

# Buttonville Framework for Financial & Market Considerations

# Outline

## 1. Project Overview

1. Project Build Out
2. Renderings

## 2. Terms of Settlement

1. Highlights
2. Objectives
3. Strategic Considerations

## 3. Financial Analysis

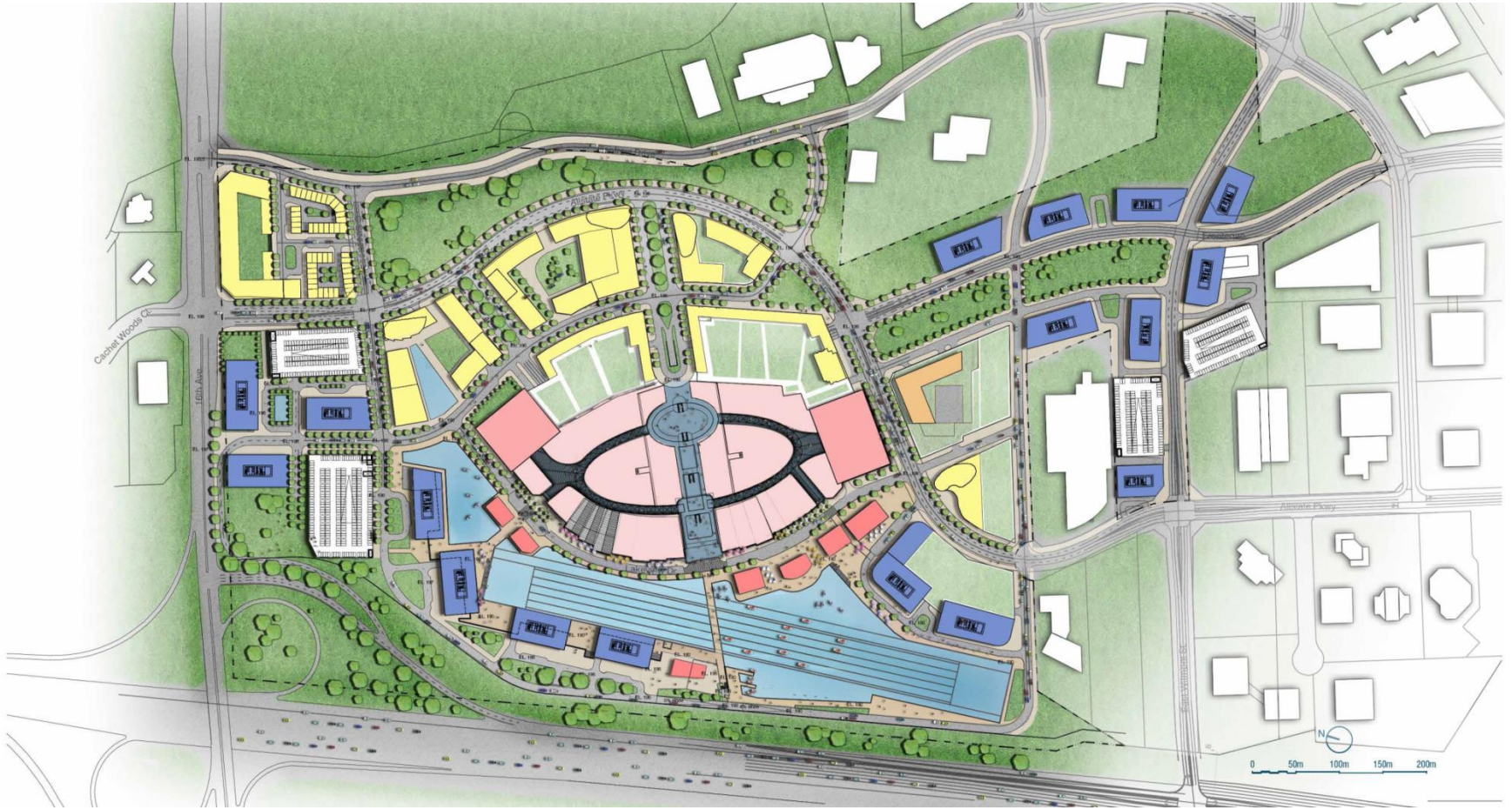
1. Global Assumptions – Base Case
2. Retail
3. Office
4. Residential

