

NOVEMBER 2, 2015



HOUSING MARKET

HIGHLIGHTS

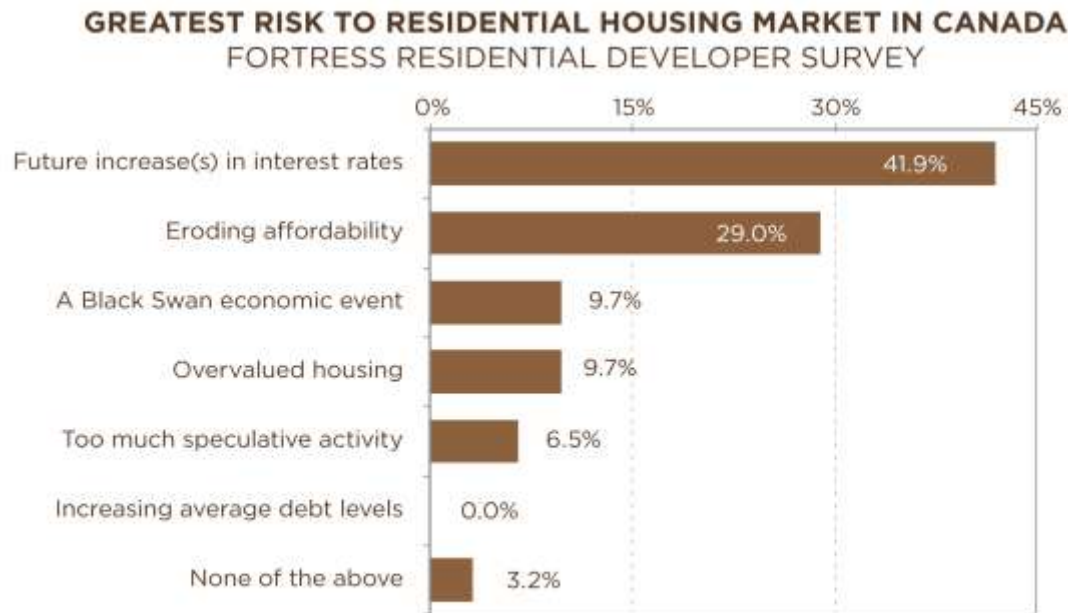
CANADA & GTA

BY **BEN MYERS**

SVP, MARKET RESEARCH AND ANALYTICS
FORTRESS REAL DEVELOPMENTS

CANADIAN DEVELOPERS TOP CONCERN IS FUTURE INCREASES IN INTEREST RATES & AFFORDABILITY

- Forecasts calling for interest rate increases in late 2016
- Is affordability an expectations issue?
- Most overvaluation studies ignore supply
- Developers not concerned with average debt levels in Canada

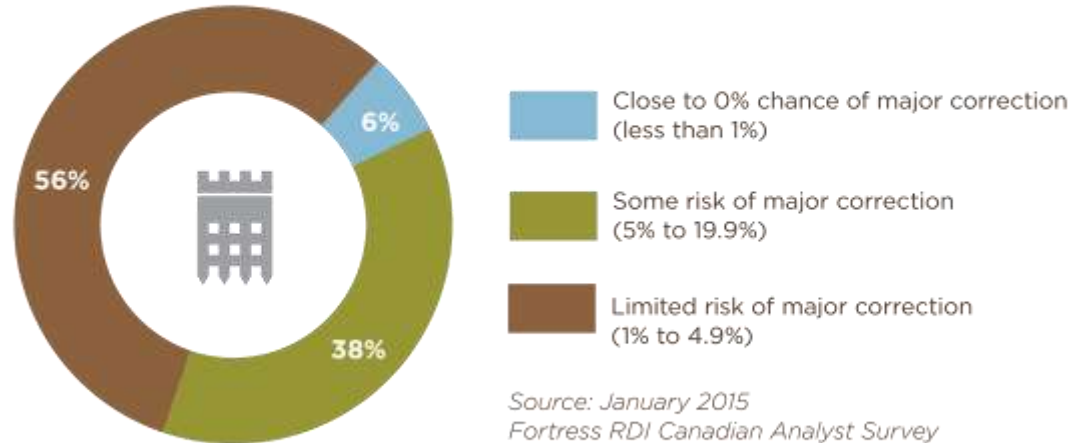


Source: June 2015 Fortress RDI Residential Developer Survey

DO HOUSING ANALYSTS THINK WE ARE IN A BUBBLE?

