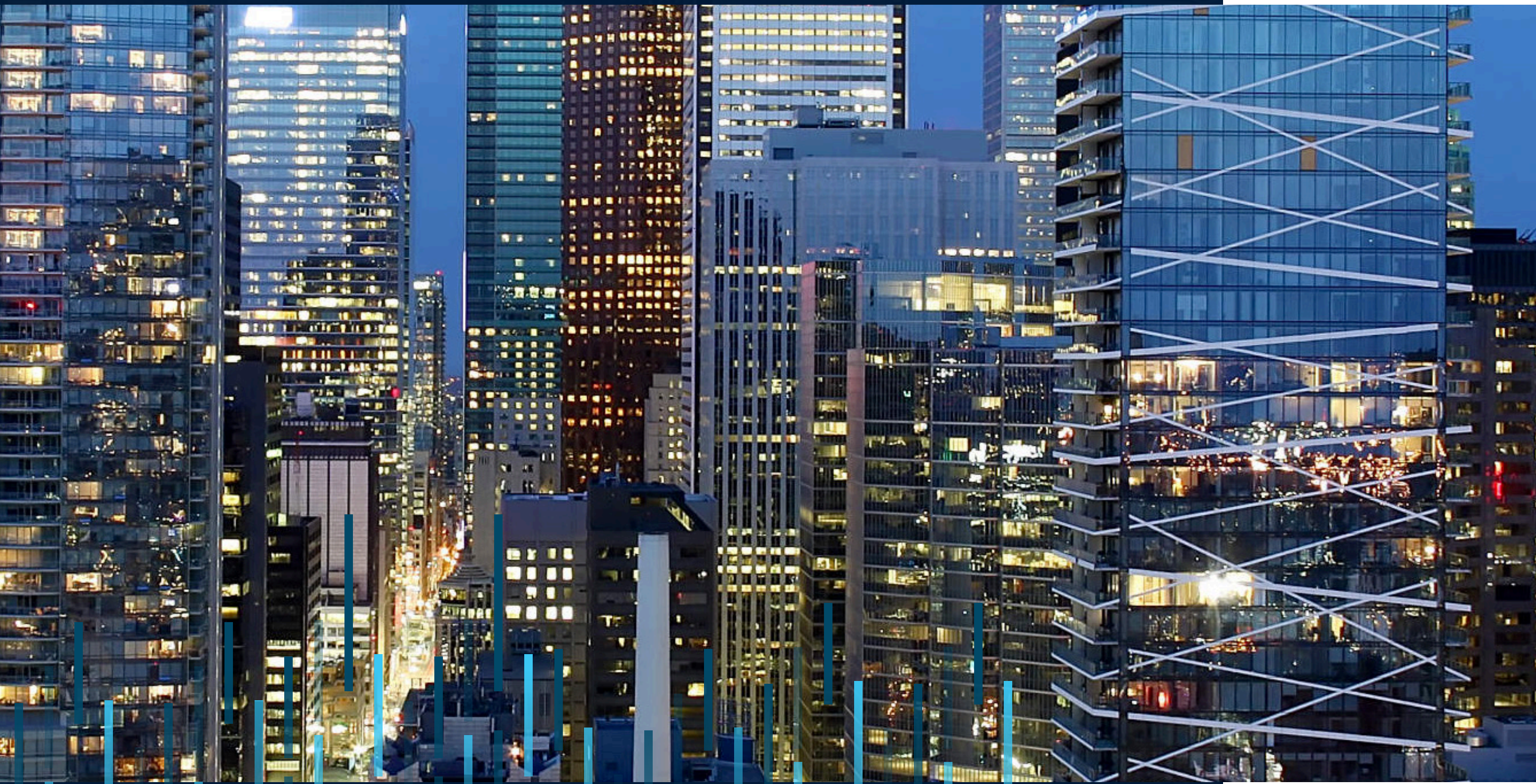
GTA HIGH RISE
LAND INSIGHTS REPORT

Q4 - 2019

Published February 2020



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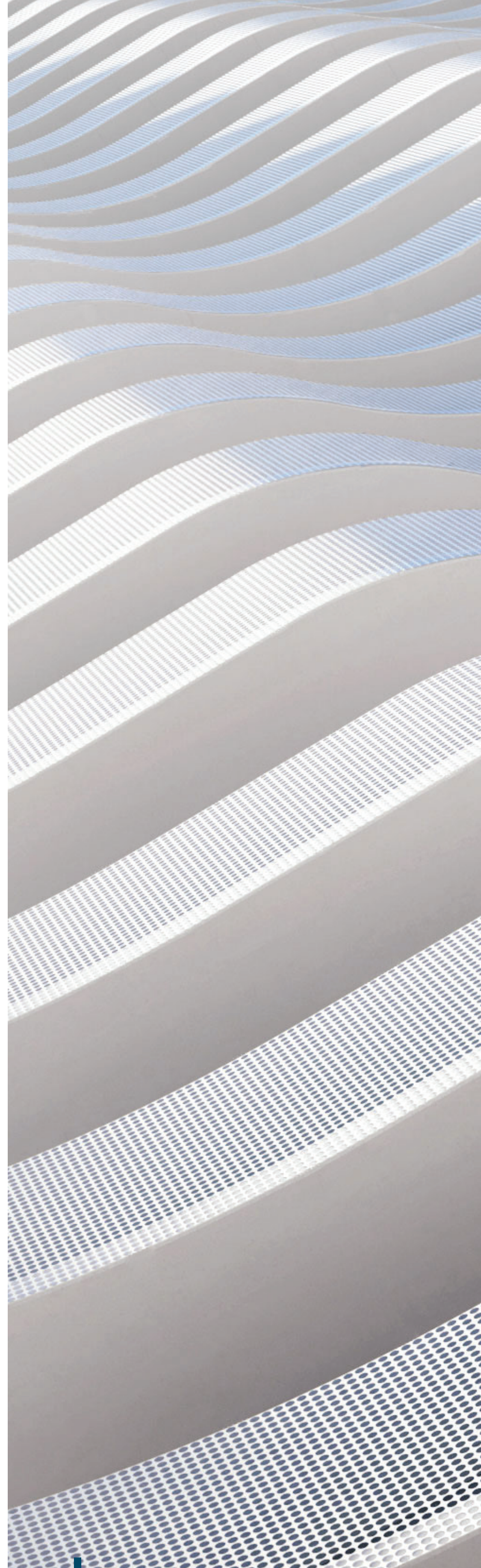
INTRODUCTION

Bullpen Research & Consulting Inc., a residential market research and 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 sales 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/approved at the site based on neighbourhood precedence and the existing planning framework. If the project has not actively 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.