## 4. Appendix

1. Site Servicing & Infrastructure Cost
2. Market Research

# PROJECT OVERVIEW

## Master Plan – Ultimate Build Out – Option 5





## Aerial Overview – Option 5



# TERMS OF SETTLEMENT

## Terms of Settlement - Highlights

- Secondary Plan grants approval for up to X million SF of density
- \$X million of infrastructure has been identified as a requirement to facilitate the capacity for ~X million SF of density (Phase I and II)
  - To be shared by Developer, York Region (YR), City of Markham (COM) and Ministry of Transportation (MTO)
- Additional infrastructure in the form of higher order transit or proven excess road capacity is required for release of additional X million sf (Phase III)

# Terms of Settlement – Strategic Considerations

## **Infrastructure:**

- \$X million of improvements identified in the Transportation Master Plan (TMP) to support the overall development proposal (X M SF)
- 30 individual infrastructure items: roads, highway improvements and transit – (see Appendix for detailed infrastructure breakdown)
- Funding to be secured through various development agreements with YR, COM, MTO and CF
- CF, YR, COM, MTO percent share allocation is fixed (costs subject to vary – based on current market info)
- Terms agreed to herein are subject to infrastructure funding and development agreements been executed *and various parties respective approvals.*

## **Projected Timing for Infrastructure Funding\*:**



# Terms of Settlement – Strategic Considerations

## Development Linkages

- In order to deliver the Phase I retail of XX sf, a minimum of ~XX sf of office must be delivered in conjunction
- 2:1 ratio of retail GLA to office GLA to guide the first phase of development
- 2:1 ratio of jobs to population to guide the first phase of development
- At end of Phase I, office land use must meet or exceed 55% of all land use, and therefore;
- No development beyond Phase I (XX M SF) until X million sf of office built
- No development beyond Phase II (X M SF) until:
  - Higher Order Transit\* *or* new advances in mobile technology *or* demonstration of unused capacity in existing road and transit infrastructure
- JV Partner Considerations

*\*Higher Order Transit is defined as rapid transit; separated from general vehicular traffic and therefore able to maintain higher levels of speed (e.g. Bus Rapid Transit proposal for Woodbine Ave – York Region)*

