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Urbanation / Outline Financial - Sept 24, 2021

URBANATION

FALL 2021 MARKET UPDATE

September 24, 2021

The Liberal Housing Plan

2

Demand Side Measures:

New Tax-Free First Home Savings Account: Up to 40K for first-time buyers under 40

Increase First-Time Home Buyer Tax Credit: from \$5K to 10K

Reduce CMHC default-insurance premiums by 25%: savings of ~6K

Increase the insured mortgage cut-off: from \$1 million to \$1.25 million

Establish an anti-flipping tax: require owners to hold a property for at least 12 months

Foreign Buyer Ban: 2-year ban on non-recreational properties

Supply Side Measures:

Rent to own Program: \$1 billion worth of loans and grants for development

Housing Accelerator Fund: \$4 billion to create 100,000 new middle-class homes by 2024-25

Increase funding to the National Housing Co-Investment fund: by a total of \$2.7 billion over four years

Multi-generational Home Renovation tax credit: 15% tax credit up to \$50,000 to add a secondary unit for the use of immediate or extended family

Fairness Measures:

Ban on blind bidding

Legal right to home inspection

Mortgage deferrals for up to 6 months

Housing Activity Moderated during Summer

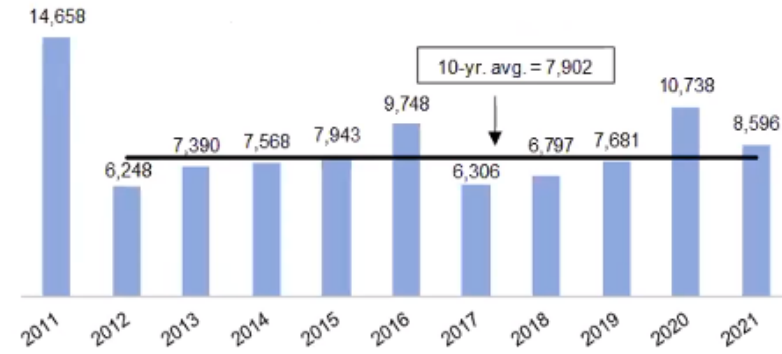
August sales down 20% year-over-year but 9% above the 10-year average.

New listings in August fell 43% from a year ago and were 15% below their 10-year average.

12-month sales peaked at 129K in June, still well above long-term trend level of ~100K sales.

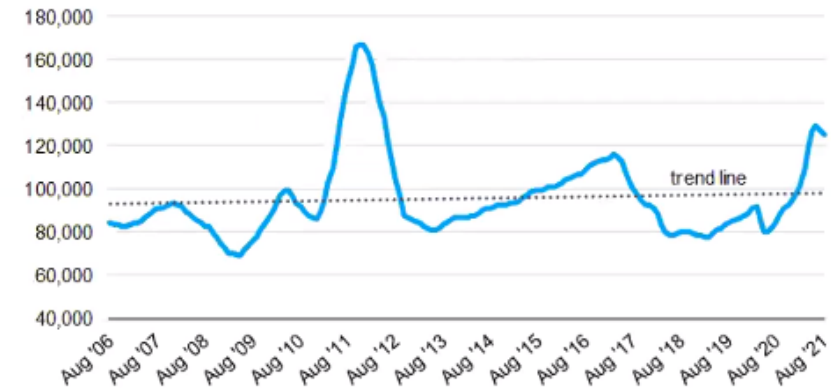
Annualized sales averaged over past 24 months running below trend at 97K

Total MLS Sales
Greater Toronto Area: 2011 to 2021, August periods



Source: Urbanation, TRREB

Total MLS Sales - 12-mth Rolling Total
Greater Toronto Area: Aug-2006 to Aug-2021



Source: Urbanation, TREB

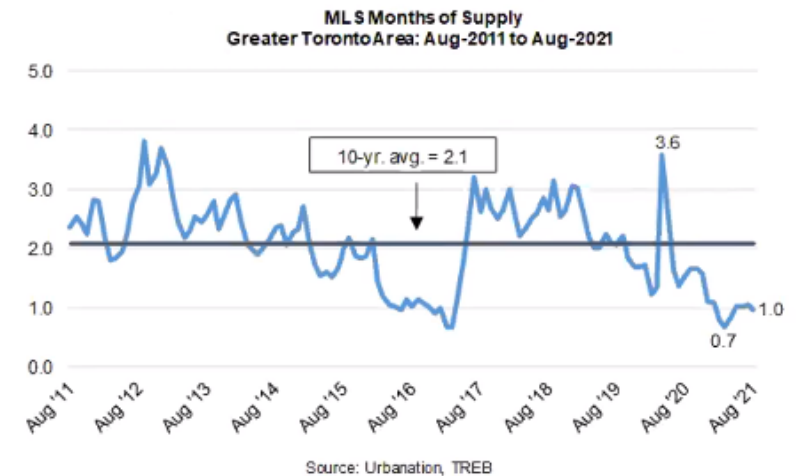
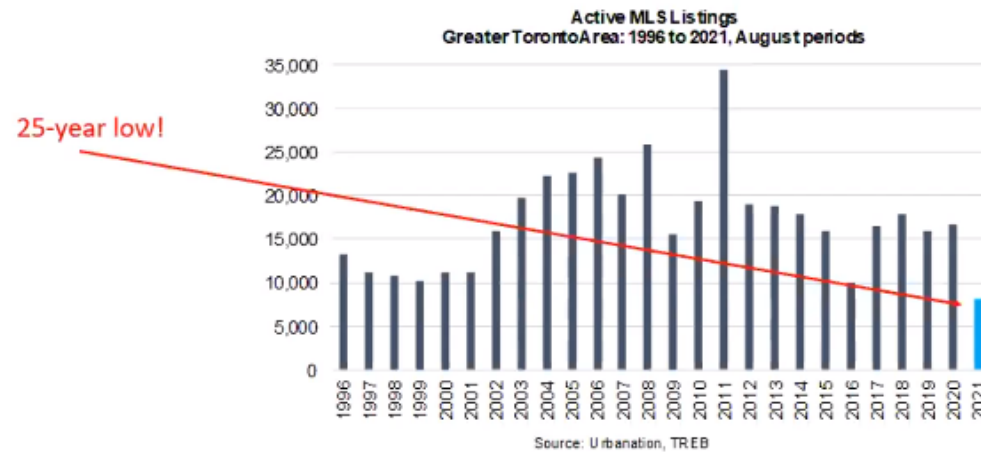
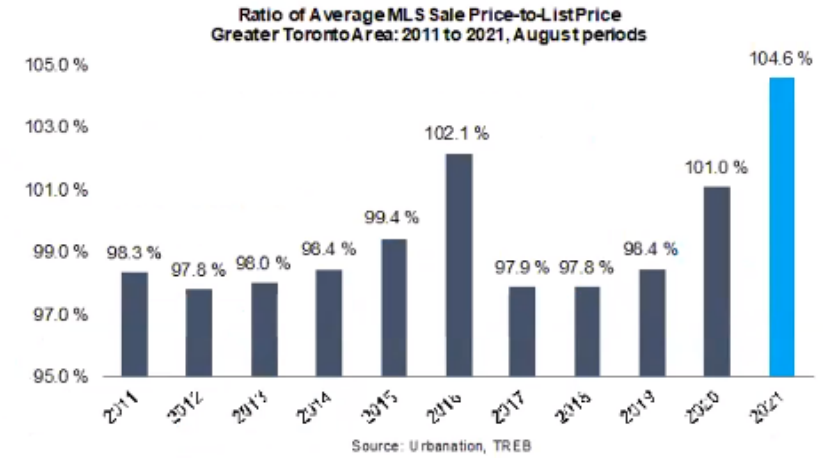
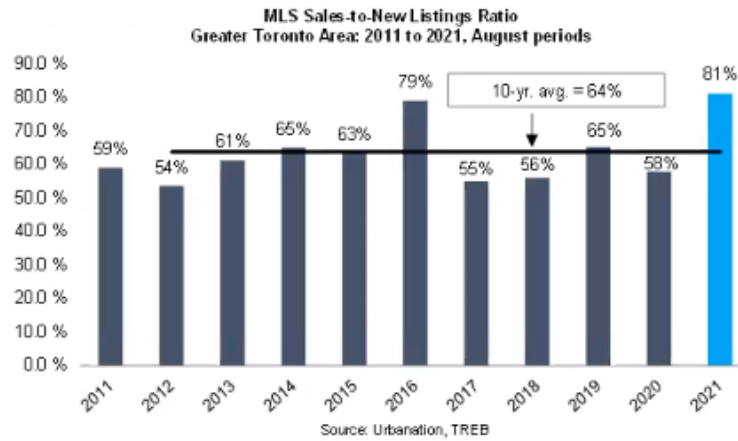
Larger than Usual Seasonal Slowdown

Sales typically decline 5-10% between March and August.

Activity pulled forward during lockdown months, restricted by sharp drop in listings



