Appendix 5

4.4.

urbanMetrics inc.
market, economic and strategic advisors

REIMAGINING THE MALL

Financial Analysis Addendum

Mississauga, Ontario

Prepared for **The City of Mississauga**

July 23, 2020

July 23, 2020

Ben Phillips, MCIP, RPP
Manager, Official Plan Review
Planning and Building Department, City Planning Strategies Division
City of Mississauga
300 City Centre Drive
Mississauga, Ontario
L5B 3C1

Dear Ben:

RE: Financial Analysis Addendum

urbanMetrics inc. ("urbanMetrics", "uMi") is pleased to submit this *Financial Analysis Addendum*, prepared as an update to the previous financial assessment of May 6, 2019 that was undertaken by our firm as part of the broader project consulting team responsible for executing the original Reimagining the Mall project. The primary purpose of this updated analysis has been to consider the relative financial considerations and potential economic implications of including additional affordable or "non-market" housing uses at each of the mall-based nodes identified for the project.

Specifically, since our original analysis was completed, the City of Mississauga's Planning and Development Committee has recommended a new policy whereby 20% of all residential uses at the various mall-based nodes identified could be required as non-market housing. This recommendation was ultimately adopted by Mississauga City Council in June of 2019. In light of this new direction, the City of Mississauga has asked urbanMetrics to revisit our previous financial analysis and provide an updated assessment as to how the proposed policy change could impact the underlying development feasibility conditions at these nodes. Included herein is a summary of our latest findings in this regard.

Yours truly,

urbanMetrics

Christopher White, PLE
Associate Partner
cwhite@urbanMetrics.ca

Contents

Executive Summary

4.4.

- urbanMetrics has been asked to update the financial feasibility analysis our firm prepared for the *Reimagining the Mall* project in 2019. The scope of this latest work has not involved revisiting the conceptual plans developed for each node. Rather, urbanMetrics has evaluated the impact of incorporating some 20% of all residential space as affordable or "non-market" rental and ownership housing, per the resolution adopted by Mississauga City Council on June 19, 2019. As part of this update, we have reviewed and refreshed certain input assumptions, where applicable and necessary.
- Based on the key underlying assumptions and high-level methodology utilized, **the addition of a 20% non-market component into each model reduces the financial feasibility** of each conceptual vision. However, there are several policy levers or development parameters that both the City of Mississauga and private landowners could potentially adopt to improve the feasibility of development on each site. It is important to emphasize that further investigation and more detailed financial analysis will be required to confirm the validity of the findings presented, as well as the implications of any further definitive changes to policy.
- At the defined rates of affordability provided by the City of Mississauga, the inclusion of **non-market rental housing represents less of a financial burden on private industry than non-market ownership housing**. However, it is our view that the definition of non-market rental housing adopted by the City of Mississauga for this analysis results in a relatively high monthly rental rate that is approaching typical market averages for this part of the GTA. That is, the non-market rental rate is much closer to current market rates than the corresponding difference between non-market and market ownership products. Moreover, this is largely dependent on the method of affordable housing delivery contemplated (i.e., notwithstanding additional government supports that may be available and/or other partnerships and programs such as down-payment assistance and second mortgages).
- **Change in underlying construction hard cost assumptions represent one of the single most responsive factors in our sensitivity modelling**. Given the significant scale of development contemplated at each site, as well as likely absorption and development patterns, the construction costs assumed in our analysis are likely to increase over time. In recent years, these costs have increased at a faster rate or outpaced corresponding opportunities for increased revenue generation (i.e. growth in residential rental rates and/or sales prices). This anticipated cost escalation will put increasing pressure on the financial feasibility of each redevelopment opportunity reviewed as part of this assignment.
- The **COVID-19 pandemic creates significant uncertainty, which may have additional implications for the viability of certain land uses or asset classes**. As the understanding of these potential risks becomes clearer, it will be important to allow for sufficient flexibility and responsiveness to ensure that projects can be advanced in a manner that balances the interests and needs of all parties involved in the real estate development process.

1.0 Introduction

4.4.

1.1 Context

urbanMetrics inc. (“urbanMetrics”, “uMi”) has been retained by the City of Mississauga to provide an updated analysis of the financial feasibility of incorporating new affordable or “non-market” housing requirements as part of the future build-out of several mall-based nodes throughout Mississauga. This work represents an addendum to the original financial analysis prepared by our firm in 2019 as part of the broader *Reimagining the Mall* engagement (led by Gladki Planning Associates and further supported by DTAH).

The specific mall-based nodes considered in this work include:

- **Meadowvale Town Centre** (Meadowvale Community Node);
- **South Common Centre** (South Common Community Node);
- **Sheridan Centre** (Sheridan Community Node);
- **Rockwood Mall** (Rathwood-Applewood Community Node); and,
- **Erin Mills Town Centre** (Central Erin Mills Major Node).

Background

As part of the original *Reimagining the Mall* project, urbanMetrics conducted a high-level financial feasibility analysis, to demonstrate that—at first cut—the proposed densities and use mix resulted in a potentially financially feasible concept that merits further financial due diligence and investigation.

The intent of this earlier work was to understand the overarching feasibility of each demonstration and ultimately establish whether each concept warranted further and more detailed analysis to determine site-specific feasibility based on additional detailed design, in due course.

In addition to the high-level work conducted in this regard, we prepared several corresponding sensitivity analyses, to identify how different changes to the build program or underlying development parameters/conditions could positively or negatively impact the financial outcomes of each demonstration. These factors included the level of parking provision, permitted densities, and use mix, among other financial considerations.

The broader *Reimagining the Mall* project resulted in the development of conceptual visions for five mall-based nodes located across Mississauga. This exercise included the creation of potential preliminary development models tailored to each site and its surrounding node. Ultimately, the project proposed an enabling policy framework which was brought forward to Mississauga City Council for consideration and implementation.

On June 10, 2019, the City's Planning and Development Committee ("PDC") provided recommendations on *Reimagining the Mall,* which were brought to Mississauga City Council and later adopted on June 19, 2019. Included among the recommendations proposed were:

- "…that a minimum of 20% affordable, including ownership and rental units, should be required."
- "That staff prepare an Official Plan amendment for the City's mall-based nodes, based on the recommendations outlined…"

In light of the new policy direction to incorporate an affordable housing requirement, the City of Mississauga has now requested that urbanMetrics prepare a brief addendum to evaluate the financial implications of this recommendation.

1.2 Purpose and Scope

Based on the aforementioned recommendations adopted by City Council, urbanMetrics has been asked to prepare an addendum to our 2019 financial feasibility analysis that contemplates the inclusion of some 20% of all residential units as affordable or "non-market"[1].

The purpose of this engagement has been to re-evaluate the land use concepts developed in 2019 in light of the affordable housing policy additions proposed. This exercise continues to incorporate the land use concepts and densities proposed as part of the *Reimagining the Mall* project, as adopted by City Council. Therein, the underlying development scenarios identified in 2019 (i.e. densities and land use mix) have not been reconsidered as part of this exercise. Recognizing the rate of change in the GTA real estate market, urbanMetrics has, however, reviewed several of the key input assumptions and other supporting data incorporated into our original financial analysis, and—where necessary—updated those inputs to represent our latest understanding of current market conditions.

