

Economics of Residential Development

Prepared for the City of Victoria

Prepared by G.P. Rollo & Associates

Economics of Residential Development

Key Concepts

- Cost of Development
- Revenue from Development
- Project Viability
- Land Residual
- Economic Implications of Housing Policies

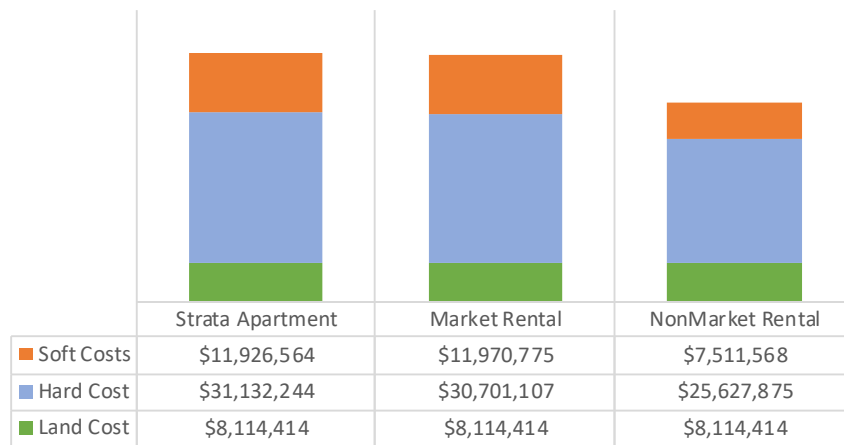
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COST OF DEVELOPMENT

- Hard Costs
construction materials and labour
- Soft Costs
fees, professional consultants (architects, engineers etc.), interest, financing, etc.
- Land Costs

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COSTS OF DEVELOPMENT



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REVENUE

- Short Term
 - Owned housing
 - Quickly repay
- Long Term
 - Rental housing
 - Rents flow back over long term
 - Mortgage required to cover costs

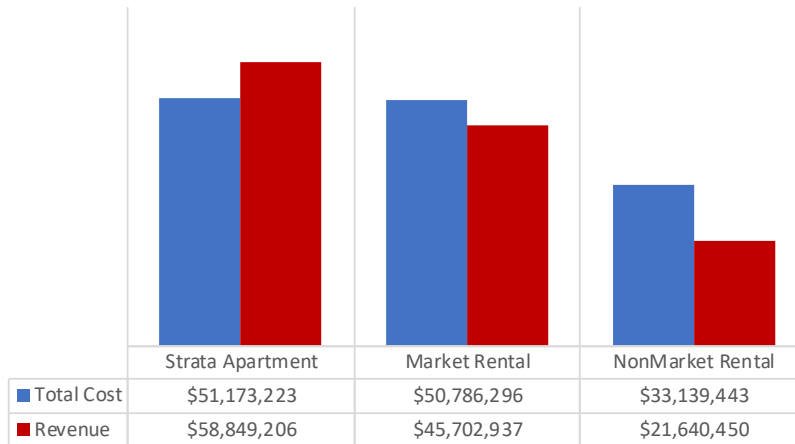
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REVENUE

	Strata Apartment	Market Rental	NonMarket Rental
per sq.ft.	\$800	\$2.90	\$1.72
per unit	\$603,582	\$2,188	\$1,300
Units	100	100	100
Total	\$60,358,160	\$218,798	\$130,000
per year		\$2,625,580	\$1,560,000
Less Vacancy	1.50%	<u>\$39,384</u>	<u>\$23,400</u>
EGI		\$2,586,196	\$1,536,600
Expenses		<u>\$711,204</u>	<u>\$537,810</u>
NOI		\$1,874,992	\$998,790
Cap Rate	N/A	4.0%	4.5%
Indicated Value	\$60,358,160	\$46,874,807	\$24,969,750
Sales Costs	2.50%	<u>1,508,954</u>	<u>\$624,244</u>
Net Revenue	\$58,849,206	\$45,702,937	\$24,345,506

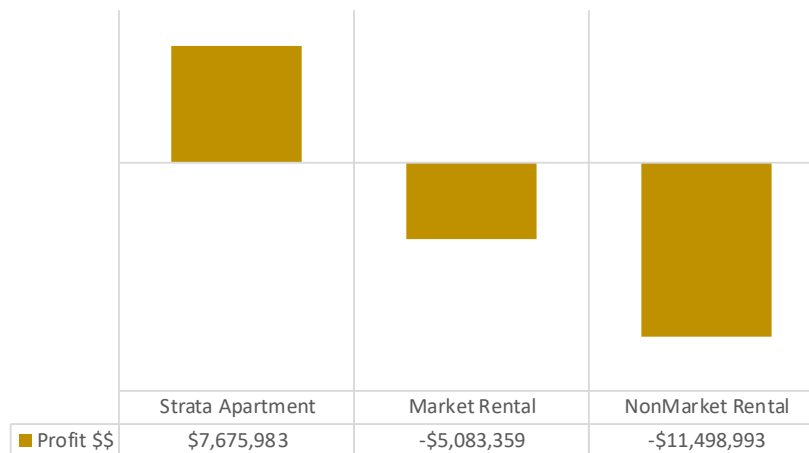
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REVENUE VS. COSTS



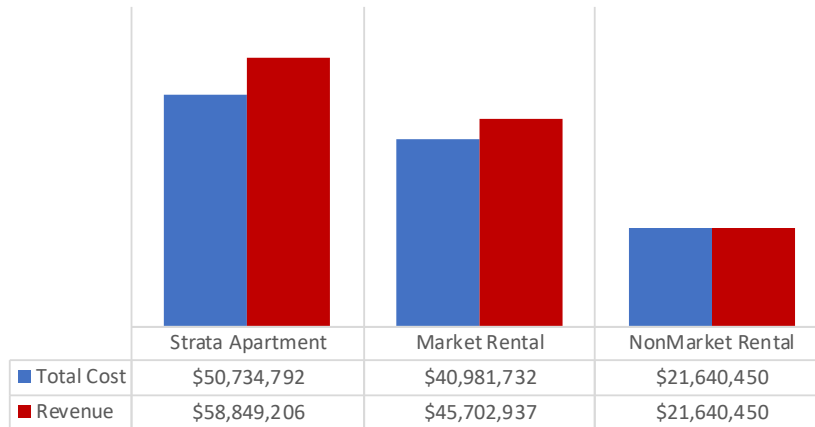
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PROFIT



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REVENUE VS. COSTS



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LAND RESIDUAL



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PROJECT VIABILITY

- Impacted by changes to tenure
- Subsidy or Incentives required
 - Density
 - Fee waivers
 - Tax holidays

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Questions?