FALL/WINTER

REAL ESTATE AND CONSTRUCTION **NEWSLETTER 2017**

FULLER LANDAU LLP

AUDIT
TAX
ADVISORY

REAL ESTATE AND CONSTRUCTION **NEWSLETTER**

IN THIS EDITION

The world continues to be a changing place and the Real Estate and Construction Industry is not spared from this reality. Businesses must learn to adapt and be prepared to seize opportunity when it presents itself. To navigate effectively through change and continue to build value, owners and management need to understand and anticipate how legislation, technology, and competitive markets impact their businesses.

In a summary of recently proposed legislative amendments to the Construction Lien Act, Partner Gary Abrahamson identifies some highlights to be aware of in Bill 142. If passed into law, Bill 142 will bring significant changes to Ontario's construction sector, including updated rules regarding holdbacks and financial thresholds around substantial performance.

In our Road to Success article, featuring Outland Camps, we learn how two passionate medical doctors pursued their entrepreneurial dreams by founding, growing and ultimately selling what started out as a small tree planting business and evolved into a full-service supplier, installer, and operator of remote camps offering forest firefighting and disaster relief services to both industry and government. We learn about the dynamic culture built by Dave and Simon from the ground up, predicated on giving back to the community and staying true to its founding principles, all while protecting its well-earned reputation.

In our Advisor's Point of View article, Valuations Partner Patricia Harris identifies steps to maximize the value of your business and identifies tactical and strategic considerations to position the business for a successful sale. As well, she looks at the buy side of a transaction and addresses how a strategic purchaser may wish to size up a potential acquisition target.

And finally, in the article "Offsetting Costs with Government Grants", we explore some relevant grant programs that business owners may wish to consider. Real estate and construction companies often require funding for workforce development, business expansion, and equipment acquisition. Government grants are a potentially beneficial way to reduce costs and improve bottom line performance.

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

Mike Stoyan
Practice Group Leader
Real Estate and Construction

BILL 142

AN ACT TO AMEND THE CONSTRUCTION LIEN ACT

On May 31, 2017 Bill 142 was introduced and passed first reading in the Ontario Legislature, in response to recommendations resulting from an expert review of the Construction Lien Act (CLA), and stakeholder input. Bill 142 represents the most significant set of changes to the CLA since it was first introduced in 1983; public hearings are underway, and it is expected that Bill 142 will pass into legislation in the spring of 2018 and if passed, the CLA will be renamed the Construction Act. The Bill contains many significant updates and amendments and some of the most significant changes are outlined below:

- Extending various deadlines, including the deadline for registering a lien from 45 to 60 days

- The introduction of a prompt payment system which provides for specific timelines for the payment of a proper invoice by an owner to a contractor (28 days), and payments by contractors to sub-contractors (7 days) after being paid. A process with timelines for non-payment is also specified

- The introduction of dispute resolution through a mandatory adjudication process; lien claims under $25,000 would be referred to the Small Claims Court

- Updated rules regarding holdbacks, including offering security in lieu, and the phased release of holdbacks for longer term projects

- Trust accounting requirements for contractors and subcontractors

- Substantial performance financial threshold tier increasing from $500,000 to $1 million and total completion from the lesser of 1% or $5,000

While the proposed changes are sweeping in nature they would modernize the rights and obligations of construction industry participants, and the way in which issues are resolved.

BY GARY ABRAHAMSON, CPA, CA, CIRP, LIT

Gary Abrahamson is a partner with Fuller Landau's Restructuring and Insolvency practice. He can be reached at (416) 645-6524 or gabrahamson@fullerllp.com

ROAD TO **SUCCESS**

OUTLAND CAMPS

The path to success is seldom a straight line and this certainly holds true for Dave O'Connor and Simon Landy, co-founders of Outland Camps. The two met in medical school at the University of Toronto, each with career aspirations of becoming a doctor. Dave is very detail-oriented – he likes numbers and data and is constantly seeking ways to improve the status quo. Simon, on the other hand, is more outgoing and loves meeting and connecting with people. They hit it off as friends from the get-go.

