Humber Wastewater Treatment Plant

This $55 million upgrade project will reduce odour nuisance to neighbors of the City of Toronto’s second largest wastewater treatment plant. MGAC is currently providing schedule management and delay claim appraisal services.

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The Toronto construction market currently has a bright outlook supported by strong demand, heavy government-led growth and investment, and improving integration with the regional economy.

With population increases and demographic shifts acting as major development drivers, the Greater Toronto Area (GTA) will continue to densify with a rise in high-density housing and urban and suburban intensification.

Many of the firms we surveyed have reported a large volume of work across the GTA and beyond. Most firms are optimistic about the ability of the market to sustain growth, but rising construction costs remain a major concern among those in the industry.

Developers have been faced with rising material costs, due to a host of economic and industry dynamics, adding to the continued challenge of finding skilled labour and feasible, buildable land.

The future of the area’s continued growth will largely hinge on the market’s ability to manage these “side-effects” of sustained growth.

We hope you find this snapshot of the Toronto market interesting; in our upcoming Toronto construction market report, we will explore the cost implications of these conditions in further detail.

Special thanks to Mansoor Kazerouni and Andrea Katz of IBI Group, a global technology-driven infrastructure, architecture, engineering, and planning firm based in Toronto, for their contributions and insights to this report.

At A Glance

• Canada’s construction industry continues to recover from the 2015 recession that was largely caused by a sharp decline in oil prices. The annualized construction GDP has resumed its steady track of growth and is forecasted to expand by 2% from mid-2018.

• Canada is home to the fifth largest construction market in the world, surpassed only by Japan (#4), India (#3), US (#2), and China (#1). The construction industry accounts for over 7% of Canada’s national GDP and employs 1 of every 14 working Canadians.

• Toronto is experiencing the largest amount of construction activity of any city in Canada. The city was recently reported to have the highest number of construction cranes (97) across North America, beating out busy US construction markets including Seattle (65), Chicago (40), Los Angeles (36), Denver (28), San Francisco (26), and Washington DC (25).
In Q1 2018, over 21% of the non-residential construction investments in Canada were in Toronto. The area’s sheer dollar amount of non-residential construction investment is not only consistently higher than other Canadian metropolitan areas, but has also seen a steep growth since 2017, driven by the investments in the commercial, institutional, and public sectors.

According to recent data collected by MGAC Research, the current development pipeline for the GTA contains over 800 private and public sector projects that are either under construction or preconstruction; most developments are densely clustered in Downtown Toronto. Density is a major theme of the GTA’s evolving landscape. In addition to the large number of ongoing developments currently in the GTA, numerous large-scale master plan exercises focused on both urban and suburban land use intensification are also underway. These plans include infill residential or mixed-use developments, suburban shopping centers, suburban park sites, and suburban office parks.

“The volume of intensification studies that we currently have underway speak to the high demand for land in transit connected urban areas, and the desire to realize the latent value in these large tracts with huge development potential” notes Mansoor Kazerouni, Global Director of Buildings at IBI Group.
Permit Volume
The number of major new-build/addition/alteration building permits - defined as permits valued at $20 million or more - has grown consistently over the last 5 years, peaking in 2017 with a dramatic 34% increase in the number of permits issued from 2016. This year, as of October 2018, the number of permits is on track to equal or exceed that of 2017.

Building Types
Our analysis shows that a significant volume of non-residential construction investment in Toronto is directed at mixed-use developments. Many of these projects include commercial office, which will help add millions of square feet of supply to the city. As of July 2018, Toronto had 7.8 million sf of office space under construction and 15.9 million sf in preconstruction.

In the residential sector, condos continue to be a popular building type, but apartment projects have been steadily increasing over the last few years. This rise in multi-family developments has, in part, been in response to the higher density targets outlined in the 2017 Greater Golden Horseshoe Growth Plan. Public sector work, particularly in infrastructure, is also contributing to the construction activity across the area. Nearly $6.7 billion in projects are currently underway, including mass transit, wastewater treatment, and public space improvements.

Development Analysis

Most Active Design Firms
Collectively, the top 10 most active design firms in Toronto are involved in over 50% of the total projects we are tracking. These include projects that have been recently completed or are currently in preconstruction or under construction. Architects across the Greater Toronto Area are generally reporting a high volume of work and healthy pipelines moving forward.