[1] We note that the relative pricing of affordable or "non-market" housing identified by the City of Mississauga for consideration as part of this assessment and any subsequent policy implementation differs from other traditional definitions of affordability (e.g., as outlined by the Province of Ontario).

4.4.

Furthermore, given limited direction as to the particularities of the non-market housing requirement recommended for the nodes, urbanMetrics has worked with the City of Mississauga to develop and incorporate several assumptions with respect to the nature and mix of the non-market housing identified on site. These assumptions have generally been informed by existing City of Mississauga and Government of Ontario policy, as detailed further herein. Recognizing the variability inherent in these assumptions, we have included an assessment of potential adjustments to these underlying assumptions.

1.3 Assumptions and Limitations

Similar to our original financial analysis, it is important to identify the key assumptions and limitations inherent to this type of high-level feasibility modelling. Furthermore, consistent with the financial feasibility analysis included in the 2019 deliverable, it is important to emphasize the financial modelling presented herein should not be taken as conclusive or definitive representations of financial feasibility—or lack of feasibility—of a given site. Rather, it is intended to provide a more general and preliminary understanding of the relative feasibility of each concept based on the assumptions provided, as well as indications as to the most important financial drivers of each concept.

The following assumptions must be understood as limitations to the analysis undertaken. Furthermore, the list of assumptions previously prepared as part of our 2019 report should be considered in conjunction with the updates presented herein.

NOTE:

As this represents an addendum and direct update to the previous financial analysis prepared by urbanMetrics, all information herein should be reviewed in conjunction with our earlier reporting of May 6, 2019. The original report prepared as part of the *Reimagining the Mall* study contains additional details relating to the underlying approach/methodologies considered as part of this assessment, as well as a number of our other supporting assumptions and key statistical inputs.

Affordable Housing Requirement

- Mississauga City Council's adoption of the *Reimagining the Mall* Directions Report included the addition of the following policy language: **"The recommendation from the Directions Report is that a minimum of 20% affordable, including ownership and rental units, should be**

4.4.

required." The level of detail provided in the City Council recommendation necessitates the development and incorporation of several related assumptions regarding the nature of the non-market housing proposed. Some of these assumptions include the mix of rental and ownership housing, the level or degree/depth of affordability (i.e., the specific income levels being targeted), as well as the size, quality and nature of units delivered.

- Absent this level of detail, urbanMetrics has relied on data and input obtained directly from the City of Mississauga to inform our assessment of this affordable or "non-market" housing component at each of the subject nodes. We have also further prepared assumptions independently regarding other elements, including tenure mix, unit size and parking requirements for the sites. These assumptions are presented in more detail in Section 2.1.

Demonstration Plans

- The demonstration plans presented as part of our original 2019 reporting have been wholly incorporated and utilized as the baseline for this new analysis. Unless otherwise noted, all limitations, assumptions and methodologies utilized to build out the demonstration plans and corresponding financial assessments in 2019 are applicable to this update. Detailed information regarding these plans are available as part of the *Reimagining the Malls* report, prepared under separate cover. A summary graphic and high-level details for each node has been provided in Appendix A.
- In introducing the affordable housing component, it has generally been assumed that this will represent an inherent and integrated component of each original demonstration plan, rather than in addition or "extra". Therefore, the total densities and development floor areas proposed at each node remains consistent in this update. As requested, the 20% of total residential space has been reallocated to affordable or "non-market" rental and ownership type housing with a corresponding reduction in market housing.

Residual Land Value Approach

- Given the preliminary and conceptual nature of the development scenarios being considered—as well as the level of statistical detail available at this early stage of the planning process—we have adopted a relatively **simplified residual land value approach** to assess the financial feasibility of each redevelopment concept. As outlined further in this report, this is identical to the approach taken in our 2019 study and essentially involves estimating the future value of each of the mall properties identified (i.e., based on the total revenues and costs associated with a full build-out of each property, per the demonstration plans) and comparing these against their estimated current value. As such, our analysis simply considers a "break-even" point that could ultimately yield a reasonable return on investment to the

4.4.

owners of each property while also maintaining (or enhancing) the value of the existing real estate assets. This has helped to identify the minimum type and amount of development that would likely be required to incentivise development on these sites and ensure financial feasibility over the longer-term planning horizon[2].

- Our analysis is further limited to evaluating the feasibility of the development concepts identified at each site. Given the preliminary nature of this exercise, **no infrastructure costs have been incorporated into this analysis**. These costs would represent a further construction cost at each site, which will be determined based on technical engineering work, site and block planning, and discussions with the City of Mississauga.
- Further to above, given the preliminary and conceptual nature of the development scenarios being considered—as well as the level of statistical detail available at this conceptual stage of any development process—our simplified financial analyses **do not take into account the time value of money** (i.e., particularly given that the timing of any potential redevelopment is still unknown at this stage). As such, any longer-term risk associated with this scale of development has not necessarily been recognized directly in the numerical calculations presented herein. Similarly, we have not considered any revenue discounts (e.g., rent abatement periods, etc.) or potential cost increases that may ultimately occur as part of the actual construction/operation of the new real estate assets developed.
- As previously discussed, urbanMetrics has updated the assumptions incorporated into our analysis, including our estimations of the current value of each node. A component of this valuation incorporates the current vacancy rate and estimated revenue projections of each centre. Due to travel limitations and economic closures as a result of COVID-19, urbanMetrics has been unable to conduct site visits to further confirm or validate certain of these assumptions. As such, we have relied upon publicly available leasing data to determine and update selected components of our analysis, as needed. For the purposes of this analysis, these data are assumed to provide a sufficiently accurate and up-to-date representation of the existing commercial space at each node.
- Furthermore, it is important to recognize the ongoing uncertainty and structural macro and micro economic impacts that are likely to occur as a result of COVID-19. At the time of reporting, there is not a clear nor complete understanding of the implications that this market

[2] The financial assessments presented in this report are not equivalent to more detailed and traditional pro forma financial analyses that are typical of most individual real estate development projects. In particular, this type of simplified analysis does not consider multi-year cash flows and the time value of money. Recognizing the scope and underlying nature of this particular assignment, these financial assessments are intended to provide additional context and advice from a financial/market perspective only. More focused and specific financial pro forma analyses will ultimately be required by (and/or on behalf of) the owners of each site to properly evaluate the feasibility of any specific development concepts that may be advanced for these sites in the coming years.

shock will have on longer-term economic conditions nor real estate development patterns across the Greater Toronto Area. As a clearer picture continues to emerge, this report should be reconsidered in such a context, and may need to be revisited accordingly.

- Recognizing the nature of this assignment and the realistic timeline for a complete redevelopment of the various mall-based nodes, the financial pro forma analyses included in this report have been undertaken at a very high-level and **do not necessarily constitute advice to proceed with these demonstration plans, nor the policy recommendations relating specifically to the 20% non-market housing requirement**. Rather, our financial analyses suggest whether the concepts generally appear to be feasible at first glance and provide analysis as to whether they are worthy of further investigation under current assumptions. A more detailed and comprehensive development pro forma analysis would ultimately be required by the owners/operators of each property to consider the actual costing, phasing and refinement of development plans before proceeding with any new development.
- Further to the above, the findings presented as part of our analysis **do not account for the financial expectations, strategic positioning or development capacities of the site owners**. As such, although each project may demonstrate a positive or negative preliminary finding, it does not necessarily assert that such a finding—or the assumptions incorporated into this analysis—would ultimately be consistent with the perspectives or analysis of each landowner. Ultimately, it is those organizations who will establish internal financial thresholds, development parameters and conditions which the scope and scale of any development proposed.