During summer break while at med school, the two launched a start-up tree planting business to help pay for their tuition. After graduation, Dave went on to get his MBA while Simon began working shifts in the emergency department at a Toronto hospital, but they both saw true opportunity with their fledgling tree planting business. In 1987, Dave and Simon took a leap of faith and committed full-time to growing the company. The rest, as they say, is history.

"It was a bit of a shock for my mother when I told her that I was switching careers from medicine to tree planting" laughs Dave, "but she trusted my judgment." Outland is now the biggest reforestation company in Canada, planting upwards of 50 million trees annually across the country. It was a natural extension of the business to offer forest firefighting and disaster relief services, and Outland has since become a full-service supplier, installer, and operator of remote workforce camps servicing forestry operations, the oil and gas industry, mining and exploration companies, and provincial governments.

Outland is known in the industry for its incredibly fast response time. In 2014, they were called in to High River, Alberta to mobilize a modular camp during the flood, which caused billons of dollars of damage. In less than six weeks, Outland had built a small, temporary village which accommodated over 1,200 displaced residents of High River. "That was a unique project for us," explains Dave, "as it involved families with children, not just workers. Most of our projects involve sending crews to build and cater modular work camps in very remote parts of the country."

Dave isn't exaggerating when he refers to remote locations. In fact, some of their remote site camps are accessible only by helicopter. In 2010, Outland also became the leading supplier of floating accommodations to the mining industry. "Canada is a big place, with a lot of uninhabited land. As roads are built and power lines are put up, those workers need somewhere to live. That's where we come in," says Dave.

Today, the tree planting side of the business is essentially a 4-year training program that feeds the core parts of the business requiring more skill and experience. "Students will work with us during summer break, supervising tree planting projects" explains Dave, "and once they graduate, many stay on with us and move to the camp projects."

In an industry where the labour force is spread out – often hundreds of kilometers between operations – Outland has managed to create a unique spirit of cooperation and a sense of family throughout the organization. And with over 2,000 employees during peak times, that's no small feat. "We were very intentional about making sure that our people are rewarded for doing good work," says Dave. "We've fostered a strong work ethic and I truly believe our labour force is among the best in the world." A majority of Outland's employees started with the company at 18 years of age and have stayed with the company throughout their career. "That sense of loyalty goes both ways."

Culture is but one of many achievements realized by Outland in the company's 32-year history. "We've turned a profit every year since we started the business" says Dave. "While of course we always try to negotiate the best deal possible, we never want to burn a bridge. Reputation is everything. Making a profit at the expense of gaining enemies just isn't worth it."

But when asked about what makes him most proud, Dave answers without hesitation. "Definitely our First Nations Rangers" he says. Dave is referring to Outland's First Nations Youth Employment Program – an education, training, and work program that has been going strong for seventeen years. Each year, two high school students from First Nations communities across Ontario have the chance to participate in Outland's 6-week training session to learn valuable forestry and mining skills. "The kids get their firefighting certificate and their chainsaw license. They learn about water filtration skills and get real, hands-on life and work experience," explains Dave, "and they go on to do great things." Outland raises funds from a variety of partners for the program each year and has trained hundreds of First Nations youth since the program's inception. "If we could run 20 of these programs across Canada, it would have an incredible impact on the issues faced by First Nations communities" says Dave.

Although Dave has 4 kids and Simon 3, the plan was never to pass the business on to the next generation. Instead, Dave and Simon had planned on a gradual sale to their highly competent management team, primarily because they didn't believe the business was saleable. "As a services business, we don't have a product to sell, so we thought it would be hard to find a buyer" explains Dave. To their surprise, they were approached by a large, public construction company, Carillion PLC, that was looking to expand into the market. Outland was in the midst of their biggest – and most difficult – construction project ever and Dave and Simon thought that Carillion might be able to help, so they made the decision to sell the business.

In 2015, the two agreed to an offer that included an earn-out (over three years) as an indication of their certainty about the growth potential of Outland. As Dave explains, "you have to decide how much confidence you have in your own business. If you're willing to assume some risk and wait longer to get paid, you can command a higher price." His number one tip for preparing a business for sale? "Make sure you have a trusted financial accountant and business advisor on your side, to guide you through the process," he cautions. "And your selling price will hold more weight and credibility if you have at least a few years of review or audited financial statements."

