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

Fall 2019

Wednesday, December 9, 2019

MCAP

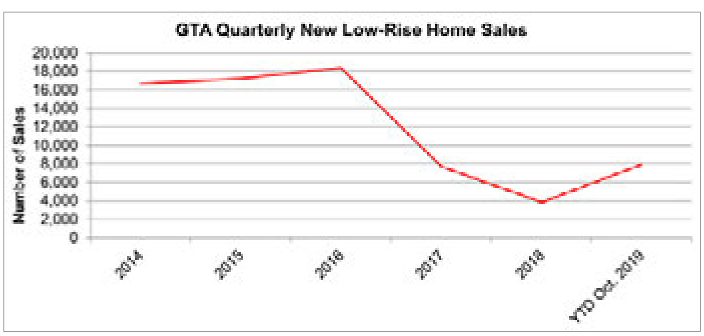
Q3 GTA LOW-RISE MARKET OVERVIEW

HIGHLIGHTS

- MCAP forecasts low-rise sales to reach +/- 10,000 units by year-end. This represents a substantial increase over the 2018 sales of 3,831 units. The increase in sales is largely attributed to builders launching, or re-launching "right priced" product. It is expected that project launches will increase in 2020, given the passing of Bill 108 in June. As such, MCAP is forecasting sales volume of +/- 12,000 units for 2020.
- Overall increase in sales volume is largely attributed to increased absorption in Whitby, Milton, Oakville, Brampton and Vaughan. Large scale production builders in these markets hit the reset button on price points by launching, or re-launching, projects at achievable price points. Given that price points have stabilized over the past 12 months, there has been very little change in lot values since our last report in June 2019.
- The supply of lots has declined from +/- 17 months to +/- 8 months over the past 12 months. As such, we expect to see a moderate increase in lot values for 2020.

NEW HOME SALES

2019 has proven to be a year of positive transition with sales year-to-date as at October totalling 7,897 units, which compares very favourably to the 3,211 sales in 2018 for the same period. 2019 year-to-date sales are the highest achieved since 2016 but substantially down from the record high of 17,117 units in 2015. Of the 518 new units released in October 2019, 42% were absorbed, which is an increase in the absorption rate of new unit launches achieved in October 2018 (38%) and October 2017 (32%). Given the sales year-to-date, MCAP is projecting 2019 annual sales of +/- 10,000 units. This projection is still off the 10-year annual average of 14,302 units but, if achieved, would represent a substantial increase over 2018 (3,831) and 2017 (7,714).



(Sources: RealNet)

Most sales have been localized to select markets and projects where larger production type builders have product and launched at well positioned price points. Sales traction has been strongest in Whitby, Milton, Oakville, Brampton and Vaughan. These 5 markets generated 58% of total sales in the GTA over the last 12 months. Except for Milton and Brampton, there is satisfactory inventory in the remaining 3 markets to support sales velocity trending positively for the balance of the year and into 2020.

Much of the sales to date in 2019 have been generated by large scale production builders. Specifically, Mattamy Homes represents 17% of total sales to date. When combined with sales achieved by Great Gulf Homes and Treasure Hill Homes, these three builders represent a 30% market share.

These builders established price points that moved product in their respective housing markets. As such, other builders with product in these markets have launched, or re-launched, at comparable price points with success. Moderate price appreciation is expected in these markets over the balance of 2019 and 2020.

As homes sold at the peak of the market continue to close, projects have re-launched remaining product, or launched the next phase of a project, at lower price points. Since the peak of the market in July 2017, all markets have experienced some level of price depreciation in the range of 10% - 25%. However, given the pent-up demand from historically low sales in 2018 along with stable mortgage rates and exceptionally high population growth in Ontario (248,002 people over the past 12 months versus the average from 2006 – 2016 of 95,000 people per year), price points are expected to moderately appreciate by +/- 5% in 2020.

MCAP

Q3 GTA LOW-RISE MARKET OVERVIEW

Builder	Project	Municipality	Detached	Towns	Semis	YTD Sales
Mattamy Homes	Bower Towns	Oakville	0	49	0	49
Mattamy Homes	East Preserve	Oakville	156	67	0	223
Mattamy Homes	Hawthorne South	Milton	170	349	0	519
Mattamy Homes	Kleinburg Summit	Vaughan	70	17	0	87
Mattamy Homes	Mount Pleasant North	Brampton	190	110	0	300
Mattamy Homes	Park Place on Patricia	Norh York	1	0	0	1
Mattamy Homes	Parkside Towns	North York	0	8	0	8
Mattamy Homes	Preserve	Oakville	67	2	0	69
Mattamy Homes	Queen's Common	Whity	6	62	0	68
			660	**664**	**0**	**1,324**
Great Gulf	Arbor Peaks	Milton	25	91	7	123
Great Gulf	Hillsborough	East Gwillimbury	48	0	4	52
Great Gulf	Sharon Village	East Gwillimbury	16	0	0	16
Great Gulf	Westfield	Brampton	95	0	60	155
Great Gulf	Whitby Meadows	Whitby	129	20	20	169
			313	**111**	**91**	**515**
Treasure Hill	Adena Views	Aurora	117	0	0	117
Treasure Hill	Georgina Heights	Georgina	64	0	0	64
Treasure Hill	Kingsview Ridge	Oshawa	18	0	0	18
Treasure Hill	Oakes	Oakville	63	0	0	63
Treasure Hill	Orchard East	Clarington	33	0	0	33
Treasure Hill	Orchard East	Clarington	3	0	0	3
Treasure Hill	Trendi Towns	Markham	0	62	0	62
Treasure Hill	Canyon Hill	Richmond Hill	0	129	0	129
			298	**191**	**0**	**489**
Total			**1,271**	**966**	**91**	**2,328**