Other Assumptions

- During the forecast period discussed in this report, a **reasonable degree of economic stability will prevail** in the Province of Ontario, and specifically in the context of the City of Mississauga/Greater Toronto Area market. It is important to recognize that the ongoing COVID-19 pandemic has generally challenged this core assumption. The findings in this document must continue to be reviewed in light of the most recent and ongoing changes occurring as a direct and indirect result of this pandemic.
- The various **statistical inputs** relied upon in our analyses—based largely on municipal information, CoStar Realty Information Inc. and other available third-party real estate market data products—are considered sufficiently accurate for the purposes of this analysis. These statistical sources have ultimately informed a number of the key underlying assumptions and inputs utilized in our analysis, including those relating to average unit sizes, parking ratios, capitalization rates, sales per square foot ratios, rental rates, vacancy rates, hard building construction costs, and other relevant factors.

4.4.

- **References to the Canadian dollar in this report, dealing with present and future periods, reflect its 2020 value**. We recognize that fluctuation in the absolute value of the dollar will likely occur during the period covered by this report. We assume, however, that the relationship between the various metrics identified (e.g., current real estate/assessment value, construction costs, etc.) and the value of the dollar will remain more or less constant during the period analyzed.

If, for any reason, major changes occur which could influence the basic assumptions stated above, the recommendations contained in this report should be reviewed in light of such changed conditions and revised, if necessary.

4.4.

2.0 Financial Analysis

4.4.

2.1 Affordable Housing

For the purposes of this analysis, urbanMetrics has developed a series of assumptions to inform the financial implications of the recommended non-market housing component proposed by the City of Mississauga.

The summary below illustrates a range of the most important assumptions we have made to inform our financial feasibility analysis, including the assumed price points of non-market ownership units as well as monthly rental fees.

The assumptions identified below have been developed by urbanMetrics based on the policy language adopted by Mississauga City Council. Additionally, **the City of Mississauga is responsible for the development of the underlying methodology and ultimate determination of the non-market purchase and rental rate thresholds shown below.**

Proportion of Non-Market Housing	**20%** of all residential space (GFA) is assumed to be non-market housing
Non-Market Housing Tenures	**50%** Non-Market Ownership Housing **50%** Non-Market Rental Housing
Definition of Affordable / "Non-Market" Housing	The unique definition of affordable or "non-market" housing has been determined by the City of Mississauga. It is not necessarily consistent with other definitions of affordable housing, including as identified by the Government of Ontario.
"Non-Market" Thresholds	Purchase Price for Non-Market Ownership Housing: **$441,000**[3] Monthly Cost for Non-Market Rental Housing: **$2,000**[4]

[3] The City of Mississauga has defined the level of non-market ownership affordability based on that identified in the *Region of Peel Housing Strategy* prepared by SHS Consulting in July 2018. The affordable housing threshold of $421,617 is reported to be affordable to households falling within the sixth income decile. This figure has been subsequently inflated to 2020-dollar terms, using Consumer Price Index (CPI) information from Statistics Canada.

[4] For the purposes of this engagement, the City of Mississauga has adopted a defined level of affordability as 1.4 times CMHC's Average Market Rent for rental units in the City of Mississauga (Zones 18, 19, 20) as of October 2019. This average rental rate generally falls within the "moderate income" level of affordability defined by the City of Mississauga for the purposes of this assignment (i.e., the 5th income decile based on all households in Mississauga).

4.4.

Non-Market Unit Sizes	Assumed to be equivalent to market units
Non-Market Build Qualities & Costs	Assumed to be equivalent to market units
Non-market Parking Allocation	Assumed to be equivalent to market units

In establishing the above non-market ownership and rental rate thresholds, the City of Mississauga has indicated a desire for landowners to explore additional funding opportunities from Regional, Provincial or Federal sources; particularly in the context of providing housing options for "low income" households for approximately half of the non-market units that would be provided. That is, any funds secured for these purposes could be utilized as direct subsidies to offer units at deeper levels of affordability than otherwise possible when considering "moderate income" households. This would essentially represent a "top-up", which could broaden the level of affordability of the units, while also ensuring some certainty that the landowner would receive revenues streams for both rental and ownership units that are consistent with the thresholds identified above. In the absence of such funding, we understand that the non-market rental and ownership thresholds defined above would prevail.

For example, if a landowner were able to secure a subsidy for all rental units to be offered at the blended Average Market Rent as defined by CMHC in October 2019, the following would represent the rental structure for one unit:

$1,400	**+**	**$600**	**=**	**$2,000**
CMHC 1.0x AMR/ Rent Paid by Tenant		Assumed monthly Subsidy		CMHC 1.4x AMR/ Revenue Received by Landlord

NOTE: Subsidy shown above is for illustrative purposes only and is not indicative of any specific targeted level of affordability or assumed commitment from other funding sources. The degree of funding available—if any—would be determined throughout the project planning process. Figures have been rounded to the nearest $100.

2.2 Current Value Estimates

In order to establish an updated current value estimate for each mall property, urbanMetrics has updated the figures previously identified in our 2019 analysis. Establishing updates to these estimates is important in determining a minimum "break-even" point that new development must attain to support financial feasibility. Consistent with our previous approach, the current values for each mall were evaluated using the following two distinct approaches:

4.4.

- **Net Operating Income (NOI) Approach** – Applying average capitalization rates ("cap rates") against the current estimated operating income generated by each property (based on current occupied space and assumed rental rates). This method provides a high-level understanding of the market's perceived value of the property based on its current financial/revenue performance. It is important to note that due to the COVID-19 pandemic, urbanMetrics was unable to conduct site visits to each property to further validate certain assumptions relating to occupied vs. vacant space, which has a direct impact on total revenue potential(s). As such, we have instead relied upon publicly available and in-house subscription-based data products maintain by urbanMetrics to update the vacancy rates for each centre. Consequently, the vacancy rates shown represent our best estimate of the current condition of each centre, although there may be some variability based on actual conditions.
- **Property Assessment Approach** – Property assessment values have been obtained for each property, based on available MPAC data (updated to reflect 2020 assessment basis).

These updates have informed our baseline understanding of the current value of each centre and ultimately anchor the residual land value analysis undertaken in the following subsections. The results of our current value estimates are outlined in the figure below.

As shown, although there are some discrepancies between the two value estimates generated for each mall-based property, we believe that these estimates provide a reasonable range and underlying baseline for this type of high-level assessment; particularly in the absence of more site-specific market value information. Furthermore, recognizing that property assessments typically fall below actual market values, the dynamic that prevails between the two methodologies is generally consistent with this reality. On the basis of conservatism, as well as to provide what we believe is much more accurate representation of current values for each site, we have generally focused on the results of the "net operating income" approach shown in Method 1 below.

