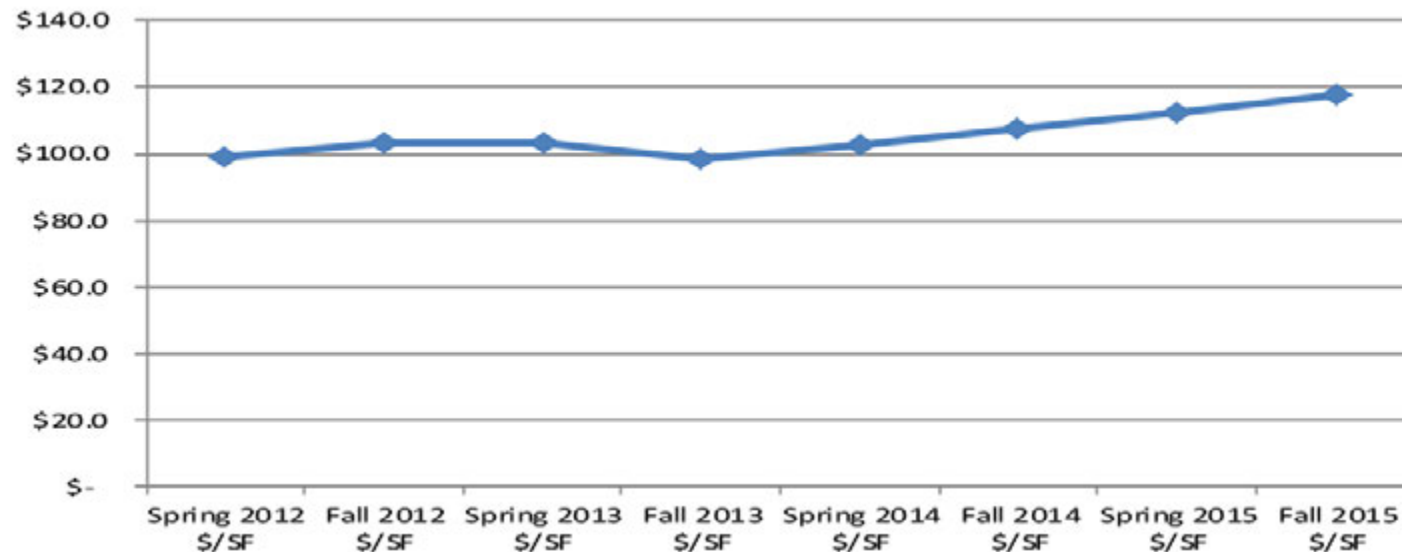
Median Land Value for Low End = \$55 / SF Median Land Value for High End = \$110 / SF

MCAP Land Value Range for the Submarket = \$68 to \$76 / SF

DOWNTOWN CORE



- \$856/SF average unit price
- \$705,687 average sale price
- ~15 months supply



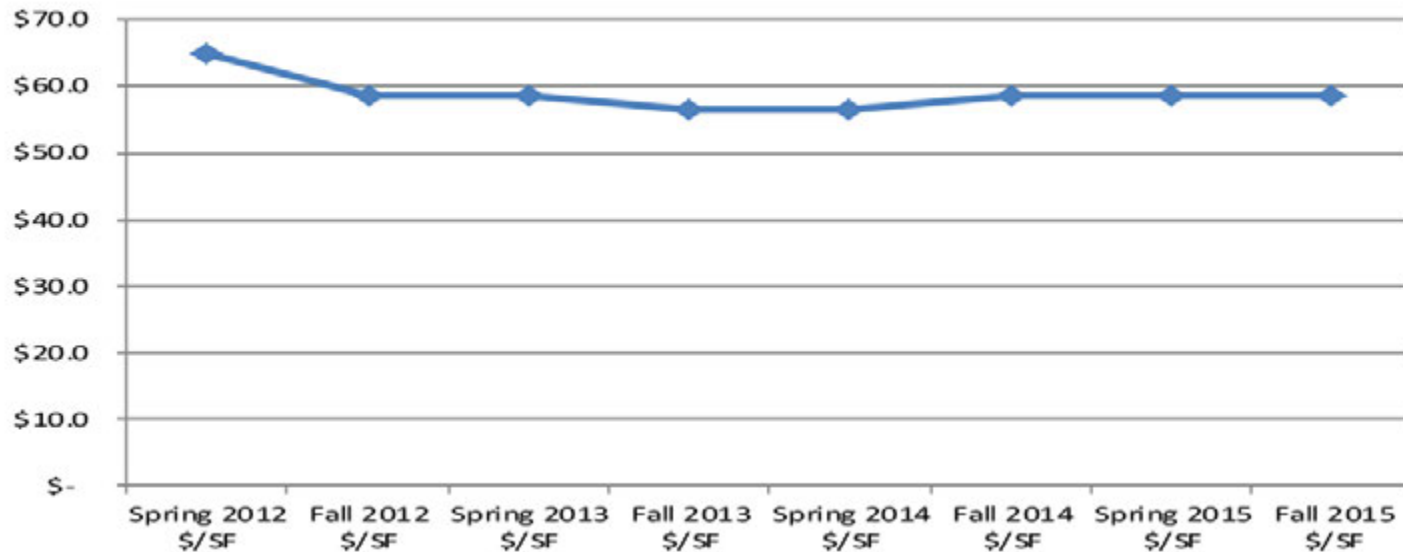
Median Land Value for Low End = \$85 / SF Median Land Value for High End = \$150 / SF

MCAP Land Value Range for the Submarket = \$115 to \$120 / SF

TORONTO WEST



- \$574/SF average unit price
- \$446,992 average sale price
- ~12 months supply



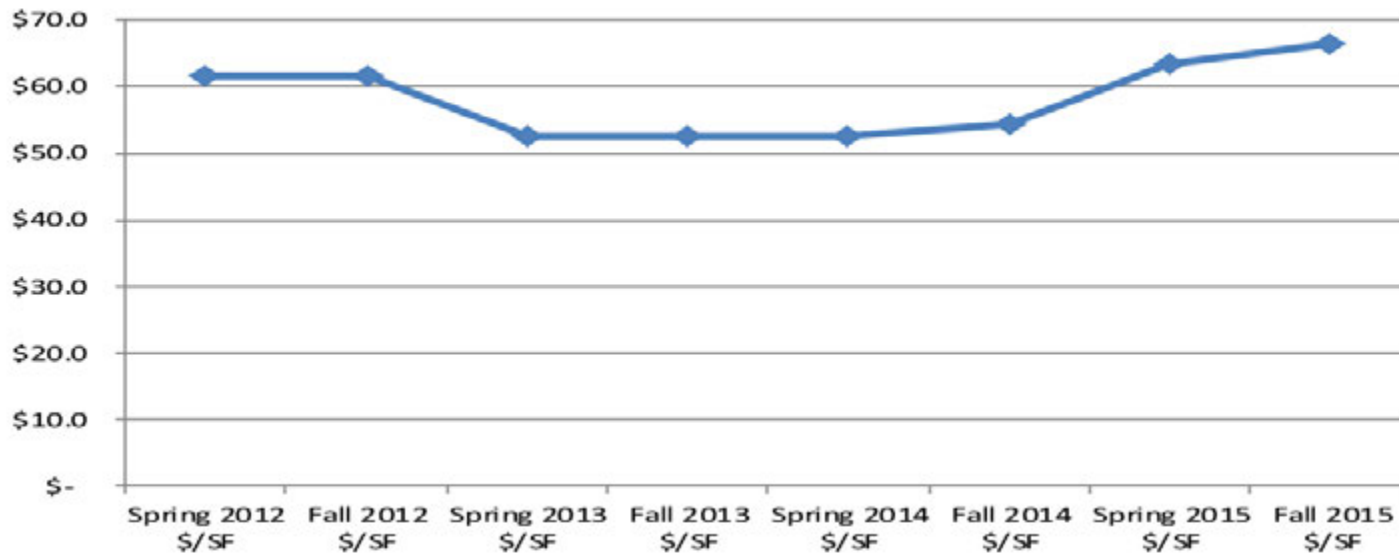
Median Land Value for Low End = \$50 / SF Median Land Value for High End = \$85 / SF

