

MEMORANDUM

To: Mr. Paul K. Lan & Mr. Brad Watson

Company: KPMG

From: N. Barry Lyon Consultants Limited

Phone: (416) 364-4414

Date: August 18th, 2011

RE: **Eglinton Crosstown & Sheppard Subway Transit Corridor Forecasts**
Deliverables 1 & 2, Methodology and Results

1. INTRODUCTION

N. Barry Lyon Consultants Limited (NBLC) has been retained by KPMG to assist in the analysis of two proposed mass transit line expansions for the City of Toronto. The following memorandum is intended to frame the methodology and assumptions used in the development of our first two deliverables, those being:

- I. A forecast of future development in the proposed Tax Increment Financing (TIF) zones across three growth scenarios described herein. This deliverable consists of the forecast summary chart and maps that identify potential development locations.
- II. A forecast of current value assessment (CVA) increases in the proposed TIF zones. Through the development of market forecasts which project real estate demand with, and without, the proposed transit corridor expansions, this work projects the CVA uplift that could be anticipated based on our projections of market demand. This second deliverable is presented in a chart which summarizes our forecast of property values and subsequent increases in the TIF zones.

Deliverables one and two are provided as appendices to this covering memorandum which is also intended to briefly outline the results of the analysis described herein.

Of note, NBLC is currently working to complete the third deliverable; an estimate of the total value that might be derived from City owned development rights around or near proposed stations. This analysis will be provided under separate cover.



2. FACTORS INFLUENCING GROWTH IN THE GTA

In preparing the forecast for development growth as a result of improved transit, we considered a range of other interrelated factors that will impact the market, and the nature of development patterns in Toronto and the GTA as whole.

2.1 Affordability

Affordability is by far the most significant determinant when buying a home, impacting on both the location and housing type chosen. The principal reason driving the strength of the GTA condominium industry is affordability. With only a few exceptions, the cost of condominium apartments in the GTA are significantly lower than other comparable housing forms. As of July 2011, the average cost of a resale single detached home in the GTA was \$568,530 (and \$691,175 in the City of Toronto), while the average price of a resale condominium in the GTA was \$332,354 (\$353,190, in the City of Toronto).

For single persons, young couples or empty nesters, a condominium apartment allows them to purchase only the amount of home they actually require.

As the land supply for lower density housing becomes increasingly limited, pricing for these homes will continue to rise. In comparison, the opportunities for higher density housing are much greater and can offer improved affordability, in communities that offer a greater level of services and amenities.

2.2 Transportation

After affordability, transit that is part of an extensive network and offers frequent, continuous and low cost service is likely the most significant driver of intensification. Transit of this nature has far reaching influences on how people work and live. In the simplest terms, it relieves the requirement for many people to either own or use automobiles, representing significant personal financial and social benefits, as well as broader societal savings in terms of congestion, pollution, road maintenance, safety, and other issues.

2.3 Proximity to High Quality Neighbourhoods

A large part of the attraction of urban living within compact communities is that it allows for people to live in neighbourhoods that they might not otherwise be able to access, due to affordability issues or the suitability of available homes. These neighbourhoods are highly attractive to many, as they offer easy (walkable) access, not only to various transportation options as already discussed, but to a variety of other services and amenities, including:

- Cultural and social attractions;
- Major institutions (ex. hospitals, colleges & libraries)
- Sporting venues;
- Bars and restaurants;
- Employment districts;



- Parks and public open space;
- Recreational areas (ex. waterfronts and boardwalks); and,
- A variety of commercial/retail services and conveniences.

2.4 Design & Amenities

The design and amenities offered by intensification developments themselves are also attractive to various buyer groups. Such things as; building architecture, security, concierge services, exercise and entertainment facilities, and unit finishes, all provide for greater convenience and a sense of exclusivity and prestige, often not associated with other housing forms.

2.5 Buyer Groups

Market demand for intensified residential development forms is driven by buyers and renters. There are four general buyer groups. Understanding their needs as buyers or renters provides some insight into what areas will successfully intensify.

