

METROPOLE CONSULTANTS

**SMART GROWTH DEVELOPMENT TYPES
PROFORMA FINANCIAL ANALYSIS**

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INTRODUCTION

Royal LePage Advisors was commissioned by Metropole Consultants to undertake a proforma financial analysis for eight (8) development types on four (4) separate sites as described in table below. The proformas include a summary of financial results as well as the detailed assumptions underlying those proformas.

In addition to the proformas, a market context is provided which examines current market rents or sale prices as well as a brief examination of underlying demand in the market. Where possible, we identify the key market triggers of demand for each proposed project (e.g., potential user – public or private, market drivers, risks to the development, etc.) and key constraints and opportunities for each of the proposed developments from both a market and financial perspective

Site	Residential	Commercial
Vaughan Corporate Centre	High-rise, high density	High-rise, high density office
Hurontario Street, Mississauga between 403 and 401	Mid-rise, stacked townhouses, row houses, e.g. 20-25 upa	3-6 storey office
Whitby GO Station Area	Mid-rise, 4-6 storeys	Mid-rise office, ~10 storeys
Downtown St. Catharines	3-4 storey condo	4-6 storey office

An objective for this research was to test the market and financial viability of development types consistent with smart growth in key smart growth location. As part of this analysis, we were able to identify the potential levers and constraints to smart growth development types in these key locations. The types of projects and locations tested were chosen based on their consistency with smart growth objectives. In general, these included suburban or smaller urban centre locations in which more dense forms of development can be promoted. Project types were also chosen to “push the envelope” in terms of density in each location, as opposed to the more conventional project types that are typically being constructed. Much of the increased density is achieved through underground parking.

GENERAL OBSERVATIONS

Royal LePage Advisors developed eight proformas based upon different project scenarios (land uses, building types, and densities) for four separate general locations in Mississauga, Whitby, Vaughan and St. Catharines. Each proforma details the projected development costs in terms of: acquiring the land; hard construction costs; municipal expenses such as development charges and permits; parking; and other soft costs such as legal expenses and marketing. Each proforma produces a total project cost, from which the required sale price or required net rental rate can be calculated – taking into account profit for the developer.

The inputs to the proforma are based in part upon the Construction Cost Guide produced by Helyar & Associates, a leading cost consulting firm, as well as discussions with cost estimators. In addition, the financial models take into account development returns based upon real estate industry assumptions, as well as market-driven assumptions regarding land value. Required fees such as permits, development charges, and land transfer tax are also used as inputs to the model in generating a total project cost.

The proformas undertaken for this exercise all reflect market-based financial parameters that drive development feasibility. In general, there are examples of each of these types of projects taking place, albeit not as prevalent as might be desired to drive smart growth realities. Some of the observations that can be made include the following:

- **Most hard and soft construction costs are unavoidable** inputs to the construction and overall development process – importantly, these costs comprise a significant proportion of the overall project budget. As well, expected development returns to the developer (who assumes development risk) are largely inflexible (they reflect the opportunity cost of capital). These proforma inputs are the primary drivers of the required sale price or rent to make the development feasible, from a financial perspective.
- The **local and regional municipality is capable of impacting the cost of development** in terms of costs associated with development such as building permits, development charges and parkland dedication, among other planning and related fees. Among the developments analyzed in the proforma models, government-influenced fees generally ranged from 2%-7.5% of total project costs.
- **Underground parking**, while an important component of many higher density smart-growth development types is also an important cost consideration. Single-level underground parking costs roughly \$10,000-\$15,000 per stall with further underground parking translating into some \$20,000-\$25,000 per stall. This can represent between 8%-16% of project costs. The preponderance of surface parking for many uses reflects this high cost relative to the cost of land needed for surface parking and, in many cases, the reluctance of the user/owner to pay for it. Alternative modes of travel (especially rapid transit), alternative methods of providing parking (e.g., through a centralized parking authority) or some financial credits/incentives (e.g., employer tax credits for providing transit passes) can help directly and indirectly to reduce parking levels in general and surface parking in particular and increase project density.
- Beyond the financial parameters, the **depth of demand (absorption)** for a specific project type is also important. While smart growth-type development may be able to be brought on line at prices that are only marginally more expensive than conventional building types (often due to

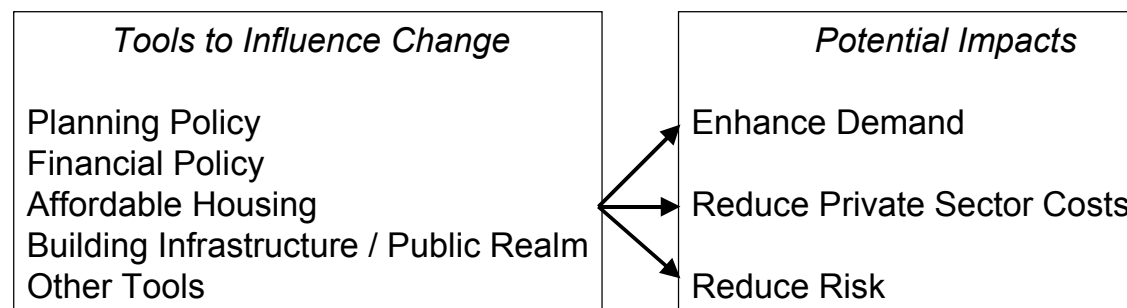
underground parking costs), the extent of demand for stacked townhouses or apartments, for example, in what is generally a low-density suburban community is also a key issue. The vast majority of residents looking at new homes in the 905-region are still looking for ground-related homes, given current pricing (influenced by many factors) and dwelling type preferences. An urban environment (including rapid transit and a mix of uses) is currently lacking in most suburban locations. In order to pioneer the evolution of these communities to more urban environments, some assistance and public education is undoubtedly required.

- There may also be **Ontario Building Code regulations** that hamper some smart-growth-type development. Although not fully investigated here, many developers have espoused the view that certain projects (e.g., 3-7 storey apartment buildings) cannot be developed at competitive pricing due to building code requirements (e.g., concrete construction). While there are, of course, life, safety and accessibility issues also involved in this compliance, many have expressed a view that more cost-competitive alternatives could be investigated. The impact on the proformas here would be to reduce hard construction costs, and potentially enabling smart-growth-type development to be more cost-competitive

Incentives to development that would act to reduce the costs government-influenced fees could result in a corresponding decrease in the required sale price or rental rate. Municipalities can also act in various other ways to influence the attractiveness of redevelopment of a particular area. Among the approaches that the government can take to encourage redevelopment include:

- Introducing public transit or improving existing transit infrastructure. Transportation acts to reduce parking requirements and supports increased densities – both of which act to lessen project cost and therefore reduce the required sale price or required net rental rate.
- Removing planning regulations and/or barriers to the development process. With the local planning authority acting to facilitate rather than to bureaucratize the development process, the municipality will be viewed as receptive to redevelopment, with a supportive attitude.
- Allowing increased densities (where market demand exists) allows fixed costs such as site remediation and demolition to be applied over a greater area (e.g. number of units), and therefore lessens the cost burden on the overall project budget.

In order to test the effectiveness of the impact of municipal intervention in acting to lessen the burden of government-influenced fees on redevelopment projects, it would be prudent to engage in pilot projects with potential developers. The impact of reductions in development charges, building permit fees and other planning related costs could be analyzed to determine their effectiveness – individually and collectively.

