



AltusGroup

Markham: Recent Development Trends and Short-Term Outlook

September 24, 2019

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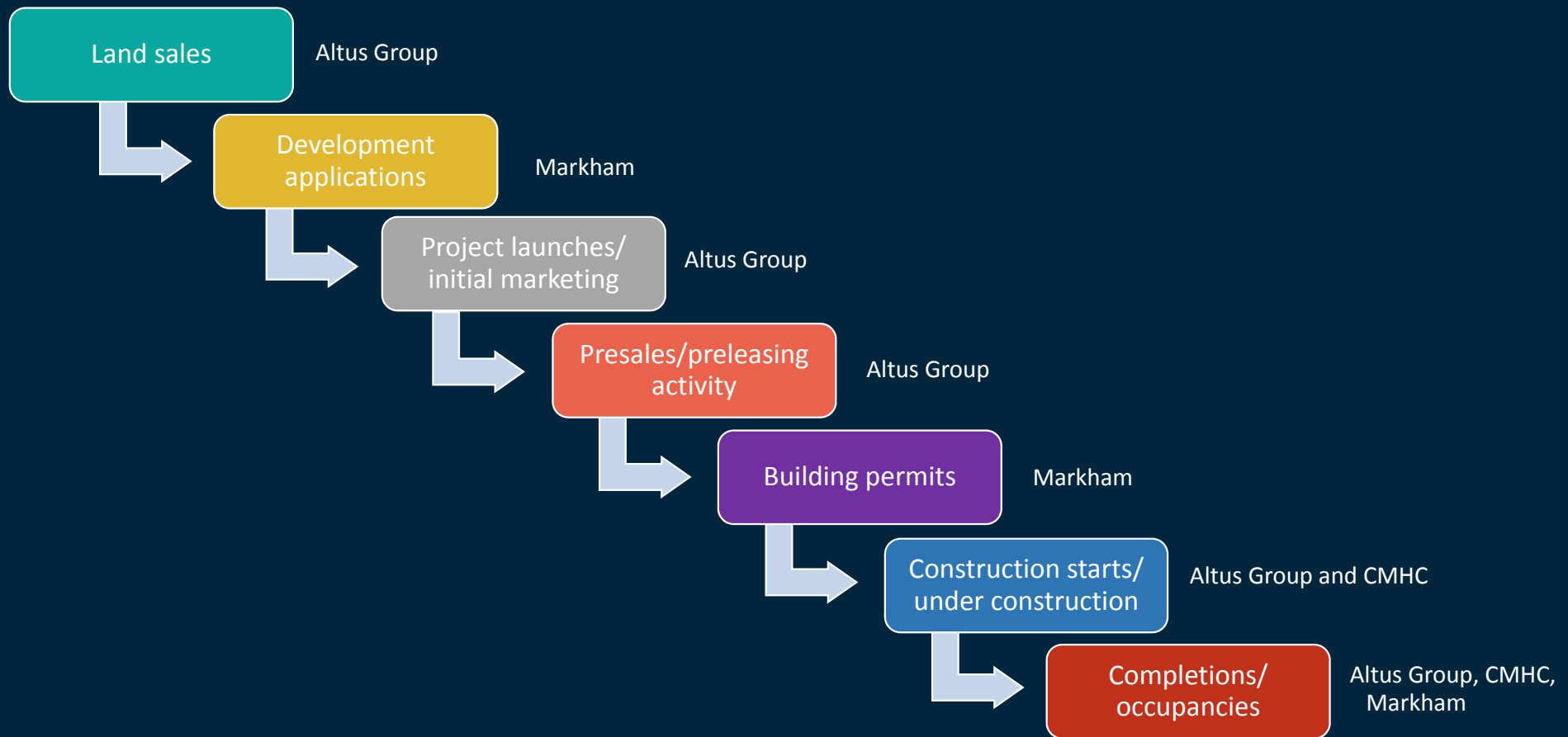
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Presentation sections

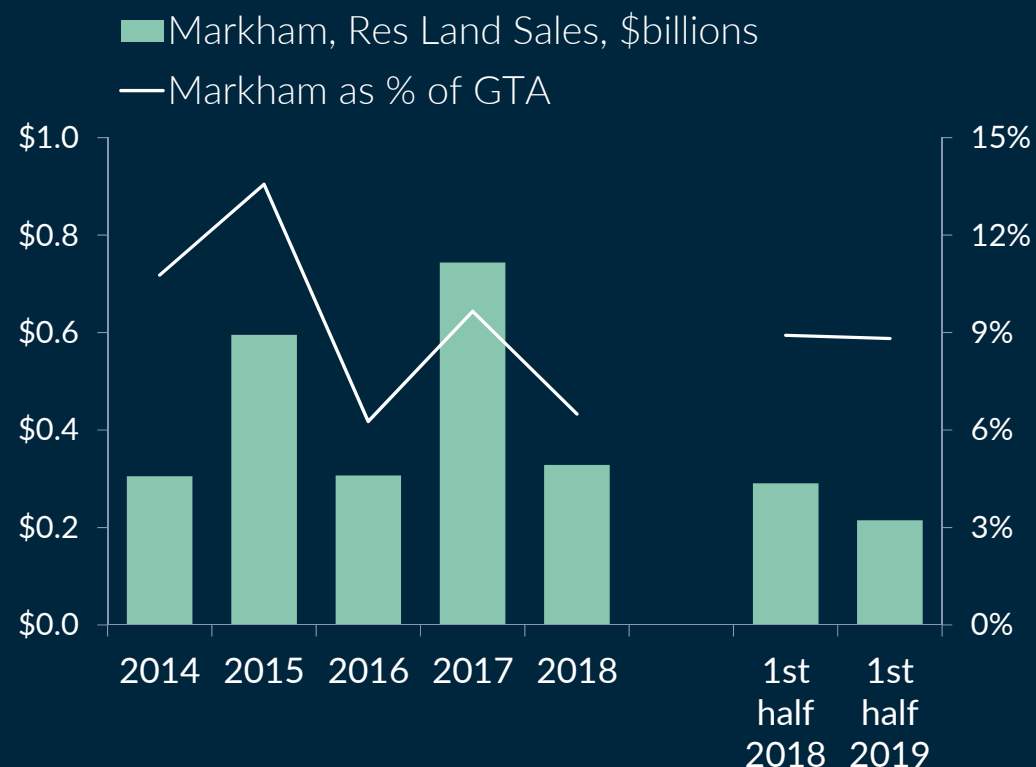
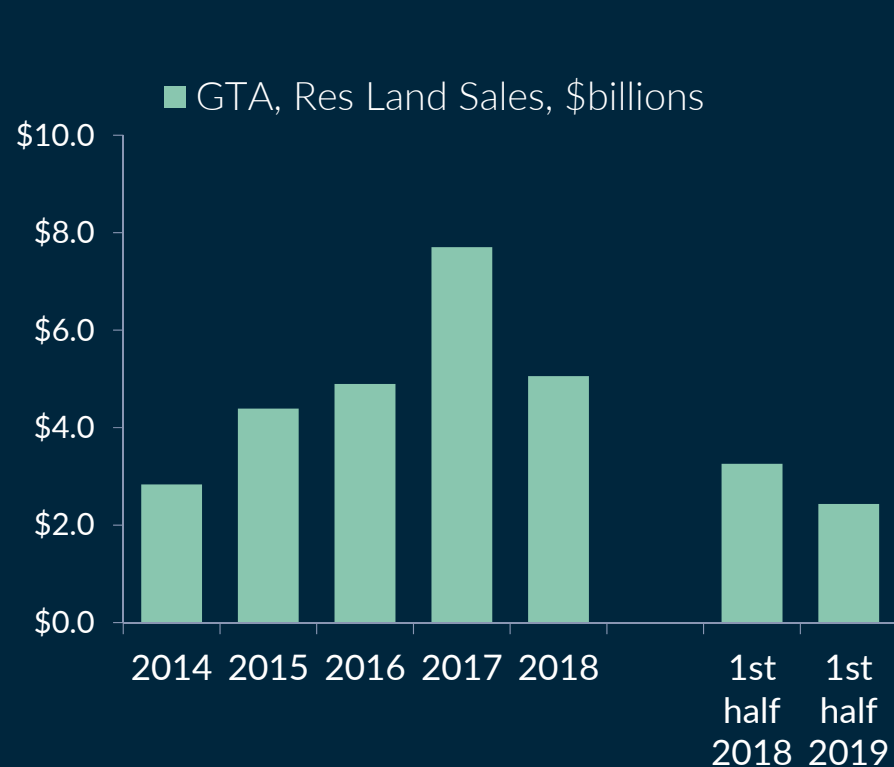
- How is Markham doing within the GTA-wide context?
- What are some of the key factors that will shape short-term development activity over the next 4 ½ years?
- What are the likely high-level trends in key development activities through 2023?

Current Data at One Stage of Activity Can Help Us Understand Potential Future Activity Levels at Later Stages



How is Markham doing within the GTA-wide context?

