

FALL/WINTER 2018

REAL ESTATE AND CONSTRUCTION NEWSLETTER



FULLER
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AUDIT
TAX
ADVISORY

WELCOME TO OUR NEWSLETTER!



IN THIS EDITION

The political landscape across the border continues to make for uncertainty. On November 6, 2018 the Republicans lost control of the House of Representatives but managed to retain control of the Senate. The Trump administration continues to engage in protectionist actions including trade tariff wars with China and deteriorating trade relations with other countries, including Canada. Interest rates continue their slow, gradual climb upwards and stock market volatility is making investors and consumers nervous. Oil prices recently moved downward, and environmentalists continue to block the Keystone Pipeline expansion from Alberta down south to Nebraska.

Our "Road to Success" article features QM Environmental, a Canadian leading environmental service provider offering full decommissioning and integrated solutions to complex projects. They are trained specialists dealing with hazardous contaminants, demolition, remediation and water treatment services to manage emergencies in a timely and safe way. The company puts a premium on safety and takes a hands-on approach to project management. The company is particularly proud of its leadership in many projects in remote parts of Canada's great North and its strong and collaborative partnerships that it has formed with many local indigenous groups. The leadership team sees the company getting stronger one project at a time and focuses on making a robust customer experience.

In an interview with Regan McGee, Founder and CEO of Nobul Corporation, we see how one tech-savvy entrepreneur has managed to develop a consumer-centric on-line real estate model linking customers with agents - essentially a digital matchmaking service in the residential real estate industry. Nobul is bringing education to a marketplace often facing misconceptions and making buyers and sellers, many of which are millennial first-time buyers, more informed. Although the goal is to hone their core business, this entrepreneur dreams big and has an amazing vision around building out other parts of the real estate ecosystem.

For those in our audience that bid on larger infrastructure projects in Ontario, get a head start on planning by ensuring your organization is adopting best practices in your code of ethics and conflict of interest policies. Written and formalized codes are becoming mandatory when bidding on large government projects. As Patricia Harris points out in the article, "Understanding Bidding Requirements for Infrastructure Projects", requests for these qualifications often require the opinion of an Investigative Forensic Accountant. Don't wait until the last minute and potentially miss out on a bidding opportunity as the market can move fast and leave you behind. Be proactive, start the planning process today by ensuring you have the processes and documentation in place in your organization.

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

A handwritten signature in black ink that reads "Mike Stoyan". The signature is fluid and cursive.

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ROAD TO SUCCESS

QM ENVIRONMENTAL

Imagine a former uranium mine in the northern reaches of Canada. It's in a dangerous state of disrepair – the buildings are dilapidated, and the structural integrity is highly compromised. Hazardous materials are rampant throughout the site, and the risk of radiation exposure is perilously high. Toxins have seeped into the surrounding soil and the mine needs to be shut down and remediated. Not exactly a welcoming scene, but it's a challenge for which QM Environmental is well-equipped.

With roots dating back to the 1980s, QM Environmental (formerly known as Quantum Murray) is one of Canada's leading environmental and industrial services providers offering full-service demolition and decommissioning, environmental remediation, emergency response and management, hazardous materials abatement, water treatment, rescue training, and waste management solutions for special and complex projects. Their portfolio of projects includes ports, office buildings, hospitals, airports, schools, public transit facilities, shopping malls, refineries, and abandoned mines like the one described above. QM's mission is to help clients save time and money, manage waste, and reduce their environmental footprint.

Part of QM's competitive advantage is its ability to collaborate with its clients to find the right solution for their specific needs, through a broad range of capabilities and end-to-end specialized services. "QM is really a one-stop shop for customized solutions to manage complex projects and emergencies," explains Justin Sharp, CEO. In all the projects they undertake, QM brings together the expertise of all their divisions to solve the most complex and sensitive challenges, delivering services from a highly skilled and disciplined team.

"As you can imagine, much of our work is time-sensitive and high-risk," says Justin, "so health and safety is an absolute priority. We need every single one of our people to go home safely at the end of their shift." In fact, QM is COR™ (Certificate of Recognition) certified in 7 provinces across Canada by the Canadian Federation of Construction Safety Associations. Certification is granted based on comprehensive health and safety interviews, documentation reviews, and observation of on-site techniques by an external auditor. "Our focus on health and safety underpins everything we do at QM," explains Justin. "It's ingrained in our culture and we consider it both a moral and operational imperative."