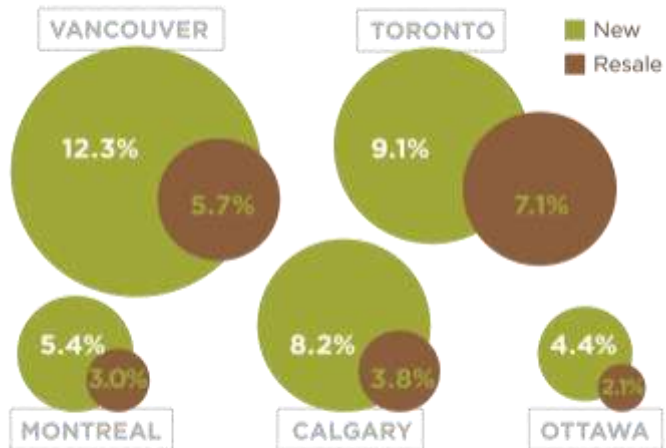
62% of Canadian housing analysts think the chance of a major housing correction in Canada over the next five years is less than 5%

WHAT IS THE PROBABILITY OF A 20% DROP IN CANADIAN RESALE HOUSE PRICES OVER THE NEXT FIVE YEARS?
CANADIAN HOUSING ANALYST SURVEY



SINGLE-DETACHED HOUSE PRICE GROWTH IS VERY STRONG IN MAJOR CENTRES

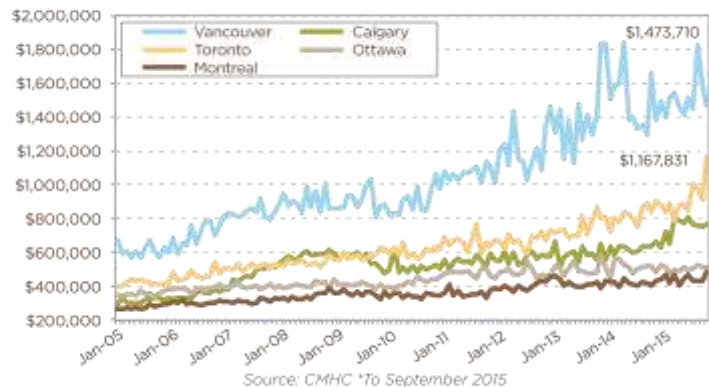
ANNUAL CHANGE IN NEW & RESALE SINGLE DETACHED HOUSE VALUES
Select Canadian CMAs: Last 5 Years*



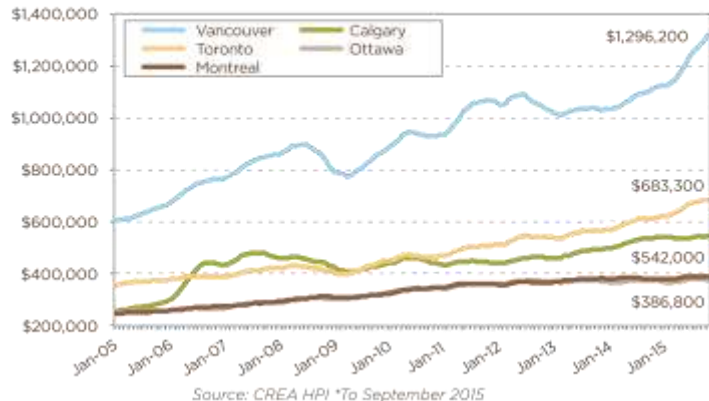
Source: CMHC, CREB HPI *October 2010 to September 2015

New absorbed single-detached pricing up 20% in Calgary, 13% in Toronto over past 12 months. Resale singles up 13% & 10% in Vancouver & Toronto over same time period.

