

GTA HIGH RISE Land Insights Report



Report Sponsor



BULLPEN
Research & Consulting

BATORY
Management

Q2-2018

Published July 25th, 2018



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Introduction

Bullpen Research & Consulting Inc., a residential real estate advisory firm, and Batory Management, a land-use planning and project management firm, have teamed up to review and provide projections on Greater Toronto Area (GTA) high-density land transactions on a quarterly basis.

For a selection of land transactions, we present the active development application, or Batory makes an assumption as to the potential development project that is likely to be proposed at the site based on neighbourhood precedence and the existing planning framework. If the project has not actively launched for sale, Bullpen will make a revenue assumption for the project on an average price per-square-foot (psf) basis based on market comparables, projected height, unit count, and other identifiable attributes.

If the parcel of land sold is part of (or potentially part of a future) land assembly, the projected GFA for the overall development will be prorated based on the current quarter's lot size in relation to the overall assembled development site.

In the event that the land parcel trading is an additional property to be added to an existing assembly where a residential development application has already been submitted, this will be considered a pre-application project under its planning status.

Select High-Density Land Transactions: Q2-2018

In the second quarter of 2018, 36 transactions were reviewed for this report. On average, the properties sold for \$92 per-buildable-sf using a straight average. When using a weighted average based on GFA, the per buildable foot land price decreases to \$72.

Q2-18: \$92 psf

Figure 1: Estimated Price Per-Buildable-SF for High Density Land Transactions in the GTA, Q2-2018

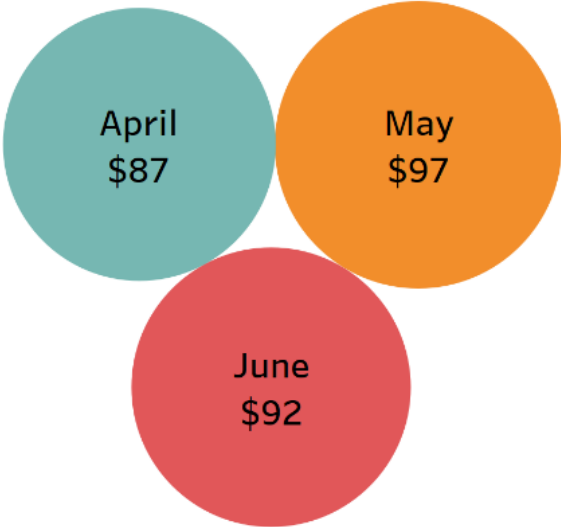


Figure 1 presents the average per-buildable-sf figures by month in the second quarter.

Figure 2 presents a breakdown of those transactions, and our assumptions and forecasts on what will be approved and offered for sale at the properties that changed hands. It must always be kept in mind that a deal may have been struck on the land sale price several months (in rare occurrences, years) before the actual closing date.