4.4.

	MEADOWVALE	SOUTH COMMON	SHERIDAN	RATHWOOD-APPLEWOOD	CENTRAL ERIN MILLS
Existing Retail GLA (SF)	**373,000**	**251,000**	**548,000**	**293,000**	**850,000**
Method 1 - Net Operating Income					
Vacancy Rate	3.9%	3.8%	50.5%	3.5%	3.9%
Total Occupied Space (SF)	358,583	241,550	271,260	282,836	816,534
Average Net Rent ($/SF)	$22.50	$22.50	$22.50	$22.50	$ 35.00
Net Operating Income (Annual)	$ 8,068,118	$ 5,434,875	$ 6,103,350	$ 6,363,810	$ 28,578,690
Cap Rate	5.5%	5.5%	5.5%	5.5%	5.0%
Total Value	**$ 146,693,045**	**$ 98,815,909**	**$ 110,970,000**	**$ 115,705,636**	**$ 571,573,800**
Method 2 - Property Assessment					
Assessment Value (2018)*	**$ 143,139,000**	**$ 81,814,000**	**$ 114,801,000**	-	**$ 441,396,000**
Assessment Value (2020)	**$ 143,139,000**	**$ 74,319,000**	**$ 114,801,000**	-	**$ 445,668,000**
2020 Based on MPAC					

*Insufficient data for Rockwood Mall.

SOURCE: urbanMetrics inc.
Assessment Values based on MPAC 2020 data. Insufficient data for Rockwood Mall (Rathwood-Applewood node).
NOTE: urbanMetrics did not have access to sufficient data to update the vacancy rate at the Sheridan Node. Based on desktop research, we have utilized the previous vacancy rate as a reasonable approximation of the current context. This figure is further validated as being within a reasonable band of the updated 2020 assessment value.

2.3 Residual Value Assessment

The following highlights a number of the key findings of our baseline residual land value analysis, whereas the detailed results of our financial modelling for each mall have been included in Appendix B at the end of this document.

We have further prepared several sensitivity analyses to comment on the impact that changes to certain underlying conditions may have on the feasibility of each concept. The purpose of this has been to provide some understanding of the underlying factors impacting the ultimate feasibility of each concept, including the nature and extent of non-market housing provided at each location. Furthermore, recognizing the high-level nature and variability inherent in an analysis of this nature, it offers insight into the impact of how potential input assumptions may impact the feasibility if they were to be adjusted.

- The inclusion of a non-market housing component of some 20%—per the baseline parameters identified—has a **negative impact on the underlying feasibility** of each development concept. Unsurprisingly, the reduction in revenue opportunities—in many cases—cannot be offset by the fixed costs (i.e. construction, demolition, and marketing/soft costs). Furthermore, opportunities to increase revenues are generally limited (rental and homeownership price points, increased density, altered use composition). Changes to some of these underlying

4.4.

factors could be considered to improve the first cut feasibility of several of the sites. This finding is consistent with our experience in evaluating the feasibility of affordable housing in other markets across the GTA and beyond.

- It is important to note that—given the defined levels of affordability and thresholds for non-market housing identified by the City of Mississauga—the financial impacts identified above are not as severe as would prevail under other more traditional affordable housing benchmarks, such as those identified by the Province. That is, the depth of affordability being contemplated by the City of Mississauga as part of this Official Plan update does not represent a comparable level of affordability to what would otherwise be provided by imposing other common definitions and/or thresholds (e.g., as outlined in the Provincial Policy Statement). Obviously, the deeper the "discount" or the further these affordability thresholds deviate from average market rates, the less feasible each concept becomes.
- Of the five distinct nodes evaluated, Meadowvale, South Common, and Central Erin Mills offer baseline conditions that could potentially be supportive of the type and scale of development contemplated with the inclusion of some 20% of all residential uses as non-market housing. We note, however, that the results of our analysis further suggest that—in the case of South Common—feasibility is only achieved by a relatively slim margin, which is undoubtedly susceptible to change upon a more detailed and comprehensive financial testing. Moreover, we generally anticipate that these conditions are met primarily due to the higher proportion of lower-density units contemplated as part of this particular demonstration plan (i.e., larger units, higher revenue-generating potential, etc.), which may be less realistic given the relatively urban development patterns contemplated across the various mall-based nodes identified under the Reimagining the Mall study and/or that may be preferred by the owners of the subject properties.
- Recognizing the findings of our analysis are subject to the defined parameters, achieving a 20% non-market housing component would benefit from additional collaboration and negotiation between the City of Mississauga and the development community. In our sensitivity analysis in Section 2.4 we have **contemplated how adjustments to some selected input factors or assumptions may further improve the feasibility of the concepts** identified.

2.4 Sensitivity Analysis

For the purposes of assessing how changes to the underlying assumptions in the demonstration plans and non-market definitions may influence profitability, several sensitivity assessments have been prepared. These alternative scenarios and corresponding financial sensitivity analyses assume moderate changes in various input assumptions. The purpose of this exercise is to provide a stronger understanding of the expected "break-even" points, and primary cost and revenue drivers which

4.4.

impact project feasibility at each site; particularly in the context of including non-market housing uses a at these locations. It is important to note that each sensitivity table prepared should be considered in isolation from the other data. That is, each "intervention" to the established baseline assumptions is considered in isolation and is not layered upon any other deviations from the initial or "baseline" proforma models developed.

In addition to the scenarios evaluated below, the general findings from the sensitivity analyses prepared as part of our previous engagement remain applicable to this update. For example, our previous conclusions regarding the feasibility of incorporating commercial-retail space in each node remains valid, however the specific inflection points demonstrated in the detailed sensitivity tables have not been revisited and may deviate from the previous figures shown.

- Variation in **hard construction costs** represent a significant influence on the fundamental feasibility of each development concept. It is important to recognize that—per our experience—many subcontractors and trades have increased prices significantly in recent years and are anticipated to continue to outpace inflation and growth in revenue opportunities. As such, we anticipate this to be an ongoing cost pressure which could unfortunately further deteriorate the feasibility of each development concept over time. As our analysis does not capture time-risk, we have prepared a sensitivity analysis to demonstrate the impact of changing construction costs on the feasibility of each concept on a basis percentage growth/decline basis. **It is important to emphasize, however, that it is our opinion that hard construction costs are likely to increase as more technical, detailed concepts are developed at each node**.

- Based on the findings shown above, the requirement to include 20% of all residential GFA allocated to non-market housing **at the defined levels of affordability** presents mixed outcomes at each node. As such, we have prepared an analysis to explore the impacts on overall project feasibility if the **20% non-market housing requirement were altered**. As demonstrated, this has been considered in intervals of 2.5% down to an assumed 10% of total units.

- For the purposes of this exercise, urbanMetrics has assumed an equivalent 50/50 mix of ownership and rental housing for non-market uses. Recognizing that this mix may change based on community needs, negotiated agreements and local market capacities, we have evaluated the **financial impact of shifting the tenure status** of the non-market housing component, accordingly. This contemplates scenarios with purely ownership non-market housing and purely non-market rental housing, based on the corresponding price thresholds defined by the City of Mississauga.

