

Construction & Soft Costs Updates



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RULE NUMBER ONE

Gross Floor Area (GFA) Definitions

1. GZA

Gross Zoning Area

- Equals City By-Law definition
- Excludes stairs, elevators, mech/elec, etc.
- Between 5-12% less than GCA
- Land purchased based on GZA psf

2. GCA

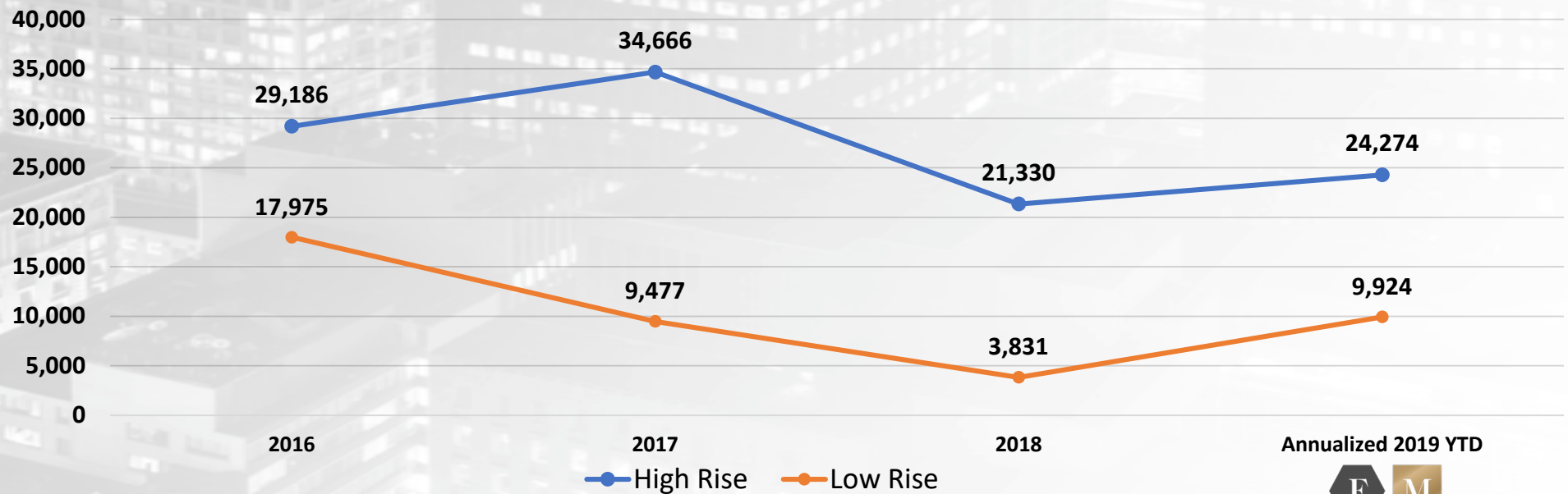
Gross Construction Area above grade

- Measured outside face of exterior wall
- Excludes balconies
- Construction costs based on GCA psf



SALES

| | High Rise | | Low Rise | | Total | |
|----------------------------|-----------|-----|----------|-----|--------|------|
| 2016 | 29,186 | 62% | 17,975 | 38% | 47,161 | 100% |
| 2017 | 34,666 | 79% | 9,477 | 21% | 44,143 | 100% |
| 2018 | 21,330 | 85% | 3,831 | 15% | 25,161 | 100% |
| Annualized 2019 YTD | 24,274 | 71% | 9,924 | 29% | 34,198 | 100% |
| Average | 27,364 | 73% | 10,302 | 27% | 37,666 | 100% |
| 2018 vs 2017 | -38% | | -60% | | -43% | |
| 2018 vs 2016 | -27% | | ↓↓↓ | | -47% | |



Construction Costs

- Overall increase in the last 3.5 years **35-40%** *Compounded
 - 2016 - \pm **8.0%**
 - 2017 - \pm **10.0%**
 - 2018 - \pm **10.0%**
 - 2019 YTD - \pm **6%**
- Certain Trades are driving these cost increases.
- Some trades are up as high as \pm **80%** in the past 24 months.
- Other trades are up just \pm **3%** in the past 24 months.
- Avoid using a Cost psf budget. Do detail.



