

December 1, 2023

EHON MAJOR STREETS: FINANCIAL FEASIBILITY



KEY FINDINGS

1. TYPOLOGIES SUPPORTED

Combining 2 typical lots along Etobicoke, North York and Scarborough Major Streets can support townhome, stacked townhome and small-scale apartment development.

2. PURPOSE-BUILD RENTAL

Even with the rebate of GST and PST, rental buildings will require further subsidization and/or premium rents to be viable, let alone affordable.

3. TOWNHOMES

Across all areas identified, townhouses consistently demonstrate potential for strong return metrics.

4. ETOBICOKE

In Etobicoke, **small-scale apartments** have the most potential for strong returns, however, less risky townhomes have potential for similar return metrics.

5. NORTH YORK

In North York, **stacked townhomes** have the most potential for strong returns, slightly edging out small-scale apartments.

6. SCARBOROUGH

In Scarborough, **small-scale apartments** have the most potential for strong returns, however, less risky townhomes have potential for similar return metrics.

KEY TERMS

Residual Land Value (**RLV**)

Calculating the value of the land based on the projected revenue, less development costs (excluding land) and the required developer's profit margin.

Internal Rate of Return (**IRR**)

Represents the discount rate at which the net present value of a project equals 0. IRR takes into account both the magnitude and timing of cash flows (negative and positive) throughout the project timeline.

Equity Multiple (**EMx**)

Represents the cash distributions received from an investment, divided by the total equity invested.

Cash-on-Cash (**CoC**)

Represents the cash flow after financing (%) generated by the equity invested to date. It does not take into account the value of the building or any appreciation of value over time.

Loan-to-Cost (**LTC**)

The loan amount divided by the construction costs.

Loan-to-Value (**LTV**)

The loan amount divided by the expected market value of the completed project.

Basis Points (**BPS**)

A unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

INTRODUCTION

CONTEXT

This study provides additional **technical support and “ground-truthing”** to the Major Streets sub-component of the City of Toronto’s EHON initiative.

BACKGROUND

- The City continues to advance the **Expanding Housing Options in Neighbourhoods (EHON)** initiative, which seeks to increase housing supply, improve housing diversity and address growth pressures.
- A key subcomponent of this initiative is exploring opportunities on **Major Streets**, which are envisioned to accommodate the development of townhouses and small-scale apartment formats.

PURPOSE

- To provide additional testing of pre-defined building concepts from the perspective of **financial feasibility**.
- To specifically explore the building typologies most likely to be accommodated on Major Streets, including:
 - **Townhouses**
 - **Stacked Townhouses**
 - **Small-Scale Apartments**

SCOPE

- **Baseline financial feasibility assessment** of pre-defined building concepts across different locational context across the City.
- Evaluation of **potential changes** in baseline assumptions, including longer-term shifts in underlying macroeconomic conditions.
- Specific **consideration of nuances** across tenure (ownership vs. rental) and affordability.

CONTEXT

Based on our review of Major Streets identified by City Staff and TREB data, we identified typical lot characteristics and values for each of: Etobicoke, North York and Scarborough.

	ETOBICOKE	NORTH YORK	SCARBOROUGH
TYPICAL DIMENSIONS	12m x 38m (~39ft x 125ft)	15m x 35m (~49ft x 115ft)	12m x 38m (~39ft x 125ft)
TYPICAL AREA	456 sq m or 4,875 sq ft	525 sq m or 5,651 sq ft	456 sq m or 4,875 sq ft
AVERAGE VALUE PER LOT ¹	\$1.3 - \$1.6 million	\$2.0 - \$2.1 million	\$1.2 - \$1.3 million
LOTS ASSEMBLED	2 Lots	2 Lots	2 Lots
GROSS DEVELOPABLE AREA	~900 sq m (9,700 sq ft)	~1,050 sq m (11,300 sq ft)	~900 sq m (9,700 sq ft)
LAND VALUE	\$2.6 - \$3.2 million	\$4.0 - \$4.2 million	\$2.4 - \$2.6 million

¹ Based on the average sales prices and MLS® Home Price Index single-detached benchmark price in the Toronto Regional Real Estate Board's July 2023 Market Watch.

KEY COST ASSUMPTIONS

Our key assumptions are based on a **long-term outlook**, not necessarily today's conditions.

LAND COSTS

- Minimize the need for land assembly; **2 lots max**.
- Assume a 75% land loan financed @ 10%.

HARD COSTS

- The median value in Altus Construction Cost Guide (2023). Growth is based on a return to pre-COVID levels published in historical Statistics Canada's Building Construction Price Index (BCPI) data.
- Allow for **minimal resident parking** (subject to market acceptance) with **surface parking wherever possible** and underground (1 level) only in small-scale apartments.

SOFT COSTS

- Current City permits and fees.
- Construction loans @ 6.25% based on 20 and 30-year historical average interest rates with 50% LTC (rental) and 75% LTC (ownership).
- Other industry standard benchmarks.

Our analyses consider the recent announcement by the Federal and Provincial Governments to rebate GST and PST on new construction rental buildings. **See Appendix for detailed building assumptions by typology.**

FEASIBILITY FINDINGS

RESIDUAL LAND VALUES

Baseline residual land values (RLV) were calculated to understand whether each typology and tenure has the potential to justify the cost of assembling two typical lots.

OWNERSHIP

We estimate **the RLV of each ownership building typology** assuming **15% profit** (at the project level). Although a common target profit, we acknowledge each developer will have their own targets when analyzing an opportunity.

PURPOSE-BUILT RENTAL

The RLV of a rental property is better analyzed based on the potential Cash-on-Cash returns over a chosen hold period (i.e., we've assumed 10-years). We've assumed a target of **at least 5.75%**, based on the 10-year bond rate as of mid-August 2023 + 200 basis points to account for the additional risk.