# Global Assumptions – Base Case

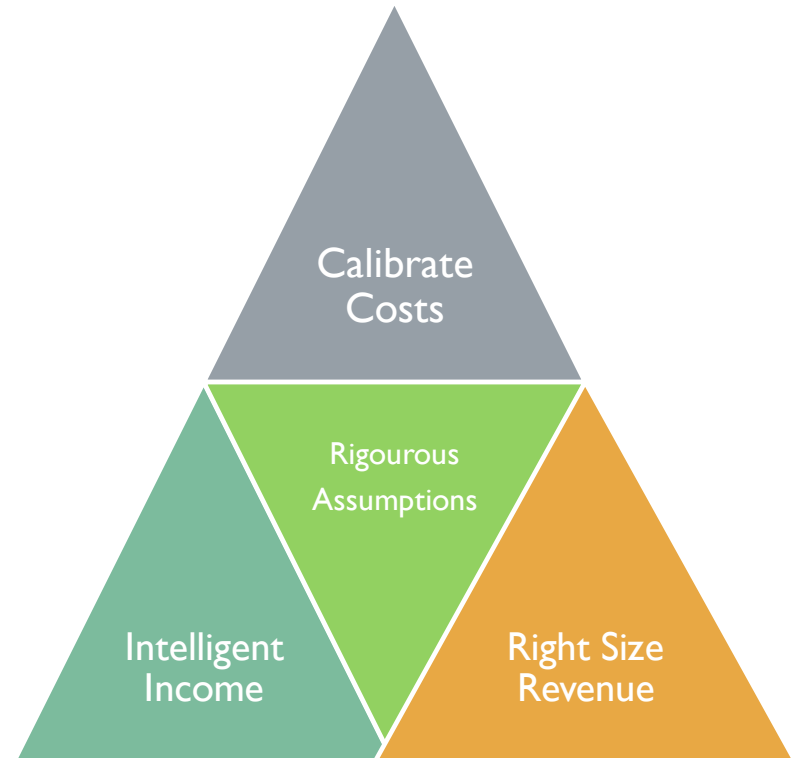
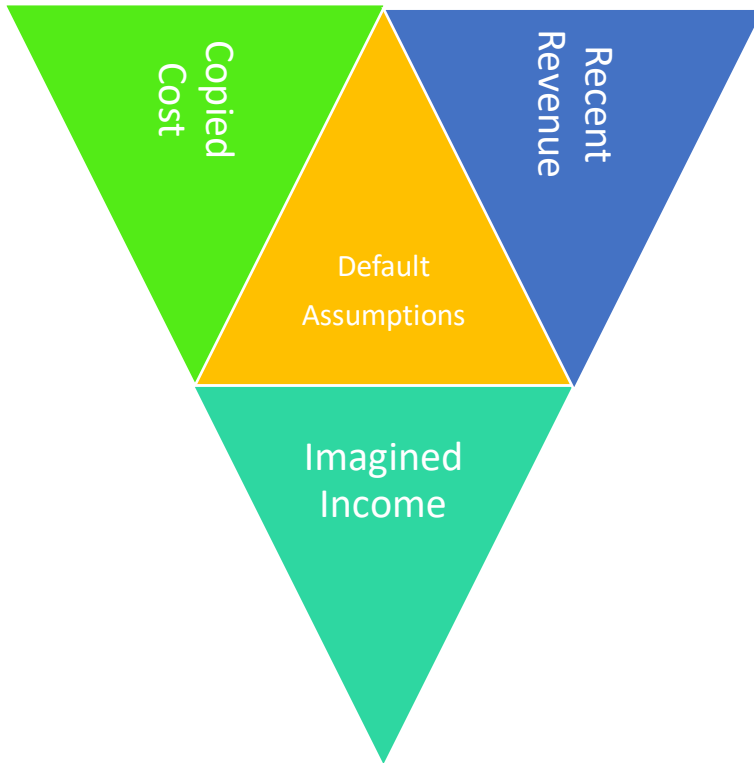
- **Base Case Overview:**
  - X.0 million sf Total
    - Phase I: X million sf - 2023
    - Phase II: X million sf - 2028
  - \$X million infrastructure
  - Office: “Premium Suburban” – Class AA
    - Based on Yonge Corporate Centre
  - Residential: Mid Rise multifamily
    - Based on Don Mills
  - Retail: full priced high end
    - Based on Sherway Gardens Expansion
- All analysis is at **100% cost** and unlevered
- Costs, income and returns **analyzed by asset class** (retail, office and residential) and aggregated
- Costs and leasing assumptions based on comparable **CF precedents** or **third party** research
- Capital outlay for infrastructure assumed the same **timing** for posting of financial security (2017 – 2024)
- Analysis of the above mentioned “Base Case” has been broken into two phases, which can be found in the following slides
- Additional alternative solutions included in the Appendices

# FINANCIAL ANALYSIS

# Global Assumptions – Base Case cont.

- **Land cost** assumed to be \$XXXM (**\$XX PSF GLA**) (subject to valuation) consistent across all uses
  - \$X.X million per developable acre
  - Assumption 100 acres of developable land\*
- **Infrastructure cost:**
  - **Phase I X M SF** (\$X M) + site servicing (\$XX) are disproportionately allocated across various use types
    - **Note:** The \$X M of infrastructure costs have been front ended and absorbed by X M sf build-out, resulting in higher Phase I costs
  - **Phase II X M SF** (\$X M) consistent across all uses at ~**\$X PSF GLA**. Parking costs assumed to be **\$X K/stall** of above and below grade parking (blended)
- **Parking ratio** remains consistent with city requirements:
  - **Retail:** 5.0 stalls per 1,000 SF
  - **Office:** 2.5 stalls per 1,000 SF\*\*\*
  - **Residential:** 1.55 stalls per 1,000 SF (1.25 Parking space per dwelling plus 0.25 parking spaces per dwelling for visitors)
  - **Hotel:** 2.13 stalls per 1,000 SF (0.85 parking spaces per suite)
  - **Convention Centre:** 10.32 per 1,000 SF (1 Parking space per 9 SM of net floor area (Banquet Hall))
  - In total XX parking stalls will be built
    - Parking was conservatively assumed to build structure parking in Phase I, rather than surface parking, leaving future development sites unencumbered and future phases more viable.
- **Development Charges** exclude any potential rebates

