

GTA HIGH RISE

Land Insights Report



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BATORY
Management

Q4-2018

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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. 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 (125,000 sf) to the sales price to get \$80 per-buildable-sf.

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 Sales in 2018

In 2018, Bullpen and Batory reviewed 131 Greater Toronto Area land transactions identified as having future development potential as a condominium or rental apartment. The average estimated sales price of those lands was \$110 per-buildable-sf. Bullpen estimated residential condominium apartments at those projects were valued at an overall average price of approximately \$875 psf at the time of the sale, which indicates that developers paid for land at about 12% of expected revenue in 2018.

In the former City of Toronto, developers paid approximately \$145 per-buildable-sf for high-density land. Bullpen estimated that expected revenue at these projects was approximately \$1,015 psf, putting land at 14% of expected unit revenue.

Average Land Values by Postal Code in 2018

Figure 1 presents estimated land values per-buildable-sf for high-density land transactions in 2018 by postal code. **Figure 2** zooms into the City of Toronto only and looks at what purchasers paid for land as a percentage of the expected unit revenue.

Figure 1: Average Price Per-Buildable-SF by Postal Code, Central GTA, Q4-2017 to Q4-2018

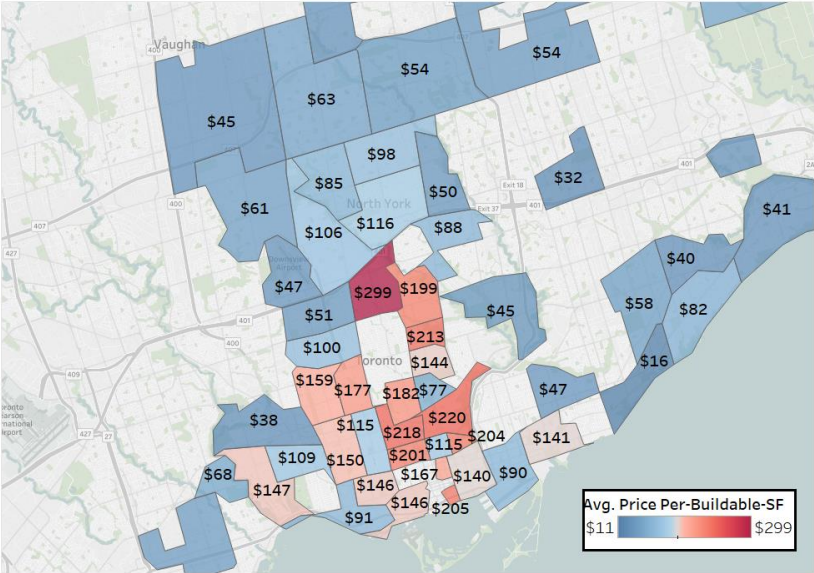
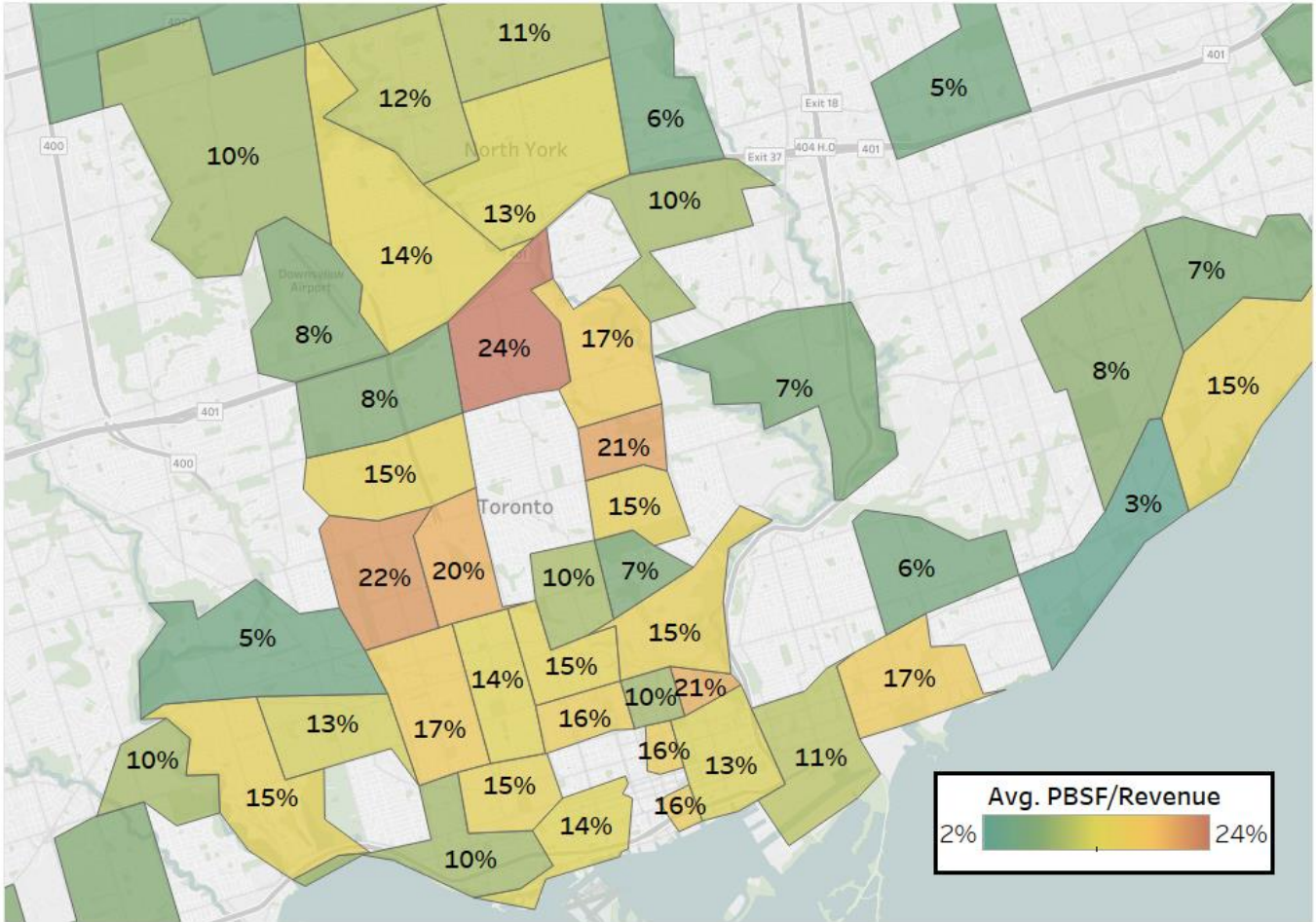