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.



GTA HIGH-DENSITY LAND SALES IN Q4-2019

In Q4-2019, Bullpen and Batory reviewed 36 Greater Toronto Area land transactions that were identified as having future development potential as a condominium or rental apartment. The average estimated sales price of those lands was $111 per-buildable-sf. Bullpen estimated residential condominium apartments at those projects could sell their units at an overall average price of approximately $955 psf at the time of the land sale, which indicates that developers paid for land at about 11% of expected revenue in the fourth quarter (10% when using a straight average of the individual land-to-revenue ratios).

Q4-19: $111 per-buildable-sf

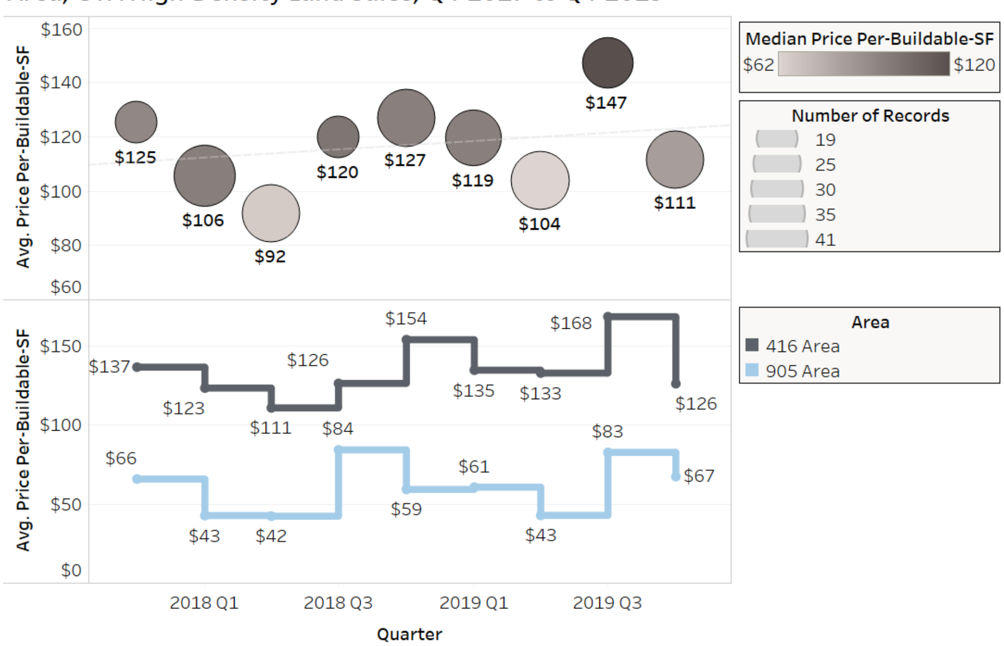
HISTORICAL LAND SALE DATA

Figure 1 looks at historical high-density land sale data in the Greater Toronto Area (GTA) by quarter over the past two years, using estimated and unrevised figures from previous Land Insights Reports. The top portion of the chart shows the estimated average high-density land price per-buildable-sf (pbsf) in the GTA, which was $111 pbsf in the fourth quarter of 2019, down 24% from Q3-2019, and 13% annually.

The bottom portion of Figure 1 breaks out the average land prices between the '416 area' (the amalgamated City of Toronto) and the '905 area' which is the suburban GTA . Both the 416 and 905 areas experienced a decline in land prices quarterly. The 905 area increased by 14% annually while the 416 declined by 18% over the same time period.

However, it should be noted that these are very small sample sizes and include transactions in very different locations, in various stages of entitlement, and with very different risk profiles.

Figure 1: Average Price Per-Buildable-SF by Quarter and Area, GTA High-Density Land Sales, Q4-2017 to Q4-2019



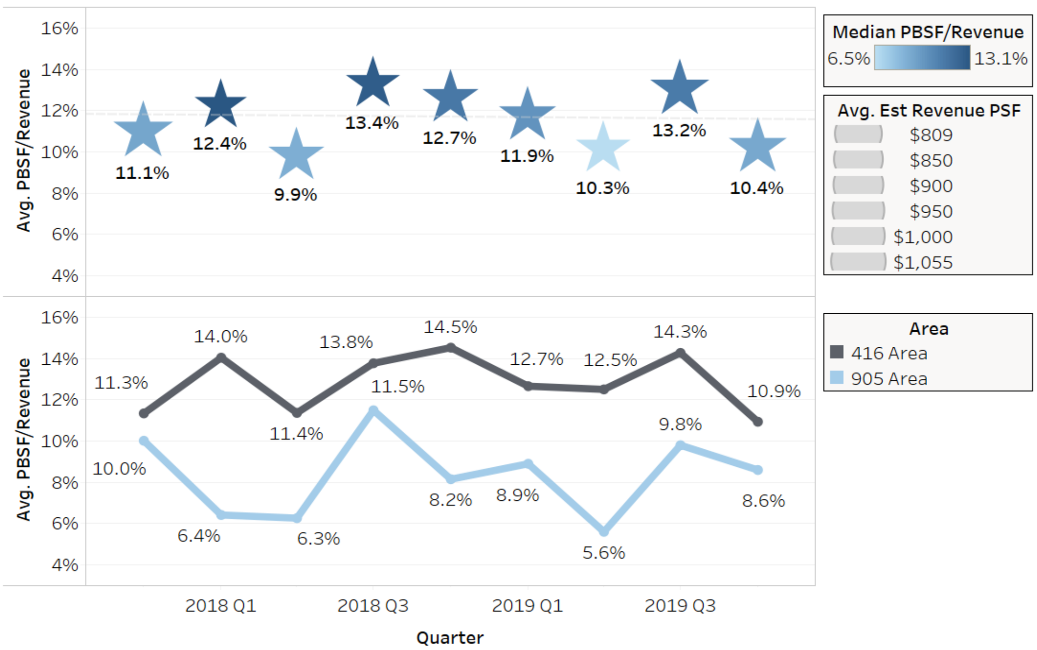
LAND-TO-REVENUE RATIO

In each Land Insight 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 a condominium apartment might sell for if it was on the market today.