- Empty nesters (55-75) and Retirees (75+) no longer in need of a large family home typically seek apartment living for its low maintenance, access to neighbourhood amenities and services, security and building facilities. Due to the wealth accrued over time and through previous ownership of real estate, these two buyer groups are able to afford more expensive units and prefer to live in neighbourhoods surrounding their homes, rather than downtown locations. These buyers prefer lower buildings in familiar neighbourhoods that offer a sense of prestige and community.
- First time buyers (25-35) are typically attracted to apartments due to the prospect of affordable homeownership. In many markets, condominium units are the only affordable housing choice for this buyer group. This buyer group typically purchases smaller units, located in downtowns and other vibrant urban communities, with emphasis on transit and walkability. Within this buyer group there are several sub groups, including singles, professional couples and divorced persons. Single women are a new and growing market segment.
- Move-up buyers (35-55) generally make up the smallest proportion of households living in apartments. This is generally due to their ability to afford other housing types and, because of families, greater indoor and outdoor space requirements, safety concerns and the need to live close to community facilities, such as schools, parks and community centres. There is some evidence that this buyer-group will grow as high density urban living becomes more accepted and as the product offerings adapt. These buyers are typically second generation condo buyers and largely found in downtown Toronto.
- The final buyer group, which is almost exclusive to condominiums, is Investors. These are people that purchase units and then rent them out, seeking to capitalize on the lack of rental units in the marketplace and the desire to live in favoured areas. Investors are typically interested in purchasing smaller units that have lower purchase prices and can be rented out less expensively (and are more marketable).

The demand from all of these buyer groups is projected to increase over time, as the cost of low density residential choices increases with limitations in supply, as the population ages and as condominium living becomes more accepted.



2.6 Employment Intensification

There are a variety of factors that create market demand for high-density employment developments, i.e. offices (government and private sector) and research & development facilities, some of which are similar to those that create residential demand. Some of the factors include:

- Access to public transit for employees;
- Access to highways, major road corridors and other major transportation facilities (airports, rail, etc.);
- Parking;
- Proximity to support services, similar businesses and basic commercial services;
- Proximity to related institutions (hospitals and colleges); and,
- Highly visible and exclusive/prestigious locations.



3. FORECAST METHODOLOGY & KEY ASSUMPTIONS

Our methodology draws upon the following core sources:

- NBLC data and observations in the marketplace collected over the over the past 30 years. NBLC has tracked the Toronto area high density residential market since 1981 and is therefore in unique position to report on the influences of transit on intensified residential development.
- Primary research undertaken by NBLC that assessed real estate impacts before and after the Spadina LRT and Sheppard Subway extension was developed.
- Previous research that involved similar forecasts for the proposed LRT system for Mississauga and the Spadina Subway extension to Vaughan Corporate Centre.
- Population forecasts for the City and the Greater Toronto Area and trend analysis of housing types.
- Site analysis of the proposed transit alignments and assessments of development capacity conducted by site visits, mapping, reviews of the City's Official Plan and meetings with City Staff.
- Finally, we considered the research of others on the impact on development, real estate and tax assessment as a result of public transit investment.

3.1 Population Forecast

Our initial step in the development of a demand estimate for development along the proposed Sheppard and Eglinton transit corridors was to consider the forecasts for growth within the GTA for the next 50 years. NBLC looked at population forecasts developed within the City of Toronto's Flash Forward study and Ontario's Places to Grow before choosing the Ministry of Finance's GTA population projections as the basis for our population projections, which extend through to 2062. Population projections form an important foundation for both the employment and residential development forecasts developed in this analysis.

From this, we developed assumptions with respect to average household size (persons per unit, or PPU). From our starting point, a GTA PPU of 2.8 as per Statistics Canada 2006, we have assumed that the average household size in the GTA will continue to decline at a modest rate as the trend towards smaller families continues into the future.

We then examine the trend in unit sales by type, again assuming that, in the facing of increasing home prices and congestion, the market preference for higher density housing will continue to increase into the future.

This provides the analysis with a total estimate of high density residential development for the 50 year forecast period.

We then examine the distribution trends of high density development across the GTA and consider how, given the growth factors discussed above and major new planned communities in other areas, those shares might change over time. This creates a forecast for distribution that changes overtime and allows an estimate of allocation of demand to the Sheppard and Eglinton lines. This allocation is checked against the market experience of the North Yonge and Sheppard corridors (existing).



3.2 Employment Forecast

In order to develop a potential demand forecast for future office along the Sheppard and Eglinton corridors, we utilized employment forecasts to project office demand within the City of Toronto for the next 50 Years. We looked at the City of Toronto's Flash Forward employment forecasts as well as Places to Grow employment forecast in order to develop our employment projections up to 2062.