Figure 2: Summary Data on High Density Land Transactions, GTA, Q2-2018

Month of Date	Area	Number of Records	Avg. Project GFA	Avg. Proposed / Estimated Height	Avg. Land Sales Price	Avg. Price Per-buildable-SF	Avg. Est Revenue PSF	Avg. PSF/Revenue
April	Bayview Village	1	675,000	35	\$25,000,000	\$37	\$965	3.8%
	Bloorcourt Village	1	83,553	12	\$13,100,000	\$157	\$910	17.2%
	Distillery District	1	103,664	12	\$20,762,100	\$200	\$1,075	18.6%
	Downtown Burlington	1	208,907	24	\$12,794,999	\$61	\$830	7.4%
	Entertainment District	2	346,473	45	\$34,451,007	\$124	\$1,093	11.8%
	Etobicoke Queensway	1	279,179	12	\$7,410,000	\$63	\$750	8.4%
	North York City Centre	2	738,630	30	\$67,000,000	\$117	\$885	13.2%
	Richmond Hill	1	375,589	18	\$10,499,760	\$28	\$685	4.1%
	Riverdale	1	30,000	5	\$1,000,000	\$67	\$760	8.8%
	The Village	1	485,030	48	\$16,651,004	\$34	\$1,225	2.8%
	Thornhill	1	1,250,000	30	\$10,000,000	\$8	\$725	1.1%
Total		13	435,471	27	\$24,624,606	\$87	\$914	9.4%
May	Bayview Village	1	175,000	11	\$2,300,000	\$63	\$850	7.5%
	Brampton	2	272,500	21	\$9,683,634	\$33	\$563	5.8%
	Downtown Burlington	1	240,402	26	\$2,000,000	\$33	\$825	4.0%
	Downtown Core	1	675,000	33	\$5,500,000	\$28	\$1,250	2.2%
	Downtown East	1	331,408	49	\$13,000,000	\$267	\$935	28.6%
	Dufferin Grove	1	148,167	7	\$2,100,000	\$147	\$900	16.3%
	Etobicoke Queensway	1	141,064	13	\$9,725,000	\$69	\$740	9.3%
	Port Credit	1	285,000	24	\$1,450,000	\$25	\$730	3.4%
	Yorkville	2	295,334	37	\$49,605,000	\$185	\$1,388	13.3%
Total		11	284,701	25	\$14,059,297	\$97	\$921	10.0%
June	Annex	1	521,000	19	\$21,500,000	\$50	\$1,025	4.9%
	CityPlace	1	575,000	41	\$37,431,485	\$65	\$696	9.4%
	Downsview	1	144,916	14	\$8,800,000	\$61	\$618	9.8%
	Entertainment District	1	386,209	49	\$52,500,000	\$136	\$968	14.0%
	High Park	1	96,321	14	\$19,000,000	\$197	\$925	21.3%
	King West	1	340,597	20	\$35,000,000	\$103	\$1,175	8.7%
	Midtown Toronto	2	286,659	23	\$3,607,500	\$70	\$1,153	6.1%
	Mississauga Lakeview	2	65,669	5	\$4,795,000	\$78	\$620	12.6%
	Unionville	1	70,000	6	\$3,350,000	\$48	\$810	5.9%
	West Queen West	1	48,194	7	\$7,050,000	\$146	\$970	15.1%
Total		12	240,574	19	\$16,786,374	\$92	\$894	10.5%
Grand Total		36	324,437	24	\$18,783,573	\$92	\$910	9.9%

The average property sold for \$18.8 million in the second quarter, with a lot size of approximately 1.1 acres or 47,000 sf. Based on our projections, the average project will have about almost 325,000 sf of GFA and and a height of 24-storeys. High density lands sold on a buildable sf basis in Q2-2018 for approximately 10% of projected overall average revenue, down from 12% in Q1-2018. The average project has an actual/projected overall average price of approximately \$910 psf overall, up from \$810 psf in the first quarter.

Spatial Distribution of Q2-2018 High-Density Land Sales

Figure 3: Location, Planning Status & Estimated Price Per-Buildable-SF for High Density Land Transactions, City of Toronto, Q2-2018

