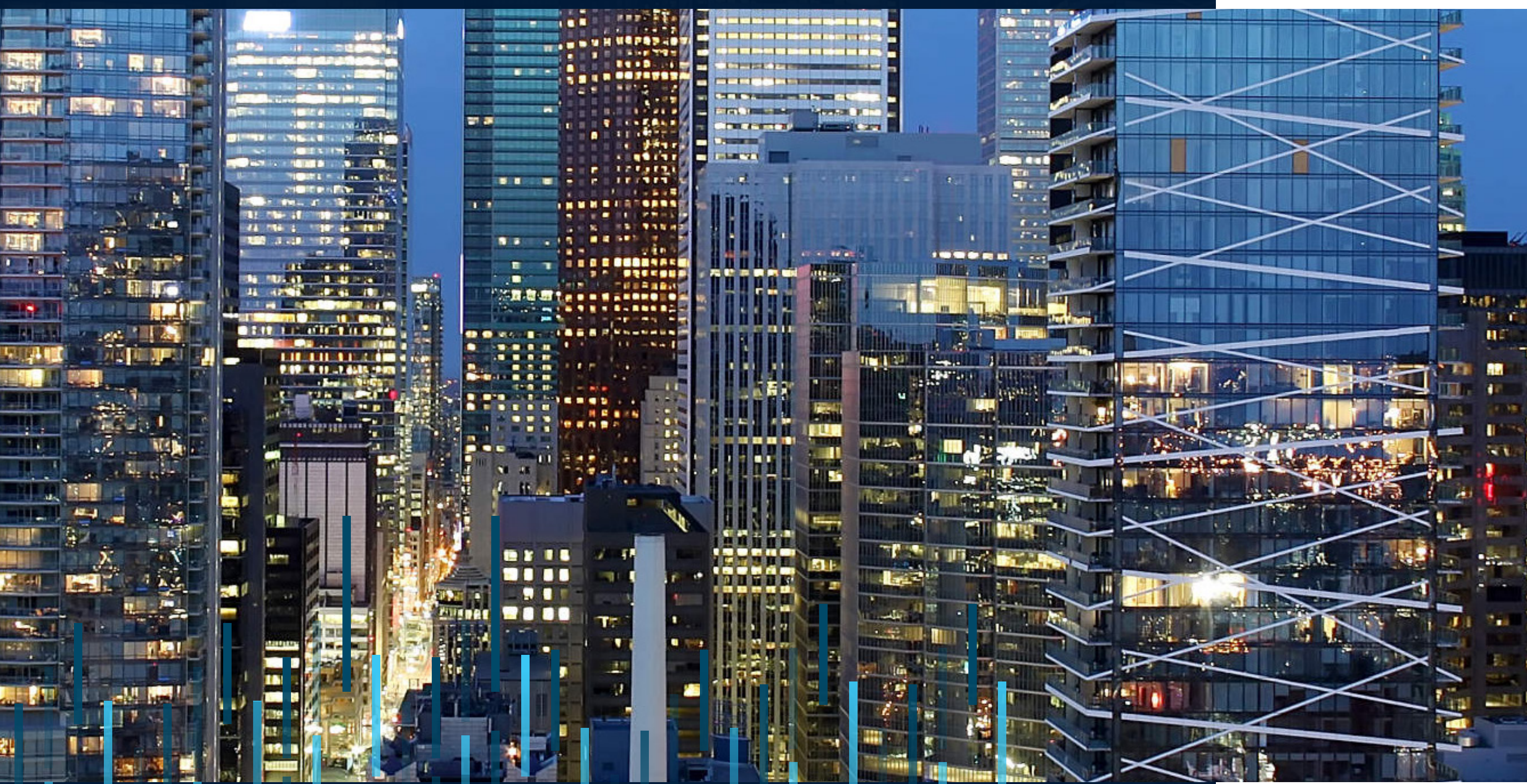
GTA HIGH RISE
LAND INSIGHTS REPORT

Q3 - 2022

Published November 2022



BULLPEN Research & Consulting

BATORY Management

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INTRODUCTION

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

For a selection of land transactions, we present the active development application. In the event that a proposal has not been submitted, Batory makes an assumption as to the potential development project that is likely to be proposed/approved at the site based on neighbourhood precedence and the existing planning framework. If the project has not launched for sale, Bullpen will estimate the overall revenue for the project on an average price per-square-foot (psf) basis. This estimate is based on market comparables, the projected height, the 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 gross floor area (GFA) for the overall development will be prorated based on the current quarter's lot size in relation to the overall assembled development site. For example, if a 0.5 acre property sells in the current quarter for $10 million, and an apartment with 250,000 sf of GFA is proposed on the total assembled 1 acre site, Bullpen would apply half of the total GFA (250,000 x 50% = 125,000 sf) to the sales price to get $80 per-buildable-sf (pbsf).

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.