## Base Case Assumptions – Top Down vs. Bottom Up



# TYPES OF LEASES

|                | UTILITIES | TAXES    | INSURANCE | MAINTENANCE | STRUCTURAL REPAIRS |
|----------------|-----------|----------|-----------|-------------|--------------------|
| GROSS          | Landlord  | Landlord | Landlord  | Landlord    | Landlord           |
| SEMI GROSS/NET | Tenant    | ??       | ??        | Landlord    | Landlord           |
| DOUBLE NET     | Tenant    | Tenant   | Tenant    | Landlord    | Landlord           |
| TRIPLE NET     | Tenant    | Tenant   | Tenant    | Tenant      | Landlord           |
| ABSOLUTE NET   | Tenant    | Tenant   | Tenant    | Tenant      | Tenant             |
|                |           |          |           |             |                    |



# Right sized Revenue

## LEASES

Flat

Variable

Steps

Revaluation

Percentage

# Total Project Summary – Returns

Project Return (Retail + Office + Res) – X M SF

|                  |  |
|------------------|--|
|                  |  |
| Unleveraged IRR* |  |

Residential Return - X M SF

|               |             |
|---------------|-------------|
|               | Residential |
| Profit        |             |
| Leveraged IRR |             |

Breakout: Phase I Project Return (Retail + Office + Res) – XX M SF

|            | Retail | Office | Residential | Combined |
|------------|--------|--------|-------------|----------|
| Yr. 3 ROI  |        |        |             |          |
| 10 Yr. IRR |        |        |             |          |

Breakout: Phase II Project Return (Retail + Office + Res) – XX M SF

|            | Retail | Office | Residential | Combined |
|------------|--------|--------|-------------|----------|
| Yr. 3 ROI  |        |        |             |          |
| 10 Yr. IRR |        |        |             |          |

# Retail – IRR Sensitivity Analysis – Phase I

Base case hard cost psf vs terminal cap rate

Base case hard cost psf vs Blended rent rate

# APPENDICES

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# Appendix A – Site Servicing Cost Estimate

Site Servicing Cost Estimates - Breakdown



## Appendix B – Infrastructure Breakdown

## Appendix B – Infrastructure Breakdown Cont.

## Appendix C – Alternative Scenarios

1. Phase I Scenario
  - Assumes market only allows for Phase I - lag between I and future phases
2. Base Case Retail
  - Off-Price Retail
3. Base Case Office
  - Suburban A Office
4. Base Case Residential
  - High Rise Multifamily

# Appendix D – Retail Market Research

## Overview

### RETAIL SALES IN CANADA

- In 2015, retailers sold an estimated \$515.3 billion in goods and services in Canada (location based retail).
- Less than a 2% increase from 2014.

### EMPLOYMENT

- Retail sector is Canada's largest employer. 12.5% of Canadian jobs (about 1.62 million jobs).

### RETAIL SPACE IN CANADA

- 542 million SF of Shopping Centres (average size – 186,000 SF)
- 169 million SF of Power Centres (average size – 323,000 SF)
- 236 power node (Power Centres plus nearby Shopping Centres). Almost 40% located in Ontario