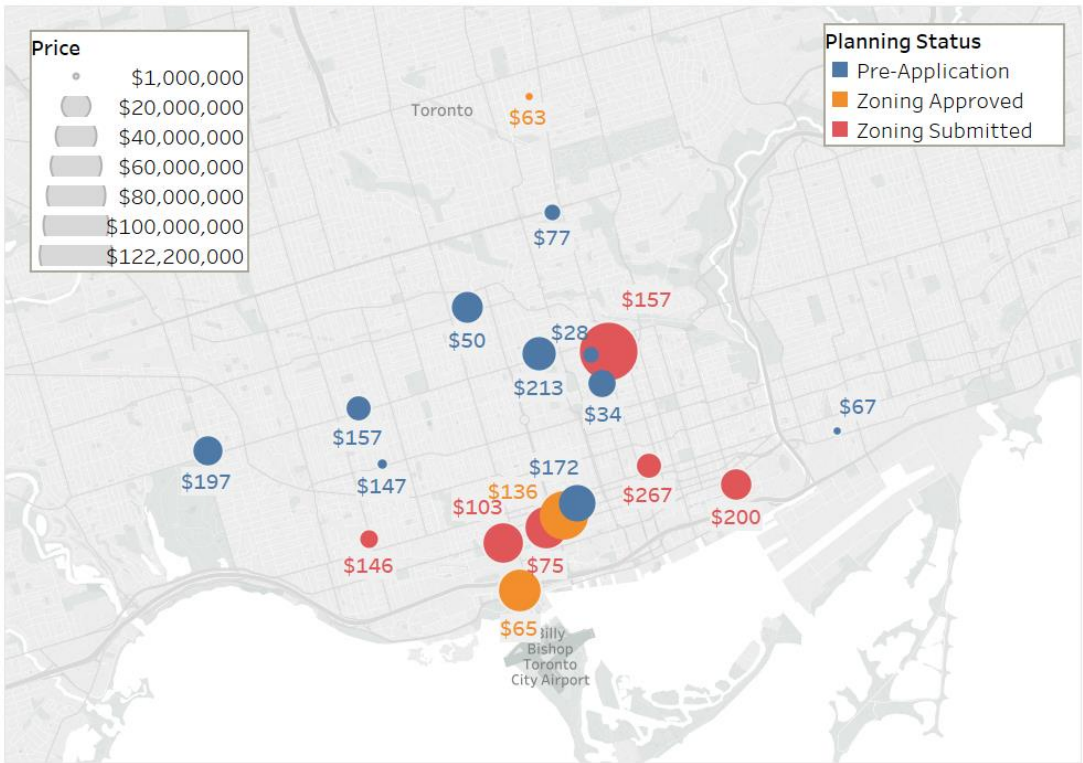


Figure 3 is a map of the Toronto-based land sales and our estimated transaction values on a buildable square foot basis from the second quarter of 2018.

A couple of the transactions were for longer-term holds, while a couple others involved a sale to a new company in which the vendor is a partner. In the latter case, the land appears to be sold at a below market-rate value. Additionally, there are transactions where the purchaser has bought the parcel at a value that Bullpen believes is above market, but that was done to round out an assembly.

Land Transaction Values by Municipality

Figure 4: Average Price & Price Per-Buildable-SF for High Density Land Transactions in the GTA by Municipality, Q2-2018