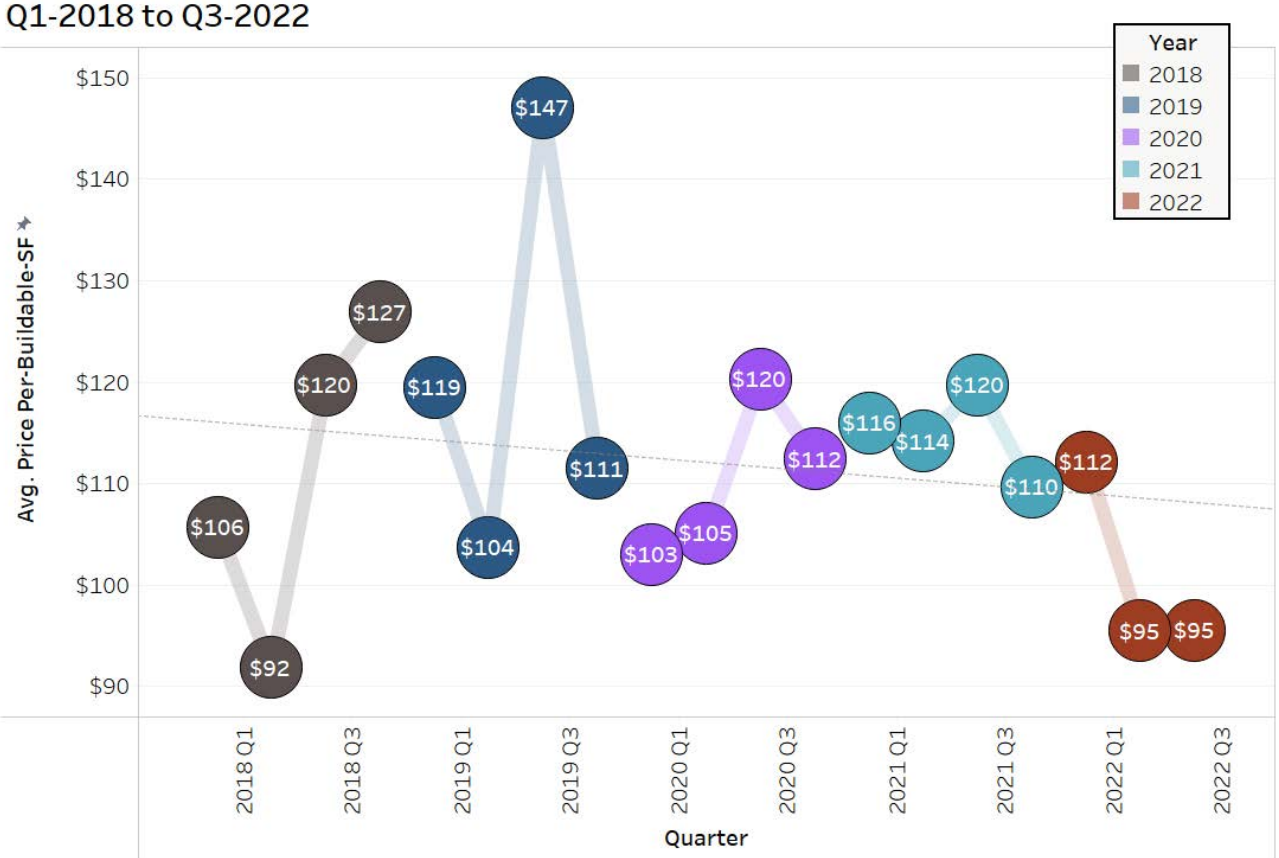
HIGH-DENSITY LAND PRICES IN THE GTA

Figure 1 looks at the average price per-buildable-sf for GTA land transactions identified as having future development potential as a condominium or rental apartment. The data is aggregated by quarter for the period covering Q1-2018 to Q3-2022.

On a per-buildable-sf basis, the average estimated land price in the GTA was $95 in Q3-2022, representing a decrease of 21% annually and 15% from the first quarter of this year (unchanged quarterly).

The sample size of transactions reviewed quarterly in this report are relatively small. It is important to note that the average price can change due to various factors such as the location, the size of the property, and the planning status of the land sales. A further analysis of the individual sales is also required to determine if the drop is due to a land value market correction, or simply due to a change in the composition of the lands transacted.

Figure 1: Average High-Density Land Price Per-Buildable-SF by Quarter, GTA, Q1-2018 to Q3-2022

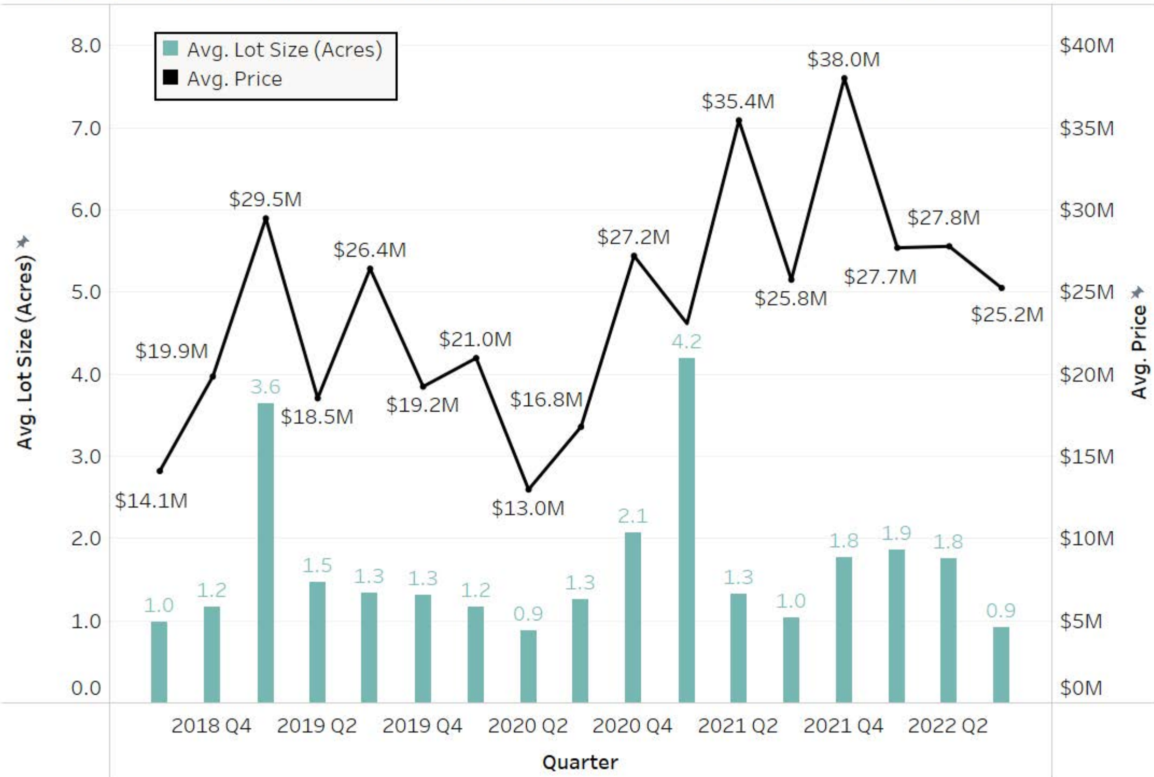


GTA HIGH-DENSITY LAND SALES IN Q3-2022

In Q3-2022, Bullpen and Batory reviewed 34 land sales, with an average price of $27.8 million. There were 46 trades analysed in the Q2-2022 report, with a nearly identical average price of $27.7 million. The average high-density property sold for $35.4 million one year ago in Q3-2021.

The lands sold in the third quarter of 2022 averaged 1.8 acres, compared to 1.9 acres in the second quarter and 1.0 acres in Q3-2021 (refer to **Figure 2**).

Figure 2: Average High-Density Land Price and Size, GTA, Q3-2018 to Q3-2022



LAND PRICES & LAND-TO-REVENUE RATIO IN THE '416 AREA' VERSUS THE '905 AREA'

In every *Land Insights Report*, Bullpen Consulting reviews the current market conditions and competitive landscape surrounding each of the land sales and comes up with an overall average price per-square-foot that condominium apartments might sell for at that location if they were on the market at the time of the land sale (even if the development is earmarked as a future rental).

This is done to establish a reasonable "Land-to-Revenue Ratio" estimation that can be tracked over time (alternatively shown in this report as the LRR or PBSF/Revenue). How much will developers or other high-density land purchasers pay for a property in relation to the going market rate for new condominium apartments, and how does that rate change based on location and time?