This is done to try to establish a “Land-to-Revenue Ratio” that can be tracked over time. How much will developers or other high-density land purchasers pay for land in relation to the going market rate, and how does that rate change based on location and planning status?

Figure 2 looks at the land-to-revenue ratio in the GTA overall (top), and broken out between the 416 area and the 905 area (bottom).

Figure 2: Average Land-to-Revenue Ratio by Quarter and Area, GTA High-Density Land Sales, Q4-2017 to Q4-2019



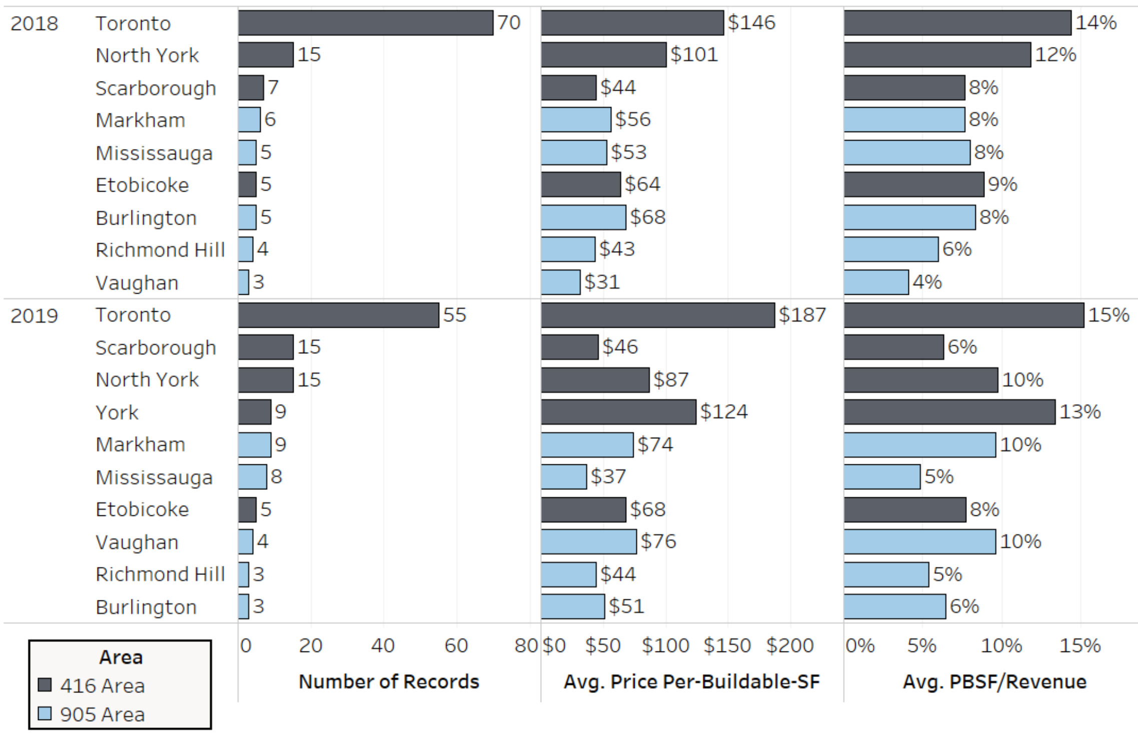
Over the past two years, high-density land buyers have paid for their properties at about 12% of current revenue, with Q4-2019 coming in at 10.4% (straight average). Over time, developers have been willing to pay more for 416 area land in comparison to expected revenue than developers buying suburban high-density properties. In the fourth quarter of 2019, 416 buyers paid for land about 10.9% of revenue and 905 buyers paid for land at about 8.6% of revenue.

As mentioned in previous reports, because there is greater price upside in Toronto, and typically higher demand (lower absorption risk), developers are willing to pay more for land as a percentage of today’s revenue. When the market slows, pre-construction condo investors concentrate their purchasing efforts on quality locations, where there is adequate transit, a high concentration of jobs, and an ample supply of potential tenants - these are typically characteristics of “inner-416” projects.

BREAKDOWN BY MUNICIPALITY

Figure 3 presents data on the number of high-density transactions by municipality, the average price per-buildable-sf, and the average land-to-revenue ratio for a select number of municipalities in the GTA in 2018 and 2019 - the City of Toronto is broken down into its former municipalities pre-amalgamation.

Figure 3: Number of Sales, Per-Buildable-SF Land Prices & Land-to-Revenue Ratio, High-Density Transactions in the GTA by Municipality, 2018 & 2019



There were 55 high-density land transactions in the former City of Toronto in 2019. Those lands sold for $187 per-buildable-sf on average, an increase of 28% year-over-year. Toronto developers paid for land at 14.4% of revenue in 2018 and 15.2% of revenue in 2019.

The most notable change from 2018 to 2019 was the increase in the number of transactions in the former City of Scarborough. There were seven transactions in 2018 at $44 per-buildable-sf, and 15 transactions in 2019 at $46 per-buildable-sf. In 2019, developers were taking chances on neighbourhoods in Scarborough that have not seen any new condominium apartment activity, but the land prices are one-third of those in Toronto, and there have been a number of sales successes in Scarborough including Merge Condos at ~$715 psf and The Borough Condos at ~$835 psf.

INDIVIDUAL TRANSACTIONS IN Q4-2019 BY NEIGHBOURHOOD

Figure 4 presents a breakdown of the Q4-2019 transactions by neighbourhood, which includes 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 on the land sale price may have been struck several months (in rare occurrences, years) before the actual closing date.

There were 36 high-density land transactions in the fourth quarter of 2019, with an average size of 1.3 acres. The average project will have 315,000 sf of GFA, however, it must be kept in mind that the transactions in Q4-2019 might be only part of a larger assembly, and only the prorated amount of square footage is applied to the sales price.

The average property sold for about $19 million or $111 per-buildable-sf. Bullpen estimated that these projects would be offered for sale at about $995 psf if available as condominium apartments in December 2019. The straight average of the individual land-to-revenue ratios equals 10.4%, but if we apply the average $111 pbsf to the average $995 psf revenue, we get a land-to-revenue ratio of 11.1%.