Justin isn't a typical CEO. He was hired by QM in 2017 to take the company to the next level by driving value, executing on existing projects, and focusing on performance. "I am very hands-on, and in the trenches," he says. "I spend a lot of my time understanding individual projects, talking directly to project managers, and supporting the operational team. As time goes on, and we are certain that every client is completely satisfied, my focus will naturally expand to include more strategic development in our rapidly evolving industry."

These efforts seem to be paying off for the company. QM Environmental recently announced that they've been awarded a \$17M contract by Transport Canada for a remediation project in British Columbia. "Through a joint venture with a heavy civil and marine construction firm in B.C., we've been hired to facilitate the complete removal of contaminants from Laurel Point Park in the Middle Harbour of Victoria," explains Justin. Laurel Point Park is a former industrial site used to manufacture paint. The surrounding soil has become filled with pollutants that may leak into the harbour ecosystem. "Our team of experts is well-versed in providing environmental clean-up services and sustainable solutions while protecting the local wildlife."





And that's really just the tip of the iceberg. QM Environmental has been involved in some of the most significant remediation projects in Canadian history, one of which was the \$60M clean-up of a former coal gasification plant where toxic coal tar had seeped into the soil, groundwater, and harbour sediments for over 150 years. "We specialize in providing integrated solutions to complex projects, often engaging multiple divisions within our business to get the job done," says Justin. A mine closure, for example, would require demolition, hazardous materials abatement, soil remediation, waste management, and site closure services. "It's a huge benefit to our customers to have all of these services available to them from a single contractor. It's a much more efficient process for everyone involved."

With more than 500 employees and offices across the country, QM's sweet spot is complex, multi-trade, logistics-driven projects (often in remote areas) that other companies can't or won't do. Many of those projects are in the deep north of Canada, and QM Environmental partners and collaborates often with local Indigenous groups. "Everyone benefits from this type of partnership," explains Justin.

"We put a strong emphasis on training and community development. And when Indigenous involvement is mandated on a particular project, we always go above and beyond." In fact, QM has trained over 750 Indigenous peoples, many of whom have been subsequently hired by the company. In addition to QM's commitment and dedication to Indigenous relations and health and safety, the company has earned notable achievements and recognition including its repeat listing on On-Site Magazine's Top 40 Canadian Contractors and Engineering News-Record's Top 200 Environmental Firms, both leading research publications that identify top contractors ranked by revenue.

QM Environmental is a shining example of a true Canadian success story. So, what's next for the company? "We're going to continue refining our core services, but we've always got our eye on new markets and ancillary solutions to make the customer experience even more robust," says Justin. We look forward to seeing what's in store for QM, over the years to come!

