SPRING/SUMMER

REAL ESTATE AND CONSTRUCTION **NEWSLETTER 2017**

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REAL ESTATE AND CONSTRUCTION NEWSLETTER

IN THIS EDITION

As with any business, operating a company in the real estate and construction sector comes with its own unique set of challenges, and uncertainties. What sets the successful companies apart from those that fail is their ability to manage risk, identify and capitalize on opportunities, and leverage their core values and strengths.

In the Road to Success article, featuring our client Tom Stevenson III, we learn how Tom and his company, Hub Equipment, have beaten the odds to become a fourth-generation family business. Hub has found its niche as a construction equipment rental and sales company. They know what they do well, and they continue to do it while resisting the temptation to over-expand just for the sake of growth. It's a touching example of a Canadian family demonstrating how success can flow from focusing on what matters most: doing what you love, while taking care of your customers and your team.

And when it comes to truly understanding your wheelhouse and capitalizing on your core strengths, First Capital Realty is another great example of a company at the top of its game. We sat down with Adam Paul, President and CEO of First Capital, who shared some great insights on how the company has grown and prospered over the years by really honing in on what it does best. First Capital has done an excellent job of fine-tuning its unique core differentiators as well as executing in terms of its asset mix and project expertise. They have accomplished this success all while mitigating the risks they face in an economy that, at times, can be both volatile and unpredictable.

Of course, not all companies are as diligent and successful as Hub Equipment and First Capital Realty. Be sure to read our Advisors Point of View article written by Fuller Landau Restructuring and Insolvency Partner, Gary Abrahamson. Given some recent high-profile insolvencies in the industry, Gary offers some timely lessons of caution for developers, lenders, and investors to consider in order to avoid financial difficulties.

We hope you enjoy this most recent edition of our Real Estate & Construction newsletter. Your feedback is always welcome, and we look forward to hearing from you!

Mike Stoyan
Practice Group Leader
Real Estate and Construction

ROAD TO **SUCCESS**

FOR THE LOVE OF THE BUSINESS: **HUB EQUIPMENT**

In today's fast-paced, cutthroat, technology-driven world, a homegrown success story built on traditional values is a refreshing change of pace.

Meet Hub Equipment, a third-generation Canadian business offering construction equipment rental and sales. Founded by Tom H. Stevenson II, the company opened its doors in 1946 in Moncton, New Brunswick, known then as "the hub of the Maritimes."

Tom, affectionately referred to as "THS," was a civil contractor who worked for the Canadian and United States governments during the Second World War. Between projects, he rented surplus equipment to third parties and discovered a demand in the market that needed to be filled. And so, Hub was born.

THS was a self-made man and a serial entrepreneur who dabbled in a number of businesses during his career. He focused on hiring capable people to run the business, and then he let them do their job. A micro-manager, he was not. Initially, Hub served as a dealer for Ford, but over time, the company began to pursue the rental industry option with much greater focus.

In the early 1950's, Hub Equipment experienced two important milestones. First, the company moved with the St. Lawrence Seaway, relocating from Moncton to Brockville for a short period of time, and eventually settling in Toronto in 1957, where it has operated for the past 60 years.

The second, and equally significant milestone, was becoming a second-generation business when Verne Stevenson joined the ranks in his mid-20's, eventually taking over the business from his father. Throughout his lengthy career at Hub, Verne made it known that he "never went to work" – it wasn't a job for him; it was his passion.

But it wasn't always easy going for Hub. The company over-expanded in the mid-50's and had to downsize in order to survive. While Verne and his father could have taken the easy route by closing up shop altogether, they shared a deep-rooted motivation and sense of responsibility to keep the business afloat.

In the years that followed, they stayed loyal to the suppliers and staff who helped them survive the tough times and their reputation for integrity grew from there.

In 1977, Hub was the successful bidder on a long-term rental project to supply more than 200 machines in Indonesia. It was a transformational project for the business and the years that followed were a time of high growth for Hub.