Dave and Simon are now two and a half years in to their three-year buy-out agreement. "We're looking forward to decompressing once the earn-out is finalized" says Dave. "Running a business is a lot of fun, but it's also hard work and a significant amount of responsibility." So, what's next? "I think there's a lot of golf, squash, and travel in my future" he explains. "I might consider becoming an angel investor for my kids, if they decide to go into business on their own. The entrepreneurial spirit will always be a part of me."

TO LEARN MORE ABOUT OUTLAND CAMPS, VISIT WWW.OUTLAND.CA

GETTING THE MOST FOR YOUR **CONSTRUCTION BUSINESS**

Whether you are looking to sell your business or make an acquisition, it is absolutely critical to have a true and realistic picture of what your business is worth. The following article will guide you through a step by-step process designed to help you maximize the value of your business.

MAXIMIZE YOUR SELL

As a business owner in the construction industry, you may find yourself in a situation which prompts the sale of your business. We've seen a variety of triggers which have initiated the sale process, including the lack of a logical successor, dispute with another shareholder, the need to withdraw built-up cash in the business, an unsolicited offer, poor health, or simply wanting to retire.

If you are thinking about selling your business, start by asking yourself one question - 'Am I fully committed to the sale of my business?' Surprisingly, it is not all that uncommon for an owner who is already engaged in the sale process to withdraw when he or she understands the full implications of the sale. Owners have likely nurtured the business into what it is today and the prospect of letting go may be too much to bear.

Working with a business advisor, you should seek to understand the motivation and rationale for the sale. This understanding will allow you to work together to structure a sale that will meet your objectives.

Once you are committed to a sale, the next step is to maximize the value of your business. A combination of financial and management considerations will go a long way to getting the most for your business. Consider the following when looking to sell:

- Target the buyers - Knowledge of your industry puts you in the best position to identify logical buyers for the company. These potential buyers should be ranked in order of their likely interest and their ability to actually purchase the business. Consideration should be given to known industry acquirers, previous offers for the business, long-term employees, existing partners and management groups, and companies that might be willing to pay for strategic advantages.

- Identify acceptable forms of consideration - Must it be all cash, or would you be open to potential price-bridging options such as vendor take-backs, leasing arrangements, preferred stock, or earn-outs? How willing and able are you to stay on for a few years, in a consulting role, to help transition the business?

- Assess the personal and corporate tax consequences of the sale – Structuring the sale in the most tax advantageous way is critical to maximizing value. Typically, vendors will want to sell the shares of a business, as opposed to its assets, in order to take advantage of the Capital Gains Exemption that may be available to Qualified Small Business Corporation (QSBC) shareholders. Internal tax minimization strategies prior to a sale should also be assessed – ideally several years prior to the intended sale.

- Tidy up and paint a profitable picture - It is important to make sure that the financial information is readily available and accurate. You may want to consider normalizing the historical financial statements - for example, adjusting for uneconomic management remuneration and salaries paid to nonworking family members. A purchaser is buying the prospective future cash flow of the business and a well-thought out financial forecast will go a long way in providing comfort to a potential purchaser in the assessment of the business.

- Diversify management - A business that depends primarily on the personal goodwill of the owner will not be attractive to potential purchasers – and this is a common issue for companies in the construction industry. Assessing the calibre and diversity of your management team will be an important part of any purchaser's due diligence. It is important to broaden and strengthen the middle management team to maximize the value of your business.

- Assess if the timing is right - If there is no urgency to sell, perhaps value would be maximized when the financial markets become more liquid and there are more potential buyers. Alternatively, there could be industry consolidation opportunities that are best taken advantage of with an offer in hand.

- Recognize that first impressions are extremely important – Whether meeting potential purchasers in person or providing an information memorandum, human nature dictates that the first impression given by the vendor will impact negotiations, and, ultimately, the terms of the deal.

GET THE MOST FROM YOUR ACQUISITION

In the same way that the seller should consider their business operations and management situation, a strategic purchaser of a business will assess a company's value by considering many of the same factors. By reviewing the business' management and operations, contracts, commitments, the industry, the market, and competitive environment, you will get a good sense of whether the acquisition makes sense with your existing business.