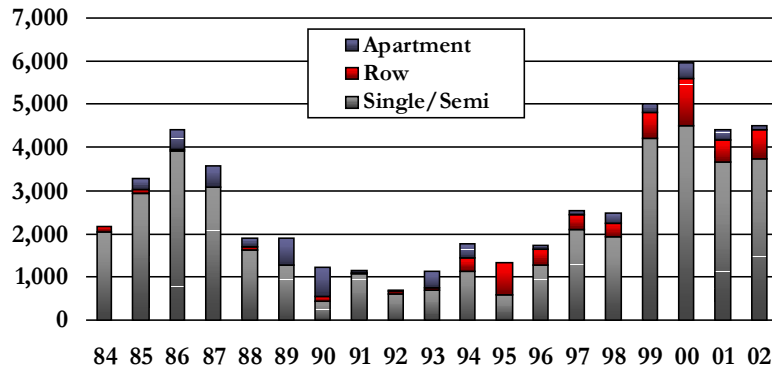


HIGHWAY 7, VAUGHAN

The following highlight observations regarding the Vaughan real estate market:

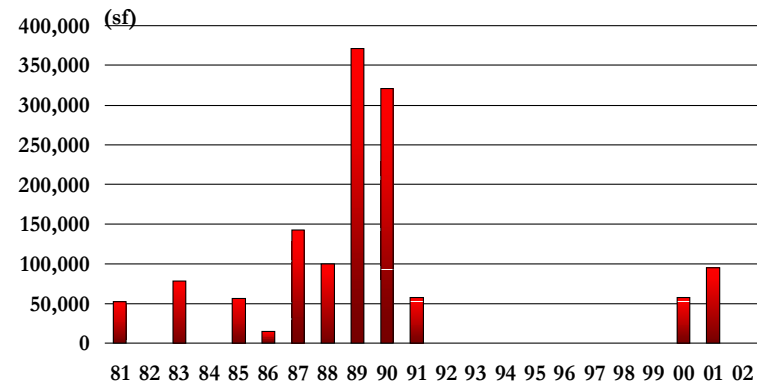
- There are two condominium apartment projects currently being actively marketed in Vaughan, while one project sold its final remaining units during the past three months. Together, these three projects represent 310 units, of which 108 remain unsold (35%). The average sale price for these units is just over \$250 per sq. ft.
- During the past four years, Vaughan has averaged just less than 5,000 housing starts annually, with single and semi-detached houses accounting for an approximately 80% share. During this period, apartment units have represented a 4%-5% share of housing starts, although during the past 20 years, the figure is closer to 12%.
- There is a total of just over 1.2 million sq. ft. of office inventory in the Vaughan office concentration. Of this stock, approximately 841,000 sq. ft. (67%) is considered Class A space. This supply was primarily constructed during the 1987-1990 period, with no new construction having taken place in the market until 2000 and 2001 – which recorded new office construction totalling just over 152,000 sq. ft.
- Asking net rental rates in the Vaughan office market average approximately \$12.50 per sq. ft., with taxes and operating costs of \$8.50 resulting in average asking gross rental rates of \$21 per sq. ft. – among the lowest cost suburban office markets in the Greater Toronto Area.¹

Housing Starts – Vaughan



Source: CMHC

Office Construction – City of Vaughan



Source: Royal LePage Advisors

¹ Two types of commercial rents are expressed in this report, net rent (or face rent) and net effective rent. Net rent is the rent received by a landlord exclusive of taxes and operating costs (which are typically also paid by a tenant to a landlord) – it is often also referred to as the face rent, or the net rent contracted in a lease. Net effective rent is the net rent received by a landlord, less any tenant inducements provided by a landlord to a tenant in the form of a cash sum or in tenant improvements. The net effective rent can be a more meaningful benchmark measure where different tenant inducements may be offered, at the cost of a landlord, for the same net rent.

Proforma Results - Office

This proforma describes a 12-storey high-density office project comprised of 240,000 sq. ft of gross building area (with gross leasable area of 223,200 sq. ft.). The floor plate measures 20,000 sq. ft. The land parcel measures 1.5 acres in size, with the development translating into 3.7 times coverage. Multiple storeys of underground parking and a ratio of 1.5 stalls per 1,000 sf of leaseable area are proposed.

- Based upon the overall project costs, the required face rent is \$22 per sq. ft., with a required net effective rent of just over \$20 per sq. ft.
- Total land costs represent 2.4% of total project costs.
- Hard construction costs (excluding parking) represent 57.3% of total project costs. The cost of parking accounts for an additional 13.8% of total project costs.
- Significant project costs imposed by the municipality include development charges (2.2%) and building permit fees (0.6%). Altogether, government-influenced costs total 2.9% of project costs.

The profit that a developer generates from the development must also be considered. With total project costs approaching \$43.97 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required economic face rent is \$21.98, with a required net effective rent (taking into account leasing commissions and tenant allowance) of \$20.07.

Economic Rent Calculation Vaughan Highway 7 (NS) High Density Office Development

ASSUMPTIONS			
TIMING ASSUMPTIONS			
Land Acquisition		01-Jan-03	
Planning Period		6 months	
Construction Commencement		04-Jul-03	
Construction Period		14 months	
Substantial Completion		31-Aug-04	
Cost of Vacancy Period		6 months	
Full Lease-Up		01-Mar-05	
Total Development Period		26 months	
INTEREST RATE			
Interim Financing		7.00%	
BUILDING AREAS			
Number of Buildings		1	
Number of Storeys		12.0	
Floor Plate		20,000 sq.ft.	
Gross Building Area		240,000 sq.ft.	
Site Coverage		3.67 times	
Land Area		1.50 acres	
	<u>G.B.A.</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Office	96%	230,400	214,272
Retail	4%	9,600	8,928
Other	0%	0	0
TOTAL	100%	240,000 sq. ft.	223,200 sq. ft.
PARKING RATIO			
1.5 stalls per		1,000 sq. ft. of G.F.A.	360 stalls
LEASE-UP			
50.00% of office space is leased at substantial completion			
70.00% leased on straight line basis over 12 months			
95.00% leased on straight line basis at end of lease-up period			
100.00% of retail space is leased at substantial completion			

(1) assuming 2.5% compound annual increase in years 6-10 on a 10 year lease

PROJECT COSTS				
			\$ 000's	PSF
LAND				
Purchase Price	Note 1		\$900	\$3.75
Additional Land Costs	Note 2		\$63	\$0.26
Land Carrying Costs	Note 3		\$112	\$0.47
TOTAL LAND			\$1,075	\$4.48
CONSTRUCTION & FRINGE				
Hard Construction Costs	Note 4		\$25,200	\$105.00
Parking	Note 5		\$6,048	\$25.20
Architect. & Engineer.	Note 6		\$2,031	\$8.46
Site Improvements	Note 7		\$196	\$0.82
Const. Contingency	Note 8		\$1,562	\$6.51
Municipal Fees	Note 9		\$1,260	\$5.25
Development Interest	Note 10		\$1,186	\$4.94
TOTAL CONSTRUCTION & FRINGE			\$37,483	\$156.18
COST OF VACANCY	Note 11		\$315	\$1.31
DEFERRED				
Tenant Allowances	Note 12		\$3,600	\$15.00
Leasing Costs	Note 13		\$960	\$4.00
Financing Costs			\$534	\$2.23
(1% of Projects Costs + \$100,000 Legals)				
TOTAL DEFERRED			\$5,094	\$21.23
TOTAL PROJECT COSTS			\$43,968	\$183.20

ECONOMIC RENT CALCULATION	
Required Return on Investment	12%
Required Face Rent	\$21.98 PSF
Required Net Effective Rent (1)	\$20.07 PSF

Government-Influenced Costs	\$ 000's	PSF	Required Face Rent
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$987	\$4.11	\$4.94
Parkland Dedication	\$18	\$0.08	\$0.01
Building Permit Fees	\$245	\$1.02	\$0.12
Other Planning and Related Fees	\$10	\$0.04	\$0.01
Land Transfer Tax	\$18	\$0.08	\$0.01
Total	\$1,278	\$5.32	\$0.64

Proforma Results - Residential

This proforma describes a 12-storey high-density residential project comprised of 150 units, with an average unit size of 1,050 sq. ft. The land parcel measures 1.25 acres in size, with the development translating into 2.9 times coverage. The building has a floor plate of 13,125 sq. ft. A total of 150 stalls are proposed (1 per unit) within an underground parking structure.