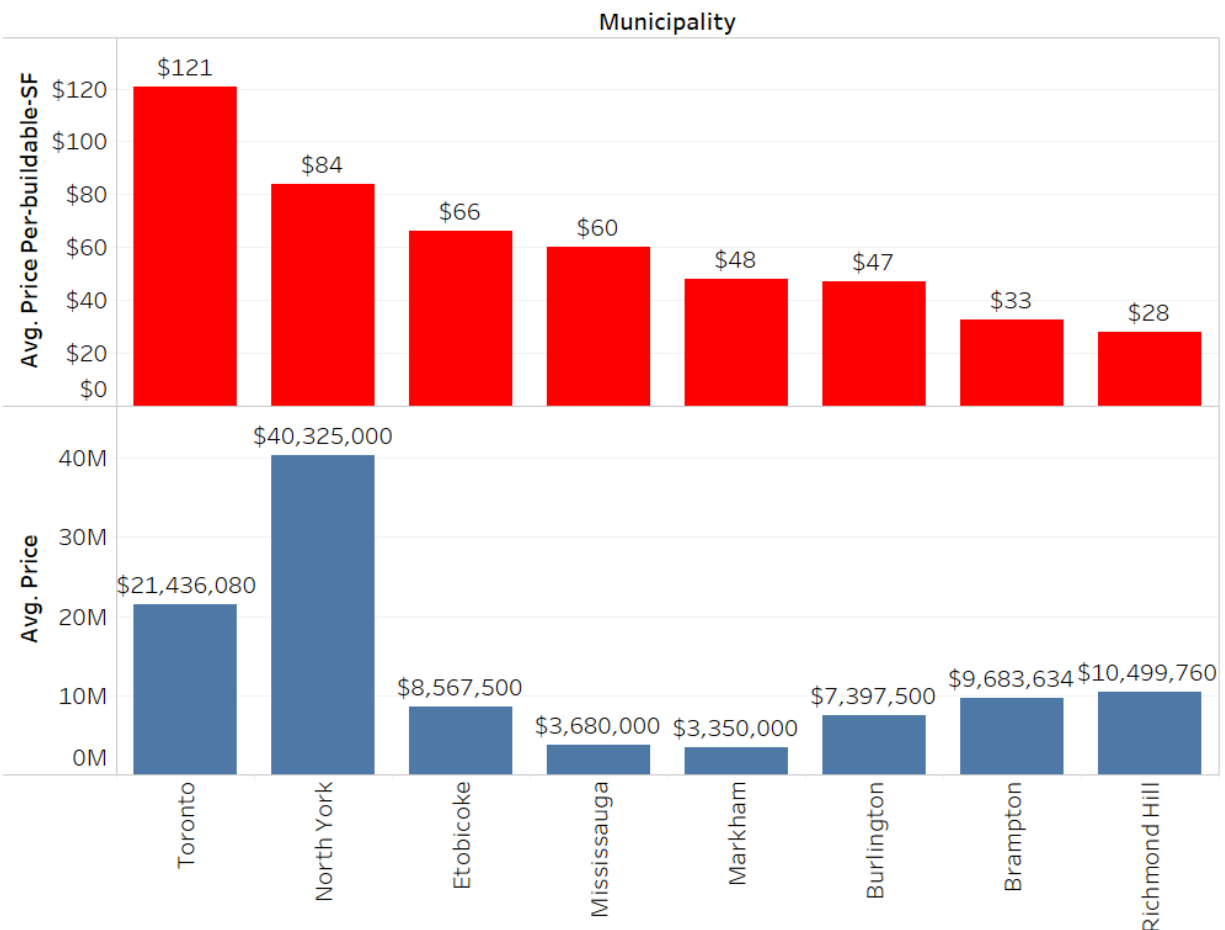
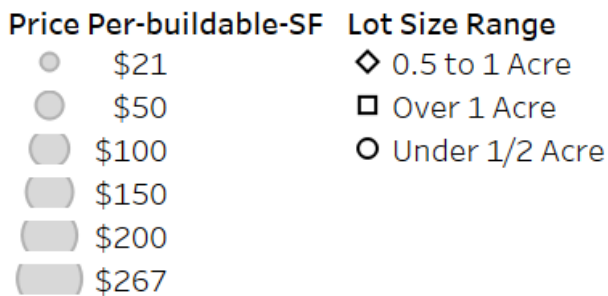
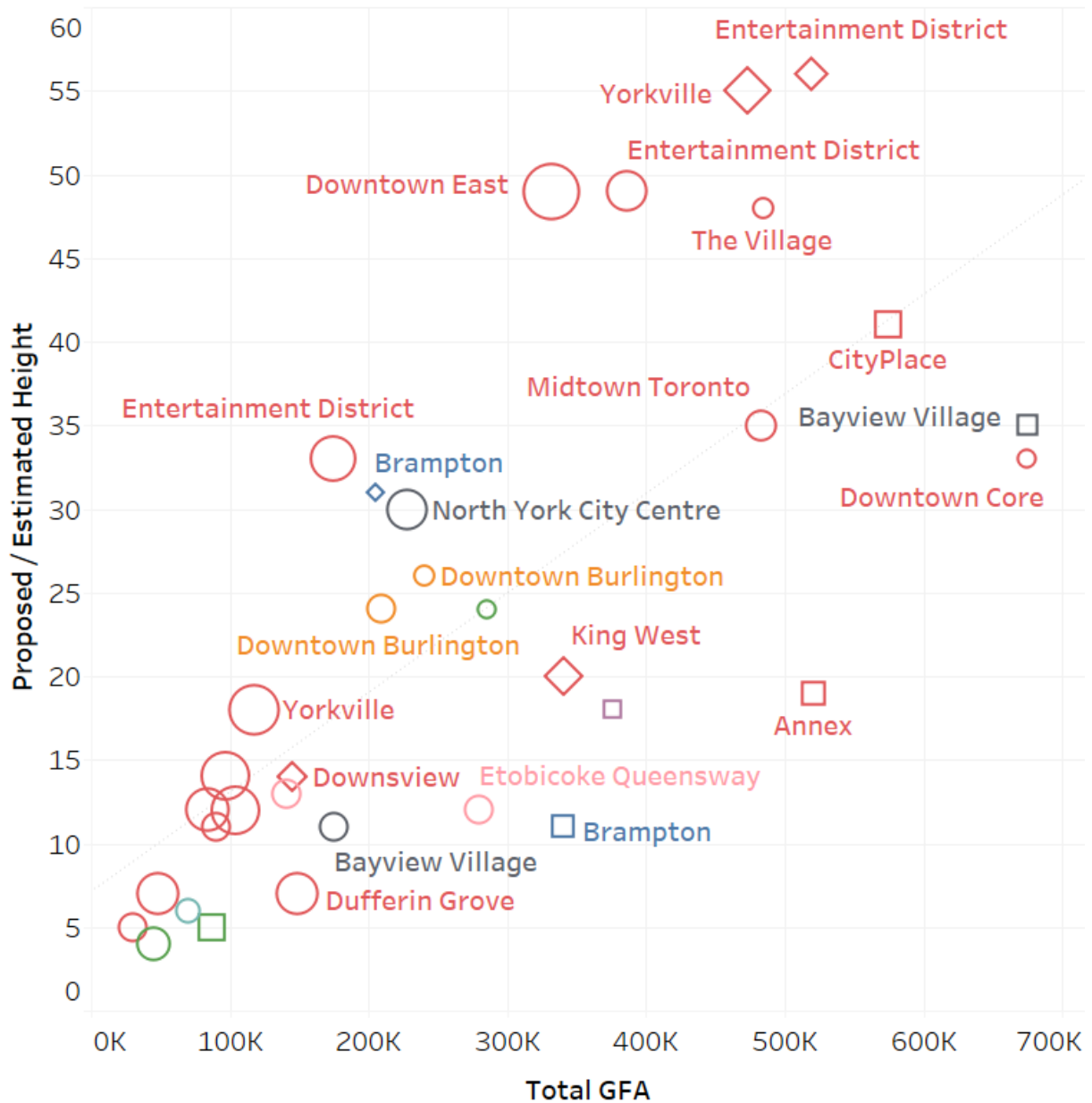