Once you decide to move ahead with the acquisition, the structure of the deal and the ongoing strategic plan will need to be developed. The due diligence will include a legal and financial review. Some of the more common issues uncovered during the due diligence process include:

- An overstatement of inventory value
- Uncollectible receivables
- Window dressing of financial statements including the deferral of necessary capital repairs and maintenance expenditures
- Weak or disadvantageous contracts
- Employee turnover or union contract issues
- Lease issues
- Restrictive agreements
- Unrecorded liabilities including supplier discounts, employee costs, and severance
- Pending litigation against the company

DETERMINING THE RIGHT PRICE

The value of a business needs to be viewed in an overall context. Generally, if the demand for a particular business is high, the vendor may not want to disclose an asking price in order to create a bidding situation and drive up the price. If the power is with the purchaser, the vendor may have no choice but to state an asking price. The recent credit and liquidity crisis makes assessing the value of a business extremely difficult. Historical results of a business are not necessarily a good indication of expected ongoing performance. This can make a valuation assessment particularly tricky and increases the need for sound valuation, tax, and legal expertise.

GET THE RIGHT ADVICE

Chartered Business Valuators may perform various roles in the purchase and sale of a business, from helping business owners structure the deal to assisting purchasers with the due diligence process. The degree of assistance that the valuator provides in the process will depend on the particular client's needs.

While the valuation process may seem daunting, it's critical that both the vendor and the purchaser have a clear understanding of the business, the industry, and the motivation for the sale. A good valuation professional will work with you to obtain the knowledge necessary to assess the value of the business so you can make informed decisions.

BY PATRICIA HARRIS,
CPA, CA-IFA, CBV, DIFA, CFF

Patricia Harris is a partner with Fuller Landau's Valuations practice. She focuses on business valuations and litigation support services, as well as investigative and forensic accounting. Patricia can be reached at (416) 645-6570 or pharris@fullerllp.com.

OFFSETTING COSTS WITH **GOVERNMENT GRANTS**

Grants can be very beneficial to the bottom line of a company, as they provide contemporaneous funding that can offset costs of upcoming innovative projects. In this article, we will review the availability of several grant programs specific to the Real Estate and Construction industry in Canada.

APPLYING FOR GOVERNMENT GRANTS

What you need to know:

1. Virtually all grants have a capped budget, and the funding body will always receive more applications than they have funding for. Knowing when the funding is available – to ensure it aligns with the timing of your company's projects - will increase your chances of receiving a grant. Applying for grants should be an ongoing and planned process.

2. All government grants must be applied for well in advance of the start of the project. Applicants must be ready with sufficient planning for the projects in order to address the funding criteria. Funding will not be provided for work already completed or expenses already paid.

3. Many grant programs favour Small- to Medium-Sized businesses (SMEs) with under 500 employees. Some programs target specific industries or geographical areas. It may be difficult to stay up-to-date on all program rules and deadlines, so businesses need to have a resource for identifying the available and relevant funding options.

GOVERNMENT GRANTS THAT APPLY TO THE REAL ESTATE & CONSTRUCTION INDUSTRY

Real Estate and Construction companies can take advantage of funding opportunities designed for innovation, training, marketing, export development, and capital expenditure projects, however, "green" initiatives seem to be most relevant for companies in the industry.

The main, relevant grant programs that currently provide funding include:

Green Construction through Wood (GCWood) Program

- Offsets costs for innovative mass timber buildings with 10 or more storeys.
- Supports activities in design development, construction drawings, monitoring costs, research associated with the use of wood, including but not limited to salaries and benefits, consulting services, travel expenses, shipping and storage, data acquisition, and technical equipment.
- Non-repayable contributions up to 100% with a project maximum of $5 million per project.

Save on Energy

- Rebate program based on energy savings.
- Save On Energy Incentives for New Home Builders: $500/$1,000 for EnerGuide 83/85, and/or prescriptive measures for lighting, A/C, home automation.