- The average sale price per unit is approximately \$231,800, or \$221 per sq. ft.
- Total land costs represent nearly 3.4% of total project costs.
- Hard construction costs (excluding parking) represent over 63% of total project costs. The cost of parking accounts for an additional 12% of total project costs.
- Significant project costs imposed by the municipality include development charges (5.9%) and building permit fees (0.4%). Government-influenced costs altogether total 6.5% of project costs.

The profit that a developer generates from the development must also be taken into consideration. Taking into account total project costs of approximately \$31 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required sale price per unit is \$231,787 – translating to \$220.75 per sq. ft.

Economic Rent Calculation Vaughan Highway 7 (NS) High Density Residential Development

ASSUMPTIONS				PROJECT COSTS																																			
TIMING ASSUMPTIONS				\$ 000's PSF																																			
Land Acquisition		01-Jan-03		LAND																																			
Planning Period		6 months		Purchase Price	Note 1	\$875	\$5.56																																
Construction Commencement		04-Jul-03		Additional Land Costs	Note 2	\$61	\$0.39																																
Construction Period		14 months		Land Carrying Costs	Note 3	\$109	\$0.69																																
Substantial Completion		31-Aug-04		TOTAL LAND		\$1,045	\$6.64																																
Cost of Vacancy Period		6 months		CONSTRUCTION & FRINGE																																			
Full Lease-Up		01-Mar-05		Hard Construction Costs	Note 4	\$19,688	\$125.00																																
Total Development Period		26 months		Parking	Note 5	\$3,750	\$23.81																																
INTEREST RATE				Architect. & Engineer.	Note 6	\$1,523	\$9.67																																
Interim Financing		7.00%		Site Improvements	Note 7	\$163	\$1.04																																
BUILDING AREAS				Const. Contingency	Note 8	\$1,172	\$7.44																																
Number of Units		150		Municipal Fees	Note 9	\$2,009	\$12.75																																
Number of Buildings		1		Development Interest	Note 10	\$231	\$1.47																																
Average Unit Size		1,050 sq.ft.		TOTAL CONSTRUCTION & FRINGE		\$28,536	\$181.18																																
Number of Storeys		12		SALES & MARKETING																																			
Floor Plate		13,125 sq.ft.		Sales Commissions	Note 11	\$1,040	\$6.60																																
Gross Building Area		157,500 sq.ft.		Marketing & Advertising	Note 11	\$375	\$2.38																																
Site Coverage		2.89 times		TOTAL SALES & MARKETING		\$1,415	\$8.98																																
Land Area		1.25 acres		TOTAL PROJECT COSTS																																			
Residential Units	<u>G.B.A.</u>	<u>Avg. Size</u>	<u>G.F.A.</u>	<u>G.L.A.</u>		\$30,996	\$196.80																																
Bach & 1 Bedroom	50%	800	60,000	55,800																																			
2 & 2+ Bedroom	50%	1,300	97,500	97,500																																			
Other	0%	0	0	0																																			
TOTAL	100%	1,050	157,500	153,300 sq.ft.																																			
PARKING RATIO				REQUIRED SALE PRICE CALCULATION																																			
1.00 stalls per residential unit				150 stalls																																			
				Required Return on Investment 12%																																			
				Required Average Sale Price \$220.41 PSF																																			
				<table border="1"> <thead> <tr> <th>Government-Influenced Costs</th> <th>\$ 000's</th> <th>PSF</th> <th>Required Avg. Sale Price</th> </tr> </thead> <tbody> <tr> <td>Site Remediation</td> <td>\$0</td> <td>\$0.00</td> <td>\$0.00</td> </tr> <tr> <td>Development Charges</td> <td>\$1,823</td> <td>\$11.58</td> <td>\$12.96</td> </tr> <tr> <td>Parkland Dedication</td> <td>\$44</td> <td>\$0.28</td> <td>\$0.31</td> </tr> <tr> <td>Building Permit Fees</td> <td>\$132</td> <td>\$0.84</td> <td>\$0.94</td> </tr> <tr> <td>Other Planning and Related Fees</td> <td>\$10</td> <td>\$0.06</td> <td>\$0.07</td> </tr> <tr> <td>Land Transfer Tax</td> <td>\$18</td> <td>\$0.11</td> <td>\$0.12</td> </tr> <tr> <td>Total</td> <td>\$2,026</td> <td>\$12.86</td> <td>\$14.41</td> </tr> </tbody> </table>				Government-Influenced Costs	\$ 000's	PSF	Required Avg. Sale Price	Site Remediation	\$0	\$0.00	\$0.00	Development Charges	\$1,823	\$11.58	\$12.96	Parkland Dedication	\$44	\$0.28	\$0.31	Building Permit Fees	\$132	\$0.84	\$0.94	Other Planning and Related Fees	\$10	\$0.06	\$0.07	Land Transfer Tax	\$18	\$0.11	\$0.12	Total	\$2,026	\$12.86	\$14.41
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Total	\$2,026	\$12.86	\$14.41																																				

Implications of Proforma Results in Vaughan

The proforma results for the Vaughan office project suggests an office building with underground parking in the Highway 7 corridor would require net rents of \$22 psf of leasable area. With current Vaughan office net rents in the \$10-\$15 psf range for better quality space, the market remains well below the economic rents in the \$20-\$22 psf range required to support new office space with underground parking. The Vaughan office market is not capable of achieving this level of office rent and/or demand at this stage. Virtually all of the office space that currently exists in Vaughan (only 1.2 million sf to date) has surface parking. Examples of underground parking structures within suburban GTA are concentrated along rapid transit lines (e.g., Yonge Street in North York). A considerable evolution or maturing of the suburban office market as well as the introduction of rapid transit along Highway 7 in York region are likely necessary precursors to any major office development of this type within Vaughan.

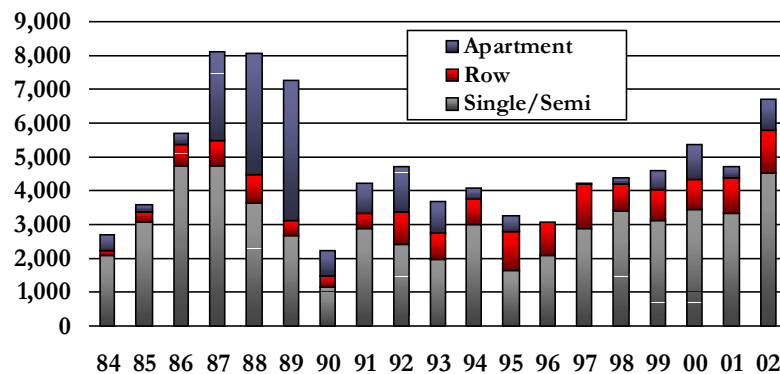
For the residential high-density project examined along Highway 7, the market is much more immediate. There are already three high-rise condominium projects actively being marketed in Vaughan ranging in price from \$230-\$300 psf. All of these are located in the Thornhill area of Vaughan, south of Highway 7. The only stumbling block for a new Highway 7 project (outside Woodbridge) would appear to be a more urban environment. The depth of demand for a Highway 7 residential project is likely limited due to the heavily commercial nature of the corridor, and competitive sites such as those in Thornhill. It is anticipated that a maturation of this area of Vaughan and the introduction of rapid transit would greatly improve demand – pricing does not appear to be an overwhelming obstacle.