Using existing office employment figures and Colliers office inventory statistics, we arrived at an average square footage per worker in the City of Toronto. Using employment projections we then combined these figures to arrive at the office GFA required to sustain projected employment growth in Toronto.

Understanding the growing demand for office space in the downtown core and along mass transit, NBLC projected that office nodes lacking mass-transit connectivity would capture a significantly lower proportion of future employment growth.

As traffic congestion and commute times grow in Toronto, the demand for lifestyle oriented office space close to home will occupy a growing share of the Toronto office market over the next 50 years. This growth will primarily occur in existing office agglomerations serviced by mass transit. NBLC is projecting an increasing share of the Toronto office market locating within TIF zones, resulting from the development of the Eglinton and Sheppard Transit infrastructure.

This forecasting, combined with our knowledge of location factors in office development, allowed us to gauge the demand for office GFA against the availability of office sites within the TIF zones.

3.3 Development Forecast

The demand forecast discussed above is then compared to the development capacity within the 800 metre TIF zones surrounding each planned station stop along the Eglinton-Scarborough and Sheppard transit corridors.

The goal of this analysis was to identify the sites that might be suitable for development and examine their relative market attractiveness with a view to determining if there was sufficient development capacity to accommodate the projected growth.

This analysis was designed to develop an overall sense of the probability of redevelopment along each line, and an estimate of when redevelopment might occur in terms of the timing going forward.

The methodology and assumptions used in this aspect of our forecast are as follows:

- NBLC conducted site visits along each of the Eglinton, SRT and Sheppard lines to identify potential development sites.
 - Parcels identified as having redevelopment potential were primarily vacant or underutilized, and not occupied by a religious or community institution, park, cemetery, conservation land, or right-of-way.



- It is assumed that the bulk of future redevelopment will be concentrated around station intersections (most within a 500 metre radius) on lots with major street frontages.
- NBLC's list of sites was refined based on an examination of a database of potential redevelopment sites provided by City Planning staff. The database identified "Pipeline", "Avenue" and "Opportunity" sites and was used to refine the list of parcels identified in the development potential analysis.
 - Of note, "Pipeline" sites identify parcels where a development application has been made and is approved, or in the approvals process. "Avenue" sites are sites identified by Staff as having redevelopment potential under the "Avenue" policies of the Official Plan. "Opportunity" sites are other sites noted by Staff as having potential for future redevelopment.
- The list of parcels was then checked against the policies of the City of Toronto's Official Plan.
 - Through this layer of analysis, sites were noted as being located along an "Avenue" or in a "Centre" in the Official Plan's urban structure map. These policy areas affect how development can take its form on a parcel.
 - The Official Plan was used to identify a site's current land use designation to ensure consistency in the forecast. For example, for a site to be forecast for the purposes of future residential development, prevailing policy must allow residential uses. In cases where a site was located within an "Employment Areas" designation, no residential gross floor area (GFA) would be attributed.
- To further refine the sites identified for future redevelopment, NBLC held working sessions with Community Planning staff to add or remove sites and establish the redevelopment capacity of these sites (including expectations around future land use, height, and density).
 - The final list of sites used in the development forecast was established after inputting the information gathered from these working sessions.
- Using our understanding of planning policy and the input gained from the working sessions with community planning staff, the list of parcels was finalized, and GFA projections were developed for each site.
 - Where an existing planning application or approval existed for a ("Pipeline") site, the proposed development area was used.
 - In other cases, development estimates were established using planning guidelines for mid-rise development along "Avenues", higher-density development in "Centres", and lower-scale development in "Neighbourhood" contexts.
 - As noted, residential, office, and/ or retail GFA was projected based on the land use policy in the Official Plan. For the purposes of this forecast we assumed the policies of the current Official Plan carry forward throughout the duration of the forecast period. However, NBLC does acknowledge that if the proposed transit infrastructure is developed, some redesignation of lands will likely occur to accommodate increased residential demand over the 50-year forecast time horizon. The specific location of land use conversions would be subject to the recommendations of future planning studies, such as an Official Plan Review, a Municipal Comprehensive Review or a review of a Secondary Plan.