NEW HOMES | Residential Land Sales Take a Bit of A Breather

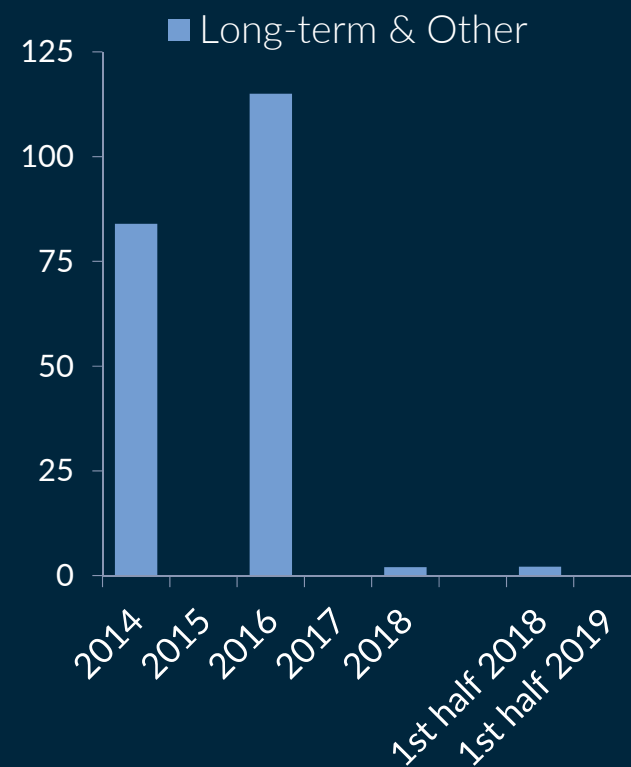
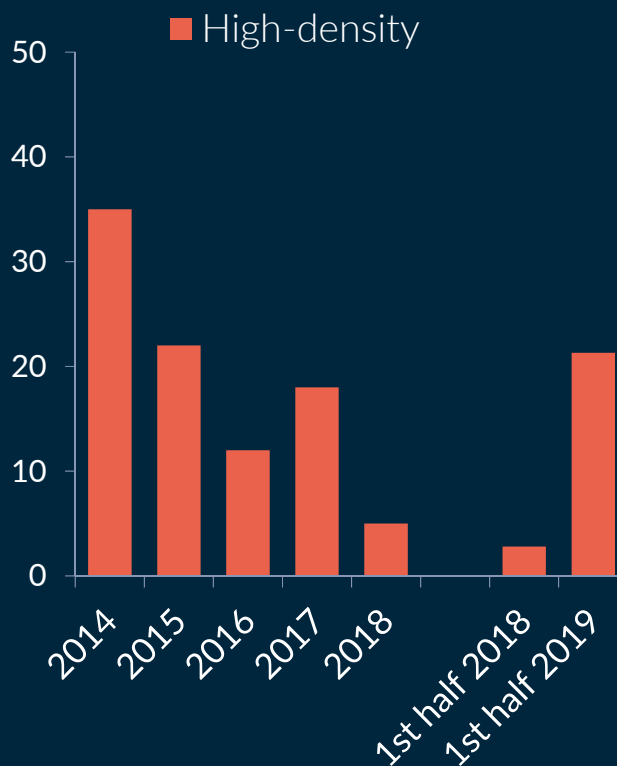
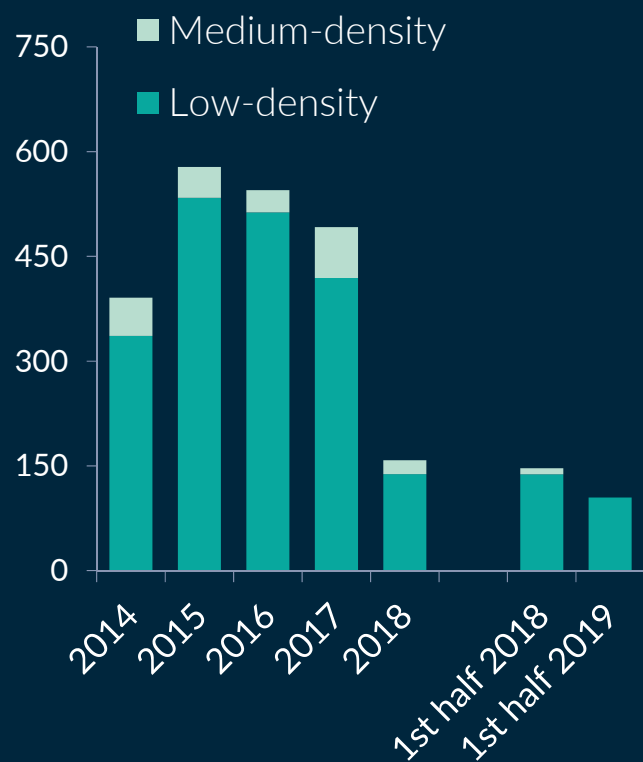


Source: Altus Group

NEW HOMES | Amount of Markham Residential Land Trading Down Last Year for All Densities

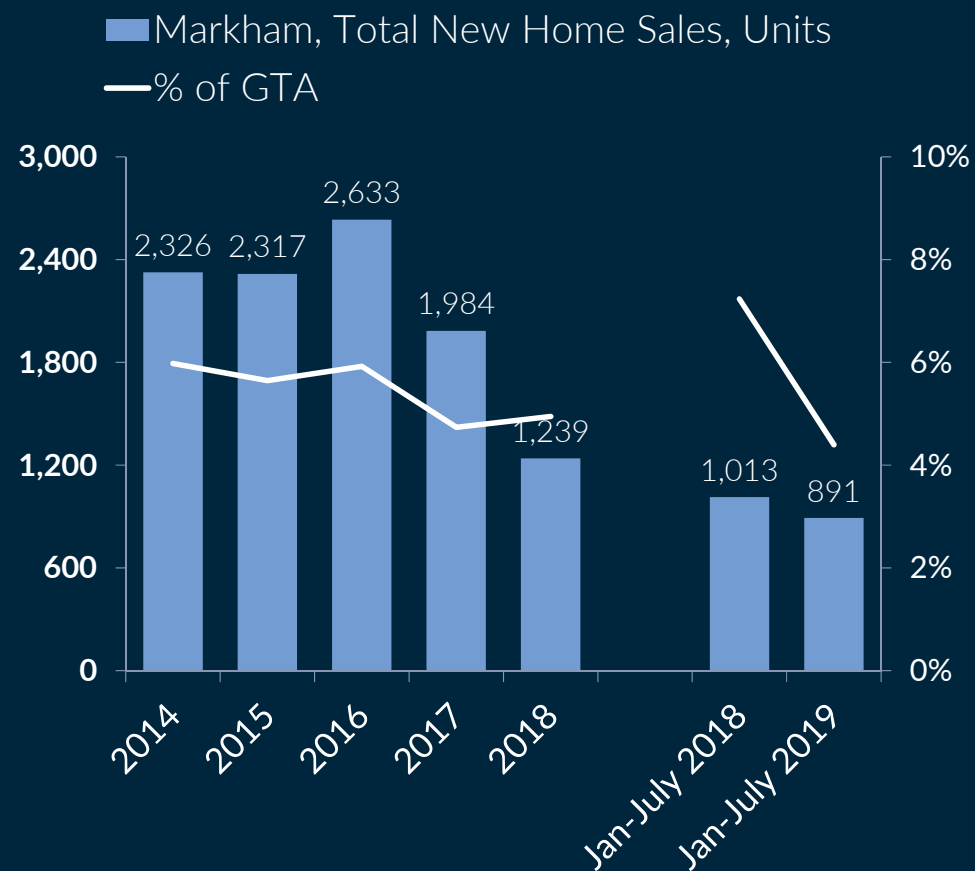
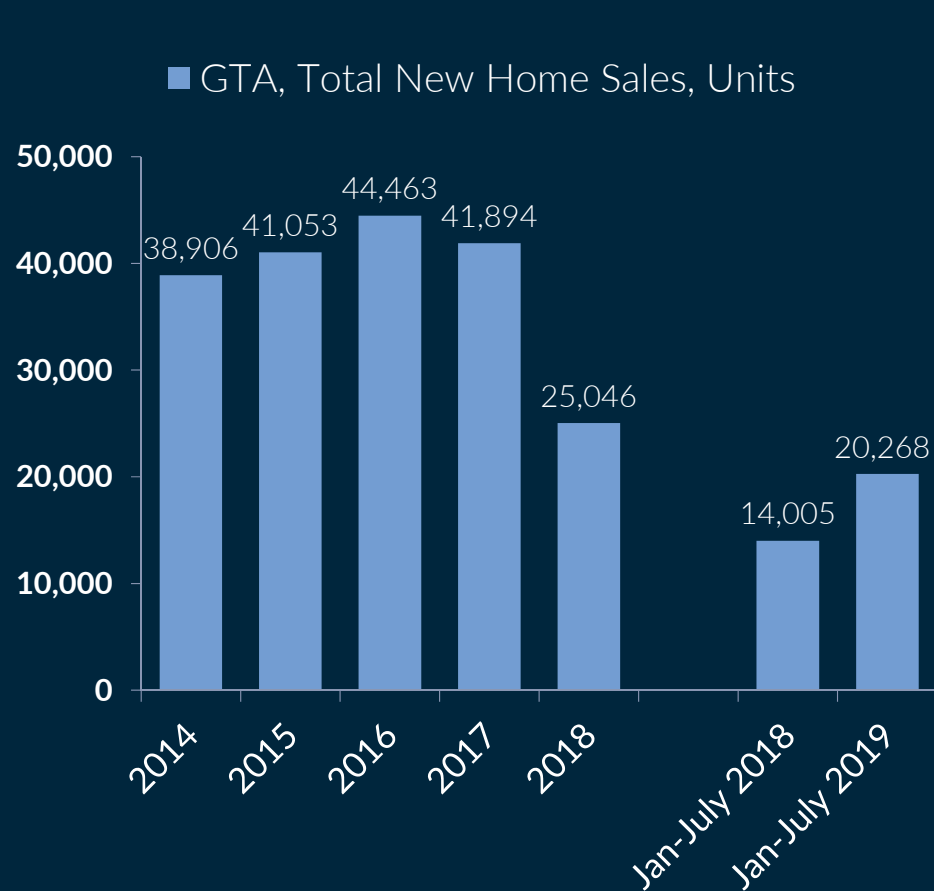