Figure 3 presents LRR data on the high-density redevelopment land market in the amalgamated City of Toronto (416 area code) and the suburban GTA (905 area code) over the last 3.75 years. Also shown is the median estimated land price per-buildable-sf.

Figure 3: Average Land-to-Revenue Ratio & Median Land Price Per-Buildable-SF by Area and Quarter, GTA (City vs Suburbs), Q1-2020 to Q3-2022

		416 Area	905 Area	Grand Total
2020	Q1	11.7% $109 pbsf	7.6% $50 pbsf	**10.6%** $88 pbsf
	Q2	11.3% $90 pbsf	6.6% $51 pbsf	**10.4%** $69 pbsf
	Q3	11.5% $101 pbsf	5.0% $35 pbsf	**10.9%** $95 pbsf
	Q4	11.7% $132 pbsf	4.2% $35 pbsf	**10.1%** $83 pbsf
2021	Q1	13.7% $172 pbsf	5.5% $46 pbsf	**10.3%** $74 pbsf
	Q2	11.6% $119 pbsf	5.0% $59 pbsf	**10.3%** $94 pbsf
	Q3	11.0% $103 pbsf	7.6% $68 pbsf	**10.3%** $89 pbsf
	Q4	10.4% $133 pbsf	6.2% $66 pbsf	**8.9%** $85 pbsf
2022	Q1	9.4% $99 pbsf	6.2% $53 pbsf	**8.8%** $93 pbsf
	Q2	8.1% $105 pbsf	4.9% $44 pbsf	**7.2%** $92 pbsf
	Q3	7.5% $101 pbsf	3.0% $36 pbsf	**7.1%** $89 pbsf
Grand Total		**10.4%** $107 pbsf	**5.8%** $50 pbsf	**9.3%** $86 pbsf

Avg PBSF/Revenue
3.0%
6.0%
8.0%
10.0%
13.7%

Area
416 Area
905 Area
Grand Total

In the 416 area in Q3-2022, the average purchaser paid for land at 7.5% of estimated revenue, marking the sixth consecutive quarter in which the LRR has declined. The third quarter LRR is well below the longer-run average of 10.4% and the lowest rate since this report was created in Q4-2017.

In the 905 area, purchasers paid for land at just 3.0% of revenue in Q3-2022. This is the lowest quarterly rate tracked in this report, and only just above half the longer-run average of 5.8%.

The lower LRRs are due to various factors, such as rising construction costs, increasing government fees, longer approval timelines, and the increasing number of small units (which artificially increases condo prices on a per-square-foot basis).

However, the more dominant factors over the last three to six months are likely higher interest rates, which impact the cost of land financing, and have implications for the new condominium sales market. Sales for new condos in the summer and early fall were near record lows for those months historically, as investors took a step back in the face of declining resale condo prices.

Part of the reason land prices have been high is a built-in expectation of future price growth for new condominiums, and that no longer exists. There is a higher risk moving forward, as the market may not recover for several years, and when there is a soft market, buyers tend to adopt the “flight to quality” mentality, which would be buying ‘416-area’ product. This is reflected in the LRRs, as the amalgamated City of Toronto number fell 0.6 percentage points quarterly and 3.5 percentage points since Q3-2022, while the ‘905-area’ LRRs fell 1.9 percentage points quarterly and 4.6 percentage points annually. Developers and other land buyers are clearly less bullish on the suburban condo market.

Lastly, there are a couple of other factors that could impact LRRs: the fact that almost no approved lands sold in Q3-2022, which tend to sell for higher land prices and higher LRRs due to the elimination of entitlement risk, and the lower cost to carry, as approved sites can be launched immediately. There is less incentive for a developer to buy lands and launch immediately due to the softer market conditions. Also worth considering is that Bullpen is pricing the projects at today's market value. It is difficult to assess current market value due to the limited number of launches and the significant increase in purchaser incentives, which are challenging to parse out of the price per-square-foot.

LAND PRICE AND LRR BY AREA AND PLANNING STATUS

Figure 4 looks at annual land price per-buildable-sf and LRR data from 2018 to 2021 and the first nine months of 2022, breaking up the data by planning status and area. The land price for these high-density transactions is shown first, with the LRR below. The size of the markers reflects the average land price, while the colour reflects the median land price.

Figure 4: Average Price Per-Buildable-SF & Land-to-Revenue Ratio by Planning Status and Area, GTA (City vs Suburbs), 2018 to 2021 & YTD in 2022

Year	Pre- Application		Zoning Submitted		Zoning Approved	
	416 Area	905 Area	416 Area	905 Area	416 Area	905 Area
2018	$121 13%	$51 8%	$142 14%	$38 5%	$124 14%	$66 10%
2019	$130 13%	$73 9%	$149 14%	$39 5%	$139 13%	$60 8%
2020	$127 12%	$53 6%	$114 10%	$49 6%	$150 14%	$66 8%
2021	$144 11%	$54 6%	$130 11%	$76 7%	$180 14%	$60 7%
2022	$121 9%	$61 5%	$105 8%	$57 5%	$137 10%	$49 4%
Grand Total	$128 12%	$58 6%	$127 11%	$53 6%	$149 13%	$61 7%

Avg. Price Per-Buildable-SF: $38 $100 $150 $180

Median Price Per-Buildable-SF: $31 – $167

For every category, the LRR is lower in 2022 year-to-date compared to 2021. The only place where land prices have increased in 2022 over 2021 is pre-application sites in the '905 area', which is likely due to the pick up in the number of transactions near the Vaughan Metropolitan Centre Subway Station, where new condo prices have pushed above $1,200 psf.

Land prices for zoning-submitted sites in the '416 area' have declined 19% in 2022 versus 2021 ($130 to $105), while zoning-approved lands have dropped 24% in the '416 area' from $180 pbsf to $137 pbsf (small sample size).

The slower market for new condo sales in the face of continued inflation will keep developers cautious when buying high-density lands. Some relief could come on costs via the Ford government's Bill 23, which proposes to phase in development charge hikes, cap parkland dedication fees, limit inclusionary zoning, and make other changes to cut "red tape" in the approvals process. However, until the interest rate hikes stop and resale housing prices start to trend up again, it is doubtful that these proposed changes to housing policy in Ontario will result in higher land prices in the GTA.

SUMMARY LAND SALES DATA FOR TOP MUNICIPALITIES

Figure 5 presents data on the average high-density land price per-buildable-sf by quarter for the three most active municipalities in the GTA (pre-amalgamation boundaries) from Q3-2018 to Q3-2022.

