

GTA HIGH RISE

Land Insights Report



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BULLPEN
Research & Consulting

BATORY
Management

Q3-2018

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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.

If 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: Q3-2018

In the third quarter of 2018, 19 Greater Toronto Area (GTA) properties with high density development potential were closed and reviewed in this report. On average, the lands sold for \$120 per-buildable-sf using a straight average (Median: \$103 per-buildable-sf).

The average per-buildable-sf price in Q3-2018 is up 30% over the second quarter (\$92), but down from Q4-2017 (\$125). The limited number of properties that trade every quarter, and the wide range of land values by location leads to volatility in the average values (see **Figure 1**).

Q3-18: \$120 psf

Based on Bullpen's revenue projections, purchasers bought land at about 13% of the expected launch price using today's market conditions (price per-buildable-sf / expected revenue per-square-foot).

Figure 1: Average Price Per-Buildable-SF & Land-to-Revenue Ratio by Quarter, Select GTA High Density Land Transactions, Q4-2017 to Q3-2018

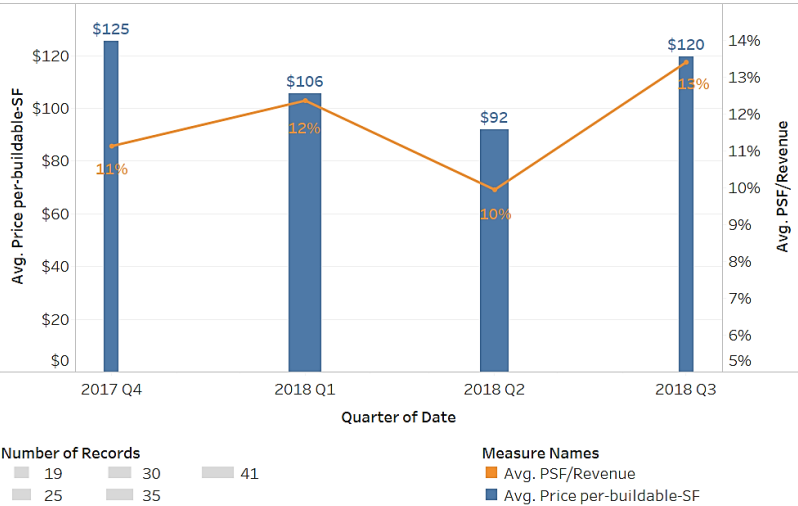


Figure 2 looks at the Q3-2018 GTA high density land transactions by month.

Figure 2: Estimated Price Per-Buildable-SF for High Density Land Transactions by Month, GTA, Q3-2018

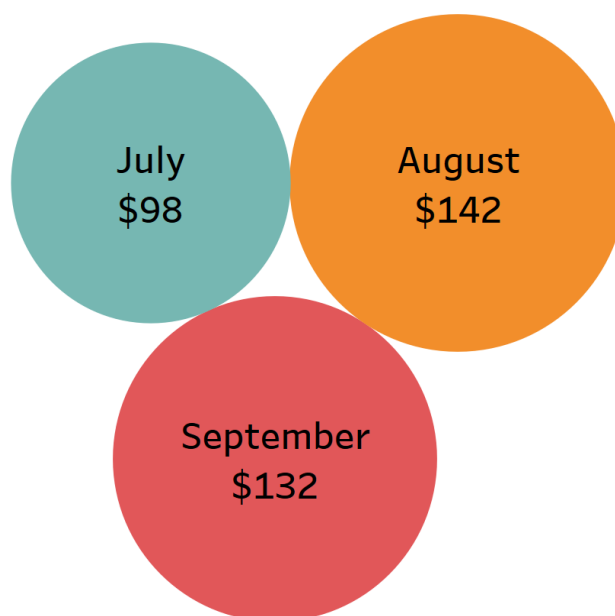


Figure 3 presents a further breakdown of the Q3-2018 transactions, and our assumptions and forecasts on what will be approved and offered for sale at the properties that changed hands. It must always be kept in mind that a deal may have been struck several months (in rare occurrences, years) before the actual closing date - see the Markham and Yorkdale transactions in the third quarter.