Figure 4 presents data on the average GTA land transaction prices per-buildable-sf by municipality in Q2-2018, with the average end-selling prices. Second quarter average land values were \$121 per buildable sf in Toronto, with a projected overall unit price of \$1,035 psf on average.

Figure 5 plots the estimated heights and GFA by project in the second quarter, with the size of the marker indicating the price per-buildable-sf.

Figure 5: Estimated Height & Gross Floor Area by Area for Select High Density Land Transactions, GTA, Q2-2018



Additional Charts and Data: City of Toronto

Figure 6: Average Price Per-Buildable-SF by Estimated GFA, City of Toronto, Q2-2018

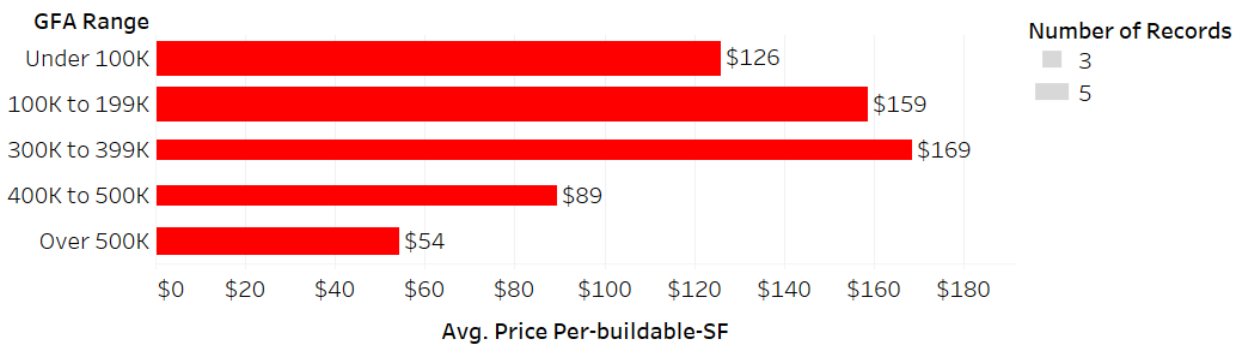


Figure 6, 7 and 8 presents data on the price of high density land transactions in the City of Toronto by GFA range, lot size range, and revenue per-square-foot range.

