

SkyPoint Market Overview

Analyzing the current macroeconomic environment is the foundation for all of SkyPoint's research

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WHY TORONTO?

Overview

As Canada's largest city, Toronto is a global business hub with over 89,000 businesses operating throughout the city. Toronto is known as one of the most culturally diverse cities in the world, with half of the city's residents identifying as a visible minority.¹ Toronto is an international center for arts, sports, dining, and culture. Each year, more than 100,000 new immigrants call Toronto home.²

The Greater Toronto Area (GTA) is made up of the central city of Toronto and 4 surrounding regional municipalities. The region spans over 7000km² and is home to more than 6 million people.³

Quick Facts

- 2.79+ million people (6+ million in GTA)
- 4th largest city in North America
- 89,000+ businesses
- Unemployment rate: 6.5%
- 9 post-secondary institutions

Situated on Lake Ontario, Toronto is North America's fourth largest city behind only Mexico City, New York City, and Los Angeles.

Toronto is a diverse, dynamic city that delivers a welcoming business environment for small businesses to large multinational corporations. Toronto's major industries include financial services, technology, life sciences, and manufacturing.

Nearly 200,000 students attend one of the GTA's 9 post-secondary institutions each year.⁴ The GTA is home to 5 universities and 4 colleges, specializing in everything from the trades to law.

Toronto serves as a global model for culture, social health, welfare, and environmental sustainability. In 2015, PwC ranked Toronto #1 in its APEC Building Better Cities Report citing Toronto's culture, sustainability and diversity as key strengths.⁵



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Culture

Known for its rich culture, Toronto is Canada's largest city with a population of 2.79 million (6 million in the GTA). It is estimated that over 180 languages are spoken in Toronto, making the city an attractive choice for new immigrants.⁶ Additionally, nearly half of the city's population considers itself as part of a visible minority group. In 2015, The Economist Intelligence Unit ranked Toronto the best city in the world to live in.⁷

Toronto has a vibrant Entertainment District that is home to the City's best restaurants, nightclubs, shopping, festivals, and other attractions. The Entertainment District is also home to the Air Canada Centre, the Rogers Centre, CN Tower, Ripley's Aquarium of Canada, and the Princess of Wales Theatre.

The Toronto International Film Festival (TIFF) is a world renowned film festival held each September in the heart of the Entertainment District. Each year, it is estimated TIFF brings in over \$170 million to the Toronto economy. In 2015, approximately 473,000 visitors, 5,400 industry professionals, and 1,200 journalists attended TIFF.⁸

Sports Franchises

Toronto is home to five major league sports franchises:



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Economy

Toronto is the business and financial capital of Canada. Each year, the Toronto region generates approximately 20 per cent of the country's Gross Domestic Product (GDP).⁹ Toronto delivers a first class business environment, stable capital markets, and access to world class talent.

Toronto has emerged as the second largest and fastest growing financial center in North America. For the past eight years, the World Economic Forum has ranked Toronto's banking system as the most secure in the world.¹⁰ The Toronto Stock Exchange (TSX) is North America's third largest stock exchange behind only New York and Chicago.

In 2015, Toronto's employment growth was an astonishing 4.9%.¹¹ The City has thriving financial services, technology, digital media, life sciences, and food processing sectors.

Quick Facts

Toronto is home to:

- All 5 major Canadian banks' headquarters
- The top 5 Canadian public pension funds
- 2/10 of the largest global life insurers
- 7/10 of the largest global hedge fund administrators
- 9 of Canada's top 10 hedge funds

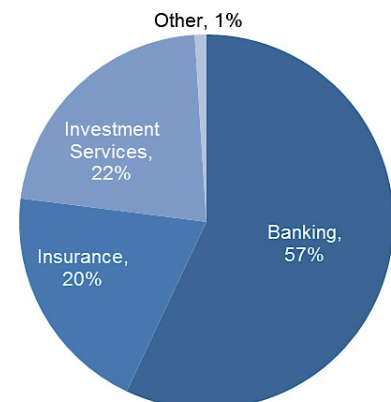
Toronto's Workforce:

- 40% of Canadian jobs are located in the GTA
- Unemployment rate of 6.5%
- 64% of residents ages 25-64 have a post-secondary education