In the late 1980's, Hub beat the odds for a family business, when Verne's son Tom joined the company full-time, at the age of 29. Hub officially became a rare, but successful, third-generation business.

Tom had worked in the business during summer holidays for a number of years, doing what he affectionately refers to as "grunt work" – sweeping floors and cleaning machines. But Verne did not want to pressure his son into joining the business, nor did he assume that his son would be willing and able to lead the company one day. And so, Tom pursued an economics degree from Harvard, followed by law school. He articled for a short time at a downtown Toronto law firm and then worked for a year in investment banking before returning to Hub.

"Getting involved in the family business seemed like an interesting and challenging opportunity," says Tom. "I always knew that I wanted to go back into the business, but it was important for me to get some outside experience first."

He focused on pipeline marketing and advertising in his early days at Hub and learned the business from the ground up. He worked side by side with his father, until Verne's death in 2001.

Like his father and grandfather before him, Tom, now the President of Hub, realized the importance of hiring knowledgeable and capable people – and equipping them with the resources and autonomy to do their job. Today, the company has 14 employees, including a General Manager, Sales Manager, Rental Manager, Technicians, and a Service Apprentice. Hub packs a lot of punch for its relatively small size.

"We run a lean and entrepreneurial company," explains Tom. The Hub team works together like a well-oiled machine – multi-tasking, sharing responsibilities, and doing what it takes to get the job done right. "We're not interested in growth for growth's sake. That's how you lose control. The business starts to run you, rather than vice versa." According to Tom, the need to grow the topline is purely out of vanity. "If I wanted to make more money, I wouldn't have left Bay Street. I do this for the love of the business."

Sure, Tom could travel more frequently and sign more deals, but he prefers to be home at night with his family. "Money isn't the driving force, here," says Tom. "I'm motivated by adding to the Hub family of satisfied customers from around the world. And I feel a sense of responsibility for providing employment and a great quality of life for my team."

Longevity and loyalty are definitely not in short supply at Hub. In fact, two of the company's employees have been with the business for 38 years and 47 years, respectively. "They've given me their careers, and I'm grateful," says Tom. "I know that a business is only as successful as the quality and commitment of the staff. You will never be successful in the long run if you can't attract, motivate, and retain good people. We've been very lucky."

The staff at Hub Equipment remains loyal because of the team-based culture, profit-sharing plan, and generous benefits, to name a few. But what keeps the clients coming back, year after year? "We live up to our reputation for integrity each and every day," explains Tom. "We take great pride in earning the trust of our clients – whether it's for a one week rental C.O.D., or for a large purchase of a fleet of machines over the course of several years."

While Tom has noticed a trend toward consolidation in the Real Estate and Construction industries, he feels strongly that "bigger doesn't mean better," particularly when it comes to the size of a business.

"The bigger you grow, the harder it gets to provide real value," says Tom. "That's how we beat the giants. We develop personal relationships with our clients based on trust and respect. That's what builds continuity and loyalty."

But Tom is the first to acknowledge that prior success is no guarantee for ongoing, sustained success in the future. "It's important to constantly reinvest in the business, remain connected with clients, and surround yourself with a skilled team of outside advisors who challenge your assumptions and provide skills that you don't have internally."

Hub recently hit the 4th generation milestone, with Tom's eldest son joining the business on a full-time basis. His daughter also got her feet wet in the business with a summer job at Hub, last year. But like his father before him, Tom encourages his kids, ages 22, 20, and 17 to pursue their own dreams and interests, whatever they may be. "Hub isn't going anywhere," assures Tom. "As long as we stay relevant and profitable, we'll be here. We've got over 70 years under our belt, and we're looking forward to many more to come."

INTERESTED IN LEARNING MORE ABOUT HUB?
CHECK THEM OUT ONLINE AT WWW.HUBEQUIPMENT.COM.