Figure 2: Land Price as a Percentage of Expected Revenue by Postal Code, Toronto, Q4-2017 to Q4-2018



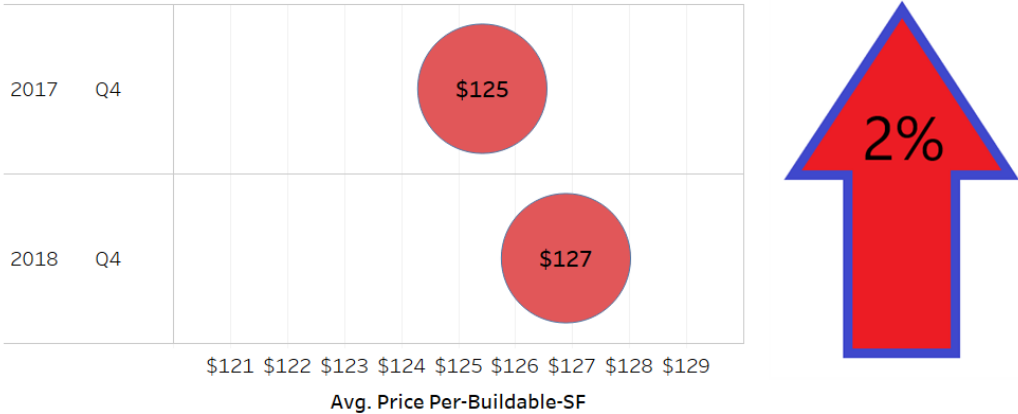
Select High-Density Land Transactions: Q4-2018

In the fourth quarter of 2018, 35 GTA properties with high density development potential were closed and reviewed in this report. On average, the lands sold for \$127 per-buildable-sf using a straight average (Weighted Average: \$96 per-buildable-sf, Median: \$98 per-buildable-sf).

Q4-18: \$127 per-buildable-sf

The average per-buildable-sf price in Q4-2018 is up 6% over the third quarter (\$120) and 2% from from Q4-2017 (\$125).