Toronto's Financial Services Industry

Toronto's financial services sector is the 2nd largest in North America after only New York. The sector employs over 251,000 people (30% of the nation's financial services workforce); more than double the proportion for its closest Canadian competitor - Montréal. Toronto's banks manage approximately \$3.4 trillion of the nation's assets.¹²

Figure 1: Toronto financial services employment



Source: City of Toronto



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Infrastructure

Public Transit

Toronto has North America's 3rd largest public transit system after New York City and Mexico City. Toronto's public transit system was ranked the highest overall in PwC's 2015 APEC Building Better Cities report.¹³ Each year, 540 million rides are taken throughout Toronto's public transit network. The Toronto Transit Commission (TTC) operates over 130 subway trains, 240 streetcars, and 1800 buses.¹⁴

Airports

Toronto has three airports throughout the GTA. Pearson International, North America's 4th busiest airport, saw over 41 million passengers in 2015. A recent study by Frontier Economics estimated that Pearson International directly and indirectly accounts for 277,000 jobs (4.2% of Ontario jobs) and \$35.4 billion (5.6% of Ontario GDP).¹⁵

Rail

Union Station, the busiest transportation facility in Canada, connects over 200,000 passengers per day.¹⁷ Canada's national train service, Via Rail, connects travellers from across the country to Toronto. GO Transit and the TTC also operate out of Union Station, providing commuting options to residents from throughout the GTA.

Current Projects

Over 200 infrastructure projects are in the planning and construction phases throughout the Greater Toronto and Hamilton Area (GTHA). These projects make up a 25 year, \$50 billion plan that will transform the regional transportation system. Projects include the extension of the City's main subway lines, the addition of light rail transit (LRT), and the improvement of the City's main highway network. The 30 municipalities and 10 transit agencies in the GTHA now comprise the largest regional growth planning entity in North America.¹⁶



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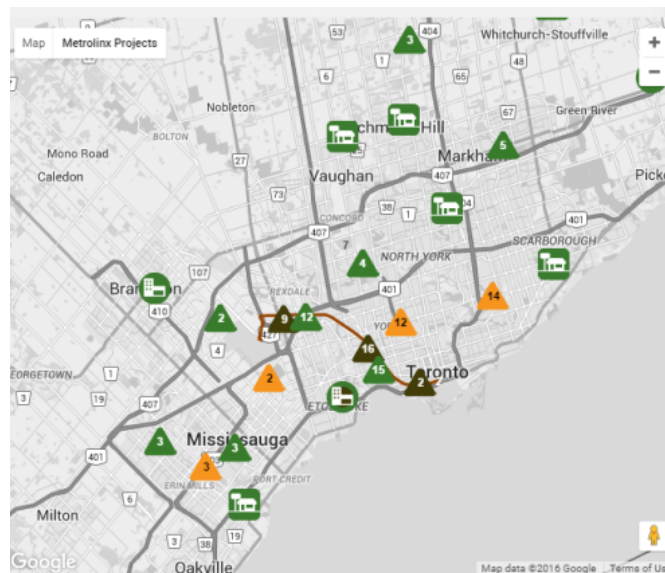
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Toronto's Booming Real Estate Market

Toronto has a booming real estate market. The City has more high-rise buildings of 12+ storeys than any North American city except New York.¹⁸ Strong economic fundamentals, population growth, and Canada's low interest rate environment are driving much of the demand for Toronto real estate. On the supply side, environmental regulation, known as the Greenbelt Plan, limited the available land for development in 2005.

Immigration fuels demand

Each year, more than 100,000 new international immigrants call Toronto home. With almost three quarters of expected population growth coming from immigration, Toronto has become one of the world's most desirable cities to reside in.

The GTA is projected to be the fastest growing region of the province, with its population increasing by almost 3.0 million, or 45.8 per cent, to reach 9.4+ million over the next 25 years.¹⁹

Household formation in Toronto, the annual number of households that will be formed in the long-run, is 2.5 times that of Vancouver and approximately 3 times that of New York and Los Angeles.²⁰ Based on projections of population, household formation is the underlying driver of demand for new housing.

Environmental regulation restricts supply

Since The Greenbelt Act of 2005, which protects about 1.8 million acres of environmentally sensitive and agricultural land, regional urban planning has focused on land intensification. This has resulted in a short supply of highly sought after housing.

The decrease in the supply of land available for development throughout the GTA has driven up the price of developable land and forced developers to focus on building upwards.