NEW ABSORBED SINGLE-DETACHED HOUSE VALUES
Select Canadian CMAs: 2005 to 2015*



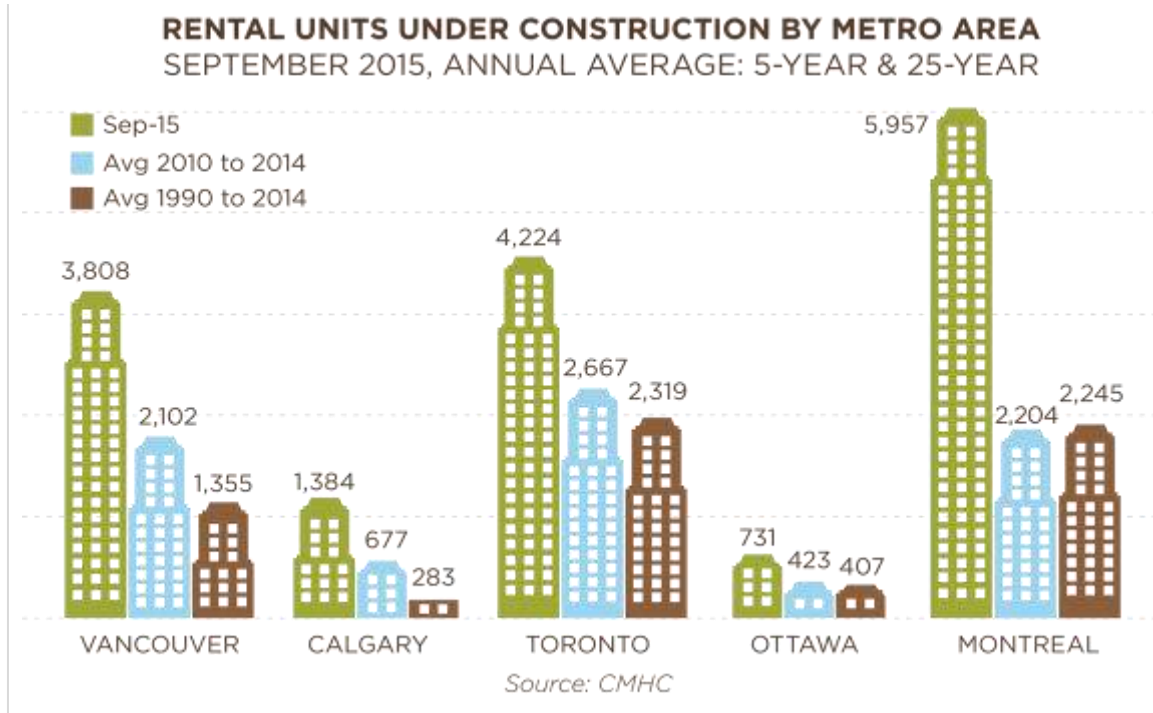
TWO-STORY SINGLE FAMILY RESALE VALUES
Select Canadian CMAs: 2005 to 2015*



RENTAL RESURGENCE ACROSS CANADA. EACH MAJOR MARKET BUILDING 50% MORE THAN LONG-RUN AVERAGES

Shift occurring in many markets back to rental. Each metro area building well above their 5-year average:

