



MCAP

Welcome to the Fall 2017 Breakfast Seminar

**Presented by:
MCAP Development Finance Group**

AGENDA

GTA Housing Market Overview

Presented by: Andrew Brethour, Chairman & CEO – PMA Brethour Realty Group.

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



December 6, 2017



Live Positive!

5 KEY ISSUES

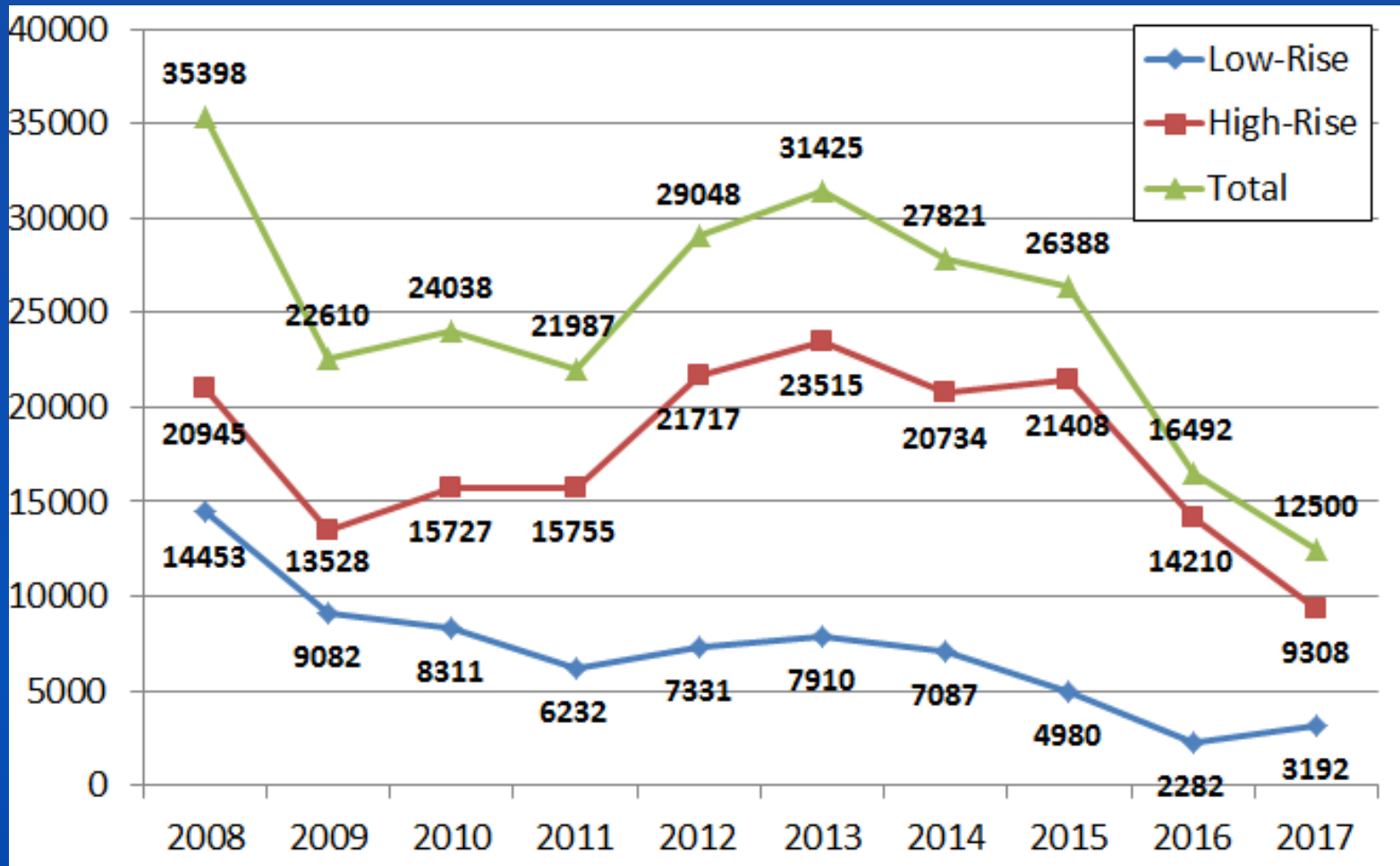
1. SUPPLY, SUPPLY, SUPPLY
2. GROWTH AS POLITICS
3. A TALE OF TWO CITIES: HIGH-RISE VS. LOW-RISE
4. OSFI: STORM CLOUDS AHEAD
5. THE FUNDAMENTELS ARE GOOD BUT WHERE IS THE ECONOMIC PLAN?

WHAT DO WE DO?

1. SUPPLY, SUPPLY, SUPPLY

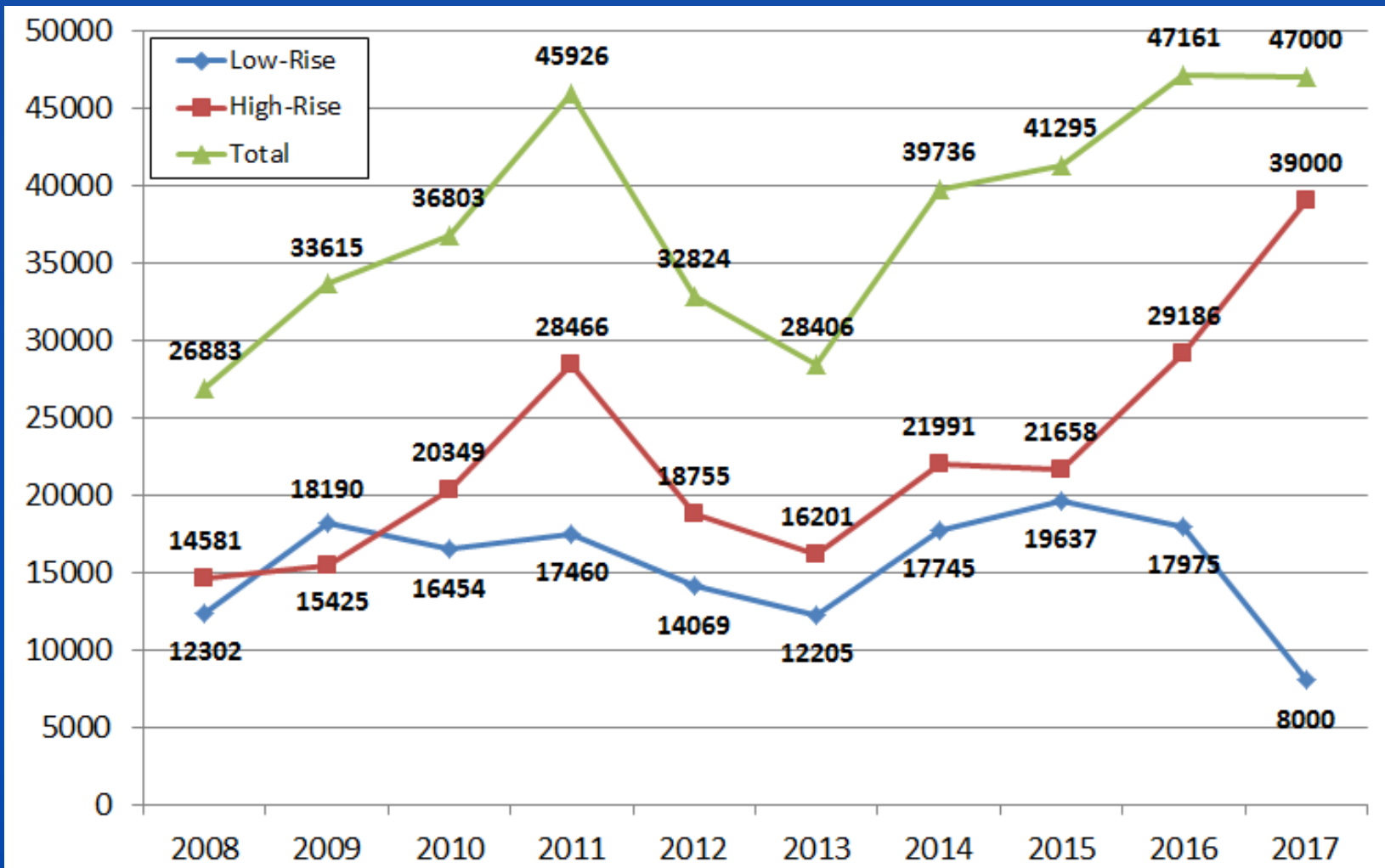


HIGH-RISE VS. LOW-RISE SUPPLY (2008-2017,OCT)



Source: RealNet

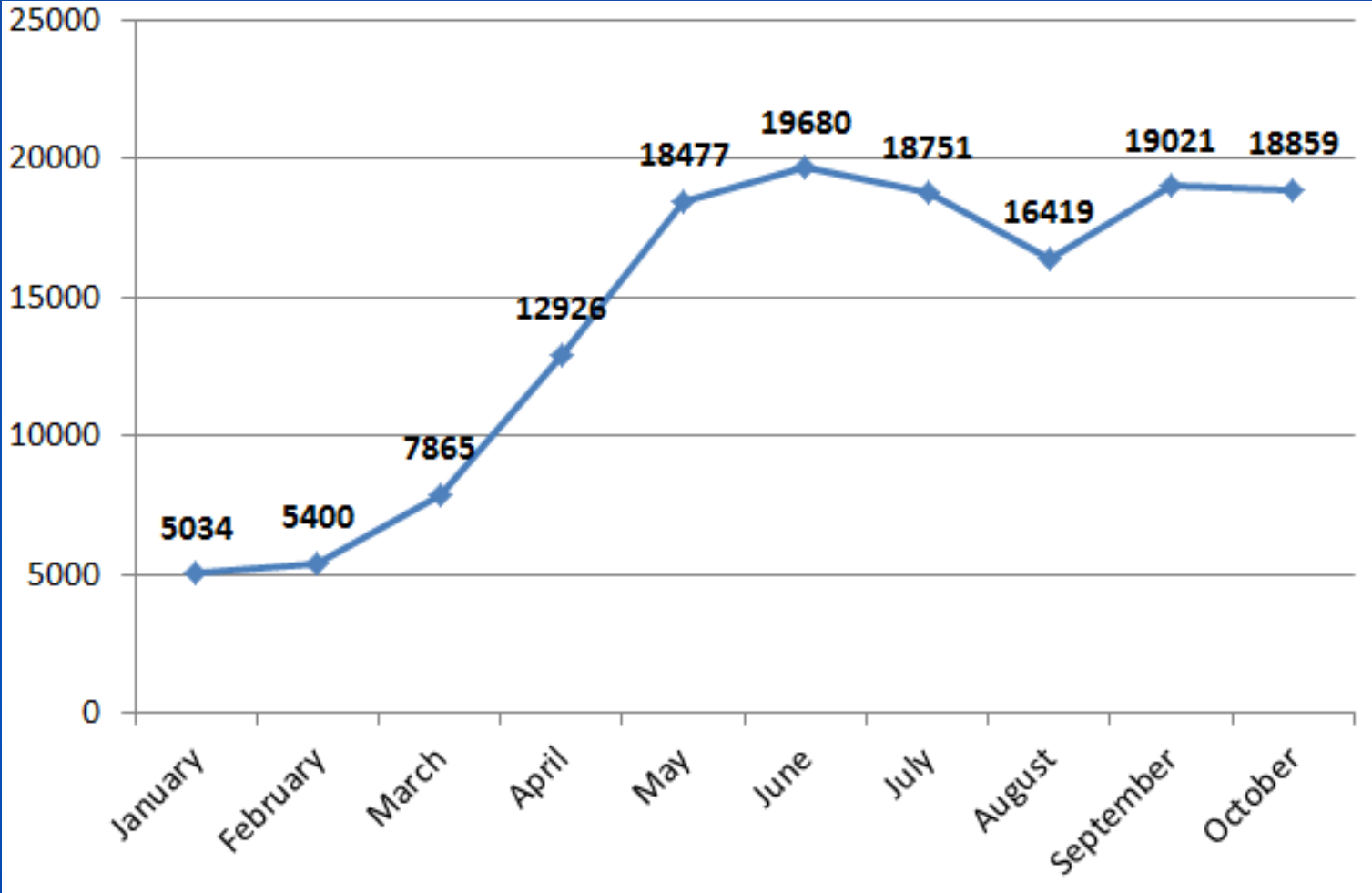
HIGH-RISE VS. LOW-RISE SALES (2008-2017 PROJ.)