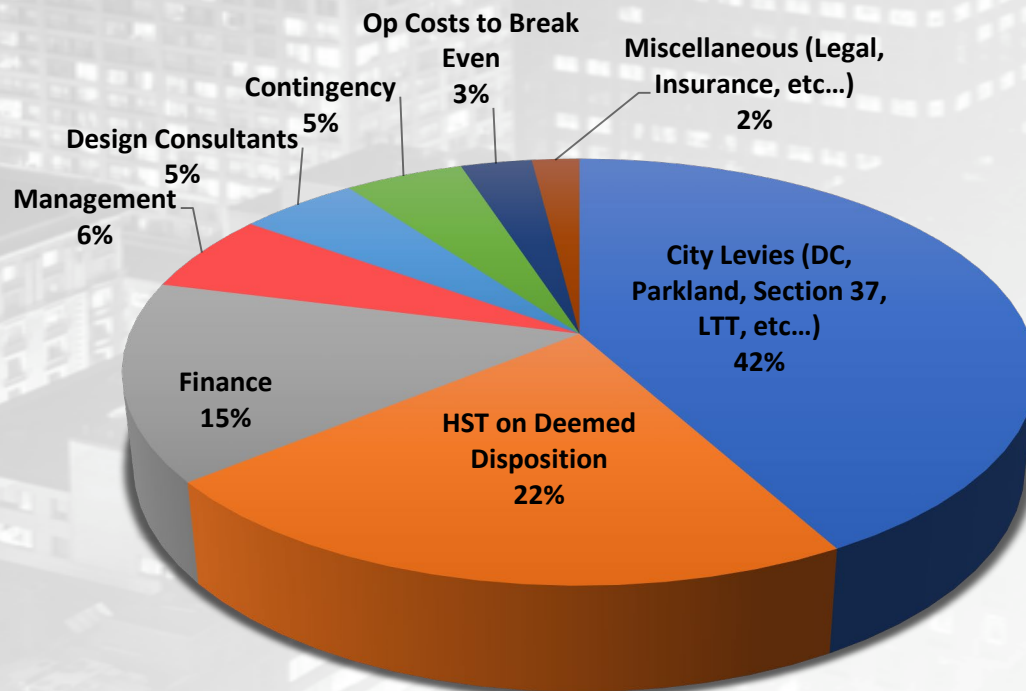
Construction Costs

- High Rise specific trades show the largest increases as inter-changeable trades involved in both high rise/ low rise shows little increase.
- Some previously agreed contracts being re-negotiated higher.
- Supply/Demand unbalanced & major reasons for increase.
- Low rise construction cost down **15-20%** in reaction to lower sales volume and shorter period between sales & construction.



Soft Costs

| | Description | % |
|---|---|------|
| 1 | City Levies (DC, Parkland, Section 37, LTT, etc...) | 42% |
| 2 | HST on Deemed Disposition | 22% |
| 3 | Finance | 15% |
| 4 | Management | 6% |
| 5 | Design Consultants | 5% |
| 6 | Contingency | 5% |
| 7 | Op Costs to Break Even | 3% |
| 8 | Miscellaneous | 2% |
| | Total | 100% |



Soft Costs

- 1985 – Soft Cost made up \pm **25%** of Construction Costs
- 2016 – Soft Cost made up \pm **50%** of Construction Costs
- 2018 – Soft Cost made up \pm **70%** of Construction Costs and rising.

Why??

- Municipal Fees
 - Development Charges
 - Parkland
 - Educational Devel. Charges
 - Section 37
 - Land Transfer Tax
 - Public Art
 - Lane Occupancy
- HST on Deemed Dispositions
- Bill 108



IGNORE SOFT COST DETAIL AT YOUR PERIL!!