HURONTARIO, MISSISSAUGA

The following highlight observations regarding the Mississauga real estate market:

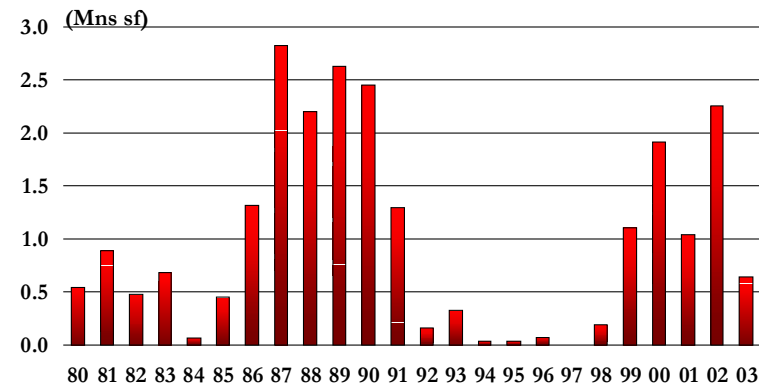
- There are a total of 14 condominium apartment projects currently being actively marketed in Mississauga. Together, these projects represent over 3,460 units, of which 925 remain unsold (27%). The average sale price for these units is just over \$240 per sq. ft.
- During the past 20 years, the City of Mississauga has averaged just less than 4,800 housing starts annually, with single and semi-detached houses accounting for an approximately 65% share. During the past six years however, a larger volume of development has taken place in response to demand pressures, with housing starts in the range of 5,000 being recorded annually.
- There is a total of approximately 22 million sq. ft. of office inventory in the City of Mississauga, located among six major office concentrations: Airport (including Airport Corporate Centre), Hurontario Corridor, Mississauga City Centre, Cooksville, Sheridan and Meadowvale. Of this stock, approximately 13 million sq. ft. (60%) is considered Class A space. This supply was primarily constructed during the 1986-1991 period, with limited new construction taking place during the mid-1990s. In 1999, a new development cycle began that witnessed an average of nearly 1.6 million sq. ft. of space added during the past four years – with a further 645,000 sq. ft. anticipated to be completed in 2003.
- Asking net rental rates in the Mississauga office concentrations average between \$16.50-\$20 per sq. ft. for Class A space. Taxes and operating costs of approximately \$10-\$11 per sq. ft. result in average asking gross rental rates of between \$27.50-\$31 per sq. ft.

Housing Starts – Mississauga



Source: CMHC

Office Construction – City of Mississauga



Source: Royal LePage Advisors

Proforma Results – Mid-Density Office

This proforma describes a 5-storey medium-density office project comprised of 100,000 sq. ft of gross building area (with gross leasable area of 93,000 sq. ft.). The floor plate measures 20,000 sq. ft. The land parcel is 1 acre in size, with the development translating into 2.3 times coverage. A total of 150 stalls (1.5 spaces per 1,000 sf of leasable area) are proposed with two-thirds underground and one-third surface.

- Based upon the overall project costs, the required face rent is \$20.65 per sq. ft., with a required net effective rent of nearly \$18.70 per sq. ft.
- Total land costs represent 4.2% of total project costs.
- Hard construction costs (excluding parking) represent just over 55% of total project costs. The cost of parking itself accounts for an additional 12% of total project costs.
- Significant project costs imposed by the municipality include development charges (2.2%) and building permit fees (0.6%). Altogether, government-influenced costs total 4.1% of project costs.

The profit that a developer generates from the development must also be considered. With total project costs of just over \$17.2 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required economic face rent is \$20.65, with a required net effective rent (taking into account leasing commissions and tenant allowance) of \$18.67.

Economic Rent Calculation Hurontario Mid-Density Office Development

ASSUMPTIONS			
TIMING ASSUMPTIONS			
Land Acquisition		01-Jan-03	
Planning Period		6 months	
Construction Commencement		04-Jul-03	
Construction Period		14 months	
Substantial Completion		31-Aug-04	
Cost of Vacancy Period		6 months	
Full Lease-Up		01-Mar-05	
Total Development Period		26 months	
INTEREST RATE			
Interim Financing		7.00%	
BUILDING AREAS			
Number of Buildings		1	
Number of Storeys		5.0	
Floor Plate		20,000 sq.ft.	
Gross Building Area		100,000 sq.ft.	
Site Coverage		2.30 times	
Land Area		1.00 acres	
	<u>G.B.A.</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Office	96%	96,000	89,280
Retail	4%	4,000	3,720
Other	0%	0	0
TOTAL	100%	100,000 sq. ft.	93,000 sq. ft.
PARKING RATIO			
1.5 stalls per		1,000 sq. ft. of G.F.A.	150 stalls
LEASE-UP			
50.00% of office space is leased at substantial completion			
70.00% leased on straight line basis over 12 months			
95.00% leased on straight line basis at end of lease-up period			
100.00% of retail space is leased at substantial completion			

(1) assuming 2.5% compound annual increase in years 6-10 on a 10 year lease

PROJECT COSTS				
			<u>\$ 000's</u>	<u>PSF</u>
LAND				
Purchase Price	Note 1		\$600	\$6.00
Additional Land Costs	Note 2		\$42	\$0.42
Land Carrying Costs	Note 3		\$75	\$0.75
TOTAL LAND			\$717	\$7.17
CONSTRUCTION & FRINGE				
Hard Construction Costs	Note 4		\$9,500	\$95.00
Parking	Note 5		\$2,084	\$20.84
Architect. & Engineer.	Note 6		\$753	\$7.53
Site Improvements	Note 7		\$131	\$1.31
Const. Contingency	Note 8		\$579	\$5.79
Municipal Fees	Note 9		\$694	\$6.94
Development Interest	Note 10		\$449	\$4.49
TOTAL CONSTRUCTION & FRINGE			\$14,190	\$141.90
COST OF VACANCY	Note 11		\$131	\$1.31
DEFERRED				
Tenant Allowances	Note 12		\$1,500	\$15.00
Leasing Costs	Note 13		\$400	\$4.00
Financing Costs			\$269	\$2.69
			(1% of Projects Costs + \$100,000 Legals)	
TOTAL DEFERRED			\$2,169	\$21.69
TOTAL PROJECT COSTS			\$17,207	\$172.07

ECONOMIC RENT CALCULATION	
Required Return on Investment	12%
Required Face Rent	\$20.65 PSF
Required Net Effective Rent (1)	\$18.67 PSF

<u>Government-Influenced Costs</u>	<u>\$ 000's</u>	<u>PSF</u>	<u>Required Face Rent</u>
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$570	\$5.70	\$0.68
Parkland Dedication	\$12	\$0.12	\$0.01
Building Permit Fees	\$102	\$1.02	\$0.12
Other Planning and Related Fees	\$10	\$0.10	\$0.01
Land Transfer Tax	\$12	\$0.12	\$0.01
Total	\$706	\$7.06	\$0.85

Proforma Results – Mid-Density Row

This proforma describes a medium-density residential project comprised of 44 units, with an average unit size of 1,500 sq. ft. The land parcel measures 2 acres in size, with the development translating into 0.76 times coverage. The building is 3 storeys tall, with a floor plate of 22,000 sq. ft. A total of 48 stalls are proposed (1.1 stalls per unit) with a single underground structure proposed (which is a lower cost than multiple underground storeys).

- The average sale price per unit is approximately \$225,500, or \$150 per sq. ft.
- Total land costs represent nearly 13% of total project costs.
- Hard construction costs (excluding parking) represent 56% of total project costs. The cost of parking accounts for an additional 8.2% of total project costs.
- Significant project costs imposed by the municipality include development charges (6.1%), building permit fees (0.6%) and parkland dedication (0.6%). Government-influenced costs altogether total 7.6% of project costs.