Figure 3: Summary of Select High Density Land Transactions, GTA, Q3-2018

Month of Date	Area	Number of Records	Avg. Total GFA	Avg. Applied GFA*	Avg. Proposed / Estimated Storeys	Avg. Land Sale Price	Avg. Price per-buildable-SF	Avg. Est Revenue PSF	Avg. PSF/Revenue
July	Birchcliff Village	1	156,601	156,601	11	\$2,500,000	\$16	\$570	3%
	Cooksville	1	220,000	220,000	25	\$10,500,000	\$48	\$635	8%
	Corktown	1	70,000	70,000	12	\$6,200,000	\$89	\$880	10%
	Downtown Burlington	1	27,300	27,300	5	\$3,200,000	\$117	\$795	15%
	Downtown Core	1	607,875	235,090	84	\$40,800,000	\$174	\$1,275	14%
	Eglinton West	1	49,000	49,000	9	\$10,800,000	\$220	\$720	31%
	Ryerson	1	225,000	54,522	28	\$5,600,000	\$103	\$1,065	10%
	York Mills	1	540,000	540,000	14	\$47,500,000	\$88	\$875	10%
	Yorkdale	1	344,901	344,901	14	\$10,123,484	\$29	\$520	6%
Total	9	248,964	188,602	22	\$15,247,054	\$98	\$815	12%	
August	Danforth Village	1	348,000	154,122	30	\$6,900,000	\$45	\$785	6%
	Entertainment District	1	202,966	28,765	46	\$4,500,000	\$156	\$1,225	13%
	Markham	1	142,185	142,185	4	\$12,500,000	\$88	\$720	12%
	Midtown Toronto	2	38,567	38,567	7	\$7,700,000	\$202	\$938	21%
	Willowdale	1	230,000	230,000	6	\$25,480,000	\$111	\$755	15%
	Yorkville	1	146,357	146,357	25	\$28,000,000	\$191	\$1,425	13%
Total	7	163,806	111,223	18	\$13,254,286	\$142	\$969	15%	
September	Davisville	1	45,000	45,000	10	\$10,100,000	\$224	\$920	24%
	Eglinton West	1	56,000	56,000	9	\$5,450,000	\$97	\$700	14%
	Etobicoke Queensway	1	303,109	303,109	36	\$22,500,000	\$74	\$740	10%
	Total	3	134,703	134,703	18	\$12,683,333	\$132	\$787	16%
Grand Total	19	199,549	151,583	20	\$14,108,078	\$120	\$867	13%	

* When the land transacted represents a portion of a larger assembly, the GFA shown represents the equivalent share of the total GFA expected

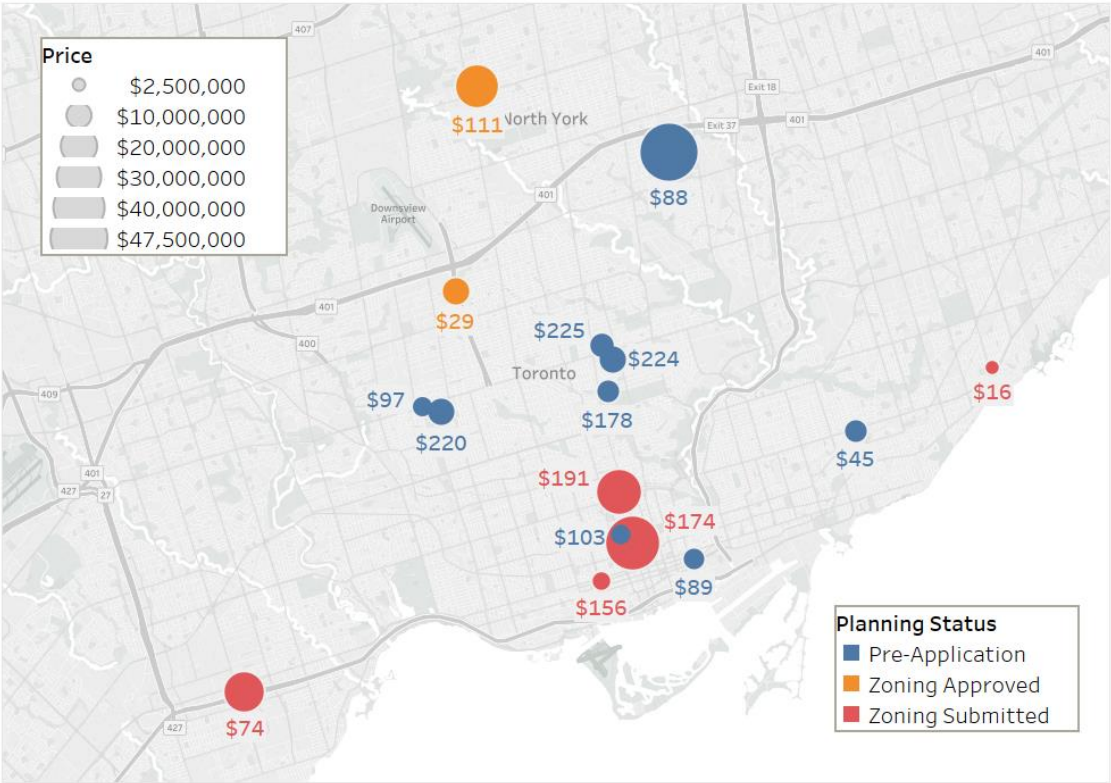
The average property sold for \$14.1 million in the third quarter, with a lot size of approximately 0.98 acres or just under 43,000 sf. Based on our projections, the average project will have about almost 200,000 sf of GFA and a height of 20-storeys. The average project has an actual/projected overall average price of approximately \$867 psf overall, down from about \$910 psf in the second quarter.