- We have previously defined and identified the degree or "depth" of affordability—and corresponding rental and homeownership assumptions—in Section 2.1. Recognizing various

4.4.

levels of targeted need, we have contemplated how **changes in the targeted level of affordability** could impact the underlying financial feasibility of each node; particularly in the context of targeting a higher proportion of lower vs. moderate income households. It is important to note, however, that—for the purposes of simplicity—we have not adjusted the actual target thresholds based on the decile approach utilized to initially establish the baseline levels of affordability. Instead, we have merely adjusted the assumed baseline non-market rental/ownership thresholds in percentage terms (e.g., a 10% reduction in housing costs, 20% reduction in housing costs, and so on; which will in turn allow for a greater proportion of lower income households to qualify for this type of housing). **This sensitivity analysis does not consider the availability of affordable housing funding subsidies, rather only the impacts on top line revenues received by each landowner**.

Hard Construction Costs Sensitivity Analysis

	MEADOWVALE	SOUTH COMMON	SHERIDAN	RATHWOOD-APPLEWOOD	CENTRAL ERIN MILLS	
-20%	✓	✓	✓	✓	✓	
-15%	✓	✓	✓	✓	✓	
-10%	✓	✓	✓	✗	✓	
-5%	✓	✓	✓	✗	✓	
-	✓	✓	✗	✗	✓	BASELINE
+5%	✓	✗	✗	✗	✗	
+10%	✗	✗	✗	✗	✗	
+15%	✗	✗	✗	✗	✗	
+20%	✗	✗	✗	✗	✗	

SOURCE: urbanMetrics inc.

- The figure above evaluates the impact of a changes to the overall hard construction costs associated with each development concept. Due to the high-level nature of these analyses, as well as the significant impact that hard inputs have on the proforma, even the slightest of shifts in these inputs can have significant impacts on feasibility. Furthermore, as previously mentioned, significant cost escalation has been observed in recent years, which may continue for the foreseeable future. Alternatively, uncertainty with COVID-19 and a potential economic slowdown could create downward pressure on demand and on input labour. Considering this uncertainty, exploring variation in construction cost is both relevant and prudent, based on available information.

4.4.

- Although changes to these input construction costs are dictated by market conditions, this analysis is important in illustrating the inherent risk associated with developments of this scale and horizon. Although market conditions may permit for increased revenue opportunities, in our experience the rate of inflation in input construction costs generally outpaces that of revenues (sale price or rental rates).
- As shown in the analysis above, Meadowvale, South Common and Central Erin Mills demonstrate some promise of feasibility under baseline conditions. However, even a 5% change in input hard costs creates a significant deviation. As shown, if construction costs increase by 5%, Meadowvale is the only remaining feasible project. Similarly, an increase of 10% in hard construction costs would render all the sites infeasible. Alternatively, if construction costs were to be reduced by 5-10% (an unlikely scenario in our opinion), feasibility will naturally improve.

% Affordable Housing Sensitivity Analysis

	MEADOWVALE	SOUTH COMMON	SHERIDAN	RATHWOOD-APPLEWOOD	CENTRAL ERIN MILLS	
10.0%	✓	✓	✓	✗	✓	
12.5%	✓	✓	✓	✗	✓	
15.0%	✓	✓	✓	✗	✓	
17.5%	✓	✓	✓	✗	✓	
20.0%	✓	✓	✗	✗	✓	BASELINE

SOURCE: urbanMetrics inc.

- The Official Plan Amendment being contemplated by the City of Mississauga proposes that 20% of all residential space at these nodes be required for allocation to non-market housing. The purpose of this particular assessment has been to better understand how sensitive the results are to a decrease in the proportion of this non-market housing component.
- For the purposes of this analysis, we have not adjusted any other underlying or supporting assumptions. That is, the affordable housing is still assumed to have the same assumed definition/rate of affordability and split between rental and ownership tenures accordingly.
- As shown, a reduction of even 2.5% of the affordable housing component is sufficient to establish at least some financial feasibility for additional centres and improve the conditions at any of nodes already demonstrating feasibility. In our experience with other affordable housing projects in other jurisdictions, however, 20% is a difficult benchmark to achieve as a baseline target from a financial feasibility perspective; particularly when traditional definitions

of housing affordability are observed. The results of the sensitivity analysis above generally reflect and further validate this observation but we do note that the City's unique definition of "non-market" housing allows more favourable conditions to prevail from the perspective of development economics (i.e., opportunities to generate additional revenues beyond traditional definitions of affordable housing).

Non-Market Rental / Non-Market Ownership Tenures Sensitivity Analysis

	MEADOWVALE	SOUTH COMMON	SHERIDAN	RATHWOOD-APPLEWOOD	CENTRAL ERIN MILLS	
0% / 100%	✓	✓	✗	✗	✓	
25% / 75%	✓	✓	✗	✗	✓	
50% / 50%	✓	✓	✗	✗	✓	BASELINE
75% / 25%	✓	✓	✓	✗	✓	
100% / 0%	✓	✓	✓	✗	✓	

SOURCE: urbanMetrics inc. Ratios expressed as % Non-Market Rental / % Non-Market Ownership. Baseline assumption of 20% non-market housing held constant for the purposes of this sensitivity analysis and to focus on the relative dynamic between the proportion of non-market ownership vs. non-market rental housing options.

- The scenario outlined above contemplates adjustments to the baseline assumption of the total non-market housing component being distributed equally across 50% ownership and 50% rental non-market housing options. The percentage adjustments made to the ownership component for each sensitivity correlate with an equivalent adjustment to the rental component. For example, the scenario contemplating 75% non-market ownership contemplates 25% non-market rental, with the total quantity of non-market housing delivered unchanged.
- As shown, based on the defined rates of affordability, non-market rental represents the more financially feasible option relative to non-market ownership status. This is largely a function of the definitions of non-market considered as part of this assessment and as provided by the City of Mississauga. In particular, we note that the City's preferred definition of non-market rental pricing is much closer in line with traditional market rates than the non-market ownership price thresholds identified, which suggest a much deeper reduction or "discount" on revenues.
- Although shifts in these underlying assumptions are generally not sufficient to move all of the identified nodes to a state of positive feasibility, shifting towards an increased emphasis on the provision of non-market rental housing may be one possible approach—among others—which could be contemplated to improve these conditions. For example, at 100% or even 75%

4.4.

of the non-market housing component as rental and less as ownership, the majority of the five subject nodes become feasible based on the results of our sensitivity analysis.

Adjustments to the Level (“Depth”) of Affordability

	MEADOWVALE	SOUTH COMMON	SHERIDAN	RATHWOOD-APPLEWOOD	CENTRAL ERIN MILLS	
50%	✘	✘	✘	✘	✘	
60%	✘	✘	✘	✘	✘	
70%	✓	✘	✘	✘	✘	
80%	✓	✘	✘	✘	✘	
90%	✓	✓	✘	✘	✓	
-	✓	✓	✘	✘	✓	BASELINE

SOURCE: urbanMetrics inc.