Figure 3: Price Per-Buildable-SF for High-Density Land Transactions, GTA, Q4-2017 & Q4-2018



Based on Bullpen’s revenue projections, purchasers bought land at about 13% of the expected unit revenue using today’s market conditions (price per-buildable-sf / expected average price per-square-foot for condo units), unchanged from last quarter.

Figure 4 looks at the average price per-buildable-sf for Q4-2018 GTA high density land transactions by month.

Figure 4: Average Price Per-Buildable-SF, High-Density Land Sales, GTA, Q4-2018

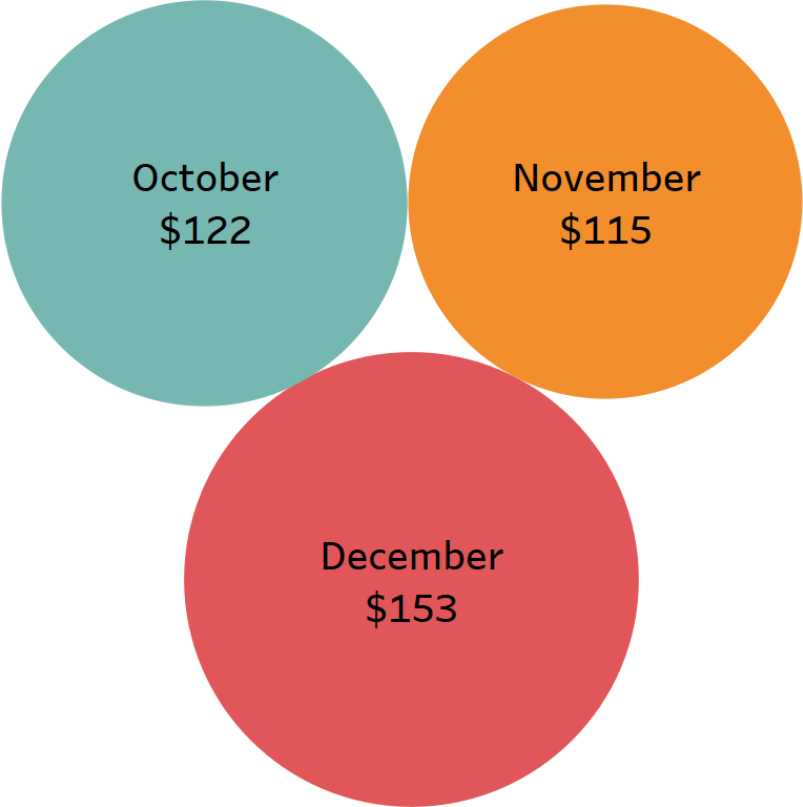


Figure 5 presents a further breakdown of the Q4-2018 transactions, which include our assumptions and forecasts on what will be approved and offered for sale at the properties that changed hands. It must always be kept in mind that a deal may have been struck several months (in rare occurrences, years) before the actual closing date. There are also other major factors that can influence land value: one of the Lawrence Park transactions involves a site where construction has already reached grade, while the Concord sale involves a site that will not likely be developable for five to 10 years.