AN INTERVIEW WITH ADAM PAUL, **PRESIDENT AND CEO OF FIRST CAPITAL REALTY INC.**

With a constant barrage of media coverage on an impending housing bubble, significant cap rate compression across most asset classes, a shift away from suburban sprawl, and a noticeable change in consumer retail preferences, the real estate development industry in Canada is in a state of transition. We sat down with Adam Paul, President and CEO of publicly-traded First Capital Realty Inc., to get some insight on what's going on in the industry.

First Capital is a leading owner, developer, and manager of grocery anchored, retail-focused, urban properties in Canada, where people live and shop for everyday life. Adam has served at the helm of the company since February, 2015, following his previous role as executive vice-president of investments and leasing for Canadian Real Estate Investment Trust. First Capital currently owns interests in over 160 properties, with more than 25 million square feet of gross leasable area and an enterprise value in excess of $9 billion.

With a track record of delivering strong financial and operating results in the highly competitive Canadian commercial real estate market, Adam offered some great insight. Here's what he had to say:

Fuller Landau (FL): There has been a great deal of press regarding a housing bubble. If the bubble bursts, how would it impact the demand for the types of services provided in your properties?

Adam Paul (AP): The bubble has been bursting for 15 years! Kidding aside, First Capital is a retail-focused company and does not invest in stand-alone residential projects, but we do look closely at the housing environment. In urban centres across Canada, a lot of high-density residential properties have been built which is where our portfolio is located, so we are talking about our primary trade areas. The reality is that this inventory is occupied. That gives us a lot of comfort with respect to our decisions around a potential bubble.

If the properties weren't occupied, we'd be concerned. If you look at Canada's major cities, the population growth in urban centres is very strong so this appears to be a demand-driven market. Notwithstanding all the housing that has already been built, it still hasn't been enough. Based on the data we've seen, it's demand that's driving the increased value in residential properties.

FL: What is First Capital's wheelhouse? How does your recent development project in Yorkville reflect your core strategy?

AP: At First Capital, our expertise is in urban retail properties. Given the urban nature of our portfolio, mixed use is the natural evolution for our assets. That being said, residential development projects are always ancillary to retail, meaning they are situated in close proximity and in some cases on top of a meaningful retail position for us. When it comes to retail, the closer the customers, the better. To have them living right on top of the stores works, if the project is planned and designed well. Easier said than done, of course.

Our capital is invested in markets where the demographics are robust. We look for high density and household income, a growing population, and visible barriers to entry for new retail supply. Over time, this results in higher sales per square foot for our tenants and consequently higher rents than the industry average. The Yorkville area is very unique. It's one of the only places in Canada where you find such a compelling combination of both high density and household income. Based on the high density residential projects that are under construction or approved and planned, we expect the population of the Yorkville area to double over the next 7 years or so. We are well-positioned in the retail landscape to benefit from this growth as our single largest position is in this area, where we have $600 million invested. In addition to our core strategy of grocery, pharmacy, fitness, etc., we always extend the strategic merchandising mix to meet the demands of the specific demographic. In Yorkville, this has resulted in a high-end, luxury brand offering as part of our mix.

First Capital's core investment in the Yorkville area was the redevelopment of the mall, formerly known as Hazelton Lanes. In addition to offering a curated mix of both established and first-to-market brands, like Whole Foods, Equinox, Soul Cycle, TNT, and Palm Lane by the Chase Hospitality Group, among many others, we are evolving the mall into what we call the "Luxury Culture House" of Yorkville. We have a significant events program in place, with over 50 events planned for 2017. Thousands of people attend the events, which are all based on themes that tie back to the arts, fashion, culinary, or lifestyle and fitness.

FL: How does First Capital address the fierce competitive retail landscape?

AP: Our strategy is to bring people into the property by offering more than just a collection of shops. This is what we're looking to do across the board for all our projects. When it comes to retail, what used to be good enough in the past, won't be in the future. You need to offer more. We've done a lot of work to elevate a shopping centre from just an assortment of stores to a vibrant retail environment – an experience for people who live or work in the area. With so many online retail options, people need more reasons than ever to come out to a physical retail location. Our goal is to create a "sense of place" where people enjoy spending time. Given the density around our centres, the fundamentals for retail based on this approach are very compelling and should result in the value of our space continuing to escalate over time, well above the industry average. We have also merchandised our assets with necessity-based retail which includes goods and services that people buy, regardless of the economic climate.