**TO LEARN MORE ABOUT QM ENVIRONMENTAL,
CHECK THEM OUT ONLINE AT WWW.QMENV.COM.**

DISRUPTION IN REAL ESTATE: HOW TECHNOLOGY IS CHANGING THE GAME

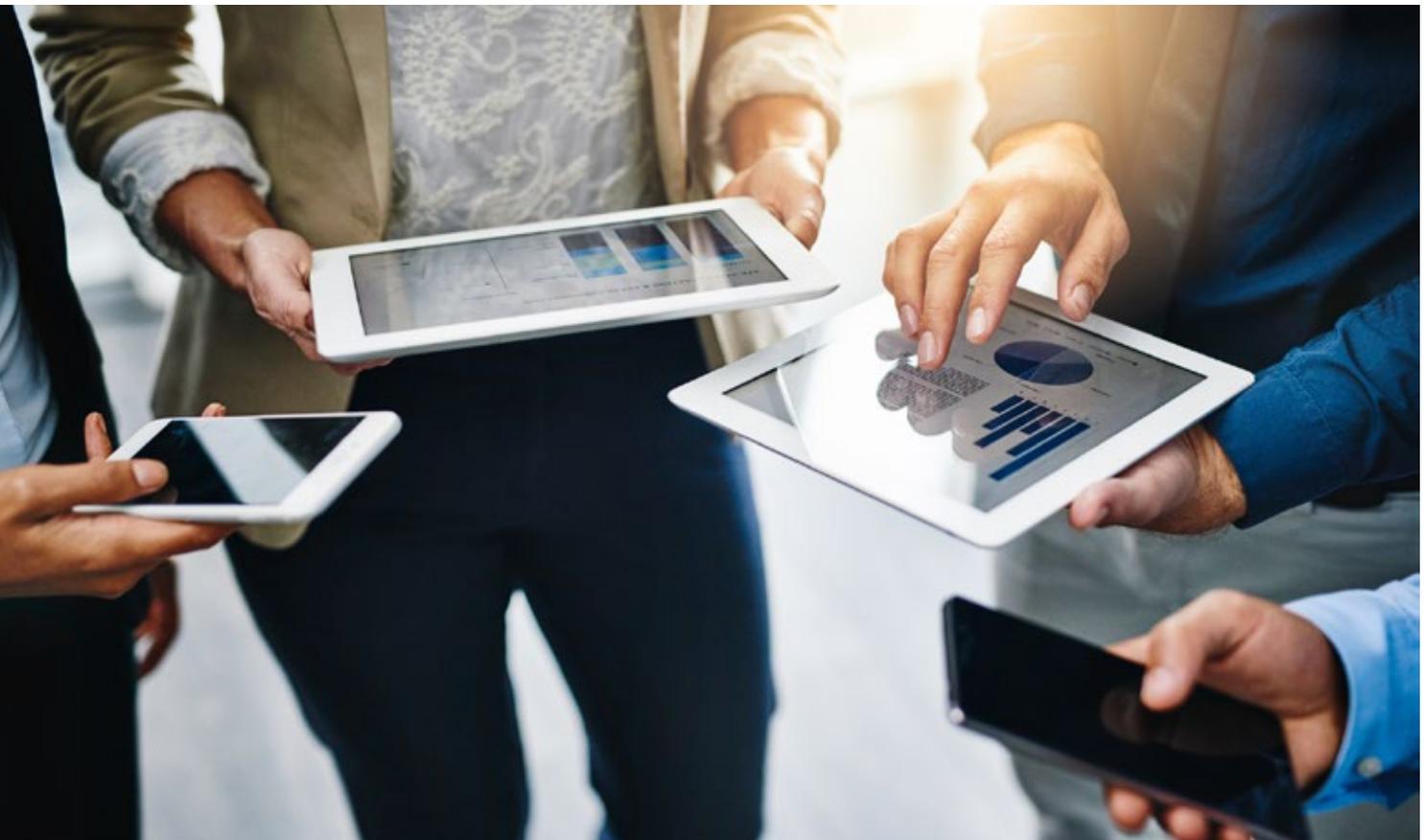
Let's face it - the real estate industry isn't exactly known for cutting-edge innovation and game-changing advances. In fact, the process of buying and selling real property has remained pretty much unchanged for the past 100 years and more. But one company, in particular, is using technology to disrupt the status quo.

Nobul Corporation is, at its core, a digital matchmaking service that connects buyers and sellers with qualified real estate agents through an online platform. We sat down with Regan McGee, Founder and CEO/Chairman of Nobul to learn more.

Fuller Landau (FL): So, how does it work? What exactly does Nobul do?

Regan McGee (RM): We're a consumer-centric, online real estate platform where agents compete for buyers and sellers based on their service offering, fees, ratings, and reviews. The service is free for consumers, while agents pay a referral fee following a successful transaction. We offer full transparency, accountability, and simplicity in the process, which just didn't exist before. Of course, the concept of digital matchmaking is not new. It has disrupted many industries – just look at uber, Airbnb, and Amazon.

We also provide education to both agents and consumers. The real estate process can be overwhelming, especially for first-timers, and there is a lot of misinformation out there. We've demystified a lot of common misconceptions and make the buying and selling experience easier for everyone involved.



FL: Who are your customers?

RM: As would be expected with a digital platform, most of our customers for the time being are millennials who are buying property for the first time. They have no pre-existing relationship with an agent and are already accustomed to online matchmaking services like uber and Tinder. We currently have a 9:1 ratio of buyers vs. sellers, and the average transaction price on Nobul is \$619K.

FL: You bring an interesting blend of technology and real estate expertise to the table. What is your background, and how did it set the stage for Nobul?