MCAP Land Value Range for the Submarket = \$55 to \$62 /SF

TORONTO EAST



- \$549/SF average unit price
- \$492,825 average sale price
- ~5 months supply



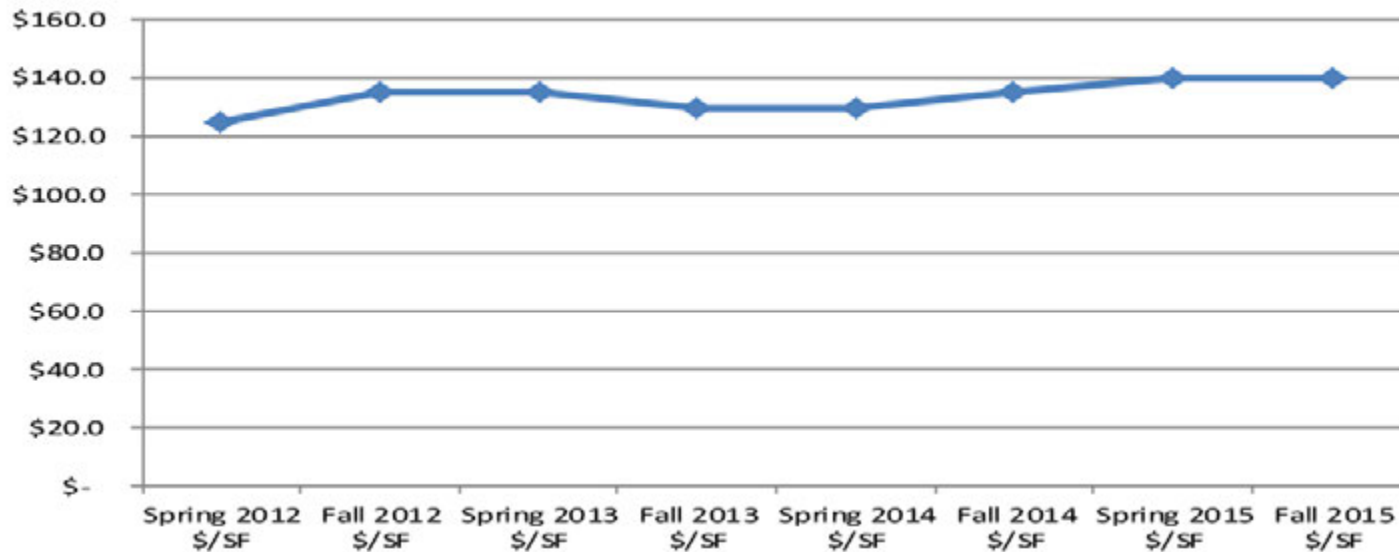
Median Land Value for Low End = \$45 / SF Median Land Value for High End = \$95 / SF

MCAP Land Value Range for the Submarket = \$63 to \$70 / SF

BLOOR YORKVILLE



- \$851/SF average unit price
- \$578,350 average sale price
- ~31 months supply



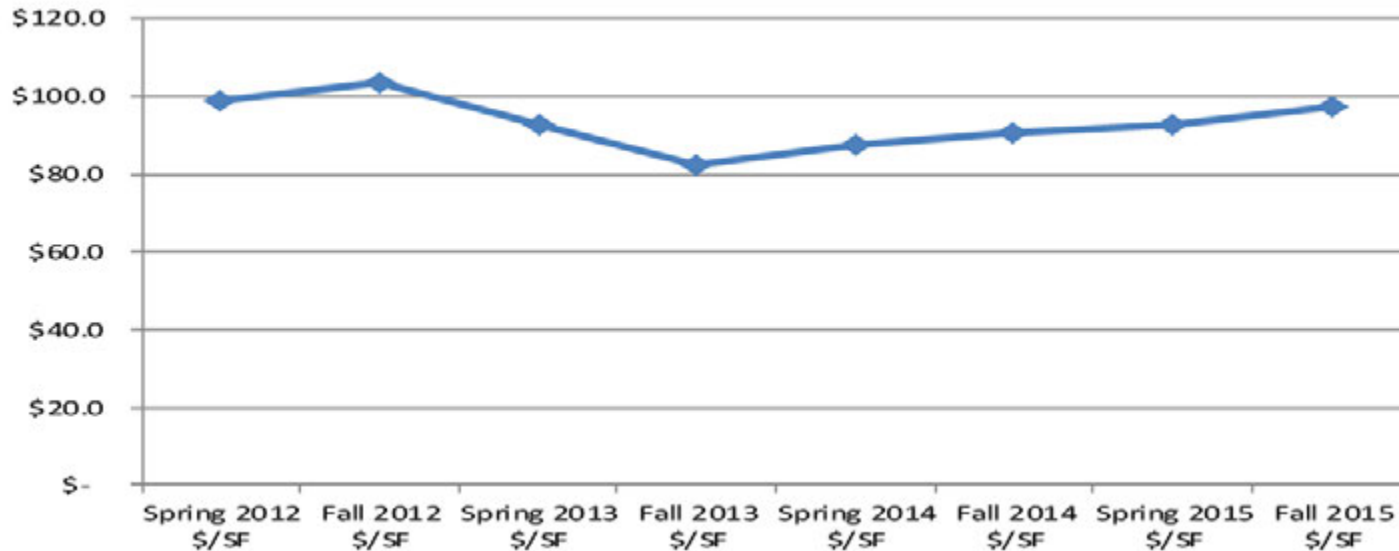
Median Land Value for Low End = \$90 / SF Median Land Value for High End = \$170 / SF

MCAP Land Value Range for the Submarket = \$135 to \$145 /SF

NORTH TORONTO



- \$646/SF average unit price
- \$419,934 average sale price
- ~7 months supply



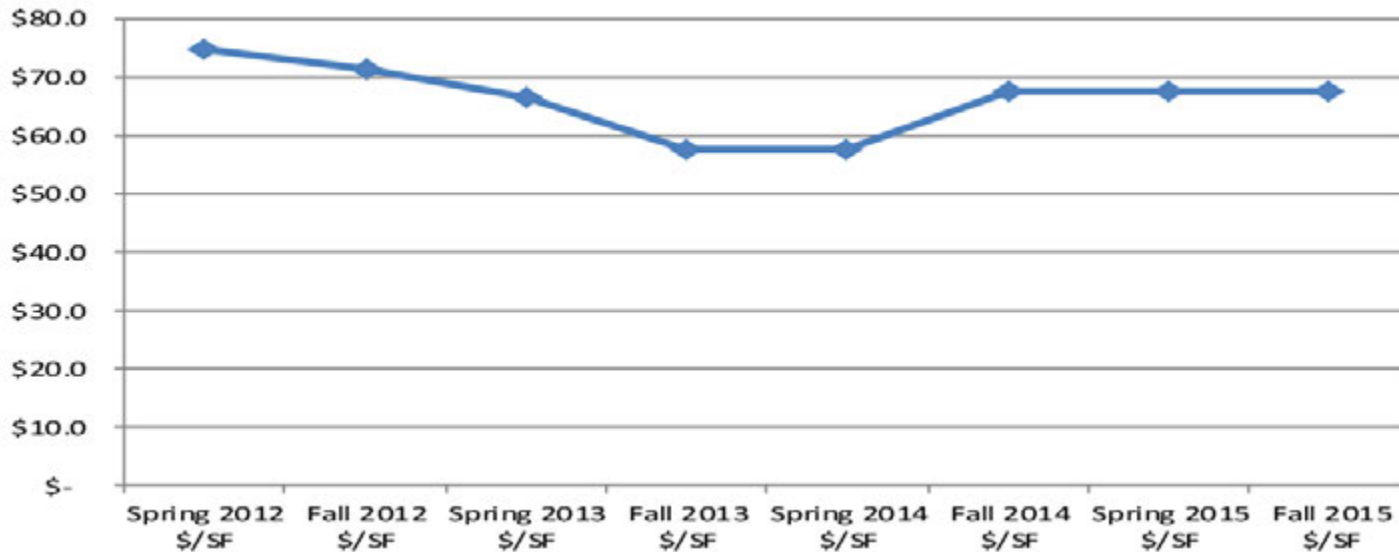
Median Land Value for Low End = \$75 / SF Median Land Value for High End = \$130 / SF