FL: E-commerce has been a great disruptor for the retail industry. How has it affected the strategic marketing mix for your development projects?

AP: We have a lot of discussion internally at First Capital about how we merchandise our properties, especially in the face of e-commerce. We believe that the strongest retailers will have a presence in both the

physical and digital worlds, not just one. A physical store-front is becoming a very important part of most online retailers' customer acquisition and market strategy.

Having said that, we are very strategic with our tenant mix. 35% of our total retail offerings (total rent) are "e-commerce-proof" categories. In other words, you can't purchase these products online. This includes fitness clubs, medical offerings like dentists and doctors, day care facilities, restaurants, and coffee shops. Our retail offerings in this category make up a much larger percentage of our overall marketing mix than it did five or ten years ago.

Another 27% of our total income is generated from pharmacies and grocery stores. They are not totally e-commerce proof, but we believe that the physical store presence continues to be the main driver of their business. Then there are a bunch of other offerings, like cinema and dollar stores. These are all internet-resistant uses. Overall, roughly 90% of our total rent comes from "e-commerce-resistant" categories, and given the quality of our real estate, we are well-positioned to prosper as trends in retail evolve.

FL: Another change of the times comes from a shift in preferences brought on by the younger generation. How would you describe this shift, and is our infrastructure equipped to handle it?

AP: We're in the midst of a secular shift towards urbanization across Canada (and the world), and it's still in the early stages. If you look back in time to the 1960's, it was the opposite. Back then, there was a shift to suburban sprawl. Highways and communities were built up to facilitate the outward expansion. Today, the younger generation has different priorities. They don't feel a sense of pride or status in owning a piece of real estate or a fancy vehicle. But they'll spend a significant amount of money on a trip or the newest smart phone or a unique food experience. They take pride and are most focused on experiences, so they're willing to spend a lot of money on food, travel, entertainment, and technology.

This is a big shift that will play out for many years to come. The population will continue to grow in major cities, because they are great places to live and that's where people want to be. The younger generation really buys into the concept of "work/play/live," and we're well-positioned to fill part of that demand.

In terms of infrastructure, it definitely makes sense and is more efficient to invest in urban centers rather than suburban areas, but we're playing catch-up. Here in Toronto, it's reassuring to see that there is some investment being made in public transit, and the city's policies are generally supportive of increased density. It's a real issue that needs to be addressed and it seems that it's now become a higher priority.

FL: Over the past 5+ years, there has been significant cap rate compression across most, if not all, asset classes. What is your outlook on cap rates and interest rates, in general? More specifically how does that outlook impact on your asset class in the near term?

AP: The average rent in our portfolio has gone up every single quarter, for many years. If I could give a credible answer on interest rates, I'd be in a different job, so I won't even try! If you look at our debt strategy at First Capital, it's reflective of the fact that we are not betting on where interest rates are going. Our debt maturity profile is well-staggered over 10 years, with all of our term debt being fixed rate, to mitigate the risk of any volatility in interest rates. As well, we have a significant buffer between in-place interest rates and market interest rates so we can absorb a large increase in rates before it has a negative impact on our earnings. As for cap rates, they are a little tricky. Bifurcation is something we are seeing.

For urban retail assets, we are competing with more foreign capital then ever before and cap rates appear to be heading lower, meaning values higher. Cap rates are stickier, meaning they are not as correlated as they used to be for that type of product. Based on trades being done in the market right now, I believe there is a stronger likelihood for cap rates on our type of assets to go down rather than up, and there is evidence that this will continue over the short term. In other retail asset classes, that may not be the case, though.

FL: There have been a lot of insolvencies in the retail space, recently. What impact does this have on your own assets?