Figure 5: Summary Data on High-Density Land Transactions by Area, GTA, Q4-2018

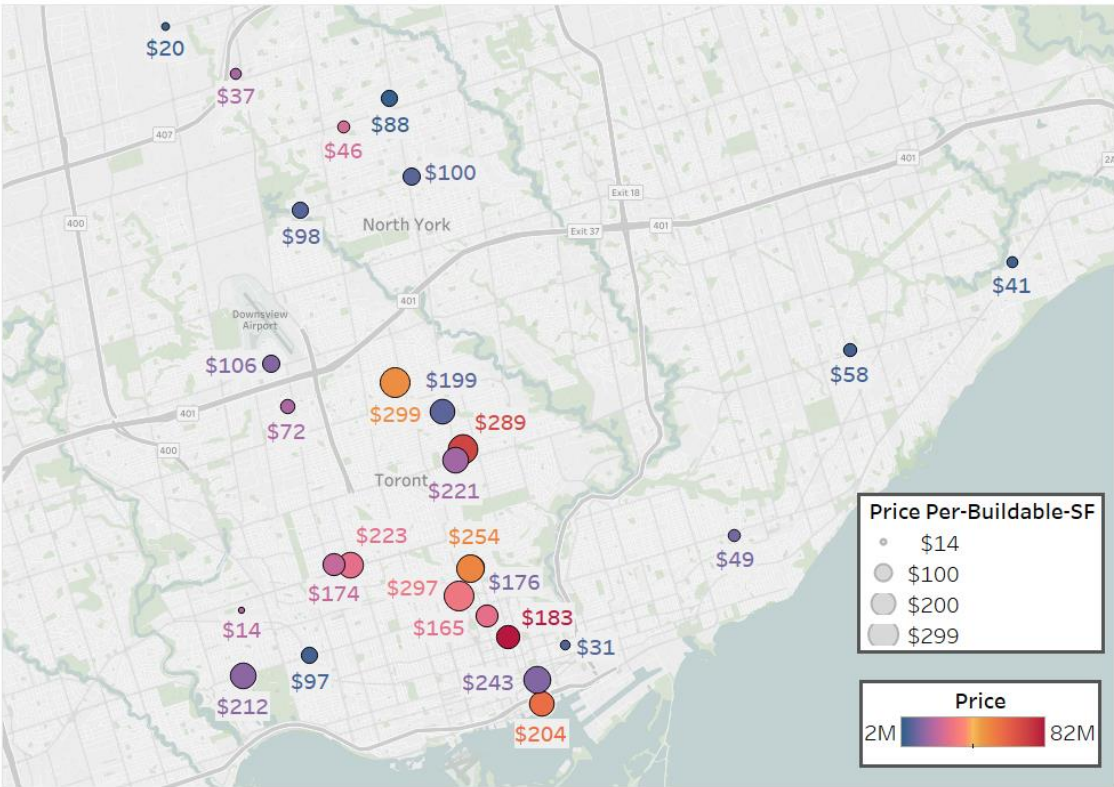
Month of Date	Area	Number of Records	Avg. Size (Acres)	Avg. Total GFA	Avg. Storeys	Avg. Price	Avg. Price Per-Buildable-SF	Avg. PPSF/Revenue	
October	Burlington	1	6.2	812,830	19	\$42,000,000	\$52	7.0%	
	Danforth Village	1	0.7	220,643	15	\$10,780,000	\$49	6.0%	
	Downsview	1	1.7	193,933	16	\$12,171,000	\$106	14.1%	
	Eglinton East	1	1.1	187,374	14	\$3,950,000	\$58	8.5%	
	Junction Triangle	1	0.2	42,417	11	\$4,100,000	\$97	10.6%	
	Lawrence Park	2	0.6	102,408	7	\$28,750,000	\$249	20.7%	
	North Oakville	1	2.7	292,000	8	\$10,550,000	\$154	23.3%	
	Port Credit	1	0.3	285,000	24	\$3,940,000	\$36	4.1%	
	Regent Park	1	0.4	561,854	38	\$5,800,000	\$31	3.3%	
	Richmond Hill	1	0.2	81,000	8	\$1,500,000	\$69	9.0%	
	Stockyards District	1	5.0	1,465,426	19	\$20,000,000	\$14	1.7%	
	Summerhill	1	0.2	62,385	12	\$11,000,000	\$176	12.8%	
	Thornhill	1	5.0	482,568	12	\$17,706,000	\$37	4.7%	
	Toronto Waterfront	1	0.7	285,000	22	\$58,000,000	\$204	16.7%	
	Willowdale	1	0.3	72,107	10	\$7,200,000	\$100	11.2%	
	Yonge & Eglinton	2	0.2	292,346	42	\$43,813,322	\$255	24.1%	
	Total		18	1.5	324,114	18	\$19,656,869	\$122	12.4%
November	Concord	1	0.8	116,937	15	\$2,384,956	\$20	2.8%	
	Downtown Core	1	0.3	370,000	46	\$28,300,000	\$165	13.1%	
	Downtown East	1	0.2	49,525	12	\$12,050,000	\$243	21.7%	
	Greensborough	1	0.9	95,447	6	\$6,500,000	\$68	9.2%	
	High Park	1	0.4	64,366	8	\$13,650,000	\$212	20.2%	
	Milton	1	3.0	195,900	7	\$6,375,000	\$33	5.2%	
	Richmond Hill	1	0.3	621,766	22	\$2,270,000	\$36	4.8%	
	The Village	1	0.8	449,531	43	\$82,120,180	\$183	16.8%	
	Yorkdale	1	1.1	250,250	14	\$18,000,000	\$72	9.4%	
	Total		9	0.8	245,969	19	\$19,072,237	\$115	11.5%
	December	Downsview	1	0.3	68,469	12	\$6,700,000	\$98	13.8%
Guildwood		1	0.5	81,679	9	\$3,350,000	\$41	6.7%	
St. Clair West Village		2	0.6	125,836	12	\$25,000,000	\$199	21.6%	
Steeles West		1	3.5	534,830	12	\$24,500,000	\$46	6.2%	
Summerhill		1	0.7	205,000	16	\$52,000,000	\$254	18.4%	
Thornhill		1	0.2	231,452	25	\$1,980,000	\$88	11.4%	
Yorkville		1	0.3	104,410	22	\$31,000,000	\$297	19.2%	
Total			8	0.8	184,689	15	\$21,191,250	\$153	14.9%
Total / Avg		35	1.2	272,151	18	\$19,857,251	\$127	12.7%	