- Retail GFA (conceptually, at-grade) was included within residential development projections in “Mixed Use Areas”.
- We assumed that the bulk of residential redevelopment along the corridors would take place in high-density forms. However, some four-storey development was projected in neighbourhood/ infill sites without major street frontages. We anticipate this occurring as townhomes or wood-frame apartments.
- NBLC developed a projection of GFA distribution/deployment over a forecast period of 50 years, based on our knowledge of the market areas and information gathered throughout the information-gathering process. Following are examples of the assumptions used to estimate the timing around when a site’s GFA projection might occur throughout the forecast period:
 - Sites with planning approvals in place or with applications under review were projected to be deployed earlier in the forecast;
 - Vacant or largely underutilized sites without a current planning application would occur in the short to mid-term;
 - Sites with active uses (retail redevelopments or infill development at malls or big box properties, etc) assume a lease period might delay intensification until the middle of the forecast period; and,
 - Sites with added complexity by way of requiring land assembly, or potentially having a significant planning or market constraints were projected to occur later in the forecast.
 - The forecast has a base year of 2012. This assumes an announcement of construction commencement for both lines in that year.
 - For the purposes of this forecast exercise, and understanding that this work functions as an input requirement for KPMG’s tax increment financial modeling, the distribution of forecasted GFA is shown in a straight line over time. In our experience, natural development growth typically follows an s-curve, with an initial period of accelerating growth followed by decline. Growth patterns are typically punctuated by short term market anomalies (recession/recovery), the timing of which cannot be predicted over the course of a 50-year projection. Thus, our forecast output is meant to represent a linear regression model, or ‘line of best fit’, which best suits the function of this analysis.
- Finally, the forecast was applied to three scenarios which include a Baseline, Reference, and High case.
 - **Baseline Scenario:** No new transit infrastructure is developed; pipeline developments will occur over the forecast period, with the bulk of future development along the corridors taking place at existing nodes, primarily those already served by existing transit infrastructure.
 - **Reference Scenario:** The Eglinton-SRT line is developed and both Sheppard subway extensions occur; development occurs at sites identified in the potential development analysis over the forecast period according to the GFA projections and timing methodology noted above.
 - **High Growth Scenario:** Uses the reference scenario forecast and adds additional density in the strongest market areas.



3.4 Current Value Assessment (CVA) Uplift Methodology

In developing our estimates on value appreciation, we conducted a detailed literature review of studies that measured the impacts of transit on property values, throughout North America. We took into account the type of proposed transit service, existing urban fabric and future built form along each corridor. We took the study results and applied them conservatively to the forecast base line property appreciations in order to estimate increased property appreciation along the Sheppard and Eglinton transit corridors.

Table 1

Transit Influenced Appreciation		
Appreciation	% Increase over Baseline CVA	
	Reference	High-Growth
Residential	8.00%	10.00%
Office	12.00%	15.00%
Retail	16.00%	20.00%
Industrial	2.40%	3.00%

Source: N. Barry Lyon Consultants

3.4.1 Residential

NBLC’s research and the literature reviewed in the preparation of this study support significant increases in value for development within close proximity to high order transit. However, the extent of the price gains is difficult to accurately assess, as a broad range of neighbourhood characteristics also come into play. In general, however, we see the greatest value up-lift impacting higher density developments, where owners/tenants are more likely to make use of and benefit from transit services on a day-to-day basis.

3.4.2 Office

Office developments are found to appreciate for a variety of factors, including increased employee catchment area, local area amenities, and as a result of good transit and/or highway connections. Once located along transit, an employer may have difficulty leaving the corridor without losing employees as they have altered their lifestyle, commuting patterns and housing to match the existing location. Studies by Weinstein, Clower and Cervaro indicate office rents as much as 15% above base rate appreciation, based on existing vacancies and rental rates for office within TIF zones adjacent to existing mass transit (Yonge-Sheppard) versus those without (Don Mills – Eglinton).

3.4.3 Retail

Retail studies of LRT systems in Santa Clara and Dallas have shown premiums exceeding 30% compared to identical properties without access to high order transit services.

As residential density and ridership increases along a corridor, retail develops a captive consumer base, which creates the setting for an agglomeration of retail, further drawing in new retailers and



consumers. Retailers will either pay a premium for a location along the transit corridor, or lose transit riding consumers to competitors who do locate along the corridor.

3.4.4 Industrial Appreciation

Case studies in Santa Clara and Dallas revealed mixed results with respect to industrial price appreciation. According to one study, it was calculated that values had actually dropped by 8.5% as a result of proximity to mass transit, and in another study values increased by only 2.8%.