Figure 4: Summary of High-Density Land Transactions by Neigbhourhood, GTA, Q4-2019

Neighbourhood	Number of Sales	Avg. Lot Size (Acres)	Avg. Total GFA	Avg. Storeys	Avg. Land Price	Avg. Price Per-Buildable-SF	Avg. Est Revenue PSF	Straight Avg. PBSF/Revenue
Bayview Village	2	1.1	160,361	7	$19,090,000	$133	$948	14.0%
Birchcliff Village	1	0.5	158,795	11	$17,000,000	$107	$835	12.8%
Brampton	1	3.6	186,305	4	$7,850,000	$42	$670	6.3%
Cabbagetown	1	0.6	92,330	7	$15,550,000	$168	$1,135	14.8%
Cooksville	1	0.7	319,473	36	$10,000,000	$31	$740	4.2%
Danforth Village	1	0.9	463,279	33	$41,732,927	$90	$900	10.0%
Downsview	2	0.8	144,694	11	$7,417,500	$63	$825	7.7%
Eglinton West	1	0.3	110,600	9	$12,560,000	$211	$895	23.6%
Forest Hill	2	0.6	147,610	11	$38,135,000	$243	$1,390	15.7%
Greensborough	1	5.1	467,638	18	$30,300,000	$65	$765	8.5%
Guildwood	1	1.0	153,283	9	$4,250,000	$28	$745	3.7%
High Park	1	0.1	111,825	14	$3,000,000	$103	$1,175	8.7%
Highland Creek	1	1.1	211,653	14	$12,600,000	$60	$780	7.6%
Junction Triangle	1	2.5	963,783	31	$80,000,000	$83	$1,045	7.9%
Leaside	1	1.2	175,000	8	$26,200,000	$150	$1,010	14.8%
Leslieville	1	0.4	65,318	9	$6,500,000	$100	$1,025	9.7%
Malvern	2	2.7	176,513	4	$10,100,000	$65	$730	8.9%
Markham City Centre	1	2.7	583,440	16	$50,000,000	$86	$815	10.5%
Mississauga City Centre	1	2.2	1,350,000	50	$32,302,756	$44	$850	5.2%
Newmarket	1	1.2	134,165	8	$3,900,000	$29	$670	4.3%
Port Credit	1	0.5	161,602	18	$8,250,000	$51	$905	5.6%
Scarborough Junction	1	4.4	1,051,517	16	$7,500,000	$7	$790	0.9%
South Midtown	1	0.1	685,944	34	$4,680,000	$76	$1,175	6.5%
Summerhill	1	0.1	255,012	21	$5,490,420	$251	$1,875	13.4%
The Kingsway	1	4.1	871,624	22	$45,500,000	$52	$935	5.6%
The Village	1	0.4	311,759	27	$26,000,000	$83	$1,285	6.5%
Thornhill	1	0.7	244,206	10	$13,340,000	$109	$795	13.7%
Unionville	1	0.5	35,317	4	$5,250,000	$149	$785	18.9%
Yonge & Eglinton	3	0.3	280,275	22	$11,878,562	$128	$1,165	11.1%
Yorkville	1	0.5	85,035	7	$38,000,000	$447	$1,950	22.9%
Grand Total	**36**	**1.3**	**315,224**	**16**	**$19,246,578**	**$111**	**$995**	**10.4%**

SPATIAL DISTRIBUTION OF HIGH-DENSITY LAND SALES

Figure 5 includes two maps, the larger map being a density map showing where the high-density land transactions occurred over the past two years. The inset map shows the average land prices per-buildable-sf by postal code in Toronto and the inner-suburban areas from Q4-2017 to Q4-2019.

The density map shows some significant holes where there has been no activity, nothing in east Mississauga, north Etobicoke, York, north Richmond Hill, and along the waterfront in Oakville and Durham Region.

Figure 5: Density Map Showing High-Density Land Transactions in the GTA, Q4-2017 to Q4-2019