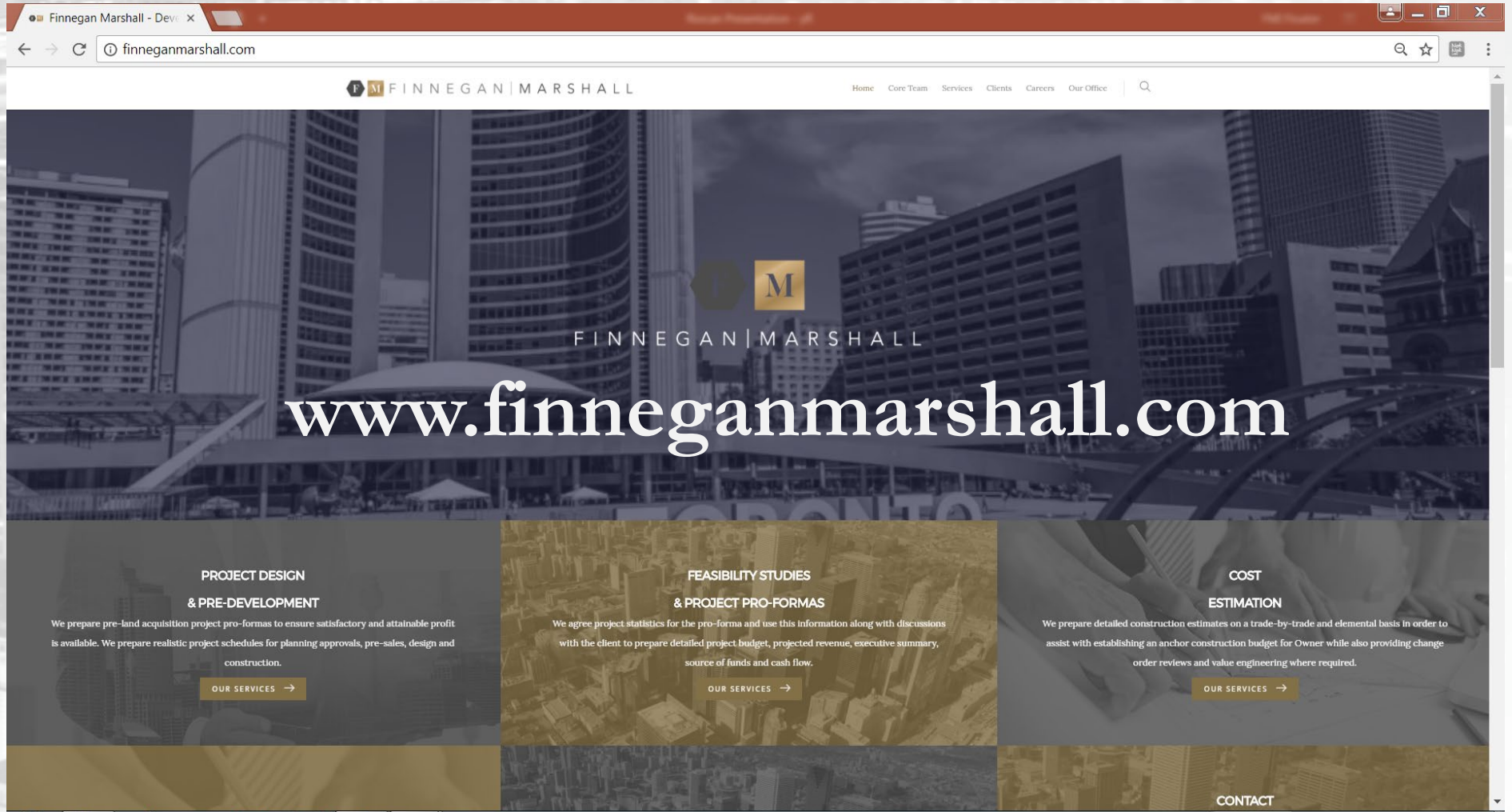
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Land Costs

- Increase of up to **150-200%** over the past 3 years.
- Lack of approved sites to meet demand.
- Residential Rental Developers.
- Institutionalization of Residential High Rise Development.



Thank you!



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