Figure 7: Average Price Per-Buildable-SF by Lot Size, City of Toronto, Q2-2018

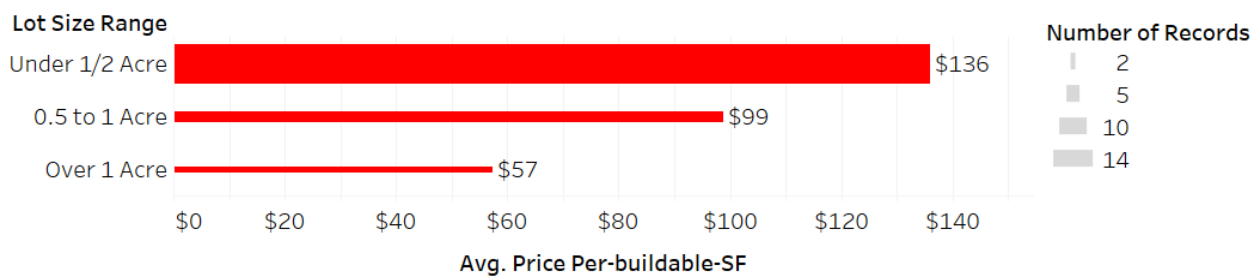
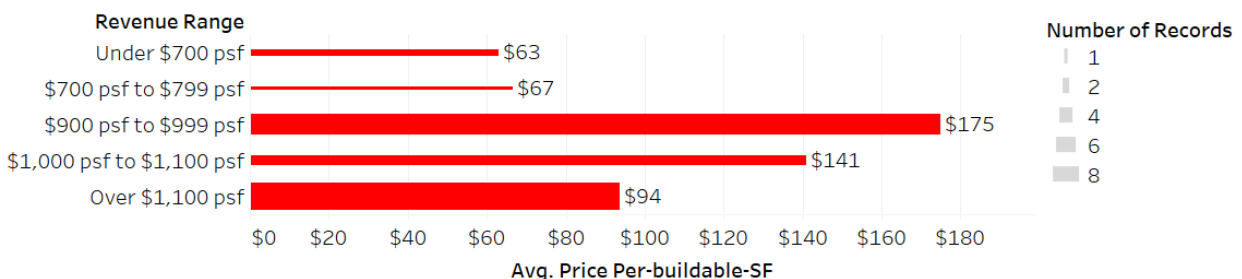


Figure 8: Average Price Per-Buildable-SF by Estimated Average Revenue PSF, City of Toronto, Q2-2018



Developers will pay a premium for a site that can accommodate more square footage, however if the site is very large and can accommodate two or more towers, the price per-buildable-sf for the future phases is discounted significantly due to the cost to carry the land over that extended period, the additional risk assumed by carrying greater debt, and the risk that market conditions change over an extended period of time.

The smaller the lot size, the larger the price of the land per-buildable-sf, unless the property is too small to be developed on, or there is some uncertainty regarding the assembly, the timeline to develop, construction access and impediments, or other zoning/planning requirements.

There is an upward-sloping relationship between what the units can sell for and the land price. However, in Q2-2018 there were several sites that broke away from that trend for several reasons. A couple high-density sites sold where there appears to be long-term leases without demolition clauses, and the buyers are content to sit on them in the short-term. There were also a couple transactions where the vendor appears to be a partner in the new development team, so the transactions are not fully arms-length. Lastly, there is one transaction where there appears to have been a deal in place to purchase the land several years ago, and the closing only took place this year.

Final Thoughts

Expect land purchases to slow in the second half of the year as developers become more cautious due to increases in construction costs, development charges, parkland dedication fees, and interest rates. The additional costs associated with the new TOcore plan that has requirements for additional commercial/office space and a larger share of "family-sized" units will need to be costed, in addition to continued uncertainty surrounding zoning approvals following the elimination of the OMB.

There is clearly some investor fatigue following the record-breaking new condominium apartment sales in 2017, in addition to rent controls and higher borrowing costs eating into the future returns of private landlords. This market uncertainty is worth noting, as average prices for new condominiums have increased by over 20% annually in the GTA, and there has been flatness in pricing following large values increases in the past.