- Montreal +170%
- Calgary +105%
- Vancouver +81%
- Ottawa +73%
- Toronto +58%

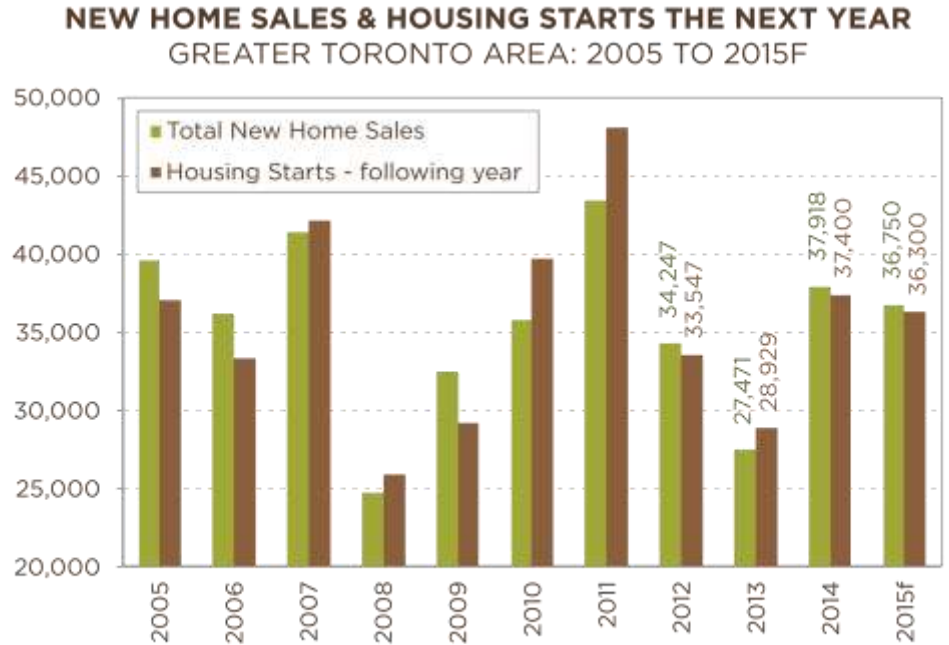


GTA NEW HOUSING SALES NEARLY INDENTICAL TO HOUSING STARTS THE FOLLOWING YEAR

Average sales 2005 to 2014:
35,300

Average starts 2006 to 2015:
35,500

Over the past 12 months, the Metro area has completed nearly 46,000 new housing units and resale pricing has remained positive – additional supply not weighing on prices.



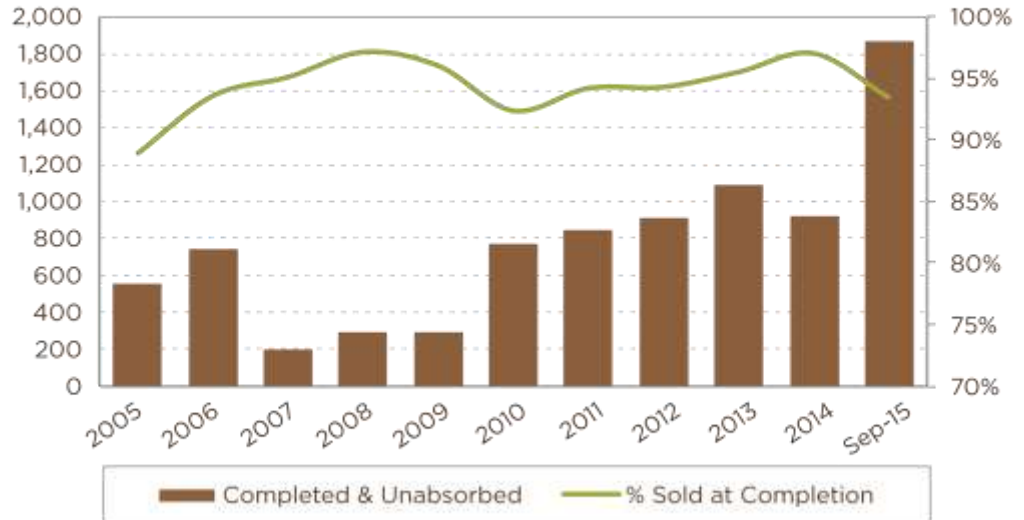
Source: RealNet & Urbanation (Actual), Will Dunning Inc & Altus Group (Forecast)

DESPITE FOCUS ON ABSOLUTE NUMBER OF BUILT & UNSOLD CONDOS, ABSORPTION AT CLOSING HAS BEEN OVER 92% SINCE 2006

Context matters:
Share of condominium
apartments unsold at
completion remains
extremely stable

CMHC figures do not include
units leased by the developer

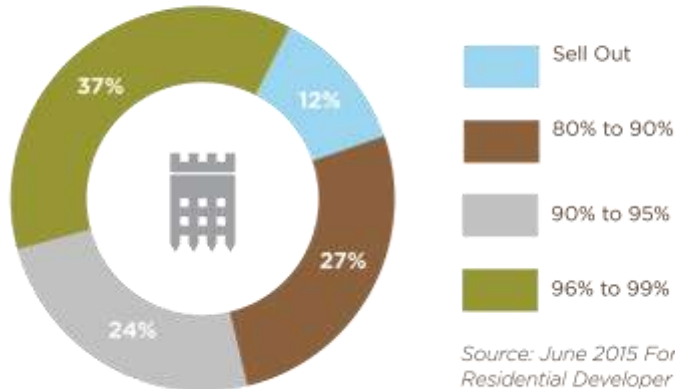
**CONDOMINIUM APARTMENT UNITS COMPLETED & UNABSORBED
PLUS SHARE OF UNITS SOLD AT COMPLETION**
TORONTO CMA: 2005 TO 2014, YTD 2015*