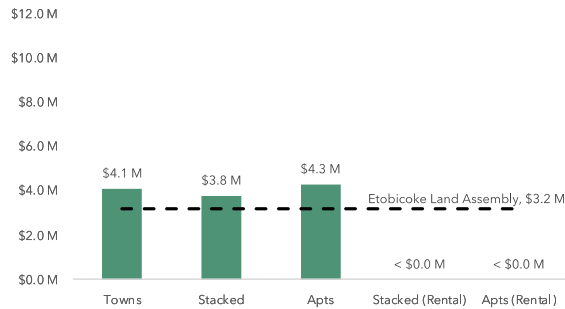
We caution that an RLV above current lot values does not guarantee suitable profitability of a development project.

Each developer—and their sources of equity and debt—may focus on different metrics. The estimated RLV based on project-level profit margin (ownership) or Cash-on-Cash yield (rental) should be considered in conjunction with other return metrics, such as the potential profit in dollars (\$), the internal rate of return (IRR), the equity multiple (EMx), the spread on existing cap rates and the payback period of the initial investment.

The Appendix provides potential return metrics (Profit, IRR, EMx and CoC) for the baseline scenario of each ownership typology in each geography.

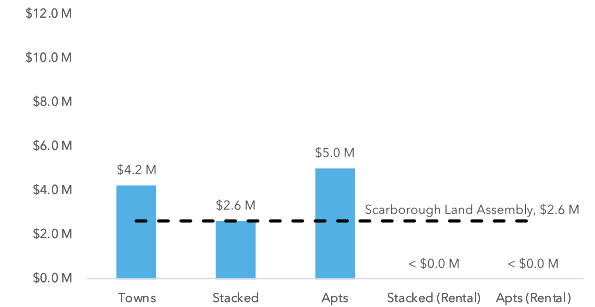
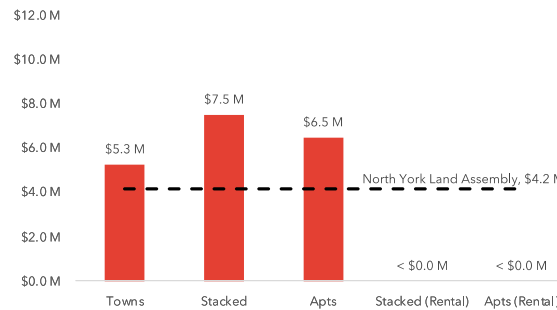
RESIDUAL LAND VALUES

Baseline RLVs were calculated to understand if each typology and tenure has the potential to justify the cost of assembling two typical lots.



The RLV of each ownership building typology in **Etobicoke** could exceed current land values, however, rental buildings are challenged and do not result in a positive RLV.

The RLV of each ownership building typology in **North York** could exceed current land values, however, rental buildings are challenged and do not result in a positive RLV.



The RLV of ownership townhomes and small-scale apartment buildings in **Scarborough** could exceed current land values, however, stacked townhomes and rental buildings are challenged.

SENSITIVITY ANALYSIS

Given that a development pro forma is a **forward-looking estimation of the cash flows** associated with a given development project, we conducted sensitivity analyses to consider potential deviations from our baseline assumptions.

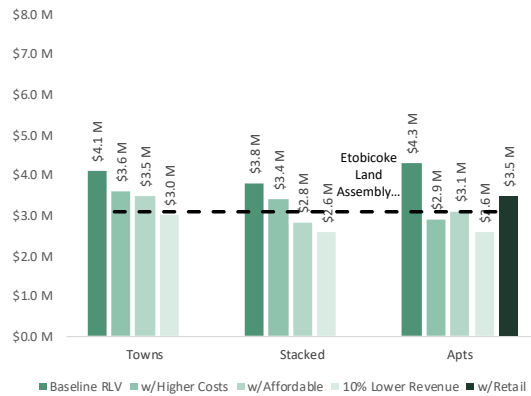
To this end, we undertook sensitivity analyses to estimate the effect of:

- **Higher Construction Costs** (based on the top of the 2023 Cost Guide range);
- **Inclusion of Affordable Unit(s)** (i.e., 1 townhome (~8%) and 1 unit of each unit type (~10%) in the stacked and apartment buildings);
- **Lower Revenues** (i.e., beginning at 10% below the current market assumptions); and
- The inclusion of 2,000 sq ft of **Retail At-Grade** in the small-scale apartments (e.g., a reasonable sized café, or 2 personal service businesses).

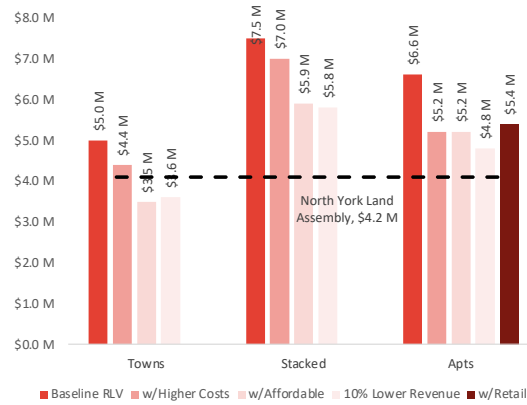
SENSITIVITY ANALYSIS

Focusing only on scenarios for which the RLV has the potential to exceed current land values (i.e., ownership tenures), it is clear that **projects can quickly become infeasible if one or more of the key variables deviate.**

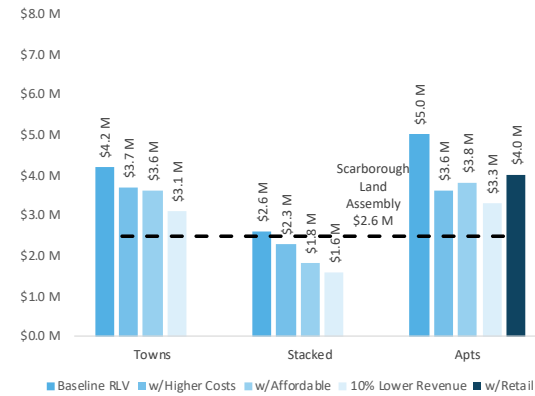
ETOBICOKE OWNERSHIP



NORTH YORK OWNERSHIP



ETOBICOKE OWNERSHIP



Stacking of multiple sensitivities has a **compounding effect**, further reducing land values.