The average property sold for \$19.9 million in the fourth quarter, with a lot size of approximately 1.2 acres or just over 50,000 sf. Based on our projections, the average project will have over 270,000 sf of GFA and a height of 18-storeys. The average project has an actual/projected overall average price of approximately \$928 psf overall, up from about \$867 psf in the third quarter.

Spatial Distribution of Q4-2018 High-Density Land Sales

Figure 6 maps the fourth quarter Toronto land sales, showing our estimated transaction values on a per-buildable-sf foot basis, with the colour of the marker indicating the total price. The transactions range from \$14 per-buildable-sf for a multi-phased development site in the Stockyards District, just north of the Junction, that has 1.4 million square feet of GFA proposed. The site had been listed for \$22 million, but sold for \$20 million. The highest priced transaction involves land for a partially built luxury development in Lawrence Park at \$299 per-buildable-sf.

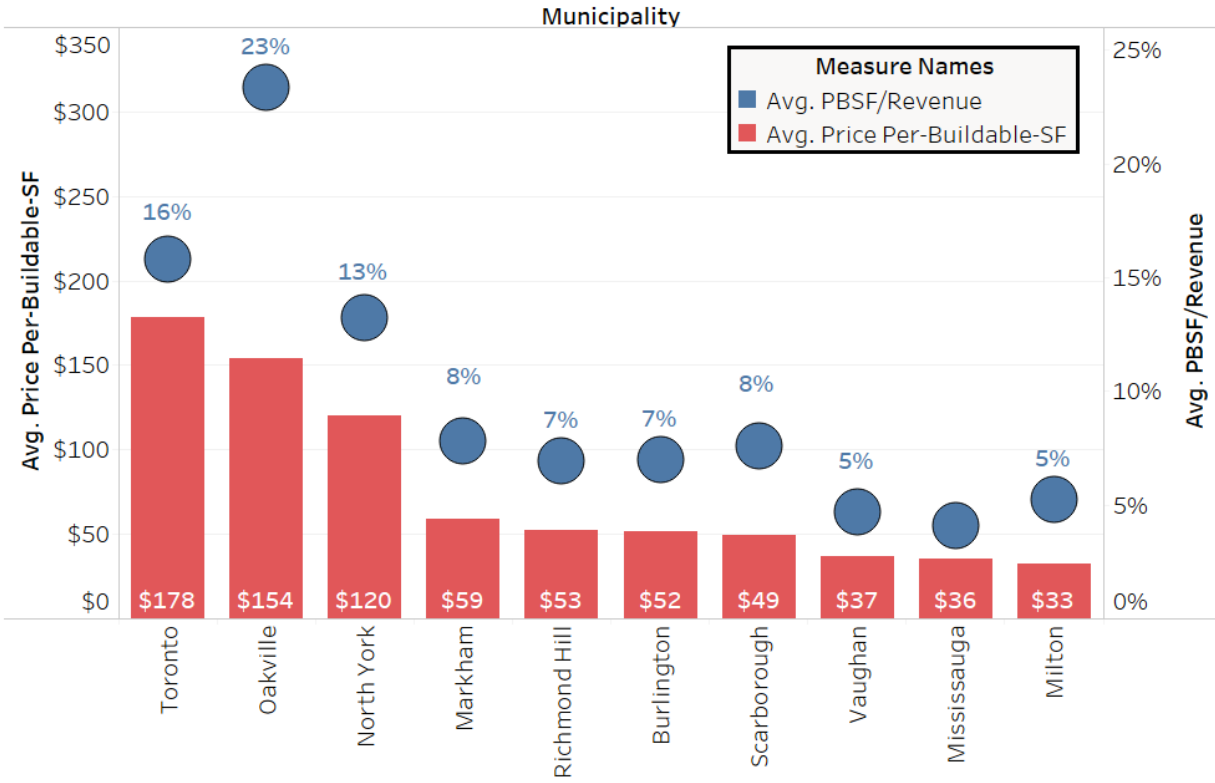
Figure 6: Location & Estimated Per-Buildable-SF Price for High-Density Land Sales, Toronto, Q4-2018