Source: CMHC *Excludes May 2015 where CMHC admitted error

NEARLY 30% OF DEVELOPERS SATISFIED WITH LESS THAN 90% ABSORPTION AT COMPLETION

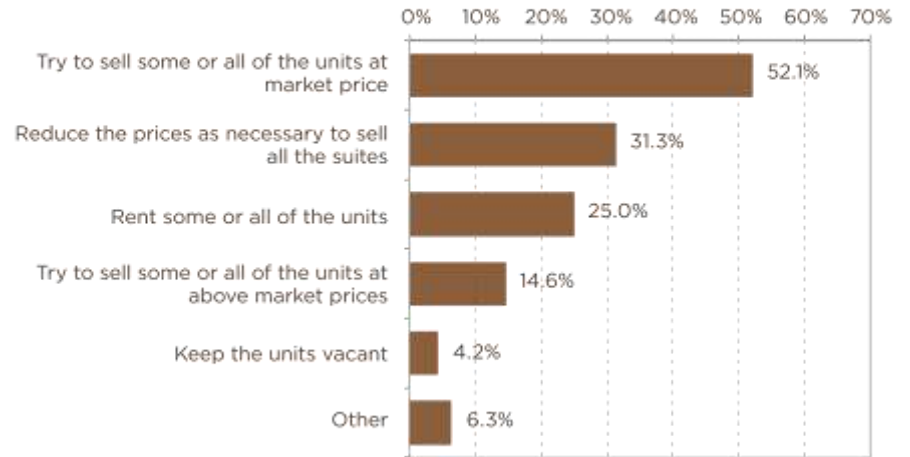
WHAT PERCENT SOLD DO YOU TARGET AT COMPLETION FOR YOUR CONDO APARTMENT PROJECT CONSIDERING RISK & PROFITABILITY?
FORTRESS RESIDENTIAL DEVELOPER SURVEY



Source: June 2015 Fortress RDI Residential Developer Survey

IF 10% OF YOUR CONDO UNITS ARE UNSOLD AT OCCUPANCY, WHAT IS YOUR PRICING STRATEGY?*

FORTRESS RESIDENTIAL DEVELOPER SURVEY



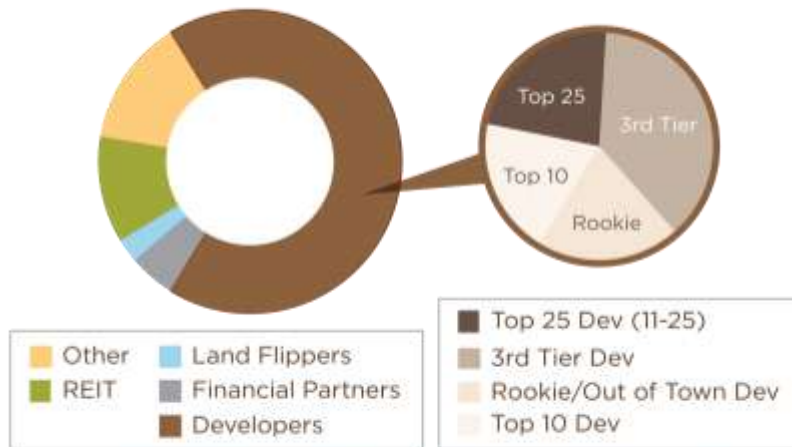
Source: June 2015 Fortress RDI Residential Developer Survey *Multiple responses permitted

25% of developers rent their unsold supply
31% would reduce pricing but nearly 40% of them would wait one year to do so