PURPOSE-BUILT RENTAL FEASIBILITY

Rental feasibility is improving with recent government rebates, but **at this scale it is still challenged**.

Even with land at no cost (\$0), building and operating a rental stacked townhome or a small-scale rental apartment building in **Etobicoke**, **North York** or **Scarborough** is unlikely to meet the return expectations of most build-to-hold rental developers.

In all areas the development of new rental buildings will require upfront savings and grants AND/OR operational savings over at least 10 years to justify the purchase of two lots at current land values.

	ETOBICOKE	NORTH YORK	SCARBOROUGH
STACKED TOWNHOMES	\$2.9 million upfront OR \$1.9 million over 10 years of operations	\$4.4 million upfront OR \$2.8 million over 10 years of operations	\$2.8 million upfront OR \$1.7 million over 10 years of operations
SMALL-SCALE APARTMENTS	\$5.2 million upfront OR \$1.5 million over 10 years of operations	\$7.9 million upfront OR \$5.0 million over 10 years of operations	\$5.1 million upfront OR \$2.9 million over 10 years of operations

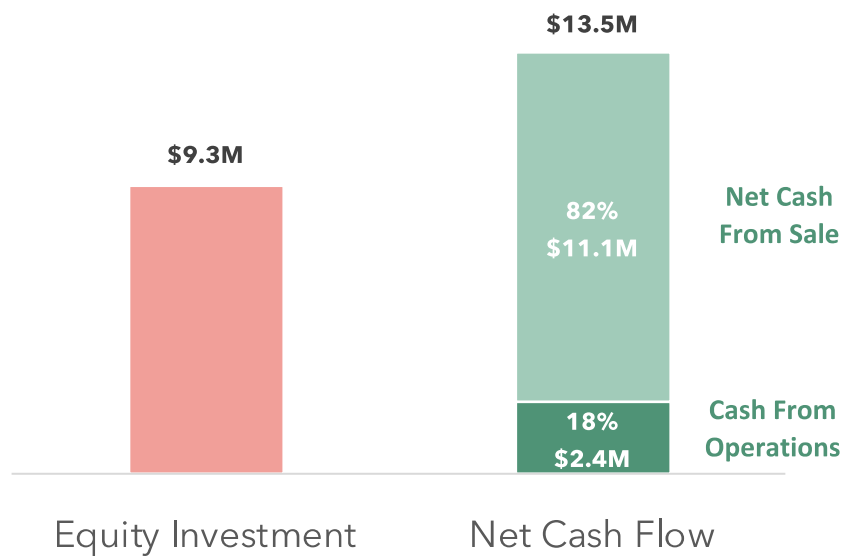
For illustration only. Represents the upfront grants or savings and the operational subsidies which could allow for approximately 5.75% average CoC yield over 10 years.

PURPOSE-BUILT RENTAL FEASIBILITY

A small-scale rental apartment requires more than the assumed 10-year hold period to repay the initial equity investment and is heavily reliant on the future sale for investment returns.

Parcel Observation
Rental Pro Forma Is Heavily Reliant on Building Value Some 15 Years Into The Future

Small-Scale Rental Apartment Cash Flows



The expected net cash flow is heavily reliant on the sale of the building, some 15 years from now.

This value, based on Net Operating Income and market cap rates, is very hard to predict so far down the road, adding additional risk.

*For illustration. Etobicoke at current lot values.

RENTAL FEASIBILITY ‘LEVERS’ AVAILABLE TO THE CITY

Even when considering a range of incentives, the City alone cannot make purpose-built rental development of this scale financially feasible at current land values.

UPFRONT

Waived City Planning Fees \$79k	+	Waived DCs \$980k	+	Waived CIL Parkland \$400k	=	Total Savings \$1.46M	28% of the upfront savings needed to purchase land at current values
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AFTER COMPLETION

Potential Future Property Tax \$100k +	-	Est. Current Property Tax \$15k	=	Potential Uplift \$85k	x	10-yr Tax Increment Grant \$425k	=	Total Savings \$425k	29% of the operations subsidy needed to purchase land at current values
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*For illustration only. Based on a small-scale rental apartment in Etobicoke.

ADDITIONAL RENTAL DENSITY

How much higher to make it feasible?

Although increase to height and density do positively affect rental yield, it is not enough to reach the targeted investment returns (e.g., above 10—year bond rates).

For example, a 12-storey rental apartment building on the typical lots found in Scarborough has the potential to yield just over 3% (i.e., below current 10-yr bond rates).

Is there a better ‘lever’ to utilize than height and density?

To increase yield, revenues need to increase, costs decrease, or a combination of both. The City has more opportunity to effect costs.

For example, a Development Charges Rebate **AND** no Parkland Requirement on the 5-storey Scarborough rental apartment has the potential for the same yield as the 12-storey building above, while achieving a higher IRR and EMx.

IS 25% AFFORDABLE POSSIBLE?

Can a small-scale condo apartment building accommodate ~25% affordable units?

At current lot values in Scarborough (the lowest lot values of the three geographies), a small-scale condo apartment building with 22 market units @ \$1,200 PSF (\$895k / unit) and **8 affordable units @ \$308 PSF (\$230k / unit¹)** would likely result in a **reduction of potential profit from some \$6.5 million in our baseline to just under \$1.7 million.**

Even if the developer was able to purchase two lots for less (\$1.6 million or \$800k each), profit potential would be more than cut in half at less than \$3.2 million.