Figure 5: Average Price Per-Buildable-SF by Year, Select Former Municipalities in Toronto, Q3-2018 to Q3-2022

		Toronto	North York	Scarborough
2018	Q3	$141	$99	$16
	Q4	$178	$120	$49
2019	Q1	$161	$99	$50
	Q2	$235	$72	$27
	Q3	$206	$59	$42
	Q4	$167	$98	$55
2020	Q1	$150	$96	$44
	Q2	$141	$161	$59
	Q3	$160	$96	$80
	Q4	$162	$150	$39
2021	Q1	$234	$71	$81
	Q2	$193	$130	$42
	Q3	$160	$170	$71
	Q4	$161	$120	$57
2022	Q1	$166	$116	$53
	Q2	$135	$103	$50
	Q3	$125	$102	$68
Average		**$167**	**$108**	**$53**

Avg. Price Per-Buildable-SF
$16 $235

Avg. Price Per-Buildable-SF
$16 $50 $100 $150 $200 $235

The average land price in Old Toronto was $125 pbsf in Q3-2022, well below the average estimated land price over the past four years of $167 pbsf. Toronto land prices are down 8% quarterly and 22% annually.

High-density lands in the former City of North York traded for approximately $102 pbsf in Q3-2022, virtually unchanged quarterly but down 40% annually from the 5-year market-high of $170 pbsf in

Q3-2021. However, the third quarter results this year are not far from the long-run average of $108 per-buildable-sf.

In Scarborough, high density lands traded for $68 pbsf in Q3-2022, up 36% since Q2. The current Q3-2022 land price is 28% higher than the 4-year average in Scarborough of $53 pbsf. There have been several very successful launches in Scarborough over the last two years along Kingston Road, Warden Avenue, and Kennedy Road. Larger developers are taking notice, but due to a more ample supply of potential development sites and Scarborough's 'suburban' condo pricing, land values have remained relatively low.

INDIVIDUAL TRANSACTIONS IN Q3-2022 BY NEIGHBOURHOOD

Figure 6 breaks down the Q3-2022 high-density land transactions by neighbourhood, which includes our assumptions and forecasts on what will be approved and offered for sale at the properties that were sold. Please note that a signed deal/agreement on the land sale price may have been struck several months (in rare occurrences, years) before the actual closing date.

Note: Bullpen Consulting is often involved in the underwriting and market analysis of land sales that appear on this list and has inside knowledge of what the developer will pursue in terms of total GFA. However, that data is confidential and has not been provided to Batory Management for their assessments of these sites.

Figure 6: Summary Data on High-Density Land Transactions by Neighbourhood, GTA, Q3-2022

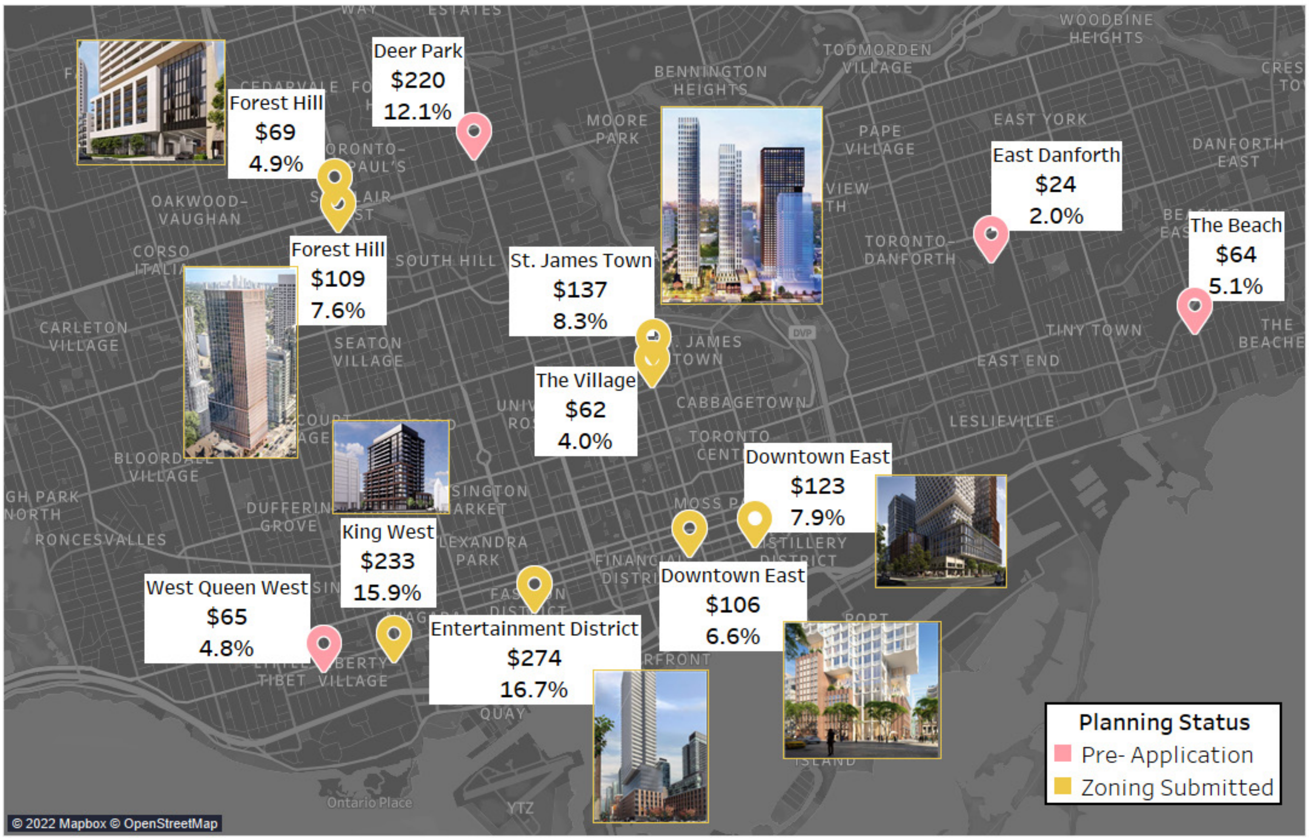
		Number of Records	Avg. Lot Size (Acres)	Avg. Estimated / Proposed Height	Avg. Price	Avg. Price Per-Buildable-SF	Avg. Land-to-Revenue Ratio
416 Area	Entertainment District	1	0.3	48	$90.0M	$274	17%
	King West	1	0.4	16	$36.2M	$233	16%
	Deer Park	1	0.2	11	$9.6M	$220	12%
	Leaside	1	0.7	21	$28.0M	$137	9%
	St. James Town	1	1.3	59	$114.0M	$137	8%
	Weston	1	0.1	18	$2.8M	$120	11%
	Downtown East	2	0.2	51	$19.3M	$115	7%
	Yonge & Eglinton	3	0.2	44	$20.8M	$106	7%
	Bayview Village	1	1.7	22	$24.0M	$105	7%
	Cliffside	1	1.0	13	$19.0M	$101	9%
	Downsview	2	0.7	25	$14.7M	$101	8%
	Guildwood	2	1.2	13	$21.2M	$94	8%
	Forest Hill	2	0.2	31	$17.3M	$89	6%
	Six Points	3	1.6	48	$49.4M	$83	7%
	West Queen West	1	0.3	38	$8.0M	$65	5%
	The Beach	1	0.6	4	$4.2M	$64	5%
	The Village	1	0.2	58	$13.3M	$62	4%
	Scarborough Junction	1	1.8	12	$19.2M	$55	5%
	Eglinton East	1	1.2	44	$18.5M	$46	4%
	Richview	1	2.2	38	$28.5M	$39	4%
	East Danforth	1	0.3	4	$2.3M	$24	2%
	Scarborough City Centre	1	2.4	29	$11.5M	$20	2%
905 Area	Vaughan Metropolitan Centre	1	2.0	40	$31.2M	$74	6%
	Pickering	1	1.7	49	$21.5M	$46	4%
	Cooksville	1	0.4	26	$6.7M	$36	3%
	Richmond Hill	1	2.7	29	$14.3M	$24	2%
	Average	**34**	**0.9**	**32**	**$25.2M**	**$95**	**7%**