Residential Land Sales by Density, Acres, Markham



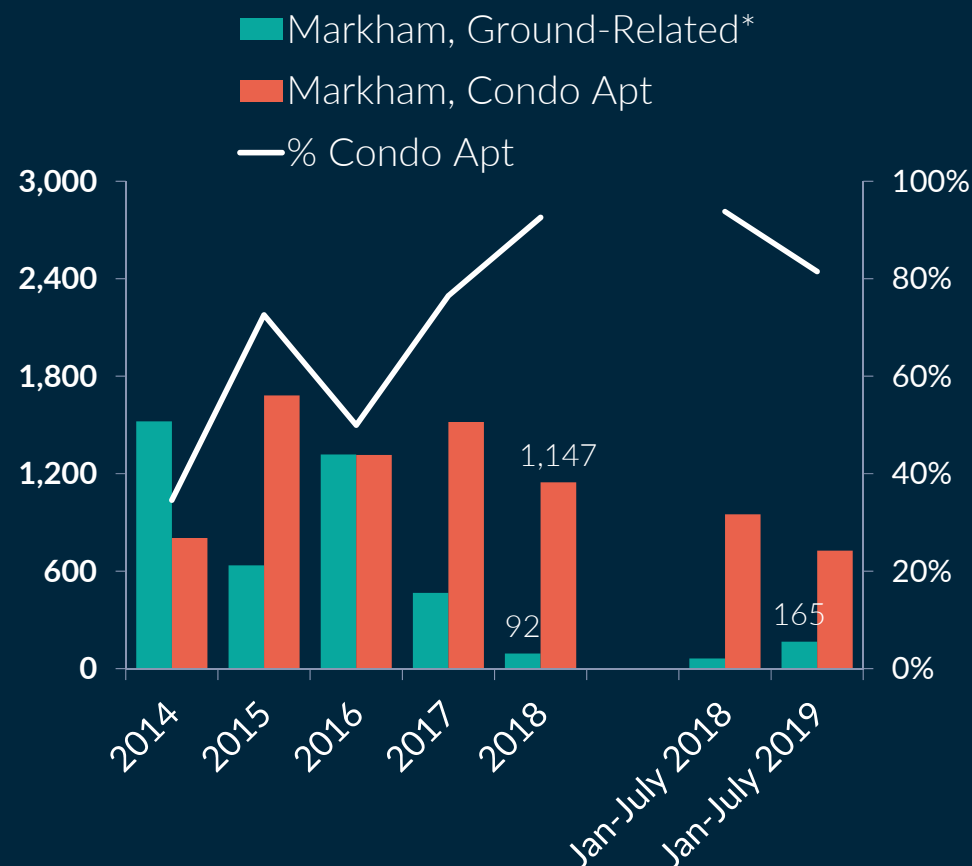
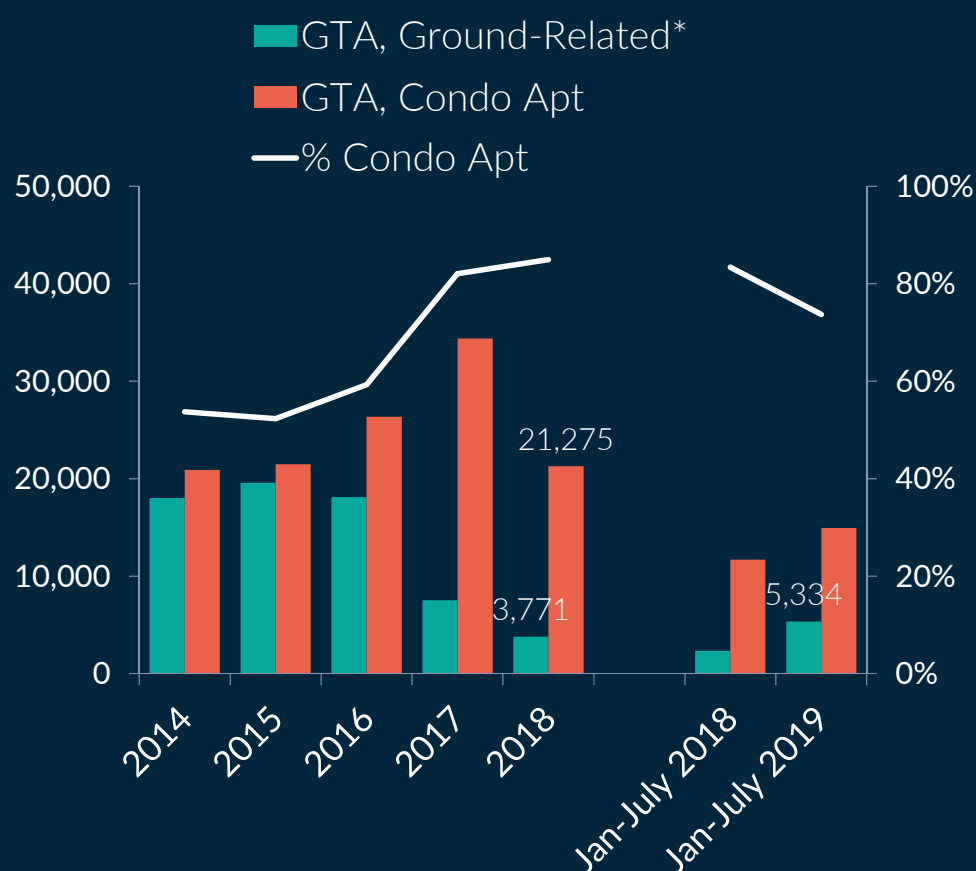
Source: Altus Group

NEW HOMES | Total New Home Sales Have Revived



Source: Altus Group

NEW HOMES | Markham Ground-Related New Home Sales Already Ahead of Last Year – But Still Relatively Low



Source: Altus Group

* Ground-related includes single-detached, semi-detached and townhouse units

NEW HOMES | Housing Starts Follow New Home Sales with a Lag – So Remained Elevated Last Year



■ GTA, Ground-Related Starts *

■ GTA, Apartment Starts

■ GTA, Total Starts



■ Markham, Ground-Related Starts *

■ Markham, Apartment Starts

■ Markham, Total Starts

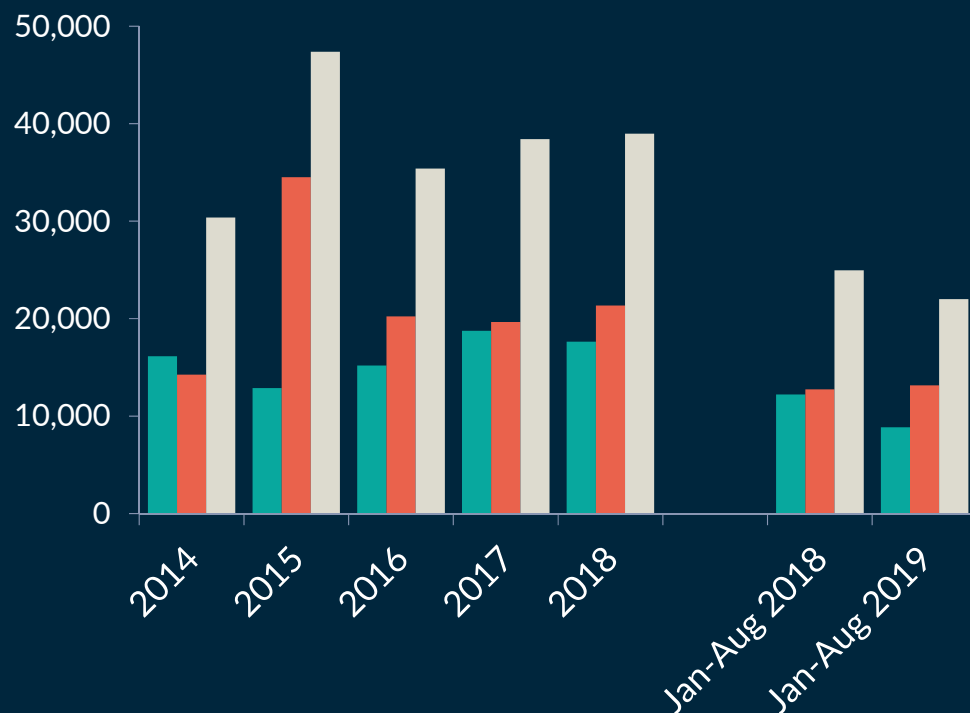


Source: Altus Group based on CMHC data

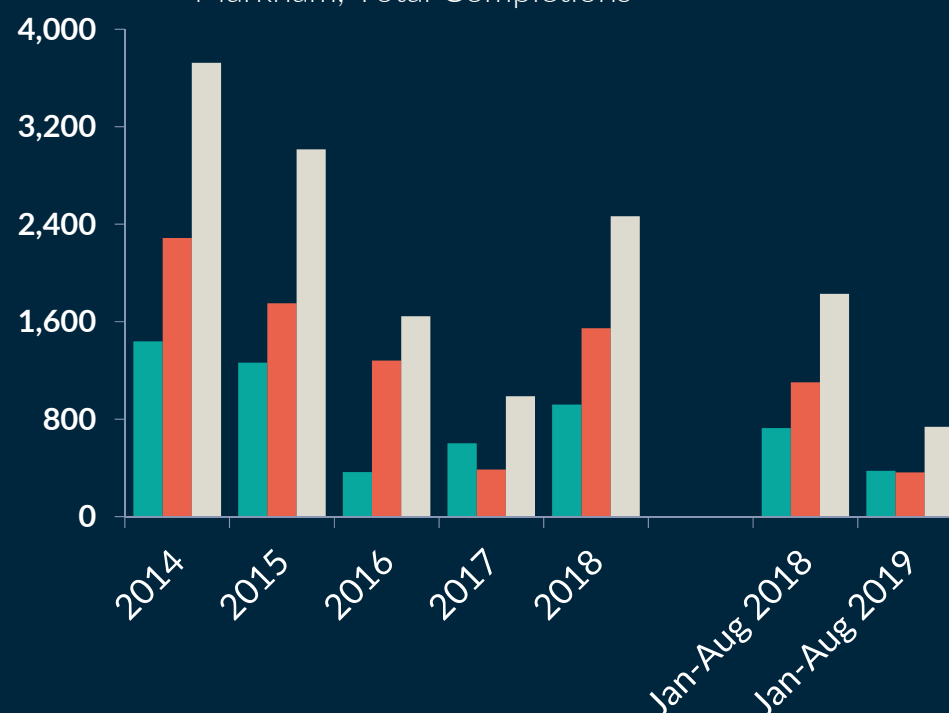
* Ground-related includes single-detached, semi-detached and townhouse units

NEW HOMES | Likewise, Completions Follow Starts with a Lag – But Patterns Can be Choppy

■ GTA, Ground-Related Completions*
■ GTA, Apartment Completions
■ GTA, Total Completions



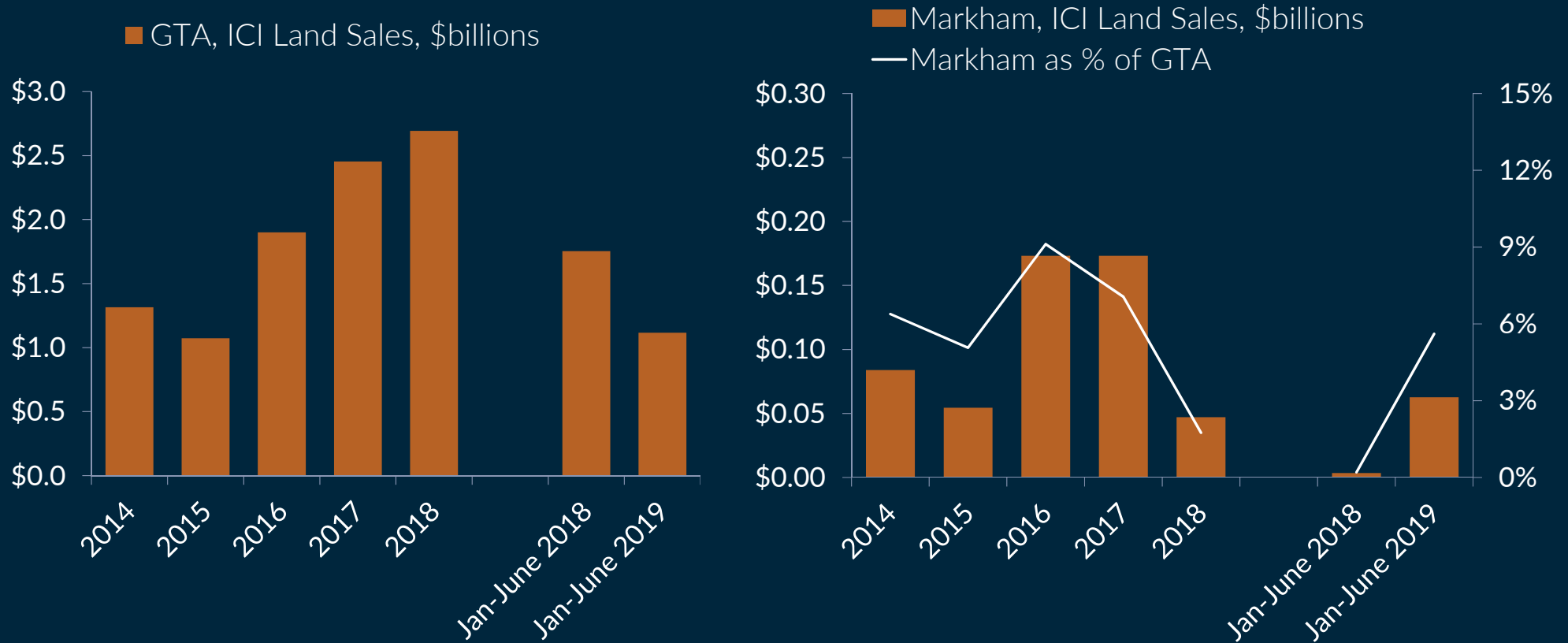
■ Markham, Ground-Related Completions*
■ Markham, Apartment Completions
■ Markham, Total Completions