RM: I've always had a bit of a tech bent, as I was fortunate to go to schools as a child where coding was a part of the curriculum. In fact, my first introduction to coding was at the age of 8. I hated it at the time, but in hindsight, it was the best thing for me. It really shaped my life. During university, I worked in the investment business, and after school, I continued to work in the investment business on the real estate side. I got my own real estate license about 10 years ago – it didn't make sense to pay agents when I could do everything myself. I brokered my own deals through my own company at the time, McGee Capital. When I got my license, I approached the real estate industry from a unique perspective, thanks to my tech background.

A couple of years into my career, the Competition Bureau in Canada sued real estate agents around price fixing. At the same time, the US applied anti-trust laws. There was a massive public outcry against the industry and it wasn't lost on me. In 2016, e-signatures finally became legally binding - yes, the real estate industry has always lagged behind other industries. I saw an opportunity to do something special. The online matchmaking model has already been proven in other industries, but nobody had really figured out how to do it in real estate. As an industry insider, I saw how it could work. My technology background, combined with industry expertise and business experience, paved the way.

FL: The company is proving to be a great Canadian success story, but what has been your biggest challenge, so far?

RM: Raising capital in Canada can be very difficult. If it wasn't for my track record and experience, it wouldn't have been possible. I've actually seen a lot of great business ideas that can't get funding. In Canada, if you're not in the oil and gas or cannabis industries, you're going to have a hard time. Approximately 85% of our shareholders are involved in the real estate industry. They get it.

FL: The company has grown by leaps and bounds in two short years. How big is Nobul and where do you operate?

RM: Our focus, for now, is on North America. We currently have 44 employees in Canada and 4 in the US, and we recently opened an office in India with a team of 11. We're a brokerage in Ontario but can operate across Canada. We're also set up in Florida and Georgia, with offices opening shortly in Texas, California, and Ohio. We expect to be across all of Canada and the US within a year. Just like a true tech company, we can scale very easily and cost effectively.

FL: So, what's next?

RM: Although we currently operate solely in the residential resale market, we're building an entire ecosystem – an end-to-end hub for real estate, providing mortgages, titles, contracts, etc. The business can expand to new construction, pre-construction, and commercial real estate, but we had to start somewhere. We're not trying to boil the ocean. For now, we're honing our core business before expanding to other parts of the industry.

**TO LEARN MORE ABOUT NOBUL,
VISIT WWW.NOBUL.COM.**



**REGAN MCGEE,
FOUNDER AND CEO OF NOBUL CORPORATION**

UNDERSTANDING BIDDING REQUIREMENTS FOR INFRASTRUCTURE PROJECTS

As a leader in a construction company that actively bids and works on larger infrastructure projects, you will likely be required to provide signed certification in response to future Requests for Qualifications (RFQs) to confirm that you have effective policies in place regarding conflicts of interest and ethical bidding practices.

In such cases, you will be required to engage the services of a financial services firm that will prepare an Accounting Firm Letter on your behalf (e.g. as may be required by Infrastructure Ontario), and an expert report prepared in accordance with standard practices for Investigative and Forensic Accounting engagements.

Specifically, an Investigative Forensic Accountant (IFA) will assess your Code of Ethics and Conflicts of Interest Practices to provide an opinion on whether:

1. Your company has designed appropriate internal policies, processes and controls establishing ethical standards for its bidding practices (including reporting on conflicts of interest); and
2. The policies, processes and controls, if correctly implemented and consistently followed, are designed to provide protection against unethical bidding practices, including failures to disclose conflicts of interest.

BEST PRACTICES FOR YOUR CODE OF ETHICS AND CONFLICTS OF INTEREST PRACTICES

A formalized, written, and robust Code of Ethics and Conflicts of Interest Practices are essential when bidding on larger infrastructure projects and should contain the following general and best practices:

1. Ethics and Conflict of Interest policies must be compliant with applicable legislation;
2. Code of Ethics and Conflicts of Interest Practices should explicitly prohibit any payments or activities that would be considered unethical and not in the best interest of the company;
3. Employees should avoid any situation that may either be perceived or represent a conflict between their professional responsibilities and their personal interests;
4. Code of Ethics and Conflicts of Interest Practices should apply to all individuals either working for (e.g. employees, contractors) or managing (e.g. officers, directors) the company;
5. Rules for gifts to government officials and third parties and the acceptance of gifts by employees should be clearly defined and properly documented;
6. Rules related to political contributions should be clearly stated and documented; and
7. Employees should be required to report all issues, potential violations and complaints to designated persons without fear of reprisal.