Source: RealNet



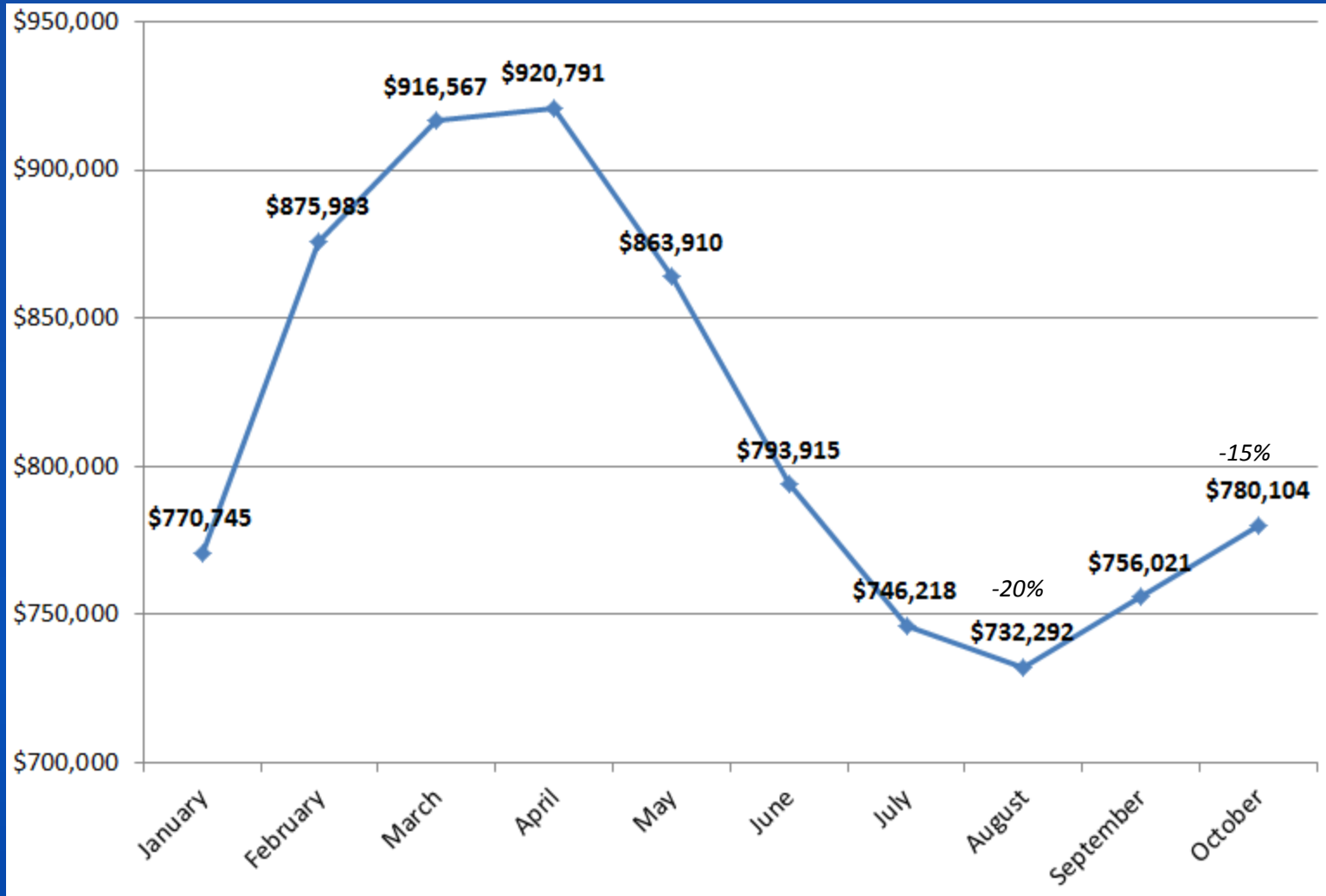
2017 RESALE ACTIVE LISTINGS



Source: TREB



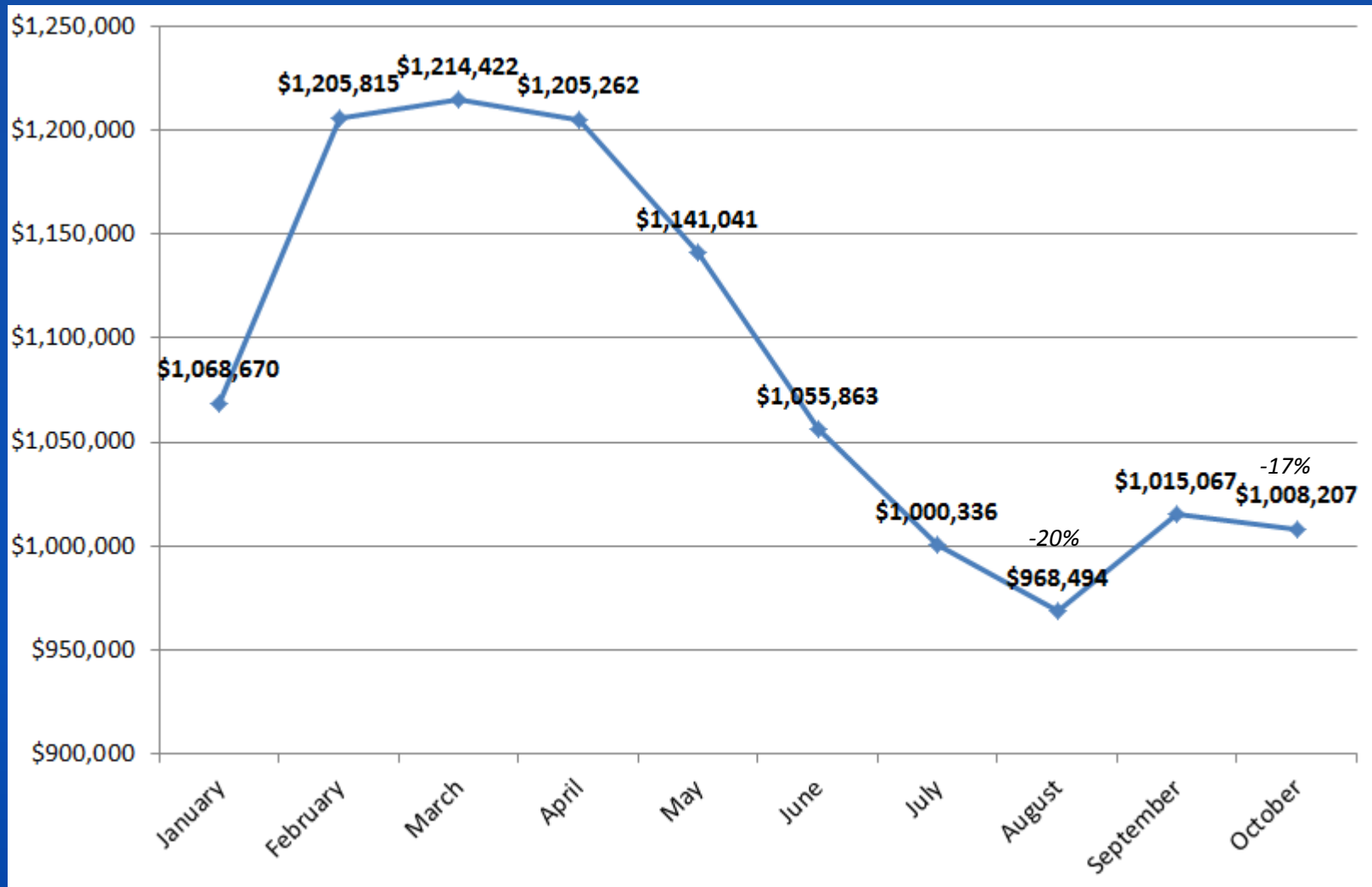
2017 RESALE PRICES (OVERALL)



Source: TREB



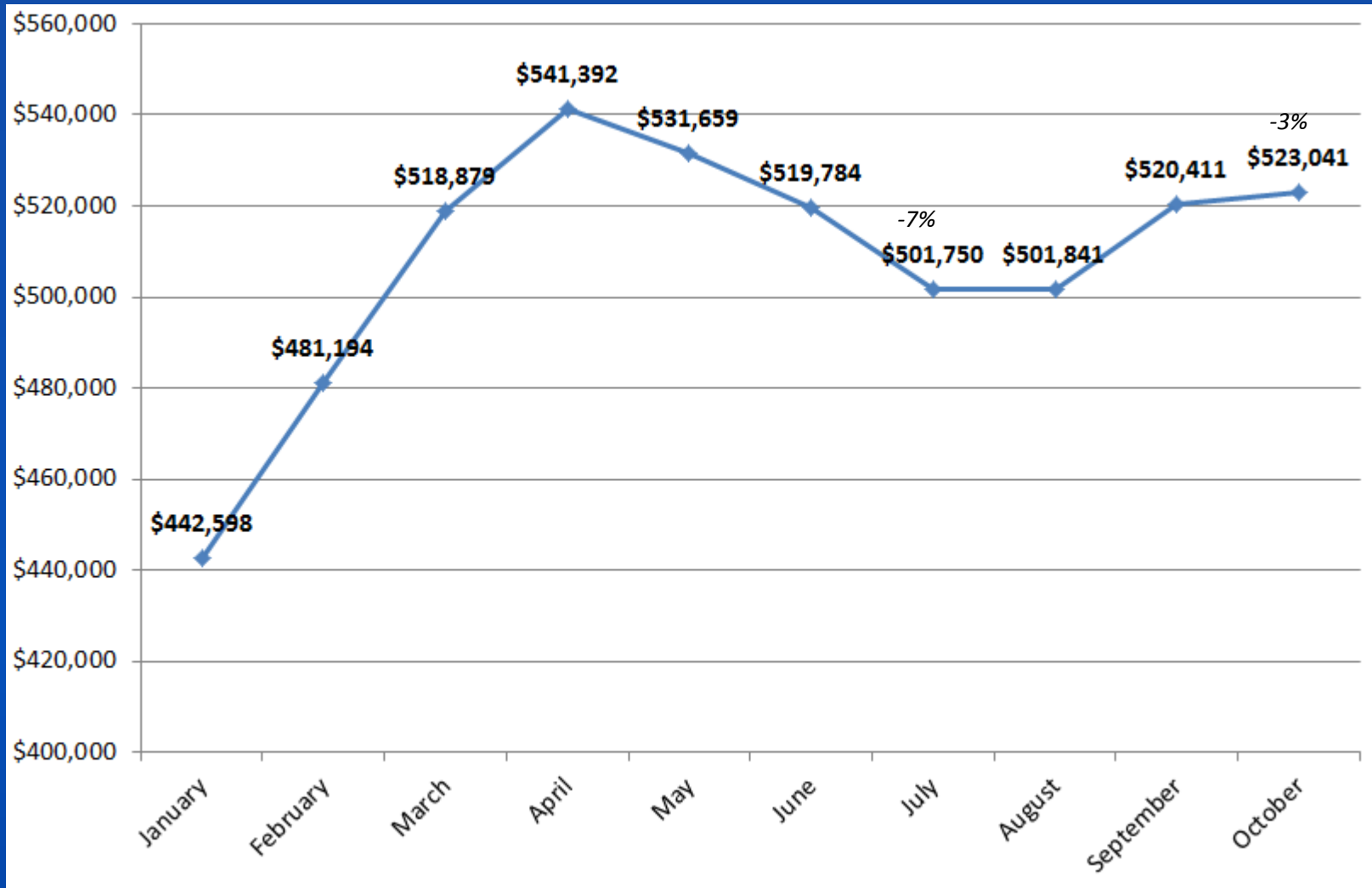
2017 RESALE PRICES (DETACHED)



Source: TREB



2017 RESALE PRICES (CONDO APARTMENT)

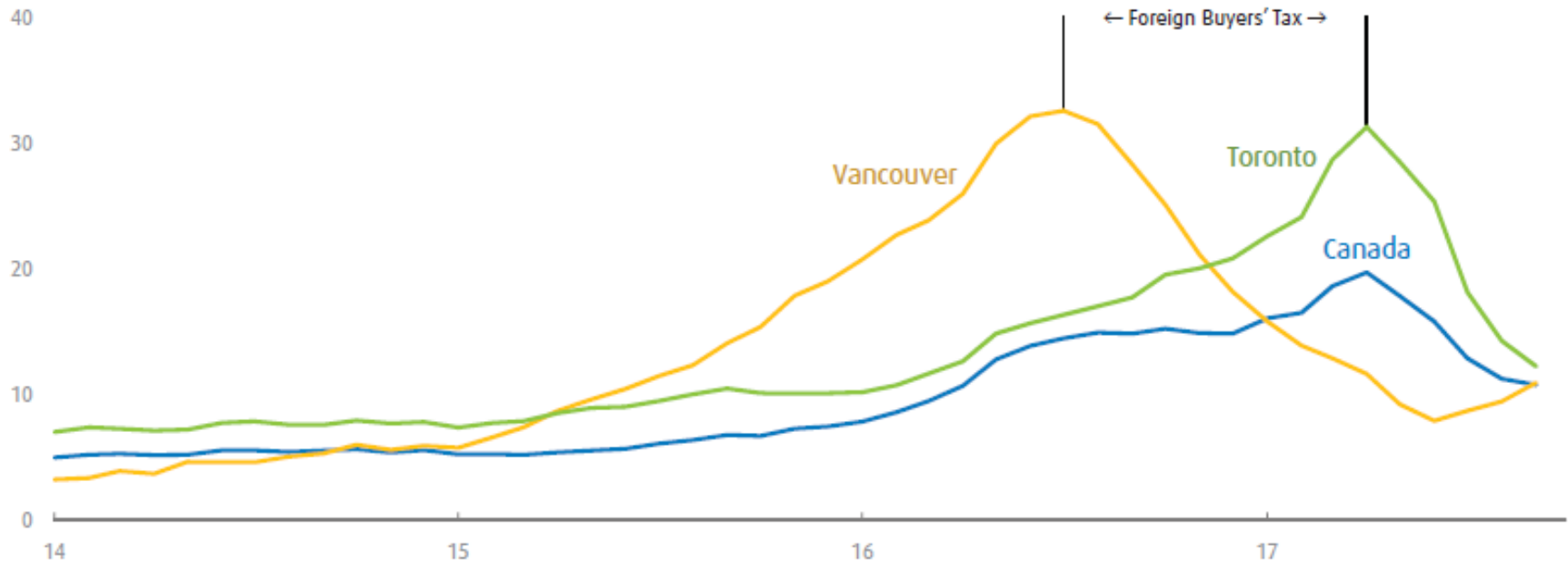


Source: TREB

RESALE PRICES: TORONTO VS. VANCOUVER

Canada (y/y % chng)

MLS Home Price Index

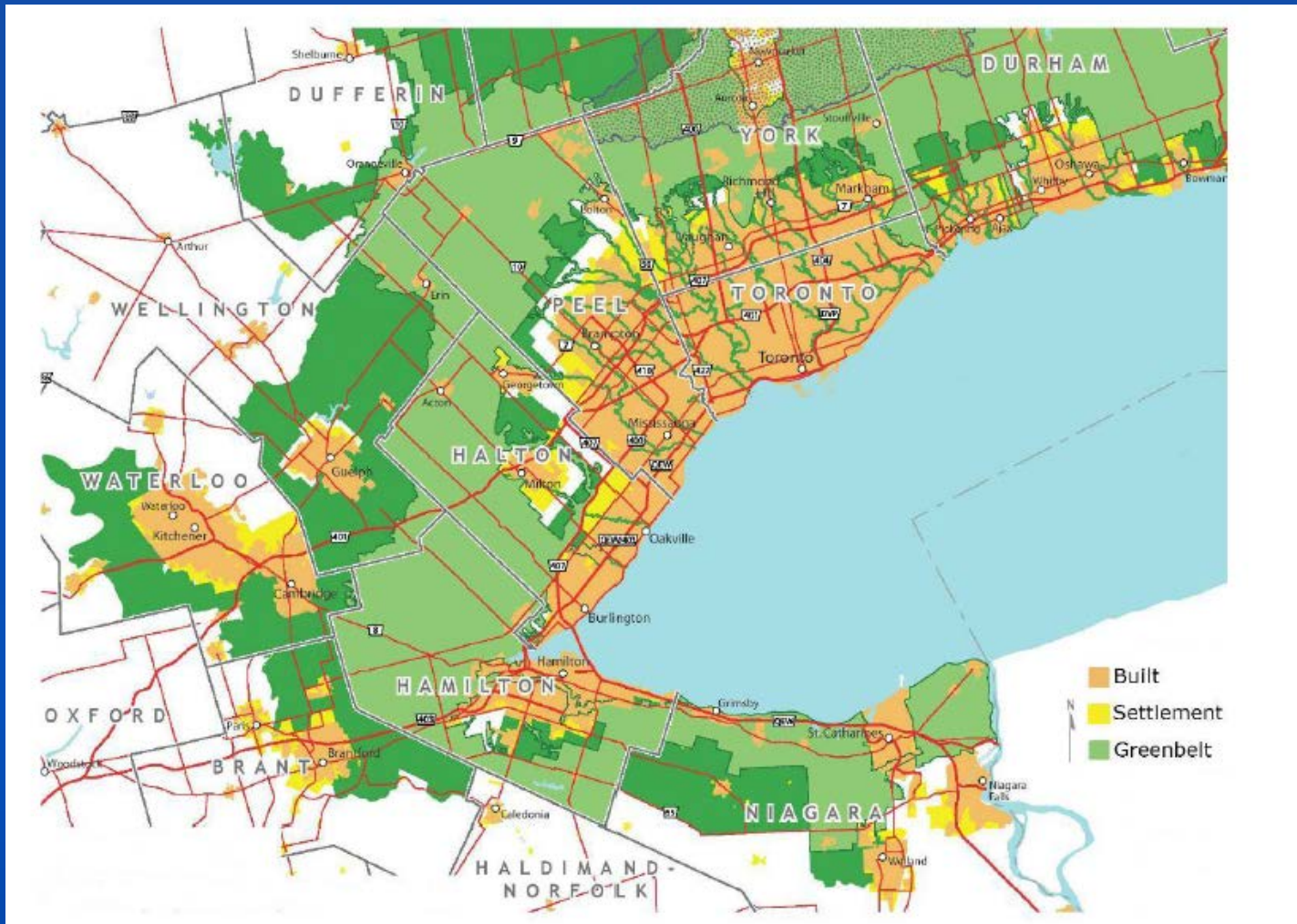


Source: BMO

2. GROWTH AS POLITICS



2. GROWTH AS POLITICS

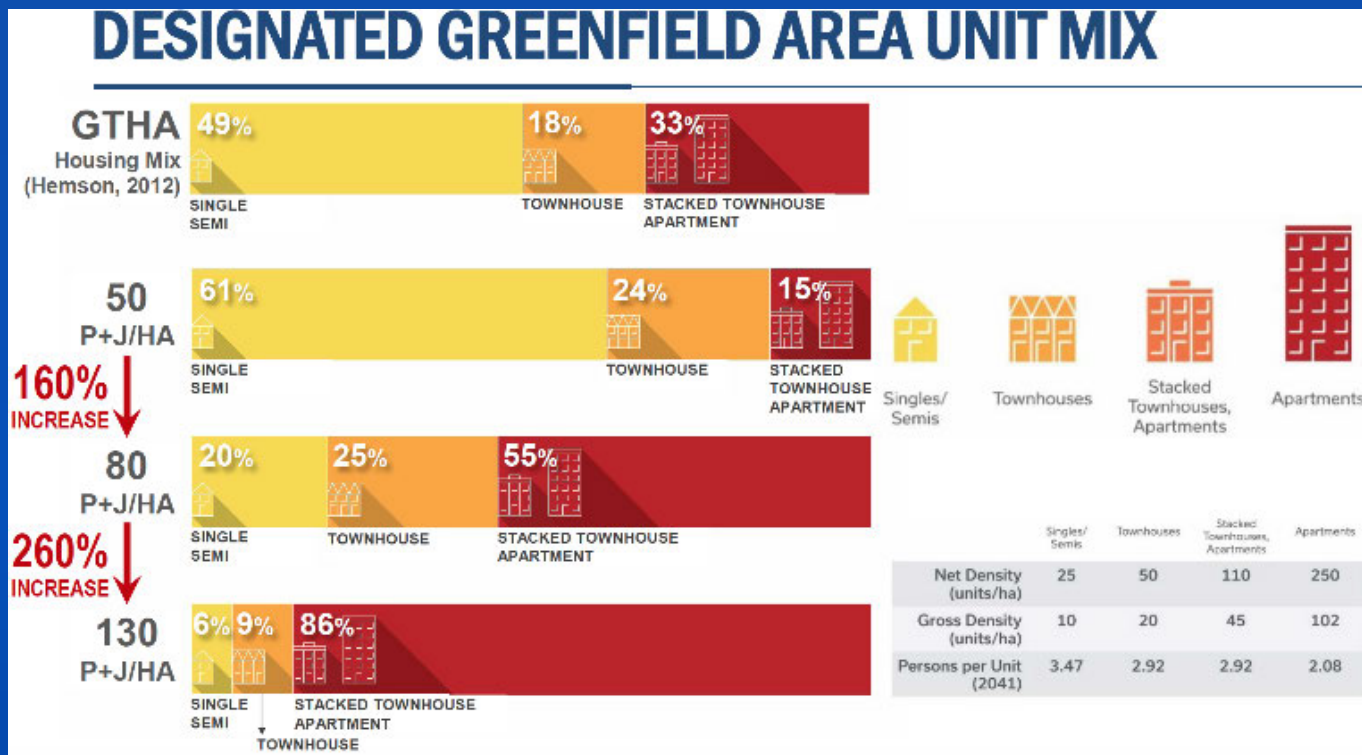


Source: Conference Board of Canada

2. GROWTH AS POLITICS

GROWTH PLAN

- Has been the “No-Growth” plan for single family housing



Source: Malone Given Parsons Ltd.