Source: Altus Group based on CMHC data

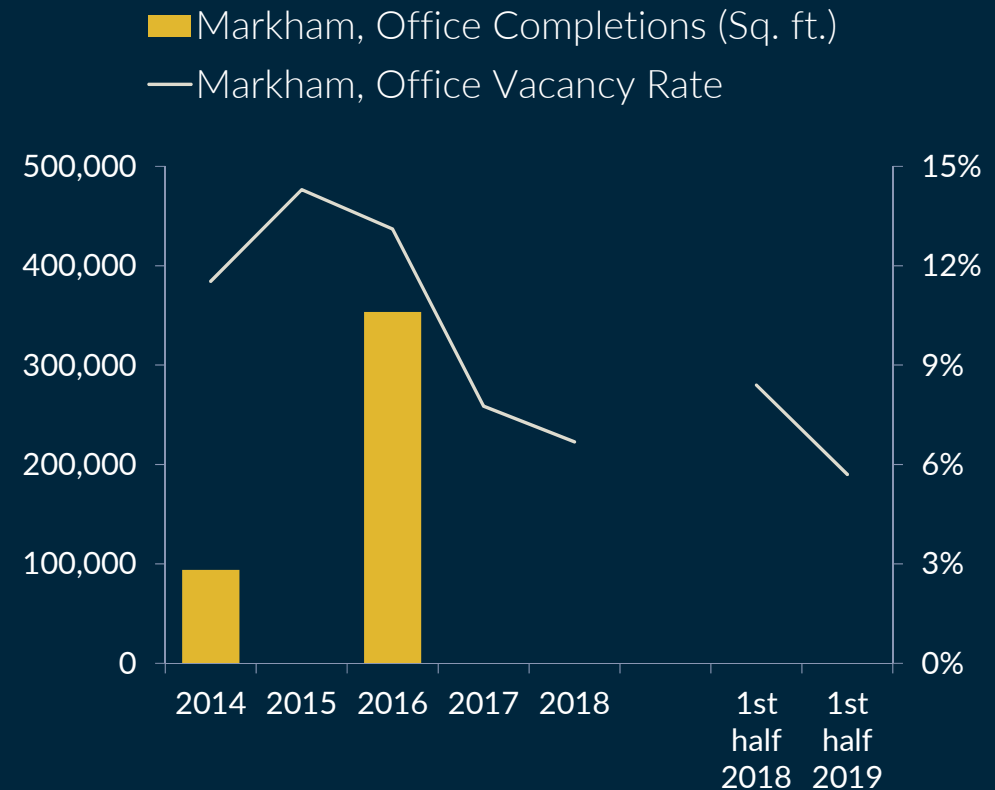
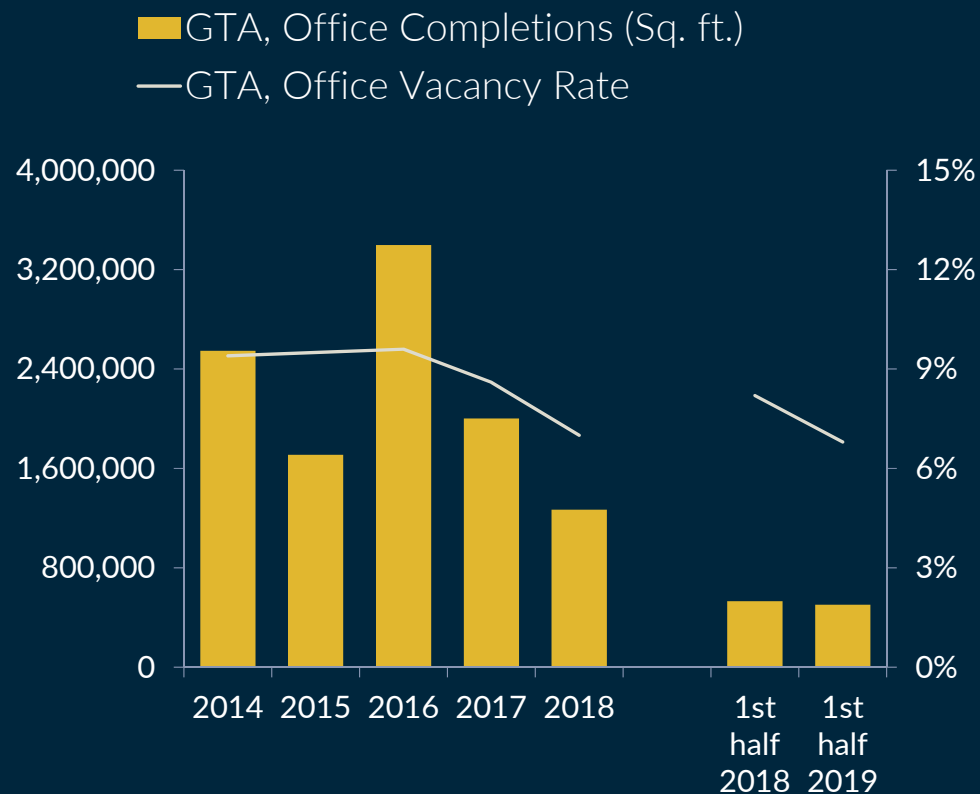
* Ground-related includes single-detached, semi-detached and townhouse units

ICI Non-Residential Land Sales Up This Year in Markham



Source: Altus Group

ICI | Office Vacancy Rates Declining – for Now



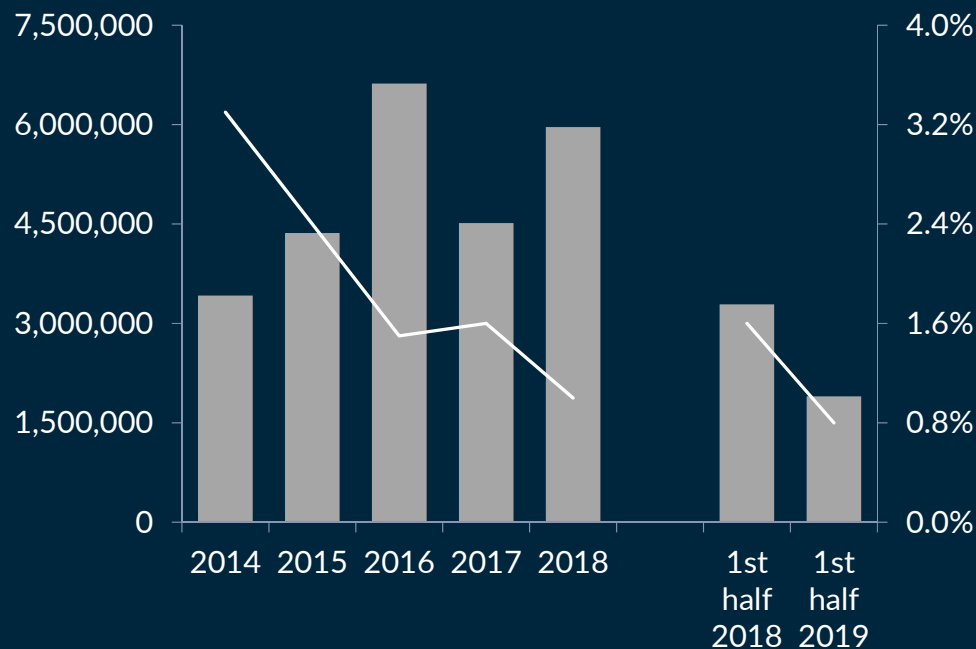
Source: Altus Group

ICI| Not Enough Industrial/Warehouse Space Being Built



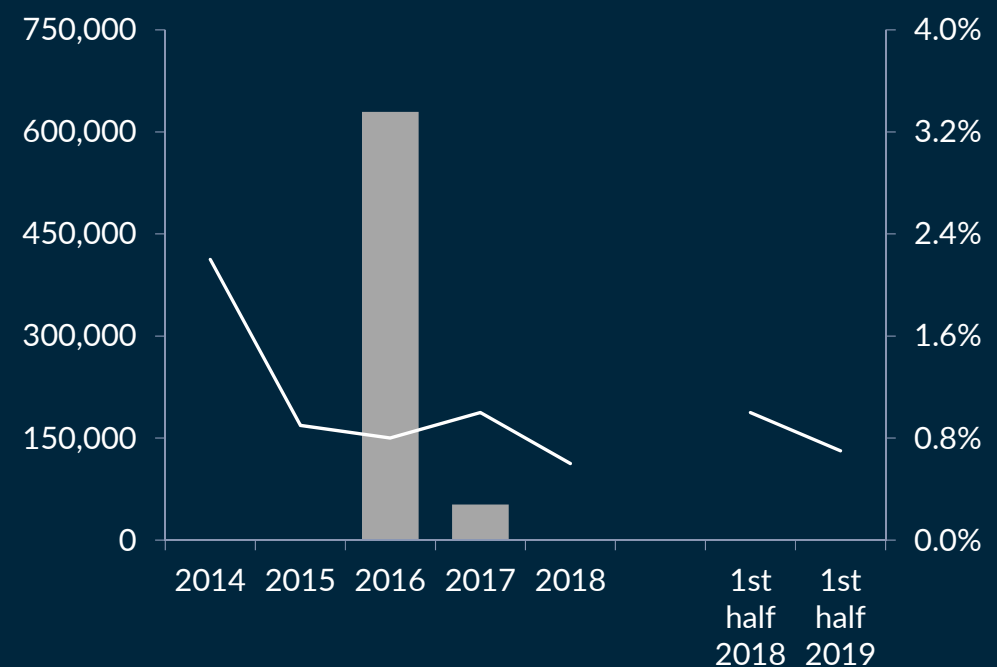
■ GTA, Industrial/Warehouse Completions (Sq. ft.)