MCAP Land Value Range for the Submarket = \$95 to \$100 / SF

NORTH YONGE CORRIDOR



- \$572/SF average unit price
- \$440,477 average sale price
- ~9 months supply



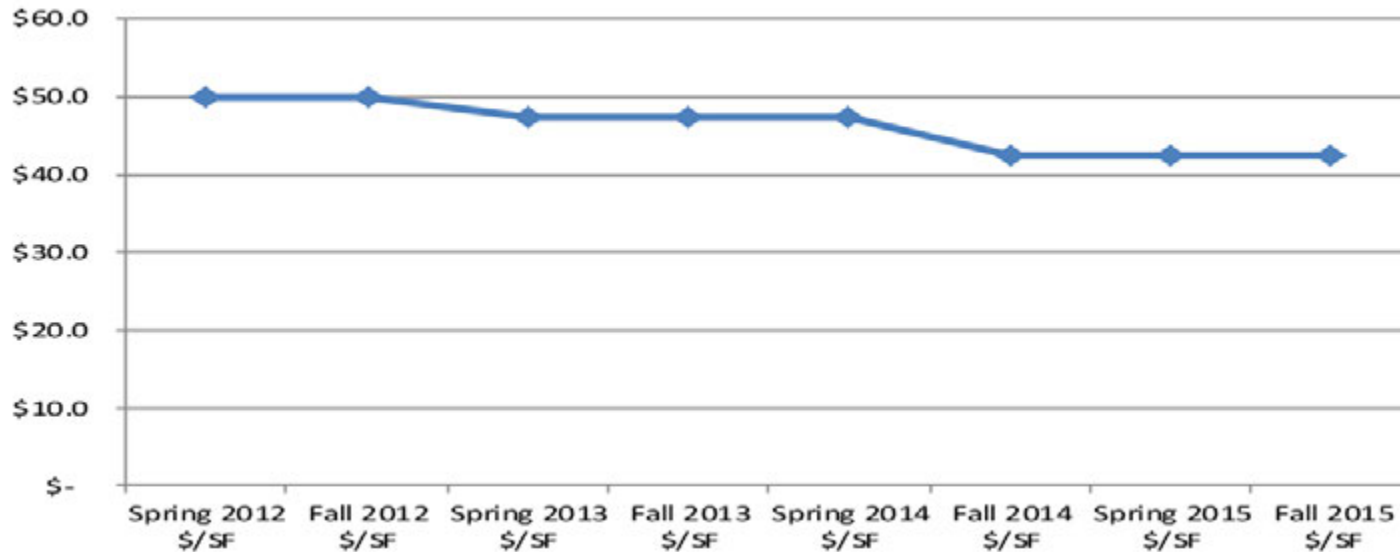
Median Land Value for Low End = \$50 / SF Median Land Value for High End = \$100 / SF

MCAP Land Value Range for the Submarket = \$65 to \$70 /SF

HWY 7 / YONGE CORRIDOR



- \$523/SF average unit price
- \$417,359 average sale price
- ~39 months supply



Median Land Value for Low End = \$30 / SF

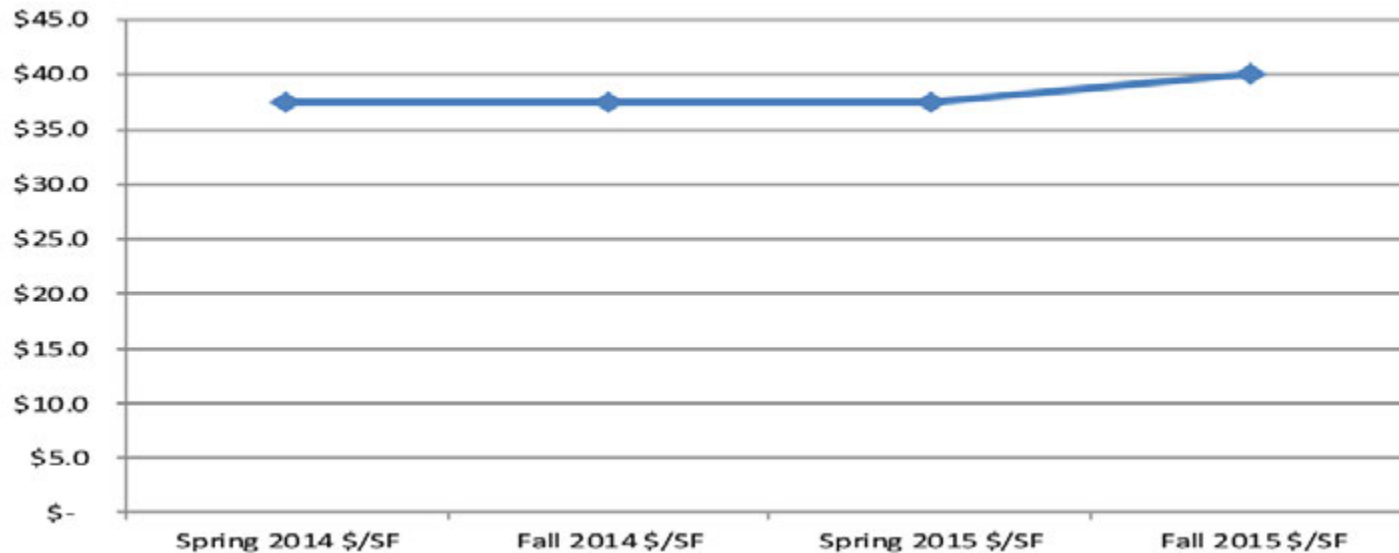
Median Land Value for High End = \$55 / SF

MCAP Land Value Range for the Submarket = \$40 to \$45 / SF

VAUGHAN



- \$539/SF average unit price
- \$429,483 average sale price
- ~ 11 months supply



Median Land Value for Low End = \$30 / SF

Median Land Value for High End = \$55 / SF

MCAP Land Value Range for the Submarket = \$37 to \$43 / SF

HIGH-RISE CONDOMINIUM LAND VALUES



SUB-MARKET	LOW \$ / SF	HIGH \$ / SF	MARKET VALUE \$ / SF
DOWNTOWN WEST	\$60	\$130	\$70 - \$78
DOWNTOWN EAST	\$55	\$110	\$68 - \$76
DOWNTOWN CORE	\$85	\$150	\$115 - \$120
TORONTO WEST	\$50	\$85	\$55 - \$62
TORONTO EAST	\$45	\$95	\$63 - \$70
BLOOR YORKVILLE	\$90	\$170	\$135 - \$145
NORTH TORONTO	\$75	\$130	\$95 - \$100
NORTH YONGE CORRIDOR	\$50	\$100	\$65 - \$70
HWY. 7 / YONGE CORRIDOR	\$30	\$55	\$40 - \$45
VAUGHAN	\$30	\$55	\$37 - \$43