2. GROWTH AS POLITICS

OMB Changes

- Makes it harder to get approved



2. GROWTH AS POLITICS

Inclusionary zoning

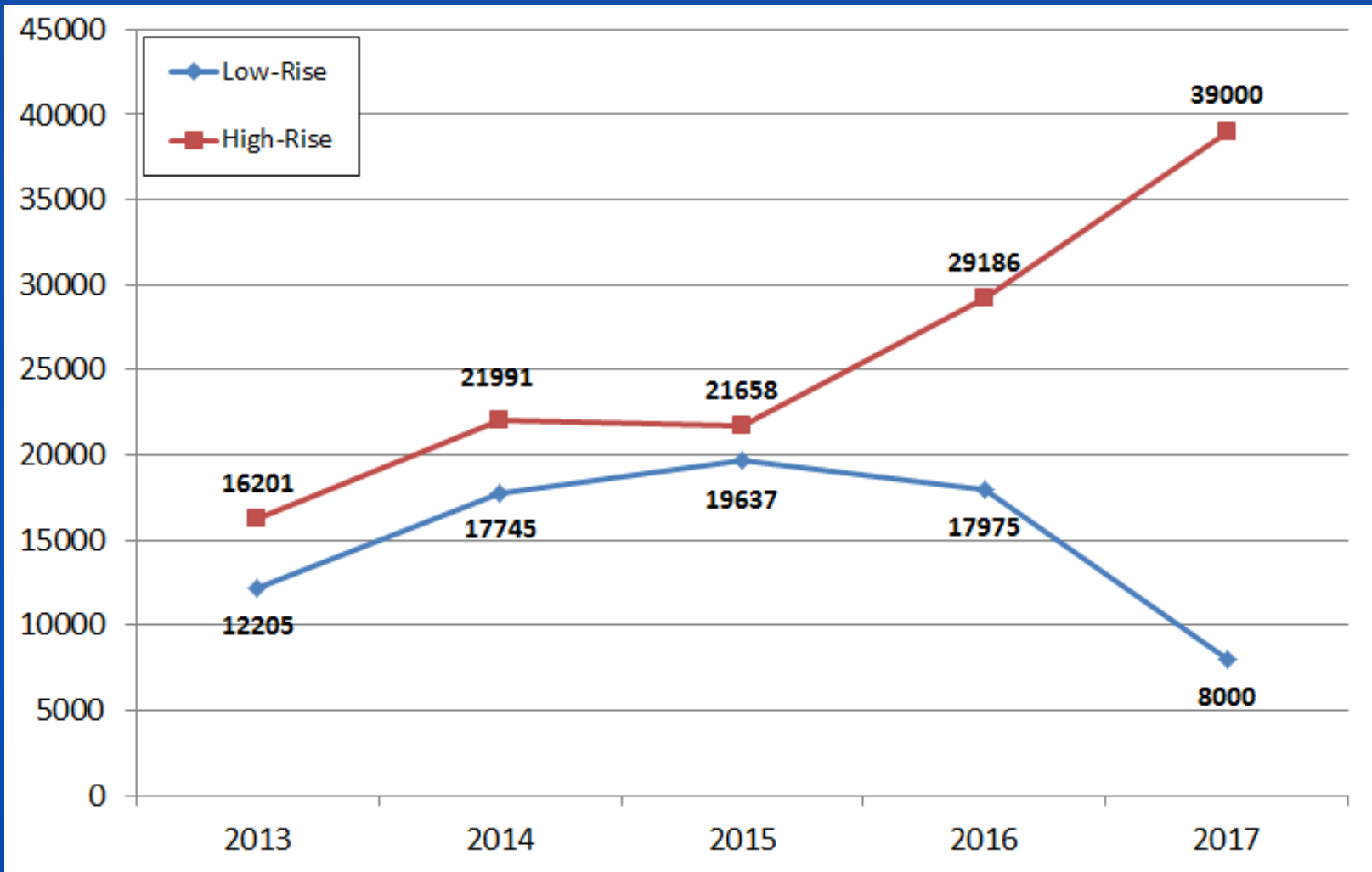
- 10%, 15%, 25% of a project must be affordable housing?



3. A TALE OF TWO CITIES



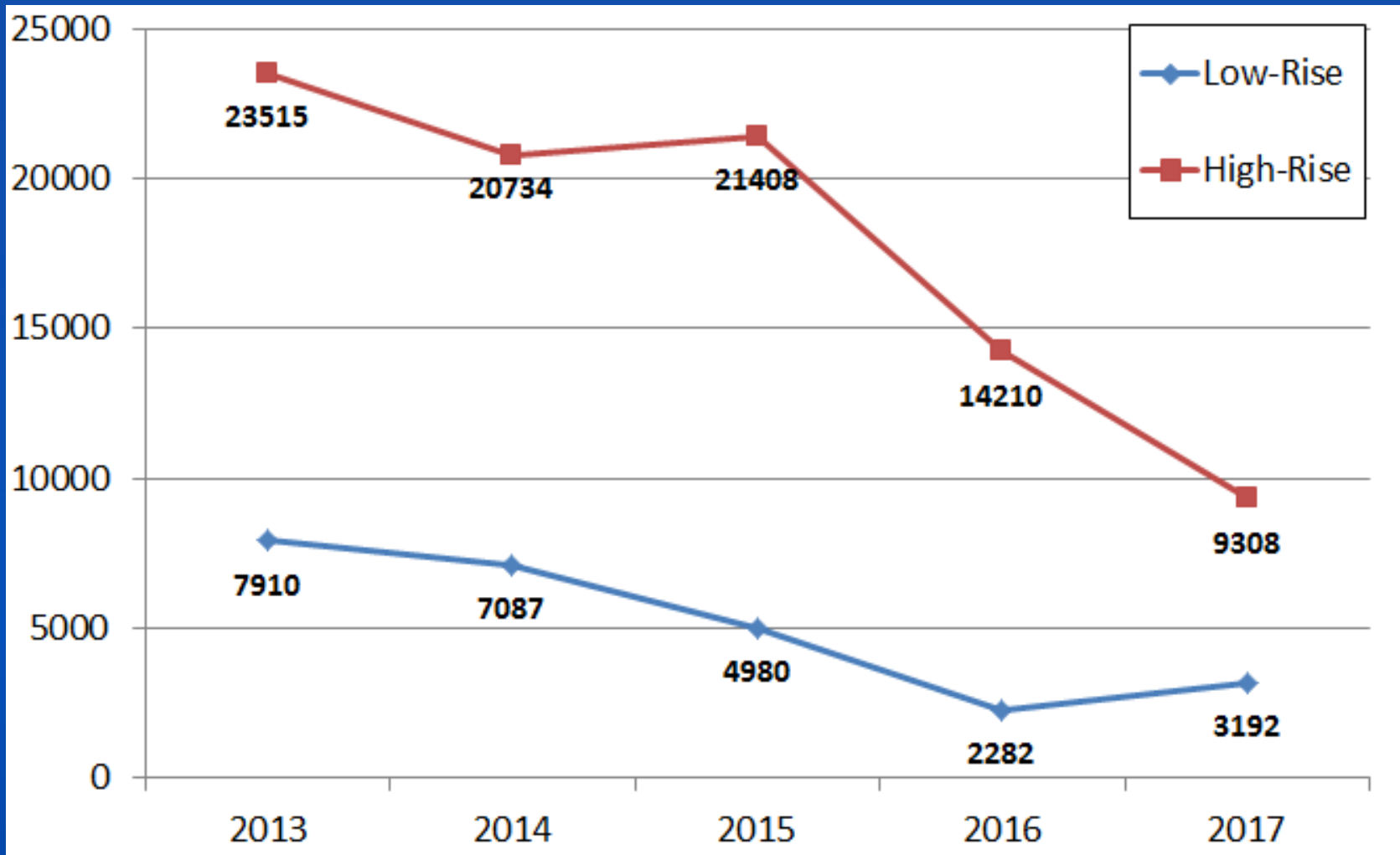
HIGH-RISE VS. LOW-RISE SALES (2013-2017 PROJ.)



Source: RealNet



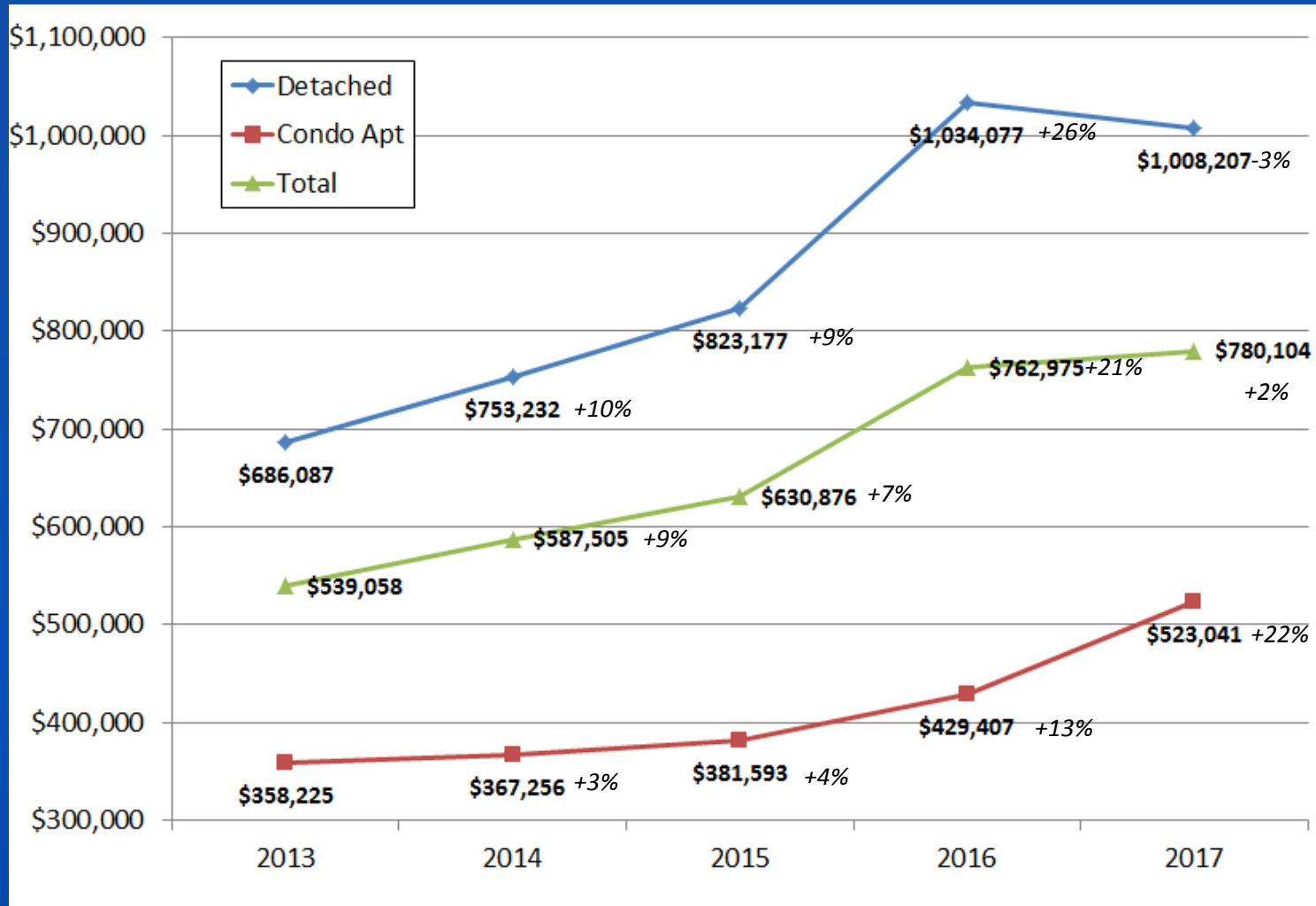
HIGH-RISE VS. LOW-RISE SUPPLY (2013-2017, OCT)



Source: RealNet



RESALE PRICES (2013-2017, OCT)



Source: TREB



4. STORM CLOUDS AHEAD

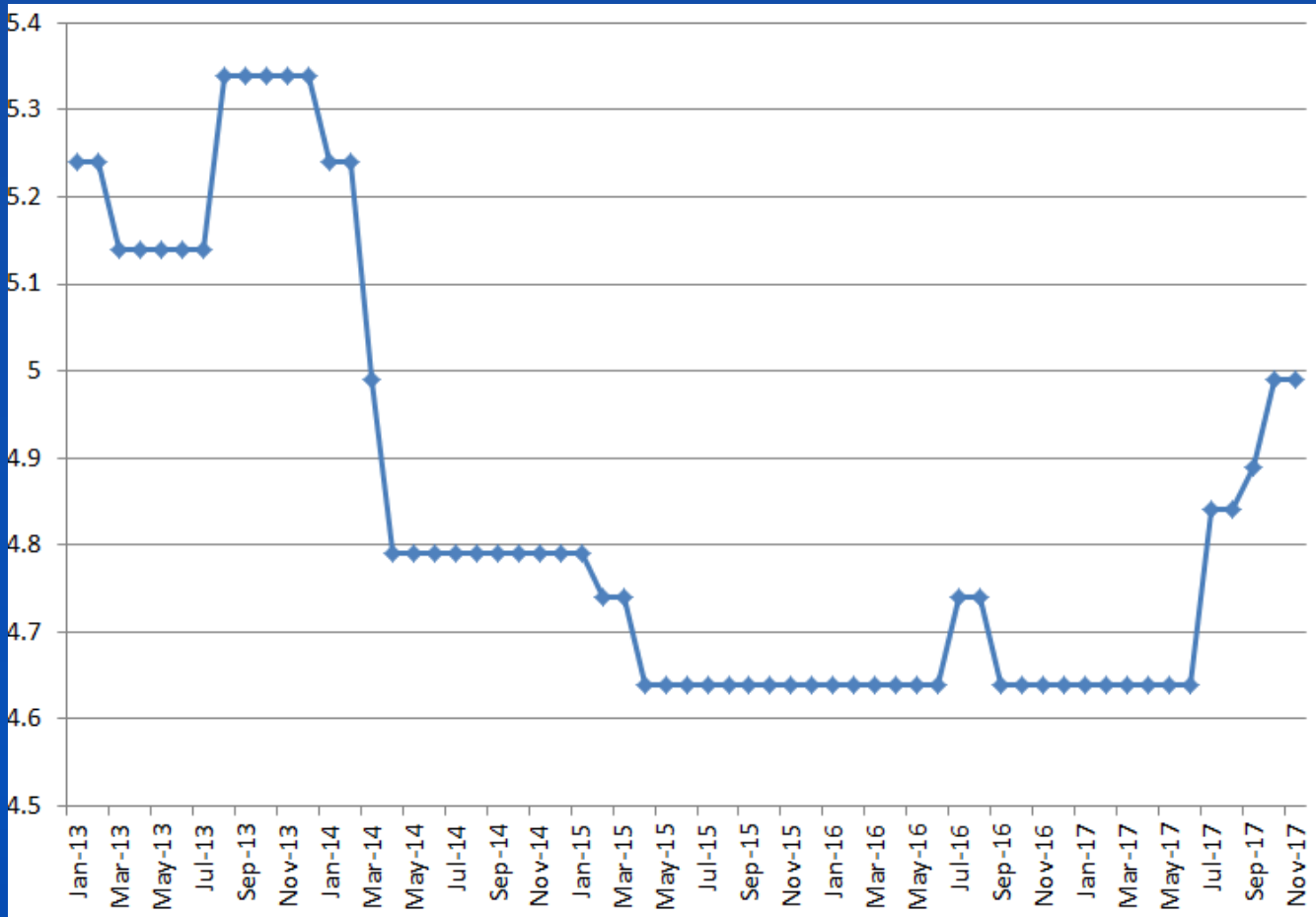


OSFI AND OTHER REGULATIONS SINCE 2008

- 2008:Q4 The maximum length of an insured high-ratio mortgage was reduced to 35 years.
- 2010:Q2 The maximum amount Canadians could borrow in refinancing their mortgages was lowered to 90 per cent of a home's value, from 95 per cent. A new 20-per-cent down payment requirement was set for government-backed mortgage insurance on properties purchased for speculation by an owner who does not live in the property.
- 2011:Q1 The maximum amortization period for a high-ratio insured mortgage was dropped to 30 years. The maximum amount Canadians could borrow via refinancing was further lowered to 85 per cent.
- 2012:Q3 The maximum amortization period for high-ratio insured mortgages was cut to 25 years. A new stress test was also introduced to ensure that debt costs were no more than 44 per cent of income for high-ratio borrowers. Refinancing rules were tightened a third time, setting a new maximum loan of 80 per cent of a property's value. Government-backed insured high-ratio mortgages were limited to homes valued at less than \$1-million.
- 2016:Q1 A package of measures included doubling the minimum down payment for insured high-ratio mortgages to 10 per cent from 5 per cent for the portion of a home's value from \$500,000 to \$1-million.
- 2016:Q4 All borrowers have to qualify under maximum debt-servicing standards based on the higher of the mortgage contract rate or the Bank of Canada conventional five-year fixed posted mortgage rate. Rules for high-ratio mortgages extended to portfolio insurance of low-ratio mortgages.

Source: Conference Board of Canada

UPWARD PRESSURE ON RATES



Source: Bank of Canada

ANOTHER 1% INCREASE IN 2018

5. WHAT DO WE DO?

- Is this a transition to better times?
- How long does this correction last?
- How long do we wait before we take action?