Tightest Market Conditions Ever Heading into Fall



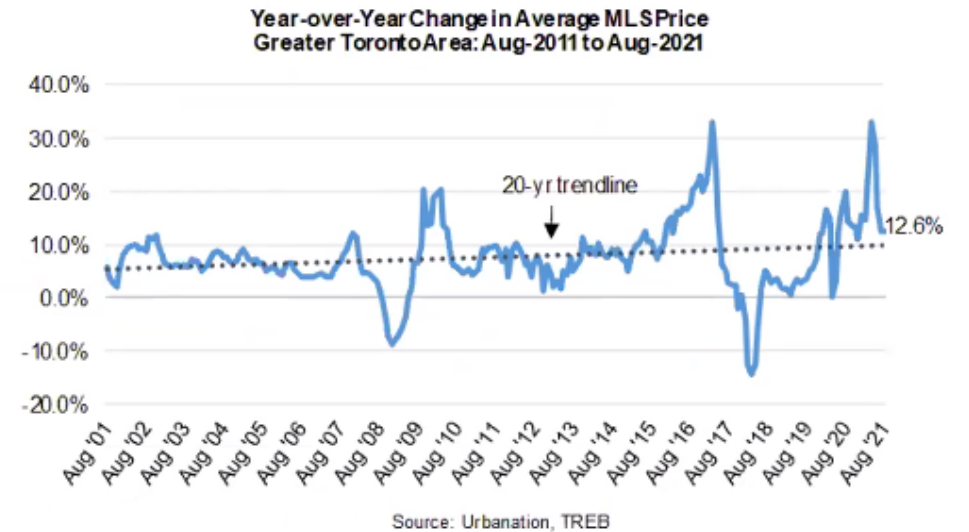
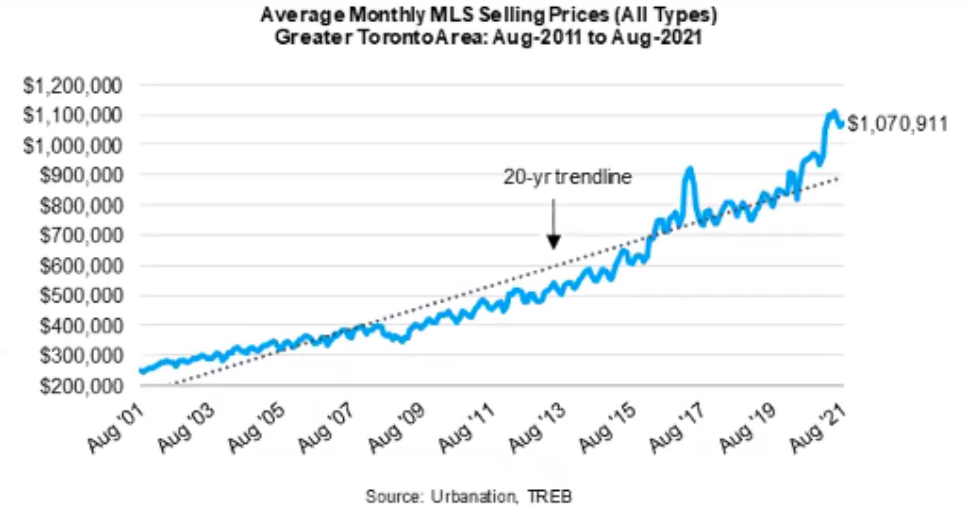
Prices Holding Firm at Record Highs...

Average selling price of \$1.07 million was essentially in line with prices recorded during the past six months

The 12.6% y/y increase in average prices was consistent with annual growth recorded during in July.

Compared to two years ago in August 2019, average prices have increased 35%, or by \$278,776.

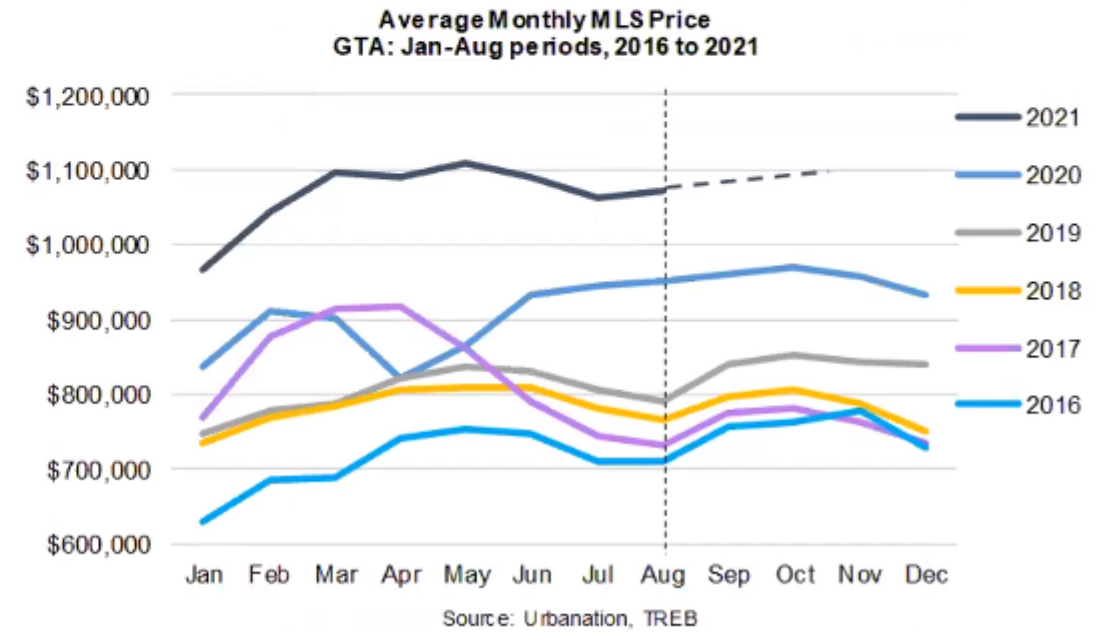
Average prices as of August were 19% higher than the \$900K level suggested by the market's 20-year growth trend.



...But Poised for Near-term Jump

Prices usually rise by about 5% during the fall between August and November

Prices in Q4 could see a 15-20% y/y increase



Supply Outlook for Ontario Improving

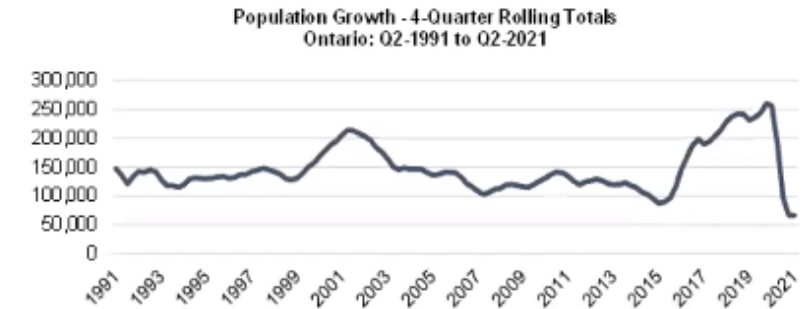
12-month population increase of 66K for Ontario at lowest level in over 30 years and 74% below increase of 256K in year-ending Q2-2020

Three-year average annual increase of 197K is still 50K above 20-year average of 147K

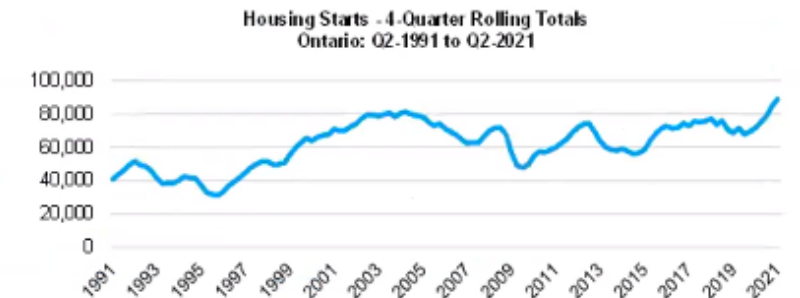
Liberals remain committed to their plan to increase immigration to Canada beyond 400,000 newcomers each year.

Ontario housing starts over past 12 months reach 30-year high of 89K units

Per capita starts jump to high of 1.34 units per newcomer after falling to 0.28 in 2019-2020
→ Completions projected to grow alongside population over next couple years



Source: Urbanation, Statistics Canada



Source: Urbanation, Statistics Canada

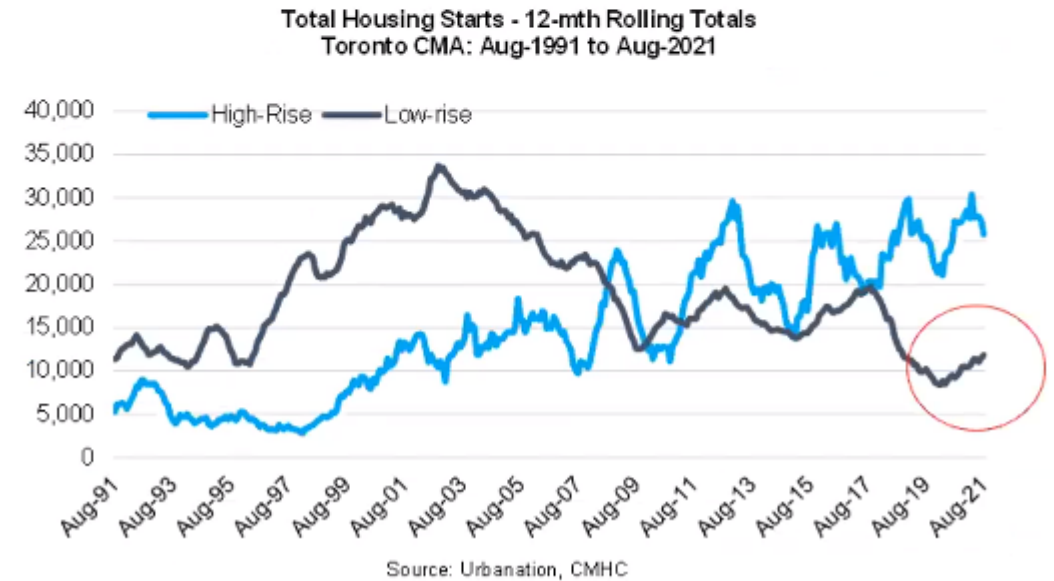
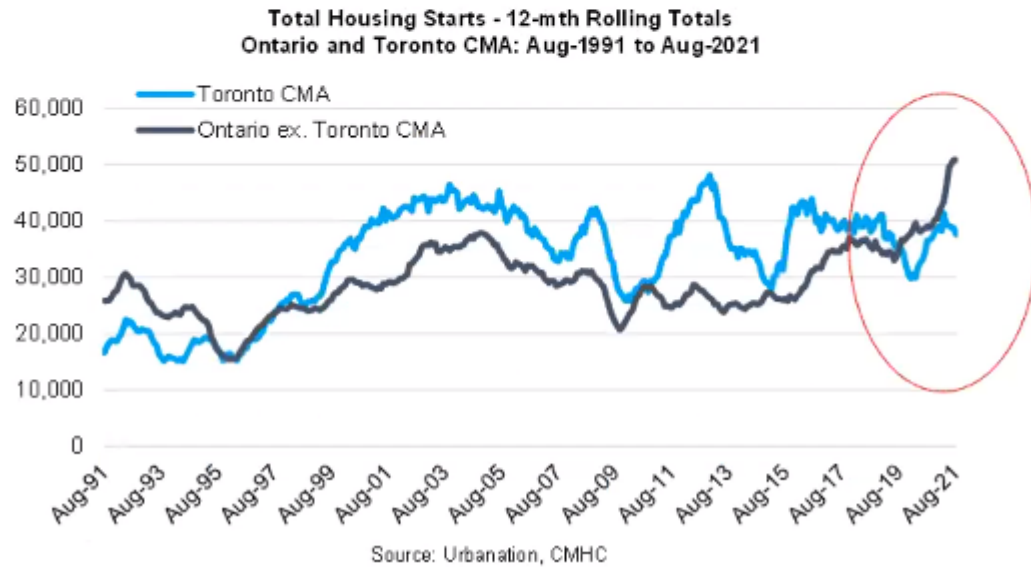