The positive impact of the subway on industrial land value is largely mitigated by the low employment density and automotive/shipping intensive nature of industrial land uses. The high-density residential development resulting from a new subway creates additional logistical complexity to nearby industrial operations and often results in relocation.



Table 2

Property Value Appreciation Matrix					
Author	Title	City	Transit Type	Use	Price Premium
Hess, Daniel Baldwin and Tangerina Maria Almedia (2007)	Impact of Proximity to Light Rail Rapid Transit on Station-Area Property Values in Buffalo	Buffalo	LRT	Residential	4.0% - 11.0%
Cervero., (2004)	Effects of Light and Commuter Rail Transit on Land prices: Experiences in San Diego County	San Diego	LRT	Residential	17.0%
Cervero., (2004)	Effects of Light and Commuter Rail Transit on Land prices: Experiences in San Diego County	Philadelphia	LRT	Residential	6.4%
Cervero., (2004)	Effects of Light and Commuter Rail Transit on Land prices: Experiences in San Diego County	Atlanta	LRT	Commercial	0.0%
Cervero., (2004)	Effects of Light and Commuter Rail Transit on Land prices: Experiences in San Diego County	Dallas	LRT	Retail	37.0%
Cervero., (2004)	Effects of Light and Commuter Rail Transit on Land prices: Experiences in San Diego County	Dallas	LRT	Office	14.0%
Garrett, T (2004)	Light Rail Transit in America: Policy Issues and Prospects for Economic Development	St. Louis	LRT	Residential - Single Family	32.0%
Weinstein., Clower., (2003)	Assessment of DART LRT on Taxable Property Valuations and Transit Oriented Development	Dallas	LRT	Residential	12.6%
Weinstein., Clower., (2003)	As Assessment of DART LRT on Taxable Property Valuations and Transit Oriented Development	Dallas	LRT	Office	13.2%
Weinstein., Clower., (2003)	As Assessment of DART LRT on Taxable Property Valuations and Transit Oriented Development	Dallas	LRT	Retail	-2.1%
Weinstein., Clower., (2003)	An Assessment of DART LRT on Taxable Property Valuations and Transit Oriented Development	Dallas	LRT	Industrial	-8.5%
Cervero, R. et al. (2002)	Benefits of Proximity to Rail on Housing Markets: Experiences in Santa Clara County	Santa Clara	LRT	Residential - Rental Apartment	45.0%
Parsons., Brinkerhoff., (2001)	The Effect of Rail Transit on Property Values: A Summary of Studies	Philadelphia & Boston	Rapid Rail	Residential	6.7% - 8.0%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Commercial	23.0%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Retail: not in shopping centre	40.1%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Offices, Banks, Clinics	41.5%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Community Shopping Centre	1.1%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Neighbourhood Shopping Centre	5.6%
Cervero., Duncan., (2001)	Rail Transits Value-Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara, California	Santa Clara	LRT	Industrial	2.8%
Cervero, R. et al. (2001)	Land Value Impacts of Rail Transit Services in San Diego County	San Diego	LRT	Residential - Rental Apartment	0.0% - 4.0%
Weinberger, R. (2001)	Commercial Rents and Transportation Improvements	Santa Clara	LRT	Office	15.0%
Weinberger, R. (2001)	Commercial Rents and Transportation Improvements: Case of Santa Clara County's Light Rail	Santa Clara	LRT	Commercial	15.0%
Weinstein., Clower., (1999)	The Initial Economic Impacts of the DART LRT system	Dallas	LRT	Retail	36.8%
Weinstein., Clower., (1999)	The Initial Economic Impacts of the DART LRT system	Dallas	LRT	Office	13.9%
Weinstein, B. et al. (1999)	The Initial Economic Impacts of the DART LRT System	Dallas	LRT	Office	10.0%
Weinstein, B. et al. (1999)	The Initial Economic Impacts of the DART LRT System	Dallas	LRT	Retail	30.0%
Sedway Group (1999)	Regional Impact Study, Report commissioned by Bay Area Rapid Transit District	San Francisco	Rapid Rail	Residential - Rental Apartment	15.0% - 26.0%
Chen, Hong, Anthony Rufolo, and Kenneth Dueker (1998)	Measuring the Impact of Light Rail Systems on Single Family Home Values: An Hedonic Approach With GIS Application	Washington, D.C.	Rapid Rail	Residential - Single Family	10.50%
Diaz., et al., (1997)	Impacts of Rail Transit on Property Values	San Francisco	LRT	Residential	13.0%
Gruen, A. (1997)	The Effect of CTA and METRA Stations on Residential Property Values	Chicago	Rapid Rail	Residential - Single Family	20.0%
Cervero., (1996)	California's Transit Village Movement	San Francisco	LRT	Residential	15.0%
Benjamin, John D., and G. Stacy Sirmin (1996)	Mass Transportation, apartment Rent and Property Values	Washington, D.C.	Rapid Rail	Residential - Rental Apartment	7.50%
Landis, J. et al. (1995)	Rail Transit Investments, Real Estate Values, and Land Use Change: A Comparative Analysis of Five California Rail Systems	Sacramento	LRT	Residential - Single Family	6.2%
Landis, J. et al. (1995)	Rail Transit Investments, Real Estate Values, and Land Use Change: A Comparative Analysis of Five California Rail Systems	Santa Clara	LRT	Residential - Single Family	-10.8%
Landis, J. et al. (1995)	Rail Transit Investments, Real Estate Values, and Land Use Change: A Comparative Analysis of Five California Rail Systems	San Francisco	Rapid Rail	Retail	0.0%
Armstrong, Robert J. (1994)	Impacts of Commuter Rail Service as Reflected in Single-Family Residential Property Values	Boston	Rapid Rail	Residential - Single Family	6.70%
Al-Mosaind, M, et al. (1993)	Light Rail Transit Stations and Property Values: A Hedonic Price Approach	Portland	LRT	Residential - Single Family	10.6%
Cervero, R. et al. (1993)	Assessing the Impacts of Urban Rail Transit on Local Real Estate Markets Using Wuasi-Experimental Comparisons	Washington, D.C.	Rapid Rail	Office	12.3% - 19.6%
Cervero, R. et al. (1993)	Assessing the Impacts of Urban Rail Transit on Local Real Estate Markets Using Wuasi-Experimental Comparisons	Atlanta	Rapid Rail	Office	11.0% - 15.1%
Bernick, M et al. (1991)	A Study of Housing Built Near Rail Transit Stations: Northern California	San Francisco	Rapid Rail	Residential - Rental Apartment	5.0%