- We have relied upon data and input provided by the City of Mississauga to inform the baseline non-market housing thresholds (ownership and rental) that form the basis of our assessment. Subject to further consideration by the City, it is possible that these thresholds or definitions of what qualifies as affordable/“non-market” could be adjusted to address different levels of affordability (i.e., targeting a “deeper” level of affordability for a higher proportion of lower income households).
- Rather than contemplate an adjustment to the assumed income decile blend identified in Section 2.1, we have made percentage adjustments to the baseline figures in terms of overall non-market housing costs/pricing (i.e., sales prices and rental rates). These adjustments have been applied equally to both the rental and ownership rates presented earlier, on a simple percentage reduction basis (e.g. 90% reduction in housing costs, etc.).
- As shown, this type of adjustment further erodes feasibility given the obvious reduction in revenue potential derived from the non-market housing units. However, increasing the depth of affordability would in turn provide additional opportunities to appeal to a greater range of housing need across the household income spectrum.

Summary

In addition to the more specific and detailed discussion points included for each sensitivity analysis included above, the following provides a more consolidated and singular roll-up of our key research findings for this portion of our analysis:

4.4.

- The inclusion of the 20% non-market housing component—under the assumptions and parameters identified—generally reduces the financial feasibility of the development concepts, with varying impacts across each node. This underscores the importance of **understanding the unique development conditions provided for each concept, and the need to provide a range of opportunities and flexible policy solutions to achieve the underlying goal of delivering non-market housing options to local residents**.
- **Slight changes in hard construction costs can have a significant impact on the financial feasibility of the concepts identified; particularly in the context of providing for non-market housing.** It is our opinion that the input hard costs assumed for this analysis likely underrepresent future conditions, if anything, and could therefore potentially over-state the degree of feasibility achieved throughout. When contemplating developments that have longer-term buildouts of greater than 10 years in particular, it is likely that increases in construction cost factors ($/sq ft) will outpace opportunities to offset these increased costs with greater revenue generation.
- With respect to the non-market housing component in isolation, **non-market rental—as currently defined—is less financially burdensome from a financial feasibility perspective**. However, we note that the assumed non-market definition determined by the City of Mississauga does not represent a significant discount from the average market rates built into our analysis. Alternatively, relative to recent resale prices in Mississauga, the non-market homeownership rate represents a comparably significant deviation from current market rates (i.e., a more significant and deeper discount on housing prices).

4.4.

3.0 Other Considerations

4.4.

In addition to the above financial demonstrations, our previous work identified a range of additional factors that should be considered to ensure the feasibility of the development concepts outlined. These factors could play a significant role in expediting or adding additional cost and time to the projects identified. Subsequently, this may impact the overall feasibility of some projects. Given the nature of this update, we have included these considerations, and updated them where relevant to reflect this latest scope of work.

The following provides a summary of several of these key considerations:

- Current and anticipated economic uncertainty associated with the **COVID-19 pandemic** could have broad impacts on the Canadian economy and the real estate industry. Additionally, the pandemic has ushered in sudden and significant changes in demand for retail/service and office commercial space, as well as increasing acceptance of work from home patterns. As of the preparation of this report, it remains to be seen if such drastic shifts are temporary reactions to these unprecedented circumstances or represent an acceleration of broader structural trends.
- **Time delays** associated with external (i.e. external to the proponent or developer of the subject properties) due to uncertain municipal approval times, or resident opposition. Similarly, uncertainty related to the approvals and planning process could further alter feasibility as competitive market conditions evolve.
- **Uncertainty and delays with respect to infrastructure delivery and financial arrangements** (i.e. transportation networks, public amenities, required sewer and wastewater infrastructure or other improvements) that may influence the marketability, financial feasibility and approval processes of major redevelopment projects of this nature. The future build-out of the Central Erin Mills lands in particular—as a more regional-serving commercial centre and the largest of the nodes identified—could involve a significant amount of additional on-site infrastructure not contemplated in this financial assessment. Similarly, the sheer complexity and scale of a redevelopment of this magnitude will inevitably involve additional expenses beyond those required at many of the smaller community-based nodes (e.g. major landscaping elements, public realm improvements, circulation, etc.).
- In certain cases—particularly as it relates to achieving affordable housing delivery—**public partners may consider financial and policy incentives to ensure the economic feasibility of certain sites or projects**. These incentives could take the form of direct grants/subsidies (e.g., CMHC, local housing corporations, etc.), development charge rebates/deferrals, property tax relief or expedited approvals processes. It is relatively common for these types of incentives to be offered in exchange for additional public benefits (i.e., affordable housing), but have not been reflected directly in the results of our analysis and should be explored in parallel to this assessment.

4.4.

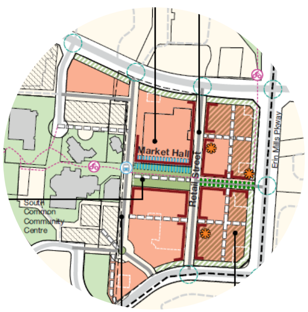
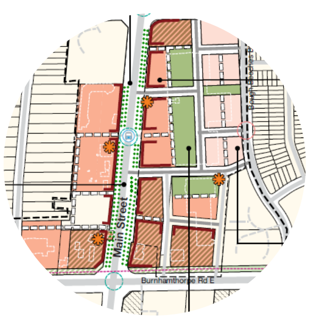
- Similarly, local area municipalities may offer **additional financial and non-financial support in pursuit of innovative partnerships** to acquire space or specific services as part of these significant redevelopment projects (e.g., down payment assistance programs, etc.). Clarity around the length, degree and conditions attached to these support mechanisms would improve understanding of the feasibility of each node.

NOTE:

A more detailed overview of additional financial considerations relating to the broader feasibility assessment prepared in 2019 has been provided under separate cover (see May 6, 2019 urbanMetrics report).

Appendix A Demonstration Plans

4.4.

DEMONSTRATION PLAN	MALL SITE (SQ FT)	MALL-BASED NODE (SQ FT)
	**Meadowvale Town Centre** Block Area: 1,440,000 Total GFA: 2,920,000 *Retail GFA: 350,000* *Residential GFA: 2,560,000*	**Meadowvale** Block Area: 2,080,000 Total GFA: 4,210,000
	**South Common Centre** Block Area: 630,000 Total GFA: 1,760,000 *Retail GFA: 240,000* *Residential GFA: 1,520,000*	**South Common** Block Area: 690,000 Total GFA: 1,890,000
	**Sheridan Centre** Block Area: 1,110,000 Total GFA: 2,210,000 *Retail GFA: 400,000* *Residential GFA: 1,810,000*	**Sheridan** Block Area: 1,320,000 Total GFA: 3,060,000
	**Rockwood Mall** Block Area: 740,000 Total GFA: 1,540,000 *Retail GFA: 280,000* *Residential GFA: 1,260,000*	**Rathwood-Applewood** Block Area: 960,000 Total GFA: 2,230,000

4.4.

Erin Mills Town Centre

Block Area: 2,290,000
Total GFA: 5,920,000
Retail GFA: 1,230,000
Residential GFA: 5,630,000

Central Erin Mills

Block Area: 3,600,000
Total GFA: 7,850,000

SOURCE: urbanMetrics inc., based on original demonstration plans prepared by the broader consulting team for the Reimagining the Mall project in 2019, including DTAH and Gladki Planning Associates.