... but would a developer still go ahead with the project?

Maybe. Although \$1.7 million is a material reduction in potential profit, the associated projected IRR of more than 19% and 1.37x EMx may still be enough for some, however, the project is walking a tight rope of profitability with little room for error and may be hard to finance.

For example, if hard costs are \$325 PSF (the top of the Cost Guide range for 6-storey wood frame and very likely for this building typology) the project will lose money. At the top of the Cost Guide range the land would need to be free to justify the project.

¹ Based on the current City of Toronto definition of affordable and four 1-bedroom units @ \$190k, three 2-bedroom units @ \$243k and one 3-bedroom unit @ \$292k. 2023 values.

IS 25% AFFORDABLE POSSIBLE?

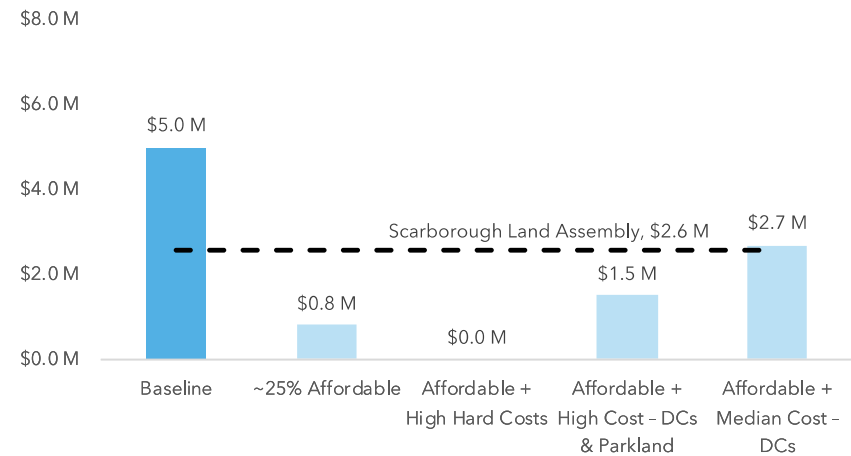
25% affordable units would require significant help from the City, the Province and/or the Federal Government.

How can the City help?

For projects able to be built at the Cost Guide median (as assumed in our baseline analysis), a DC rebate on the market units would preserve profitability just enough to purchase 2 lots at Scarborough market values.

However, projects likely to require hard costs at the top of the Cost Guide range will require a **DC rebate on the market units + no Parkland Dedication + deeply discounted land.**

Small-Scale Condo Apartment RLV with 25% Affordable Sensitivity



CONCLUSIONS

Our feasibility testing validates the relative ease of delivery for Townhomes as “easy wins”, in addition to confirming opportunities for small-scale apartments for those willing to take on the risk.

ENCOURAGE TOWNHOMES

Townhomes are an ‘easy win’ with very little new construction competition and strong return potential. They require less upfront equity and less development experience to execute.

MORE EXPERIENCED DEVELOPERS MAY CONSIDER ...

ETOBICOKE

... **small-scale apartments** for similarly strong return metrics with more profit, albeit increased risk.

NORTH YORK

... **stacked townhomes** for similarly strong return metrics with more profit, albeit increased risk.

SCARBOROUGH

... **small-scale apartments** for similarly strong return metrics with more profit, albeit increased risk.

PURPOSE-BUILT RENTAL

Purpose-built rental feasibility has improved with the recent announcement of GST & PST rebates; however, it likely requires further subsidies or savings to be financially viable.

APPENDIX

TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Lots	2	2	2
Avg Lot Dimensions	12m x 38m	15m x 35m	12m x 38m
Total Area	456 sm	525 sm	456 sm
\$ Value	\$3.20 M	\$4.20 M	\$2.60 M
Development Timeline			
Entitlement & Design	18 mth(s)	18 mth(s)	18 mth(s)
Sales	12 mth(s)	12 mth(s)	12 mth(s)
Construction	18 mth(s)	18 mth(s)	18 mth(s)
Lease Up	None	None	None
Stabilized Operations	None	None	None
Building Stats			
Net Floor Area	22,200 sf	27,000 sf	21,450 sf
Gross Floor Area	22,200 sf	27,000 sf	21,450 sf
Gross Construction Area	23,368 sf	28,421 sf	22,579 sf
Height	4 storeys	4 storeys	4 storeys
FSI	2.29x	2.39x	2.21x
Building Lot Coverage	57%	60%	55%
Residential Units			
	12 units	12 units	13 units
Studio	-	-	-
1 Bed	-	-	-
2 Beds	-	-	-
3 Beds +	12 units	12 units	13 units
Avg Unit Size (Net)	1,850 sf	2,250 sf	1,650 sf
Avg Unit Size (Net)	172 sm	209 sm	153 sm
Parking			
Resident	1.00 / unit	1.00 / unit	1.00 / unit
	12 spaces	12 spaces	13 spaces
Non-Resident	-	-	-
	-	-	-

TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Revenues			
Market \$ PSF	\$800 PSF	\$800 PSF	\$825 PSF
Market \$ Unit	\$1,480,000	\$1,800,000	\$1,361,250
Market \$ Parking Space	-	-	-
Avg Annual Growth	5.0%	5.0%	5.0%
Affordable \$ PSF	\$160 PSF	\$130 PSF	\$180 PSF
Affordable \$ PSF	\$295,000	\$295,000	\$295,000
Affordable \$ Parking Space	-	-	-
Avg Annual Growth	2.0%	2.0%	2.0%
Retail Net Rent \$ PSF	-	-	-
Retail Rent Growth	-	-	-
Market Rent \$ PSF			
Market Rent \$ Unit			
Market Rent\$ Parking Space			
Rent Growth (Pre-Lease Up)			
Rent Growth (Operations)			
Hard Costs			
Above Grade Hard Costs	\$225 PSF	\$225 PSF	\$225 PSF
Parking Costs	\$6,000/space	\$6,000/space	\$6,000/space
Avg Annual Growth	3.0%	3.0%	3.0%
Demolition	\$8.00 / sf existing	\$8.00 / sf existing	\$8.00 / sf existing
Site Prep	\$5.00 / sf existing	\$5.00 / sf existing	\$5.00 / sf existing
Servicing Connection	\$1,000/unit	\$1,000/unit	\$1,000/unit
Landscaping	\$1,000/unit	\$1,000/unit	\$1,000/unit

TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Soft Costs			
Planning Applications	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition
Building Permit, Development Charges, Property Taxes	Current City Rates as of August 2023	Current City Rates as of August 2023	Current City Rates as of August 2023
Community Benefits Charges	None	None	None
CIL Parkland	10.0% of Dev Land	10.0% of Dev Land	10.0% of Dev Land
Architecture & Engineering	5.0% of Hard Costs	5.0% of Hard Costs	5.0% of Hard Costs
Legal	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Sales & Marketing	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Construction Management	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Development Fee	2.0% of Total Costs	2.0% of Total Costs	2.0% of Total Costs
All Other Consultants	2 - 5% of Hard Costs	2 - 5% of Hard Costs	2 - 5% of Hard Costs
Contingency	5.0% of Total Costs	5.0% of Total Costs	5.0% of Total Costs
Financing (Land)			
Loan-to-Value	75.0%	75.0%	75.0%
Rate	10.0%	10.0%	10.0%
Financing (Construction)			
Loan-to-Cost	75.0%	75.0%	75.0%
Rate	6.25%	6.25%	6.25%
Loan Fees	1.0% of Loan	1.0% of Loan	1.0% of Loan
Financing (Permanent Debt)			
Loan-to-Value	-	-	-
Rate	-	-	-

STACKED CONDO TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Lots	2	2	2
Avg Lot Dimensions	12m x 38m	15m x 35m	12m x 38m
Total Area	456 sm	525 sm	456 sm
\$ Value	\$3.20 M	\$4.20 M	\$2.60 M
Development Timeline			
Entitlement & Design	24 mth(s)	24 mth(s)	24 mth(s)
Sales	12 mth(s)	12 mth(s)	12 mth(s)
Construction	24 mth(s)	24 mth(s)	24 mth(s)
Lease Up	None	None	None
Stabilized Operations	None	None	None
Building Stats			
Net Floor Area	20,400 sf	22,500 sf	20,400 sf
Gross Floor Area	20,400 sf	22,500 sf	20,400 sf
Gross Construction Area	22,667 sf	25,000 sf	22,667 sf
Height	1 Below, 3 Above	1 Below, 3 Above	1 Below, 3 Above
FSI	2.11x	1.99x	2.11x
Building Lot Coverage	53%	50%	53%
Residential Units			
Studio	-	-	-
1 Bed	4 units	6 units	4 units
2 Beds	14 units	12 units	14 units
3 Beds +	4 units	6 units	4 units
Avg Unit Size (Net)	927 sf	938 sf	927 sf
Avg Unit Size (Net)	86 sm	87 sm	86 sm
Parking			
Resident	0.80 / unit	0.60 / unit	0.80 / unit
	18 spaces	15 spaces	18 spaces
Non-Resident	0.10 / unit	0.10 / unit	0.10 / unit
	3 spaces	3 spaces	3 spaces

STACKED CONDO TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Revenues			
Market \$ PSF	\$900 PSF	\$1,125 PSF	\$850 PSF
Market \$ Unit	\$834,550	\$1,054,690	\$788,180
Market \$ Parking Space	-	-	-
Avg Annual Growth	7.5%	5.0%	5.0%
Affordable \$ PSF	\$255 PSF	\$258 PSF	\$261 PSF
Affordable \$ PSF	\$242,000	\$242,000	\$242,000
Affordable \$ Parking Space	-	-	-
Avg Annual Growth	2.0%	2.0%	2.0%
Retail Net Rent \$ PSF	-	-	-
Retail Rent Growth	-	-	-
Market Rent \$ PSF			
Market Rent \$ Unit			
Market Rent\$ Parking Space			
Rent Growth (Pre-Lease Up)			
Rent Growth (Operations)			
Hard Costs			
Above Grade Hard Costs	\$225 PSF	\$225 PSF	\$225 PSF
Parking Costs	\$6,000/space	\$6,000/space	\$6,000/space
Avg Annual Growth	3.0%	3.0%	3.0%
Demolition	\$8.00 / sf existing	\$8.00 / sf existing	\$8.00 / sf existing
Site Prep	\$5.00 / sf existing	\$5.00 / sf existing	\$5.00 / sf existing
Servicing Connection	\$1,000/unit	\$1,000/unit	\$1,000/unit
Landscaping	\$1,000/unit	\$1,000/unit	\$1,000/unit

STACKED CONDO TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Soft Costs			
Planning Applications	Minor Variance, SPA, Plan of Condo, Demolition	Minor Variance, SPA, Plan of Condo, Demolition	Minor Variance, SPA, Plan of Condo, Demolition
Building Permit, Development Charges, Property Taxes	Current City Rates as of August 2023	Current City Rates as of August 2023	Current City Rates as of August 2023
Community Benefits Charges	None	None	None
CIL Parkland	10.0% of Dev Land	10.0% of Dev Land	10.0% of Dev Land
Architecture & Engineering	5.0% of Hard Costs	5.0% of Hard Costs	5.0% of Hard Costs
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Financing (Land)			
Loan-to-Value	75.0%	75.0%	75.0%
Rate	10.0%	10.0%	10.0%
Financing (Construction)			
Loan-to-Cost	75.0%	75.0%	75.0%
Rate	6.25%	6.25%	6.25%
Loan Fees	1.0% of Loan	1.0% of Loan	1.0% of Loan
Financing (Permanent Debt)			
Loan-to-Value	-	-	-
Rate	-	-	-