Source: Aggregated Research performed by NBLC



4. FORECAST RESULTS

4.1 GTA and Toronto Population and Development Forecast

The forecast suggests that the GTA population will double from 6.0M to 12.0 M by 2062. By 2062 we expect that, based on current trends, about 65% of all residential development will be in the form of higher density typologies. While the 905 will capture a large share of high density development, Toronto will remain the location of choice for most buyers.

While high-rise sales in the City of Toronto are projected to increase slightly over the next 50 years, the majority of new growth is expected to occur in the 905 areas. This growth in the 905 will be driven by emerging new suburban downtowns, new mass transit connections, and master planned communities, which will offer the full scope of urban amenities at more affordable price points relative to the City of Toronto. As a result of this significant new high-rise development in the 905, the City of Toronto’s proportionate share of GTA high-rise development is expected to decline in the mid to longer term.

Based on our analysis of population growth, economic trends and regional development, we forecast that by 2062 the demand for higher density housing units in the GTA will reach roughly 30,000 units per year. We also project that Toronto will capture 57% of these sales by 2062, declining from its current 75% share of annual GTA high-rise sales. Based on the development of both transit corridors, Sheppard and Eglinton are expected to capture between 11% and 13% of the Toronto Market, up from 4% in the baseline scenario.

This translates into a projected average annual market demand of 1,666 to 1,868 units per year over the forecast period. This estimate anticipates economic cycles where little or no growth may occur followed by relatively strong periods. This demand is consistent with the market experience along the existing subway corridors of the North York Centre Corridor and Sheppard Corridor between 2005 and 2010 as illustrated in **Table 3** below.

Table 3

Historical Condominium Apartment Sales Volumes - Existing Subway Corridors			
North Yonge		Sheppard Corridor	
Year	No. Sales	Year	Sales
2005	1,127	2005	203
2006	940	2006	465
2007	1,406	2007	1,411
2008	1,558	2008	868
2009	658	2009	779
2010	753	2010	1,229
Annual Corridor Average: 1,074 sales		Annual Corridor Average: 826 sales	

Source: N. Barry Lyon Consultants Limited & RealNet Canada Inc.