AP: We've considered this quite a bit, at First Capital.The media has been very active of late, particularly in the US, and the narrative is overly pessimistic versus what we've seen happening on the ground. Bifurcation is the right word to describe retail, today. Even in the mall space, which reportedly is taking the brunt of the damage, sales are higher than they've ever been before and traffic is still very strong. Canada's largest retail malls are getting stronger and have never been more productive. A different scenario is playing out in many US markets.

At First Capital, we don't operate in the mall space, but for our projects, we continue to do new deals at the highest rents we've ever achieved, especially on our new developments. This is because retailers are under represented in the urban markets, and as a result, our tenants can generate higher sales out of these spaces. Most of our tenants are in expansion mode: grocery stores, pharmacies, coffee shops, liquor stores, fitness clubs, and daycares. Those categories are expanding in the markets we're in. So, the fundamentals in Canada's largest urban markets are sound.

But anecdotally, I would say assets that are secondary in quality or location are having a tougher time. This is not an area in which we invest. In fact, we've sold over $1Billion of real estate over the last five years which included some of these types of assets. Target is an interesting example. The best locations previously occupied by Target were taken up relatively quickly and represented an opportunity for landlords. The secondary Target space that is left over is going to struggle with few, if any bids, for the space. These secondary markets don't have barriers to entry for retail product and the population growth is slower than in the urban cores. So generally, we'd be advocates of divesting that type of real estate. The worst investments I've made in my career have been when I got a good deal on something, and I suspect you could get a "good deal" on inferior real estate today.

FL: Looking forward to the years ahead, what are the biggest threats to remaining competitive and how do you mitigate this risk?

AP: In my opinion, complacency is our biggest threat as a sector. This is a young industry in Canada, and as a whole, we have to be more innovative than we have been in the past. The world is changing at a much faster pace than ever, but real estate is generally a slow-moving business. Nothing major happens to a property in a few months. It's a slow rot when a property is going downhill. And if you ignore it, you can wake up in real trouble. So, our biggest threat is not being proactive or understanding what's going on in the world, and failing to anticipate or respond. We mitigate this at First Capital by being proactive and embedding innovation in our corporate culture. We carve out time as an executive group to focus on it, specifically, by looking outside of Canada and what is going on in addition to what we see here. We travel around the world to see what other landlords and retailers are doing, and how new concepts are evolving. We bring our ideas back to Canada and implement some of them here, for the first time.

THE REAL ESTATE MARKET IN ONTARIO – **WHAT'S REALLY GOING ON?**

BY GARY ABRAHAMSON

The media is filled with articles and commentary concerning the "red-hot" residential real estate market and the current environment of sky-rocketing housing prices, bidding wars, supply shortages, and rent increases. Both nationally and internationally, there are continued warnings of a "bubble" in the Canadian housing market, the level of consumer debt, and the potential dire consequences if the "bubble" bursts.

The Toronto Real Estate Board reported average residential home price increases of 17.3% in 2016, and year over year to May 31, 2017 price increases averaged 29%. The Toronto skyline is filled with cranes, and Zoning Application signage for new condominium and other projects is posted throughout the city. Vacant land is scarce and development outside Toronto in areas such as Hamilton, Stoney Creek, and Milton is robust. Rental apartments are in short supply and all the above factors recently caused the Ontario Liberal Government to, among other measures, amend Rent Control legislation and introduce a foreign buyer tax of 15%.

On the other hand, over the last two or three years there have been several high-profile restructuring and insolvency proceedings of developers and, in certain instances, associated financing entities across various asset classes and involving different financing structures. Some of these proceedings in Ontario, which are in the public domain, have included:

- Hush Homes Inc. – Residential developer
- Urbancorp Inc. – Developer of low and high rise residential
- Mady Development Corp. (certain projects) – Residential and commercial developer
- Titan Equity et al – Financing and development
- Tier 1 et al – Syndicated mortgages and development

As well, the effects of the recent high-profile OSC investigation of publicly traded Home Capital has served as a warning of how jittery the public and investors have become, as they remember the sub-prime meltdown in the US.