### RETAILERS IN CANADA

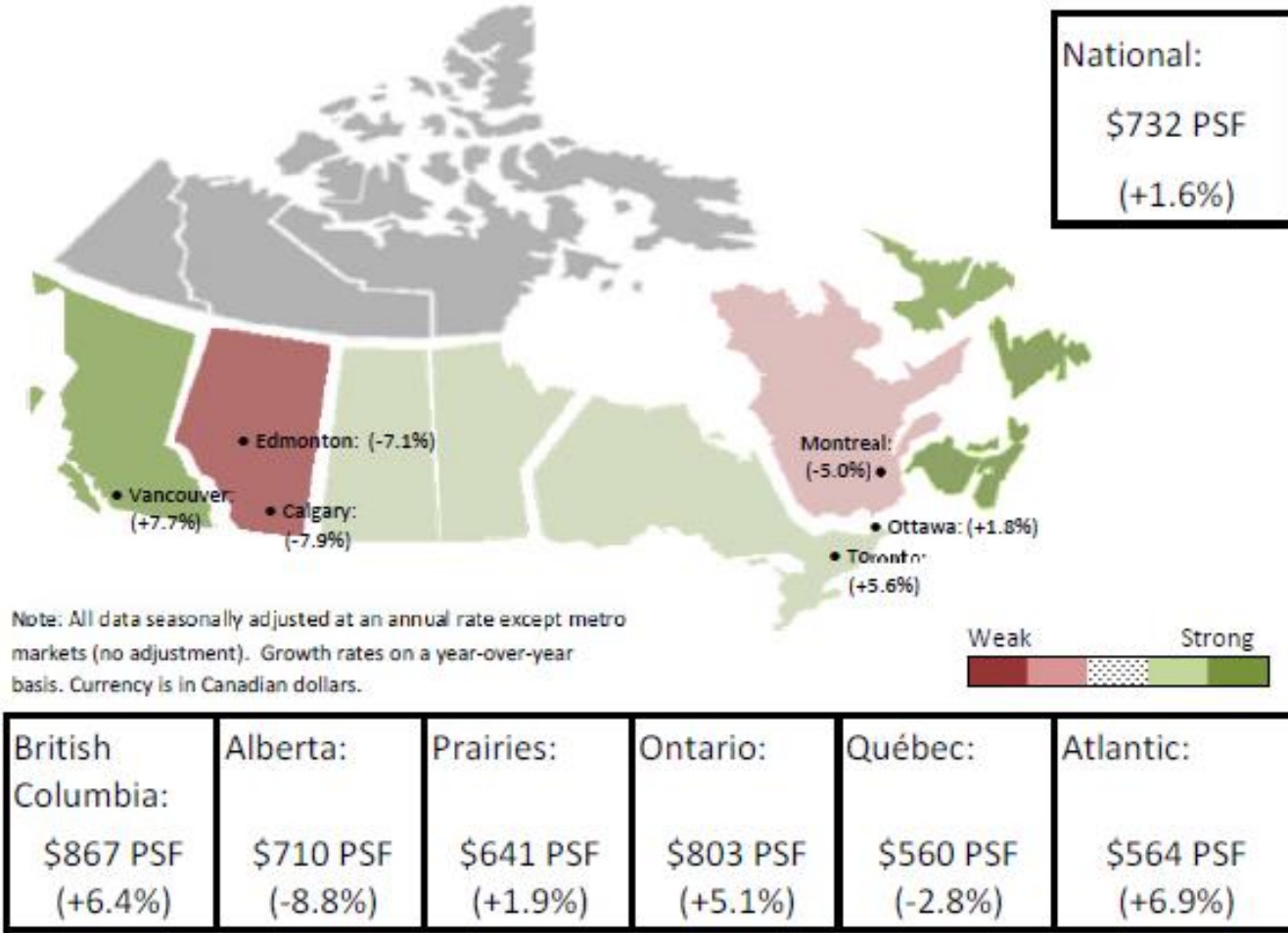
- Top 100 Retailers in Canada control over 70% of the market share.
- 50% of Canada's leading retailers are foreign owned and operated (largely US).

### LANDLORDS IN CANADA

- Top 9 Landlord's (mainly Pension Funds) control almost 65% of the Class "A" retail space in Canada.