5. WHAT DO WE DO?

2018

- Q1: VERY SLOW LOW-RISE;
- VERY HOT HIGH-RISE

- Q2: STABLE LOW-RISE;
- STABLE HIGH-RISE

- Q3: SLOW, SOFT LOW-RISE;
- SLOWER, DECLINING HIGH-RISE

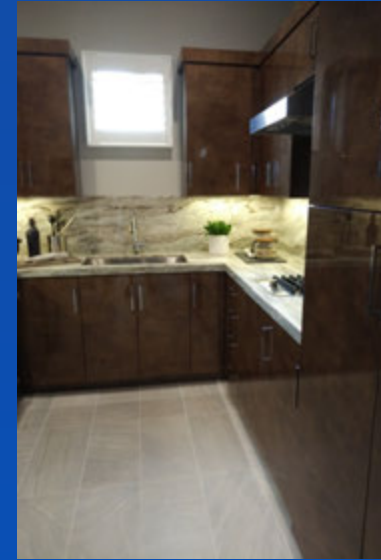
6. THE PLAN

1. DEVELOPMENT OMBUDSMAN
2. REINSTATE PLANING ACT PROVISION
ALLOWING DEVELOPERS TO BRING LANDS
INTO THE OFFICIAL PLAN
3. PLANNING WITH AN ECONOMIC IMPACT
REQUIREMENT
4. CONVERSION OF “SURPLUS”
INDUSTRIAL/COMMERCIAL ZONING TO
RESIDENTIAL
5. GET AHEAD OF THE TRENDS...

TRENDS FOR 2018

1. What??? Two Kitchens???

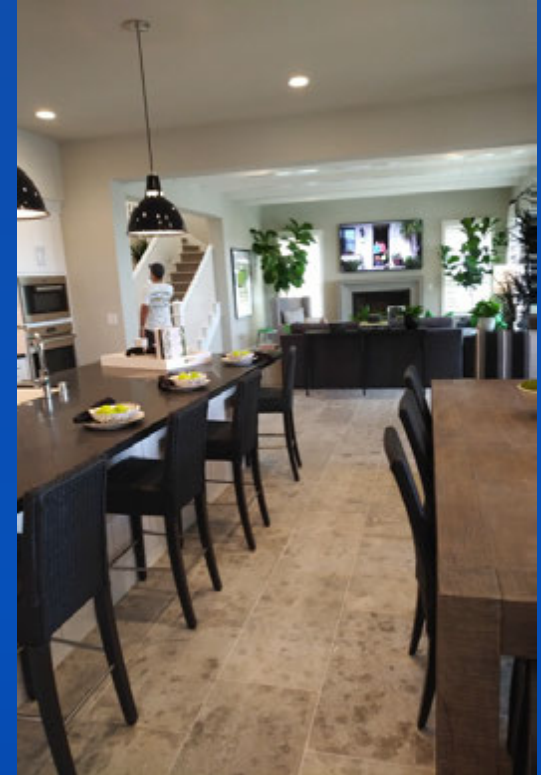
A revolution is occurring in kitchen layout...the fancy gathering place and the messy cooking – TWO KITCHENS...one for preparation or ethnic specialities and the other in the open concept heart of the home. The pantry is replaced with a secondary utilitarian kitchen...the beer fridge comes up from the basement!



TRENDS FOR 2018

2. Breakfast Nook Replaced by Larger Islands and Dining Table Part of the Open Concept

The old breakfast nook or small breakfast table is replaced by a larger island with a waterfall edge. And the dining table becomes part of the open concept living space.



TRENDS FOR 2018

3. The Window Wall

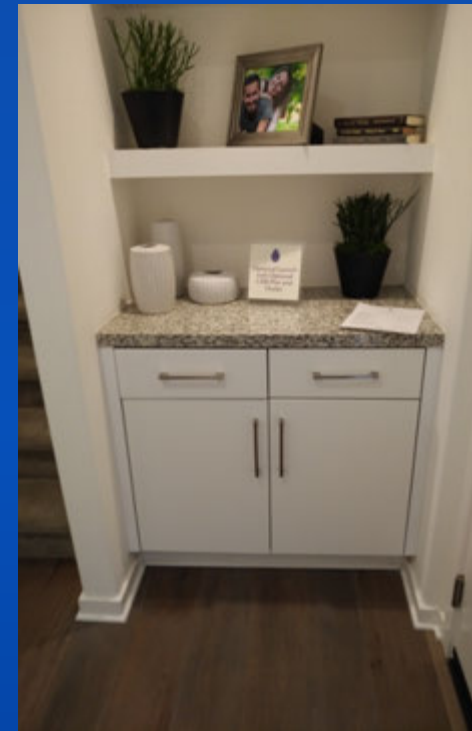
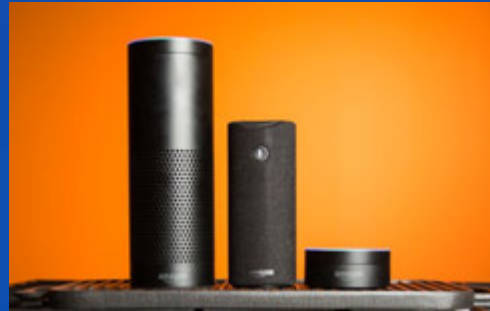
Not a collapsible, expensive multi-panel but simple dual adjacent sliders that create the same impression.



TRENDS FOR 2018

4. The USB Port comes home and so does ALEXA!

The stacking of electrical outlets in the secondary entry together with a USB port gives the entire family a “Connection Point”. The real revolution is coming with ALEXA – Amazon’s Automated Home Assistant. In 2015 they sold just over one million units – in 2017 they will sell 22 million – by 2020 Alexa will have over 60 million units in use. The adding of third party platforms by Domino’s Spotify etc. will create a demand voice activated service – the weather, the news, order a pizza... all by voice command!



TRENDS FOR 2018

5. The “Fifth Wall” and Volume Space

Finish the ceiling in beams, wood, special lighting as a feature now known as the “Fifth Wall”. This combines with “volume space” to highlight the extended ceiling heights.



TRENDS FOR 2018

6. The “Barn Door” as Screen and Divider

To hide the “Big Screen TV”, to separate the master bath, to be functional at entry closet the single “Barn Door” provides great style and utility in a tight space.



TRENDS FOR 2018

7. The Secondary Support Laundry

Built into the master closet the secondary laundry and steam valet are “essential luxuries” for the master suite.



TRENDS FOR 2018

8. The Vanity Conversion

Bring us your idea, your antique and we will convert it into a main floor 2 piece vanity.



TRENDS FOR 2018

9. Never Enough Kitchen Storage

In search of more open space the uppers are GONE and replaced into a single hardworking storage wall – great condo application!



TRENDS FOR 2018

10. Laundry Rooms are IN

Splurge in the place where we spend so much time! Laundry rooms deserve more love! More light! More storage! Better function! A feel good space! Add a computer niche to get the other work done while washing the sheets!



TRENDS FOR 2018

11. The First Impression Entryway

Is an “old” FRESH target. The entry area, like the powder room is a compact place that can extract great emotion without blowing a budget...a “Fifth Wall”, a “Barn Door”, an “Art Niche”, a “Volume Space”...the lasting impression.



TRENDS FOR 2018

12. The Outdoors / In

Whether is the collapsing window wall done with sliding doors or a glass window beside the shower or tub...the effect is to bring the outdoors inside in our rather hostile climate.



TRENDS FOR 2018

13. Living in Place – by Design

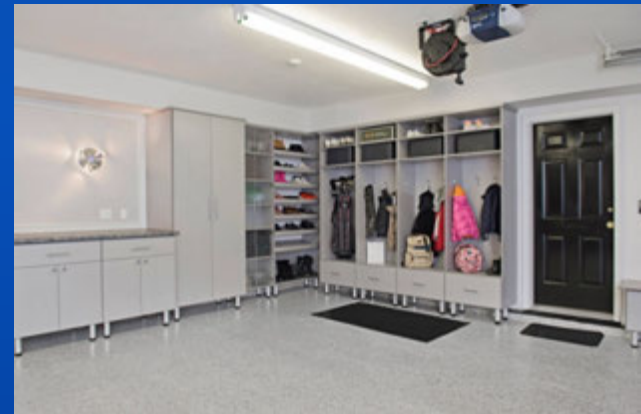
With aging parents moving into their adult children's home the evolution of "self Sufficiency" is paramount...the "Granny Flat", the finished apartment in the basement or over the garage. Municipalities are allowing this evolution to flourish. And with it comes accessories that support aging but don't look like it! No more grab bars but a circular unit that allows one to stand and sit with ease....and looks great next to the shower seat. The strong ethnic markets demand special designs – the separate entry for a basement apartment – multiple families and multiple generations.



TRENDS FOR 2018

14. Super Storage Garage

A big box retailer just opened in Toronto to “Conquer the Storage Wars”. The most impressive is the applications for the garage – 8 different models including flooring, shelving, storage, games area, heavy duty mechanical...the ultimate “Man Cave”!



TRENDS FOR 2018

15. Welcome Mat is OUT

The feel good experience recognizes that the process is more important than the outcome!





*THANK YOU FOR
YOUR TIME...
LIVE POSITIVE!*





MCAP

MCAP High-Rise Condominium Land Values

For the period ending December 6, 2017

*Values based on gross buildable square feet

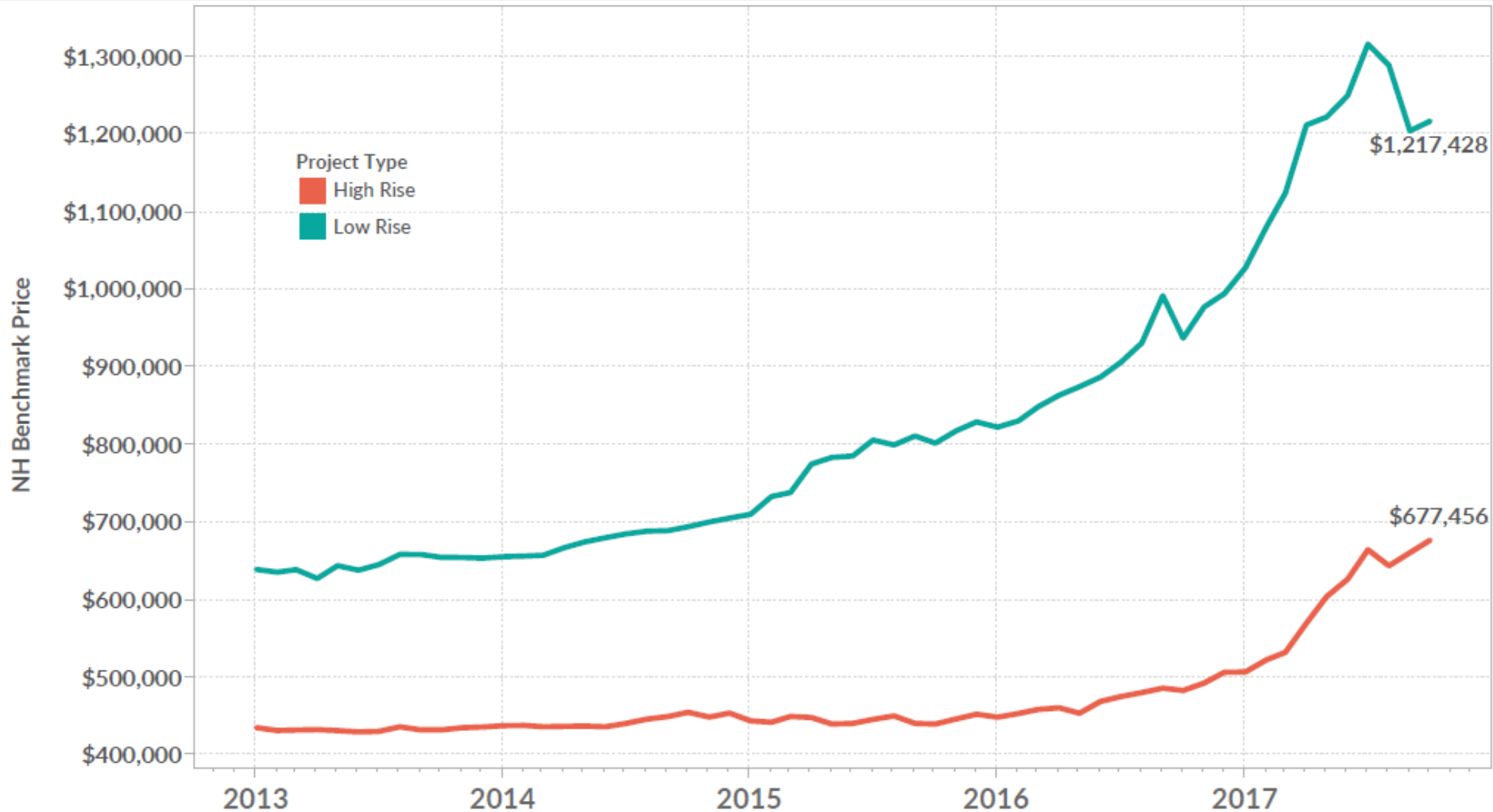
**Values based on fully approved and zoned land

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

New Home Price Index

Monthly New Home Benchmark Price (excludes extremes)

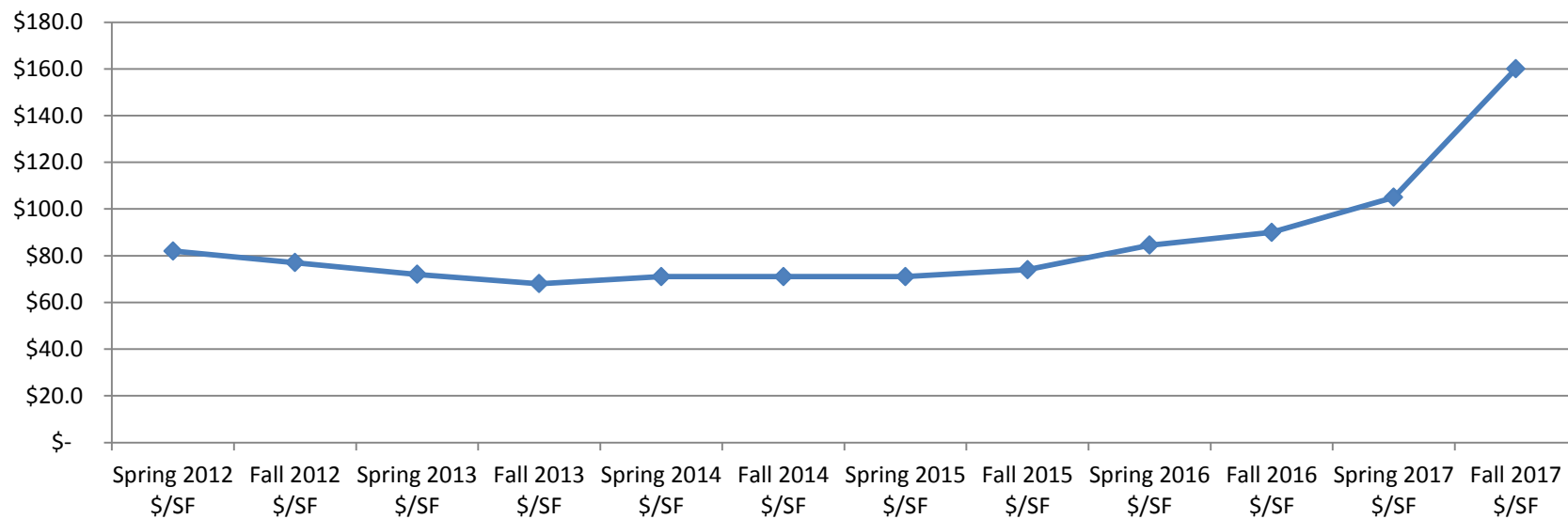


GTA High-Rise Land Overview

- 2017 is tracking 35% higher YTD than 2016 → already a record sales year
- High-Rise inventory up nominally from lowest point since before 2007 (~9,300 now v. ~8,400 in Spring v. ~17,000 avg. before 2016)
- Only 348 units standing inventory
- # months condo supply at ~3.0 months across GTA
- 40% price appreciation in new units year over year
- Very strong rental market continues to easily absorb condo supply (416 condo vacancy of <1% & average 416 condo rent of \$3.44 psf)
- CMHC / OSFI mortgage rule changes, interest rate increases, low-rise affordability, & rental market all shifting demand to condominium market
- Housing fundamentals remain extremely strong with high demand and low supply → though composition of demand is shifting

Downtown West

- \$1,076/SF Average Unit Price
- \$823,001 Average Sale Price
- ~3.4 Months Supply of Inventory