— GTA, Industrial/Warehouse Vacancy Rate



■ Markham, Industrial/Warehouse Completions (Sq. ft.)

— Markham, Industrial/Warehouse Vacancy Rate



Source: Altus Group

What are some of the key factors that will shape short-term development activity over the next 4 ½ years?

Selected Big Picture Factors

Factor

Potential Impact

- | | |
|--|---|
| ■ Global economic and geopolitical outlook | ■ Downside risks for Canadian economic growth, but low interest rate environment |
| ■ Federal election outcome | ■ If change of gov't – promised housing incentives don't go ahead; any replacement ones likely longer to implement |
| ■ Foreign investors | ■ Need to distinguish immigrant investors (continued strong presence) vs. off-shore investors (which are a smaller role, and more at risk) |
| ■ Mortgage stress tests | ■ Delaying impact on demand largely worked through now – pent-up demand starting to be released |
| ■ Mortgage rates | ■ Effective rates very favourable and potential for declines in posted rates in short term (helps income qualification hurdles for mortgages) |

Selected GTA-Wide Factors

Factor

- Local economy
- Immigrant magnet
- Changes to provincial planning legislation and policies (including Bill 108)
- Housing affordability
- Low industrial/warehouse and office vacancy rates

Potential Impact

- Expected to stay relatively strong – supporting space needs
- Recent high levels will still have spillover impacts next few years - beneficial for owner-occupant as well as investor activity
- Early days and not enough known yet as to how it will actually shake out in terms of some of the intended goals
- On-going issue, not going away – both cost/supply side and demand side pressures playing a role
- More space needed throughout most of the GTA

Selected Markham Specific Factors

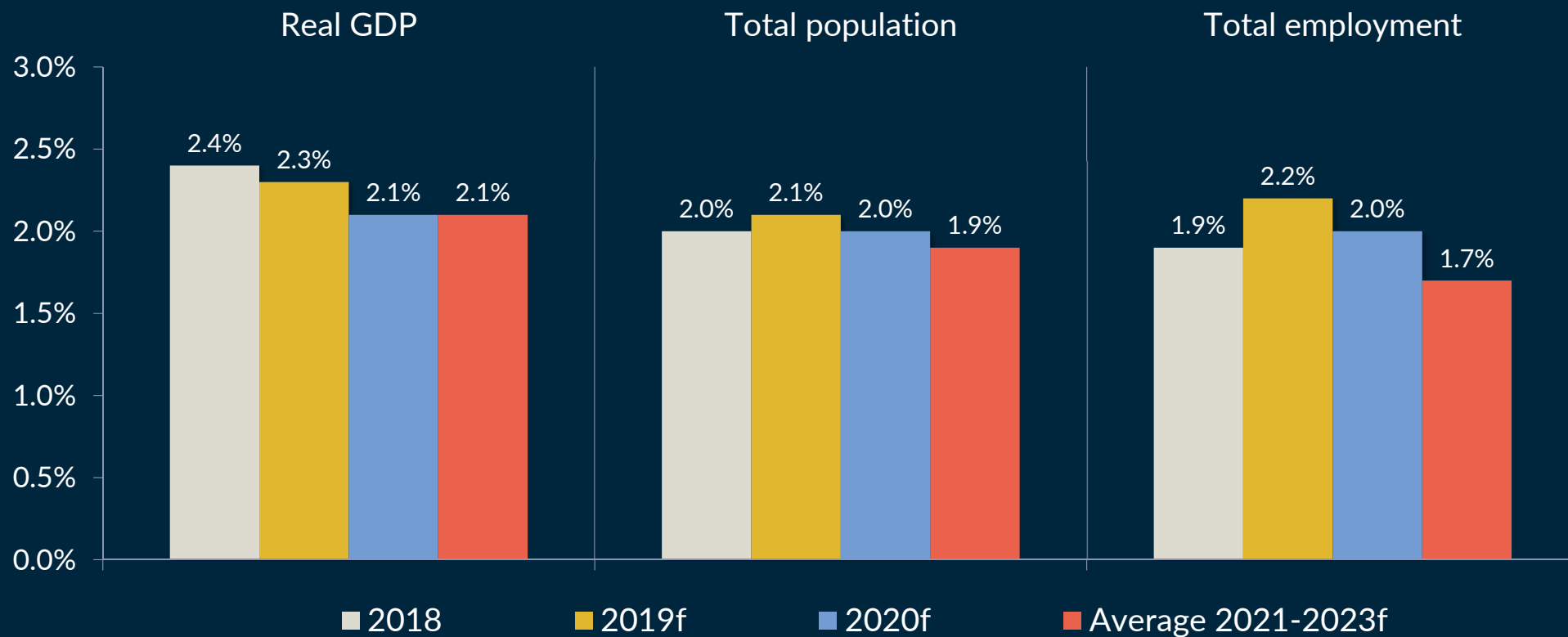
OPPORTUNITIES

- Attractive location for new immigrants with financial resources – and immigration levels growing
- Stronger new home sales so far this year proof underlying market demand remains
- Relatively low office and industrial vacancy rates within Markham suggest need for more space
- Rising rents are pushing some downtown office tenants to look to suburban markets
- Not all millennials want to live and work in downtown Toronto

CHALLENGES

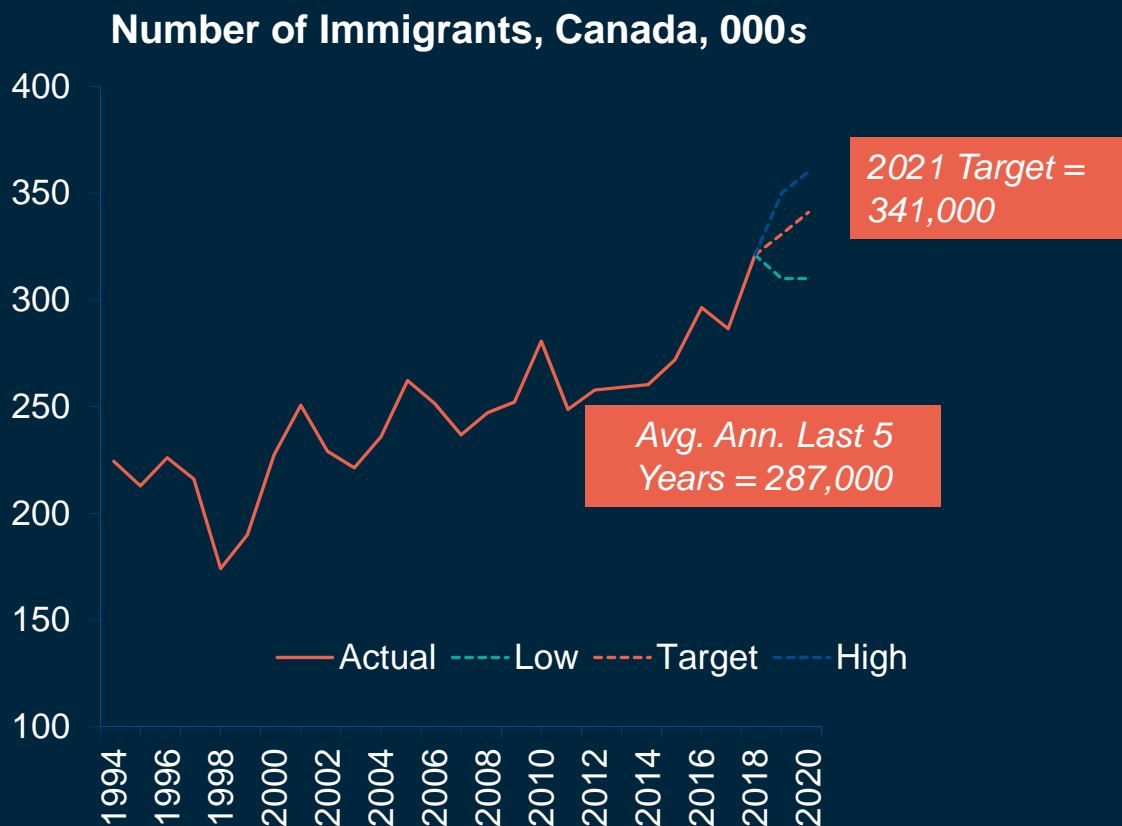
- Single-detached and semi-detached new home inventory available to purchase remains very low
- Relative affordability of homes
- Purpose-built rental likely to remain limited and involve “special circumstances” that make the financial viability work (e.g. intensifying a site, govt incentives)

MACRO | Still Strong Growth Ahead for the GTA



Source: Altus Group, based on Conference Board of Canada and StatCan data

MACRO| More Immigrants Will Boost Markham Population Growth – Subject to Federal Election Results