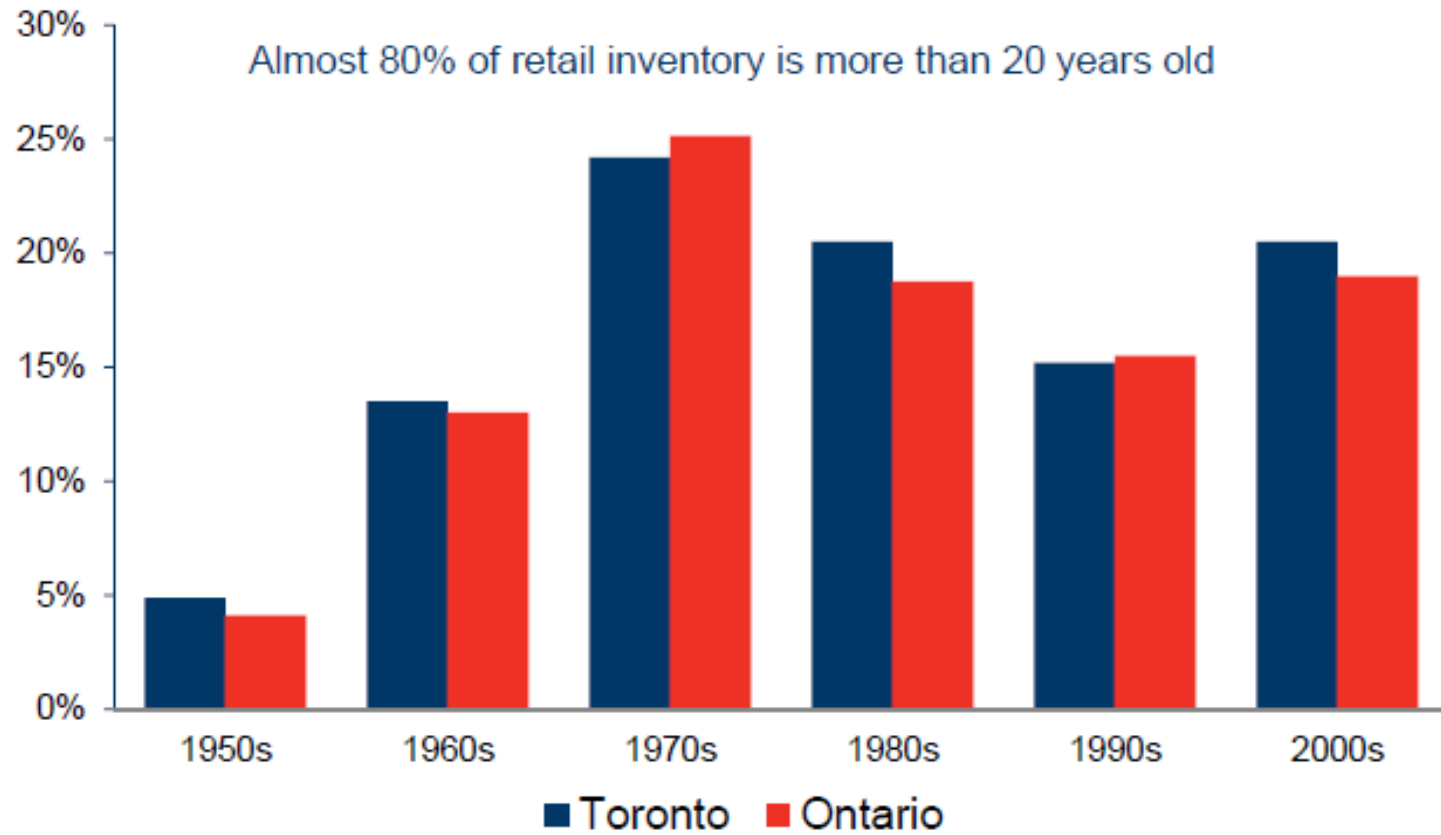
## Appendix D – Retail Market Research

### Canadian Shopping Centres Productivity



## Appendix D – Retail Market Research

Development Opportunity due to Aging Inventory

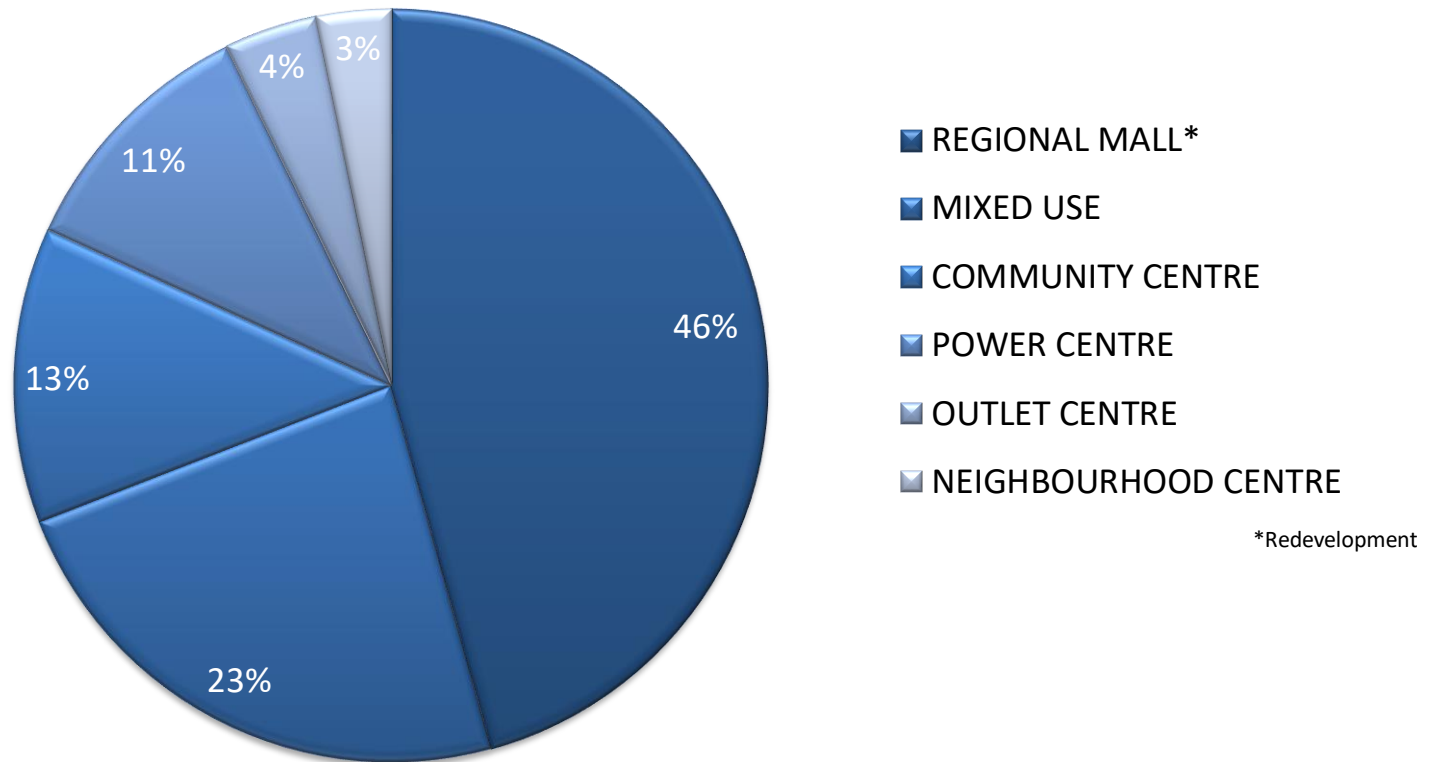




## Appendix D – Retail Market Research

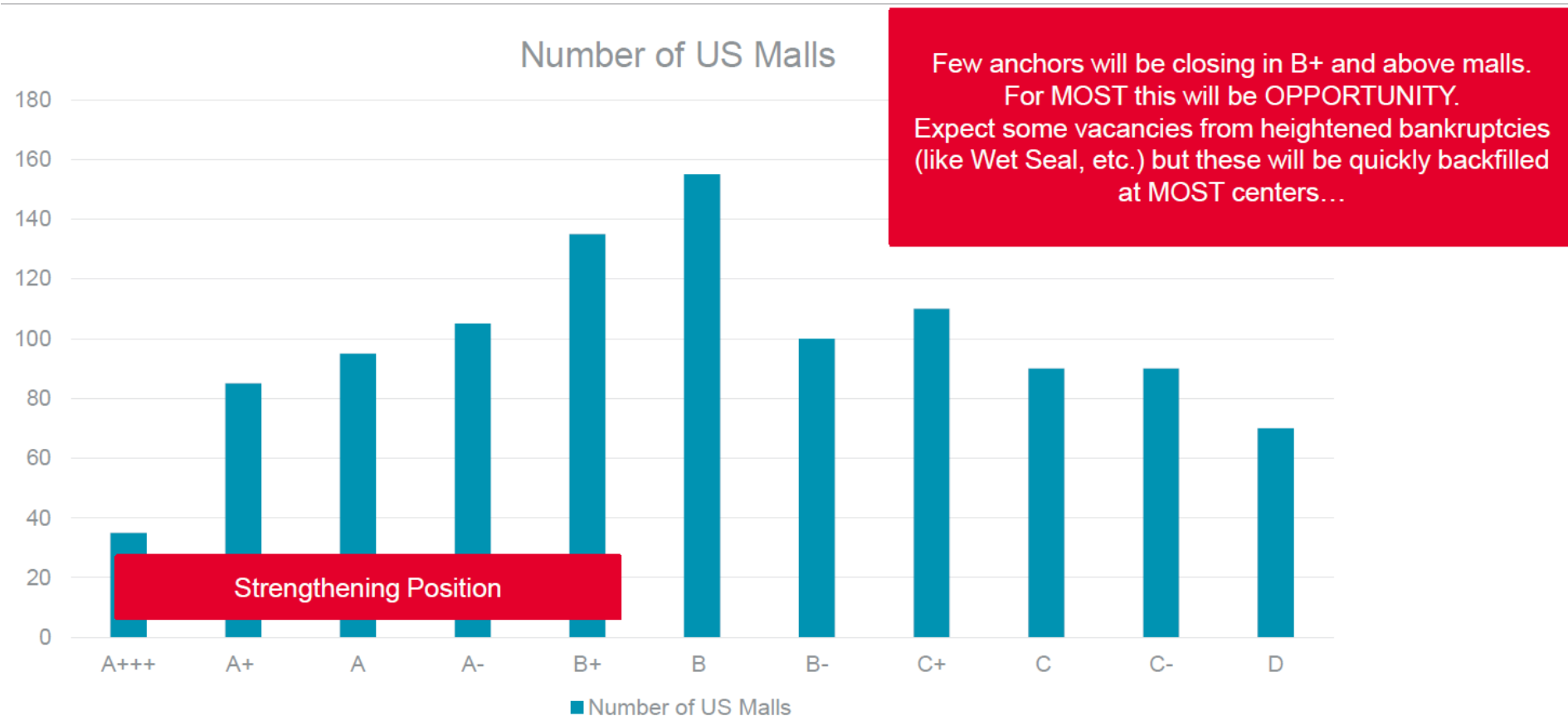