Appendix B Financial Analysis Summary

4.4.

MEADOWVALE

	Retail	Office	Low-Rise	Mid-Rise	High-Rise	TOTAL
REVENUES - MARKET UNITS						
Condo/Ownership Area (SF)	-	-	58,022	588,058	400,268	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 650	$ 850	$ 850	-
Total One-Time Income	-	-	**$ 37,714,077**	**$ 499,849,407**	**$ 340,227,671**	-
Rental Apartment Units	-	-	23	461	334	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 28,800	$ 25,200	$ 25,200	-
Total Annual Market Rental Income		**$ -**	**$ 654,797**	**$ 11,389,795**	**$ 8,238,586**	-
REVENUES - NON MARKET UNITS						
Condo/Ownership Area (SF)	-	-	12,088	122,512	83,389	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 267	$ 518	$ 551	-
Total One-Time Income	-	-	**$ 3,227,366**	**$ 63,495,585**	**$ 45,920,139**	-
Rental Apartment Units	-	-	8	144	104	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 24,000	$ 24,000	$ 24,000	-
Total Annual Non-Market Rental Income			**$176,400**	**$3,386,880**	**$2,446,080**	
REVENUES - COMMERCIAL UNITS						
Commercial Leasable Area (SF)	334,661	-	-	-	-	-
Commercial Vacancy Rate	5.0%	8.0%	-	-	-	-
Commercial Rental Rate (PSF, annually)	$23	$18	-	-	-	-
Total Annual Market Income	**$ 7,153,379**	**$ -**				
Market Cap Rate	5.5%	6.5%	3.5%	3.5%	3.5%	-
Non-Market Cap Rate	-	-	4.5%	4.5%	4.5%	
Total Value @ Completion	**$ 130,061,431**	**$ -**	**$ 63,569,923**	**$ 964,031,712**	**$ 675,893,303**	**$ 1,833,556,369**
COSTS						
Demolition	$ 2,748,421	-	-	-	-	$ 2,748,421
Hard Costs	$ 70,454,945	$ -	$ 24,412,709	$ 324,296,809	$ 250,167,474	$ 669,331,937
Parking	$ 86,059,307	$ -	$ 7,109,665	$ 101,748,559	$ 73,575,294	$ 268,492,825
Soft Costs	$ 67,077,537	$ -	$ 13,509,589	$ 182,590,872	$ 138,746,901	$ 401,924,898
Total Costs	**$ 226,340,210**	**$ -**	**$ 45,031,963**	**$ 608,636,240**	**$ 462,489,669**	**$ 1,342,498,082**
Gross Profit/(Loss)	**-$ 96,278,779**	**$ -**	**$ 18,537,960**	**$ 355,395,472**	**$ 213,403,634**	**$ 491,058,287**
Less: Developer Profit	-	-	-	-	-	$ 275,033,455.35
Residual Land Value	-	-	-	-	-	**$ 216,024,832**

SOURCE: urbanMetrics inc.

urbanMetrics inc.

4.4.

SOUTH COMMON

	Retail	Office	Low-Rise	Mid-Rise	High-Rise	TOTAL
REVENUES - MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	290,669	329,363	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 650	$ 850	$ 850	-
Total One-Time Income	-	-	**$ -**	**$ 247,068,336**	**$ 279,958,269**	-
Rental Apartment Units	-	-	0	228	274	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 28,800	$ 25,200	$ 25,200	-
Total Annual Market Rental Income			**$ -**	**$ 5,630,688**	**$ 6,776,582**	
REVENUES - NON MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	60,556	68,617	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 267	$ 518	$ 551	-
Total One-Time Income	-	-	**$ -**	**$ 31,385,009**	**$ 37,785,527**	-
Rental Apartment Units	-	-	0	71	86	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 24,000	$ 24,000	$ 24,000	-
Total Annual Non-Market Rental Income			**$0**	**$1,669,920**	**$2,022,720**	
REVENUES - COMMERCIAL UNITS						
Commercial Leasable Area (SF)	225,201	-	-	-	-	-
Commercial Vacancy Rate	5.0%	8.0%	-	-	-	-
Commercial Rental Rate (PSF, annually)	$ 22.50	$ 17.50	-	-	-	-
Total Annual Market Income	**$ 4,813,674**	**$ -**				
Market Cap Rate	5.5%	6.5%	3.5%	3.5%	3.5%	
Non-Market Cap Rate	-	-	4.5%	4.5%	4.5%	
Total Value @ Completion	**$ 87,521,340**	**$ -**	**$ -**	**$ 476,439,479**	**$ 556,309,770**	**$ 1,120,270,588**
COSTS						
Demolition	$ 1,849,474	-	-	-	-	$ 1,849,474
Hard Costs	$ 47,410,760	$ -	$ -	$ 160,295,286	$ 205,851,595	$ 413,557,640
Parking	$ 57,911,295	$ -	$ -	$ 50,274,097	$ 60,583,112	$ 168,768,503
Soft Costs	$ 45,138,023	$ -	$ -	$ 90,244,021	$ 114,186,303	$ 249,568,347
Total Costs	**$ 152,309,551**	**$ -**	**$ -**	**$ 300,813,404**	**$ 380,621,009**	**$ 833,743,964**
Gross Profit/(Loss)	**-$ 64,788,211**	**$ -**	**$ -**	**$ 175,626,075**	**$ 175,688,760**	**$ 286,526,624**
Less: Developer Profit	-	-	-	-	-	$ 168,040,588.21
Residual Land Value	-	-	-	-	-	**$ 118,486,036**

SOURCE: urbanMetrics inc.

4.4.

SHERIDAN

	Retail	Office	Low-Rise	Mid-Rise	High-Rise	TOTAL
REVENUES - MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	383,231	355,373	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 650	$ 850	$ 850	-
Total One-Time Income	-	-	**$ -**	**$ 325,746,623**	**$ 302,066,773**	-
Rental Apartment Units	-	-	0	300	296	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 28,800	$ 25,200	$ 25,200	-
Total Annual Market Rental Income			**$ -**	**$ 7,418,678**	**$ 7,310,016**	
REVENUES - NON MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	79,840	74,036	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 267	$ 518	$ 551	-
Total One-Time Income	-	-	**$ -**	**$ 41,379,269**	**$ 40,769,482**	-
Rental Apartment Units	-	-	0	94	93	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 24,000	$ 24,000	$ 24,000	-
Total Annual Non-Market Rental Income			**$0**	**$2,210,880**	**$2,175,600**	
REVENUES - COMMERCIAL UNITS						
Commercial Leasable Area (SF)	375,986	-	-	-	-	-
Commercial Vacancy Rate	5.0%	8.0%	-	-	-	-
Commercial Rental Rate (PSF, annually)	$ 22.50	$ 17.50	-	-	-	-
Total Annual Market Income	**$ 8,036,692**	**$ -**	**$ -**	**$ 7,418,678**	**$ 7,310,016**	-
Market Cap Rate	5.5%	6.5%	3.5%	3.5%	3.5%	-
Non-Market Cap Rate	-	-	4.5%	4.5%	4.5%	
Total Value @ Completion	**$ 146,121,679**	**$ -**	**$ -**	**$ 628,218,799**	**$ 600,040,521**	**$ 1,374,380,999**
COSTS						
Demolition	$ 4,037,895	-	-	-	-	$ 4,037,895
Hard Costs	$ 79,154,865	$ -	$ -	$ 211,340,692	$ 222,107,847	$ 512,603,403
Parking	$ 96,686,084	$ -	$ -	$ 66,302,496	$ 65,313,961	$ 228,302,541
Soft Costs	$ 75,360,407	$ -	$ -	$ 118,989,938	$ 123,180,775	$ 317,531,119
Total Costs	**$ 255,239,250**	**$ -**	**$ -**	**$ 396,633,126**	**$ 410,602,582**	**$ 1,062,474,958**
Gross Profit/(Loss)	**-$ 109,117,571**	**$ -**	**$ -**	**$ 231,585,673**	**$ 189,437,939**	**$ 311,906,041**
Less: Developer Profit	-	-	-	-	-	$ 206,157,150
Residual Land Value	-	-	-	-	-	**$ 105,748,891**