Spatial Distribution of Q3-2018 High-Density Land Sales

Figure 4 is a map of the Toronto-based land sales, and our estimated transaction values on a buildable square foot basis from the third quarter of 2018. The size of the markers are representative of the price paid for the property, and range from \$2.5 million for the *Merge Condos* site in Scarborough's Birchcliff Village area to \$47.5 million for a longer-term multi-phased development site in York Mills.

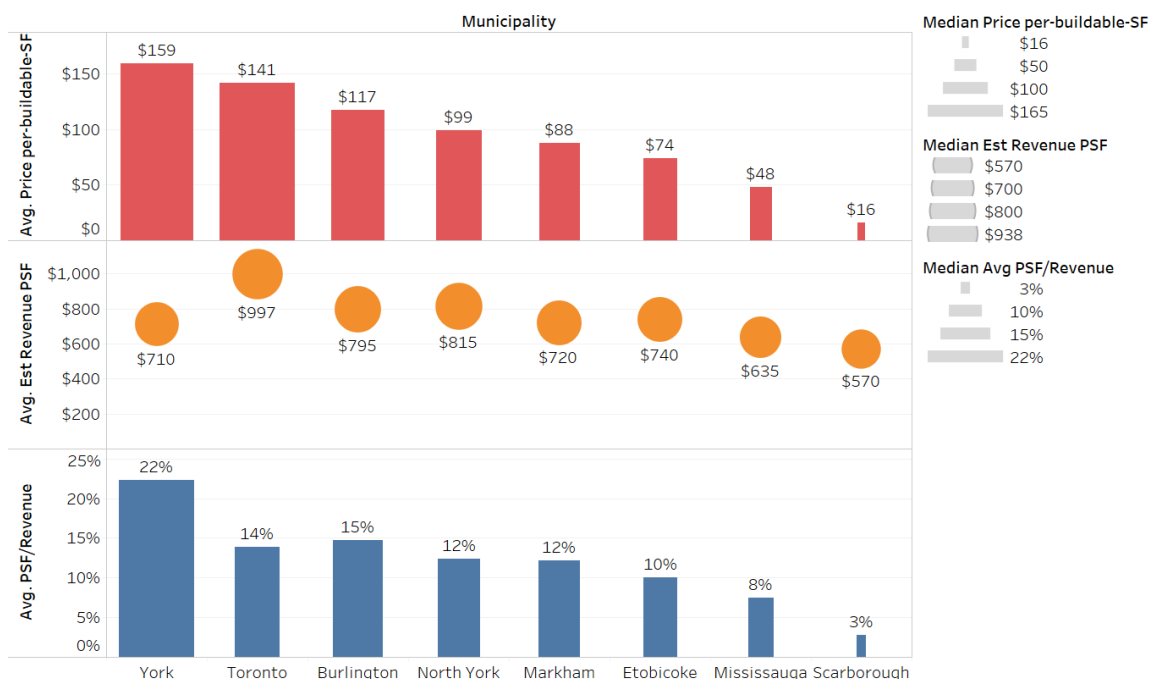
Figure 4: Location, Planning Status, and Estimated Price Per-Buildable-SF for Select High Density Land Transactions, City of Toronto, Q3-2018



Land Transaction Values by Municipality

Figure 5 presents data on the average GTA land transaction prices overall and per-buildable-sf by municipality in Q3-2018, with the average land-to-revenue ratio also shown. Third quarter average land values were \$141 per-buildable-sf in the former City of Toronto, and \$159 per-buildable-sf in the former City of York. The average expected revenue in Toronto is \$997 psf, while North York is second at \$815 psf. In Toronto the average expected revenue is \$997 psf, while North York is second at \$815 psf. The average expected revenue in Toronto is \$997 psf, while North York is second at \$815 psf. The average expected revenue in Toronto is \$997 psf, while North York is second at \$815 psf.