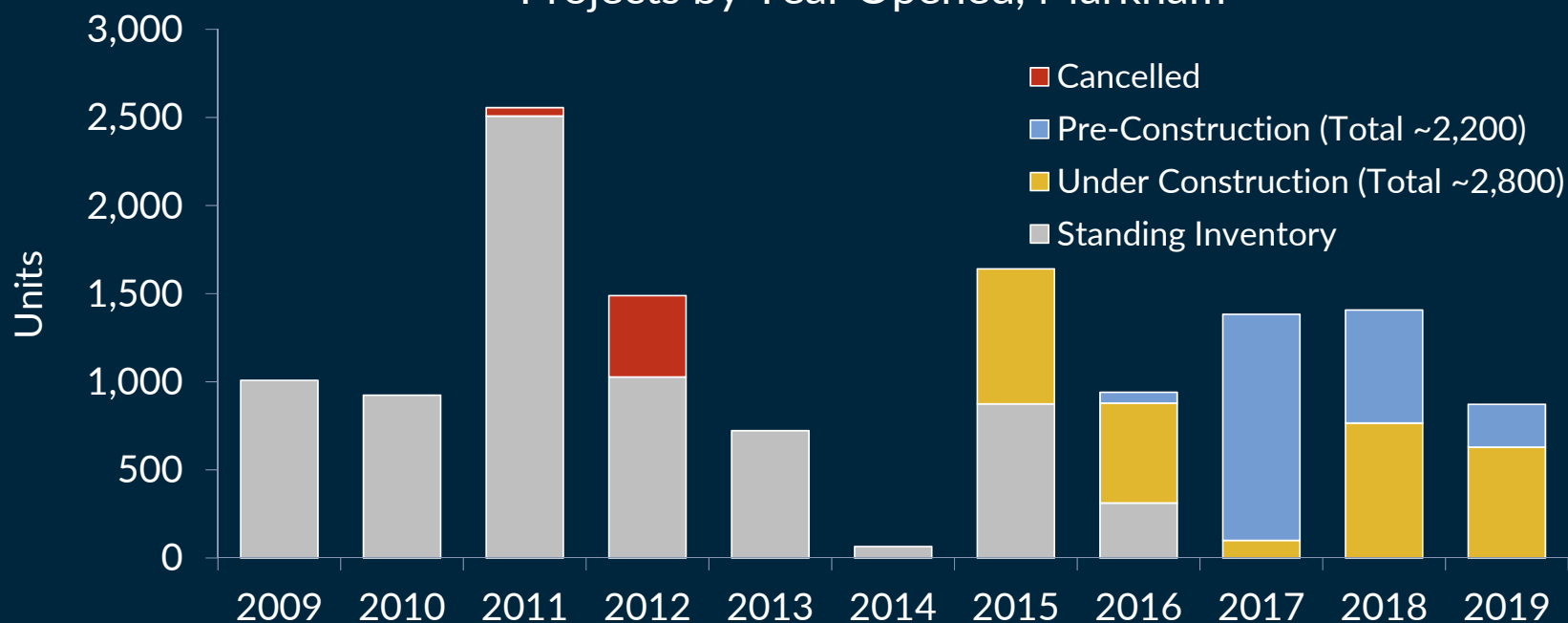


Average Annual	GTA	Markham
2015-2018	90,300	2,225
2019-2021*	104,500	2,575
*assuming same share of Canada as in 2015-2018		

Source: Altus Group based on Statistics Canada data

NEW HOMES | Almost 3,000 Condo Apartment Units in Markham Not Yet Under Construction

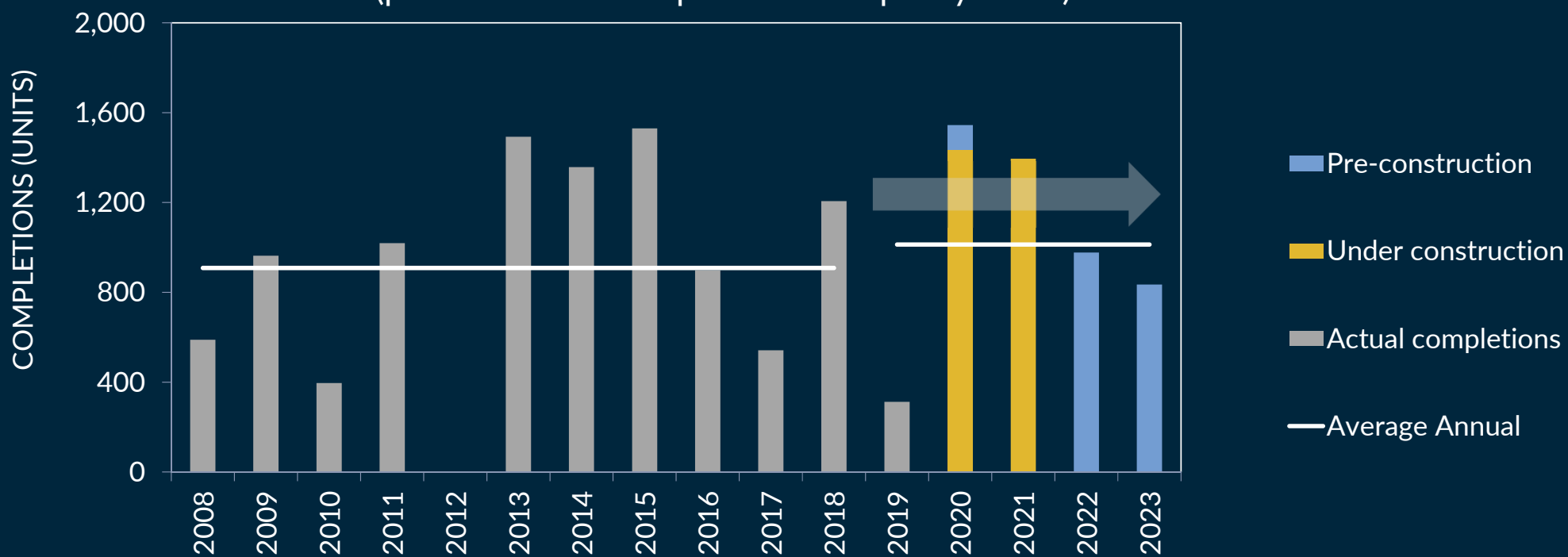
Current Status of Condominium Apartment Projects by Year Opened, Markham



Source: Altus Group

CONDO APARTMENT | 2019 Likely the Bottom for Apartment Completions

Markham new condominium apartment deliveries, actual and potential
(potential based on planned occupancy dates)

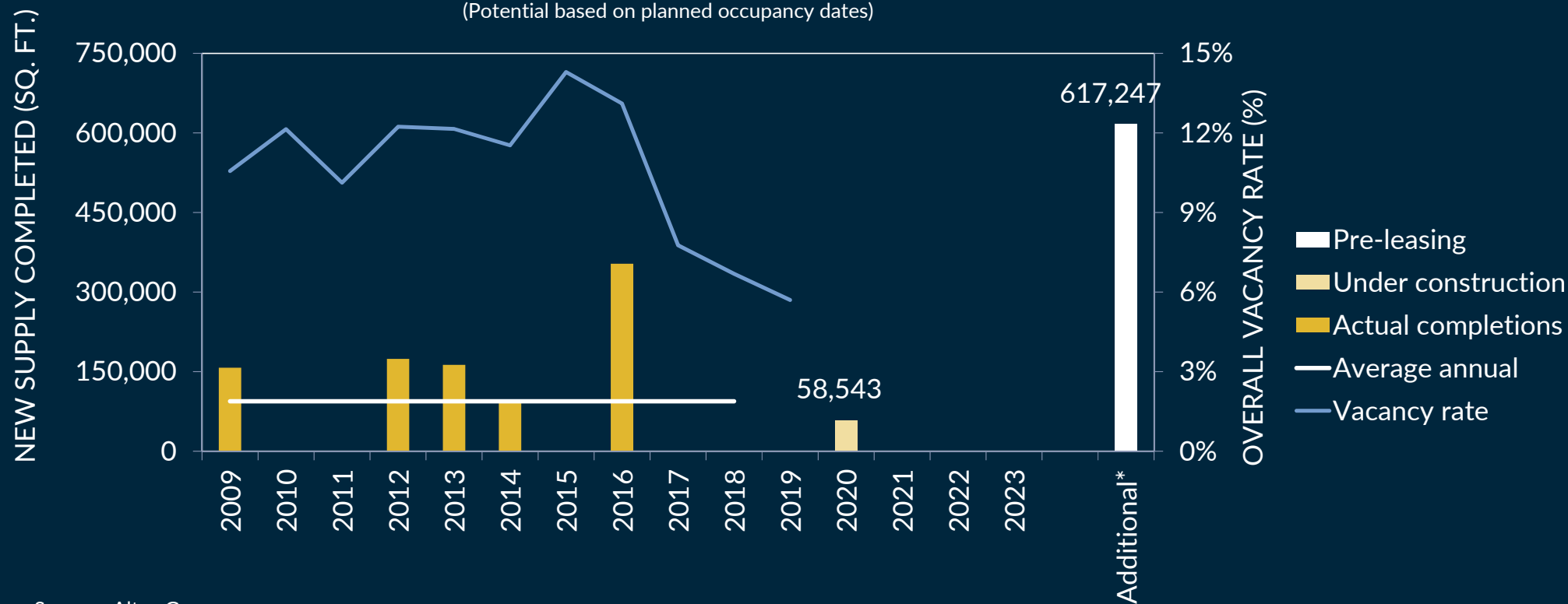


Source: Altus Group

* Overall vacancy rate for rented condo and purpose-built apartments

OFFICE | Low Vacancy Rate and Pre-leasing Activity Suggest More Office Supply on the Way Post 2020

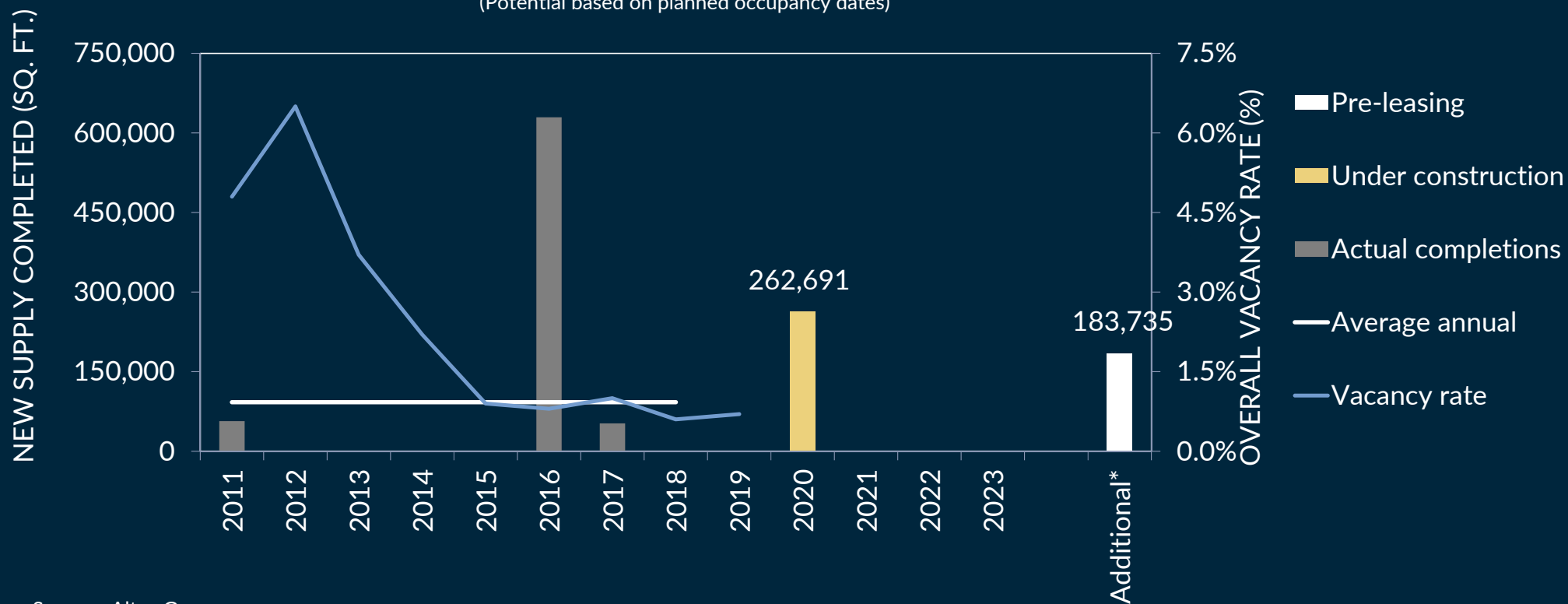
Markham New Office Space Completed, Actual and Potential, sq. ft.
(Potential based on planned occupancy dates)



Source: Altus Group

INDUSTRIAL/WAREHOUSE | ... and Industrial Space Should Also Pick Up

Markham New Industrial Space Completed, Actual and Potential, sq. ft.
(Potential based on planned occupancy dates)



Source: Altus Group

What are the likely high-level trends in key development activities through 2023?