Source: Urbanation, Statistics Canada

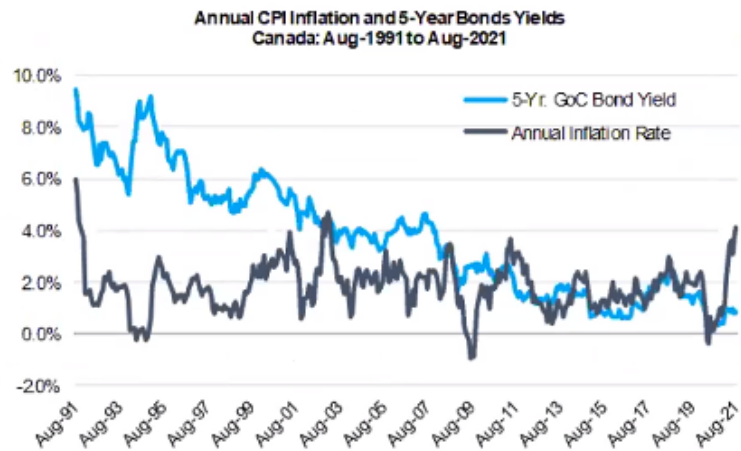
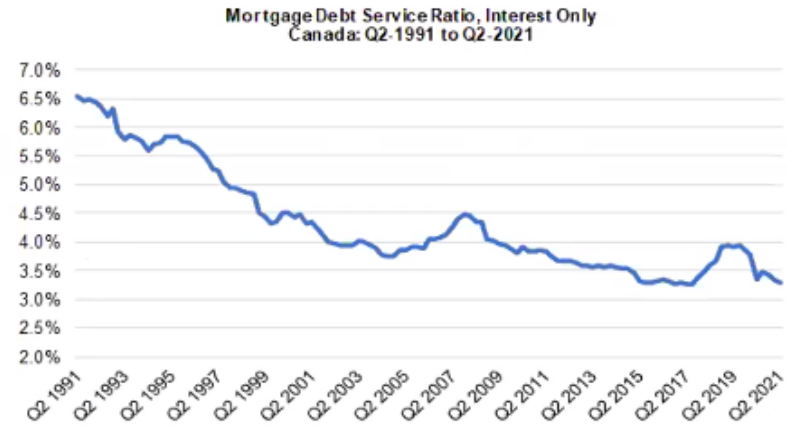
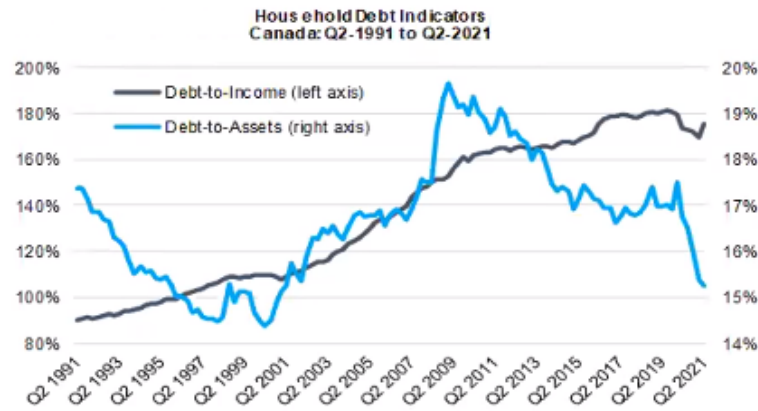
Housing Starts Directed to Areas outside of GTA

Toronto CMA starts remain in line with 20-year average at 38K units

Some recent improvement in low-rise starts but still running 20% below 20-year average



Financial Conditions Supportive of Near-term Housing Price Increases



Investment Activity Rising, Foreign Demand Stable

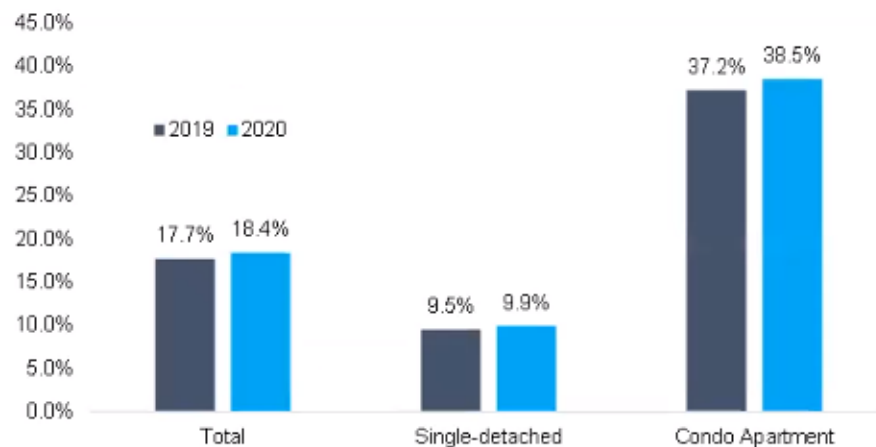
Investor ownership in housing market growing at roughly same pace in detached and condo markets

Highest proportion of investor ownership is in the condo market

As of early 2021, investors accounted for approximately 23% of total homes being purchased in Toronto and Hamilton.

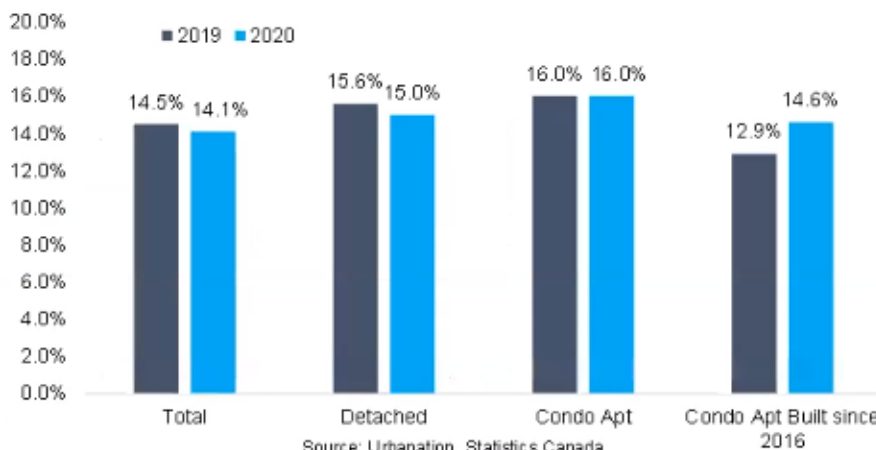
Growth in housing investment occurring domestically, aside from new condominiums

Share of Homes Not Owner-Occupied
Toronto CMA: 2019-2020



Source: Urbanation, Statistics Canada

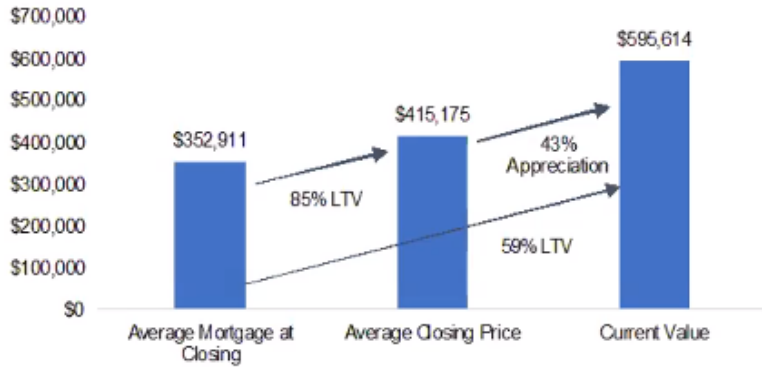
Share of Homes Non-Resident Owned
Toronto CMA: 2019-2020



Source: Urbanation, Statistics Canada

Condo Investment in 2020

Newly Registered Condo Investment Units
GTA: 2020



Source: Teranet, Urbanation, CIBC

Rents versus Carrying Costs for Newly Completed Condos
GTA: 2020



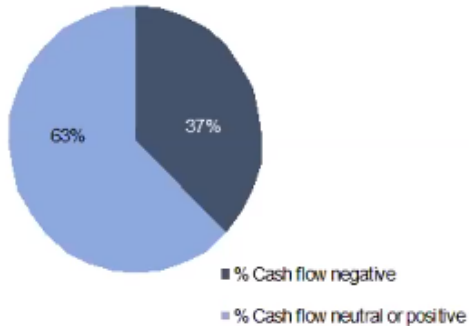
Source: Teranet, Urbanation, CIBC

Completion Year	Avg. Sold Price (psf)	Required Rent (psf)*
2020	\$694	\$3.35
2021	\$749	\$3.60
2022	\$895	\$4.20
2023	\$1,195	\$5.45
2024	\$1,295	\$5.85

+75%

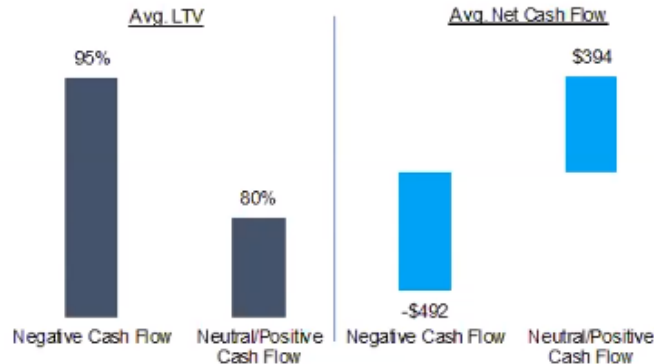
*20% down, 2.5% mortgage, 25-year am, plus condo fees, taxes and insurance

Condo Rentals Registered in 2020 by Cash Flow Position
GTA



Source: Teranet, Urbanation, CIBC

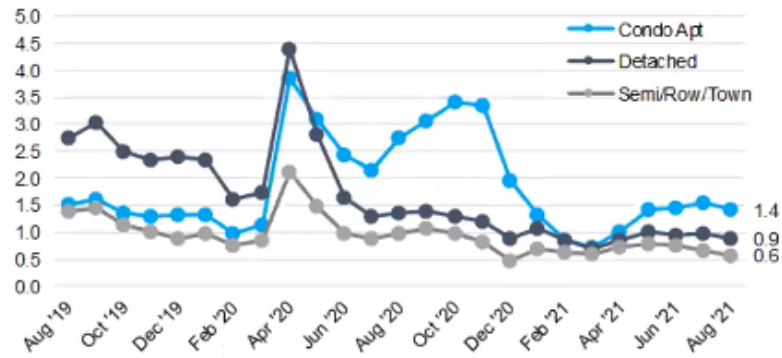
Loan-to-Value and Net Cash Flow for New Condos
GTA: 2020