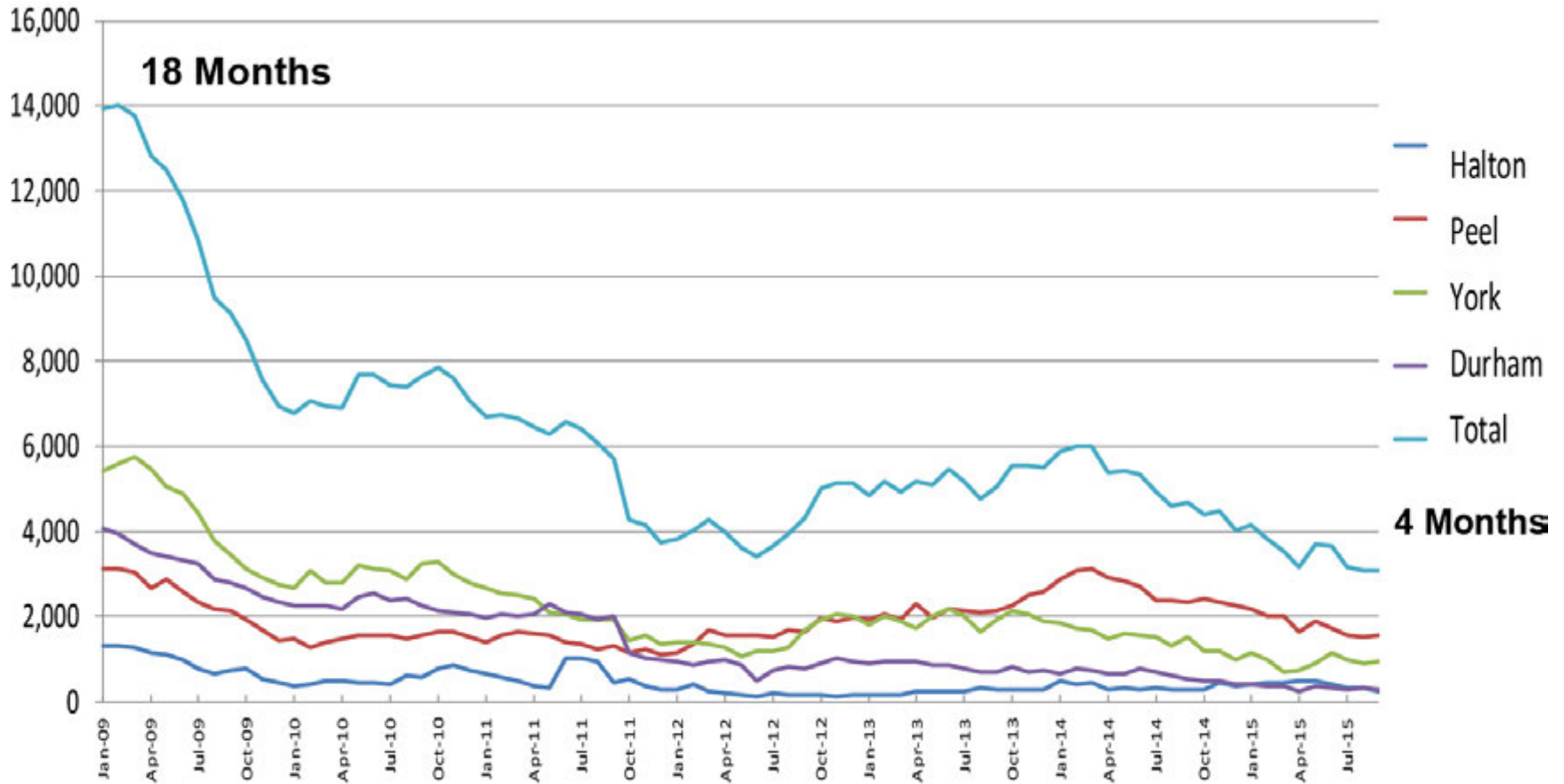
MCAP LOT VALUES

For the period ending November 27, 2015

* Values based on standard builder financing terms

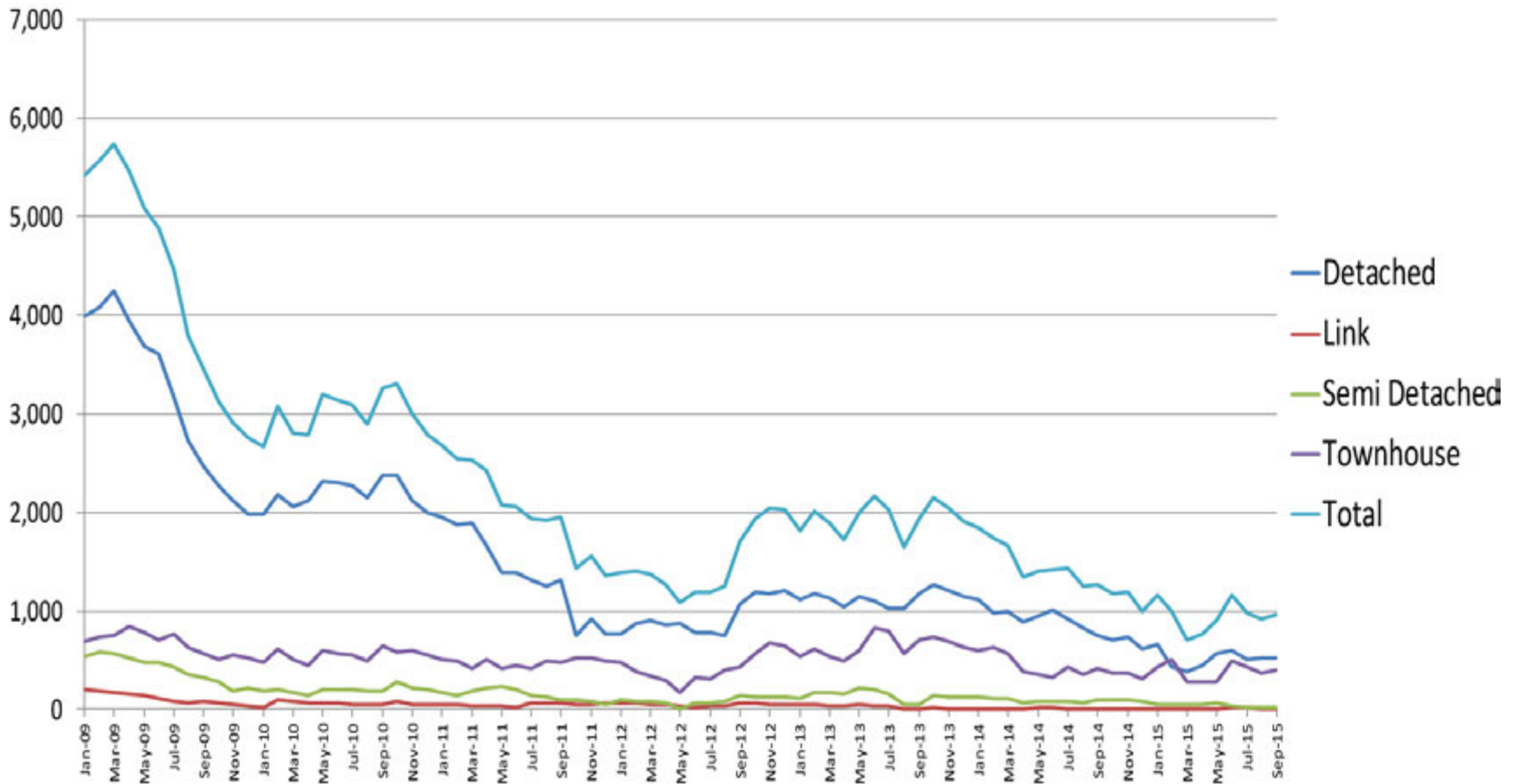
**Values include all levies except educational