The IFA that you engage to prepare an Accounting Firm Letter and expert report will review your policy for these elements. In addition, the IFA will conduct interviews with owners, financial executives, and key bidding staff. S/he will also review your company's internal documentation.

As noted above, the Accounting Firm Letter provides the IFA's opinion that your company's code exists and would be effective if correctly implemented and consistently followed. Hiring an expert with experience in these matters ensures a smooth and effective certification process so you can respond in a timely manner to your RFQ.



BY PATRICIA HARRIS,
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FAST FACTS, TRENDS AND RECENT NEWS

RESIDENTIAL

In October 2018, the Toronto Real Estate Board (TREB) reported year-over-year increases in average sale prices for all types of residential homes. Overall, this represents a similar change to last October, when average sales prices for all types of residential homes had increased from the year before.

RESIDENTIAL HOME SALES TRENDS¹ YEAR-OVER YEAR SUMMARY FOR THE MONTH OF OCTOBER

AVERAGE PRICE				NUMBER OF SALES		
	2018	2017	% CHANGE	2018	2017	% CHANGE
DETACHED						
City of Toronto	\$1,311,265	\$1,287,765	1.8%	882	812	8.6%
All TREB Regions ²	\$1,019,416	\$1,008,207	1.1%	3328	3135	6.2%
SEMI-DETACHED						
City of Toronto	\$1,026,829	\$948,309	8.3%	331	284	16.5%
All TREB Regions ²	\$816,657	\$764,293	6.9%	774	694	11.5%
ATTACHED/ROW/TOWNHOUSE						
City of Toronto	\$766,718	\$742,845	3.2%	272	284	-4.2%
All TREB Regions ²	\$655,777	\$629,507	4.2%	1154	1151	0.3%
CONDOS						
City of Toronto	\$603,153	\$555,004	8.7%	1519	1485	2.3%
All TREB Regions ²	\$562,523	\$523,041	7.5%	2127	2025	5.0%
ALL HOME TYPES³						
City of Toronto	\$869,870	\$818,201	6.3%	3031	2885	5.1%
All TREB Regions ²	\$807,340	\$780,104	3.5%	7492	7118	5.3%

¹ Source: Toronto Real Estate Board Market Watch October 2018 and October 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 TYPE¹ - ALL TREB REGIONS² - OCTOBER 31ST YEAR-TO-DATE

TREB also reports data on the number of sales by housing type and price range. Of noteworthy mention is the sharp increase in number of sales for detached and semi-detached for homes valued between \$700,000 and \$1,500,000. This is in stark contrast to the decrease in number of sales for condos for the same range.

PRICE RANGE	DETACHED			SEMI-DETACHED			ATTACHED/ROW/TOWN			CONDO		
	2018	2017	% CHANGE	2018	2017	% CHANGE	2018	2017	% CHANGE	2018	2017	% CHANGE
\$0 to \$99,999												
\$100,000 to \$199,999	2	5	-60.0%	-	-	100.0%	-	-	0.0%	3	2	50.0%
\$200,000 to \$299,999	14	19	-26.3%	1	-	-	-	-	-	8	16	-50.0%
\$300,000 to \$399,999	64	73	-12.3%	17	14	21.4%	6	14	-57.1%	68	70	-2.9%
\$400,000 to \$499,999	145	175	-17.1%	34	36	-5.6%	47	71	-33.8%	139	162	-14.2%
\$500,000 to \$599,999	277	279	-0.7%	70	125	-44.0%	141	172	-18.0%	131	137	-4.4%
\$600,000 to \$699,999	417	409	2.0%	210	203	3.4%	186	141	31.9%	83	63	31.7%
\$700,000 to \$799,999	486	439	10.7%	194	118	64.4%	110	82	34.1%	28	33	-15.2%
\$800,000 to \$899,999	452	402	12.4%	77	69	11.6%	67	46	45.7%	12	13	-7.7%
\$900,000 to \$999,999	342	276	17.4%	47	40	17.5%	33	44	-25.0%	14	6	133.3%
\$1,000,000 to \$1,249,999	455	435	4.6%	54	43	25.6%	34	30	13/3%	8	13	-38.5%
\$1,250,000 to \$1,499,999	279	229	21.8%	41	27	51.9%	14	17	-17.6%	4	6	-33.3%
\$1,500,000 to \$1,749,999	137	127	7.9%	12	11	9.1%	5	5	0.0%	2	3	-33.3%
\$1,750,000 to \$1,999,999	74	81	-8.6%	5	1	400.0%	2	1	100.0%	1	2	-50.0%
\$2,000,000 +	202	186	8.6%	12	7	71.4%	3	1	200.0%	5	1	400.0%