Source: Teranet, Urbanation, CIBC

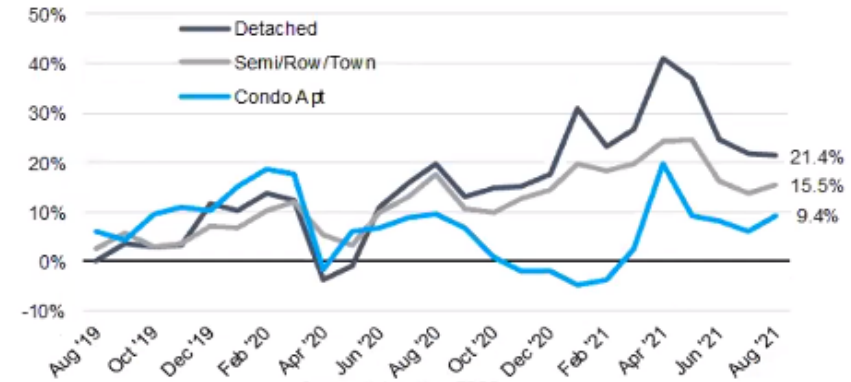
Record High Gap Between Detached & Condo Prices

MLS Months of Supply by Housing Type
Greater Toronto Area: Aug-2019 to Aug-2021



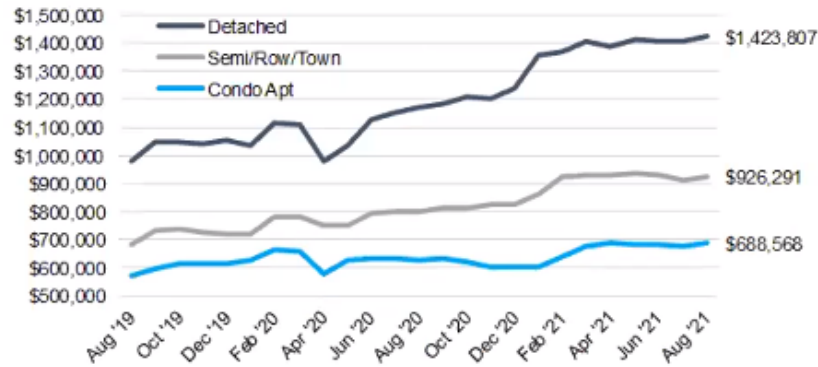
Source: Urbanation, TREB

Year-over-Year Change in Average Monthly MLS Price by Type
Greater Toronto Area: Aug-2019 to Aug-2021



Source: Urbanation, TREB

Monthly Average MLS Price by Type
Greater Toronto Area: Aug-2019 to Aug-2021



Source: Urbanation, TREB

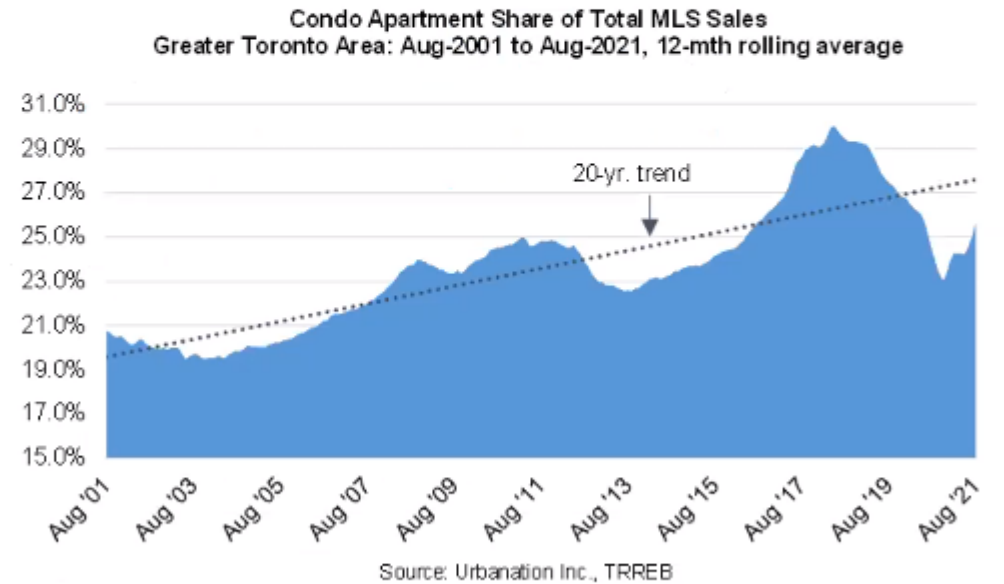
Average Price Differential: Detached vs. Condo
Greater Toronto Area: Aug-2016 to Aug-2021



Source: Urbanation Inc., TREB

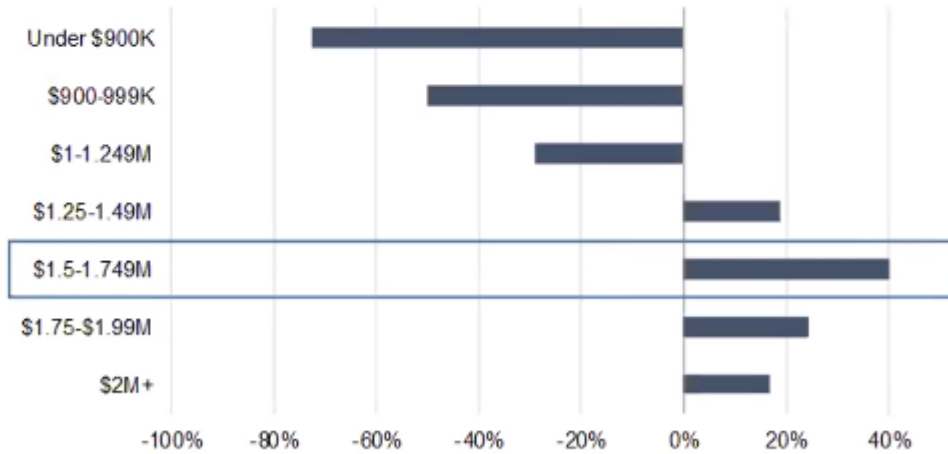
Condos Gaining Market Share

Condos represented 26% of total GTA resales in past 12 months, up from 7-year low of 23% in 2020 but well below previous high of 30% in 2018 (which followed previous record gap btw detached & condo prices).



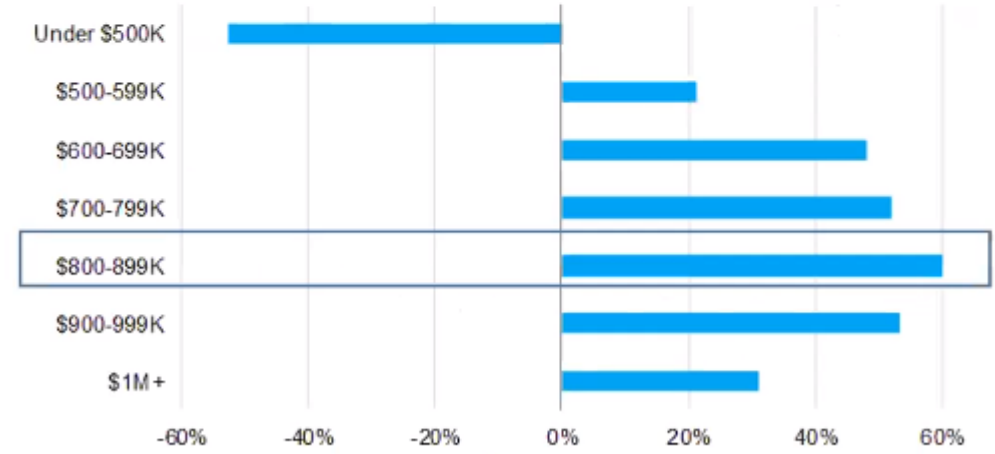
Sales Growing Strongest for \$1.5-1.749M Detached Homes & \$800-899K Condos

Year-over-Year Change in Detached Sales by Price Range
Greater Toronto Area: Aug-2021 vs. Aug-2020



Source: Urbanation, TREB

Year-over-Year Change in Condo Apartment Sales by Price Range
Greater Toronto Area: Aug-2021 vs. Aug-2020



Source: Urbanation, TREB

High-End Condo Sales Reach New Highs

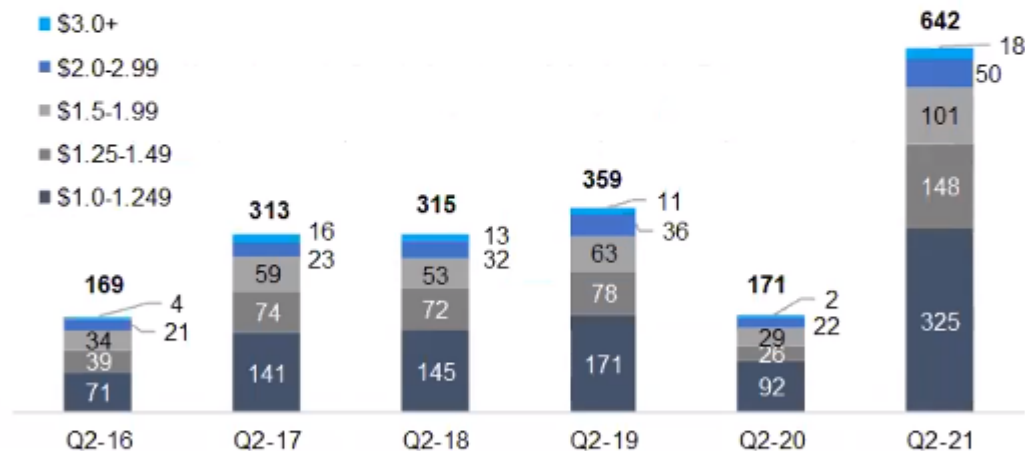
\$1M+ condo sales up 79% compared to Q2-2019, representing record 8.2% market share compared to 2.2% share on 2016.

Unit sales between \$1.0 and 1.49M up 90% compared to two years ago.