SOURCE: urbanMetrics inc.

urbanMetrics inc.

4.4.

RATHWOOD-APPLEWOOD

	Retail	Office	Low-Rise	Mid-Rise	High-Rise	TOTAL
REVENUES - MARKET UNITS						
Condo/Ownership Area (SF)	-	-	145,749	98,524	270,242	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 650	$ 850	$ 850	-
Total One-Time Income	-	-	**$ 94,736,710**	**$ 83,745,319**	**$ 229,705,618**	-
Rental Apartment Units	-	-	59	77	225	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 28,800	$ 25,200	$ 25,200	-
Total Annual Market Rental Income			**$ 1,659,571**	**$ 1,906,531**	**$ 5,561,539**	
REVENUES - NON MARKET UNITS						
Condo/Ownership Area (SF)	-	-	30,364	20,526	56,301	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 267	$ 518	$ 551	-
Total One-Time Income	-	-	**$ 8,106,996**	**$ 10,638,105**	**$ 31,003,173**	-
Rental Apartment Units	-	-	19	24	71	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 24,000	$ 24,000	$ 24,000	-
Total Annual Non-Market Rental Income			**$435,120**	**$564,480**	**$1,658,160**	
REVENUES - COMMERCIAL UNITS						
Commercial Leasable Area (SF)	262,883	-	-	-	-	-
Commercial Vacancy Rate	5.0%	8.0%	-	-	-	-
Commercial Rental Rate (PSF, annually)	$ 22.50	$ 17.50	-	-	-	-
Total Annual Income	**$ 5,619,134**	**$ -**				
Market Cap Rate	5.5%	6.5%	3.5%	3.5%	3.5%	-
Non-Market Cap Rate	-	-	4.5%	4.5%	4.5%	
Total Value @ Completion	**$ 102,166,071**	**$ -**	**$ 159,929,359**	**$ 161,399,744**	**$ 456,457,912**	**$ 879,953,086**
COSTS						
Demolition	$ 2,158,947	-	-	-	-	$ 2,158,947
Hard Costs	$ 55,343,886	$ -	$ 61,323,957	$ 54,333,028	$ 168,901,312	$ 339,902,183
Parking	$ 67,601,450	$ -	$ 17,920,252	$ 17,016,935	$ 49,709,220	$ 152,247,856
Soft Costs	$ 52,690,858	$ -	$ 33,961,804	$ 30,578,556	$ 93,690,228	$ 210,921,445
Total Costs	**$ 177,795,141**	**$ -**	**$ 113,206,012**	**$ 101,928,519**	**$ 312,300,760**	**$ 705,230,431**
Gross Profit/(Loss)	**-$ 75,629,070**	**$ -**	**$ 46,723,347**	**$ 59,471,225**	**$ 144,157,152**	**$ 174,722,655**
Less: Developer Profit	-	-	-	-	-	$ 131,992,963
Residual Land Value	-	-	-	-	-	**$ 42,729,692**

SOURCE: urbanMetrics inc.

4.4.

CENTRAL ERIN MILLS

	Retail	Office	Low-Rise	Mid-Rise	High-Rise	TOTAL
REVENUES - MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	821,504	1,091,585	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 650	$ 850	$ 850	-
Total One-Time Income	-	-	**$ -**	**$ 698,278,644**	**$ 927,847,405**	-
Rental Apartment Units	-	-	0	644	910	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 28,800	$ 25,200	$ 25,200	-
Total Annual Market Rental Income			**$ -**	**$ 15,904,224**	**$ 22,463,482**	
REVENUES - NON MARKET UNITS						
Condo/Ownership Area (SF)	-	-	-	171,147	227,414	-
Condo/Ownership Sale Price ($/SF)	-	-	$ 267	$ 518	$ 551	-
Total One-Time Income	-	-	**$ -**	**$ 88,701,832**	**$ 125,230,381**	-
Rental Apartment Units	-	-	0	202	285	-
Rental Apartment Vacancy	-	-	2.0%	2.0%	2.0%	-
Rental Apartment Rate (per unit, annual)	-	-	$ 24,000	$ 24,000	$ 24,000	-
Total Annual Non-Market Rental Income			**$0**	**$4,739,280**	**$6,691,440**	
REVENUES - COMMERCIAL UNITS						
Commercial Leasable Area (SF)	798,339	-	-	-	-	-
Commercial Vacancy Rate	5.0%	8.0%	-	-	-	-
Commercial Rental Rate (PSF, annually)	$35.00	$ 17.50	-	-	-	-
Total Annual Market Income	**$ 26,544,758**	**$ -**				
Market Cap Rate	5.5%	6.5%	3.5%	3.5%	3.5%	-
Non-Market Cap Rate	-	-	4.5%	4.5%	4.5%	
Total Value @ Completion	**$ 482,631,958**	**$ -**	**$ -**	**$ 1,346,704,210**	**$ 1,843,590,212**	**$ 3,672,926,380**
COSTS						
Demolition*	$ -	-	-	-	-	$ -
Hard Costs*	$ 56,756,096	$ -	$ -	$ 453,035,412	$ 682,240,796	$ 1,192,032,304
Parking*	$ 201,031,872	$ -	$ -	$ 142,137,300	$ 200,743,341	$ 543,912,513
Soft Costs	$ 110,480,558	$ -	$ -	$ 255,074,020	$ 378,421,773	$ 743,976,351
Total Costs	**$ 368,268,527**	**$ -**	**$ -**	**$ 850,246,732**	**$ 1,261,405,910**	**$ 2,479,921,168**
Gross Profit/(Loss)	**$ 114,363,431**	**$ -**	**$ -**	**$ 496,457,478**	**$ 582,184,303**	**$ 1,193,005,212**
Less: Developer Profit	-	-	-	-	-	$ 550,938,957
Residual Land Value	-	-	-	-	-	**$ 642,066,255**

SOURCE: urbanMetrics inc.

* Demolition, parking and other hard costs for Erin Mills generally lower than other mall properties given the retention of the existing commercial uses on the subject lands (i.e., versus an assumed net new construction for all of the redeveloped commercial space at other locations).

urbanMetrics inc.