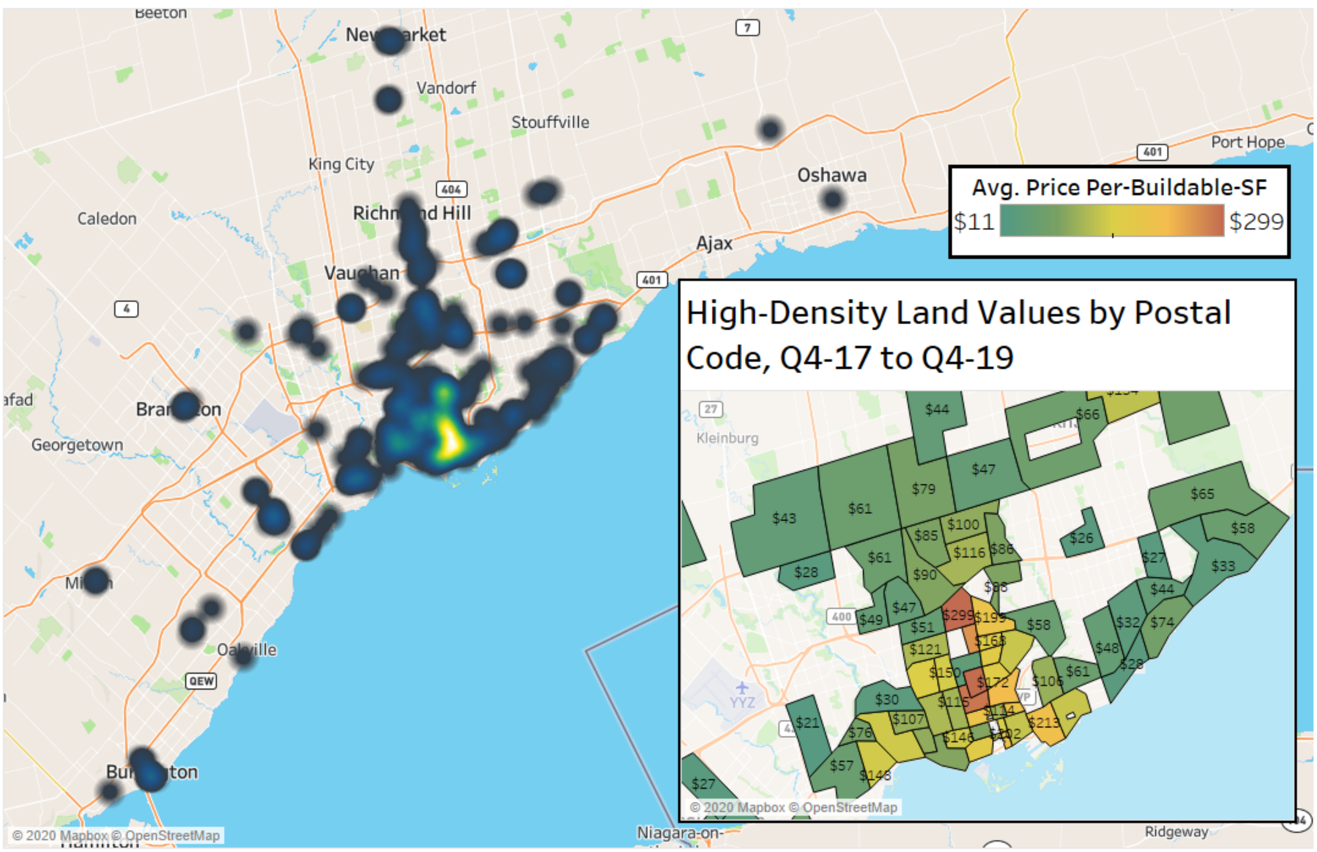
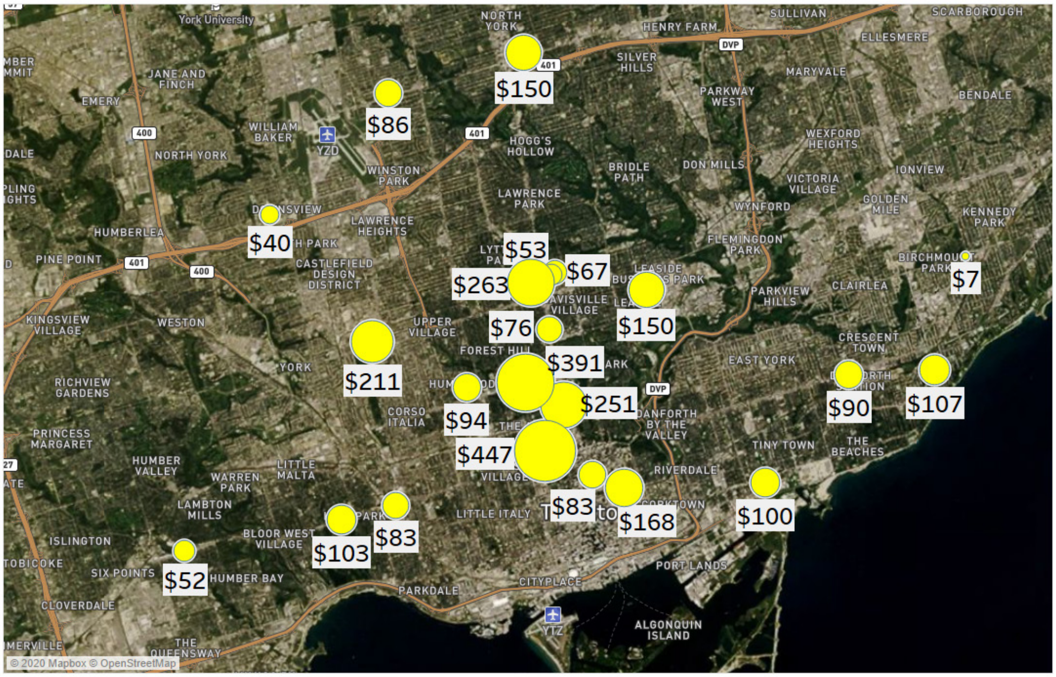


Figure 6 maps the fourth quarter Toronto land sales only, showing the transaction values on a per-buildable-sf foot basis. The land sales range from a low of $7 per-buildable-sf to a high of $447 psf.

The $7 per-buildable-sf transaction will be discussed later in this report, but the site's land price could be closer to $12 to $15 pbsf depending on how aggressive the development application ultimately is. It is likely that this site will be further assembled.

The $447 per-buildable-sf land transaction is an approved development site, but it is likely that the developer will seek higher densities than the current approval, which were granted nearly nine years ago.

Figure 6: Location and Average Price Per-Buildable-SF of High-Density Land Transactions, City of Toronto, Q4-2019



PER-BUILDABLE-SF VALUES BY BUILDING TYPE AND PLANNING STATUS IN THE FORMER CITY OF TORONTO

One of the most important factors to consider when analyzing land sales with high-density development potential is where the property is within the planning approvals process. In this report, the entitlement process is broken down into three categories: pre-application, zoning submitted, and zoning approved. Generally speaking, this report considers a development approved if it has an Official Plan and Zoning By-Law approvals in place.

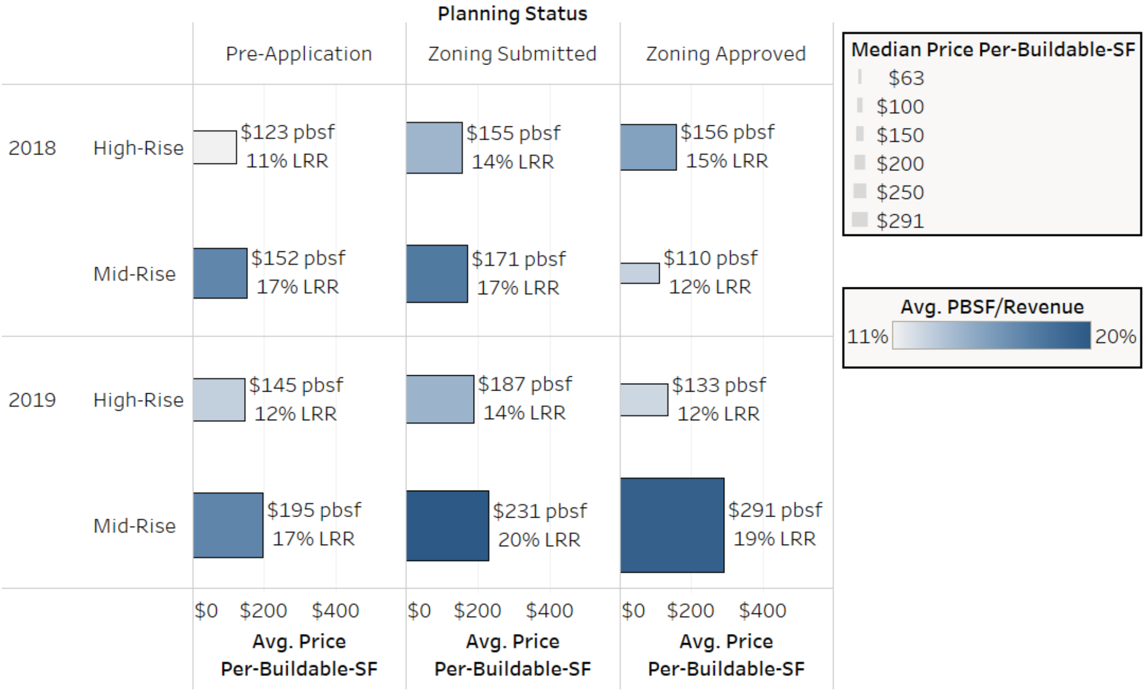
Secondly, land prices differ significantly based on whether the property is suitable for a mid-rise versus a high-rise apartment.