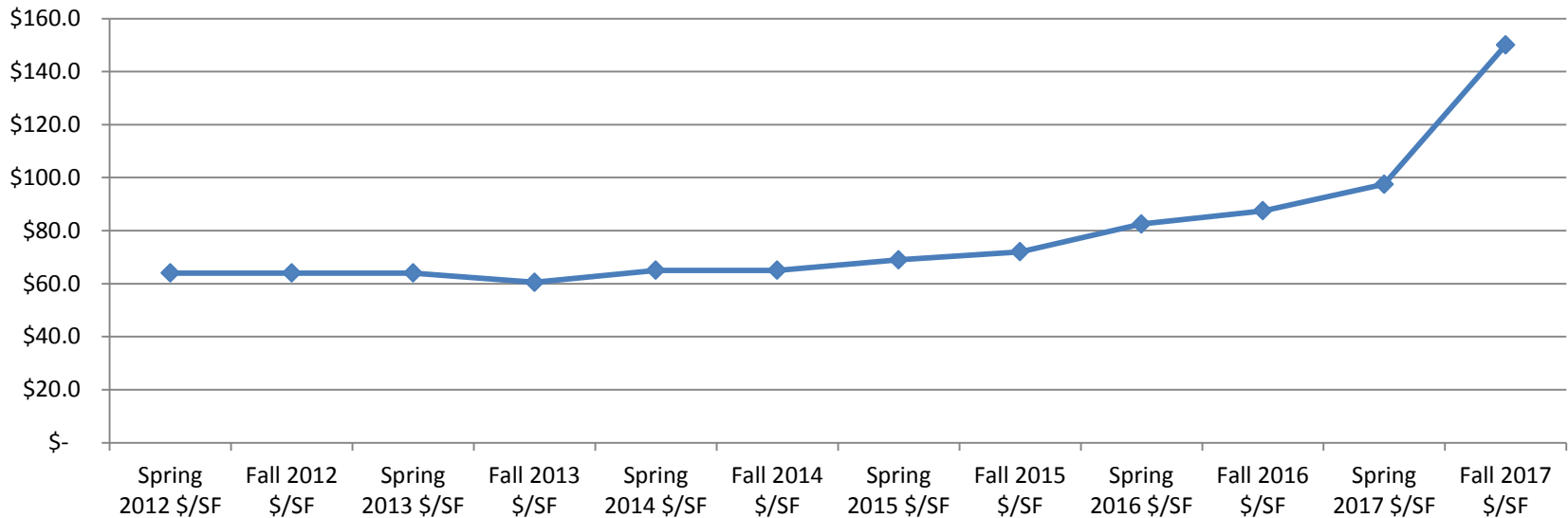
Median Land Value for Low End = \$115/SF

Median Land Value for High End = \$200/SF

MCAP Land Value Range for the Submarket = \$155 to \$165 / SF

Downtown East

- \$904/SF Average Unit Price
- \$781,105 Average Sale Price
- ~0.8 Months Supply of Inventory



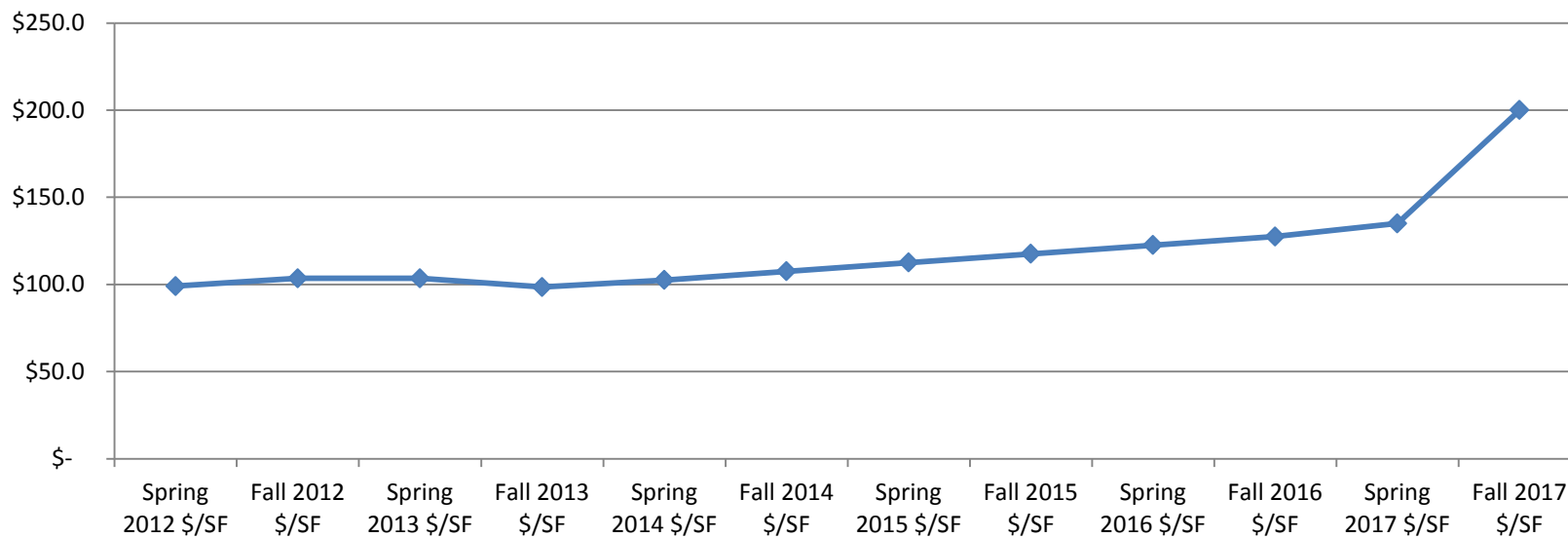
Median Land Value for Low End = \$115/SF

Median Land Value for High End = \$200/SF

MCAP Land Value Range for the Submarket = \$145 to \$155 / SF

Downtown Core

- \$1,123/SF Average Unit Price
- \$759,050 Average Sale Price
- ~16.7 Months Supply of Inventory



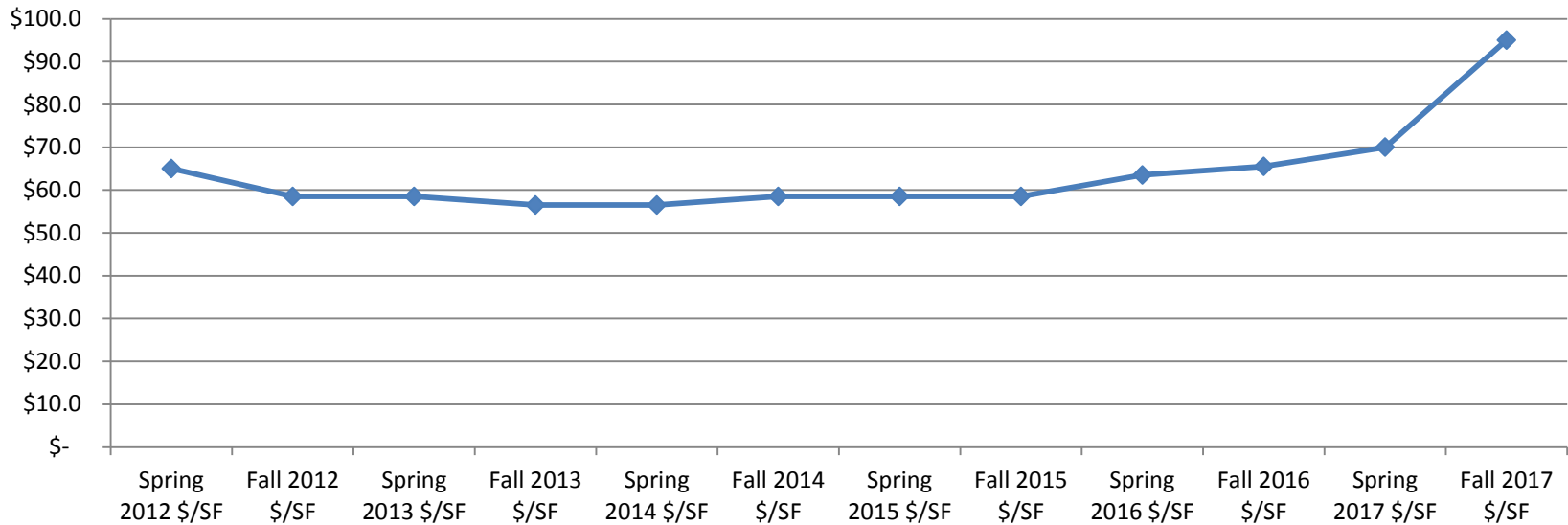
Median Land Value for Low End = \$150/SF

Median Land Value for High End = \$240/SF

MCAP Land Value Range for the Submarket = \$195 to \$205 / SF

Toronto West

- \$898/SF Average Unit Price
- \$693,561 Average Sale Price
- ~7.7 Months Supply of Inventory

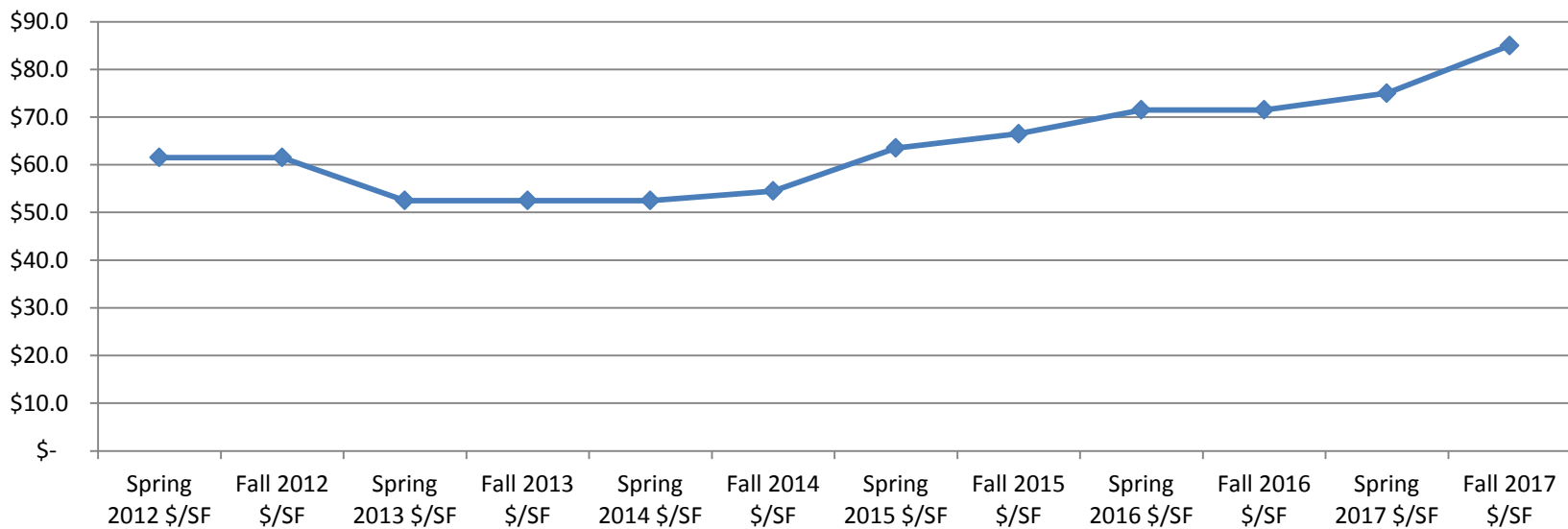


Median Land Value for Low End = \$65/SF
Median Land Value for High End = \$140/SF

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

Toronto East

- \$798/SF Average Unit Price
- \$812,509 Average Sale Price
- ~1.8 Months Supply of Inventory

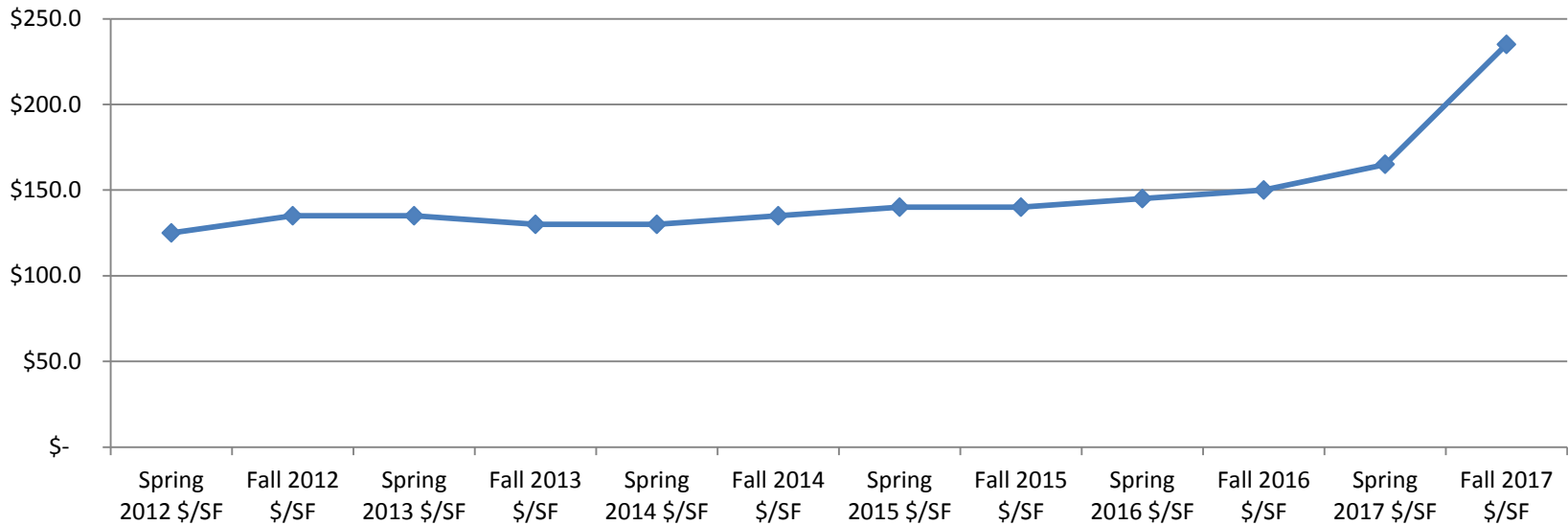


Median Land Value for Low End = \$60/SF
Median Land Value for High End = \$130/SF

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

Bloor / Yorkville

- \$1,773/SF Average Unit Price
- \$1,833,998 Average Sale Price
- ~4.4 Months Supply of Inventory



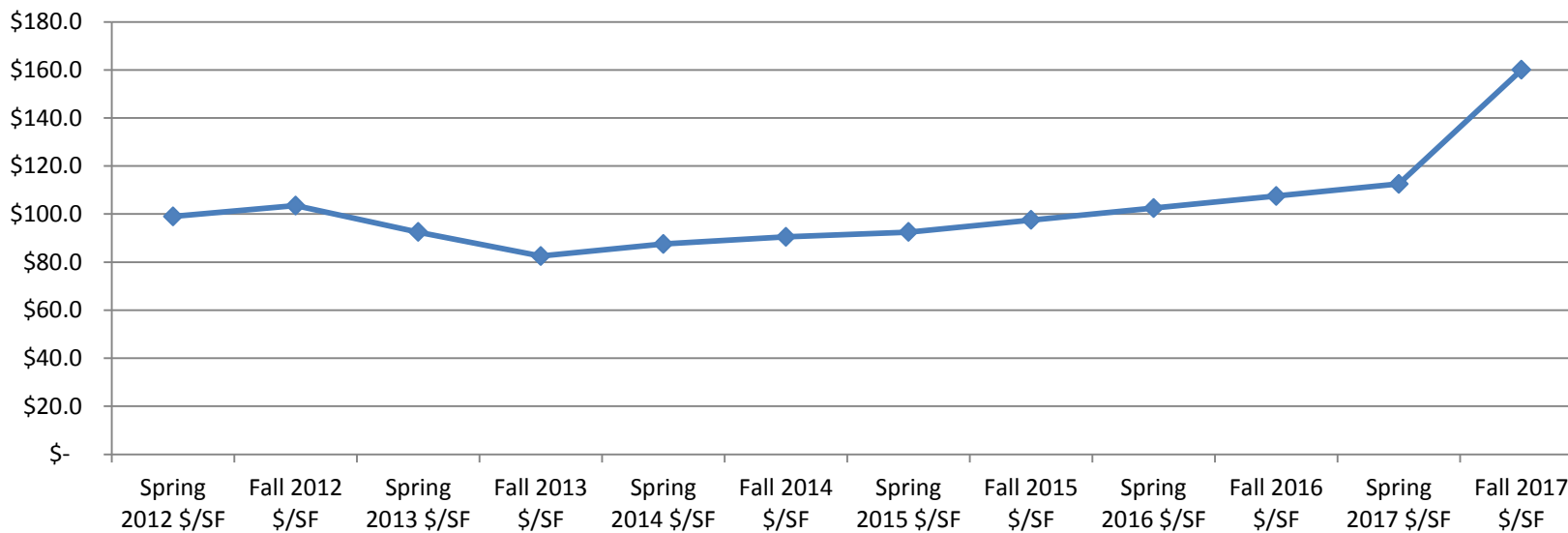
Median Land Value for Low End = \$170/SF

Median Land Value for High End = \$290/SF

MCAP Land Value Range for the Submarket = \$230 to \$240 / SF

North Toronto

- \$908/SF Average Unit Price
- \$720,202 Average Sale Price
- ~3.0 Months Supply of Inventory