Given the robust real estate market, it seems counter-intuitive for entities of this magnitude and presence in the market to have encountered such financial difficulties. Upon reflection, however, the common themes below emerge, which should serve as lessons to developers, lenders, and investors alike.

EXPERIENCE

With the frothiness in the real estate market, the development and related financing markets seem to have become inundated with new names, all with slick marketing materials promising quality product at "reasonable" prices, and for investors, above-average market returns relative to other available products.

Peel back the "onion" however, and with some proper diligence you may be surprised at the level of expertise, infrastructure and the experience, or lack thereof, of either the developer or promoter of the financing product.

Little or no direct experience in development or financing will likely lead to trouble down the road, particularly as these markets get more crowded and the supply of product (land held for development) at reasonable prices dwindles, in the context of the proposed development.

EXPANSION

A development business usually starts off as a single-purpose entity with a specific project to be built out. Often though, a development business, like other businesses, does not remain static. New opportunities are presented or arise and growth-seeking entrepreneurs are attracted to such opportunities. But, growth inevitably changes the dynamics within an organization – financing, planning, staffing, and other resource requirements change and must be monitored accordingly. Projects and assets within different classes must be managed to diversify risk to the organization. Too often as the business grows, project requirements, timelines, and financing needs change and if not managed and planned appropriately, can wreak financial havoc throughout the organization. Profitable projects, including the notional equity that may exist, are used to finance other projects which may not be performing as planned, thereby potentially draining an organization's financial and human resources.

FINANCING

The range of available financing alternatives and structures has grown and changed as the real estate market has flourished. For well-established developers and for projects meeting traditional lending criteria, capital is readily available. For others, who may be new to the market or who don't meet the funding criteria of traditional structures, alternative financing structures and sources have become common place, such as: alternative high-interest and mezzanine lenders, Mortgage Investment Corporations, Syndicated Mortgages, and private REIT vehicles. Some of these investment vehicles themselves have run into financial difficulty and tarnished the reputation of others in this marketplace, as everyone became "painted with the same brush". Difficulties have resulted from a lack of financial management experience and oversight and inappropriate expansion. Several high profile business failures of developers with improperly structured financing at unsustainable interest rates, given a project or the overall business status, have also occurred.

EXECUTION

Projects generally start with a vision, budget, and timeline to completion. The execution of a project may falter, however, for a variety of reasons including lack of development experience, expansion at too rapid a pace, time delays, or insufficient or improperly structured financing. Delays cost money and can lead to a never-ending downward spiral. At times, project equity or unencumbered development assets are required to be pledged or liquidated to keep projects moving forward, which has the effect of hobbling future activity and growth. From an investor's perspective, repayments may not be made on time or at all; there is an inability to obtain credible information and promises are continually broken. What started as a simple investment in a single-purpose entity or project may have morphed into a drastically different investment and risk profile.

REPUTATION

In today's social media filled world, it is all too easy for a company's reputation to be publicly tarnished. Once that happens, doing business in the normal course becomes difficult. Management's attention gets diverted away from daily activities necessary to lead the business. This problem is exacerbated if regulatory bodies such as the OSC, FSCO or Tarion are obliged to make public disclosure of facts, or take action, that impact either a developer or an investment vehicle or its principals, which are subject to regulation. Loss of reputation can cause a development business to come to a grinding halt as constituents lose faith in management.

While developing and investing in real estate can be rewarding and lucrative, developers must ensure that management expertise, systems, financing, and controls are in place and suitable given the nature of current activities as well as future plans. Lenders should ensure projects are being executed according to plan and on budget, either directly or with the help of cost and other consultants. Growth in the business and financing structure should also be assessed regularly to obtain a complete picture. Investors should assess their risk appetite, an investment's structure and risks, and the manager's experience and history over time prior to deploying funds. In this way, unexpected surprises and financially devasting consequences can be minimized or avoided altogether.