Figure 7 presents data on land transactions in the former City of Toronto by planning status and building type (mid-rise is 5-16 storeys by our definition), with the average price per-buildable-sf listed, along with the land-to-revenue ratio.

The sample size of zoning approved sites is very small, so the summary data is not that reliable for a macro-level analysis.

Looking at transactions where zoning had already been submitted at the time of the trade, high-rise lands are up 21% annually from $155 per-buildable-sf in 2018 to $187 pbsf in 2019, while mid-rise lands jumped 35% annually, increasing from $171 pbsf to $231 pbsf.

Figure 7: Per-Buildable-SF Land Values and Land-to-Revenue Ratio by Planning Status, Building Type, and Year Transacted, Former City of Toronto, 2018 & 2019



For lands that sold without an active development application, Batory estimated what would likely get approved at the site based on the existing planning framework. Based on these assumptions, high-rise land prices increased by 18% year-over-year from $123 pbsf in 2018 to $145 pbsf in 2019, while mid-rise lands increased by 28%, increasing from $152 pbsf to $195 pbsf.

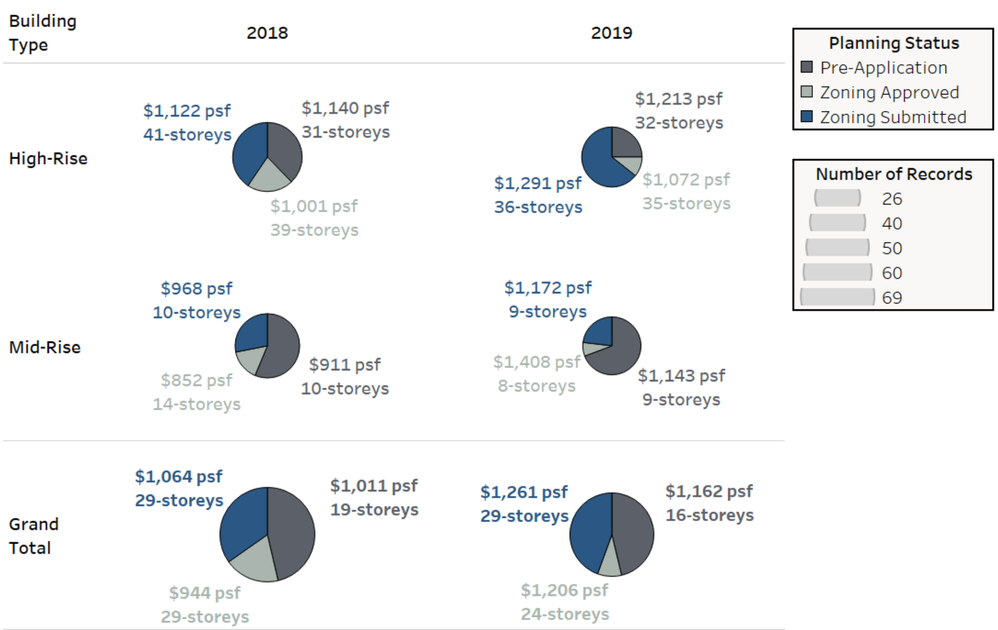
Also note how much more developers are paying for land as a share of revenue for mid-rise developments versus high-rise developments: about 13% for high-rise lands on average versus 17% for mid-rise lands.

ESTIMATED REVENUE BY BUILDING TYPE AND PLANNING STATUS IN THE FORMER CITY OF TORONTO

As mentioned earlier, for the properties that have sold and have not launched for sale as residential condominium apartments, Bullpen Consulting attempts to estimate what the sites would sell for if they were active in the market at the time the land transaction closed.

Figure 8 breaks out the data for the former City of Toronto by building type and planning status in 2018 and 2019, showing Bullpen's revenue estimates, and the actual/estimated maximum building heights. As mentioned in the previous section, the sample size for zoning approved sites was small in 2019 (as indicated by the smaller light grey "pie" slices) and not useful for further analysis.

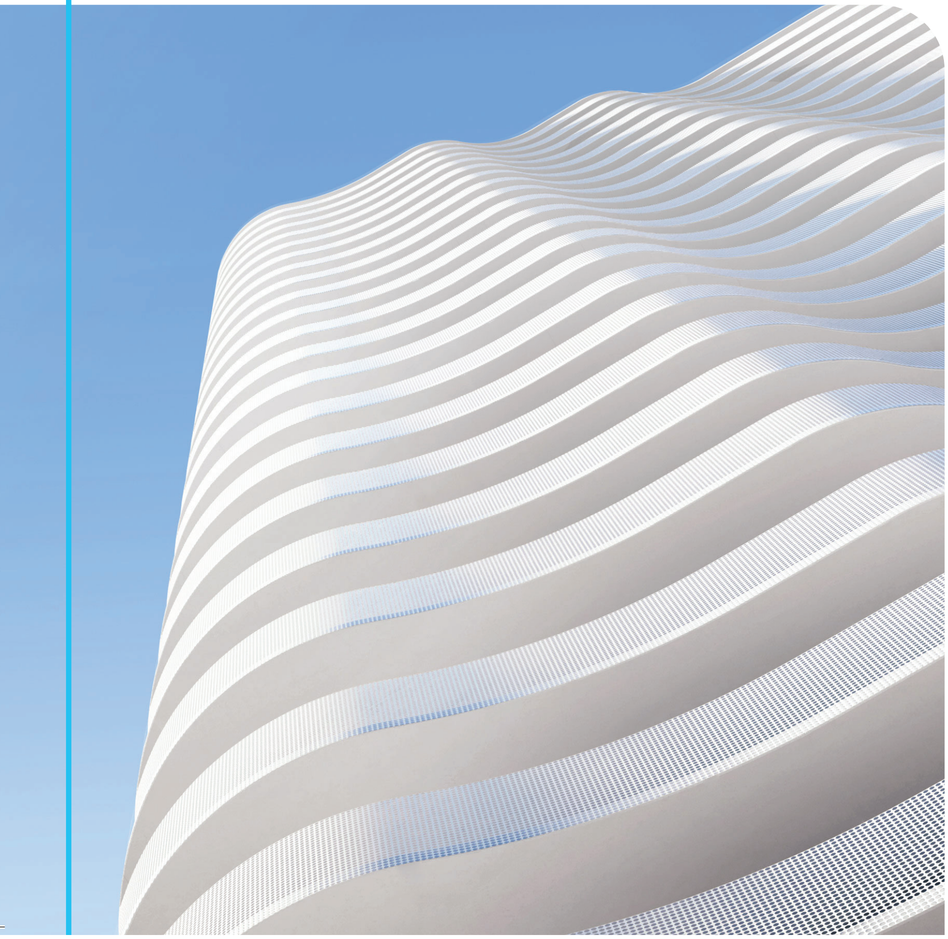
Figure 8: Estimated Revenue and Building Height by Building Type and Year, Former City of Toronto, 2018 & 2019