The 34 land sales in Q3-2022 had an average size of 0.9 acres, with the potential apartment projects having an average height of 32-storeys. The average property sold for about $25.2 million or $95 per-buildable-sf (straight average). The average of the individual land-to-revenue ratios equals 7%. The individual Land-to-Revenue ratios range from 17% for an Entertainment District property to a low of 2% in the East Danforth, Scarborough City Centre and Richmond Hill areas.

SPATIAL DISTRIBUTION OF HIGH-DENSITY LAND SALES IN TORONTO

Figure 7 maps the second quarter land sales in Toronto only, showing the price on a per-buildable-sf foot basis and the estimated Land-to-Revenue Ratio. The colour of the markers indicates the planning status at the time of closing. Renderings are shown for proposed projects at several of the locations.

Figure 7: Location, Land Price and Land-to-Revenue Ratio for High-Density Land Sales, Toronto, Q3-2022



The most expensive transaction in Q3-2022 was in the Entertainment District at $274 pbsf, with an estimated land-to-revenue ratio of 16.7% - the assembly sold for $90 million. This property has gone through several ownership changes over the past decade. The latest purchaser released the following information regarding the sale: Fengate Asset Management acquired 46 Charlotte Street, 16 Oxley Street, and 355 Adelaide Street West in downtown Toronto's Entertainment District. The firm acquired the site through a receivership sale, with zoning and site plan applications in progress.

Fengate is managing this investment and development on behalf of its investors, including the LiUNA Pension Fund of Central and Eastern Canada. The proposed development includes plans to preserve parts of the heritage façade of the property and contemplates delivering over 400 residential units as well as retail and commercial spaces.

Go-To Spadina Adelaide Square Inc. purchased the property for $74.3 million in 2019 (~$212 pbsf), and was pursuing approvals for a 48-storey tower with about 328,000 sf of GFA.

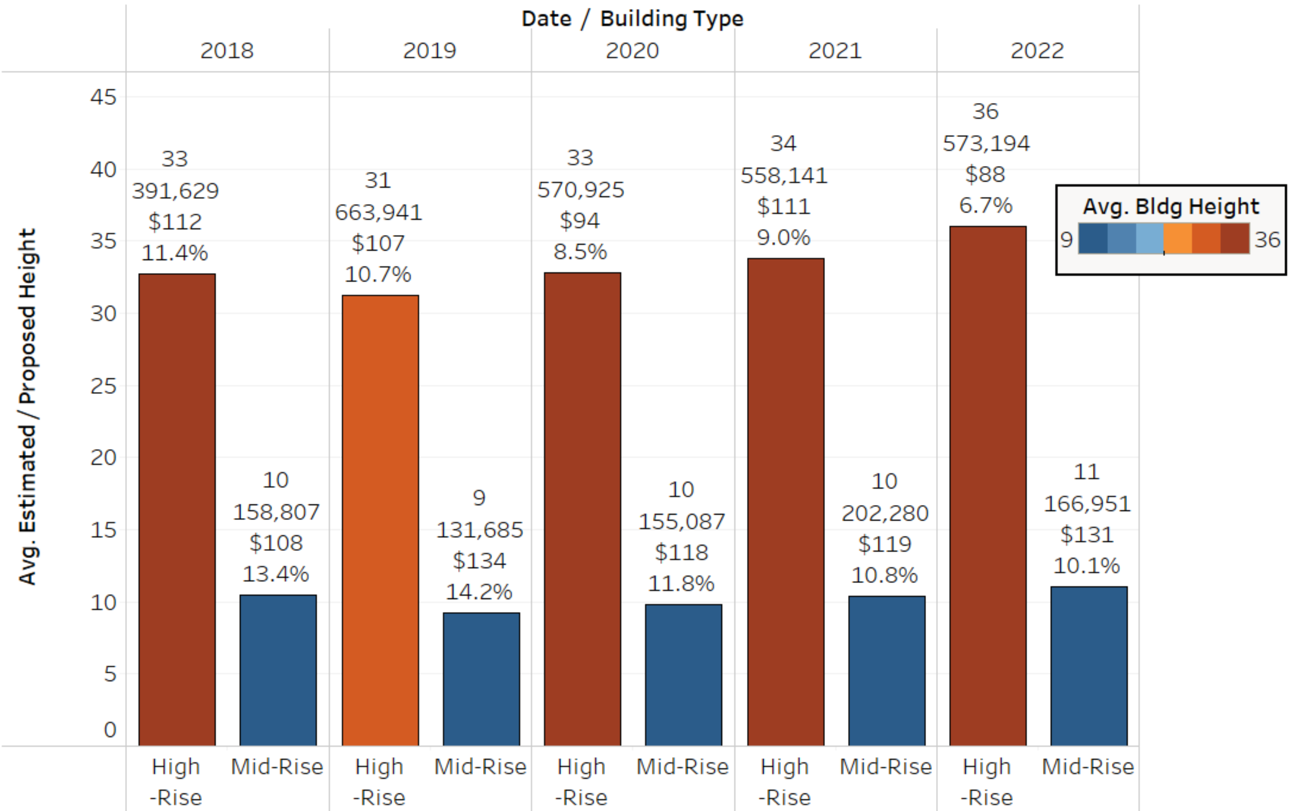
Another notable sale was to Broccolini in the St. James Town area for $137 pbsf (LRR of 8.3%). According to the City of Toronto's Application Information Centre: An Official Plan and Zoning By-law Amendment was recently submitted to facilitate the redevelopment of the site with a 59-storey (west tower) and a 48-storey (east tower) mixed-use buildings that will include affordable rental units, S111 replacement units, community spaces, community retail, a daycare facility, on-site parkland dedication, as well as four levels of underground parking. The project dubbed HuntelySelby will include a team of Broccolini, Jennifer Keesmaat, ERA Architects, gh3, IBI Group and Bousfields Inc. The rendering below shows the integration of the project with several of the existing buildings on site.