\$2M+ condo sales up 45% over past two years

Currently only 3 new projects (all boutique) averaging above \$2,000 psf → that will increase

Resale Condo Apartment Transactions at \$1.0 Million+
GTA: 2016 to 2021, Q2 periods



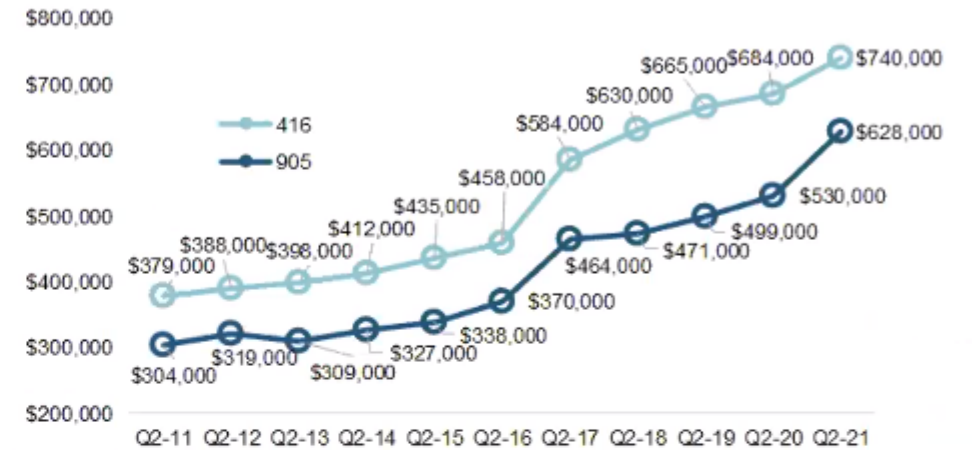
Source: Urbanation Inc., TREB/MLS

416 vs. 905 Price Gap Narrows

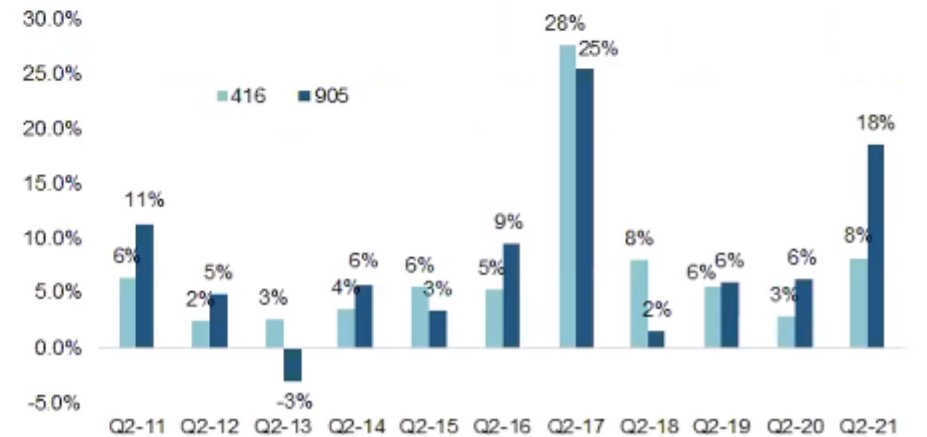
15% price differential btw 416 and 905 condo prices represents a record low.

905 condo price growth outpacing 416 for past 3 years

Average GTA Resale Condominium Apartment Prices by Region



Year-over-Year Growth in Average Resale Prices by Region



Share of Condo Sales in the Core Rises to 10-year High

As the economy reopened and buyers recognized the improved relative value of downtown condo prices, the share of GTA resale condominium activity represented by the former City of Toronto reached a 10-year high of 40.3% in Q2-2021.

Former City of Toronto Share of GTA Condominium Resales
Q2-2012 to Q2-2021

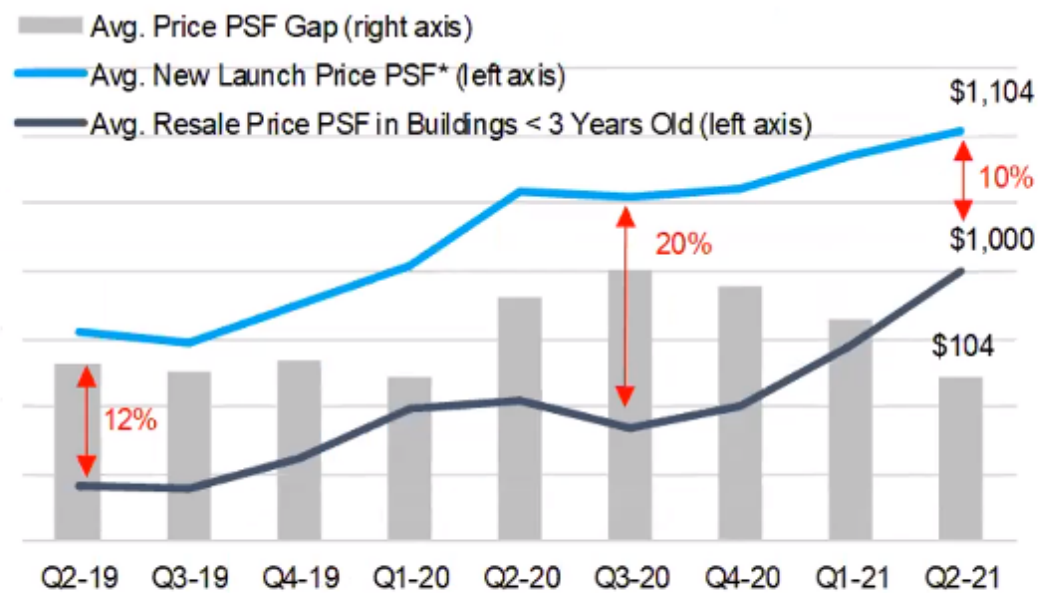


Source: Urbanation Inc., TREB/MLS

New vs. Resale Price Gap Narrowing

New Sale – Resale Price Gap cut in half since Q3-2020 to 10% — falling below pre-pandemic levels and setting the stage for a rise in new condo prices.

Avg. New Launch Prices vs. Avg. Resale Prices in Buildings < 3 Years Old
Greater Toronto Area: Q2-2019 to Q2-2021



*New Launch Price PSF expressed as 4-quarter rolling average

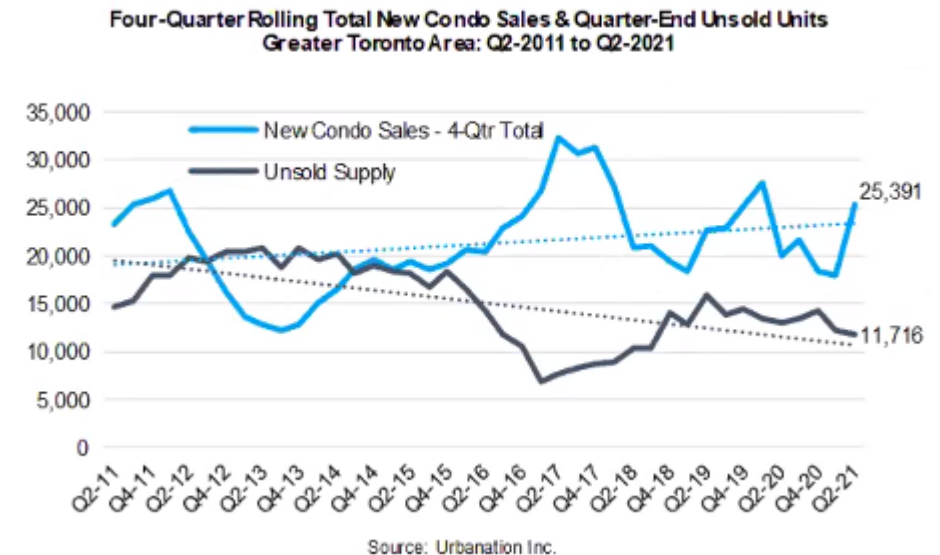
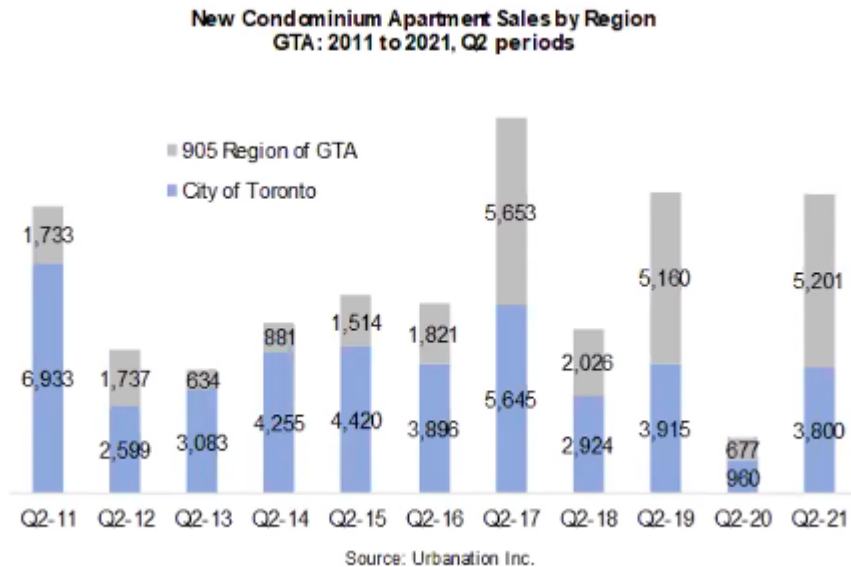
Source: Urbanation Inc., TREB/MLS

New Condo Sales Reach Third Highest Level on Record

Sales in Q2 were 5.5 times higher than a year ago during the initial months of the pandemic (1,637) and nearly matched the level from Q2-2019 (9,075).

The total level of absorption in the GTA new condo market grew to 91% in Q2-2021, its highest point since Q3-2018.