The estimated revenue for pre-application high-rise sites increased by 6.4% annually from $1,140 psf in 2018 to $1,213 psf in 2019. Pre-application high-rise sites were up 15.0% annually from $1,122 psf to $1,291 psf.

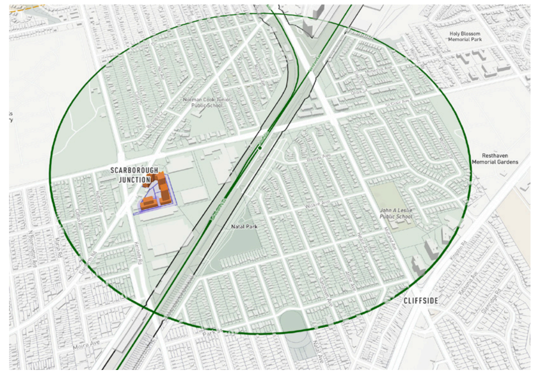
The mid-rise sites saw much higher growth, with pre-application sites increasing from $911 psf on average in 2018 to $1,143 psf in 2019, a 25% jump year over year. For zoning submitted mid-rise lands, the average land price per-buildable-sf increased by 21% annually from $968 psf to $1,172 psf.

Overall, the average property sold in 2018 was scheduled for a 25-storey tower with an estimated overall average revenue of $1,017 psf in the former City, compared to 23-storeys and $1,210 psf in 2019 (+19%).

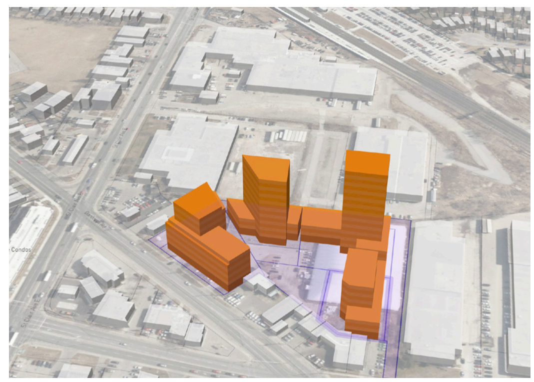


SAMPLE TRANSACTIONS & PROJECT UPDATES

641 Danforth Road, Toronto



In November 2019, 2727714 Ontario Inc. (Republic Developments) acquired 641 Danforth Road, a nearly 4.4 acre site near the intersection of Kennedy Road and St. Clair Avenue East in the former City of Scarborough. The site is a short walk from the Scarborough GO Train Station.



Batory Management assessed the site and concluded that the development team could potentially secure approvals for over one million square feet of GFA - this translates into a price per-buildable-sf of just $7 based on the sales price of $7.5 million (currently designated Employment).

Ratio.City provided a second opinion, preparing a massing for the site, which includes four towers from 10- to 23-storeys and about 700,000 sf of GFA, which translates into a land value of $11 per-buildable-sf.

1306 The Queensway, Toronto

In Q2-2019, KS 1306-1310 The Queensway Inc. (Kingsett Capital) purchased the 2.9 acre property at 1306 The Queensway for $30 million. No development application had been submitted at the time, and Batory estimated that multiple buildings of 18-storeys could be accommodated on the site, resulting in approximately 760,000 sf of GFA. The estimated land price per-buildable-sf at that time was $39.

In December 2019, the development team submitted a rezoning application to permit 845 dwelling units over three towers: a 12-storey building fronting Kipling Avenue, a 31-storey tower on the southwest corner of the site, and a 24-storey tower on the northwest corner of the property. The development team is seeking approval for 746,370 sf of GFA. The revised land value is $40 per-buildable-sf based on this current proposal.

SAMPLE TRANSACTIONS & PROJECT UPDATES

1540-1550 Bloor Street West, Toronto

In Q1-2018, Devtrin (Bloor) Inc. purchased 1540 to 1550 Bloor Street West for $35 million. The site has an interesting history, as TAS Design Build had purchased 1540 Bloor Street West in 2007 for $6 million and launched Giraffe Condos in 2008, however, the 25-storey, 250 unit project was cancelled in 2010 due to the failure of the developer to achieve development approvals. The site was expanded with the three additional purchases which included 1542 to 1550 Bloor Street West between 2015 and 2016 for the total purchase price of about $5.6 million.

Bullpen and Batory did not consider the Giraffe Condos-era application in the land calculation in Q1-2018 due to the fact that the site has been expanded. Batory concluded that a 15-storey tower with 240,000 sf of GFA was appropriate for the site, which translates into a land value of $145 per-buildable-sf.

In Q4-2019, the owner submitted a proposal for a 25-storey building (6-storey podium and 19-storey tower) with 284,652 sf with 327 residential suites. This results in a revised land value of $123 per-buildable-sf. It was also announced that the project would be brought forward by Timbertrin, a partnership between Trinity Development Group and Timbercreek Communities.

4694-4696 Kingston Road, Toronto

In Q3-2019, Firmland (Kingston Road) Inc. purchased 4694-4696 Kingston Road, east of Morningside Avenue in the Highland Creek area of Scarborough for $5.79 million. The site is located close to the University of Toronto Scarborough Campus.

Batory Management concluded that a 12-storey building with about 195,000 sf of GFA was appropriate for the site, which translates into a land price of $30 per-buildable-sf.