BY GARY ABRAHAMSON, CPA, CA, CIRP

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FAST FACTS, TRENDS AND RECENT NEWS

RESIDENTIAL

The Toronto Real Estate Board ("TREB") reported very strong year-over-year increases in sales units and average sale prices in May 2017. Semi-detached homes and condos both experienced an increase of over 27% in average sale price between May 2017 and May 2016, in the City of Toronto.

RESIDENTIAL HOME SALES TRENDS[1]
YEAR-OVER YEAR SUMMARY FOR THE MONTH OF MAY

	AVERAGE PRICE		
	2017	**2016**	**% CHANGE**
DETACHED			
City of Toronto	$1,503,868	$1,285,693	17.0%
All TREB Regions[2]	$1,141,041	$986,691	15.6%
SEMI-DETACHED			
City of Toronto	$1,062,318	$834,883	27.2%
All TREB Regions[2]	$824,667	$670,074	23.1%
ATTACHED/ROW/TOWNHOUSE			
City of Toronto	$741,211	$626,305	18.3%
All TREB Regions[2]	$656,392	$553,370	18.6%
CONDOS			
City of Toronto	$564,808	$442,520	27.6%
All TREB Regions[2]	$531,659	$413,925	28.4%
ALL HOME TYPES[3]			
City of Toronto	$899,728	$782,051	15.0%
All TREB Regions[2]	$863,910	$751,908	14.9%

The Toronto Real Estate Board reports data on the number of sales by housing type and price range. Of noteworty mention is the sharp increase in condo properties in the various price ranges over and above $600,000. The number of sales for semi-detached and townhouse properties also increased dramatically in the $900,00 to $1,499,999 range.

[1] *Source: Toronto Real Estate Board Market Watch May 2016 and May 2017.*
[2] *All TREB regions include Halton, Peel, York, Durham, Dufferin, Simcoe and Toronto.*
[3] *Includes row homes, co-operatives, co-ownerships, detached condominiums and link properties.*

SALES BY PRICE RANGE AND HOUSE TYPE[1] - ALL TREB REGIONS[2] - MAY 31ST YEAR-TO-DATE

	DETACHED			SEMI-DETACHED			ATTACHED/ROW/TOWN			CONDO		
PRICE RANGE	**2017**	**2016**	**% CHANGE**	**2017**	**2016**	**% CHANGE**	**2017**	**2016**	**% CHANGE**	**2017**	**2016**	**% CHANGE**
$0 to $99,999	-	1		-	-		-	-		-	-	
$100,000 to $199,999	6	47	-87.2%	-	5	-100.0%	1	4	-75.0%	17	83	-79.5%
$200,000 to $299,999	53	256	-79.3%	2	51	-96.1%	1	34	-97.1%	128	379	-66.2%
$300,000 to $399,999	193	885	-78.2%	65	239	-72.8%	34	328	-89.6%	314	931	-66.3%
$400,000 to $499,999	632	1,857	-66.0%	186	757	-75.4%	251	993	-74.7%	717	956	-25.0%
$500,000 to $599,999	1,314	2,761	-52.4%	385	1,286	-70.1%	609	870	-30.0%	711	490	45.1%
$600,000 to $699,999	1,919	3,317	-42.1%	841	869	-3.2%	989	615	60.8%	631	212	197.6%
$700,000 to $799,999	2,527	3,080	-18.0%	868	523	66.0%	611	408	49.8%	279	117	138.5%
$800,000 to $899,999	2,760	2,396	15.2%	612	304	101.3%	415	273	52.0%	134	63	112.7%
$900,000 to $999,999	2,243	1,623	38.2%	360	167	115.6%	307	98	213.3%	72	23	213.0%
$1,000,000 to $1,249,999	3,434	2,477	38.6%	366	152	140.8%	297	59	403.4%	74	34	117.6%
$1,250,000 to $1,499,999	2,521	1,770	42.4%	167	70	138.6%	112	38	194.7%	36	20	80.0%
$1,500,000 to $1,749,999	1,641	1,010	62.5%	59	39	51.3%	30	7	328.6%	19	6	216.7%
$1,750,000 to $1,999,999	944	543	73.8%	27	16	68.8%	8	8	0.0%	7	6	16.7%
$2,000,000 +	2,067	1,168	77.0%	68	22	209.1%	9	6	50.0%	7	1	600.0%