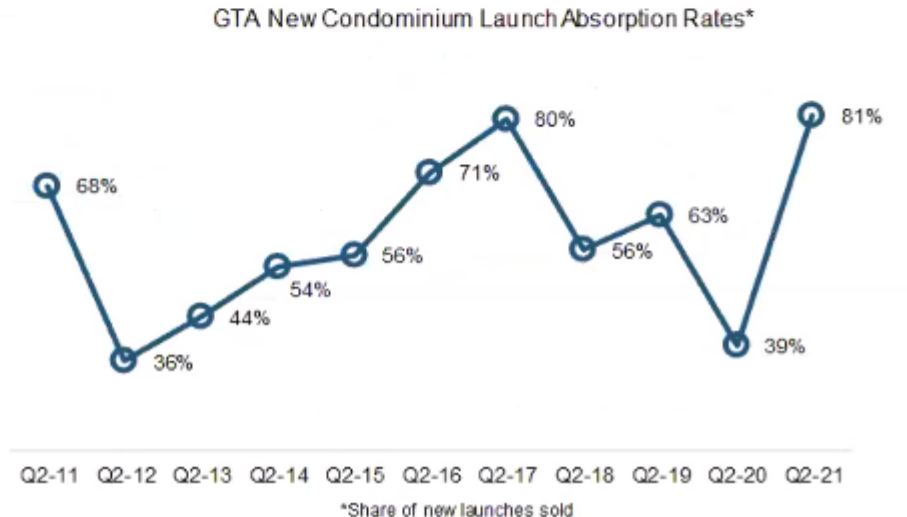
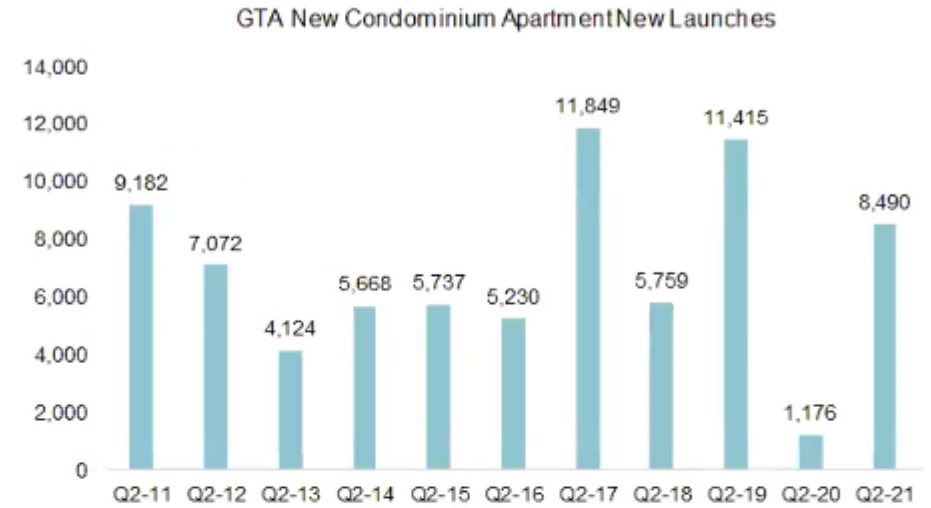
Unsold inventory declined 10% year-over-year to 11,716 units — an 11-quarter low and 23% below the 10-year average (15,179 units).



New Launch Absorption Reaches Record High

Record high 81% share of new condos brought to market in Q2-2021 were sold by the end of the period.

New launches in Q2 were priced at an average of \$728,160, or \$1,110 per square foot (psf) based on an average unit size of 656 sf.



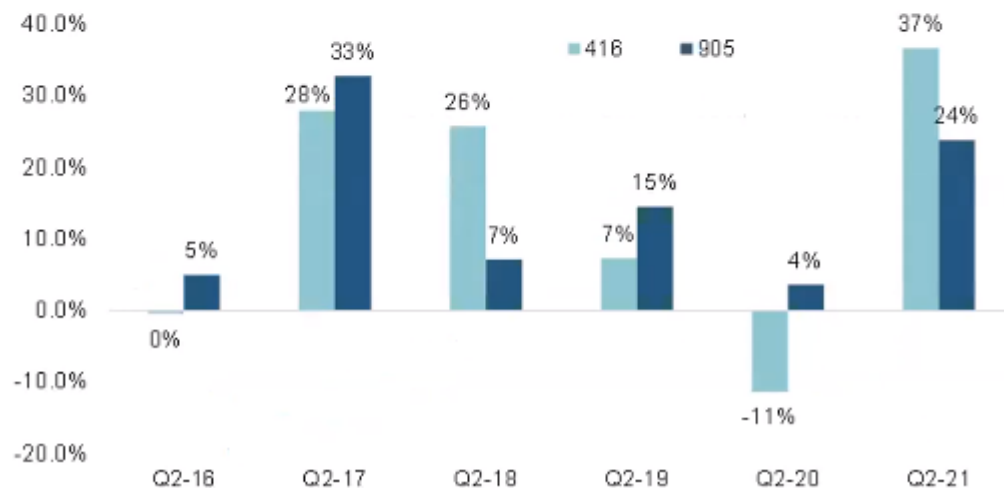
New Condominium Pricing Rising Quickly Across GTA

New condominiums launched in the City of Toronto were priced at an average of \$834,504 (\$1,276 psf) and units launched in the 905 region of the GTA were priced at an average of \$661,537 (\$1,007 psf).

Avg. Opening Prices PSF for New Condominium Apartment Launches



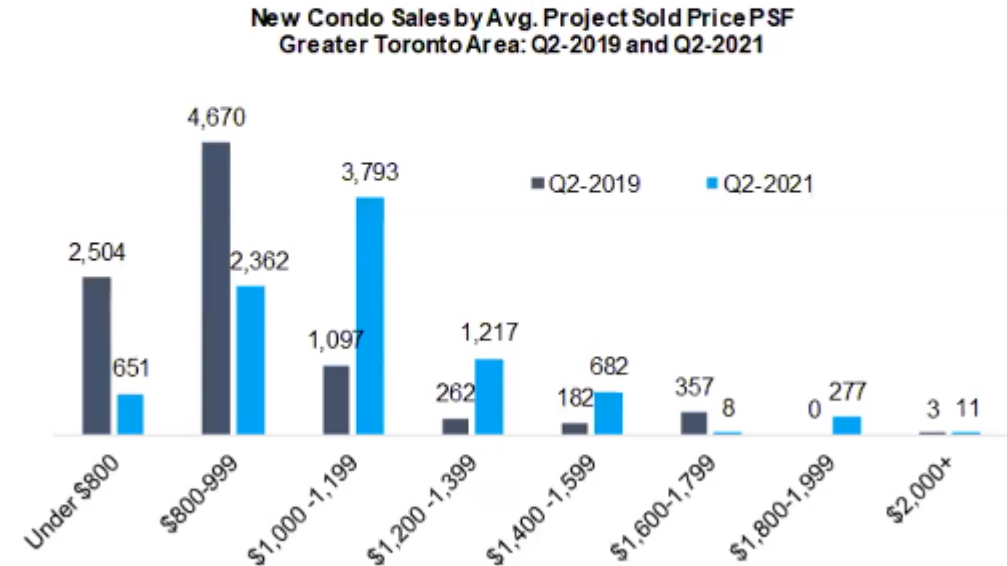
Year-over-Year Change in Avg. Opening Prices PSF



Dramatic 2-Year Shift in New Condo Market Prices per SF

In Q2-2019, 51% of sales occurred in projects averaging between \$800 and \$999 psf and 79% of sales were in projects averaging under \$1,000 psf. Less than 10% of sales in Q2-2019 were in projects averaging \$1,200 psf or higher.

In Q2-2021, only one-third of sales were in projects averaging less than \$1,000 psf and more than half (56%) of sales were found in projects averaging between \$1,000 and \$1,399 psf.



Source: Urbanation Inc.

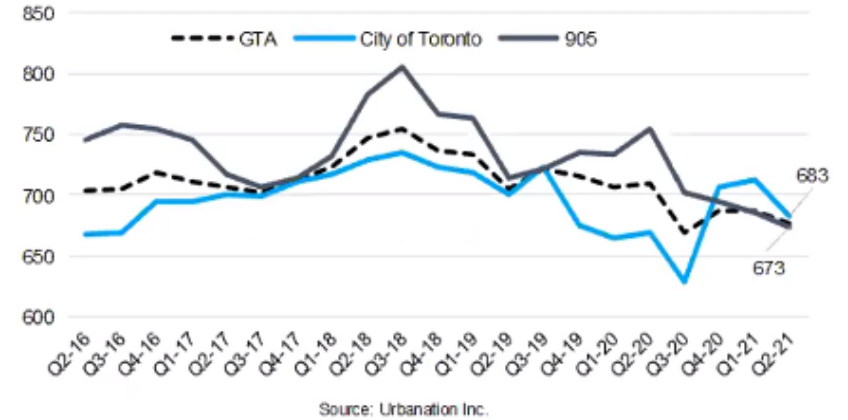
Shrinking Unit Sizes Manage End-Selling Price Growth

The average unit size in GTA new project launches declined to a record low of 676 sf over the last four quarters

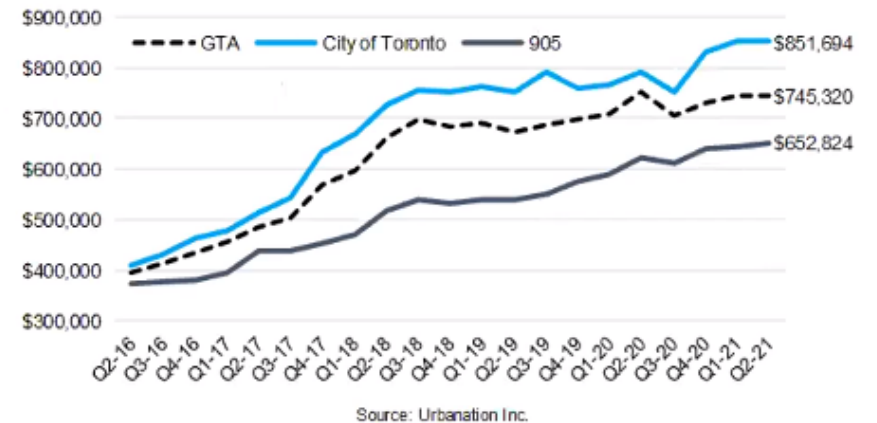
In the 905, average unit sizes for new launches over the last four quarters fell to a low of 673 sf — down 82 sf compared to the four-quarter period ending Q2-2020.

At an average of \$745,000, prices at new projects launched in the GTA over the past four quarters were down 1% from the four quarter period ending Q2-2020 and up a relatively modest 13% over the past three years.