Smart Cities Challenge – Canada-wide competition

- The Smart Cities Challenge will invest $300 million to encourage cities and their most creative minds to adopt new and innovative approaches to city-building and the digitalization of urban services.

Savings by Design for Residential Builders

- Residential home builders can receive free access to green building experts and incentives to develop and build sustainable homes.
- This Program offers residential builders expert guidance worth up to $25,000 and energy-saving rewards of up to $100,000 to design and build homes that achieve 25 percent better energy performance than the 2012 Ontario Building Code.

Savings by Design for Commercial Builders

- This Program supports commercial builders with expertise and performance incentives by designing sustainability into new commercial construction projects.
- It provides up to $60,000 in incentives including an integrated design process. This support allows builders to reduce the carbon footprint of the new facility.

RunItRight Program

- Enbridge will fund $1,000 towards a facility investigation which identifies a list of recommended operational improvements to help you strive to achieve a minimum of 5% estimated annual natural gas savings.
- Enbridge provides an Implementation Incentive of up to $8,000 for installing the recommended operational improvements.
- Additional funding may be provided for using Enbridge's Energy Management Information System (EMIS) for a period of 12 months, including energy management training for building managers and staff.

GENERAL GOVERNMENT GRANTS

Other grant programs that are open to companies across all industries include:

Canada-Ontario Job Grant (COJG) Program

- Covers up to 2/3 of the total training costs for any third-party training program for staff. $10,000 maximum per participant.
- Must apply at least 1-2 months before training starts.

Strategic Innovation Fund

- Covers 50% of total project costs for company expansion and growth, R&D, and attracting and retaining large-scale investments to Canada.
- The program has a budget of $1.26 billion over five years, available to companies of all sizes, with the objective of increasing the number of high-paying jobs and project-related revenue.

Student Work-Integrated Learning Program (SWILP)

- Creates accessible positions for Canadian work-term students in Business Technology Management, Computer Science, and Computer Systems Technology programs by funding a portion of student wages.
- Covers 50% up to $5,000, or $7,000 for under-represented groups.

Natural Sciences and Engineering Research Council of Canada (NSERC) Experience Awards

- A cost-sharing program that offers companies access to talented natural sciences and engineering undergrad students for a work term.
- Provides $4,500 of funding towards new hires.

Industrial Research Assistance Program (IRAP) Youth Employment Program

- Provides financial assistance to innovative SMEs that hire a post-secondary science, engineering, technology and trade, business, or liberal arts graduate.
- Covers 50% of salary up to $15,000 for any new recent graduate hire under the age of 30 - funding applies to R&D or environmental-related positions only.

Export Market Access Global Expansion Program

- A $5 million initiative designed to help SMEs increase their access to global markets.
- Covers 50% up to $30,000 per tradeshow, fair, or exhibition outside of Canada.
- Companies must exhibit at the tradeshow event, or have a booth to qualify.

CanExport

- A five-year, $50 million program that provides direct financial assistance to SMEs that seek to develop new export opportunities and markets.
- Covers 50% up to $100,000 of travel, market research, tradeshow, consulting, and legal costs to enter a new market outside of Canada.

Applying for grants can be a time-consuming and complex process, and companies are advised to obtain professional guidance in order to generate the best results. Careful thought should be given to ensuring that obtaining government assistance is closely aligned to the company's strategy. Applying for grants just to obtain "free money" is not an effective strategy. However, when a company has specific growth and expansion plans underway, government grants can be an invaluable resource for offsetting costs and maximizing cash flow.

For over thirty years, RDP Associates Inc. has helped companies in Canada, the United Kingdom, the Netherlands, and the United States procure over half a billion dollars in government grants and R&D tax credits.

For more information on any of the programs listed above,
VISIT WWW.RDPASSOCIATES.COM

FAST FACTS, TRENDS AND **RECENT NEWS**

RESIDENTIAL

In September 2017, the Toronto Real Estate Board (TREB) reported minor year-over-year increases in average sale prices for all residential homes, other than condos which experienced significant price increases. The number of sales units, however, decreased dramatically, compared to the same time last year, with the greatest reduction in number of sales for detached units.