Land Transaction Values by Municipality

Figure 7 presents data on the average GTA land transaction prices per-buildable-sf by municipality in Q4-2018, with the average land-to-revenue ratio also shown. Fourth quarter average land values were \$178 per-buildable-sf in the former City of Toronto, \$154 per-buildable-sf in Oakville, and \$120 per-buildable-sf in the former North York. The average expected revenue in Toronto is \$1,097 psf, which indicates that developers and other purchasers paid for land at about 16% of expected revenue on average.

Figure 7: Average Price Price Per-Buildable-SF & Average Land as a Percent of Revenue for High-Density Land Transactions by Municipality, Q4-2018

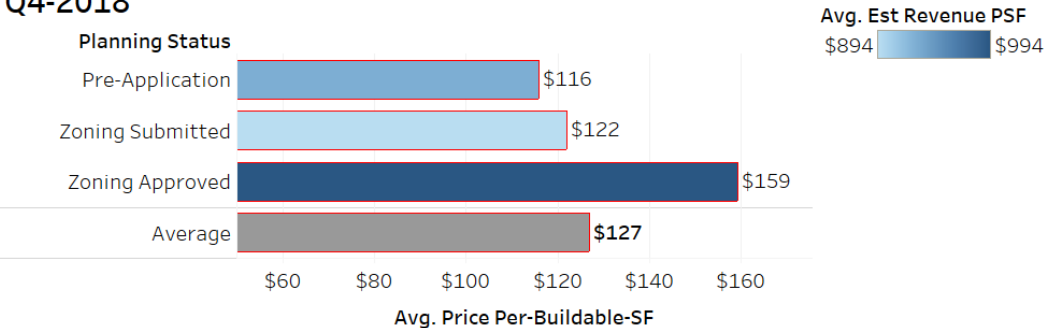


Per-Buildable-SF Values by Planning Status

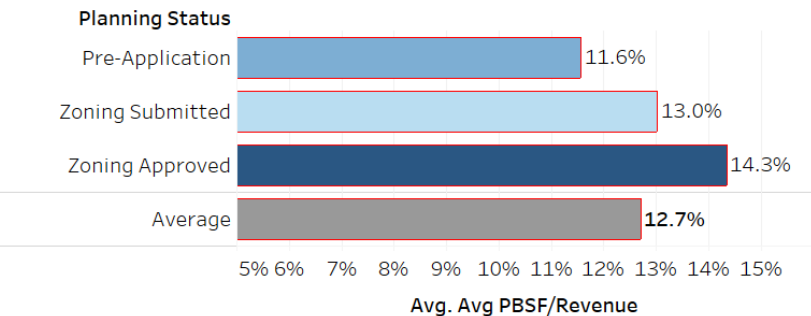
Figure 8 presents data on the average land price per-buildable-sf by planning status in Q4-2018. Parcels that traded without an active development application sold for \$116 per-buildable-sf in the fourth quarter, while parcels with an active rezoning application sold for 5% more at \$121 per-buildable-sf. Lands that sold with a fully approved apartment project sold for \$159 per-buildable-sf in Q4-18, a 31% premium over sites with an active application only. However, it should be kept in mind that the sample sizes are small, and the composition and location of the land sales can skew the data.

In terms of what buyers are willing to pay for land as a percentage of the current market value for new condominium apartments in those respective neighbourhoods, land with no active development application sold for 12% of expected revenue, while sites with an active application went for 13%, while fully approved properties sold for 14% of expected revenue.