HEIGHT AND SUMMARY DATA BY BUILDING TYPE IN THE GTA

Figure 8 presents summary data aggregated on an annual basis for land transactions in the GTA over the past 4.75 years, broken out for high-rise (16-storeys and taller) and mid-rise sites (5- to 15-storeys). The height and colour of the bars represent the average height in storeys for the maximum estimated/proposed building height at these land transactions (ie, in a multi-tower site, we include the height of the tallest building).

The average property sold in the first nine months of 2022 that is appropriate for a high-rise development in the GTA has an estimated average height of 36-storeys, over 573,000 sf of GFA, a price of $88 pbsf on average, with an average Land-to-Revenue Ratio of 6.7%. As a reminder,

Figure 8: Average Height, GFA, Land Price & LRR by Building Type, GTA, 2018 to 2021 & YTD 2022



this includes properties suitable for multiple towers, so a single tower is not 573,000 sf of GFA on average.

The proposed height of the high-rise buildings is taller than in previous years, but the average land price and the LRR have been at their lowest level over the past five years. Robust sales in 2021 and early 2022 have pushed developers to seek even taller buildings, coupled with the fact that higher densities are being allowed close to major transit, have pushed up the average height. Our expectation is that this figure will start to trend down with the slower sales environment expected in 2023.

For mid-rise buildings, the average land price per-buildable-sf is $131, an increase from last year ($119 pbsf). The LRR of 10.1% is lower than any other point during this five-year sample period. Mid-rise buildings tended to have lower pricing due to a lack of views and amenities, as well as the fact that they were often in secondary locations (outside of a few luxury projects). However in recent years, this product has started to appeal to more affluent move-up buyers and downsizing boomers who want a high-end boutique building located in a more low-density neighbourhood. Those factors, plus the fact that developers understand that construction costs are quite high and efficiency lower on these projects, meaning that they have to charge pricing equivalent to the high-rise towers downtown to generate a reasonable return.

SUMMARY DATA BY NEIGHBOURHOOD & YEAR

Figure 9 presents data on the number of transactions, the land size in acres, the per-buildable-sf land price, and the estimated land-to-revenue ratio for six neighbourhoods in Toronto.

When the sample size is smaller, the results can be fairly lumpy, but the summary results even out the outliers and provide more meaningful results.

It is no surprise that Yorkville is the most expensive neighbourhood, with the 18 sales having an average land price of $252 pbsf and an LRR of 14%. King West and the Entertainment District have identical land prices of $201 pbsf, with LRRs of 16% and 15%, respectively.

The Downtown East is probably the largest “neighbourhood” tracked in this report, although it is probably ill-defined, as this report cuts out Corktown, Regent Park, and Cabbagetown as separate areas. However, the average property has sold for $164 pbsf, with an LRR of 12%.

Yonge & Eglinton also has an LRR of 12% but a slightly lower average land price of $158 pbsf.

There have only been nine high-density land sales in the Junction Triangle area over the last five years, but pricing has been relatively consistent, from a low of $91 pbsf in 2019 to a high of $117 pbsf in 2022. The LRR has been 9% in each of the last four calendar years.

Figure 9: Summary Data on High-Density Land Transactions by Neighbourhood and Year, City of Toronto, 2018 to 2022

	2018	2019	2020	2021	2022	Grand Total
Yorkville	5 sales 0.32 acres **$221 pbsf** 15% LRR	3 sales 0.42 acres **$382 pbsf** 19% LRR	3 sales 0.13 acres **$145 pbsf** 9% LRR	5 sales 0.54 acres **$333 pbsf** 17% LRR	2 sales 0.29 acres **$98 pbsf** 5% LRR	18 sales 0.36 acres **$252 pbsf** 14% LRR
King West	4 sales 0.43 acres **$130 pbsf** 12% LRR	3 sales 0.15 acres **$209 pbsf** 18% LRR	2 sales 0.16 acres **$308 pbsf** 22% LRR	2 sales 0.27 acres **$262 pbsf** 18% LRR	2 sales 0.33 acres **$162 pbsf** 10% LRR	13 sales 0.28 acres **$201 pbsf** 16% LRR
Entertainment District	5 sales 0.19 acres **$150 pbsf** 14% LRR	2 sales 0.34 acres **$269 pbsf** 19% LRR	3 sales 0.36 acres **$167 pbsf** 11% LRR	2 sales 0.35 acres **$275 pbsf** 20% LRR	1 sales 0.31 acres **$274 pbsf** 17% LRR	13 sales 0.29 acres **$201 pbsf** 15% LRR
Downtown East	4 sales 0.19 acres **$198 pbsf** 20% LRR	5 sales 0.45 acres **$166 pbsf** 14% LRR	9 sales 0.31 acres **$142 pbsf** 11% LRR	5 sales 0.76 acres **$198 pbsf** 14% LRR	9 sales 0.26 acres **$150 pbsf** 10% LRR	32 sales 0.37 acres **$164 pbsf** 12% LRR
Yonge & Eglinton	2 sales 0.23 acres **$255 pbsf** 24% LRR	5 sales 0.36 acres **$150 pbsf** 13% LRR	1 sales 0.38 acres **$101 pbsf** 8% LRR	2 sales 0.61 acres **$185 pbsf** 13% LRR	3 sales 0.23 acres **$106 pbsf** 7% LRR	13 sales 0.35 acres **$158 pbsf** 12% LRR
Junction Triangle	1 sales 0.21 acres **$97 pbsf** 11% LRR	2 sales 1.72 acres **$91 pbsf** 9% LRR	2 sales 1.63 acres **$93 pbsf** 9% LRR	1 sales 0.18 acres **$103 pbsf** 9% LRR	3 sales 0.81 acres **$117 pbsf** 9% LRR	9 sales 1.06 acres **$102 pbsf** 9% LRR

PROJECT UPDATES

929 Queen

In April 2022, 929 Queen Project GP Inc. purchased 929 Queen Street East, a 0.31 acre Leslieville development site for $8 million. No development application had been submitted at the time of closing, and Batory estimated that a 10-storey building with about 53,000 sf of GFA was appropriate for the site. Based on this estimation, the land price equates to $150 per-buildable-sf, with a LRR of 11%.

The developer submitted an OPA and Rezoning application for a 9-storey mixed-use building with 68 residential units and a residential gross floor area of just under 59,000. This translates into an updated land price of $136 pbsf and an LRR, at the time of closing, of 10%.