TREB also reports data on the number of sales by housing type and price range. Of noteworthy mention is the sharp decrease in number of sales for lower priced homes (condos under $400,000 and detached homes under $800,000, specifically). On the other hand, the number of sales for condos over $600,000 rose dramatically.

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

	AVERAGE PRICE			NUMBER OF SALES		
	2017	**2016**	**% CHANGE**	**2017**	**2016**	**% CHANGE**
DETACHED						
City of Toronto	$1,355,234	$1,294,482	4.7%	642	1,098	-41.5%
All TREB Regions[2]	$1,015,067	$1,013,788	0.1%	2,780	4,708	-41.0%
SEMI-DETACHED						
City of Toronto	$935,467	$887,916	5.4%	255	302	-15.6%
All TREB Regions[2]	$752,379	$699,968	7.5%	639	920	-30.5%
ATTACHED/ROW/TOWNHOUSE						
City of Toronto	$685,016	$655,466	4.5%	230	387	-40.6%
All TREB Regions[2]	$609,382	$569,343	7.0%	998	1,530	-34.8%
CONDOS						
City of Toronto	$554,069	$446,294	24.1%	1,362	1,787	-23.8%
All TREB Regions[2]	$520,411	$422,002	23.3%	1,860	2,580	-27.9%
ALL HOME TYPES[3]						
City of Toronto	$809,591	$764,872	5.8%	2,510	3,599	-30.3%
All TREB Regions[2]	$775,546	$755,755	2.6%	6,379	9,902	-35.6%

[1] Source: Toronto Real Estate Board Market Watch September 2016 and September 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] - SEPTEMBER 30TH 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	-	2		-	-		-	-		23	66	
$100,000 to $199,999	23	76	-69.7%	1	7	-85.7%	1	5	-80.0%	243	909	-73.3%
$200,000 to $299,999	111	423	-73.8%	8	82	-90.2%	2	40	-95.0%	1,591	6,293	-74.7%
$300,000 to $399,999	443	1,493	-70.3%	152	428	-64.5%	96	533	-82.0%	6,390	9,380	-31.9%
$400,000 to $499,999	1,243	3,170	-60.8%	337	1,123	-70.0%	520	1,597	-64.4%	7,102	6,226	-14.1%
$500,000 to $599,999	2,320	4,873	-52.4%	791	2,391	-66.9%	1,231	1,835	-32.9%	4,551	3,131	45.4%
$600,000 to $699,999	3,349	6,092	-45.0%	1587	1,860	-14.7%	1,586	1,223	29.7%	2,787	1,462	90.6%
$700,000 to $799,999	4,077	5,727	-28.8%	1,336	1,059	26.2%	885	802	10.3%	1,421	735	93.3%
$800,000 to $899,999	4,146	4,745	-12.6%	854	584	46.2%	610	503	21.3%	795	400	98.8%
$900,000 to $999,999	3,198	3,188	0.3%	494	338	46.2%	414	214	93.5%	400	206	94.2%
$1,000,000 to $1,249,999	4,849	4,699	3.2%	528	317	66.6%	378	137	175.9%	449	270	66.3%
$1,250,000 to $1,499,999	3,433	3,461	-0.8%	233	145	60.7%	153	77	98.7%	229	140	63.6%
$1,500,000 to $1,749,999	2,124	1,972	7.7%	85	65	30.8%	43	24	79.2%	115	71	62.0%
$1,750,000 to $1,999,999	1,212	1,028	17.9%	45	24	87.5%	10	11	-9.1%	61	34	79.4%
$2,000,000 +	2,706	2,221	21.8%	80	49	63.3%	11	9	22.2%	127	76	67.1%

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

ECONOMIC INDICATORS		
	2017	**2016**
Q2 Real GDP Growth	4.5%	-1.6%
Toronto Employment Growth		
As at August 30	1.6%	0.4%
Toronto Unemployment Rate		
As at August 30	6.4%	6.5%
Inflation (Yr/Yr CPI Growth)		
As at August 30	1.4%	1.1%
Bank of Canada Overnight Rate		
As at September 30	1.0%	0.5%
Prime Rate		
As at September 30	3.2%	2.7%
Chartered Bank Fixed Mortgage Rates		
1 Year	3.09%	3.14%
3 Year	3.59%	3.39%
5 Year	4.89%	4.64%

Source: Toronto Real Estate Board Market Watch September 2017 and September2016.