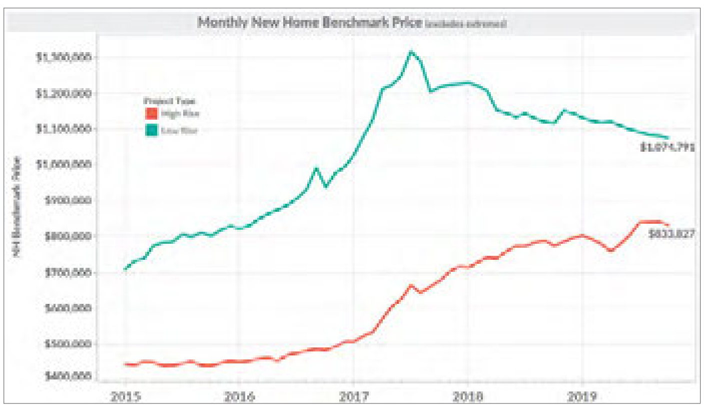
(Sources: RealNet)

MCAP

Q3 GTA LOW-RISE MARKET OVERVIEW

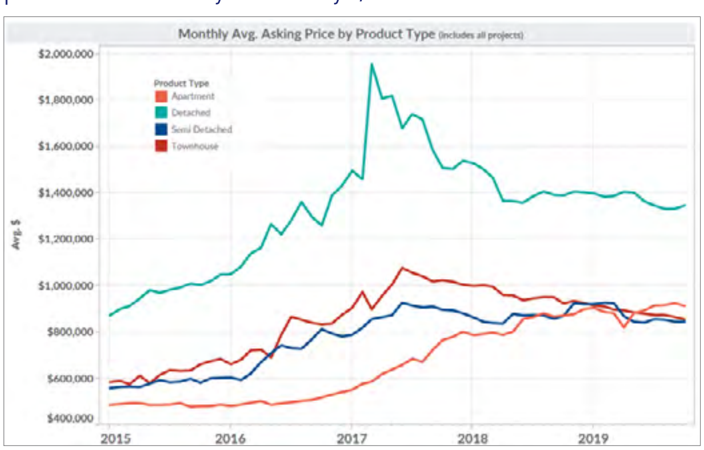
NEW HOMES SALE PRICES

The benchmark price point of a new low-rise home has stabilized at +/- $1.1 million since April 2018, which is down +/- 16% from its peak in July 2017 at just over $1.3 million but remains 11% above December 2016. As such, low rise homes purchased in 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 at the peak have been closing throughout 2019 and will continue through early 2020. Based on our experience within the MCAP portfolio and conversations with industry experts, some isolated projects have encountered higher than normal closing issues, but the situation has not been widespread.



(Sources: RealNet)

The average asking price for detached homes have remained relatively flat since early 2018 to mid 2019 at +/-$1.4 million with a nominal year-to-date decrease of +/- 3% as at October, 2019. This is down +/-28% from the mid-2017 peak of +/- $1.9 million. The average asking price for townhouse product has consistently declined from a peak of +/-$1.1 million in mid-2017 to +/- $825,000 as at October 2019. Since the start of the year, the average asking price for semi-detached product has declined from +/- $950,000 to +/-$825,000 but represents a very small segment of the market. It is expected that average asking prices will moderately increase by +/- 5% in 2020.

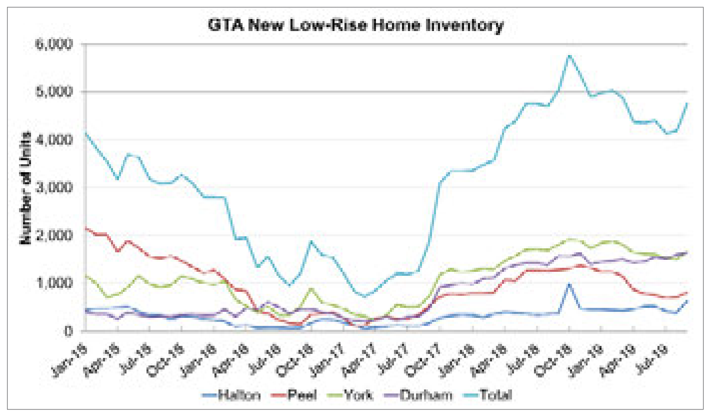


(Sources: RealNet)

NEW HOME INVENTORY

As at October 2019, low-rise inventory stood at 5,395 lots, which is nominally higher than the 5,214 units at October 2018. Given the increase in sales volume year-to-date, the current inventory represents a +/- 8-month supply compared to a +/- 17-month supply as at October 2018.