Of course, a developer needs to profit from the development. Taking into account total project costs of over \$8.86 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required sale price per unit is \$225,555 – translating to \$150.37 per sq. ft.

Economic Rent Calculation Hurontario Medium-Density Residential

ASSUMPTIONS				
TIMING ASSUMPTIONS				
Land Acquisition		01-Jan-03		
Planning Period		4 months		
Construction Commencement		04-May-03		
Construction Period		12 months		
Substantial Completion		01-May-04		
Cost of Vacancy Period		2 months		
Full Lease-Up		01-Jul-04		
Total Development Period		18 months		
INTEREST RATE				
Interim Financing		7.00%		
BUILDING AREAS				
Number of Units		44		
Average Unit Size		1,500 sq.ft.		
Number of Storeys		3		
Floor Plate		22,000 sq.ft.		
Gross Building Area		66,000 sq.ft.		
Site Coverage		0.76 times		
Land Area		2.00 acres		
Residential Units	<u>G.B.A.</u>	<u>Avg. Size</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Bach & 1 Bedroom	0%	0	0	0
2 & 2+ Bedroom	100%	1,500	66,000	66,000
Other	0%	0	0	0
TOTAL	100%	1,500	66,000	66,000 sq.ft.
PARKING RATIO				
		1.10 stalls per residential unit		48.4 stalls

PROJECT COSTS				
			\$ 000's	PSF
LAND				
Purchase Price	Note 1		\$990	\$15.00
Additional Land Costs	Note 2		\$69	\$1.05
Land Carrying Costs	Note 3		\$99	\$1.50
TOTAL LAND			\$1,158	\$17.55
CONSTRUCTION & FRINGE				
Hard Construction Costs	Note 4		\$4,950	\$75.00
Parking	Note 5		\$726	\$11.00
Architect. & Engineer.	Note 6		\$369	\$5.59
Site Improvements	Note 7		\$261	\$3.96
Const. Contingency	Note 8		\$284	\$4.30
Municipal Fees	Note 9		\$655	\$9.92
Development Interest	Note 10		\$51	\$0.77
TOTAL CONSTRUCTION & FRINGE			\$7,296	\$110.54
SALES & MARKETING				
Sales Commissions	Note 11		\$297	\$4.50
Marketing & Advertising	Note 11		\$110	\$1.67
TOTAL SALES & MARKETING			\$407	\$6.17
TOTAL PROJECT COSTS			\$8,861	\$134.26

REQUIRED SALE PRICE CALCULATION	
Required Return on Investment	12%
Required Average Sale Price	\$150.37 PSF

Government-Influenced Costs	\$ 000's	PSF	Avg. Sale Price
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$540	\$8.19	\$9.17
Parkland Dedication	\$50	\$0.75	\$0.84
Building Permit Fees	\$55	\$0.84	\$0.94
Other Planning and Related Fees	\$10	\$0.15	\$0.17
Land Transfer Tax	\$20	\$0.30	\$0.34
Total	\$675	\$10.22	\$11.45

Implications of Proforma Results in Mississauga

The proforma results for the Mississauga office project suggest an “economic” net rent of just under \$21 psf. This is somewhat lower than higher density office towers with more underground parking. However, underground parking of any form adds to the required rent needed to feasibly develop such a project. By comparison, the office projects recently developed in the Hurontario corridor of Mississauga with only surface parking typically require net rents of \$18-\$20 psf in order to be economically feasible. With few exceptions, a more conventional suburban office project with surface parking has been developed in this area (although a current weak office market has curtailed all new development). While a rebound in the office market will definitely stimulate new office development in this part of Mississauga over the next several years, the evolution towards underground parking and a lower parking ratio supported by transit is likely further off in the horizon. Underground parking has been more prevalent in the Mississauga City Centre, which serves as a nexus of all of the City’s transit. The excellent locational attributes of this area (close to Airport, City Centre, Highways) might be able to attract a single-user willing to “pioneer” a more urban-type project.

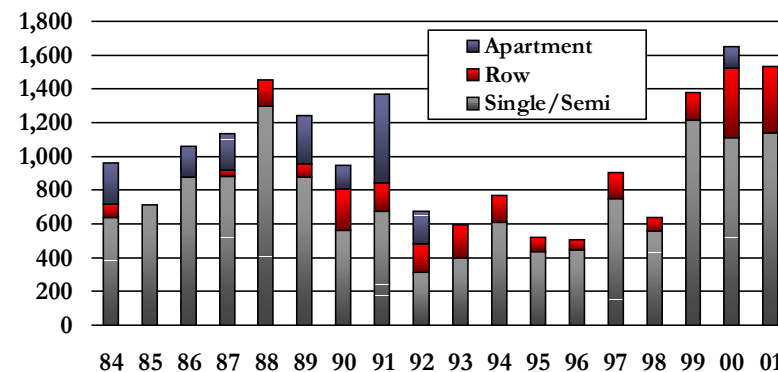
The residential project proposed along the Hurontario corridor can be cost effectively delivered at an estimated \$150 psf – or roughly \$225,000 per unit. While there are numerous project offerings of this type in Mississauga and other parts of the GTA, few have been located on Hurontario Road north of Mississauga City Centre, which is largely consisted of commercial and high-rise projects. While pricing is not likely to be a concern, the market acceptance of this area for mid-density housing may be an issue. A carefully designed project that presents a more urban feel to the area and increased transit opportunities would aid this market acceptance.

WHITBY GO STATION AREA

The following highlight observations regarding the Whitby real estate market:

- The Whitby housing market has witnessed a recent boom in new starts, an average of over 1,500 units per year during the 1999-2002 period. However, over this period, apartment starts have average only 42 units per year, less than 3% of new housing. Row housing has accounted for a considerably higher share (21%) over the past 3 years. By comparison, in the previous five-year period (1994-1998), an average of only 670 total starts took place in Whitby, with no new apartment starts.
- A number of medium density projects are currently being marketed. These are generally located in North Whitby (north of Rossland Road) and start at \$173,000.
- There is a very limited office market in Whitby. Royal LePage Commercial only tracks major office buildings (20,000 sq. ft. or larger). One listing identified on Dundas Street had an asking rent of \$10 per sq. ft. (net) and additional rent of \$7.50 per sq. ft. This rent is well below replacement cost.

Housing Starts – Whitby



Source: CMHC

Proforma Results - Office

This proforma describes an 8-storey mid-high-density office project comprised of 120,000 sq. ft of gross building area (with gross leasable area of 111,600 sq. ft.). The floor plate measures 15,000 sq. ft. The land parcel is 1 acre in size, with the development translating into 2.75 times coverage. A total of 240 stalls are proposed (2 space per 1,000 sf of leasable area) with two-thirds underground and one-third surface.

- Based upon the overall project costs, the required face rent is \$20.70 per sq. ft., with a required net effective rent of \$18.70 per sq. ft.
- Total land costs represent 2.3% of total project costs.
- Hard construction costs (excluding parking) represent just over 55% of total project costs. The cost of parking itself accounts for an additional 16% of total project costs.
- The most significant project cost imposed by the municipality is development charges, accounting for 1.5% of total project costs. Altogether, government-influenced costs comprise just less than 2% of project costs.

Developer profit must also be taken into consideration. With total project costs approaching \$20.7 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required economic face rent is \$20.69, with a required net effective rent (taking into account leasing commissions and tenant allowance) of \$18.71.