SMALL-SCALE CONDO APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Lots	2	2	2
Avg Lot Dimensions	12m x 38m	15m x 35m	12m x 38m
Total Area	456 sm	525 sm	456 sm
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Sales	12 mth(s)	12 mth(s)	12 mth(s)
Construction	24 mth(s)	24 mth(s)	24 mth(s)
Lease Up	None	None	None
Stabilized Operations	None	None	None
Building Stats			
Net Floor Area	22,350 sf	22,475 sf	22,350 sf
Gross Floor Area	24,833 sf	24,972 sf	24,833 sf
Gross Construction Area	29,216 sf	29,379 sf	29,216 sf
Height	5 Storeys	5 Storeys	5 Storeys
FSI	2.56x	2.21x	2.56x
Building Lot Coverage	51%	44%	51%
Residential Units			
Studio	-	-	-
1 Bed	15 units	15 units	15 units
2 Beds	12 units	13 units	12 units
3 Beds +	3 units	2 units	3 units
Avg Unit Size (Net)	745 sf	749 sf	745 sf
Avg Unit Size (Net)	69 sm	70 sm	69 sm
Parking			
Resident	0.60 / unit	0.70 / unit	0.60 / unit
	18 spaces	21 spaces	18 spaces
Non-Resident	0.05 / unit	0.05 / unit	0.05 / unit
	2 spaces	2 spaces	2 spaces

SMALL-SCALE CONDO APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Revenues			
Market \$ PSF	\$1,150 PSF	\$1,300 PSF	\$1,200 PSF
Market \$ Unit	\$856,750	\$973,920	\$894,000
Market \$ Parking Space	\$55,000	\$75,000	\$55,000
Avg Annual Growth	7.5%	5.0%	5.0%
Affordable \$ PSF	\$297 PSF	\$297 PSF	\$297 PSF
Affordable \$ PSF	\$221,000	\$221,000	\$221,000
Affordable \$ Parking Space	-	-	-
Avg Annual Growth	2.0%	2.0%	2.0%
Retail Net Rent \$ PSF	\$20 PSF	\$20 PSF	\$20 PSF
Retail Rent Growth	-	-	-
Market Rent \$ PSF			
Market Rent \$ Unit			
Market Rent\$ Parking Space			
Rent Growth (Pre-Lease Up)			
Rent Growth (Operations)			
Hard Costs			
Above Grade Hard Costs	\$225 PSF	\$225 PSF	\$225 PSF
Parking Costs	\$6,000/space	\$6,000/space	\$6,000/space
Avg Annual Growth	3.0%	3.0%	3.0%
Demolition	\$8.00 / sf existing	\$8.00 / sf existing	\$8.00 / sf existing
Site Prep	\$5.00 / sf existing	\$5.00 / sf existing	\$5.00 / sf existing
Servicing Connection	\$1,000/unit	\$1,000/unit	\$1,000/unit
Landscaping	\$1,000/unit	\$1,000/unit	\$1,000/unit

SMALL-SCALE CONDO APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Soft Costs			
Planning Applications	Minor Variance, SPA, Plan of Condo, Demolition	Minor Variance, SPA, Plan of Condo, Demolition	Minor Variance, SPA, Plan of Condo, Demolition
Building Permit, Development Charges, Property Taxes	Current City Rates as of August 2023	Current City Rates as of August 2023	Current City Rates as of August 2023
Community Benefits Charges	None	None	None
CIL Parkland	10.0% of Dev Land	10.0% of Dev Land	10.0% of Dev Land
Architecture & Engineering	5.0% of Hard Costs	5.0% of Hard Costs	5.0% of Hard Costs
Legal	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Sales & Marketing	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Construction Management	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Development Fee	2.0% of Total Costs	2.0% of Total Costs	2.0% of Total Costs
All Other Consultants	2 - 5% of Hard Costs	2 - 5% of Hard Costs	2 - 5% of Hard Costs
Contingency	5.0% of Total Costs	5.0% of Total Costs	5.0% of Total Costs
Financing (Land)			
Loan-to-Value	75.0%	75.0%	75.0%
Rate	10.0%	10.0%	10.0%
Financing (Construction)			
Loan-to-Cost	75.0%	75.0%	75.0%
Rate	6.25%	6.25%	6.25%
Loan Fees	1.0% of Loan	1.0% of Loan	1.0% of Loan
Financing (Permanent Debt)			
Loan-to-Value	-	-	-
Rate	-	-	-

STACKED RENTAL TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Lots	2	2	2
Avg Lot Dimensions	12m x 38m	15m x 35m	12m x 38m
Total Area	456 sm	525 sm	456 sm
\$ Value	\$3.20 M	\$4.20 M	\$2.60 M
Development Timeline			
Entitlement & Design	24 mth(s)	24 mth(s)	24 mth(s)
Sales	12 mth(s)	12 mth(s)	12 mth(s)
Construction	24 mth(s)	24 mth(s)	24 mth(s)
Lease Up	6 mth(s)	6 mth(s)	6 mth(s)
Stabilized Operations	120 mth(s)	120 mth(s)	120 mth(s)
Building Stats			
Net Floor Area	20,400 sf	22,500 sf	20,400 sf
Gross Floor Area	20,400 sf	22,500 sf	20,400 sf
Gross Construction Area	22,667 sf	25,000 sf	22,667 sf
Height	1 Below, 3 Above	1 Below, 3 Above	1 Below, 3 Above
FSI	2.11x	1.99x	2.11x
Building Lot Coverage	53%	50%	53%
Residential Units			
Studio	-	-	-
1 Bed	4 units	6 units	4 units
2 Beds	14 units	12 units	14 units
3 Beds +	4 units	6 units	4 units
Avg Unit Size (Net)	927 sf	938 sf	927 sf
Avg Unit Size (Net)	86 sm	87 sm	86 sm
Parking			
Resident	0.80 / unit	0.60 / unit	0.80 / unit
	18 spaces	15 spaces	18 spaces
Non-Resident	0.10 / unit	0.10 / unit	0.10 / unit
	3 spaces	3 spaces	3 spaces