Compositionally, 53% of the lots are detached, 38% are townhouse and 9% are semi-detached/linked. York Region currently has a supply of 1,902 lots (+/- 10-month supply), Durham has 1,731 lots (+/- 13-month supply), Halton has 765 lots (+/- 5-month supply) and Peel has 729 lots (+/- 4-month supply).



(Sources: RealNet)

There has been a substantial decline in low-rise housing starts since 2017 when starts totalled 17,671 units. Housing starts declined to 10,409 units in 2018 and for 2019, as at October, there were 6,437 starts. Needless to say, affordability of low-rising housing has negatively impacted starts. However, regulatory changes have also contributed to the decline in starts. Specifically, the uncertainties associated with the elimination of the OMB and the establishment of the LPAT in April 2018 caused some builders to take a "wait and see" approach rather than submit applications only to be rejected or not receive the desired density for their projects. The passing of Bill 108 in June 2019 is expected to help address these issues. As a result, this will continue to have ongoing implications to new low-rise housing supply in the near term. It is anticipated that there will be declining inventory over the next 12 months due to the lack of starts year-to-date.

MCAP

LOT VALUES

For the Period Ending December 9, 2019

YORK REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
RICHMOND HILL	$23,000 - $25,000	$23,000 - $25,000	$23,000 - $25,000
MARKHAM	$29,000 - $31,000	$23,000 - $25,000	$23,000 - $25,000
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	$15,000 - $16,000	$12,000 - $14,000	$11,000 - $13,000
CALEDON	$13,000 - $14,000	$12,000 - $14,000	$11,000 - $13,000

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	$9,000 - $10,000	$8,000 - $9,000	$8,000 - $9,000
CLARINGTON	$7,000 - $9,000	$7,000 - $9,000	$7,000 - $9,000

HALTON REGION

PRODUCT TYPE	TOWNHOUSE	30 F.F. to 36 F.F.	40 F.F.
OAKVILLE	$18,000 - $20,000	$18,000 - $20,000	$18,000 - $20,000
MILTON	$12,000 - $14,000	$11,000 - $12,000	$11,000 - $12,000

OUTSIDE GTA

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

** Values include all levies*

Q3 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

MCAP

HIGHLIGHTS

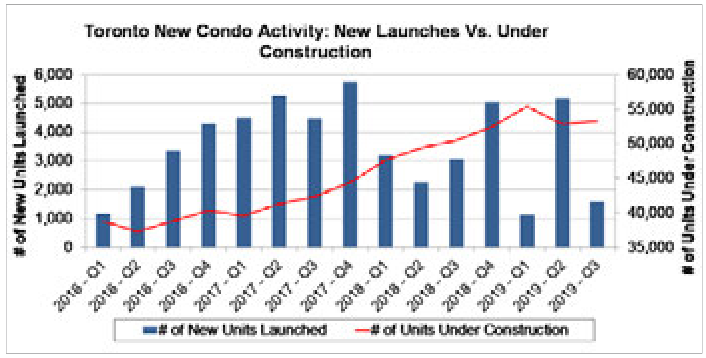
- Supply and demand continue to be the most influential forces affecting new condominium (condo) apartment prices in the former City of Toronto
- The average sold price of a newly launched condo apartment in Toronto increased 16% year-over-year to $1,103 psf. (TTM)
- Project launches in Q3 that MCAP is financing in Toronto are now at +/-$1,300 psf.
- The number of new projects launched in 2019 are down from 2017 and 2018
- Toronto reached a record high number of projects and units under construction in 2019
- 14,149 new condo unit and new purpose-built rental apartment unit completions are estimated by year-end 2019
- New supply of housing, whether condo apartments or purpose-built rental, continues to be insufficient in satisfying demand in 2019
- Investor support for preconstruction product remains strong pushing price points up
- Demand is mostly driven by population growth, public sentiment about house ownership, policy changes and investment returns

Supply and demand continue to be the primary factors affecting the former City of Toronto (Toronto) high-rise condo apartment market. Lack of supply and consistent demand for new product, have pushed prices up 16% year-over-year. As at the end of Q3 2019, the trailing 12-month (TTM) average price of newly launched and sold condominium product was $1,114 per square foot (psf.). However, well located new launches occurring today in Toronto, that MCAP is financing, are selling at +/-$1,300 psf. At these price points, the affordability of preconstruction product continues to be a problem for owner occupied purchasers and first-time homebuyers. Demand for preconstruction condo product continues to be fueled by investors seeking capital gains and the consistent cashflow that a +/-1% vacancy rate and increasing rents can provide. End-users looking for lower costs and quicker closing timelines, can typically find both in the resale market where prices have reached +/- $800 psf. (TTM).