Economic Rent Calculation Whitby GO Station Area Mid-High Density Office Development

ASSUMPTIONS			
TIMING ASSUMPTIONS			
Land Acquisition	01-Jan-03		
Planning Period	6 months		
Construction Commencement	04-Jul-03		
Construction Period	14 months		
Substantial Completion	31-Aug-04		
Cost of Vacancy Period	6 months		
Full Lease-Up	01-Mar-05		
Total Development Period	26 months		
INTEREST RATE	Interim Financing	7.00%	
BUILDING AREAS			
Number of Buildings	1		
Number of Storeys	8.0		
Floor Plate	15,000 sq.ft.		
Gross Building Area	120,000 sq.ft.		
Site Coverage	2.75 times		
Land Area	1.00 acres		
	<u>G.B.A.</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Office	96%	115,200	107,136
Retail	4%	4,800	4,464
Other	0%	0	0
TOTAL	100%	120,000 sq. ft.	111,600 sq. ft.
PARKING RATIO			
2.0 stalls per	1,000 sq. ft. of G.F.A.		240 stalls
LEASE-UP			
50.00% of office space is leased at substantial completion			
70.00% leased on straight line basis over 12 months			
95.00% leased on straight line basis at end of lease-up period			
100.00% of retail space is leased at substantial completion			

(1) assuming 2.5% compound annual increase in years 6-10 on a 10 year lease

PROJECT COSTS			
		\$ 000's	PSF
LAND			
Purchase Price	Note 1	\$400	\$3.33
Additional Land Costs	Note 2	\$28	\$0.23
Land Carrying Costs	Note 3	\$50	\$0.42
TOTAL LAND		\$478	\$3.98
CONSTRUCTION & FRINGE			
Hard Construction Costs	Note 4	\$11,400	\$95.00
Parking	Note 5	\$3,334	\$27.78
Architect. & Engineer.	Note 6	\$958	\$7.98
Site Improvements	Note 7	\$131	\$1.09
Const. Contingency	Note 8	\$737	\$6.14
Municipal Fees	Note 9	\$362	\$3.02
Development Interest	Note 10	\$553	\$4.61
TOTAL CONSTRUCTION & FRINGE		\$17,474	\$145.62
COST OF VACANCY	Note 11	\$158	\$1.31
DEFERRED			
Tenant Allowances	Note 12	\$1,800	\$15.00
Leasing Costs	Note 13	\$480	\$4.00
Financing Costs		\$304	\$2.53
TOTAL DEFERRED		\$2,584	\$21.53
TOTAL PROJECT COSTS		\$20,694	\$172.45

ECONOMIC RENT CALCULATION			
Required Return on Investment			12%
Required Face Rent		\$20.69	PSF
Required Net Effective Rent (1)		\$18.71	PSF
Government-Influenced Costs	<u>\$ 000's</u>	<u>PSF</u>	<u>Required Face Rent</u>
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$319	\$2.66	\$0.32
Parkland Dedication	\$8	\$0.07	\$0.01
Building Permit Fees	\$30	\$0.25	\$0.03
Other Planning and Related Fees	\$5	\$0.04	\$0.01
Land Transfer Tax	\$8	\$0.07	\$0.01
Total	\$370	\$3.09	\$0.37

Proforma Results - Residential

This proforma describes a 4-storey medium-density residential project comprised of 50 units, with an average unit size of 1,150 sq. ft. The land parcel measures 1 acre in size, with the development translating into 1.3 times coverage. A total of 50 underground stalls (1 per unit) are proposed.

- The average sale price per unit is approximately \$220,800, or \$192 per sq. ft.
- Total land costs represent nearly 7.2% of total project costs.
- Hard construction costs (excluding parking) represent over 61% of total project costs. The cost of parking itself accounts for an additional 12.7% of total project costs.
- Significant project costs imposed by the municipality include development charges (3.2%) and building permit fees (0.2%). Government-influenced costs altogether total 3.8% of project costs.

The profit that a developer generates from the development must also be taken into consideration. Taking into account total project costs of approximately \$9.86 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required sale price per unit is \$220,823 – translating to \$192.02 per sq. ft.

Economic Rent Calculation Whitby GO Station Area Mid-Rise Residential Development

ASSUMPTIONS			
TIMING ASSUMPTIONS			
Land Acquisition		01-Jan-03	
Planning Period		6 months	
Construction Commencement		04-Jul-03	
Construction Period		12 months	
Substantial Completion		01-Jul-04	
Cost of Vacancy Period		4 months	
Full Lease-Up		31-Oct-04	
Total Development Period		22 months	
INTEREST RATE			
Interim Financing		7.00%	
BUILDING AREAS			
Number of Units		50	
Number of Buildings		1	
Average Unit Size		1,150 sq.ft.	
Number of Storeys		4	
Floor Plate		14,375 sq.ft.	
Gross Building Area		57,500 sq.ft.	
Site Coverage		1.32 times	
Land Area		1.00 acres	
Residential Units	<u>G.B.A.</u>	<u>Avg. Size</u>	<u>G.F.A.</u> <u>G.L.A.</u>
Bach & 1 Bedroom	50%	950	23,750 22,088
2 & 2+ Bedroom	50%	1,350	33,750 33,750
Other	0%	0	0 0
TOTAL	100%	1,150	57,500 55,838 sq.ft.
PARKING RATIO			
		1.00 stalls per residential unit	50.0 stalls

PROJECT COSTS			
		\$ 000's	PSF
LAND			
Purchase Price	Note 1	\$600	\$10.43
Additional Land Costs	Note 2	\$42	\$0.73
Land Carrying Costs	Note 3	\$67	\$1.17
TOTAL LAND		\$709	\$12.34
CONSTRUCTION & FRINGE			
Hard Construction Costs	Note 4	\$6,038	\$105.00
Parking	Note 5	\$1,250	\$21.74
Architect. & Engineer.	Note 6	\$474	\$8.24
Site Improvements	Note 7	\$131	\$2.27
Const. Contingency	Note 8	\$364	\$6.34
Municipal Fees	Note 9	\$362	\$6.30
Development Interest	Note 10	\$60	\$1.05
TOTAL CONSTRUCTION & FRINGE		\$8,679	\$150.93
SALES & MARKETING			
Sales Commissions	Note 11	\$345	\$6.00
Marketing & Advertising	Note 11	\$125	\$2.17
TOTAL SALES & MARKETING		\$470	\$8.17
TOTAL PROJECT COSTS		\$9,858	\$171.45

REQUIRED SALE PRICE CALCULATION			
Required Return on Investment		12%	
Required Average Sale Price		\$192.02	PSF

	\$ 000's	PSF	Required Avg. Sale Price
Government-Influenced Costs			
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$317	\$5.52	\$6.18
Parkland Dedication	\$12	\$0.21	\$0.23
Building Permit Fees	\$23	\$0.40	\$0.45
Other Planning and Related Fees	\$10	\$0.17	\$0.19
Land Transfer Tax	\$12	\$0.21	\$0.23
Total	\$374	\$6.51	\$7.29

Implications of Proforma Results in Whitby

The proposed projects in Whitby are less common in what has traditionally been a low to medium-density bedroom community. The existing GO Train station in southern Whitby does provide an opportunity for transit to residents/commuters and office worker, albeit at a lower volume than more urban transit systems. The fact that Highway 401 is nearby is also an attractive attribute and may allow a compromise in terms of a more urban-type project than currently exists in much of Whitby, but less dense than might be found in more central GTA locations.

For the proposed office project, a good comparable is the Pickering Corporate office buildings located at Liverpool Road and Highway 401, close to the Pickering GO Train Station. This development was recently added and is largely occupied by regional-type tenants with a workforce suited to the surrounding community. Phase two of this project was completed in 2002 and leased at rates in the \$15-\$24 psf (net) range. The project shares structured parking with Phase One. The proposed Whitby office building with underground parking may require somewhat higher net rents in order to be economically feasible, but would certainly fall within the range achieved at the Pickering Corporate centre. Notwithstanding the potential for a single tenant to demand a specific design-build project, however, this type of project in Whitby is likely several years away from being feasible. There are a number of intervening opportunities more centrally located in the GTA that potential tenants could pursue prior to this location. As the GTA continues to mature and the GO Train line becomes more important to the GTA transit structure, it is foreseeable that this type of project could appeal to potential future users.