STACKED RENTAL TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Revenues			
Market \$ PSF			
Market \$ Unit			
Market \$ Parking Space			
Avg Annual Growth			
Affordable \$ PSF			
Affordable \$ PSF			
Affordable \$ Parking Space			
Avg Annual Growth			
Retail Net Rent \$ PSF			
Retail Rent Growth			
Market Rent \$ PSF	\$3.02 PSF	\$2.99 PSF	\$2.75 PSF
Market Rent \$ Unit	\$2,805 / mth	\$2,800 / mth	\$2,518 / mth
Market Rent\$ Parking Space	\$ -	\$ -	\$ -
Rent Growth (Pre-Lease Up)	5.0%	5.0%	5.0%
Rent Growth (Operations)	2.0%	2.0%	2.0%
Hard Costs			
Above Grade Hard Costs	\$255 PSF	\$255 PSF	\$255 PSF
Parking Costs	\$6,000/space	\$6,000/space	\$6,000/space
Avg Annual Growth	5.0%	5.0%	5.0%
Demolition	\$8.00 / sf existing	\$8.00 / sf existing	\$8.00 / sf existing
Site Prep	\$5.00 / sf existing	\$5.00 / sf existing	\$5.00 / sf existing
Servicing Connection	\$1,000/unit	\$1,000/unit	\$1,000/unit
Landscaping	\$1,000/unit	\$1,000/unit	\$1,000/unit

STACKED RENTAL TOWNHOUSE ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Soft Costs			
Planning Applications	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition
Building Permit, Development Charges, Property Taxes	Current City Rates as of August 2023	Current City Rates as of August 2023	Current City Rates as of August 2023
Community Benefits Charges	None	None	None
CIL Parkland	10.0% of Dev Land	10.0% of Dev Land	10.0% of Dev Land
Architecture & Engineering	5.0% of Hard Costs	5.0% of Hard Costs	5.0% of Hard Costs
Legal	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Sales & Marketing	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Construction Management	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Development Fee	2.0% of Total Costs	2.0% of Total Costs	2.0% of Total Costs
All Other Consultants	2 - 5% of Hard Costs	2 - 5% of Hard Costs	2 - 5% of Hard Costs
Contingency	5.0% of Total Costs	5.0% of Total Costs	5.0% of Total Costs
Financing (Land)			
Loan-to-Value	75.0%	75.0%	75.0%
Rate	10.0%	10.0%	10.0%
Financing (Construction)			
Loan-to-Cost	50.0%	50.0%	50.0%
Rate	6.25%	6.25%	6.25%
Loan Fees	1.0% of Loan	1.0% of Loan	1.0% of Loan
Financing (Permanent Debt)			
Loan-to-Value	55 - 65%	55 - 65%	55 - 65%
Rate	4.25%	4.25%	4.25%

SMALL-SCALE RENTAL APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Lots	2	2	2
Avg Lot Dimensions	12m x 38m	15m x 35m	12m x 38m
Total Area	456 sm	525 sm	456 sm
\$ Value	\$3.20 M	\$4.20 M	\$2.60 M
Development Timeline			
Entitlement & Design	24 mth(s)	24 mth(s)	24 mth(s)
Sales	12 mth(s)	12 mth(s)	12 mth(s)
Construction	24 mth(s)	24 mth(s)	24 mth(s)
Lease Up	6 mth(s)	6 mth(s)	6 mth(s)
Stabilized Operations	120 mth(s)	120 mth(s)	120 mth(s)
Building Stats			
Net Floor Area	22,350 sf	22,475 sf	22,350 sf
Gross Floor Area	24,833 sf	24,972 sf	24,833 sf
Gross Construction Area	29,216 sf	29,379 sf	29,216 sf
Height	5 Storeys	5 Storeys	5 Storeys
FSI	2.56x	2.21x	2.56x
Building Lot Coverage	51%	44%	51%
Residential Units			
Studio	-	-	-
1 Bed	15 units	15 units	15 units
2 Beds	12 units	13 units	12 units
3 Beds +	3 units	2 units	3 units
Avg Unit Size (Net)	745 sf	749 sf	745 sf
Avg Unit Size (Net)	69 sm	70 sm	69 sm
Parking			
Resident	0.60 / unit	0.70 / unit	0.60 / unit
	18 spaces	21 spaces	18 spaces
Non-Resident	0.05 / unit	0.05 / unit	0.05 / unit
	2 spaces	2 spaces	2 spaces

SMALL-SCALE RENTAL APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Revenues			
Market \$ PSF			
Market \$ Unit			
Market \$ Parking Space			
Avg Annual Growth			
Affordable \$ PSF			
Affordable \$ PSF			
Affordable \$ Parking Space			
Avg Annual Growth			
Retail Net Rent \$ PSF			
Retail Rent Growth			
Market Rent \$ PSF	\$3.47 PSF	\$3.41 PSF	\$3.15 PSF
Market Rent \$ Unit	\$2,585 / mth	\$2,553 / mth	\$2,350 / mth
Market Rent\$ Parking Space	\$150 / mth	\$150 / mth	\$150 / mth
Rent Growth (Pre-Lease Up)	5.0%	5.0%	5.0%
Rent Growth (Operations)	2.0%	2.0%	2.0%
Hard Costs			
Above Grade Hard Costs	\$285 PSF	\$285 PSF	\$285 PSF
Parking Costs	\$70,000/space	\$70,000/space	\$70,000/space
Avg Annual Growth	5.0%	5.0%	5.0%
Demolition	\$8.00 / sf existing	\$8.00 / sf existing	\$8.00 / sf existing
Site Prep	\$5.00 / sf existing	\$5.00 / sf existing	\$5.00 / sf existing
Servicing Connection	\$1,000/unit	\$1,000/unit	\$1,000/unit
Landscaping	\$1,000/unit	\$1,000/unit	\$1,000/unit