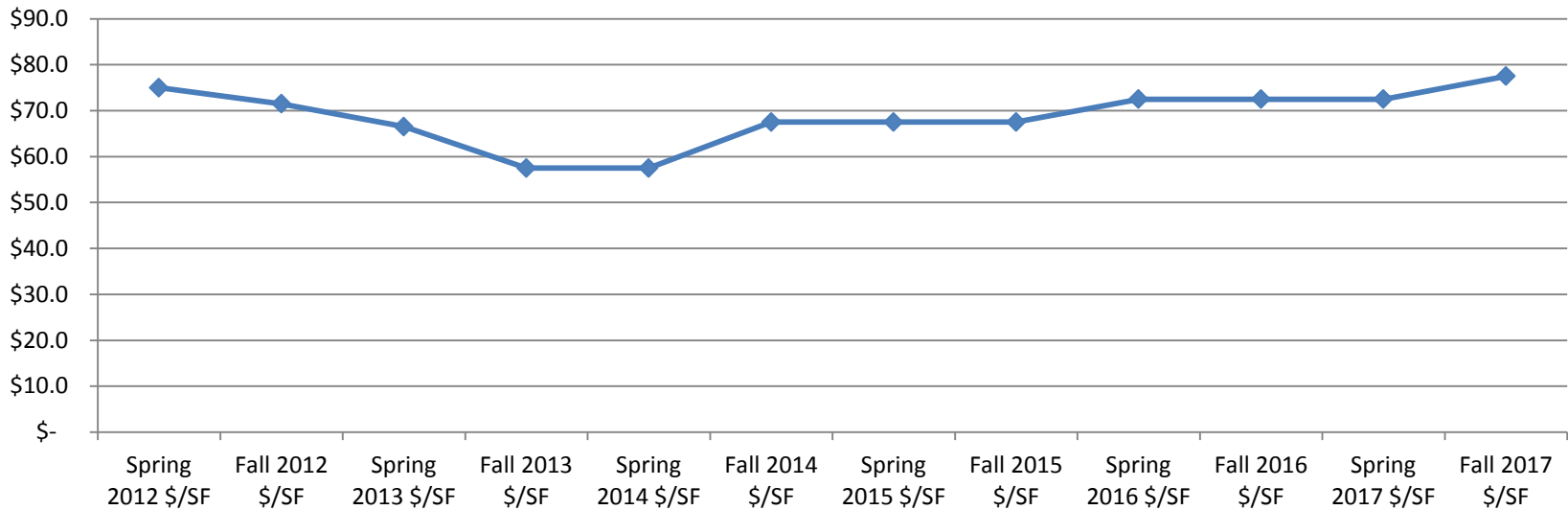
Median Land Value for Low End = \$130/SF

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

MCAP Land Value Range for the Submarket = \$155 to \$165 / SF

North Yonge Corridor

- \$790/SF Average Unit Price
- \$638,343 Average Sale Price
- ~1.2 Months Supply of Inventory

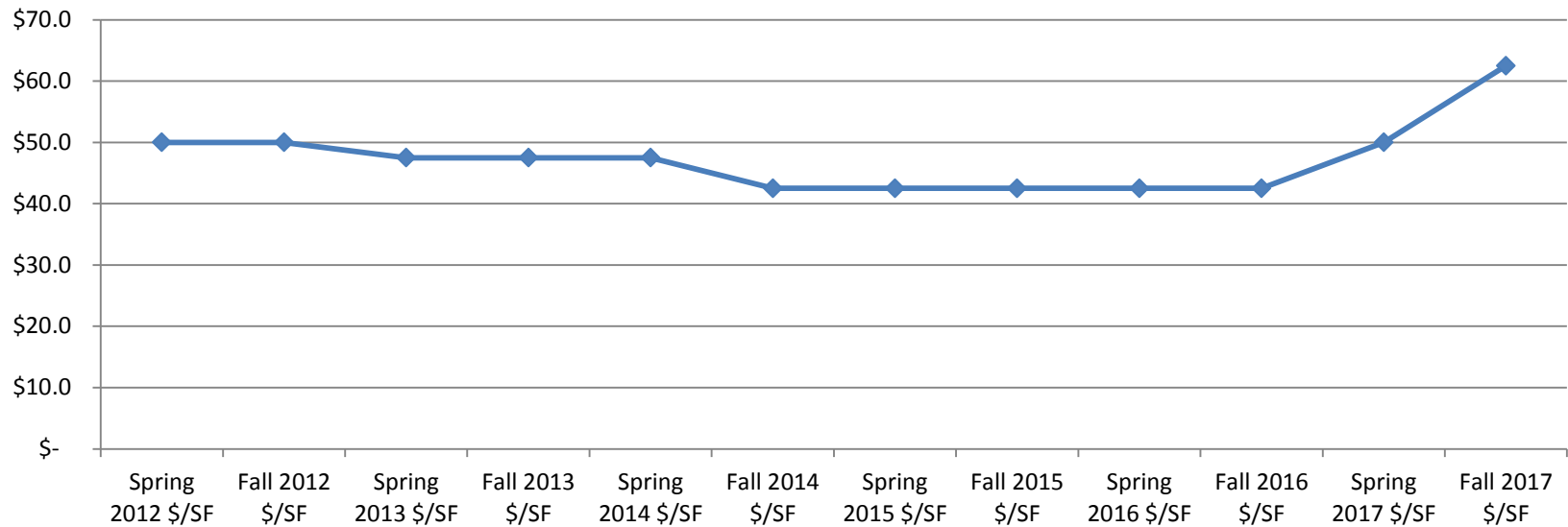


Median Land Value for Low End = \$70/SF
Median Land Value for High End = \$115/SF

MCAP Land Value Range for the Submarket = \$75 to \$80 / SF

HWY 7 / Yonge Corridor

- \$693/SF Average Unit Price
- \$680,985 Average Sale Price
- ~0.3 Months Supply of Inventory



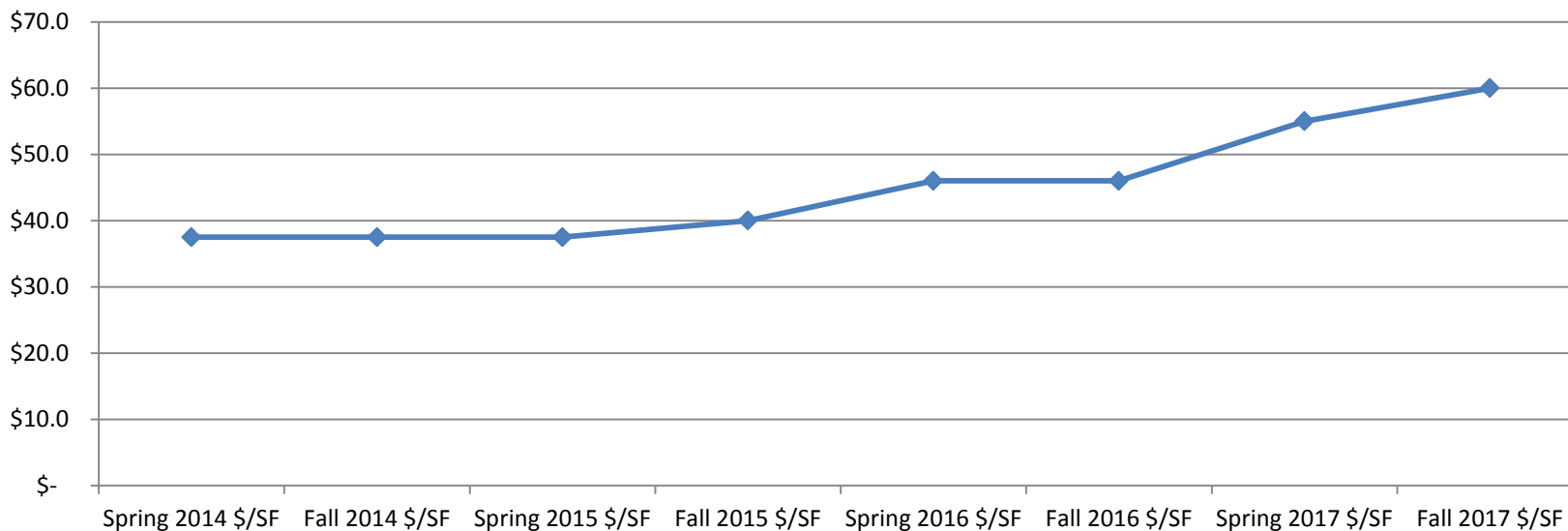
Median Land Value for Low End = \$45/SF

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

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

Vaughan

- \$686/SF Average Unit Price
- \$552,500 Average Sale Price
- ~1 Month Supply of Inventory



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

High-Rise Condominium Land Values

SUB-MARKET	LOW \$ / SF	HIGH \$ / SF	MARKET VALUE \$ / SF
DOWNTOWN WEST	\$115	\$200	\$155 - \$165
DOWNTOWN EAST	\$115	\$200	\$145 - \$155
DOWNTOWN CORE	\$150	\$240	\$195 - 205
TORONTO WEST	\$65	\$140	\$90 - \$100
TORONTO EAST	\$60	\$130	\$80 - \$90
BLOOR YORKVILLE	\$170	\$290	\$230 - \$240
NORTH TORONTO	\$130	\$220	\$155 - \$165
NORTH YONGE CORRIDOR	\$70	\$115	\$75 - \$80
HWY. 7 / YONGE CORRIDOR	\$45	\$65	\$60 - \$65
VAUGHAN	\$40	\$80	\$55 - \$65



MCAP

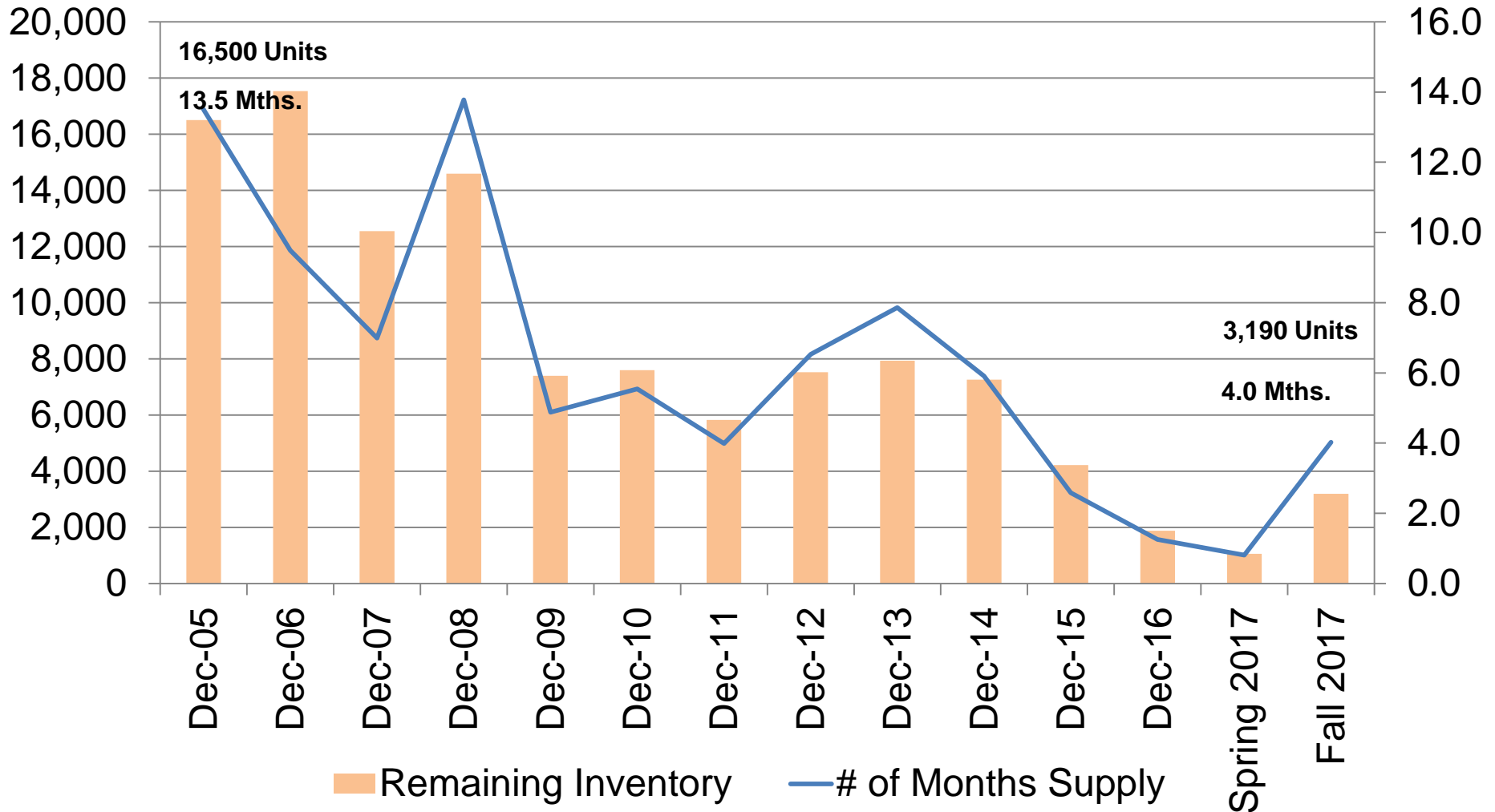
MCAP Lot Values

For the period ending December 6, 2017

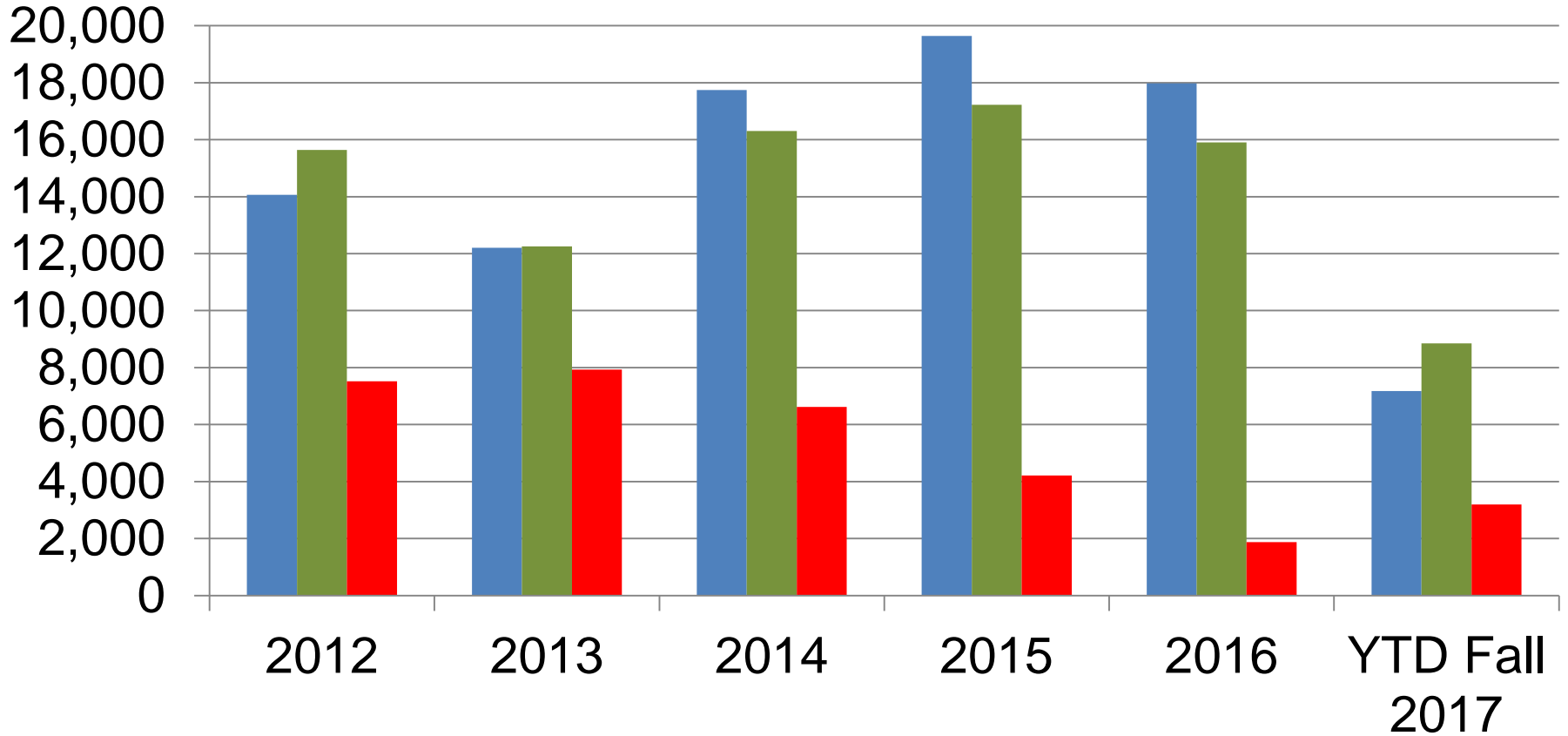
*Values based on standard builder financing terms