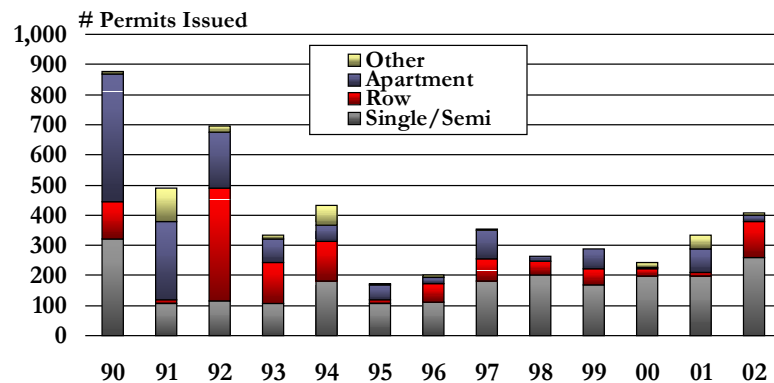
The proposed Whitby residential project is in a similar position to the office project – lower densities are more typical of this market. While there have been a number of mid-rise condominium projects (notably closer to Lake Ontario), new mid-density (townhouses) and single-detached houses are more prevalent in this marketplace. Homebuyer acceptance of this type of project (mid-rise apartment) is likely thin in this market. An evolution of the urban Whitby environment in the face of current considerable low-density greenfield competition is required. A smaller project such as the one proposed here (50 units) is better geared to what is currently a niche market in Whitby.

ST. CATHARINES, DOWNTOWN

The following highlight observations regarding the St. Catharines real estate market:

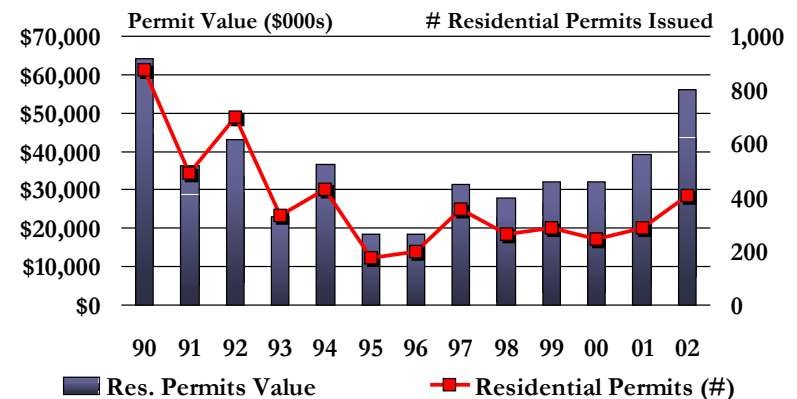
- Unlike the GTA, there has been limited new housing development in the City of St. Catharines. Residential building permits have averaged only 310 units per year during the 1998-2002 period, relatively unchanged from the previous five-year period. Single and semi-detached homes account for approximately two-thirds of all new residential building permits during the past five years. Although stable, recent residential development in the market is well off the recent peak of the early 1990s – in 1990, nearly 900 residential permits were issued, more than double the figure for 2002.
- The St. Catharines office market continues to be very weak. Based on the City’s own survey, downtown office vacancy is above the 25% level (over 275,000 square feet vacant). The current inventory of office space in the core is just over 1 million square feet. Average net rates are approximately \$6.75 per square foot, and the average taxes, operating and maintenance (TOM) charges are approximately \$6.75 per square foot.
- The St. Catharines economy is still heavily based on the automotive sector; demand for office space is therefore very dependant on the automotive sector as well. St. Catharines continues to seek diversification of its employment base.
- The Ontario Government Building at 301 St. Paul Street is considered to be a Class A building. It is in the group that comprises the best office buildings in St. Catharines. Unsolicited interest in the building has been good but confined to quasi-public sector organizations.

Residential Building Permits – City of St. Catharines



Source: Statistics Canada

Residential Building Permits – St. Catharines



Source: Statistics Canada

Proforma Results – Office/Commercial

This proforma describes a 4-storey medium-density commercial/office project comprised of 60,000 sq. ft of gross building area (with gross leasable area of 55,800 sq. ft.). The floor plate measures 15,000 sq. ft. The land parcel is 0.75 acres in size, with the development translating into 1.8 times coverage. A total of 1.5 stalls per 1,000 sf of leasable area are proposed with three-quarters underground and one-quarter surface.

- Based upon the overall project costs, the required face rent is \$16 per sq. ft., with a required net effective rent of \$14.60 per sq. ft.
- Total land costs represent 3.2% of total project costs.
- Hard construction costs (excluding parking) represent nearly 52.5% of total project costs. The cost of parking itself accounts for an additional 18% of total project costs.
- Significant project costs imposed by the municipality include development charges (1.4%) and building permit fees (0.3%). Altogether, government-influenced costs comprise just less than 2% of project costs.

Developer profit must also be taken into consideration. With total project costs of just over \$8 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required economic face rent is \$16.04, with a required net effective rent (taking into account leasing commissions and tenant allowance) of \$14.62.

Economic Rent Calculation St. Catharines - Mid-Size Commercial/Office Development

ASSUMPTIONS			
TIMING ASSUMPTIONS			
Land Acquisition		01-Jan-03	
Planning Period		4 months	
Construction Commencement		04-May-03	
Construction Period		10 months	
Substantial Completion		01-Mar-04	
Cost of Vacancy Period		4 months	
Full Lease-Up		01-Jul-04	
Total Development Period		18 months	
INTEREST RATE			
Interim Financing		7.00%	
BUILDING AREAS			
Number of Buildings		1	
Number of Storeys		4.0	
Floor Plate		15,000 sq. ft.	
Gross Building Area		60,000 sq. ft.	
Site Coverage		1.84 times	
Land Area		0.75 acres	
	<u>G.B.A.</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Office	100%	60,000	55,800
Retail	0%	0	0
Other	0%	0	0
TOTAL	100%	60,000 sq. ft.	55,800 sq. ft.
PARKING RATIO			
1.5 stalls per		1,000 sq. ft. of G.F.A.	90 stalls
LEASE-UP			
50.00%	of office space is leased at substantial completion		
70.00%	leased on straight line basis over 12 months		
95.00%	leased on straight line basis at end of lease-up period		
100.00%	of retail space is leased at substantial completion		

PROJECT COSTS			
		\$ 000's	PSF
LAND			
Purchase Price	Note 1	\$225	\$3.75
Additional Land Costs	Note 2	\$16	\$0.26
Land Carrying Costs	Note 3	\$20	\$0.33
TOTAL LAND		\$260	\$4.34
CONSTRUCTION & FRINGE			
Hard Construction Costs	Note 4	\$4,200	\$70.00
Parking	Note 5	\$1,440	\$24.00
Architect. & Engineer.	Note 6	\$367	\$6.11
Site Improvements	Note 7	\$98	\$1.63
Const. Contingency	Note 8	\$282	\$4.70
Municipal Fees	Note 9	\$149	\$2.48
Development Interest	Note 10	\$152	\$2.54
TOTAL CONSTRUCTION & FRINGE		\$6,688	\$111.46
COST OF VACANCY	Note 11	\$53	\$0.88
DEFERRED			
Tenant Allowances	Note 12	\$600	\$10.00
Leasing Costs	Note 13	\$240	\$4.00
Financing Costs		\$178	\$2.97
TOTAL DEFERRED		\$1,018	\$16.97
TOTAL PROJECT COSTS		\$8,019	\$133.65

ECONOMIC RENT CALCULATION			
Required Return on Investment		12%	
Required Face Rent		\$16.04	PSF
Required Net Effective Rent (1)		\$14.62	PSF

	\$ 000's	PSF	Required Face Rent
Government-Influenced Costs			
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$114	\$1.90	\$0.23
Parkland Dedication	\$5	\$0.08	\$0.01
Building Permit Fees	\$25	\$0.42	\$0.05
Other Planning and Related Fees	\$5	\$0.08	\$0.01
Land Transfer Tax	\$5	\$0.08	\$0.01
Total	\$153	\$2.55	\$0.31

(1) assuming 2.5% compound annual increase in years 6-10 on a 10 year lease

Proforma Results - Residential

This proforma describes a single-storey medium-density residential project comprised of 50 units, with an average unit size of 1,175 sq. ft. The land parcel measures 0.75 acres in size, with the development translating into 1.8 times coverage. As for the Whitby residential proposal, 50 parking stalls are proposed (1 per unit), all of which are underground.