123 Wynford

123 Wynford Inc. purchased 123 Wynford Drive in the Don Mills area for $33 million in Q3-2021. The three acre site was sold prior to a development application being submitted to the City of Toronto. Batory estimated that the site could accommodate about 655,000 sf of GFA, with buildings up to 25-storeys. This report estimated that the land was $50 per-buildable-sf, with a land-to-revenue ratio of 4%.

In August of 2022, the development team proposed two residential towers with 1,128 units above the Japanese Canadian Cultural Centre, a heritage building on the site that will be preserved. The GFA proposed is 847,000 sf in buildings of 48- and 55-storeys. There would also be 463 parking spaces.

Based on the above application, the updated land price is $39 per-buildable-sf and the LRR at the time of closing is just 3%.

630 The East Mall

In June of 2022, 630 The East Mall Inc. purchased that namesake development for $40 million. The two acre site is currently improved with an industrial building, and no development application had been submitted at the time of closing. Batory estimated that a multi-tower site with buildings up to 35-storeys was appropriate for the site, with GFA potential of 680,000 sf. This translated to a land price of $59 per-buildable-sf and a land-to-revenue ratio of 5%.

In September 2022, the development team submitted a rezoning application proposing two 24-storey towers and one 10-storey mid-rise building containing 542,700 sf. Based on the lower GFA, the revised land price is $74 bpsf, with an updated LRR of 6%.

86-108 Lombard Street

In May 2022, 86 RVW Inc. acquired 86 Lombard Street for $11.43 million. The 0.22 acre site in Toronto's downtown east was purchased prior to a development application submission. Batory estimated that a 22-storey building with just under 75,000 sf would be appropriate for the site. This estimation resulted in a land price of $154 pbsf and an LRR of approximately 10%.

In August of this year, the development team acquired 100-108 Lombard Street, with a total of 0.29 acres for $26 million. In the same month, the development team (now identified as Forum Equity Partners and Slate Asset Management) submitted a rezoning application for the combined assembly of 86-108 Lombard which proposes a 59-storey mixed-use tower with just over 420,000 sf of gross floor area, including 46,500 sf of office space, 6,600 sf of retail space at grade, and a total of 480 residential suites.

The combined acquisition cost is $37.43 million or $89 pbsf. Bullpen estimated the revenue that could be generated from condominium apartments in Q2-2022 would have been $1,625 psf, so the land-to-revenue ratio on the blended land value is 5%.

688-698 Brant Street

In December of 2021, Elite 699 Brant Holdings Inc. purchased a 1.57 acre site in Burlington for $7.7 million. No development application had been submitted to the municipality at the time of closing, and Batory estimated that a 12-storey mid-rise apartment would be appropriate for the property, with a total of about 235,000 sf of GFA. This translated to a land price of $32 per-buildable-sf, with an LRR of 3%.

In May of 2022, the developer also purchased 698 Brant Street, a 0.16 acre parcel of land for $2.15 million.

In September of 2022, a pre-application community meeting was held, where Weston Consulting presented the development concept for the assembled 1.87 acre property, which also includes 694 Brant Street. The mixed-use development proposed, which is located on the corner of Brant Street and Queen Street, would feature an 11-storey building with at-grade retail and townhouse units at the rear of the site. The building's total gross floor area would be nearly 282,000 sf. The mid-rise building would have a total of 310 units.

The original purchase in December 2021 accounts for about 84% of the assembly or about 234,000 sf of GFA on a prorated basis. The updated land value is virtually unchanged at $34 pbsf.

5320-5324 Yonge St & 11 Churchill Avenue

In our Q1-2022 report, we included a land sale by 1000046639 Ontario Inc. at 5320 to 5324 Yonge street and 11 Churchill Avenue for $35 million. The 0.92 acre site in the North York City Centre area was purchased prior to any redevelopment details being released to the public. Batory estimated that a 32-storey building with about 348,000 sf of GFA was appropriate for the site. The estimated land value was $100 pbsf, with an LRR of 7%.

Official Plan and Rezoning Applications were submitted by the land owner for a 36-storey mixed use building with a 12-storey building component located along Canterbury Place. The proposed GFA is just under 410,000 sf. The updated land price is $85, with an LRR at the time of closing of 6%.

3555 Highway 7

This property is located at 3555 Highway 7 East, across from City Hall in Markham. No development application had been filed for this site on the southwest quadrant of Highway 7 and South Town Centre Boulevard, just west of Warden Avenue, at the time of closing in October of 2019. Batory determined that a multi-tower development with buildings up to 16-storeys and 585,000 sf was appropriate for the property. This 2.74 acre site sold for $50 million to 3555 Highway 7 Development Ltd. (Groupe Brivia), and our report estimated the per-buildable-sf price at $86, with an LRR of 11%.

Last year, Brivia proposed a two-phased mixed-use development consisting of three high-rise residential buildings. A total of 1,134 residential units are proposed, which includes 10-storeys (100 units) of purpose-built rental units with office, commercial, and retail uses at grade along the Highway 7 frontage and a daycare at grade along the private road frontage. There are two 40-storey towers, and one 53-storey tower proposed. A total of 1,211,876 sf of GFA is being contemplated, which brings the land price down to $41 per-buildable-sf, and the LRR at the time of closing to 5%.

CONCLUSION

The average land price per-buildable-sf in the GTA was $95 for the second consecutive quarter in Q3-2022, tying for the second lowest total since Bullpen and Batory started publishing this report in Q4-2017. The average land price over that time is $113 pbsf, so land is about 16% lower than the long run average.

However, the sample sizes in this report are not large, and some of the land transactions in luxury or high-end locations have pulled that average up. The median land price in Q3-2022 was $89 pbsf, down from $92 pbsf and $93 pbsf in the previous two quarters, but matching the long-run average. When the market corrects, developers turn away from luxury opportunities, which don't typically sell well during periods of market softness.

New condo investors have not totally abandoned the market for pre-construction projects, as there remains the expectation that prices will be higher in 4-5 years than today, but developers that price their projects too far above current resale market values (for recently completed buildings) will have trouble moving product. That gap swelled to between 30% and 35% for many projects during the early part of 2022, and that new condo premium will have to move down, especially for smaller projects with closings out two to three years.

The extreme sales successes experienced in 2021 into Q1-2022 means that there are many developments seeking financing and getting under construction this year and into the first half of 2023. Construction costs will likely remain elevated with high-interest rates and little reprieve on material cost inflation. With that said, there is very little wiggle room for developers to lower the revenue on their projects in the short term, meaning there will be a lot of delayed project launches.

Given the multitude of high-density land sales, the addition of many new players into the GTA new condo market recently, and the mandates by many REITS and large commercial property holders to densify and redevelop their existing sites, there most likely will be continued downward pressure on lands as we start to see more distressed sales from inexperienced developers unable to top-up their interest reserves and find new financing. When the market does recover, competition will be at an all-time high from the elevated number of developers sitting on ready-to-go projects.