Figure 8: Average Price Per-Buildable-SF by Planning Status for High Density Land Transactions, GTA, Q4-2018



Land as Percent of Revenue



Per-Buildable-SF Values by Building Height

Figure 9 shows the Q4-2018 high-density land transactions in the GTA by the expected building height (if the project has multiple towers, the highest tower height was selected). The trend line indicates that for every additional floor in a proposed project, a buyer paid \$1.34 per-buildable-sf more for the land. The equation of the linear trend line is as follows: *Average Land Value Per-Buildable-SF = (\$1.34 x Proposed Storeys) + \$103.*

Figure 9: Land Price Per-Buildable-SF by Expected Building Height, High-Density Land Transactions, GTA, Q4-2018

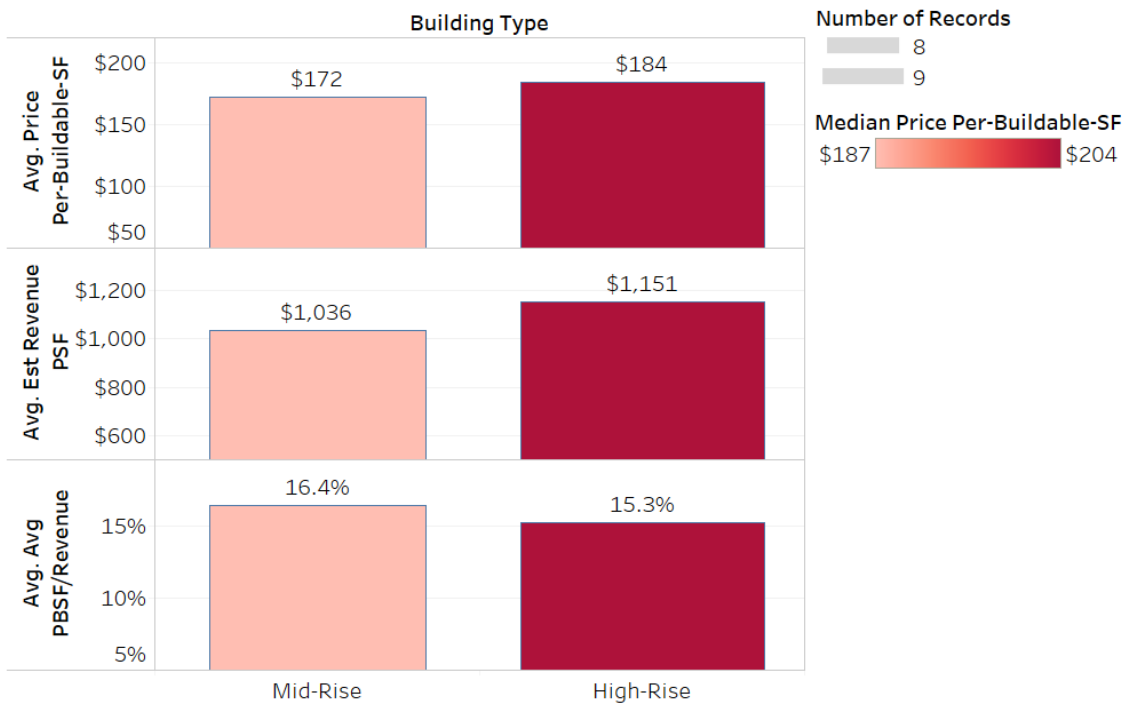


Figure 10 presents data on high-density land transactions by building type in the former City of Toronto only. There were eight mid-rise (5-15 storeys) and nine high-rise (16 storeys or higher) transactions in Q4-2018 based on planning applications and estimates provided by Batory Management. The mid-rise sites in Toronto traded for approximately \$172 per-buildable-sf, compared to \$184 for high-rise sites (Median: \$187 & \$204 per-buildable-sf, respectively).

The average unit revenues for mid-rise buildings are valued at nearly \$1,040 psf, with high-rise units valued at \$1,150 psf based on fourth quarter new condominium apartment market conditions.

Buyers have paid for land at about 16% of expected revenue for mid-rise sites, while paying about 15% of revenue for high-rise sites.

Figure 10: Average Price Per-Buildable-SF, Average Unit Revenue & Average Land as a Share of Revenue by Building Type, High-Density Land Transactions, Former City of Toronto, Q4-2018



Final Thoughts

Price growth in the new condo market has finally begun to cool. After spiking by approximately 35% in 2017, the annual increase was around 10% in 2018. The increases are obviously not sustainable in the long-run, but fewer new condo launches in 2018, solid resale price growth for condo product, and huge increases in rental rates (with the new stress test a major factor in the last two points) have contributed to the continued bullishness among new condo investors. The removal of rent control on new units was a welcome change for investors struggling to make the numbers work on their units as longer-term hold-and-rent properties.