New Supply – Under Construction in 2017

- Regional malls and retail imbedded in mixed use projects are dominating the market



## Appendix D – Retail Market Research

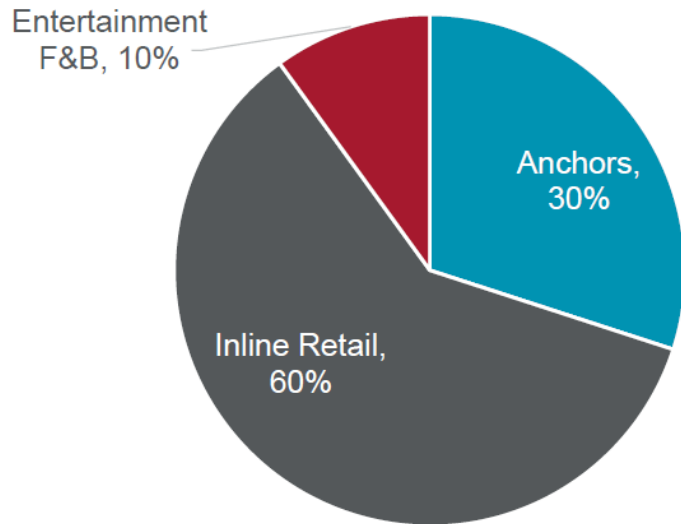
Impact of Consolidation due to e-Commerce Waves – Class B+ and above malls stay strong



