# WHY YOU SHOULD INVEST IN A MASTER-PLANNED COMMUNITY

## What is a Master-Planned Community?

A master-planned community (MPC) is a large-scale residential neighborhood within a city. Everything from the location of schools, shopping centres, and commercial parks to playgrounds, community swimming pools, and restaurants are planned for and placed in a location that will generate the most use. MPC's may also include a variety of elements like conservation developments which combine design principles to conserve a large percentage of open space and protect native habitats.

The average MPC is more than 75 acres and is located in an urban or suburban area. These communities have been popular for decades, as they generate the best use for the land and the people who will inhabit them; residents move into them in the hope that they will be able to work, live and participate in recreational activities all within one convenient area.

Many MPC's include multiple condo towers built on large land plots that can house thousands of residents, driving demand for the retail and commercial space. Typically, they offer many neighborhood amenities like the ones listed above, and these have become extremely popular for homeowners and renters alike. These multi-phased large-scale developments have always outperformed individual condo developments in the City of Toronto and other major urban centres in terms of sales volume and appreciation rates, making them an incredible investment.


## Why Master-Planned Communities Are a Good Investment?

Master-planned communities are constantly changing in order to provide residents with all of the modern amenities they require. Developers and city planners work together over the course of years to ensure ease of movement of traffic both auto and foot, access to transit, allowing residents further access to the greater city, and a distinctive mix of restaurants and shops offering residents everything they need steps away from their homes.

MPC developers take an active role in providing what homeowners and tenants want out of their building also. The most successful communities adapt to changing demographics, preferences, and purchasing power. They are reinventing themselves to remain relevant amongst their competition and the smart developers have figured out which low-cost/high-value amenities residents want most. For example, in-door pools, although nice are expensive to maintain and are rarely used by residents. Roof top pools, only used in the summer months, however, are increasingly popular. It's important that developers don't over supply, in order to keep maintenance fees for the residents low.

Developers have the added incentive of building more than one building in an MPC, ensuring that they choose a location and design they believe in. Each time a new building comes to market within an MPC, they use the end-pricing of the previous building as their starting point. This in essence forces the appreciation, allowing investors who get in early to such locations, a substantial return on their investment.

On average investors who purchase in MPC's, generally see a 40% higher return on their investment than investors who purchase in standalone buildings, a significant different over just a few short years.


## Favorable Locations

Most MPC's are created in large urban centres already offering residents access to jobs. What's unique about the condo towers within MPC's compared to those of standalone condo towers, is the MPC is designed with office space in mind, incentivizing companies to move to these locations, offering a short commute to the many workers who reside within the MPC. In essence, the potential for residents attracts the corporations who then attract more residents, becoming its very own ecosystem.

As previously mentioned, MPC's are also built close to transit, connecting residents to the entire city which is a win for residents whose jobs are located elsewhere. So regardless, there is always high demand for these new neighbourhoods.

As an example, Sterling Junction is a new MPC to be built in Toronto. It's location is within walking distance to 8 transit stations, including subways, bus stops, high-speed rail, streetcar and bus. This gives this project a Transit Score of 100/100, only one of two locations in all of Toronto to claim that title, the other being Union Station. On top of the 8,500 residential units being constructed within a 500m radius, the community is also developing 500,000sf of office space.


**Walkability**

A 2016 study showed that 80% of Greater Toronto Area (GTA) residents are willing to trade living in a large house with a yard for a mid-range condo if they could live in a walkable and transit-accessible neighborhood. The trouble is, finding one of those homes at an affordable price can be a challenge. Development of high-rise condos with smaller units that cater to single people and young couples are often built in more central locations.

In addition to this, GTA baby boomers are smart-sizing by selling off their large detached homes and moving into larger condo units with access to amenities. Developers and the city have caught on to this trend, requiring that all new buildings have unit mix including larger 2-bedroom, 2-bedroom plus dens and 3-bedroom units.

This is great news for investors because the buildings can accommodate both demographics, opening up investors potential tenant pool to include young professionals, non-permanent smart-sizers (those moving up or down) and young families. This is a major reason that GTA properties close to public transit appreciate up to 30% more than other buildings in less useful locations.

## Case Studies

Master-planned communities are not new; in fact, they have been thriving in the real estate industry for over four decades already. There have been plenty of successful models for current developers to base emulate. Here are a few other MPC's where the investors have experienced tremendous growth and price appreciation:

### *Emerald City*

Emerald City is an MPC in the Toronto area on 35 acres of land. Once completed, the multi-phase development will include 9 residential condo towers in three blocks of three buildings and a series of townhomes.

From its initial sale price in 2017, until now, Emerald City has appreciated over 151% in 3 years and the community isn't even completed yet! To put this in context, standalone building built in close proximity to this MPC but outside it's boarders only saw appreciation of 126% in the same time period. The demand for Emerald City's location and amenities created a 25% higher return on investment.

### *Concord CityPlace*

Concord CityPlace is another master-planned community within Toronto's C01 district which encompasses the downtown core along the waterfront. These units appreciated in value 182% from 2009 to 2020 and when you compare that to other standalone condos within this same district which only saw 125% appreciation, investors will have experienced an over 57% higher return on their investment.