Average Unit Sizes for New Launches
GTA: Q2-2016 to Q2-2021, 4-quarter rolling averages



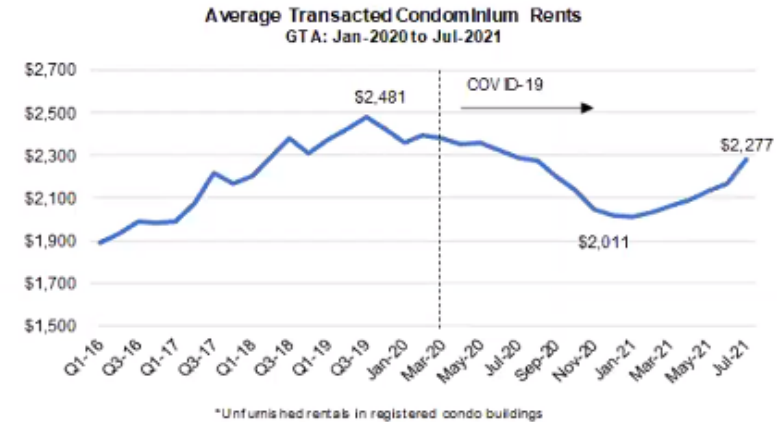
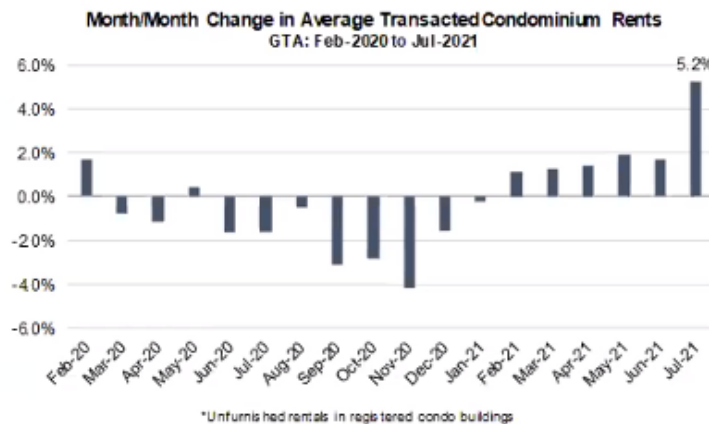
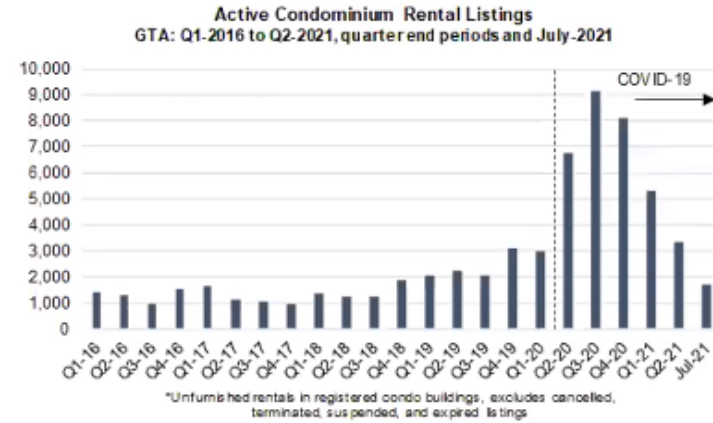
Average End-Selling Prices for New Launches
GTA: Q2-2016 to Q2-2021, 4-quarter rolling averages



Top 10 New Condo Projects in Q2-2021

	1. GRAND FESTIVAL – SIGNATURE & LANDMARK TOWERS Menkes Developments / QuadReal Property Group Vaughan East (Vaughan) Avg. Sold Price: \$1,108 psf	Total Units: 1,145 Sales: 1,145 100% Sold		6. PARKSIDE VILLAGE – VOYA CONDOS – SOUTH TOWER Amacon Developments Mississauga City Centre (Mississauga) Avg. Sold Price: \$1,053 psf	Total Units: 523 Sales: 400 76% Sold
	2. M CITY 4 Rogers Real Estate Development / Urban Capital Mississauga City Centre (Mississauga) Avg. Sold Price: \$1,075 psf	Total Units: 954 Sales: 856 90% Sold		7. REALM – PHASE 1 Adi Development Group Burlington Avg. Sold Price: \$997 psf	Total Units: 401 Sales: 313 78% Sold
	3. THE BUCKINGHAM AT GRAND CENTRAL MIMICO – NORTH CENTRAL & SOUTH TOWERS Vandyk Properties Etobicoke South (Etobicoke) Avg. Sold Price: \$1,168 psf	Total Units: 752 Sales: 745 99% Sold		8. ONE DELISLE Slate Asset Management South Midtown (Toronto) Avg. Sold Price: \$1,890 psf	Total Units: 383 Sales: 267 70% Sold
	4. PRIME CentreCourt Developments Downtown East (Toronto) Avg. Sold Price: \$1,441 psf	Total Units: 595 Sales: 539 91% Sold		9. MUSE DeSantis Homes Stoney Creek / Grimsby (Hamilton) Avg. Sold Price: \$736 psf	Total Units: 259 Sales: 250 97% Sold
	5. THE MILLHOUSE – BUILDINGS A & B Fembrook Homes Milton Avg. Sold Price: \$1,012 psf	Total Units: 457 Sales: 431 94% Sold		10. THE HILLMONT – SXSW PHASE 2 Primont Homes Vaughan West (Vaughan) Avg. Sold Price: \$1,002 psf	Total Units: 275 Sales: 205 75% Sold

GTA Rental Market Recovery Gaining Momentum

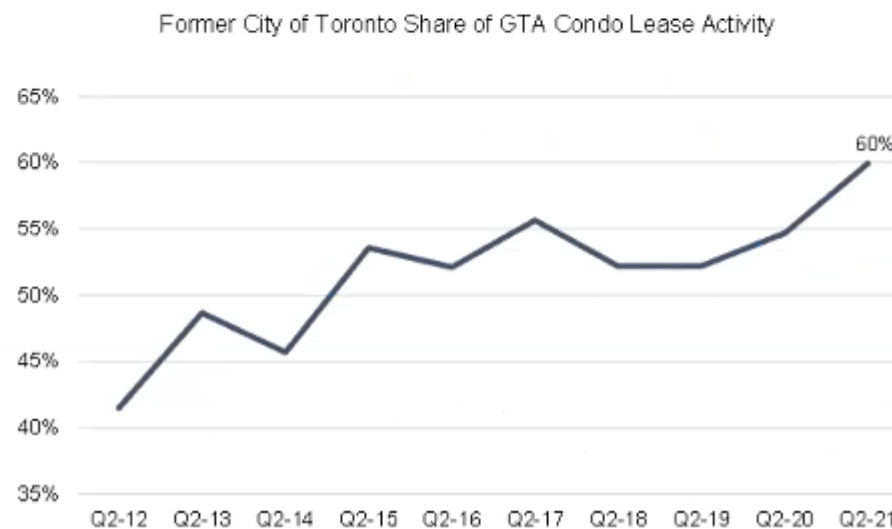
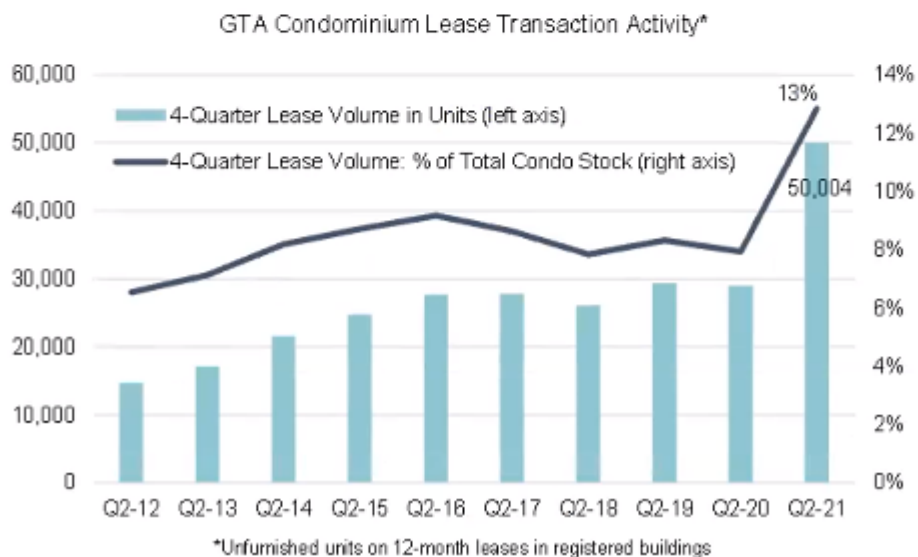


➤ Rents up 13% from start of the year, still 8% below pre-COVID high

Record Volume of Lease Activity Concentrated in the Core

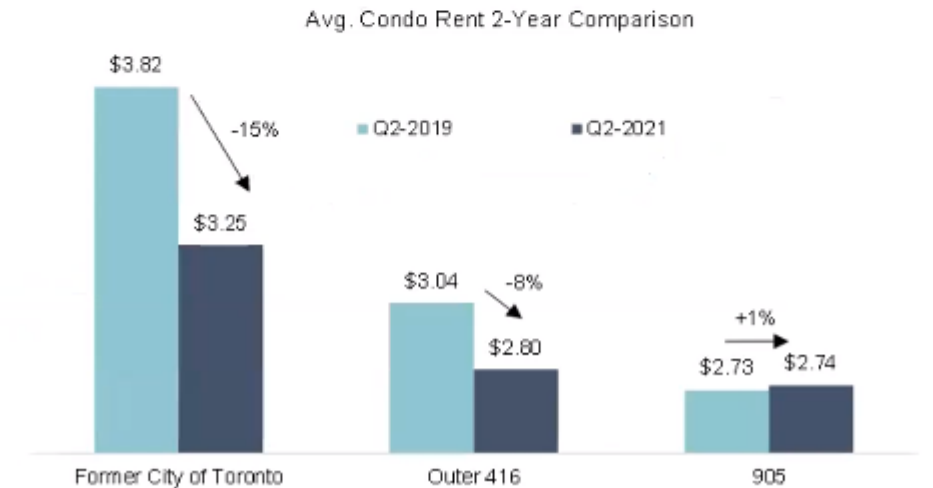
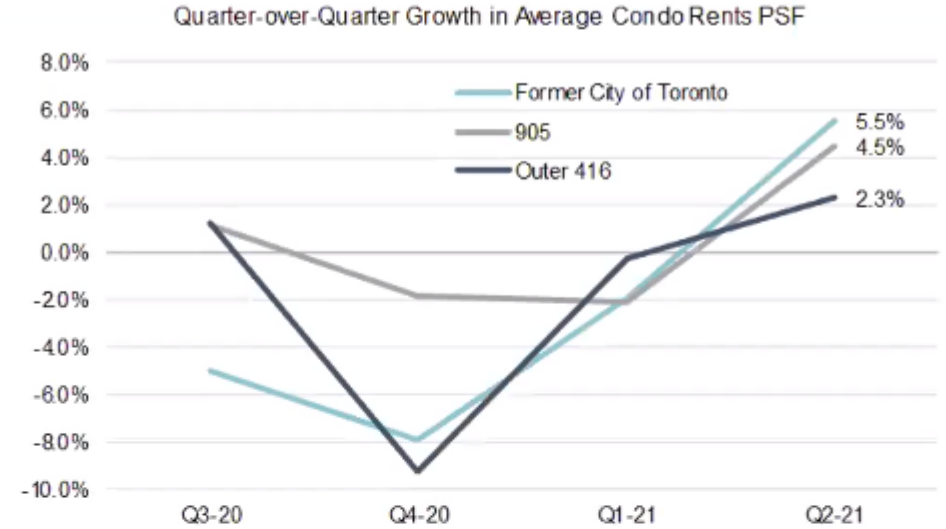
Over the last four quarters, condo lease transaction activity reached an unprecedented 50,004 units

Record high share of condo lease transactions in the former City of Toronto indicating a migration of renters back into the core.