GTA TOTAL INVENTORY



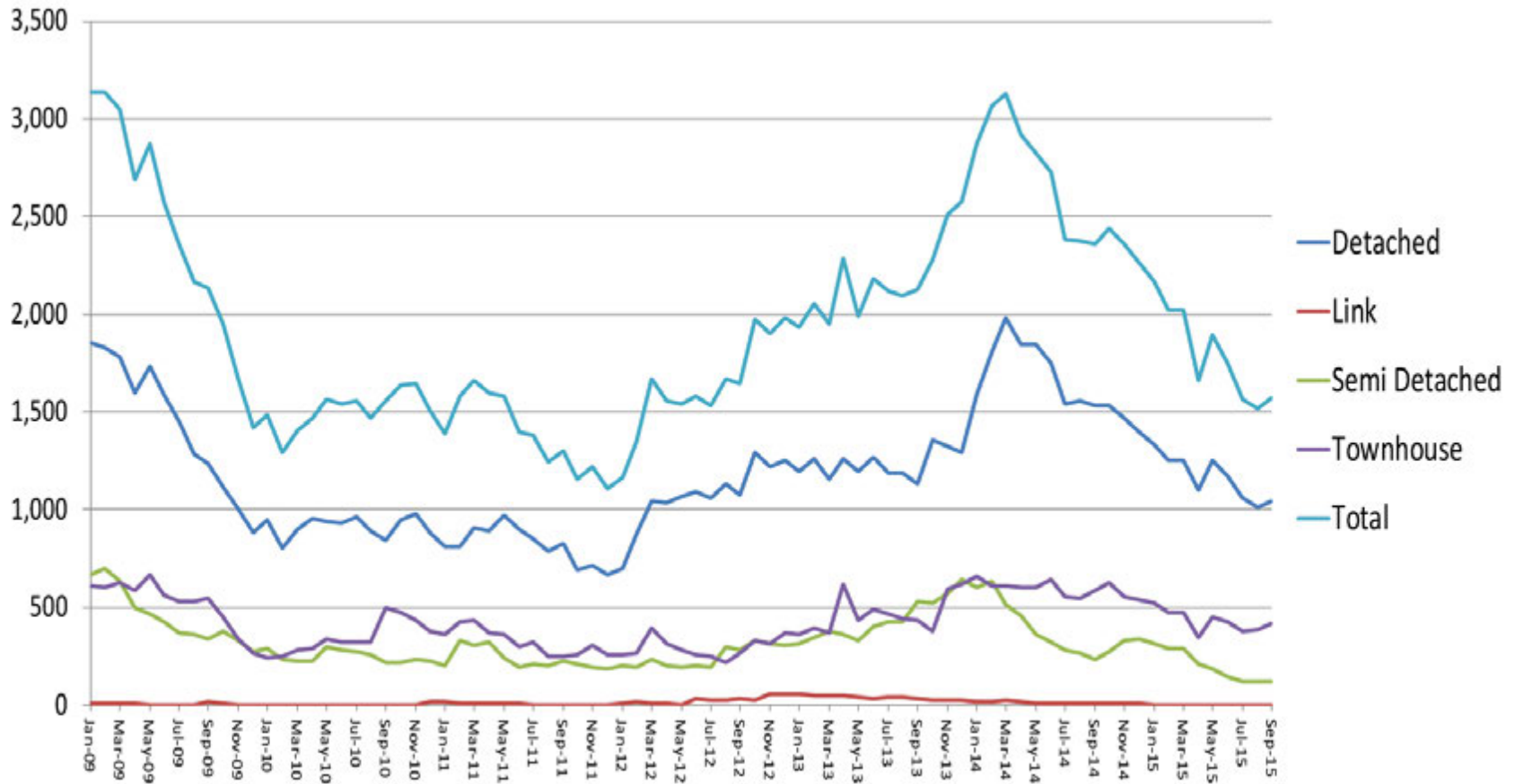
Source: Realnet

YORK REGION INVENTORY



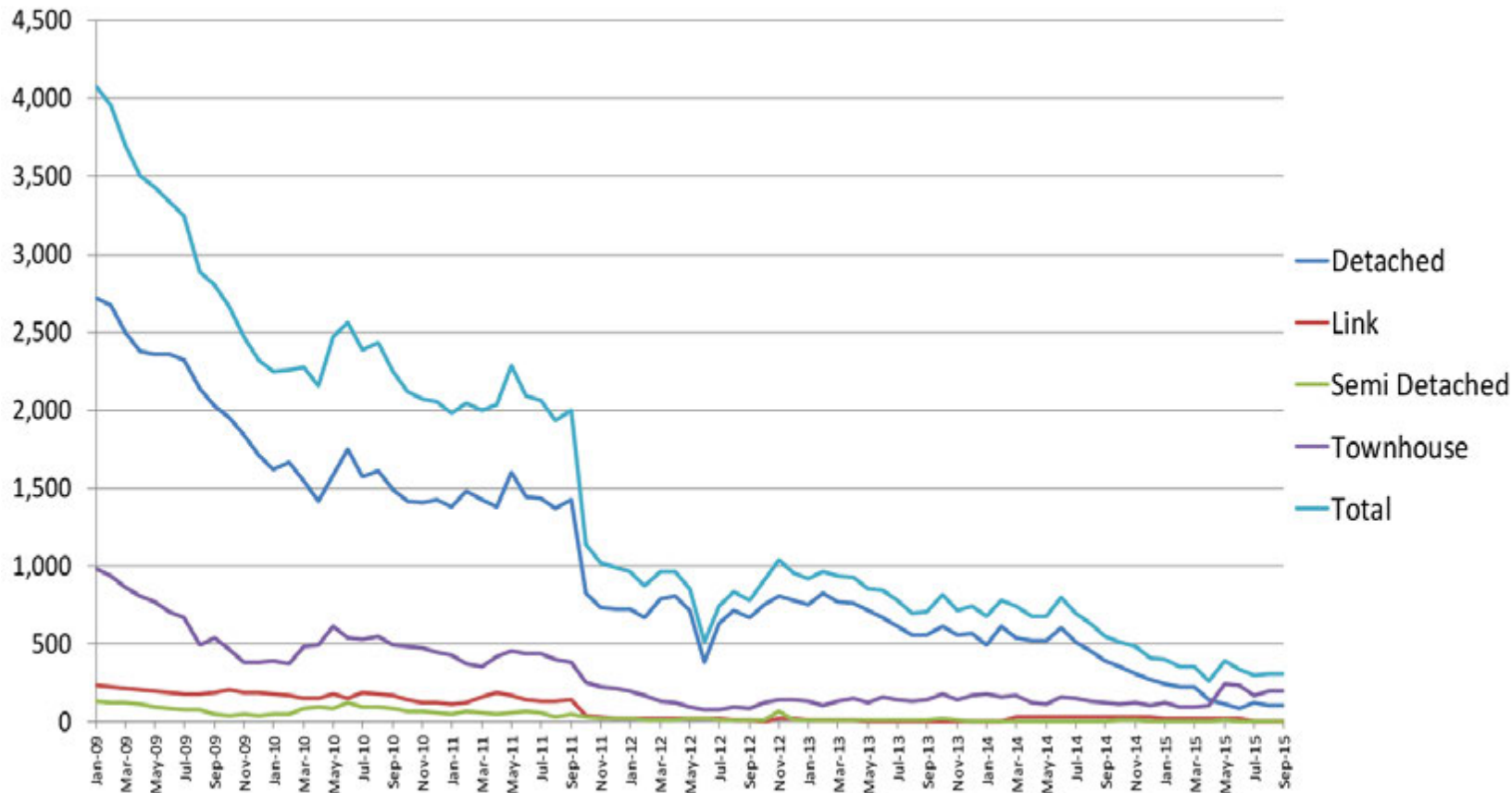
Source: Realnet

PEEL REGION INVENTORY



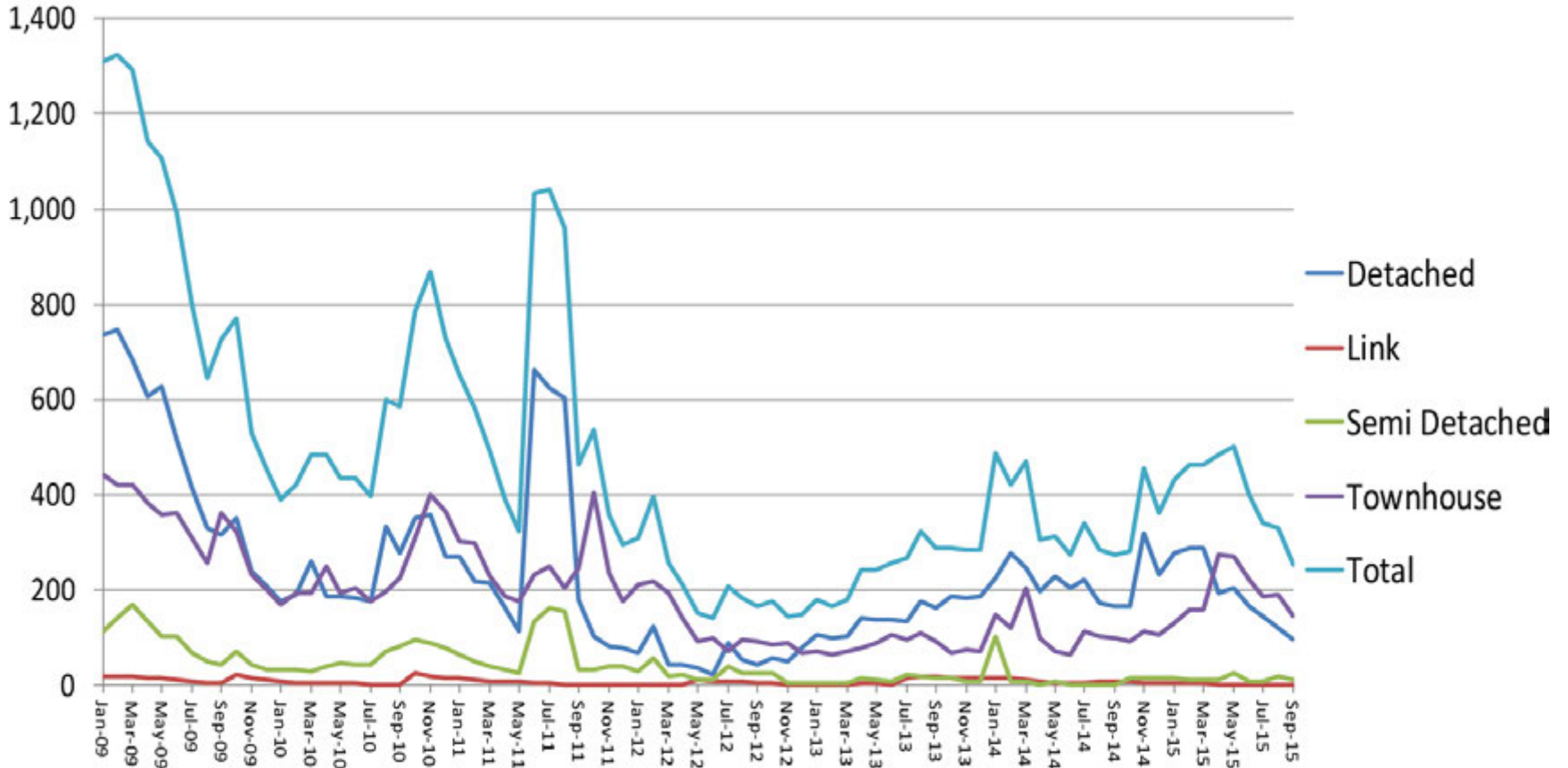
Source: Realnet

DURHAM REGION INVENTORY



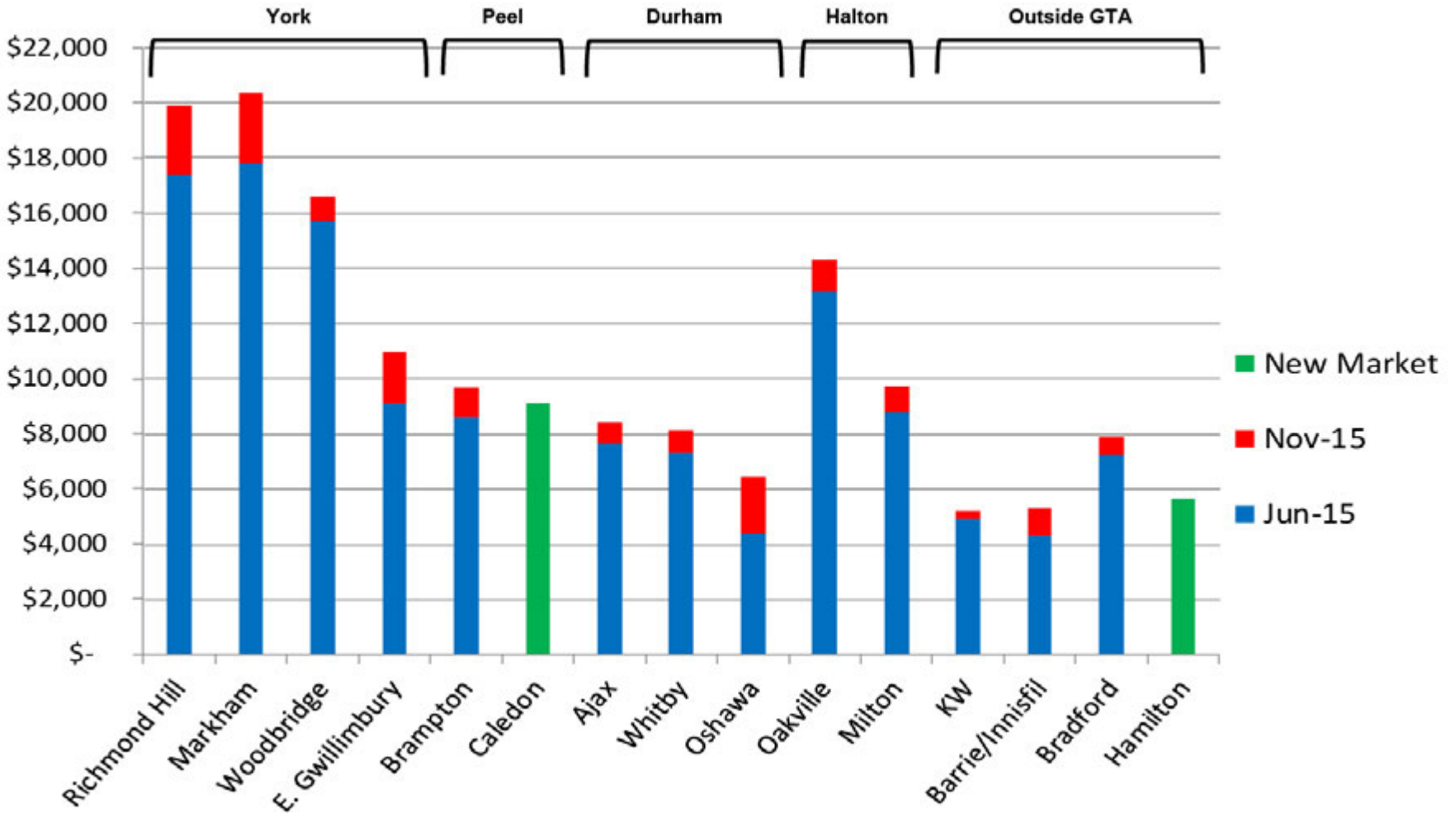
Source: Realnet

HALTON REGION INVENTORY



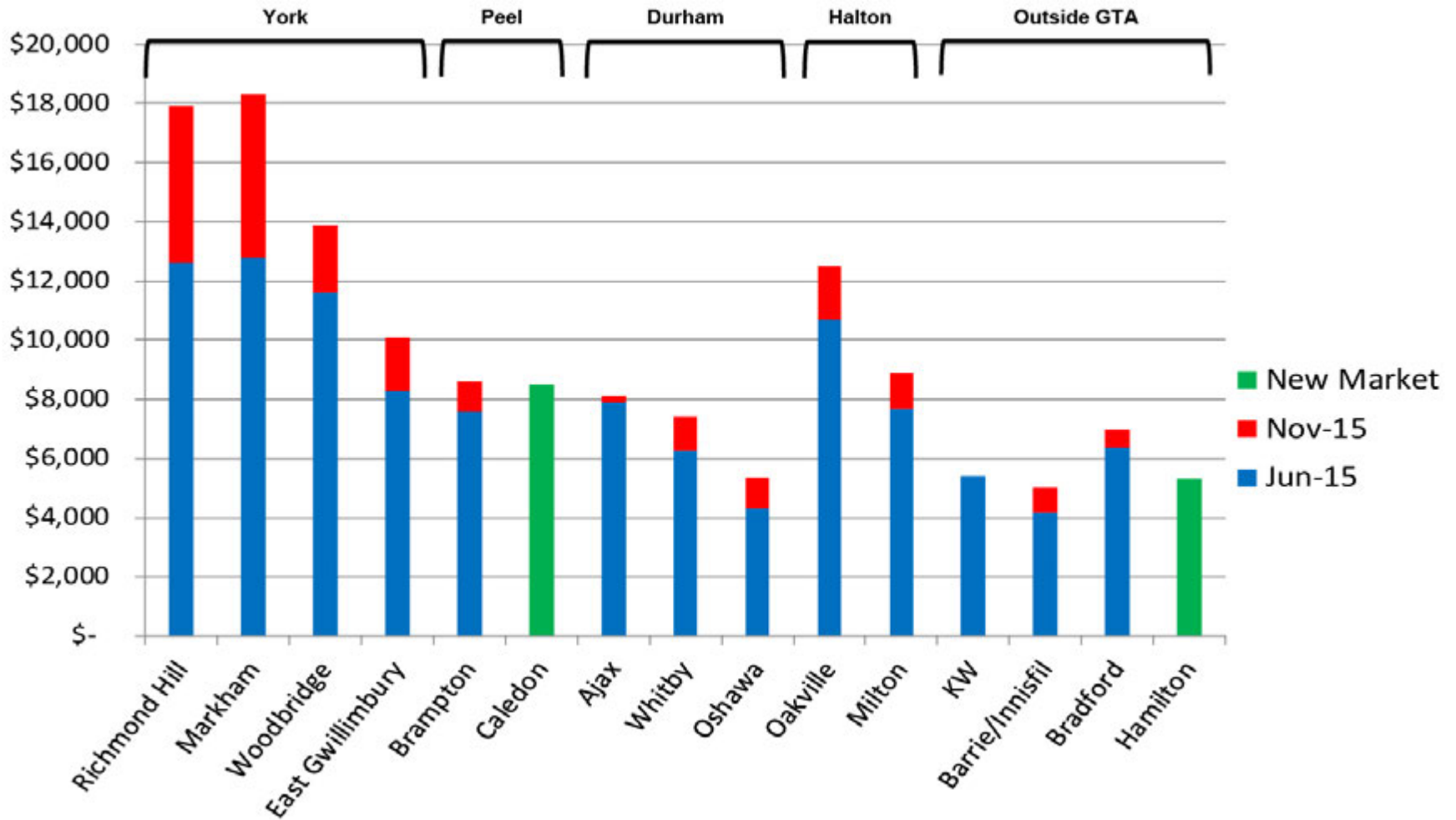
Source: Realnet

TOWNHOUSE LOT VALUES

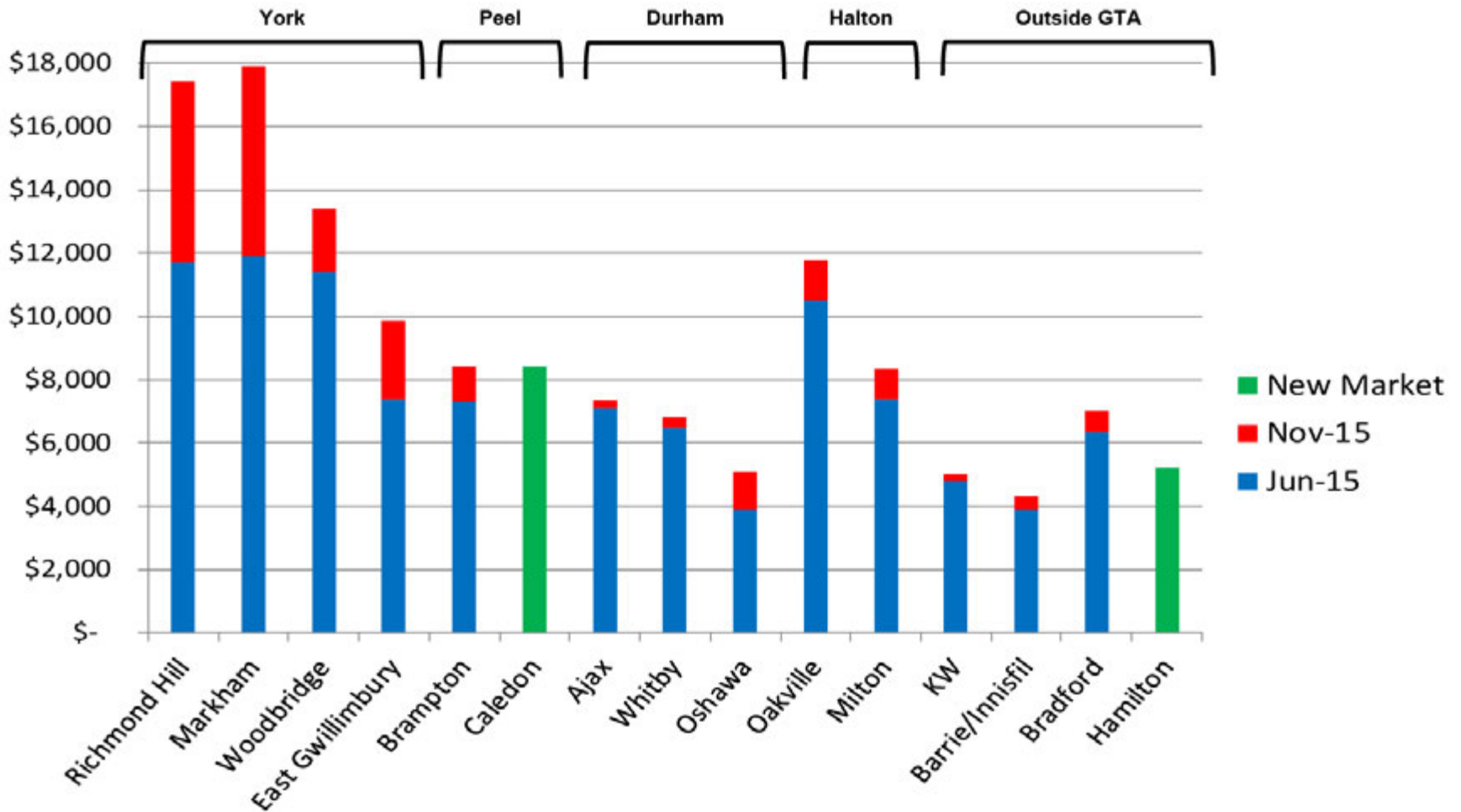


Richmond Hill Country Club – November 27, 2015

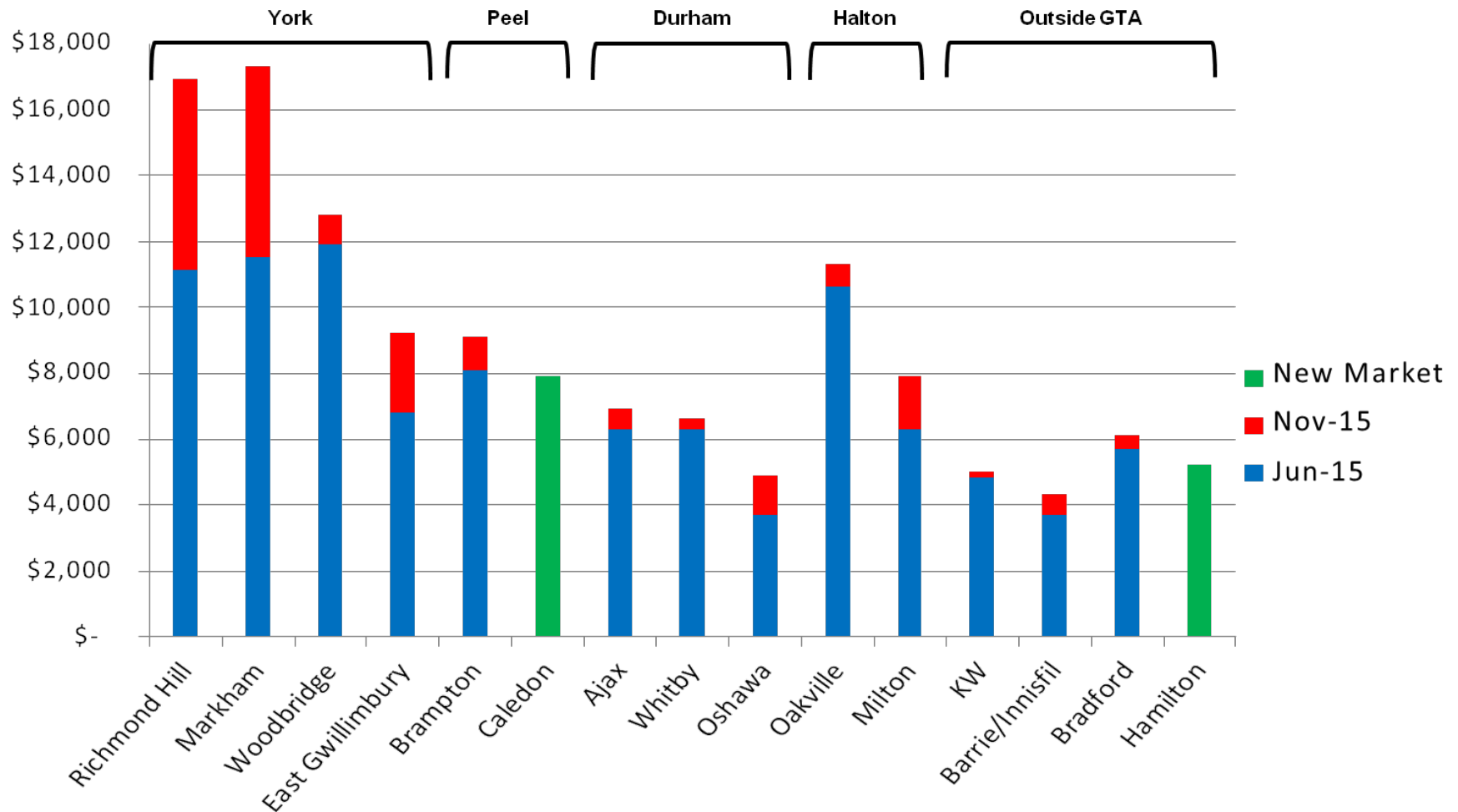
30 F.F – 36 F.F LOT VALUES