(Source: Urbanation)

NEW PROJECT LAUNCHES

27 projects launched as at the end of Q3 2019 compared to 31 projects at the end of Q3 2018 and 42 projects at the end of Q3 2017. The 27 project launches accounted for only 7,910 new apartment units year-to-date; down from 8,520 units for the same period in 2018 and represents just over half the 14,246 units launched by this time in 2017.



(Source: Urbanation)

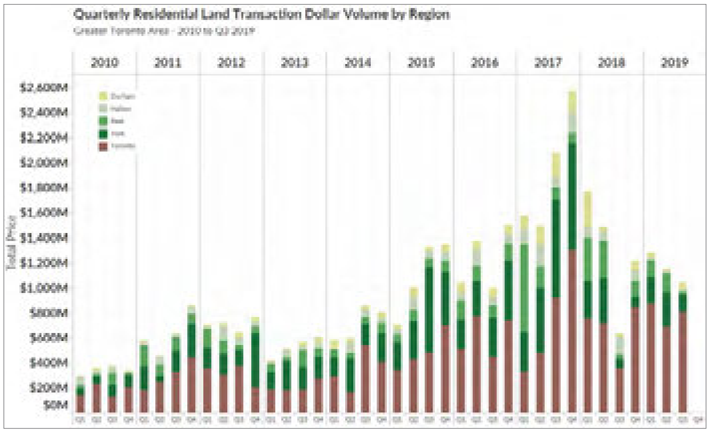
The primary reason why the number of year-to-date launches are down, relates to the number of projects currently under construction in Toronto. 2019 has set a record for the number of projects and the number of units under construction at any given time. Specifically, there are 172 projects currently under construction representing 53,233 units. This is down slightly from the record high achieved in Q2 2019 of 175 projects and 55,410 units. Given the number of projects currently under construction, many builders are likely at their peak production capacity. Moving projects from the sales phase to the construction phase has also been challenging as securing trades has become difficult.

Given the level of construction being undertaken in Toronto, condominium apartment completions are expected to double to 20,933 in 2020, 23,513 completions in 2021 and 20,612 in 2022. Toronto has never successfully delivered more than 16,000 units in any given year and it remains to be seen if these ambitious completion schedules can be met.

New project launches going forward could be further suppressed over the next 1 – 2 years as the uncertainty the new LPAT format created regarding approval timelines and density expectations curbed land transactions in mid-2018. Q3 2018 was the third lowest quarter for land transactions in Toronto on record between Q3 2014 and Q3 2019. The decline in land transactions in mid-2018 will likely reduce the number of projects ready for launch up to 2 years from now, assuming a 3-year approval timeline.

Q3 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

MCAP



(Source: Altus Q3 2019 GTA Residential Land Report)

Forecasted completions for 2019 remain in-line with the 10-year average of 10,592 units with a total of 11,149 units expected to receive occupancy certificates. As stated earlier, completions are expected to increase to 20,933 units in 2020, 23,513 units in 2021 and 20,612 units in 2022. Given the difficulties builders are having securing trades for new construction projects, MCAP believes that some forecasted occupancies scheduled for 2020 will be pushed into 2021 and some forecasted occupancies for 2021 will be pushed into 2022 and so on. However, the current level of construction and the forecasted number of completions over the next three years is what is required of the development community to increase supply and meet Toronto's demand for new housing.

Notwithstanding the hype in Toronto surrounding purpose-built rental construction projects, only 2,871 units have received occupancy certificates year-to-date in 2019; with 3,298 occupancies forecasted for 2020 and 2,876 occupancies forecasted for 2021. These numbers have greatly increased over prior years with more incentives provided by the government and CMHC, however, they currently fall short of satisfying demand.

Excluding other peripheral forms of new supply, namely newly created basement units, laneway housing, duplex and triplex apartments, Toronto is forecasted to deliver 11,149 new condominium apartment units and +/- 3,000 purpose-built rental apartment units in 2019. These estimated 14,149 new apartment units will fall short of satisfying demand. The forecasted 2020 and 2021 apartment occupancies (condo and purpose built rental) of 24,231 and 23,488 respectively, if achieved, will come very close to satisfying new annual demand based on Toronto's population growth expectations by the Government of Ontario.

In order to meet demand, significant and immediate policy changes that impact the supply side of the equation, versus curbing demand and purchaser sentiment, are necessary. Policy changes that increase densities, reduce nimbyism and approval timelines should be a priority for rental housing developments, new condominium developments and developments with an affordable housing component.

SUPPLY

New condominium apartment inventory remains exceptionally low with only 9,160 units unsold in Toronto. This accounts for all unsold units in preconstruction projects, projects under construction and post construction projects (standing inventory). Although the total number of unsold units is up 19% year-over-year, the percentage of unsold units in all active projects remains unchanged at +/-10%. Furthermore, 3,763 (41%) of the unsold units are in projects that are currently under construction and likely represent units not available for sale to the public, given these builders have met their financing requirements and will likely hold the units until occupancy or registration to maximize returns. Preconstruction sales remain relatively stable at 75% of units sold to date, compared to 76% last year, while standing inventory dropped 26% year-over-year to an insignificant 99 units in the former City of Toronto.