TOP 25 DEVELOPERS ACCOUNT FOR 28% OF HIGH-DENSITY LAND SALES, WHILE 3RD TIER & ROOKIE DEVELOPERS AT 39%

Top 10 Developers: 13% 3rd Tier Developers: 25%
 Top 25 (ranked 10-25): 15% Rookie Developers: 14%

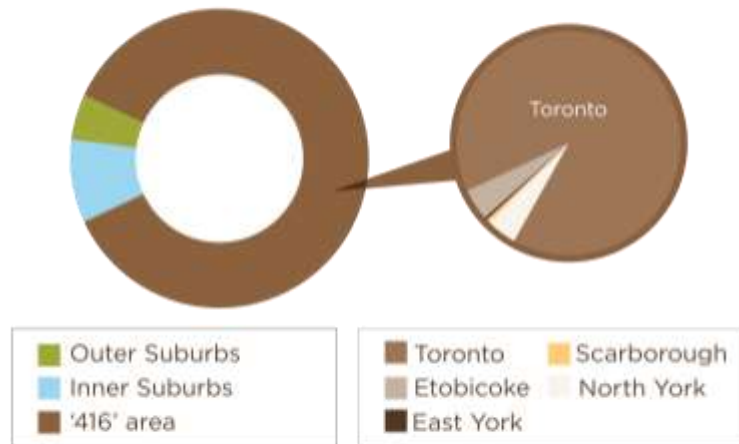
BREAKDOWN OF BUYERS - HIGH DENSITY LAND SALES OVER \$3 MILLION
 GTA: OCTOBER 2014 TO SEPTEMBER 2015



Source: RealNet Canada Inc, Fortress Real Developments

86% of these land sales in the New City of Toronto ('416' area), 9% in inner suburbs, 5% in outer suburbs

BREAKDOWN BY AREA AND MUNICIPALITY - HIGH DENSITY LAND SALES OVER \$3 MILLION
 GTA: OCTOBER 2014 TO SEPTEMBER 2015



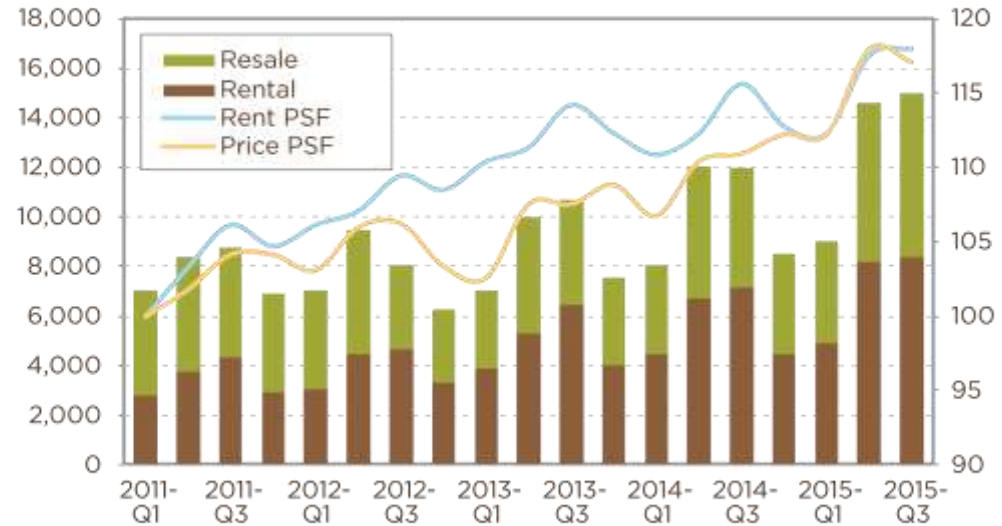
Source: RealNet Canada Inc, Fortress Real Developments

NEARLY 15,000 CONDO RESALE & RENTAL TRANSACTIONS IN Q3-2015. PRICES, RENTS GROWING AT SAME RATE

Quarterly condo rental demand more than double the 2011 level.

Record condo completions have had no negative influence on resale or rental activity.

**RESALE & RENTAL CONDO TRANSACTIONS
PLUS RESALE & RENTAL INDEX VALUES BY QUARTER**
GTA: Q1-2011 TO Q3-2015



Source: Urbanation Inc., TREB



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