Trend Analysis – Residential Activity



	NEW GROUND- RELATED HOME SALES	GROUND- RELATED STARTS	GROUND- RELATED COMPLETIONS	NEW CONDO APT SALES	APT STARTS	APT COMPLETIONS
2018 actual	92	1,196	919	1,147	1,324	1,546
2019 range	250-300	250-300	850-900	1,000-1,200	250-300	350-400
2020 range	300-350	200-250	150-250	1,100-1,300	1,200-1,400	1,300-1,500
Avg Ann 2021- 2023 range	350-400	325-375	300-350	1,100-1,300	1,300-1,500	1,200-1,400

Source: Altus Group and CMHC historical data; Altus Group projection potential ranges are based on a high level review of various pipeline information and do not represent “best estimate” forecasts

Trend Analysis – Selected ICI Activity



	OFFICE SPACE STARTS (Sq. ft.)	OFFICE SPACE COMPLETIONS (Sq. ft.)	INDUSTRIAL/ WAREHOUSE SPACE STARTS (Sq. ft.)	INDUSTRIAL/ WAREHOUSE SPACE COMPLETIONS (Sq. ft.)
2018 actual	0	0	0	0
2019 range	55,000- 60,000	0	250,000- 300,000	0
2020 range	100,000- 150,000	55,000- 60,000	200,000- 250,000	250,000- 300,000
Avg ann 2021- 2023 range	75,000- 125,000	75,000- 125,000	100,000- 150,000	125,000- 175,000

Source: Altus Group historical data; Altus Group projection potential ranges are based on a high level review of various pipeline information and do not represent “best estimate” forecasts

Key Takeaways



Property Type

- Single-detached and semi-detached housing
- Townhouses
- Condo apartment
- Purpose-built rental apartments
- Office and industrial space

Key Takeaways

- Activity levels likely to remain low over forecast period due to few potential additional projects in the pipeline
- Sales have improved this year, more openings planned, solid number of units in development applications - leading over time to higher starts and completions
- But no return to peak levels over projection period
- Given longer development timeframes, much of future activity already "baked in"/known
- 2019 dips in starts and completions should start to reverse next year
- Limited potential over the projection period, but possibly a couple of smaller projects if done with government incentives
- Opportunities on the demand side and pre-leasing activity suggest more space coming

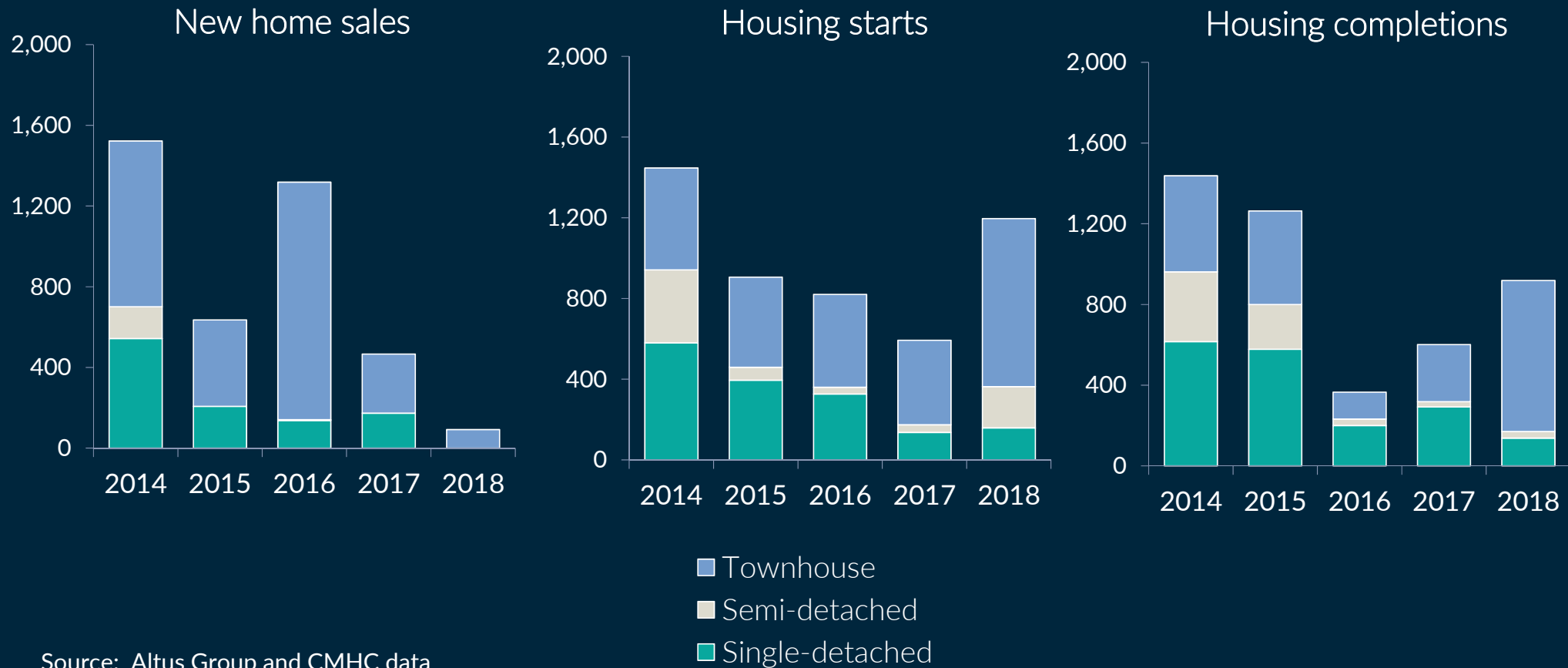


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Questions?

Appendix

NEW HOMES | Composition of Markham Ground-Related Activity by Housing Type, Units