**Values include all levies

GTA Total Low-Rise Inventory

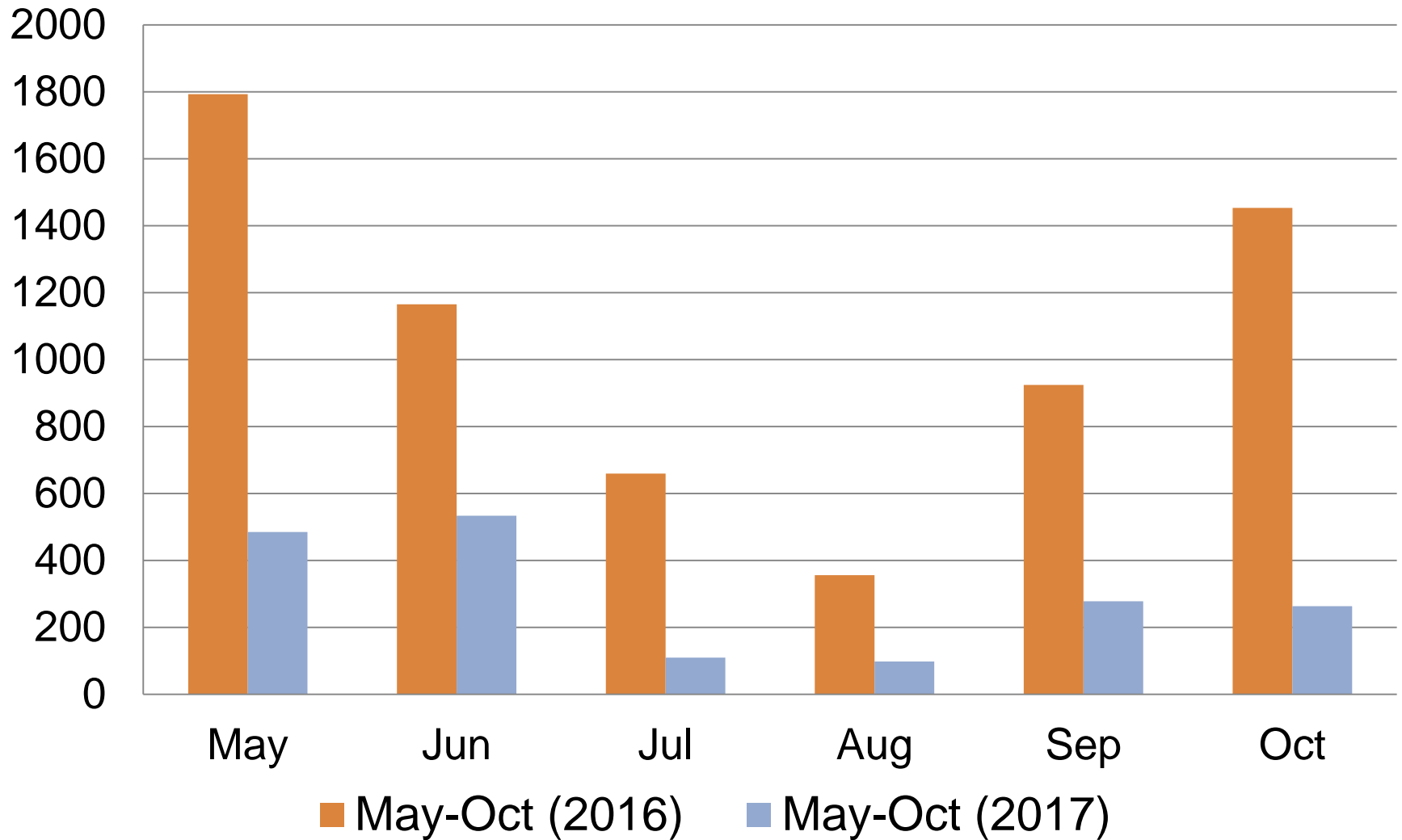


GTA Low-Rise Demand & Supply

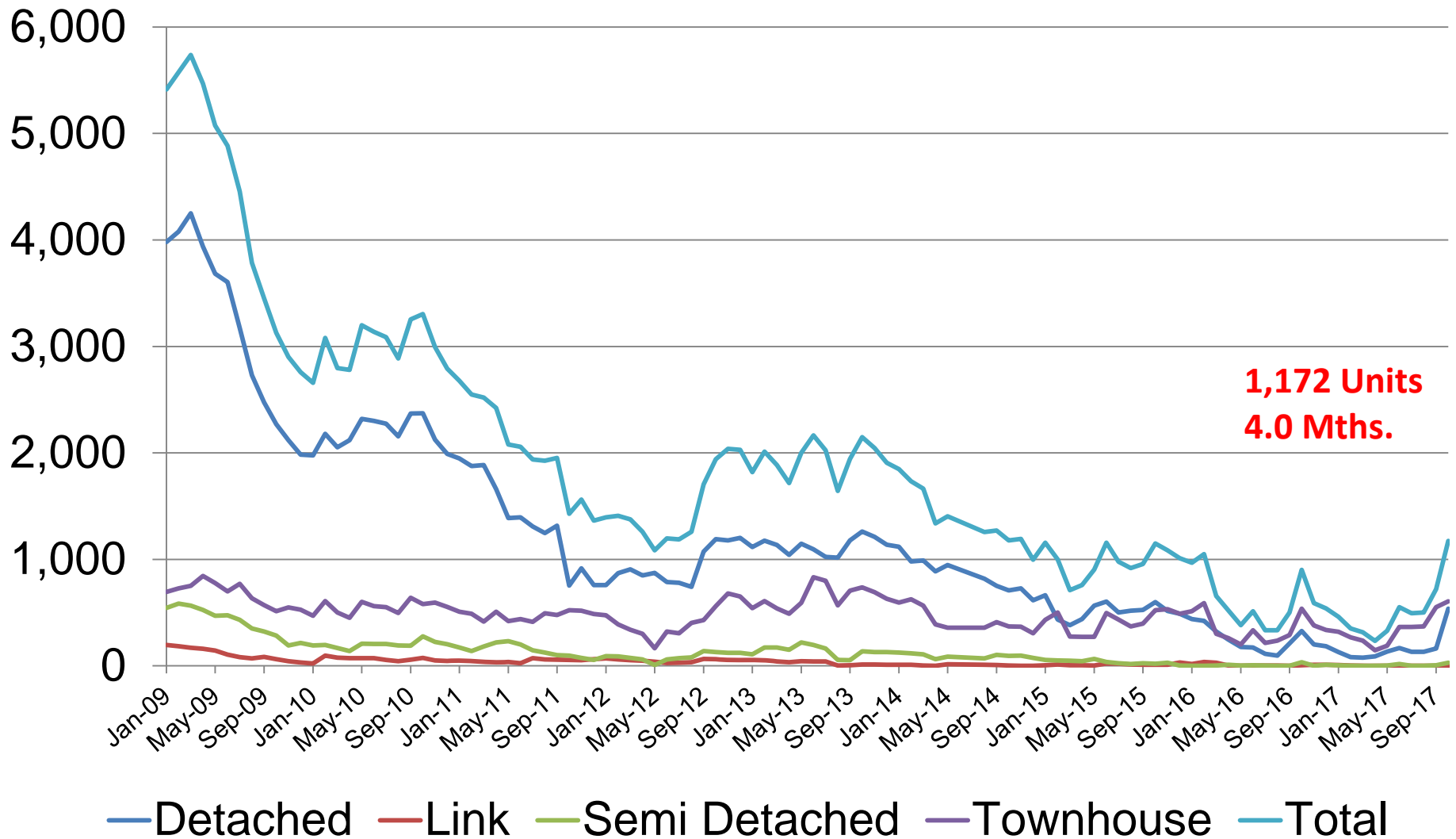


■ Annual New Sales ■ Annual New Supply ■ Remaining Inventory

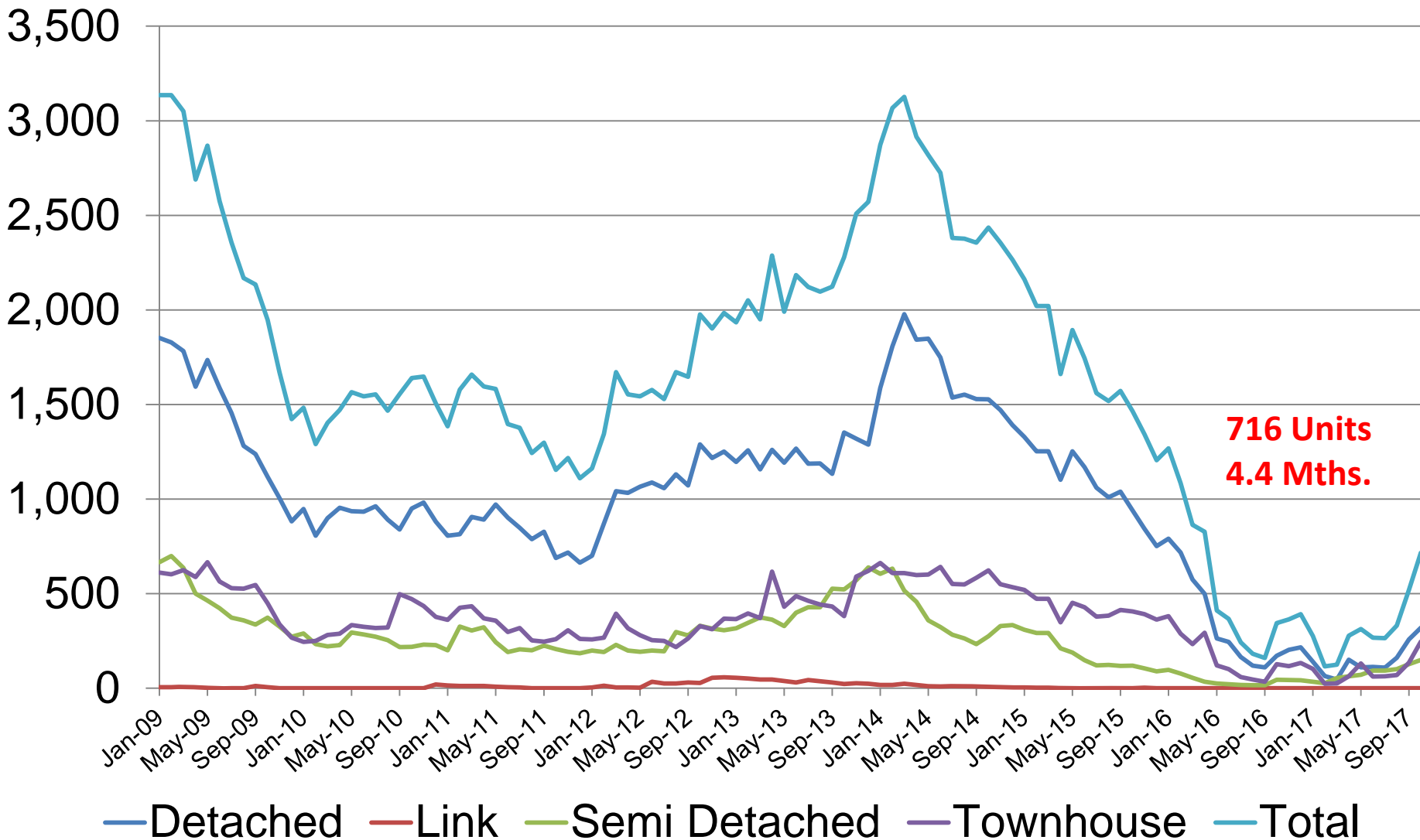
GTA Low-Rise Sales



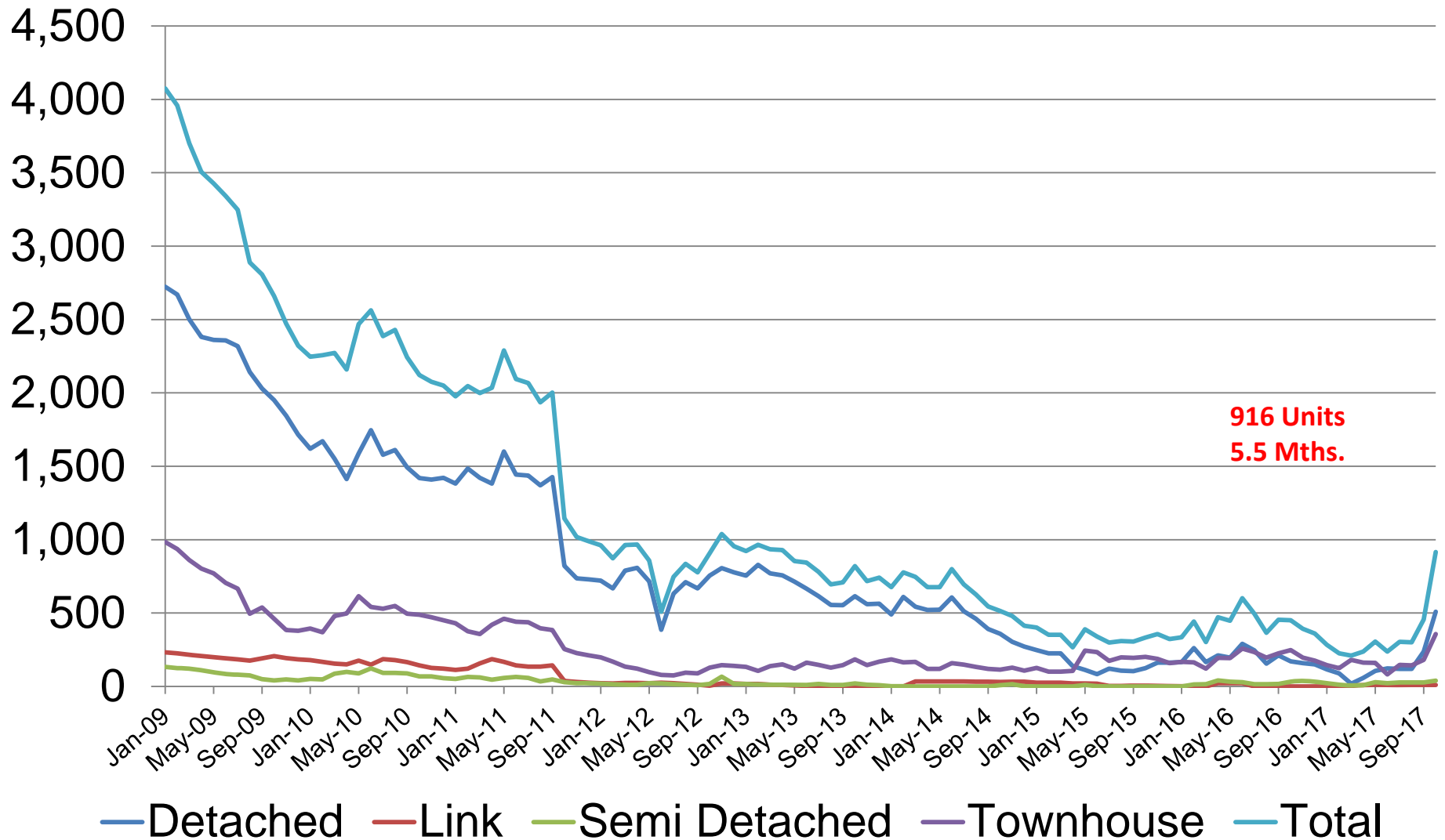
York Region Inventory



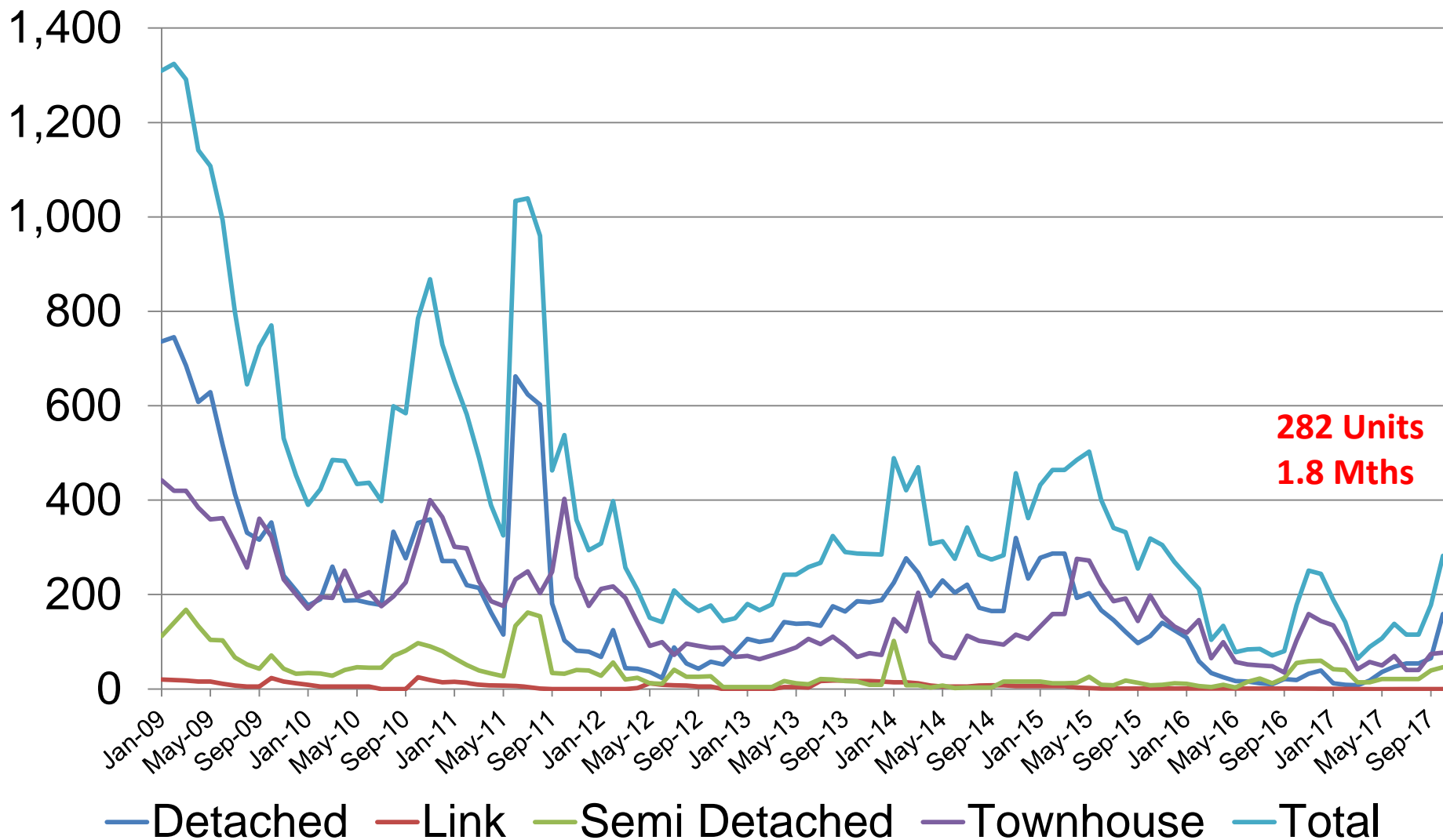
Peel Region Inventory



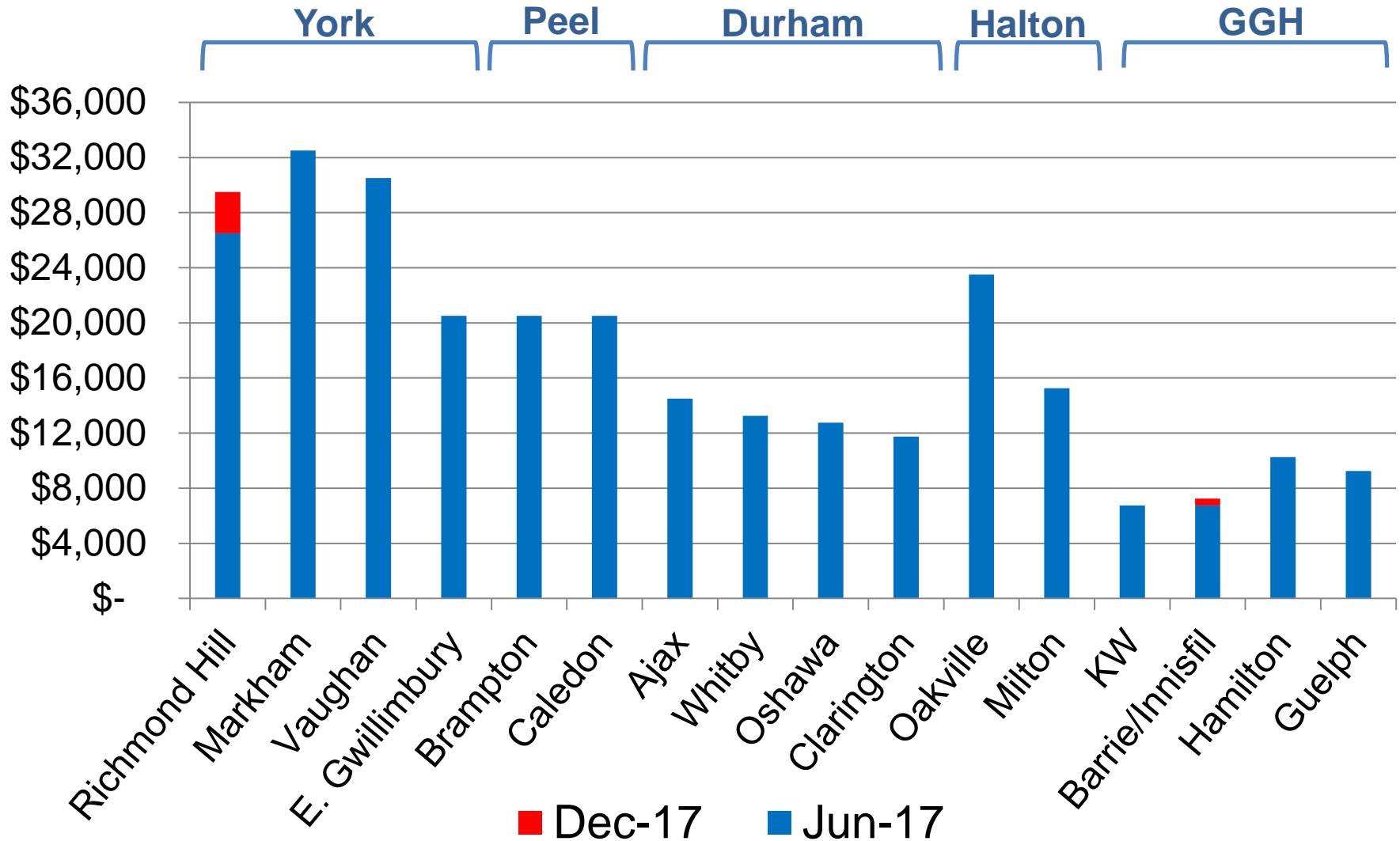
Durham Region Inventory



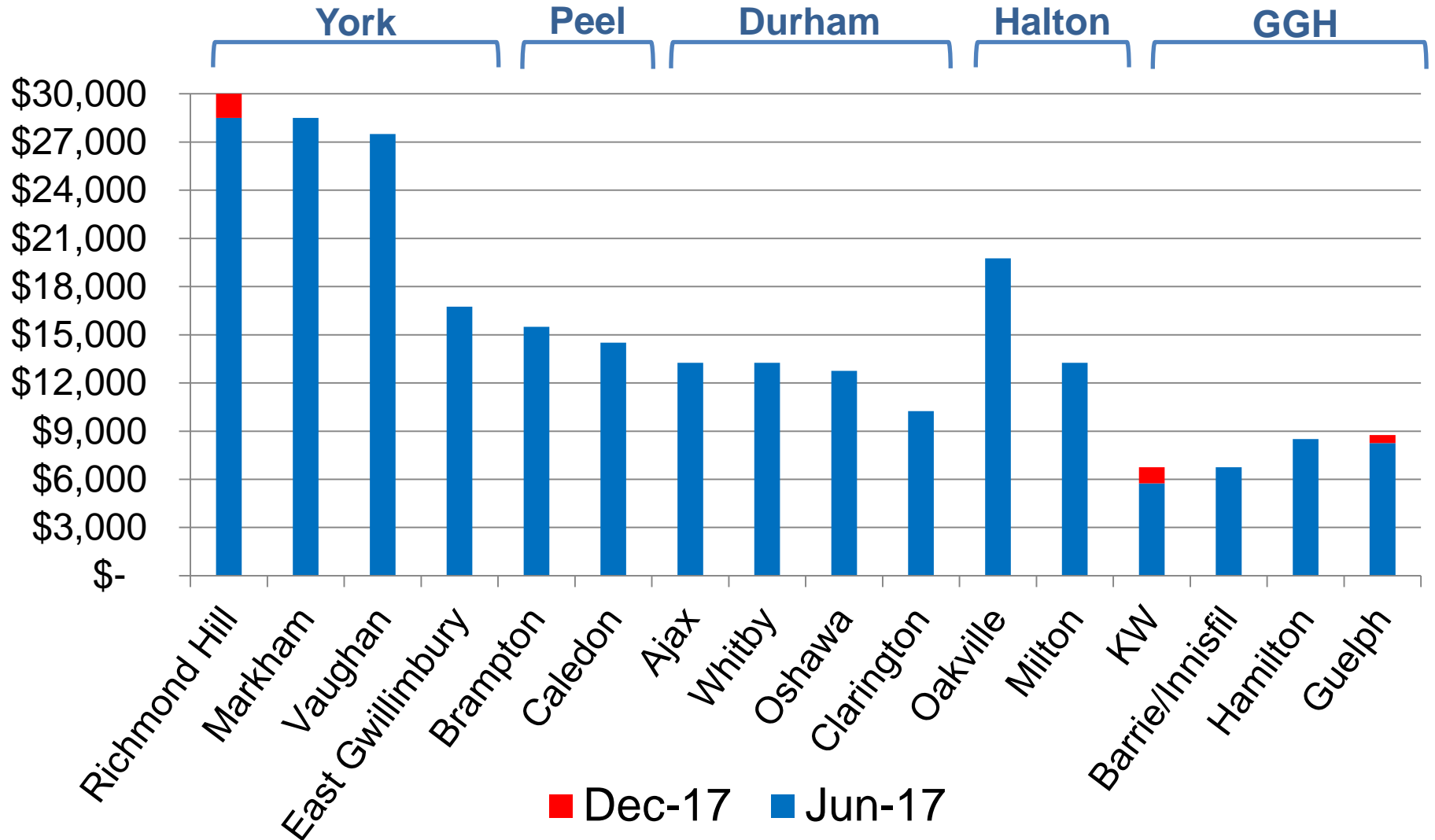
Halton Region Inventory



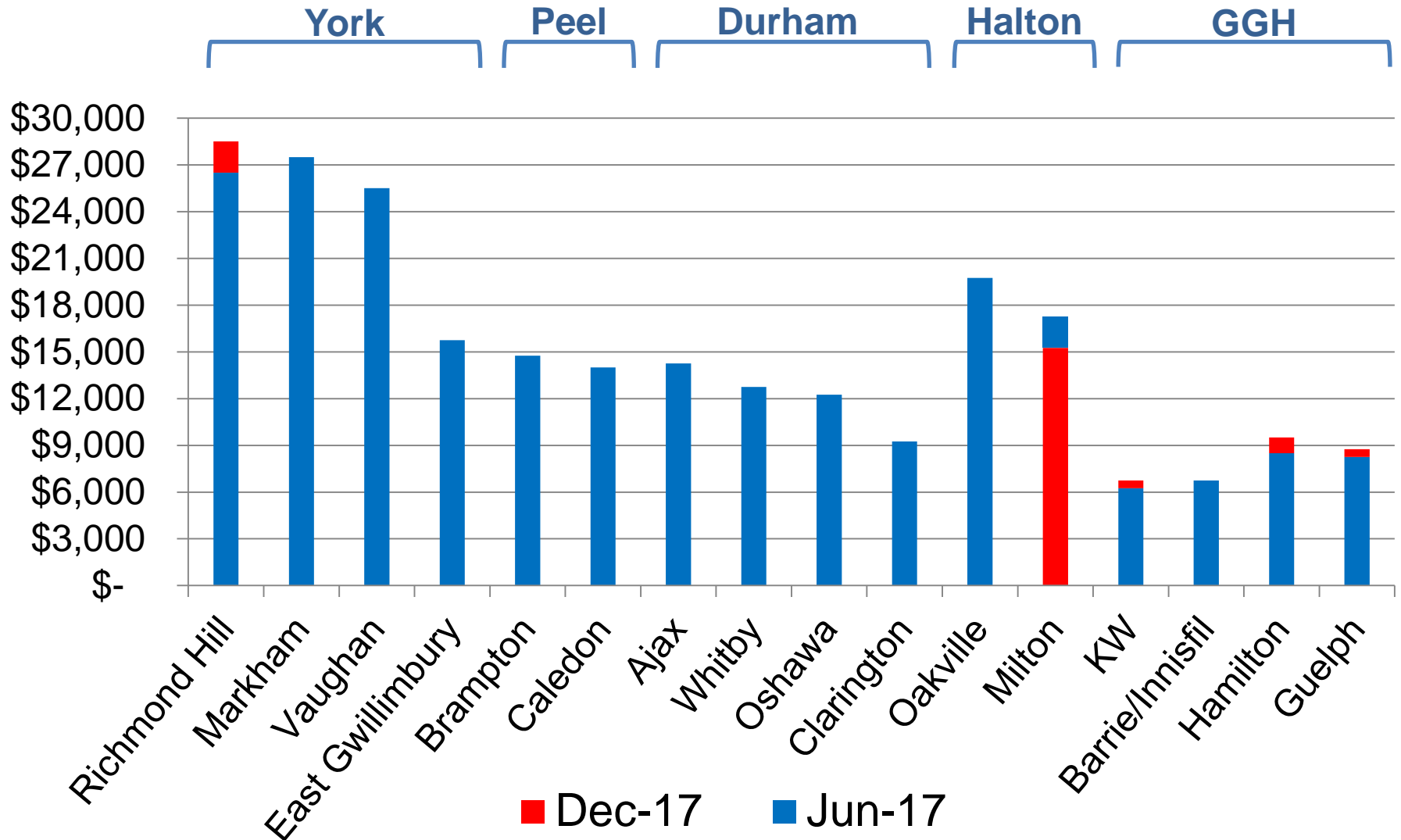
Townhouse Lot Values



30 F.F. – 36 F.F. Detached Lot Values

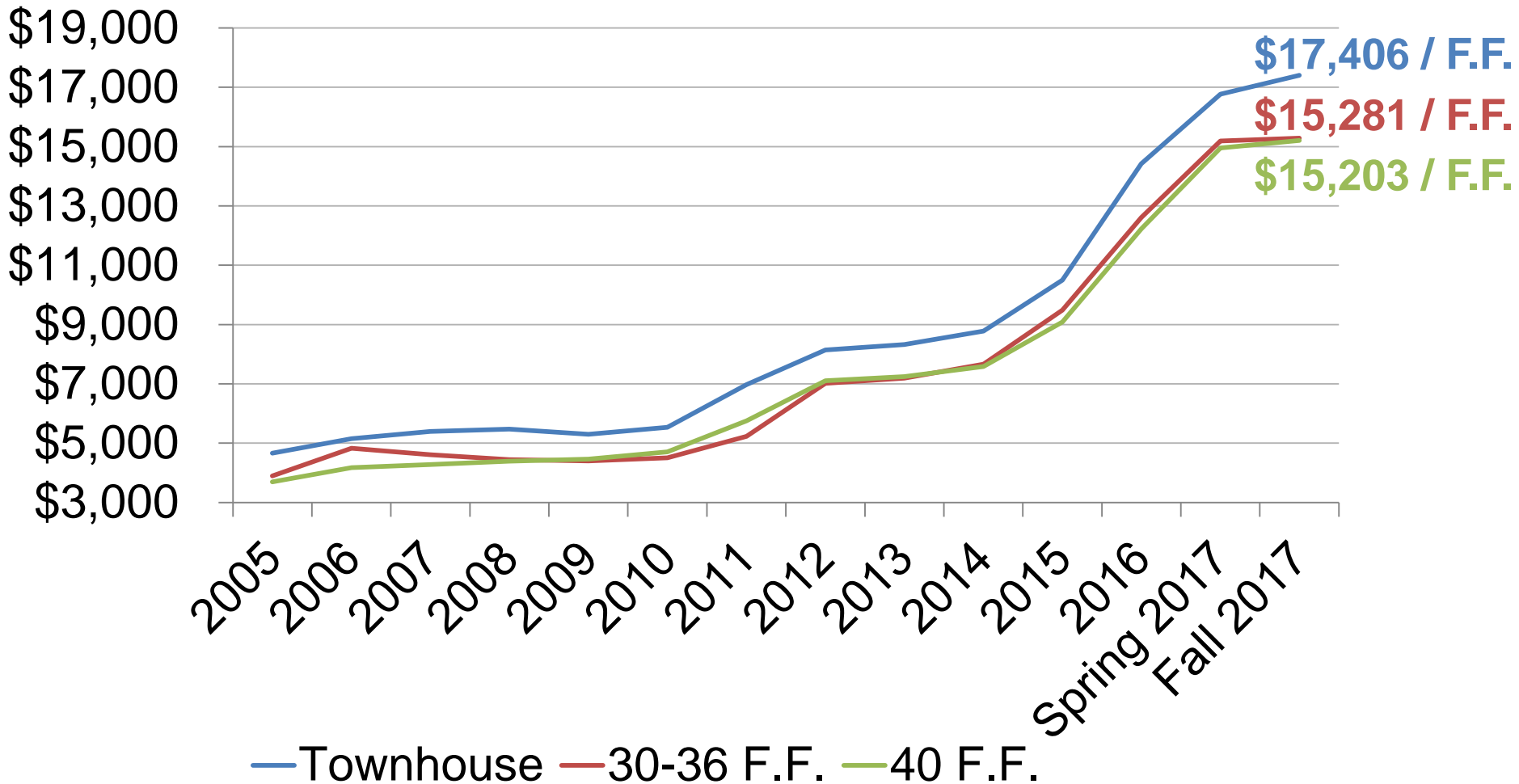


40 F.F. Detached Lot Values



GTA Average Serviced Lot Values

\$/FF



Lot Values

YORK REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
RICHMOND HILL	\$29,000 - \$30,000	\$30,000 - \$31,000	\$28,000 - \$29,000
MARKHAM	\$32,000 - \$33,000	\$28,000 - \$29,000	\$27,000 - \$28,000