Toronto Condominium Apartment Sold Vs. Unsold Inventory

	Registered			Under Construction			Pre-Construction			All Active		
	Sold	% Sold	Unsold	Sold	% Sold	Unsold	Sold	% Sold	Unsold	Sold	% Sold	Unsold
Q1-3 2019	7,413	99%	99	49,470	93%	3,763	16,268	75%	5,298	73,151	89%	9,160
Q1-3 2018	7,249	98%	134	48,817	95%	2,340	17,017	76%	5,235	73,083	90%	7,709

(Source: Urbanation)

Q3 TORONTO HIGH-RISE CONDOMINIUM MARKET OVERVIEW

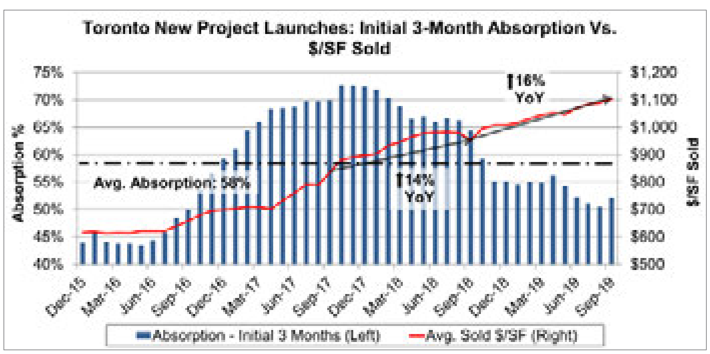
MCAP

DEMAND

Most demand for new condominium apartment product is determined by investor support for preconstruction product and demand for completed units required to satisfy population growth.

Preconstruction launches in Toronto are largely absorbed by investors seeking capital gains on their deposits and expected positive cashflow upon completion of the units. Given the long construction timelines for large scale developments, owner-occupied purchasers typically cannot predict their future housing needs 3 to 5 years out and seek more immediate closing dates via the resale market.

MCAP has tracked the percentage of units absorbed within the first 3 months of a new project launch since 2016 as an indicator of investor appetite for preconstruction product. We have seen 3-month absorption rates sky rocket from sub 45% to over 70% in late 2017 and back down to 52% where they sit today (TTM). However, many builders hold back 30%-40% of the units at initial launch to maximize the profitability of the project by letting the project benefit from price appreciation during construction. Once a builder meets their financing requirement, they typically stop selling units. Accordingly, the actual absorption rate in the first 3 months of launch is likely closer to 75% - 90% of the number of units released to market. This implies strong investor appetite for preconstruction product. This investor interest in preconstruction product has pushed preconstruction values up 16% year-over-year (TTM).



(Source: Urbanation)

Investor demand remains strong because the vacancy rate remains low, returns on investment remain satisfactory and residential real estate is commonly viewed as a low risk proposition in Canada. On the periphery, global demand for Toronto product, immigration/population growth and capital exportation to Canada also continues to be high.

Notwithstanding the articles denouncing condominium investments as cashflow negative, condominium rentals continue to be a strong investment vehicle for knowledgeable investors, given resale condo values continue to rise, rents increased 7% year-over-year, and a +/-1% vacancy rate.

MCAP has provided in the Appendix to this report various condo rental scenarios that best represent how investors view new condo apartment investments in Toronto. The scenarios include a preconstruction purchase, which is sold on registration, a preconstruction purchase which is held by the purchaser for 2 years post registration in order to qualify for capital gains tax exemption, and a preconstruction purchase held post registration for the first 5-year term of a mortgage. Both scenarios that assume units are held post-closing, include a levered option (80% loan to value mortgage) and an unlevered option (closing with 100% cash). All assumptions in the analysis are detailed in the Appendix, however; key assumptions are a $1,300 psf. purchase price on a 600sf. unit, annual value appreciation of 4%, $4 psf. rent, and a 4% 5-year fixed mortgage rate. Based on those assumptions, investor pretax IRR's range from 7.9% to 17.8% as detailed below:

Condominium Apartment Investor Returns

	Sell On Closing	Hold & Rent For 2 Yrs.	Hold & Rent For 5 Yrs.
Holding Period (Yrs.)	5	7	10
Unlevered IRR	NA	9.7%	7.9%
Levered IRR	17.8%	15.5%	13.0%

(Source: MCAP)

Based on a 2019 report by the Ontario Ministry of Finance, Ontario's population grew by 248,002 people over the past 12 months. This compares to the 2006 to 2016 Ontario average population growth of 95,000 people per year. The Ministry of Finance is also forecasting the Toronto population to grow by 46,785 people per year between 2018 and 2046 adding 1,310,000 people to the Toronto population by 2046. Based on MCAP estimates, 22,000 – 25,000 completions are required per year to satisfy the Ontario Government's growth projections. However, with the vacancy rate at +/-1%, Toronto is already working from a supply deficit that would require completions beyond the above stated figures to catch up. Based on the 14,149 estimated apartment completions (purpose-built rental and condominium) expected for 2019, Toronto will fall short of satisfying demand this year. The level of construction currently being undertaken in the City and the 2020 – 2022 forecasted completions, are steps in the right direction. However, delivery of the units will be challenging. In addition, given the current level of new project launches, 2020 – 2022 completions could be a short-term anomaly.