Renderings & Massings

Massings for pre-application sites courtesy of Ratio.City (www.ratio.city)



**26 Duncan St
Toronto, ON**



**972 Bloor
Street West
Toronto, ON**

POLICY SUMMARY

Zoning Bylaw 569-2013	CRE (x74)
Allowable Height	30m
Holding Zone	-
Secondary Plan Area	King - Spadina
TOCore Secondary Plan	Yes
Site & Area Specific Policy	-
Urban Growth Centre	Yes
Heritage Site / Property	Part V
	King-Spadina Heritage District Study Area
Transit 500m proximity to subway	Yes
TTC Development Zone	-
Nearest Gateway Hub	Osgoode
Natural Heritage Network	-
Ravine and Natural Feature Protection	-

DEVELOPMENT POTENTIAL

Proposed Height	33 Stories	104 m
Podium Height	4 Stories	18 m
Total Site Area	7210 sf	
Total GCA	204,678 sf	
Estimated GFA	85% GCA	173,975 sf
Estimated NSA	75% GCA	153,508 sf
Estimated Unit Count	650sf/ave	236 units
	Podium	Tower
Typ Floorplate GCA	6,662 sf	6,139 sf
FAR	24.1 x	
Estimated Land Value	\$150 / sf GCA	\$30,701,625

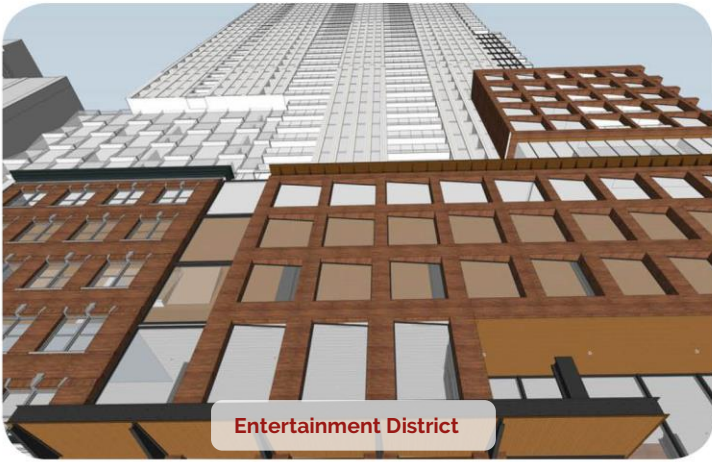
POLICY SUMMARY

Zoning Bylaw 438-86	-
Allowable Height	-
Holding Zone	-
Secondary Plan Area	-
TOCore Secondary Plan	-
Site & Area Specific Policy	-
Urban Growth Centre	-
Heritage Site / Property	-
	-
Transit 500m proximity to subway	Yes
TTC Development Zone	-
Nearest Gateway Hub	St. George
Natural Heritage Network	-
Ravine and Natural Feature Protection	-

DEVELOPMENT POTENTIAL

Proposed Height	12 Stories	42 m
Podium Height	3 Stories	13 m
Total Site Area	14,733 sf	
Total GCA	98,298 sf	
Estimated GFA	85% GCA	83,553 sf
Estimated NSA	75% GCA	73,723 sf
Estimated Unit Count	650sf/ave	113 units
	Podium	Tower
Typ Floorplate GCA	11,050 sf	7,238 sf
FAR	5.7 x	
Estimated Land Value	\$133 / sf GCA	\$13,073,647

Available renderings for zoning submitted or zoning approved sites



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Disclaimer:

The material within this document provides an opinion on land use planning and market-related matters. The individual land use assumptions provided represent an estimate of the highest and best use that could reasonably expect to achieve in the current planning regulatory framework.

Information included should not be regarded as a substitute for obtaining professional advice from Bullpen Consulting & Batory Management — a service requiring the engagement and payment of fees. Similarly, this information should not be relied upon as legal or financial advice. Bullpen Consulting & Batory Management shall not be held responsible for any loss, damage or inconvenience sustained by any person or entity relying on the information included in this document.