## Appendix D – Retail Market Research

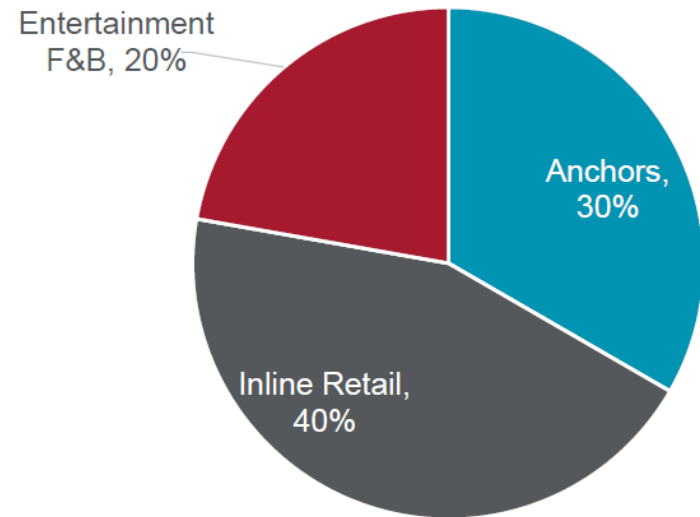
The Mall Mix is Changing – Buttonville retail design reflective of these changing patterns

2007 Typical Mall Mix



■ Anchors ■ Inline Retail ■ Entertainment F&B

2017 Typical Mall Mix



■ Anchors ■ Inline Retail ■ Entertainment F&B