RENTAL SCENARIO # 1
SALE OF UNIT ON CLOSING

MCAP

SELL ON CLOSING

	Signing	Pre-Construction		Construction		Closing
Year	0	1	2	3	4	5
Initial Deposit	$ (5,000)					
Remainder of 1st Deposit (up to 5% of Price)		$ (34,000)				
2nd Deposit (Add'l 5%)		$ (39,000)				
3rd Deposit (Add'l 5%)			$ (39,000)			
Occupancy Fees						$ (13,260)
Remainder of Purchase Price (85%)						$ (663,000)
EQUITY / CASH OUTFLOW (A)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (676,260)**
Aggregate Investment	*$ 5,000*	*$ 78,000*	*$ 117,000*	*$ 117,000*	*$ 117,000*	*$ 793,260*
Unit Value (Compounded Appreciation @ 4%/Yr.)	*$ 780,000*	*$ 811,200*	*$ 843,648*	*$ 877,394*	*$ 912,490*	*$ 948,989*
Unit Sale Price (USP)						$ 948,989
Less: Sales Commissions @ 6% of USP						$ (56,939)
NET UNIT SALE PROCEEDS (B)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 892,050**
CASH FLOW (A) + (B)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ 215,790**
IRR	**17.8%**					

MCAP

RENTAL SCENARIO # 2
7-YEAR HOLDING PERIOD

7-YEAR HOLD - ALL CASH

	Signing	Pre-Construction		Construction		Closing	Lease & Sell	
Year	0	1	2	3	4	5	6	7
Initial Deposit	$ (5,000)							
Remainder of 1st Deposit (up to 5% of Price)		$ (34,000)						
2nd Deposit (Add'l 5%)		$ (39,000)						
3rd Deposit (Add'l 5%)			$ (39,000)					
Occupancy Fees						$ (13,260)		
Final Deposit (Remaining 85% of Price)						$ (663,000)		
EQUITY / CASH OUTFLOW (A)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**(676,260)**	**-**	**-**
Aggregate Investment	*$ 5,000*	*$ 78,000*	*$ 117,000*	*$ 117,000*	*$ 117,000*	*$ 793,260*	*$ 793,260*	*$ 793,260*
Rental Revenue							$ 36,441	$ 36,441
Less: Realty Taxes							$ (6,241)	$ (6,398)
Less: Insurance							$ (905)	$ (927)
Less: Maintenance Fees							$ (5,845)	$ (5,991)
NET OPERATING CASH FLOW (B)							**$ 23,450**	**$ 23,126**
Cap Rate							*3.0%*	*3.0%*
Unit Value (Compounded Appreciation @ 4%/Yr.)	*$ 780,000*	*$ 811,200*	*$ 843,648*	*$ 877,394*	*$ 912,490*	*$ 948,989*	*$ 986,949*	*$ 1,026,427*
Unit Sale Price (USP)								$ 1,026,427
Less: Sales Commissions @ 6% of USP								$ (61,586)
NET UNIT SALE PROCEEDS (C)								**$ 964,841**
CASH FLOW (A) + (B) + (C)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (676,260)**	**$ 23,450**	**$ 987,967**
UNLEVERED IRR	**9.7%**							

7-YEAR HOLD WITH MORTGAGE ON CLOSING

	Signing	Pre-Construction		Construction		Closing	Lease & Sell	
Year	0	1	2	3	4	5	6	7
Equity / Cash Outflow	$ (5,000)	$ (73,000)	$ (39,000)	$ -	$ -	$ (676,260)	$ -	$ -
Add: Mortgage Proceeds @ 80% of Price	$ -	$ -	$ -	$ -	$ -	$ 624,000	$ -	$ -
NET EQUITY / CASH OUTFLOW (A)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (52,260)**	**$ -**	**$ -**
Aggregate Investment	*$ 5,000*	*$ 78,000*	*$ 117,000*	*$ 117,000*	*$ 117,000*	*$ 169,260*	*$ 169,260*	*$ 169,260*
Net Operating Cash Flow							$ 23,450	$ 23,126
Less: Mortgage Principal Payments							$ (14,903)	$ (15,505)
Less: Mortgage Interest Payments							$ (24,485)	$ (23,883)
RENTAL CASH FLOW AFTER FINANCING (B)							**$ (15,938)**	**$ (16,263)**
Cash Flow to Equity							*-0.6%*	*-0.4%*
Net Unit Sale Proceeds								$ 964,841
Less: Outstanding Mortgage Balance								$ (593,592)
NET SALE PROCEEDS (C)								**$ 371,249**
CASH FLOW (A) + (B) + (C)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (52,260)**	**$ (15,938)**	**$ 354,986**
LEVERED IRR	**15.5%**							