Low interest rates stimulating borrowing

Canada's central bank, The Bank of Canada, is mandated to maintain inflation in the 1-3% range. The Bank of Canada carries out their mandate by manipulating the overnight rate charged to other banks.

Since the Global Financial Crisis of 2008, the Bank of Canada has maintained low interest rates aimed at spurring economic growth. Currently, the overnight rate is set at 0.5%. The overnight rate is the basis for all other interest rates in Canada including the 5- and 10- year mortgage rates, which, as of March 18, sat at 1.23% and 2.03% respectively.

The low interest rate environment coupled with fairly lax lending rules has led to record levels household debt. A recent report by CD Howe found that roughly 1-in-5 of mortgage indebted households have less than \$5,000 in financial assets to draw upon in response to a loss of income or to higher debt service costs.²¹



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The ensuing housing affordability concerns

Strong demand for Toronto real estate coupled with restricted land supply has resulted in rising concerns around housing affordability. The average price of a new low-rise home in the region has reached a record of over \$810,000 as of September 2015.²²

The affordability concerns in the region have caused multifamily properties to become the City's premier real estate assets.

According to CMHC, the required household income for homeownership is trending about 30% above the actual average household income in Toronto (Figure 1).

As a result, TD estimates that about one-third of the total households will rent over the next several years and that much of this growth will be driven by medium-to-higher earning households in the luxury rental market.²³

And household compositions change

The choice of housing for individuals and households is complex and dynamic. In recent years, the City of Toronto has been seeing a shift in the composition of families and households towards smaller households.

Between 2006 and 2011, the number of one-person households increased by 12.1% and the number of households living in high-rise apartments more than doubled from 1996-2006.²⁴

This shift towards smaller, high-rise apartments reflects changes in individual household preferences, demographics, and the supply of available land. For example, as a result of Toronto's aging population, the housing stock continues to evolve. As the Baby Boomers enter retirement, their housing needs change to smaller, more affordable options.

The role of multifamily

Favourable demographics, a strong economy, and deteriorating housing affordability are generating robust demand for Toronto multifamily properties. As a result, prime multifamily assets in Toronto have become one of the most desirable real estate asset classes in North America. Toronto multifamily properties offer investors an attractive alternative investment to equities and bonds.



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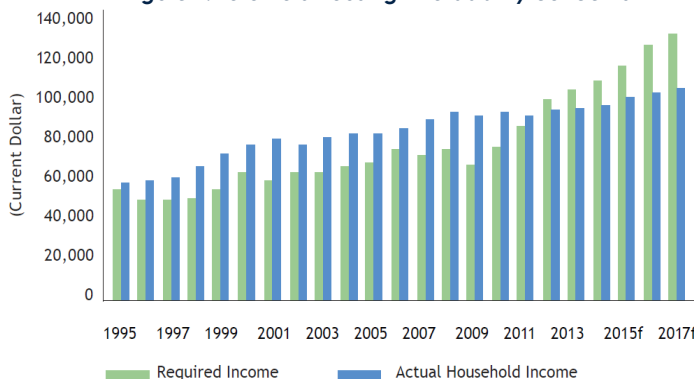
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Figure 1: Toronto's Housing Affordability concerns



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Inspired living in the heart of Toronto's Entertainment District

40 Widmer is located in the heart of Toronto's Entertainment District. A vibrant neighbourhood, the Entertainment District is home to some of the nation's most iconic landmarks including the CN Tower, Rogers Centre, Air Canada Centre, Princess of Wales Theatre, TIFF Bell Lightbox and many more. It is the city's cultural centre for sports, dining, nightlife, and the arts.

We're not making concessions by making a more traditional, suburban-type condo.

OpArt Lofts is located in the Kerr Village neighbourhood of Oakville, one of North America's fastest growing regions. OpArt Lofts features a stunningly modern design consisting of two, eight-storey towers atop a two-storey podium. Designed by the acclaimed firm of Teeple Architects, two white towers spangled with black-framed windows in jaunty patterns reflect the eye-popping Op Art painting style of the 1960s.



About SkyPoint

SkyPoint Realty Partners (SkyPoint) is the first company to bring institutional grade multifamily real estate investments to Asia. SkyPoint was formed to provide Asian investors access to Class A North American multifamily real estate opportunities. SkyPoint combines macroeconomic fundamentals with local in-depth market intelligence to deliver trusted research on current North American real estate trends and opportunities to the international market.



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