VAUGHAN	\$30,000 - \$31,000	\$27,000 - \$28,000	\$25,000 - \$26,000
EAST GWILLIMBURY	\$20,000 - \$21,000	\$16,500 - \$17,000	\$15,500 - \$16,000

PEEL REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
BRAMPTON	\$20,000 - \$21,000	\$15,000 - \$16,000	\$14,500 - \$15,000
CALEDON	\$20,000 - \$21,000	\$14,000 - \$15,000	\$13,500 - \$14,500

DURHAM REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
AJAX	\$14,000 - \$15,000	\$13,000 - \$13,500	\$14,000 - \$14,500
WHITBY	\$13,000 - \$13,500	\$13,000 - \$13,500	\$12,500 - \$13,000
OSHAWA	\$12,500 - \$13,000	\$12,500 - \$13,000	\$12,000 - \$12,500
CLARINGTON	\$11,500 - \$12,000	\$10,000 - \$10,500	\$9,000 - \$9,500

HALTON REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
OAKVILLE	\$23,000 - \$24,000	\$19,500 - \$20,000	\$19,500 - \$20,000
MILTON	\$15,000 - \$15,500	\$13,000 - \$13,500	\$15,000 - \$15,500

OUTSIDE GTA

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



MCAP

**Thank you for
attending!**