In December 2019, Firmland Development Corporation submitted a Site Plan Approval application that proposes an 11-storey apartment building with a total GFA of just under 139,000 sf and 168 residential units. The revised land price is $42 per-buildable-sf.

6 Dawes Road, Toronto

In Q2-2019, Bullpen and Batory reviewed a land sale at 6 Dawes Road near the intersection of Main Street and Danforth Avenue. Slate Asset Management and Carlyle Communities purchased the three acre self storage facility that abuts the Danforth GO Train Station for $42.25 million.

Given the limited depth of the site, the crash wall and setback requirements from the rail corridor, both Batory Management and Ratio.City were having trouble determining a massing that would work, and ultimately the transaction was not included in the report.

It was later determined that the development team had cut a deal with GO Transit and the Main Square Community Centre to expand the site and solve the setback problem. The proposal submitted in November 2019 calls for three residential towers of 49-, 46-, and 40-storeys, and the replacement of the City-run community centre, as well as a new ticket office and entrance from Main Street to the Danforth GO Station. The project would include 392 rental apartment units and 1,033 condominium apartment units and a total GFA of 1.33 million sf. This results in a land price of approximately $32 per-buildable-sf.

FINAL THOUGHTS

The biggest story Q4-2019 was the pick up in high-density land transactions in Scarborough, land prices remain fairly reasonable given the recent successful launches at $700 to $800 psf in the former municipality in 2019. For a long time, Scarborough was a no-go zone for residential condominium developers due to slow sales and stagnant prices. However, with scarce land availability in prime Toronto locations and huge price growth brought on by investor demand and rising costs, absorption in Scarborough doesn't seem as risky in comparison to potential absorption at $1,300 to $1,500 psf in downtown Toronto.

With that said, many of the purchasers in Scarborough in 2019 are not the same developers that are competing for downtown high-rise sites, but are larger and more experienced developers in comparison to the past few years in Scarborough.

Sites around MTSA's (Major Transit Station Areas) are also seeing higher demand and infill / conversion opportunities are in some locations more suitable to achieve greater densities. This has been reflected in the transactions noted both in this report and past analysis.

There were also three land transactions in Q4-2019 that are likely destined to be ultra-luxury condo sites. City of Toronto pre-construction condo buyers have purchased a lot of units at $1,700 psf and higher over the last couple years, and there were six sites total in 2019 that Bullpen estimated that overall average revenue was $1,750 psf to $2,500 psf at the time of the transaction. The depth of the ultra-luxury condo market will be tested in 2020 and 2021.

The other major concern for developers purchasing lands in 2020 should be how much sales support they will continue to get from investors. It has been well known for the last couple years that the average pre-construction condo investor is purchasing for capital appreciation and not for rental cash flow at occupancy, however, rental rates are still a concern for many investors and may become a bigger concern if new condo price growth stagnates. According to the latest National Rent Report by Rentals.ca and Bullpen Research & Consulting Inc., the average rent per-square-foot for condominium apartments in the City of Toronto was flat in 2019 at about $3.55 to $3.60 psf overall. Several major downtown condo projects completed in 2018 actually saw average per-foot rents decline in 2019.

The crackdown on AirBnB, the potential for an empty homes tax, the big increase in purpose-built rental construction, and the large increase in condo completions scheduled in 2020 and 2021 could put downward pressure on rents and negatively impact investors' future purchase decisions. This is the trend to watch, and a factor that will influence developers land purchases and development assumptions moving forward.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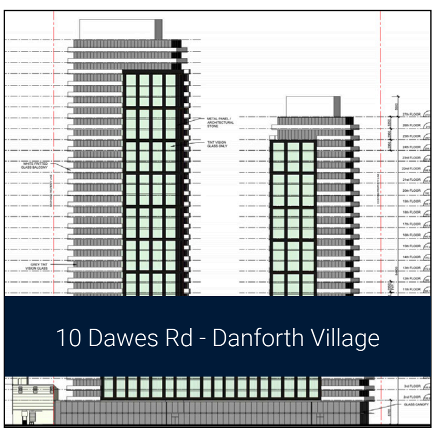
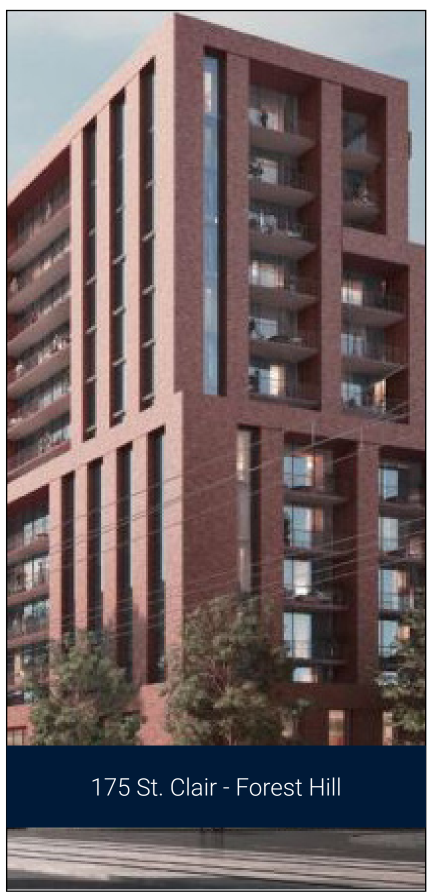
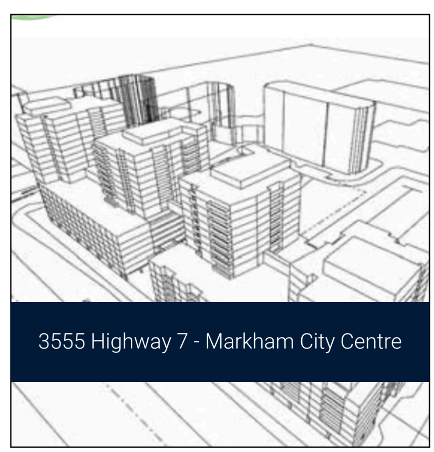

10 Dawes Rd - Danforth Village


175 St. Clair - Forest Hill


135 Vaughan - Forest Hill


1184 Wilson - Downsview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CONTACTS

Bullpen Consulting | 416 716 2096 | ben@bullpenconsulting.ca
www.bullpenconsulting.ca | Twitter @BullpenConsult

Batory Management | 647 530 3634 | pdemczak@batory.ca
www.batory.ca | Twitter @BatoryGroup

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