SMALL-SCALE RENTAL APARTMENT ASSUMPTIONS

	ETOBICOKE	NORTH YORK	SCARBOROUGH
Soft Costs			
Planning Applications	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition	Minor Variance, SPA, Demolition
Building Permit, Development Charges, Property Taxes	Current City Rates as of August 2023	Current City Rates as of August 2023	Current City Rates as of August 2023
Community Benefits Charges	None	None	None
CIL Parkland	10.0% of Dev Land	10.0% of Dev Land	10.0% of Dev Land
Architecture & Engineering	5.0% of Hard Costs	5.0% of Hard Costs	5.0% of Hard Costs
Legal	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Sales & Marketing	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Construction Management	2.0% of Hard Costs	2.0% of Hard Costs	2.0% of Hard Costs
Development Fee	2.0% of Total Costs	2.0% of Total Costs	2.0% of Total Costs
All Other Consultants	2 - 5% of Hard Costs	2 - 5% of Hard Costs	2 - 5% of Hard Costs
Contingency	5.0% of Total Costs	5.0% of Total Costs	5.0% of Total Costs
Financing (Land)			
Loan-to-Value	75.0%	75.0%	75.0%
Rate	10.0%	10.0%	10.0%
Financing (Construction)			
Loan-to-Cost	50.0%	50.0%	50.0%
Rate	6.25%	6.25%	6.25%
Loan Fees	1.0% of Loan	1.0% of Loan	1.0% of Loan
Financing (Permanent Debt)			
Loan-to-Value	55 - 65%	55 - 65%	55 - 65%
Rate	4.25%	4.25%	4.25%

ETOBICOKE BASELINE

We've estimated the potential return metrics associated with projects where 2 lots are purchased at the Etobicoke average price of **\$1.6 million each**.

Ownership

	Towns	Stacked	Apartments	Apt w/ Retail
Profit	\$3.00 M	\$2.64 M	\$4.78 M	\$3.26 M
IRR	47%	30%	42%	32%
Equity Multiple	2.10x	1.78x	2.01x	1.69x

2,000 sq ft of retail at-grade reduced profitability of a small-scale apartment to the point where townhomes provide higher IRR and EMx for less effort.

Rental

	Stacked	Apartments
Profit	\$5.07 M	\$4.23 M
IRR	5%	3%
Equity Multiple	1.74x	1.46x
Rental CoC	3.15%	2.37%

- As shown, the **small-scale apartment building** has the highest potential for profit in dollars of the ownership scenarios, but carries with it more risk (e.g., additional units to sell, neighbourhood opposition, etc.).
- **Townhomes** have the potential for the highest IRR and EMx.
- The **purpose-built rental buildings do not reach the target 5.75% CoC** (and are unlikely to even with \$0 free land), however, they do generate the highest profit in dollars, albeit over a much longer period which serves to dilute their return metrics to well below the ownership scenario. *This may be enticing to some rental developers with lower expectations or more aggressive assumptions.*

NORTH YORK BASELINE

We've estimated the potential return metrics associated with projects where 2 lots are purchased at the North York average price of **\$2.1 million each**.

Ownership

	Towns	Stacked	Apartments	Apt w/ Retail
Profit	\$3.40 M	\$6.76 M	\$6.42 M	\$4.72 M
IRR	43%	48%	43%	34%
Equity Multiple	2.01x	2.76x	2.24x	1.91x

2,000 sq ft of retail at-grade reduced profitability of a small-scale apartment to the point where townhomes provide higher IRR and EMx for less effort.

Rental

	Stacked	Apartments
Profit	\$3.95 M	\$0.95M
IRR	3%	1%
Equity Multiple	1.49x	1.09x
Rental CoC	2.47%	1.40%

- As shown, the **stacked townhomes** have the highest potential for profit in dollars of the ownership scenarios, but carries with it more risk (e.g., additional units to sell, neighbourhood opposition, etc.).
- **Small-scale apartments** are not far behind stacked townhomes but require more equity and are more complex.
- The **purpose-built rental buildings do not reach the target 5.75% CoC** (and are unlikely to even with \$0 free land).

SCARBOROUGH BASELINE

We've estimated the potential return metrics associated with projects where 2 lots are purchased at the Scarborough average price of **\$1.3 million each**.

Ownership

	Towns	Stacked	Apartments	Apt w/ Retail
Profit	\$3.92 M	\$1.85 M	\$6.55 M	\$4.93 M
IRR	63%	26%	54%	44%
Equity Multiple	2.57x	1.59x	2.43x	2.08x

2,000 sq ft of retail at-grade reduced profitability of a small-scale apartment to the point where townhomes provide higher IRR and EMx for less effort.

Rental

	Stacked	Apartments
Profit	\$4.47 M	\$4.01 M
IRR	5%	3%
Equity Multiple	1.72x	1.43x
Rental CoC	3.10%	2.76%

- As shown, the **small-scale apartments** have the highest potential for profit in dollars of the ownership scenarios, but carries with it more risk (e.g., additional units to sell, neighbourhood opposition, etc.).
- **Townhomes** have the potential for the highest IRR and EMx.
- The **purpose-built rental buildings do not reach the target 5.75% CoC** (and are unlikely to even with \$0 free land).