- The average sale price per unit is approximately \$187,400, or \$160 per sq. ft.
- Total land costs represent nearly 3.7% of total project costs.
- Hard construction costs (excluding parking) represent over 63% of total project costs. The cost of parking accounts for an additional 15% of total project costs.
- Significant project costs imposed by the municipality include development charges (1.1%) and building permit fees (0.3%). Government-influenced costs altogether total 1.7% of project costs.

The profit that a developer generates from the development must also be taken into consideration. Taking into account total project costs of approximately \$8.36 million and assuming a 12% profit margin on the total project (higher when leveraged equity is considered), the required sale price per unit is \$187,365 – translating to \$159.46 per sq. ft.

Economic Rent Calculation St. Catharines Mid-Density Residential Development

ASSUMPTIONS				
TIMING ASSUMPTIONS				
Land Acquisition		01-Jan-03		
Planning Period		6 months		
Construction Commencement		04-Jul-03		
Construction Period		12 months		
Substantial Completion		01-Jul-04		
Cost of Vacancy Period		4 months		
Full Lease-Up		31-Oct-04		
Total Development Period		22 months		
INTEREST RATE				
Interim Financing		7.00%		
BUILDING AREAS				
Number of Units		50		
Number of Buildings		1		
Average Unit Size		1,175 sq.ft.		
Number of Storeys		4		
Floor Plate		14,100 sq.ft.		
Gross Building Area		58,750 sq.ft.		
Site Coverage		1.80 times		
Land Area		0.75 acres		
Residential Units				
	<u>G.B.A.</u>	<u>Avg. Size</u>	<u>G.F.A.</u>	<u>G.L.A.</u>
Bach & 1 Bedroom	25%	950	11,875	11,044
2 & 2+ Bedroom	75%	1,250	46,875	46,875
Other	0%	0	0	0
TOTAL	100%	1,175	58,750	57,919 sq.ft.
PARKING RATIO				
1.00 stalls per residential unit				50.0 stalls

PROJECT COSTS				
			\$ 000's	PSF
LAND				
Purchase Price	Note 1		\$263	\$4.47
Additional Land Costs	Note 2		\$18	\$0.31
Land Carrying Costs	Note 3		\$29	\$0.50
TOTAL LAND			\$310	\$5.28
CONSTRUCTION & FRINGE				
Hard Construction Costs	Note 4		\$5,288	\$90.00
Parking	Note 5		\$1,250	\$21.28
Architect. & Engineer.	Note 6		\$425	\$7.23
Site Improvements	Note 7		\$98	\$1.67
Const. Contingency	Note 8		\$327	\$5.56
Municipal Fees	Note 9		\$137	\$2.33
Development Interest	Note 10		\$53	\$0.90
TOTAL CONSTRUCTION & FRINGE			\$7,577	\$128.96
SALES & MARKETING				
Sales Commissions	Note 11		\$353	\$6.00
Marketing & Advertising	Note 11		\$125	\$2.13
TOTAL SALES & MARKETING			\$478	\$8.13
TOTAL PROJECT COSTS			\$8,364	\$142.37

REQUIRED SALE PRICE CALCULATION			
Required Return on Investment			12%
Required Average Sale Price			\$159.46 PSF

	\$ 000's	PSF	Required Avg. Sale Price
Government-Influenced Costs			
Site Remediation	\$0	\$0.00	\$0.00
Development Charges	\$90	\$1.53	\$1.72
Parkland Dedication	\$13	\$0.22	\$0.25
Building Permit Fees	\$24	\$0.40	\$0.45
Other Planning and Related Fees	\$10	\$0.17	\$0.19
Land Transfer Tax	\$5	\$0.09	\$0.10
Total	\$142	\$2.41	\$2.70

Implications of Proforma Results in St. Catharines

The projects proposed for the Downtown St. Catharines market face considerable pricing pressure in a smaller market heavily geared to lower density forms of housing and commercial uses. More than any of the other projects examined in this report, the St. Catharines project will rely on “lifestyle” choices of buyers and users. Downtown St. Catharines is an attractive location and may appeal to specific buyers/users, but it is anticipated that the market for higher density uses will be relatively limited for some time. Consequently, the scale of project will be an important consideration. For these examples, relatively smaller forms of projects have been proposed, recognized the limited depth of market (and current relatively low density environment in Downtown St. Catharines).

For the proposed commercial project, a net rent of roughly \$16 psf is required, less than more conventional GTA suburban projects. This lower economic cost reflects lower land costs and less expensive types of construction (although underground parking adds to the costs compared to many conventional examples). A comparable project is the Sherwoodtowne office/commercial projects north of Mississauga City Centre that look largely like commercial townhouses and can be sold on individual basis. This type of smaller investment basis may also appeal to the St. Catharines commercial market.

The proposed St. Catharines residential project (mid-rise apartment) is also relatively small in scale at 50 units. While such a project was not identified as being actively marketed today in Downtown St. Catharines, there may be a (limited) market for such a project over the medium term. Downtown St. Catharines already has a nice urban environment (albeit largely at lower densities) and may appeal to lifestyle homebuyers (largely mature adults). A price sensitive approach will be required to compete with the housing alternatives throughout the Niagara peninsula for this type of buyer.

CONCLUSIONS

The above analysis documented the financial and economic “triggers” that drive smart growth development types. As for any development, the ability for developers to economically build and sell or rent specific uses will determine the growth of these building forms. Importantly, there has to be an end user demand for smart growth development types – someone has to buy or rent the space created in order for there to be a market to build it. Currently, the overwhelming demand for suburban uses has been for lower density forms of residential or commercial forms. Demand has taken this form due not only to the availability of cost-competitive greenfield locations, but also because the urban environments associated with higher density forms (rapid transit, mixed uses) does not already exist. As the GTA and surrounding region mature, it is anticipated that this environment will slowly develop – but some pioneering projects will have to take place. For these pioneers, some assistance, financial and non-financial, may be required in order to overcome the differentials in demand, cost and risks compared to conventional greenfield lower density locations.

In general, medium and higher density forms of housing are already taking place in the 905 region of the GTA and surrounding communities. While much of this is concentrated in specific areas, the growth in these types of smart growth development types is expected to evolve and spread over time as urban infrastructure, notably rapid transit but also civic buildings, is emplaced and improved. Office and commercial development with underground parking is generally limited to areas with significant transit access (e.g., North Yonge, Mississauga and Scarborough City Centres). For both the residential and non-residential sector, the demand enhancement associated with infrastructure emplacement and the general consumer awareness of the benefits of higher density forms of living and working are key triggers for the growth of smart growth development types.