BUILDING PERMITS

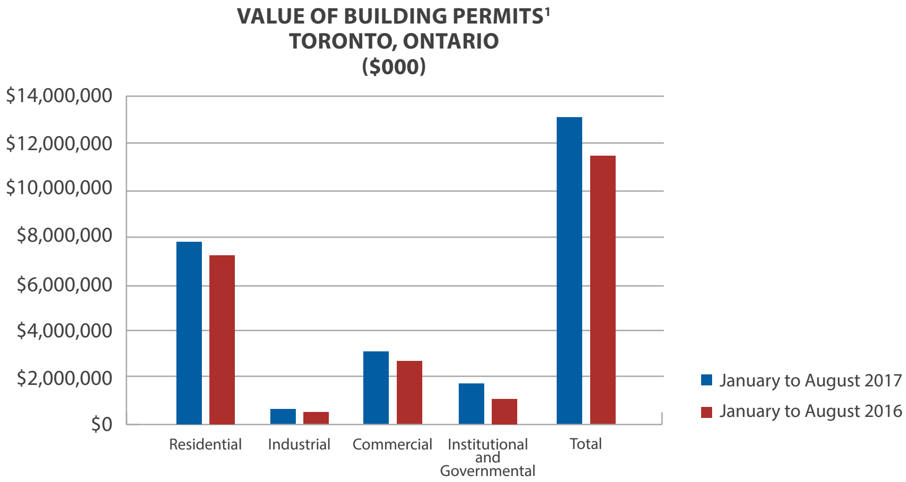
According to Statistics Canada, the overall dollar value of building permits for the City of Toronto increased by over 15% during the period January to August 2017, compared to the same 8-month period in 2016. The biggest change in dollar value came from residential building permits issued (with an increase of $565,106), but percentage-wise, the most significant increase was from institutional and governmental building permits (at 68.03%).

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" August 2017 and August 2016 (Catalogue no. 64-001-X).*

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

	RESIDENTIAL	INDUSTRIAL	COMMERCIAL	INSTITUTIONAL AND GOVERNMENTAL	TOTAL
January to August 2017	$7,743,518	$642,165	$3,060,176	$1,695,080	$13,140,939
January to August 2016	$7,178,412	$594,776	$2,643,037	$1,008,811	$11,425,036
% Change	7.87% 565,106	7.97% 47,389	15.78% 417,139	68.03% 686,269	15.02% 1,715,903



QUESTIONS? COMMENTS?
Please contact:

GARY ABRAHAMSON
416-645-6524
gabrahamson@fullerllp.com

BENNIE ESPOSTO
905-561-2992
besposto@fullerllp.com

PATRICIA HARRIS
416-645-6570
pharris@fullerllp.com

BRIAN JOFFE
416-645-6516
bjoffe@fullerllp.com

MICHAEL STOYAN
416-645-6545
mstoyan@fullerllp.com

ANDY YAP
416-645-6536
ayap@fullerllp.com

MICHAEL KROFCHICK
416-645-6529
mkrofchick@fullerllp.com

ABOUT FULLER LANDAU

Fuller Landau is a leading, mid-sized accounting, tax, and advisory firm with offices in Toronto and Hamilton, and a long-standing reputation for excellence behind our name. We work closely with our clients to build value, protect wealth, and generate sustainable results.

OUR REAL ESTATE AND CONSTRUCTION PRACTICE GROUP

We know that companies within the construction and real estate sector are subject to many challenges ranging from rising material costs to cyclical demand. We have hands-on experience helping construction and real estate-related companies like yours make sense of the business landscape.

FULLER LANDAU LLP

AUDIT
TAX
ADVISORY

FULLER LANDAU LLP
www.fullerllp.com

151 Bloor Street West
12th Floor
Toronto, Ontario
Canada M5S 1S4
416-645-6500

45 Goderich Road
Unit 11
Hamilton, Ontario
Canada L8E 4W8
905-561-2992