Figure 5: Price Per-Buildable-SF, Estimated Revenue, & Land-to-Revenue Ratio by Municipality, GTA, Q3-2018



Per-Buildable-SF Values by Height & Building Type

Figure 6 scatter plot shows prices per-buildable-sf for high-density land transactions in the GTA by the estimated (or proposed) number of storeys.

The tallest project proposed is the 84-storey development planned for the corner of Yonge Street and Elm Street in the downtown core. The property that closed in the third quarter made up 39% of the lands in this corner assembly.

The second tallest project is the 46-storey apartment planned for the corner of Peter Street and Richmond Street West. The development team has been assembling the site for several years, and the parcel that transacted in Q3-2018 represented 15% of the total lands.

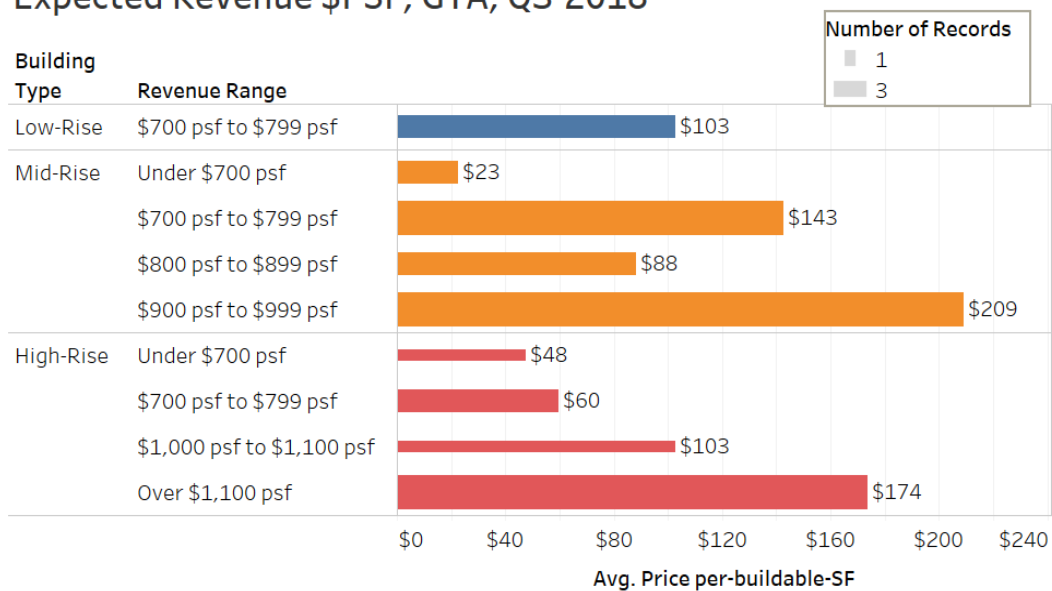
The third tallest project is located off Zorra Street in Etobicoke, planned for 36-storeys. Despite just closing in Q3-2018, the site is back on the market, and listed for sale by CBRE's Land Services Group. The site is listed in this report as "zoning submitted," but full approvals are expected in November 2018.



Figure 7 breaks down the Q3-2018 high density land sales by projected built form and estimated revenue range. As the legend shows, the sample size of transactions is small, and the average prices may not be representative of true market values due to outlier sales.

It should also be noted that values can vary significantly due to site constraints, existing income, demolition clauses, heritage retention, planning status, flight paths, contamination, water tables, and numerous other factors including the local councillor at the time.

Figure 7: Average Price Per-Buildable-SF by Building Type and Expected Revenue \$PSF, GTA, Q3-2018



Final Thoughts

Higher costs continue to be a major topic among developers, with development charges, parkland dedication fees, and construction costs at the top of the list of concerns.

The two common responses to the rise in costs are to raise the end-selling prices or pay less for development lands. However, land vendors have been unwilling to reduce the asking prices for their properties, especially with the rapid price escalation in new condo prices and rental rates over the past 24 months. This "sticky" value mentality, coupled with land owner's unwillingness to recognize the constraints on their sites, was likely a contributing factor in the decline in high density land transactions in the third quarter. Other factors that may have led to fewer land sales is the ongoing uncertainty surrounding LPAT appeals and the OMB backlog, rising interest rates, the impact of the stress test and rent control on condo investors, and political uncertainty at the municipal and ward levels.