4.2 TIF Zone Analysis (Sheppard and Eglinton Corridor Forecast)

The following summarizes the results of our forecasts for the baseline, reference and high growth scenarios.

4.2.1 Baseline Forecast (No Transit)

In the baseline scenario, we assume that the existing development continues to appreciate in value, but at a relatively modest rate. Growth also occurs but, without any significant upgrade in transit service, it continues at a modest pace.

Total forecasted development activity within TIF Zones by 2062 - (GFA)

- Residential - **2.8 million sq.m**
- Office - **0.6 million sq.m**
- Retail – **0.1 million sq.m**

Current Value Assessment within TIF Zones (2012) - Based on Estimated Inflation (1.5%)

- Residential - **\$23.2 billion**
- Multi-Residential - **\$4.7 billion**
- Office - **\$2.3 billion**
- Retail - **\$6.3 billion**
- Industrial - **\$0.6 billion**

Projected municipal tax base (2062) within TIF Zones – Based on Inflation and Projected Growth

- Residential - **\$72.0 billion**
- Multi-Residential - **\$9.8 billion**
- Office - **\$8.1 billion**
- Retail - **\$13.8 billion**
- Industrial - **\$1.3 billion**



4.2.2 Forecast with Transit Extensions (Reference and High Scenarios)

In the reference and high growth scenarios, we expect that the introduction of sub-surface transit will make many of the areas within the future alignments significantly more attractive to development. NBLC has assumed that with new transit along the Eglinton and Sheppard corridors, the TIF zones will capture roughly 50,000 to 60,000 units of high-rise growth that would have otherwise occurred elsewhere in the GTA. As a result of the new transit and increased residential development along the corridors, it is assumed that office space within the TIF zones will increase its present 6.4% share of the Toronto office market by 20% over 50 years.

Forecasted development activity (GFA) with Transit Extensions

Reference

- Residential – **7.3 million sq.m**
- Office – **1.2 million sq.m**
- Retail – **0.3 million sq.m**

High-Growth

- Residential – **8.2 million sq.m**
- Office – **1.3 million sq.m**
- Retail – **0.3 million sq.m**

Projected municipal tax base (2062) within TIF Zones – Based on Inflation and Projected Growth

Reference

- Residential - **\$117.2 billion**
- Multi-Residential - **\$10.6 billion**
- Office - **\$12.6 billion**
- Retail - **\$17.1 billion**
- Industrial - **\$1.3 billion**

High-Growth

- Residential - **\$127.3 billion**
- Multi-Residential - **\$10.8 billion**
- Office - **\$ 13.4 billion**
- Retail - **\$ 17.8 billion**
- Industrial **\$1.3 billion**



Table 4

Total (Eglinton, SRT, Sheppard East and Sheppard West)				
Scenario	Development Potential Total GFA by Use (sq. m.)		CVA (2012)	CVA (2062)
Base Case No Transit Expansion	Residential	2,819,698	\$23,202,348,362	\$71,929,031,518
	Multi-Residential	0	\$4,671,644,011	\$9,834,943,146
	Office	609,682	\$2,311,583,800	\$8,095,880,850
	Retail	107,420	\$6,250,188,722	\$13,778,884,372
	Industrial	0	\$607,763,835	\$1,279,490,207
	TOTAL	3,536,800	\$37,043,528,729	\$104,918,230,093
Reference Scenario With Transit	Residential	7,285,065	\$23,202,348,362	\$117,161,849,644
	Multi-Residential	0	\$4,671,644,011	\$10,621,738,598
	Office	1,195,985	\$2,311,583,800	\$12,545,659,022
	Retail	280,156	\$6,250,188,722	\$17,141,359,202
	Industrial	0	\$607,763,835	\$1,306,014,826
	TOTAL	8,761,207	\$37,043,528,729	\$158,776,621,292
High Scenario Added Density	Residential	8,164,751	\$23,202,348,362	\$127,252,878,751
	Multi-Residential	0	\$4,671,644,011	\$10,818,437,461
	Office	1,288,660	\$2,311,583,800	\$13,446,229,295
	Retail	283,256	\$6,250,188,722	\$17,753,936,417
	Industrial	0	\$607,763,835	\$1,317,874,913
	TOTAL	9,736,668	\$37,043,528,729	\$170,589,356,838
Source: N. Barry Lyon Consultants				