The Province has also recently announced their drafted legislation under the proposed Bill 23, which proposes significant changes to the Planning Act and Development Charges Act, among others. From the perspective of Batory, there has been an increase in developer interest in increasing intensification on their existing assets where appropriate, and also focusing on high-rise site acquisitions near MTSAs.

From a professional perspective, Bullpen continues to see an uptick in requests for rental market studies, as developers consider a shift in tenure of their projects with the hot rental market, but many are finding the projects still don't pencil. However, many well-heeled developers are still underwriting and seeking well-priced lands to feed their future pipeline.

It is expected that non-distressed vendors will hold, as the last 25 years have shown that the new condo market in the GTA is very resilient, and has weathered many storms, including the global financial crisis, the 2017 housing bubble, and COVID-19. Fewer transactions are expected over the next six to nine months almost certainly, but even longer if interest rates remain at these current levels into 2024.

AVAILABLE RENDERINGS FOR ZONING SUBMITTED OR ZONING APPROVED SITES

Cliffside - 2257 Kingston

Downtown East - 82 Berkeley

Six Points - 5251 Dundas

North Richmond Hill - Yonge St

Forest Hill - 536 St Clair

Cooksville - 2444 Hurontario

Yonge _ Eglinton - 110 Eglinton

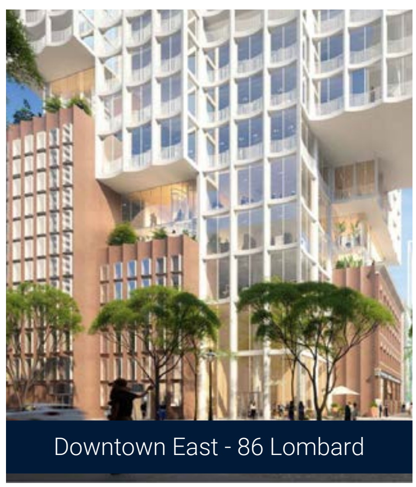
AVAILABLE RENDERINGS FOR ZONING SUBMITTED OR ZONING APPROVED SITES

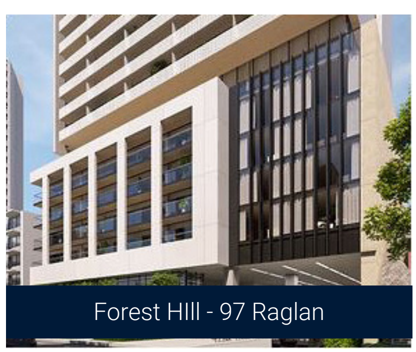

Six Points - 60 Fieldway

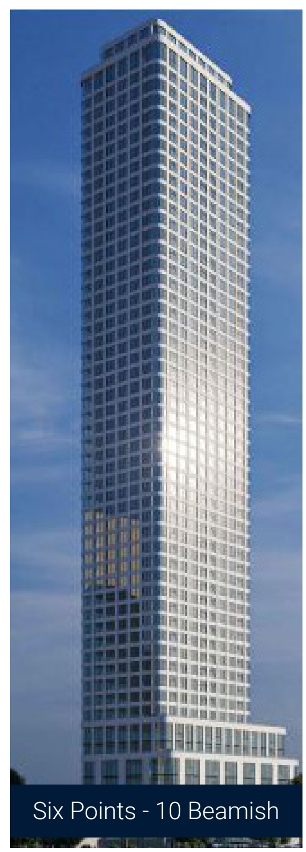

Richview - 20 Adriatic


Scarborough Junction - 480 Danforth

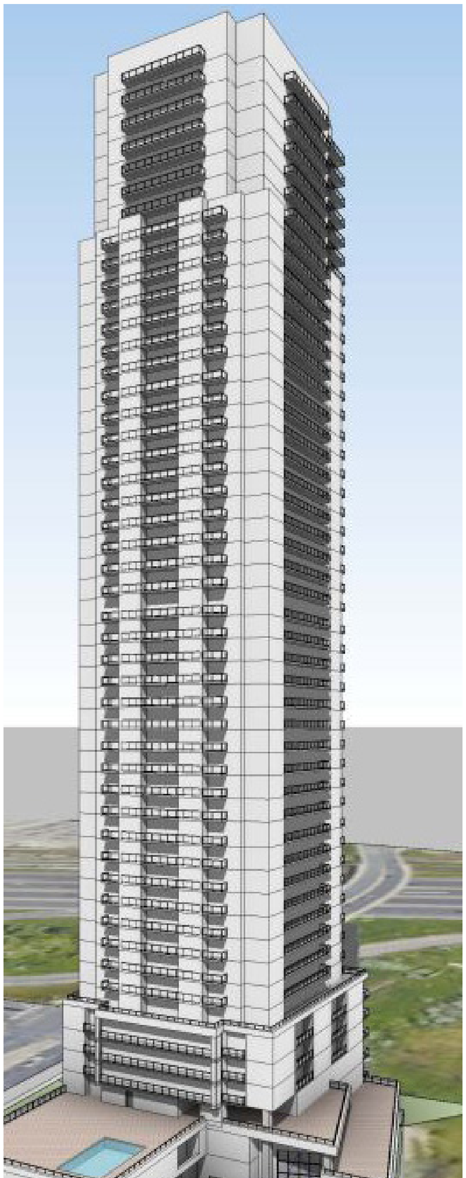

St James Town - 47 Huntley


Downtown East - 86 Lombard


Forest HIll - 97 Raglan

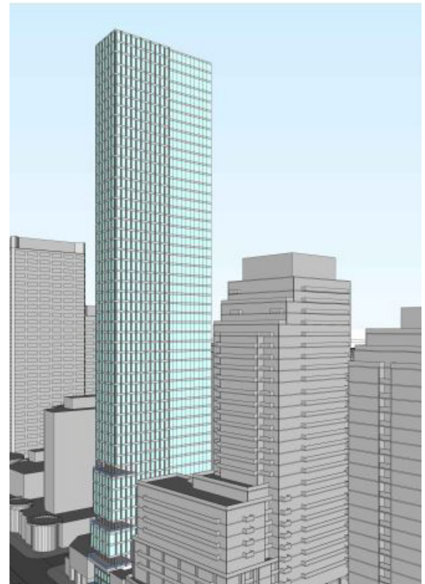

Six Points - 10 Beamish

AVAILABLE RENDERINGS FOR ZONING SUBMITTED OR ZONING APPROVED SITES



Pickering - 1790 Liverpool

Downsview - 3750 Bathurst



Yonge _ Eglinton - 2350 Yonge

King West - 952 King

The Village - 561 Jarvis

Yonge _ Eglinton - 64 Montgomery

Guildwood - 3730 Kingston

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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.

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