### *Bayside Toronto*

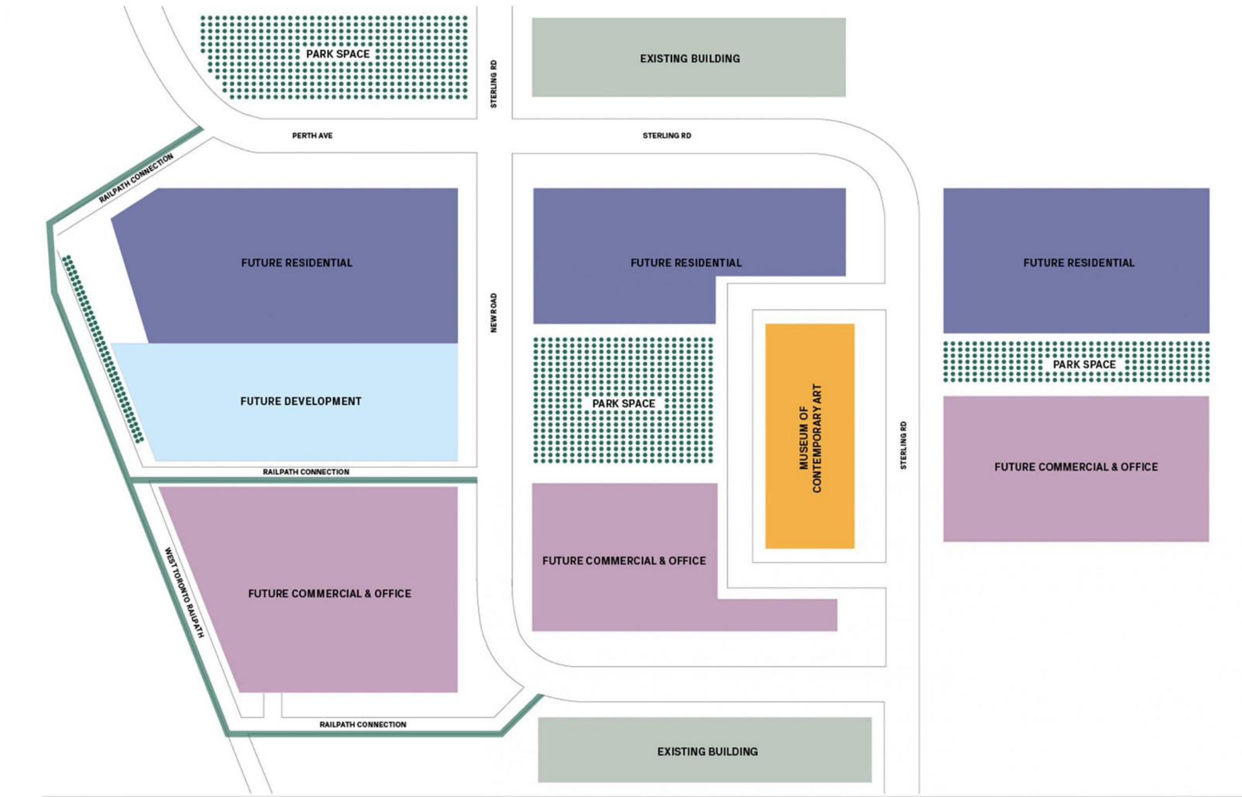
Lastly, Bayside Toronto was an MPC that was built in the C08 District of Toronto. Here, the average unit purchased appreciated in value 110% from 2013 to 2020. This is 34% higher than the appreciation of the average standalone condo of 75% within the same region.

These are just a few examples of the incredible returns on investment condominiums in MPC are bringing in. One reason for this growth is due to MPC allowing investors to be surrounded by multi-million dollar infrastructure. Even more than some of the other amenities, this helps increase their property values significantly more than you would find in condominium towers outside an MPC.

## How Do I Maximize My Investment?

As we discussed, MPC rolls out in phases. Buying early on in any condo project offers the best investment opportunity. Buying during a project's initial release phase will guarantee the best prices and floor plans. Looking at the average appreciation rate for any condo within an MPC, you will see that the initial price per square foot is significantly lower than later phases of the project. Having said that, even if you missed the opportunity to purchase in the very first building, a significant return on your investment can still be made in the next phases, so long as you purchase at very front of the line when those units are released. Each building goes through multiple price increases; if you purchase at the very first-access, you are likely to see built in equity within the first 1-3 months.

For instance, data gathered from Urbanation , Toronto's top statistical source for condominiums, shows us that all pre-construction condos had an average sale price per square foot of $478 in Q4 of 2010. Compare that with a $938 per square foot price in Q3 of 2020, giving a 96% increase in pre-construction condo values over a ten-year period. The best part of it all, all the investors had to do was sign some paperwork and provide some cheques; that's it! During this period, the landlord didn't have to deal with finding and qualifying tenants, nor did they have to worry about repairing faucets and toilets, making this a completely passive investment.




## Conclusion

When investing in a master-planned community, you have the comfort of knowing that the development process of any one building will take close to 3-5 years. Most master-planned communities are built in phases, so investors will know ahead of time what future infrastructure and developments are coming. As an investor, you need to analyze this data and determine which investment is best for you, your current situation, and your goals. But as far as real estate investing goes, there couldn't be a better choice than a master-planned community where a vision for growth is expected.

# References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