¹ Source: Toronto Real Estate Board Market Watch October 2018 and October 2017.

² All TREB regions include Halton, Peel, York, Durham, Dufferin, Simcoe and Toronto.

ECONOMIC INDICATORS		
	2018	2017
Q2 Real GDP Growth	2.9%	4.5%
Toronto Employment Growth		
As at October 31	0.6%	2.4%
Toronto Unemployment Rate		
As at October 31	6.1%	6.1%
Inflation (Yr/Yr CPI Growth)		
As at September 30	2.8%	1.6%
Bank of Canada Overnight Rate		
As at October 31	1.75%	1.00%
Prime Rate		
As at October 31	3.95%	3.20%
Chartered Bank Fixed Mortgage Rates		
1 Year	3.64%	3.24%
3 Year	4.29%	3.64%
5 Year	5.34%	4.99%

Source: Toronto Real Estate Board Market Watch October 2018 and October 2017.



BUILDING PERMITS

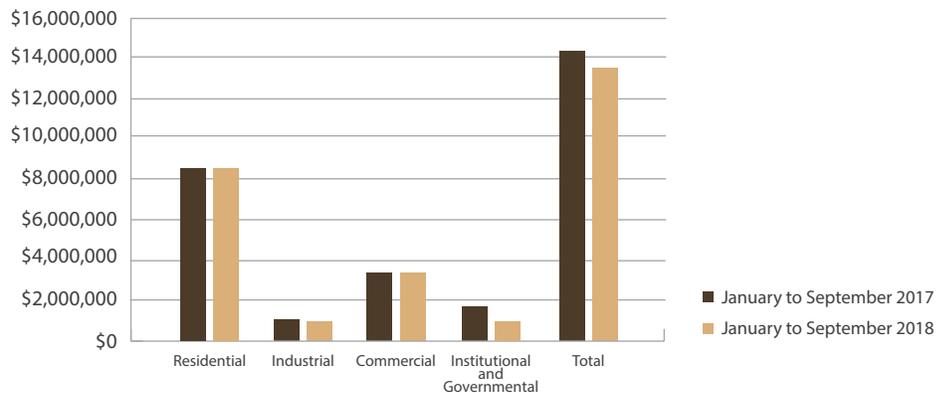
According to Statistics Canada, the overall dollar value of building permits for the City of Toronto decreased by almost 6% during the period January to September 2018, compared to the same 9-month period in 2017. The most significant decrease came from institutional and governmental building permits (at an astonishing -42.61%). It is interesting to note that the number of residential building permits decreased by 0.39%, similar to September of 2017, which decreased by 0.17% year-over-year for residential permits.

Source: Statistics Canada - CANSIM table 026-0021 Building Permits

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

	RESIDENTIAL	INDUSTRIAL	COMMERCIAL	INSTITUTIONAL AND GOVERNMENTAL	TOTAL
January to September 2017	\$8,511,073	\$912,327	\$3,319,659	\$1,608,298	\$14,351,357
January to September 2018	\$8,478,086	\$872,139	\$3,280,338	\$923,000	\$13,553,563
% change	-0.39% (\$32,987)	-4.40% (\$40,188)	-1.18% (\$39,321)	-42.62% (\$685,298)	-5.56% (\$797,794)

VALUE OF BUILDING PERMITS' TORONTO, ONTARIO (\$'000)





QUESTIONS? COMMENTS?

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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, shortage of skilled labour, and shifts in the economy to name a few. The Fuller Landau team has hands-on experience providing practical insight and value-added service to companies just like yours.



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