40 F.F LOT VALUES



50 F.F LOT VALUES



LOT VALUES



YORK REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.	50 F.F.
RICHMOND HILL	\$19,800 - \$20,000	\$17,800 - \$18,000	\$17,300 - \$17,500	\$16,800 - \$17,000
MARKHAM	\$20,200 - \$20,500	\$18,200 - \$18,400	\$17,800 - \$18,000	\$17,200 - \$17,400
WOODBRIIDGE	\$16,500 - \$16,700	\$13,800 - \$14,000	\$13,300 - \$13,500	\$12,700 - \$12,900
EAST GWILLIMBURY	\$10,800 - \$11,000	\$10,000 - \$10,200	\$9,700 - \$10,000	\$9,100 - \$9,300

PEEL REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.	50 F.F.
BRAMPTON	\$9,500 - \$9,800	\$8,500 - \$8,700	\$8,300 - \$8,500	\$9,000 - \$9,200
CALEDON	\$9,000 - \$9,200	\$8,400 - \$8,600	\$8,300 - \$8,500	\$7,800 - \$8,000

DURHAM REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.	50 F.F.
AJAX	\$8,300 - \$8,500	\$8,000 - \$8,200	\$7,200 - \$7,500	\$6,800 - \$7,000
WHITBY	\$8,000 - \$8,200	\$7,300 - \$7,500	\$6,700 - \$6,900	\$6,500 - \$6,700
OSHAWA	\$6,300 - \$6,500	\$5,200 - \$5,500	\$5,000 - \$5,200	\$4,800 - \$5,000

HALTON REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.	50 F.F.
OAKVILLE	\$14,200 - \$14,400	\$12,400 - \$12,600	\$11,700 - \$11,900	\$11,200 - \$11,400
MILTON	\$9,600 - \$9,800	\$8,800 - \$9,000	\$8,200 - \$8,500	\$7,800 - \$8,000

OUTSIDE GTA

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.	50 F.F.
KW	\$5,100 - \$5,300	\$5,300 - \$5,500	\$4,900 - \$5,100	\$4,900 - \$5,100
BARRIE / INNISFIL	\$5,200 - \$5,400	\$4,900 - \$5,100	\$4,200 - \$4,400	\$4,200 - \$4,400
BRADFORD	\$7,800 - \$8,000	\$6,900 - \$7,100	\$6,900 - \$7,100	\$6,000 - \$6,200
HAMILTON	\$5,500 - \$5,700	\$5,200 - \$5,400	\$5,100 - \$5,300	\$5,100 - \$5,300

Richmond Hill Country Club – November 27, 2015

**THANK YOU FOR
ATTENDING.**