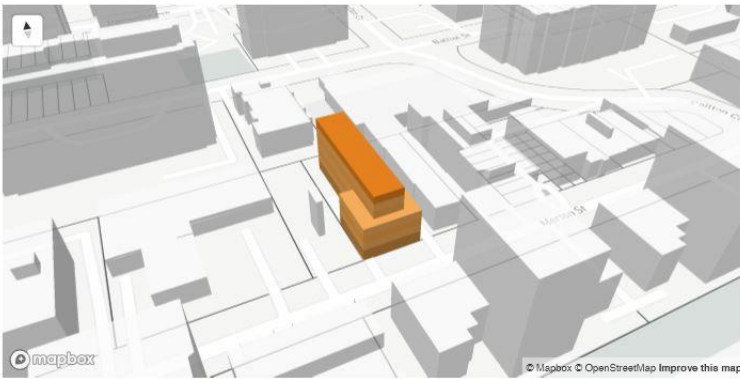
The second and most common response to higher fees and charges is to pass along those costs to purchasers via higher prices. With downtown core and Yorkville sites selling for \$1,200 to \$1,700 psf, we're now seeing prices push \$1,000 psf in areas like High Park, Leslieville, the Junction, North York City Centre, and even Parkdale. Developers looking at purchasing land based on these elevated revenue levels will have to keep a close eye on investor sentiment, as we enter a period where prospective private landlords acknowledge their expectations for negative cash-flow during their first few years of owning the investment property.

Renderings & Massings

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

DEVELOPMENT POTENTIAL:

170 Merton St Toronto, ON



SELECTED PARCELS		DEVELOPMENT POTENTIAL	
170 Merton St - 13,193 sqft CR 2.0 (c2.0, r2.0) SS2 (x2495) • Mixed Use Areas			
HEIGHTS	AOR Height		21 m
	Proposed Height	7 Storeys	25 m
AREAS	Total Site Area		13,191.5 sf
	Total GCA		48,958 sf
	Estimated GFA	85% GCA	41,614 sf
	Estimated NSA	75% GCA	36,718 sf
	Estimated Unit Count	650 sf avg	56 units
		Podium	Tower
Average Floorplate GCA	8,018 sf		5,629 sf
FAR			3.2 x
EST LAND VALUE	\$ 152 / sf GCA		\$7,441,661.6

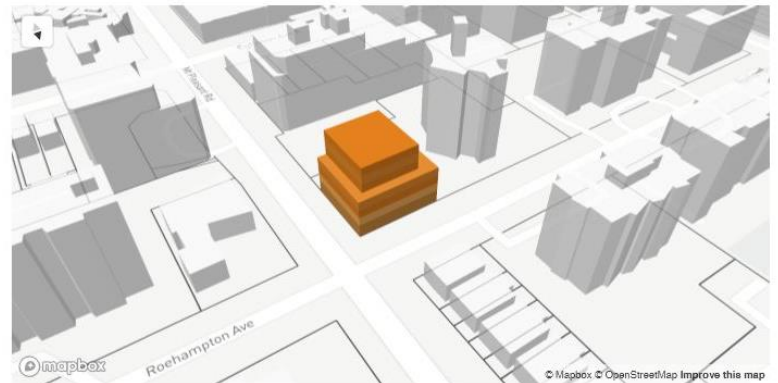
Preliminary massing and related statistics are subject to possible change and/or adaptation during the formal development review process.

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DEVELOPMENT POTENTIAL:

Roehampton Ave & Mount Pleasant Rd Toronto, ON



SELECTED PARCELS		DEVELOPMENT POTENTIAL	
Roehampton Ave & Mount Pleasant Rd - 3,491.6 sqft R (d1.0) (x941) • Apartment Neighbourhoods			
249 Roehampton Ave - 2,866.2 sqft R (d1.0) (x941) • Apartment Neighbourhoods			
247 Roehampton Ave - 3,280.5 sqft R (d1.0) (x941) • Apartment Neighbourhoods			
HEIGHTS	AOR Height		9 m
	Proposed Height	7 Storeys	25 m
AREAS	Total Site Area		9,638 sf
	Total GCA		41,789 sf
	Estimated GFA	85% GCA	35,520 sf
	Estimated NSA	75% GCA	31,341 sf
	Estimated Unit Count	650 sf avg	48 units
		Podium	Tower
Average Floorplate GCA	7,063 sf		4,512 sf
FAR			3.7 x
EST LAND VALUE	\$ 192 / sf GCA		\$8,023,526.4

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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.