Depending on the measure of central tendency used to calculate growth, land values have increased by about 2% to 6% annually in 2018, below the rate of growth for unit prices, as developers are taking into consideration the higher development charges, higher construction costs, and the longer approvals process when evaluating opportunities.

Major players Menkes, Empire and Lanterra closed on sites in the fourth quarter, and private equity firm Kingsett Capital continues to make acquisitions with a clear affinity for Bloor Street. These top developers and other new players appear to be cautiously optimistic, despite some buyer pushback to \$1,000 psf product in non-prime locations in Toronto this year.

Look for land values to increase by 2% to 3% again in 2019, as more developers take a conservative approach to underwriting given aggressive property rezonings are less likely in the post-OMB world, and the inevitable slower new condo price growth may not be there to bail out developers that pay too much for land.

Renderings & Massings

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

DEVELOPMENT POTENTIAL:
591 Finch Ave W
Toronto, ON



SELECTED PARCELS		DEVELOPMENT POTENTIAL	
591 Finch Ave W - 12,567 sf City of North York By-Law No. 7625 - Apartment Neighbourhoods		HEIGHTS	AOR Height 0 m
			Proposed Height 10 Storeys 33 m
AREAS	Total Site Area 12,567 sf		
	Total GCA 97,593 sf		
	Estimated GFA 85% GCA 82,947 sf		
	Estimated NSA 75% GCA 73,184 sf		
	Estimated Unit Count 646 sf avg 113 units		
	Average Floorplate GCA Podium 11,375 sf Tower 7,335 sf		
PARKING	Parking Spaces Required 1:1 Unit 113 spaces		
	Parking Spaces Per Level 28 spaces		
	Underground Parking Levels 4.0 levels		
FAR			6.6 x
EST LAND VALUE	\$69 / sf GCA	\$6,733,917	

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

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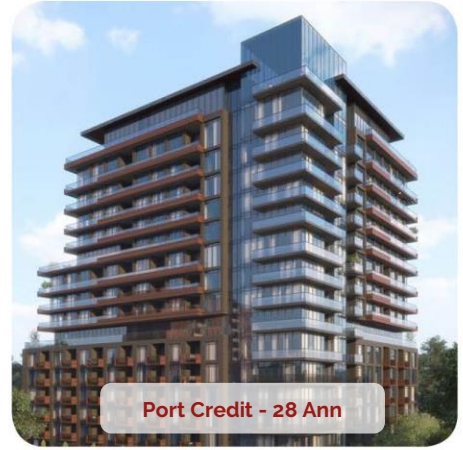
INPUTS				FLOOR AREA SUMMARY			
HEIGHTS	Total	10 Storeys	36 m	Floor	Section	Area	Elevation
	Podium	6 Storeys	24 m	Floor 1	Podium	11,375 sf	0 m
	Ground Floor		6 m	Floor 2	Podium	11,375 sf	6 m
	Typical Floor to Floor	Podium 3 m	Tower 3 m	Floor 3	Podium	11,375 sf	9 m
SETBACKS	Front	Podium 0 m	Tower 2 m	Floor 4	Podium	11,375 sf	12 m
	Side	Podium 0 m	Tower 11 m	Floor 5	Podium	11,375 sf	15 m
	Rear	Podium 6 m	Tower 0 m	Floor 6	Podium	11,375 sf	18 m
				Floor 7	Tower	7,335 sf	21 m
				Floor 8	Tower	7,335 sf	24 m
				Floor 9	Tower	7,335 sf	27 m
				Floor 10	Tower	7,335 sf	30 m

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Available renderings for zoning submitted or zoning approved sites



Available renderings for zoning submitted or zoning approved sites





Liverpool
APPRAISAL

Bullpen Consulting & Liverpool Appraisal are Teaming Up!

Liverpool Appraisal provides independent real estate valuation, appraisal and consulting services in the GTA. Liverpool Appraisal has partnered with Bullpen Research & Consulting to provide expertise on residential development projects in the GTA. With our combined expertise, we are able to provide a wide-ranging, holistic view of the market. With accreditation in the Appraisal Institute of Canada, our reports are suitable for securing financing, determining cash-in-lieu payments, or to provide valuable insights for decision makers.

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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.