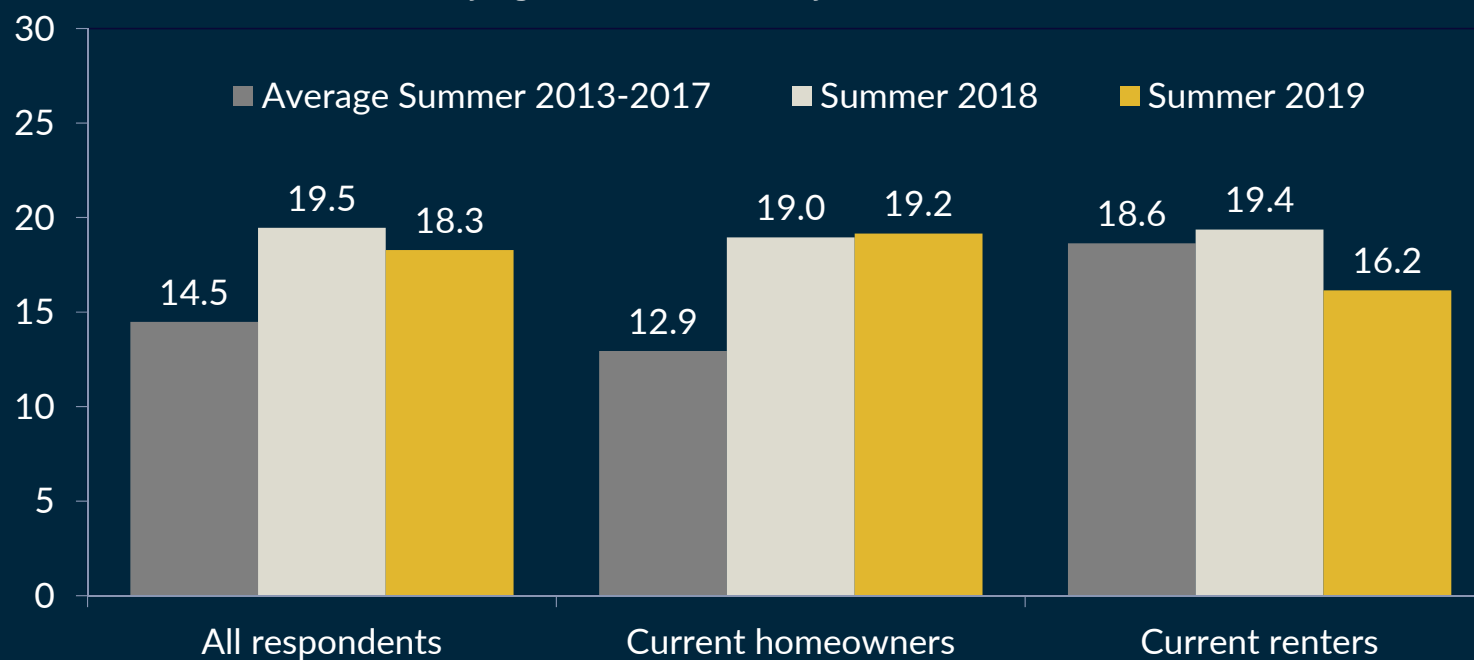
Source: Altus Group and CMHC data

NEW HOMES | Intentions to Buy a Home Look Good



GTA Homebuying Intentions

% Saying "Yes" Intend to Buy a Home in the Next Year

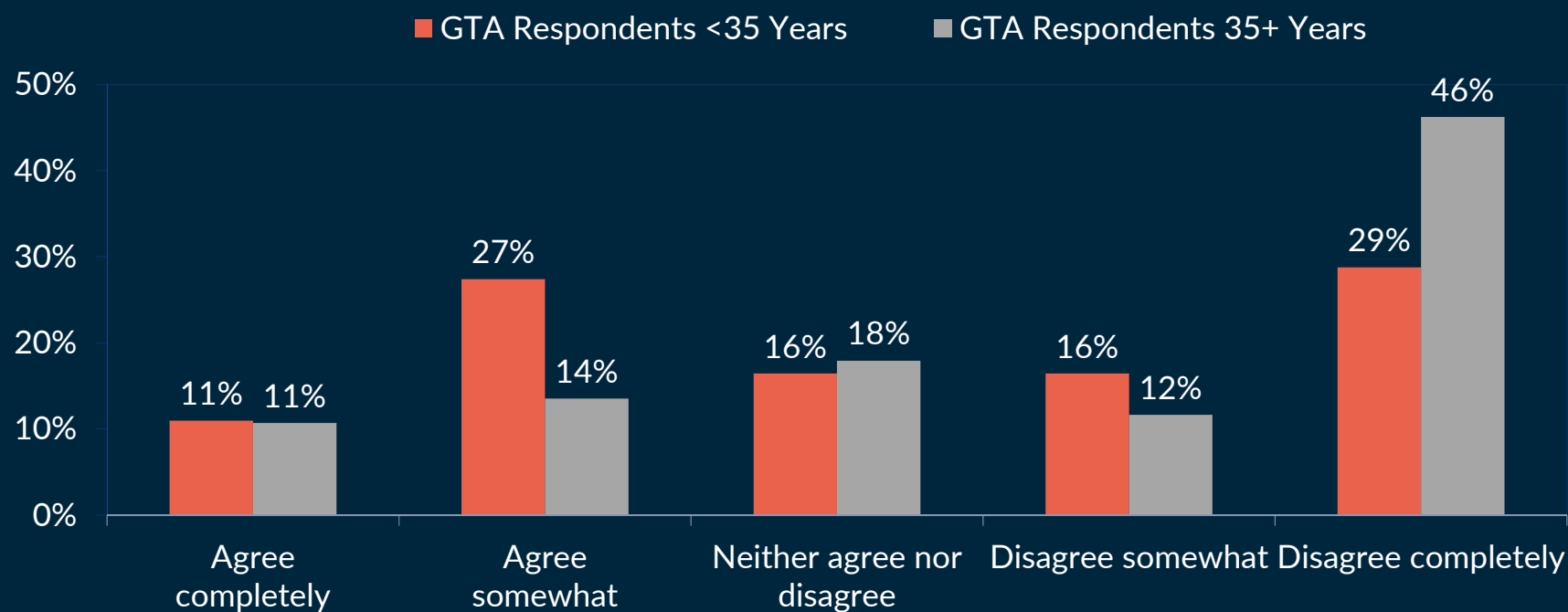


Source: Altus Group, The FIRM Survey

NEW HOMES| Maybe GTA Millennials Aren't All That Different After All ...



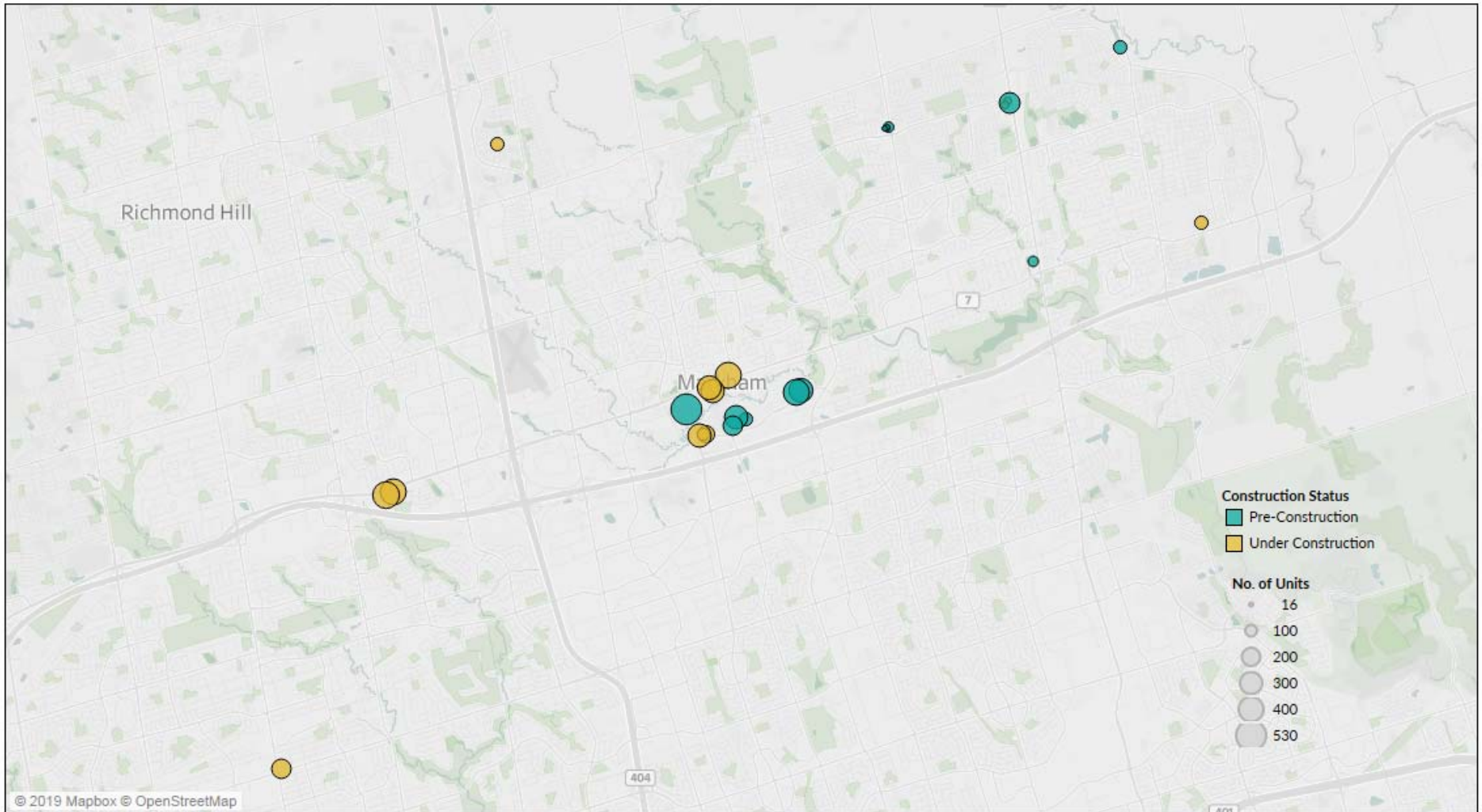
Assuming Similar Housing Costs, Preference Would Be to Live in Condo or Rental Apartment in Downtown Area Rather than Ground-Related Home in the Suburbs



Source: Altus Group, The FIRM Survey

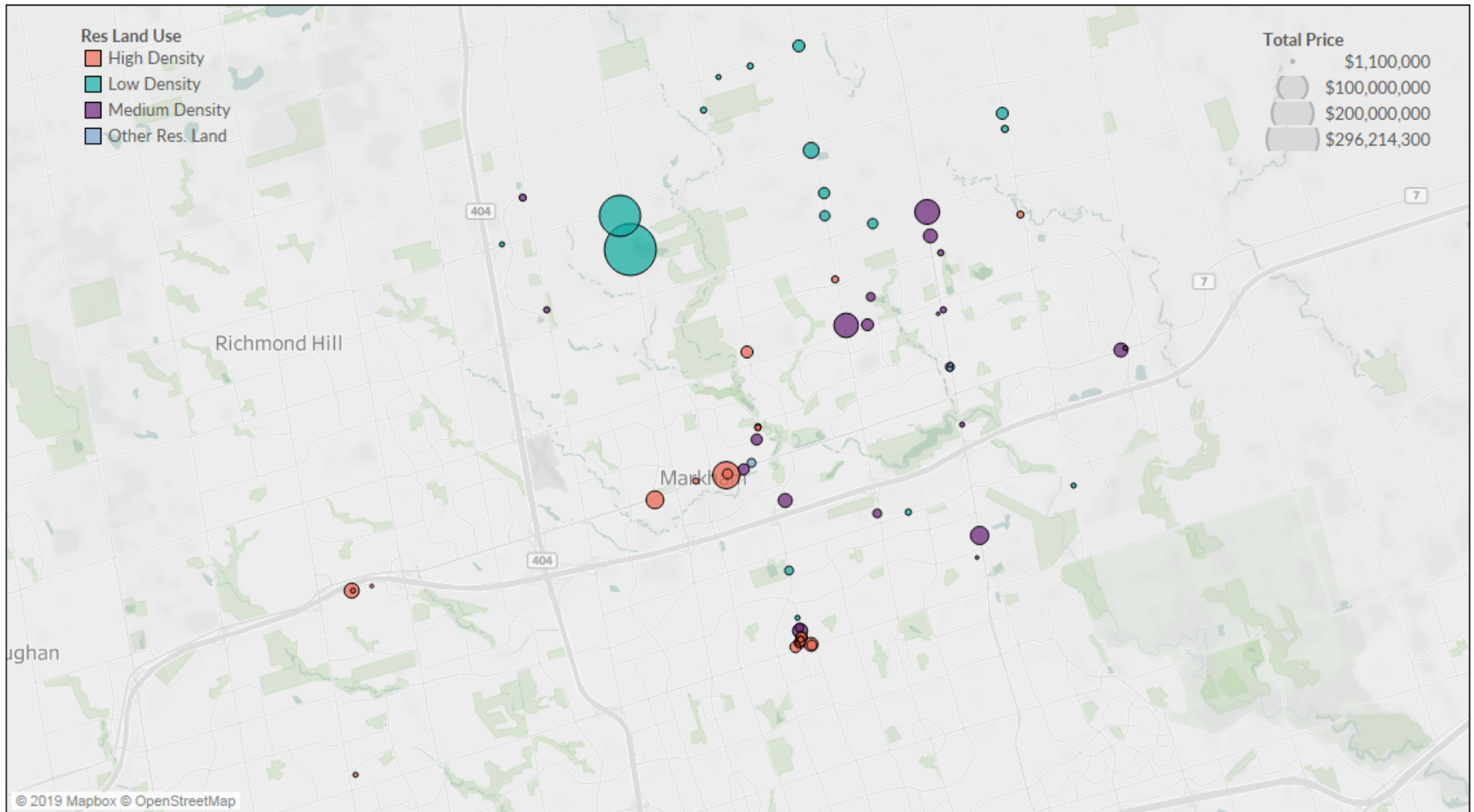
Future Condominium Apartment Projects by Construction Status

Markham



Residential Land Transactions by Land Use

Markham - 2017 to Q2 2019



ICI Land Transactions Markham - 2017 to Q2 2019