MCAP

RENTAL SCENARIO # 3
10-YEAR HOLDING PERIOD

10-YEAR HOLD - ALL CASH

	Signing	Pre-Construction		Construction		Closing	Lease & Sell				
Year	0	1	2	3	4	5	6	7	8	9	10
Initial Deposit	$ (5,000)										
Remainder of 1st Deposit (up to 5% of Price)		$ (34,000)									
2nd Deposit (Add'l 5%)		$ (39,000)									
3rd Deposit (Add'l 5%)			$ (39,000)								
Occupancy Fees						$ (13,260)					
Final Deposit (Remaining 85% of Price)						$ (663,000)					
EQUITY / CASH OUTFLOW (A)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (676,260)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Aggregate Investment	*$ 5,000*	*$ 78,000*	*$ 117,000*	*$ 117,000*	*$117,000*	*$ 793,260*	*$ 793,260*	*$ 793,260*	*$ 793,260*	*$ 793,260*	*$ 793,260*
Rental Revenue							$ 36,441	$ 36,441	$ 36,441	$ 36,441	$ 36,441
Less: Realty Taxes							$ (6,241)	$ (6,398)	$ (6,557)	$ (6,721)	$ (6,889)
Less: Insurance							$ (905)	$ (927)	$ (950)	$ (974)	$ (998)
Less: Maintenance Fees							$ (5,845)	$ (5,991)	$ (6,141)	$ (6,294)	$ (6,452)
NET OPERATING CASH FLOW (B)							**$ 23,450**	**$ 23,126**	**$ 22,793**	**$ 22,451**	**$ 22,102**
Cap Rate							*3.0%*	*3.0%*	*2.9%*	*2.9%*	*2.8%*
Unit Value (Compounded Appreciation @ 4%/Yr.)	*$ 780,000*	*$ 811,200*	*$ 843,648*	*$ 877,394*	*$ 912,490*	*$ 948,989*	*$ 986,949*	*$ 1,026,427*	*$ 1,067,484*	*$ 1,110,183*	*$ 1,154,591*
Unit Sale Price (USP)											$ 1,154,591
Less: Sales Commissions @ 6% of USP											$ (69,275)
NET UNIT SALE PROCEEDS (C)											**$1,085,315**
CASH FLOW (A) + (B) + (C)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (676,260)**	**$ 23,450**	**$ 23,126**	**$ 22,793**	**$ 22,451**	**$ 1,107,417**
UNLEVERED IRR	**7.9%**										

MCAP

RENTAL SCENARIO # 3
10-YEAR HOLDING PERIOD

10-YEAR HOLD WITH MORTGAGE ON CLOSING

	Signing	Pre-Construction		Construction		Closing	Lease & Sell				
Year	0	1	2	3	4	5	6	7	8	9	10
Equity / Cash Outflow	$ (5,000)	$ (73,000)	$ (39,000)	$ -	$ -	$ (676,260)	$ -	$ -	$ -	$ -	$ -
Add: Mortgage Proceeds @ 80% of Price	$ -	$ -	$ -	$ -	$ -	$ 624,000	$ -	$ -	$ -	$ -	$ -
NET EQUITY / CASH OUTFLOW (A)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (52,260)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Aggregate Investment	*$ 5,000*	*$ 78,000*	*$ 117,000*	*$ 117,000*	*$ 117,000*	*$ 169,260*	*$ 169,260*	*$ 169,260*	*$ 169,260*	*$ 169,260*	*$ 169,260*
Net Operating Cash Flow							$ 23,450	$ 23,126	$ 22,793	$ 22,451	$ 22,102
Less: Mortgage Principal Payments							$ (14,903)	$ (15,505)	$ (16,131)	$ (16,783)	$ (17,461)
Less: Mortgage Interest Payments							$ (24,485)	$ (23,883)	$ (23,257)	$ (22,605)	$ (21,927)
RENTAL CASH FLOW AFTER FINANCING (B)							**$ (15,938)**	**$ (16,263)**	**$ (16,596)**	**$ (16,937)**	**$ (17,287)**
Cash Flow to Equity							*-0.6%*	*-0.4%*	*-0.2%*	*-0.1%*	*0.1%*
Net Unit Sale Proceeds											$1,085,315
Less: Outstanding Mortgage Balance											$ (543,216)
NET SALE PROCEEDS (C)											**$ 542,099**
CASH FLOW (A) + (B) + (C)	**$ (5,000)**	**$ (73,000)**	**$ (39,000)**	**$ -**	**$ -**	**$ (52,260)**	**$ (15,938)**	**$ (16,263)**	**$ (16,596)**	**$ (16,937)**	**$ 524,812**
LEVERED IRR	**13.0%**										