[1] *Source: Toronto Real Estate Board Market Watch May 2016 and May 2017.*
[2] *All TREB regions regions include Halton, Peel, York, Durham, Dufferin, Simcoe and Toronto,*

ECONOMIC INDICATORS		
	2017	**2016**
Q1 Real GDP Growth	3.7%	2.4%
Toronto Employment Growth		
As at April 30	1.6%	2.8%
Toronto Unemployment Rate		
As at April 30	6.9%	7.5%
Inflation (Yr/Yr CPI Growth)		
As at April 30	1.6%	1.7%
Bank of Canada Overnight Rate		
As at May 31	0.5%	0.5%
Prime Rate		
As at May 31	2.7%	2.7%
Chartered Bank Fixed Mortgage Rates		
1 Year	3.14%	3.14%
3 Year	3.39%	3.39%
5 Year	4.64%	4.64%

Source: Toronto Real Estate Board Market Watch May 2017 and May 2016.

BUILDING PERMITS

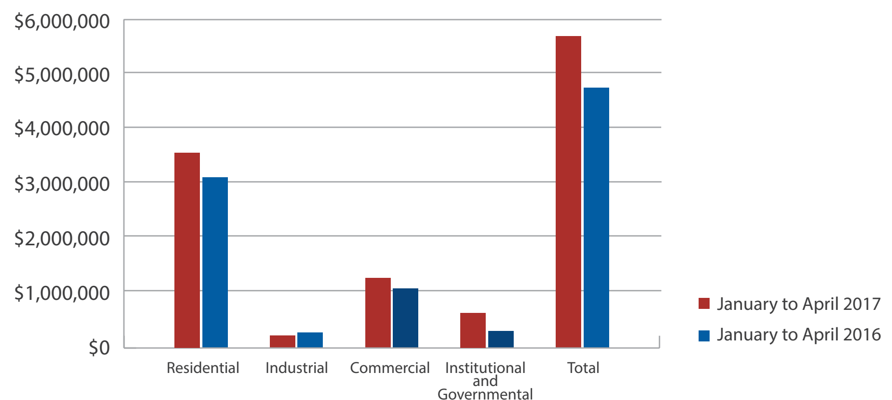
According to Statistics Canada, the overall dollar value of building permits for the City of Toronto increased by almost 20% during the period January to April 2017, compared to the same 4-month period in 2016. The biggest change in dollar value came from residential building permits issued (with an increase of $437,507), but percentage-wise, the most significant increase was from institutional and governmental building permits (at 124.55%).

Disclaimer: The information in this section has been provided by external sources and is subject to change. Fuller Landau LLP is not responsible for the accuracy, reliability, or timeliness of the information supplied by external sources. Readers wishing to reply upon this information should consult directly with the source of the information.

[1] *Source: Statistics Canada "Building Permits" April 2017 and April 2016 (Catalogue no. 64-001-X).*

BUILDING PERMITS - APRIL VALUE OF CONSTRUCTION (THOUSANDS OF DOLLARS)

	RESIDENTIAL	INDUSTRIAL	COMMERCIAL	INSTITUTIONAL AND GOVERNMENTAL	TOTAL
January to April 2017	$3,549,975	$227,151	$1,272,322	$632,350	$5,681,798
January to April 2016	$3,112,468	$273,162	$1,073,459	$281,603	$4,740,692
% Change	14.06% 437,507	-16.84% (46,011)	18.53% 198,863	124.55% 350,747	19.85% 941,106



ABOUT FULLER LANDAU

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