Most Active Developers
Among the most active developers in Toronto, 2 of the top 10 are public agencies, reflecting the level of involvement that the public sector has in changing the city.

Not surprisingly, 9 of the top 10 most active developers are heavily involved in condo projects. Over 90% of the projects we tracked from these 9 developers are condo or condo-based mixed-use developments.
Mass Transit Revitalizing and Regenerating New Development Areas

In late 2008, the Government of Ontario implemented The Big Move, a 25-year, $50 billion plan to transform transportation across the GTA and Hamilton Region. This comprehensive plan includes the addition of over 43 kilometres of new Light Rail Transit (LRT) tracks that will extend the reach of 3 major LRT lines throughout the region.

This expanding transit network is acting as a catalyst for the redevelopment and regeneration of the region by improving access to previously less accessible areas, as well as encouraging and enabling denser transit-oriented developments.

The Eglinton LRT for instance is helping to revitalize the Eglinton Corridor. The extended line has triggered a development boom in the Yonge Eglinton Centre and the Yonge Eglinton node, reaching as far east as Golden Mile, where large master plan intensification schemes to prime big box retailers and shopping centers for intensification.

Despite the approval of funding for a significant number of Infrastructure projects to date, the roll-out of remaining funding is anticipated to slow down over the coming years.

Demographic Shifts Continue to Drive Development and Density

The GTA is one of the fastest growing areas in North America. The GTA population was 6.8 million in 2017 and is projected to reach 9.7 million by 2041, which is expected to account for over 50% of Ontario’s total population.

Immigration will play a major role in this growth. As part of Canada’s economic growth strategy, the annual immigrant intake will be increased by 13% by 2020, and Toronto remains the top destination for immigrants to Canada due to its stable economy, demand for skilled labour, relatively low crime rates, and incredible diversity.

In addition to immigration changes, demographic shifts have also helped fuel the demand for new, higher density, housing across the GTA.

According to Mansoor Kazerouni, “People increasingly want to move from large suburban single-family homes to more urban mixed-use transit connected multi-family residences where they can live, work, learn, play within their communities.”

“This development doesn’t end at dwelling units. To complete these communities, there are a host of other essential services that need to be provided whether it be transit, parks, schools, community centers – all of that is contributing to the significant building activity that we are seeing in our city.”

Toronto, the Next Silicon Valley?

Toronto is becoming known as a major technology hub and has been unofficially dubbed the “Silicon Valley of the North”. Benefiting from an educated workforce, a density of world class research institutions, a favorable immigration policy, and a pole on the Toronto-Waterloo Corridor, Toronto is currently home to between 2,100 and 4,100 active tech start-ups, according to a report by Tech Toronto.

Since Google’s move into the Downtown financial core, many other tech companies and major firms from other industries have followed its footsteps and formed a significant force driving the commercial and office developments within the region.

This massive demand for office space has significantly outstripped new supply and created a near gridlock situation in downtown Toronto, with office vacancy rates down to a record-low of 3.4%. It remains to be seen if this lack of available office space will stifle Toronto’s transformation into a tech hub.
About MGAC

Established in 1996 in Washington, DC, MGAC is a project and cost management firm dedicated to our clients and their organizational success. Over the past five years alone, MGAC has collectively managed more than $5.5 billion of hospitality, residential, retail, cultural, educational, government, and mission critical building projects.

Our expertise includes full-time project management services for planning studies, renovations, and new construction. We assist clients efficiently and cost effectively manage all due diligence, entitlement, planning, design, and construction efforts.

MGAC’s Cost/Risk Group provides cost advisory and strategy to increase certainty through each step of development from developing procurement strategy, monitoring project risk and ensuring that achievable mitigation measures are in place at all times, to simply to being a sounding board for assessing alternative strategies.

Contact

Reach out to us if you have any questions about the Toronto market or would like to learn about how we can help manage risk on your project.

Nick Butcher
Managing Director, Cost & Risk
E: nbutcher@mgac.com
O: 213.417.7531

Paul Stapley
Vice President, Cost & Risk Canada
E: pstapley@mgac.com
O: 635.655.6114