ASSUMPTIONS

1. Unit is assumed to have a size of 600 SF and is purchased at a rate of $1,300/SF, or $780,000.
2. Unit occupancy period is assumed to be a 6-month period.
3. Occupancy Fees are calculated as follows: Unpaid portion of the purchase price (85%) x 4% annualized interest rate for the 6 month occupancy period.
4. Sales Commissions are calculated at 6% of Unit Sale Price (USP), inclusive of closing costs.
5. The estimated rental rate for the unit at 'Year 0' is $4.00/SF/Mth. or $2,400/Mth. and is assumed to grow at a compounded rate of 4.0%/Yr. Accordingly, the 'Year 6' rental rate (the initial year that the unit is leased) is $5.06/SF. Furthermore, it is assumed that the rental rate to the tenant is not increased at any time during the remainder of the holding period and as such, we have not accounted for any vacancy in our analysis.
6. Realty Taxes are calculated at 0.69% of the unit purchase price in 'Year 0' and are assumed to grow at the rate of estimated inflation (2.50%) thereafter.
7. Insurance cost is calculated at 0.1% of the unit purchase price in 'Year 0' and is assumed to grow at the rate of estimated inflation thereafter.
8. Maintenance Fees are calcualted at $0.70/SF/Mth. in 'Year 0' and is assumed to grow at the rate of estimated inflation thereafter.
9. Mortgage Payments are calculated using an estimated 'Year 6' interest rate of 4.0% and a 25-Yr. amortization period.

MCAP

HIGH-RISE CONDOMINIUM LAND VALUES

For the Period Ending December 9, 2019

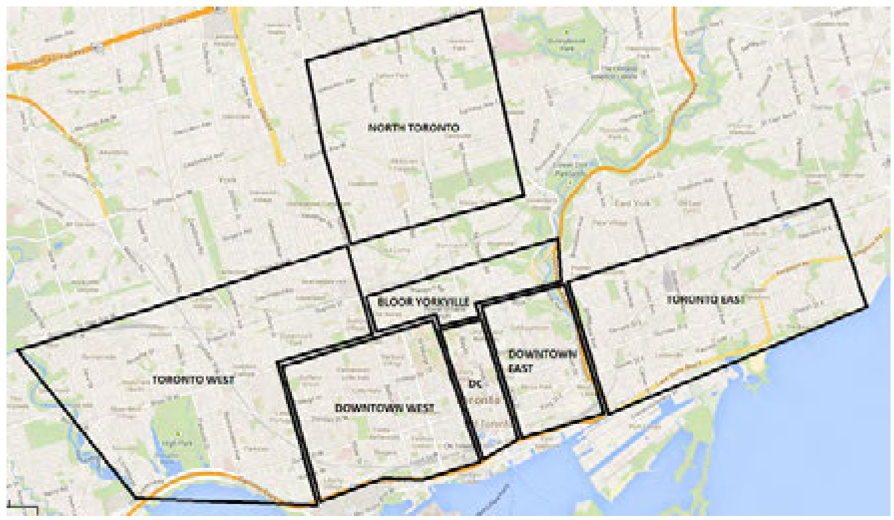
SUB-MARKET	LOW $ / SF	HIGH $ / SF	MARKET VALUE $ / SF
DOWNTOWN WEST	$150	$215	$165 - $175
DOWNTOWN EAST	$120	$210	$150 - $160
DOWNTOWN CORE	$225	$330	$265 - $275
TORONTO WEST	$80	$150	$95 - $105
TORONTO EAST	$60	$165	$105 - $115
BLOOR-YORKVILLE	$330	$430	$350 - $395
NORTH TORONTO	$170	$305	$190 - $220
NORTH YONGE CORRIDOR	$80	$165	$110 - $140
HWY 7 / YONGE CORRIDOR	$45	$65	$60 - $65
VAUGHAN	$45	$80	$55 - $70

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

MCAP

SUBMARKET DELINEATION

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



MCAP

2019 LOW-RISE & HIGH-RISE LOANS

December 9, 2019

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 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.

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

HIGH-RISE CONSTRUCTION LOAN 234 CONDOMINIUM UNITS, TORONTO **$88,800,000**	**HIGH-RISE CONSTRUCTION LOAN** 234 CONDOMINIUM UNITS, SCARBOROUGH **$65,025,000**	**LAND LOAN & MEZZANINE LOAN** HIGH-RISE LAND TO YIELD 297 CONDOMINIUM UNITS, TORONTO **$22,500,000**
MID-RISE LAND LOAN LAND TO YIELD 352 UNITS, MARKHAM **$17,550,000**	**HIGH-RISE MEZZANINE LOAN** 122 CONDOMINIUM UNITS, TORONTO **$3,400,000**	**MID-RISE LAND LOAN** 2 ACRES TO YIELD 203 UNITS, MARKHAM **$6,000,000**
LOW-RISE INVENTORY LOAN 16 LOW-RISE UNITS, RICHMOND HILL **$6,000,000**	**LAND LOAN** 2.4 ACRE FUTURE, DEVELOPMENT SITE, MISSISSAUGA **$3,500,000**	**LAND LOAN & MEZZANINE LOAN** LAND TO YIELD 100 STACKED TOWNHOUSE UNITS, BRAMPTON **$6,000,000**
HIGH-RISE LAND LOAN FUTURE HOTEL SITE, TORONTO **$4,200,000**	**LOW-RISE DEVELOPMENT & CONSTRUCTION LOAN** 20 DETACHED LOTS, KLEINBURG **$14,950,000**	**LOW-RISE LAND LOAN** LAND TO YIELD 72 LOTS, COBOURG **$4,211,880**

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