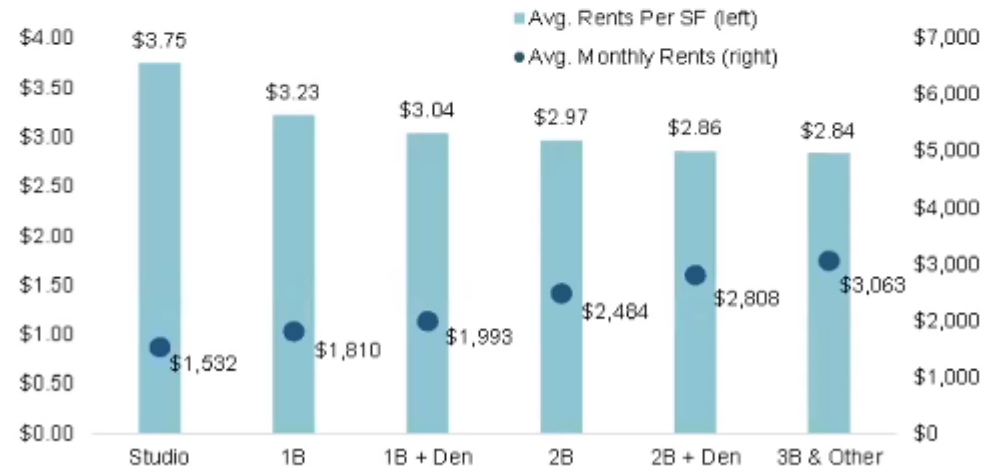
Rents Recovering Quickly in the Core

Rents rising fastest in former Toronto, but were still 15% lower than the peak level from two years ago (\$3.82 psf).

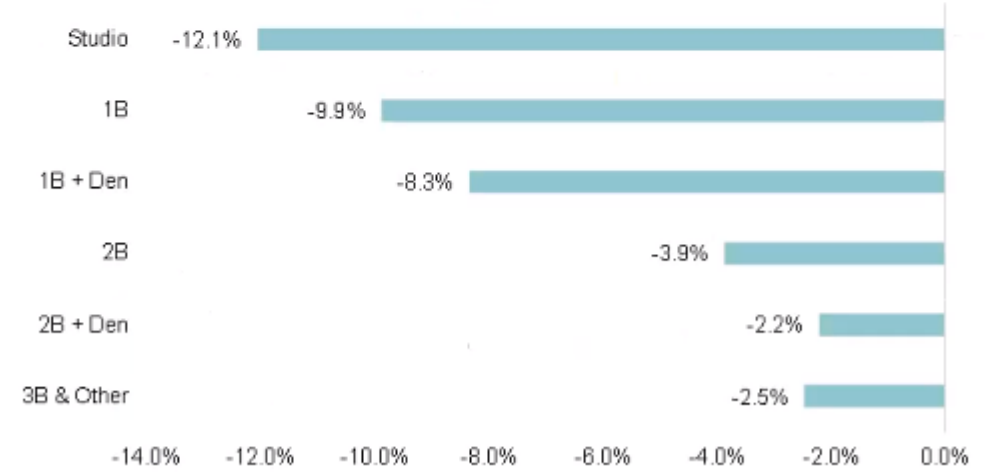


Studio Rents have Declined the Most

Average GTA Condominium Rents by Unit Type, Q2-2021



Annual Change in Avg. Condo Rents PSF by Unit Type: Q2-2021

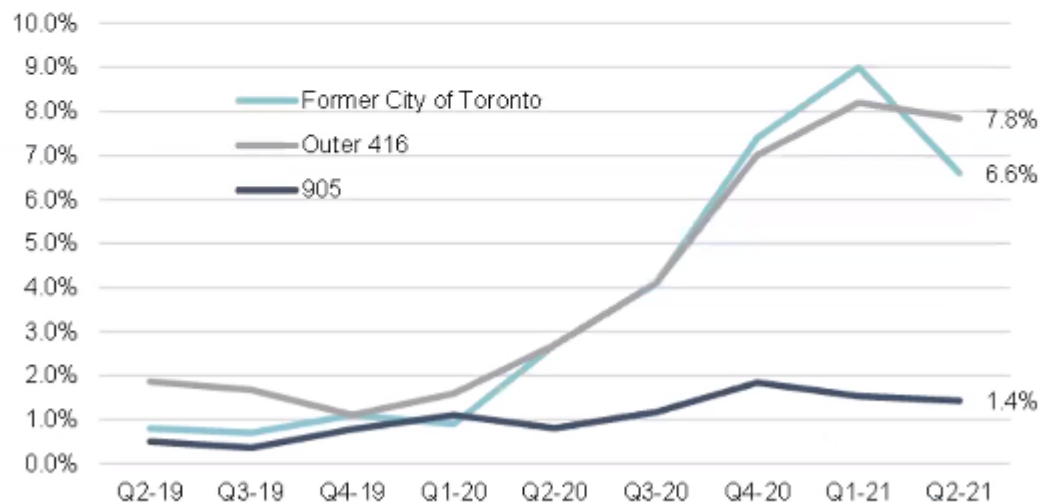


Vacancy Rates began Moving lower in Q2

GTA vacancy rates at 5.2% at the end of Q2-2021, down from a high of 6.5% in Q1-2021 but above the 2.1% level from a year ago and pre-pandemic level of 1%

The largest drop in vacancy occurred in the former City of Toronto, from 9.0% in Q1-2021 to 6.6% in Q2-2021

Vacancy Rates in Stabilized Rental Buildings Completed Since 2005

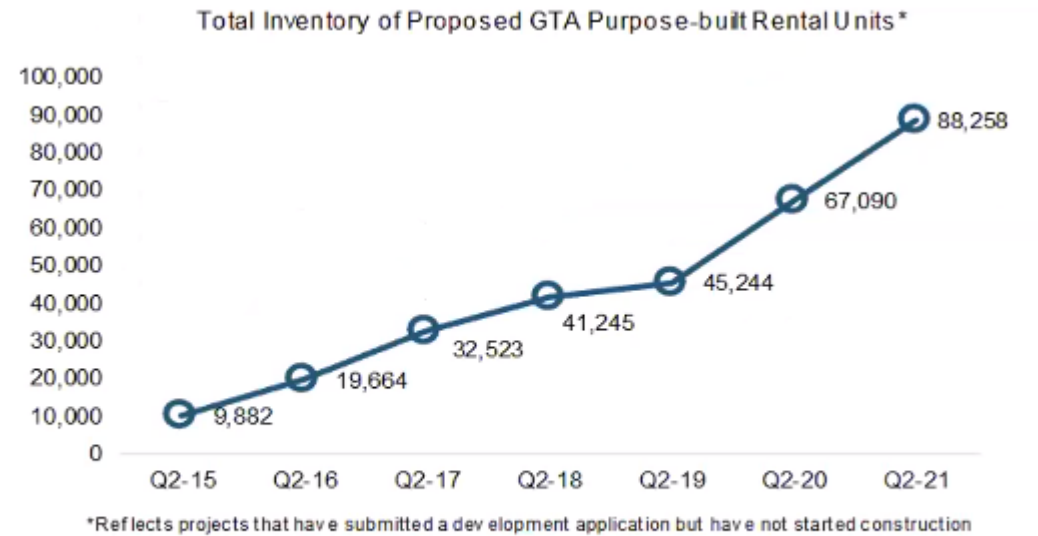
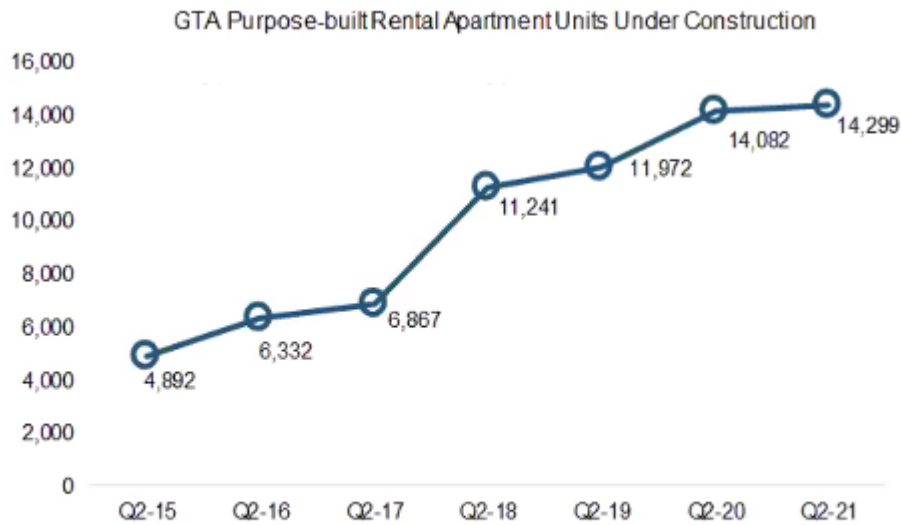


Rental Supply Pipeline Expanding

Growing inventory of planned rental projects may hold key to improving housing affordability situation.

Average rent for new purpose-built units ~ \$2,300

Mortgage payment on average priced GTA home ~ \$3,600



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