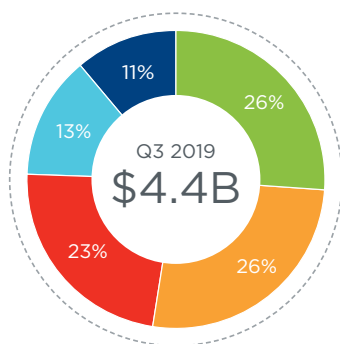


GTA Investment Activity
by Sector and Dollar Volume



Q3 2019 Q2 2019 Q3 2018

ICI LAND	\$1.2B	\$730M	\$448M
INDUSTRIAL	\$1.2B	\$944M	\$919M
OFFICE	\$1B	\$1.2B	\$888M
MULTI-RESIDENTIAL	\$577M	\$854M	\$1.2B
RETAIL	\$480M	\$677M	\$572M

Third Quarter 2019 / Commercial Real Estate Investment Review

Greater Toronto Area

The Greater Toronto Area (GTA) commercial real estate investment market's strong second-quarter 2019 results were repeated in the third, as sales volume for office, industrial, retail, multi-residential and ICI land assets (\geq \$1 million) was stable quarter-over-quarter at \$4.4 billion – up 9% compared with third-quarter 2018 – but the year-to-date tally of \$11.5 billion trails 2018's three-quarter total by 7%. For the first time this year, three sectors had a \$1-billion-plus quarter. Investors still seek to deploy copious capital given low interest rates and strong fundamentals in almost all asset types and regions – pushing GTA cap rates down 10 basis points (bps) quarter-over-quarter to 4.2%. Activity is expected to pick up in the fourth quarter as buyers will be eager to place remaining capital before year-end.

ICI LAND

ICI land edged out industrial to lead all sectors during the third quarter at nearly \$1.2 billion (26% of the GTA total) – up

60% quarter-over-quarter and exceeding the first two quarters combined. This was skewed by the quarter's largest transaction overall: Cadillac Fairview's \$690-million purchase of the 38-acre East Harbour site from First Gulf and its partners. This was the GTA's second-largest-ever ICI land deal, behind last year's trade of Downsview Airport (\$825 million / 365 acres). East Harbour boasts proximity to downtown, transit connectivity and approvals for 10 million square feet of commercial space. The City of Toronto was the GTA's most active region by quarterly dollar volume (64% share). In all, 2,028 acres traded.

INDUSTRIAL

Tight vacancy and rising rents continue to attract investors to industrial assets, which posted a 23% increase in quarterly dollar volume to almost \$1.2 billion (26% share) during the third quarter. Year-to-date volume – \$2.9 billion, up 15% compared with the same period in 2018 – could be on pace to eclipse 2017's \$3.5-billion full-year record.



4.2%

Average capitalization rate for GTA assets – down 10 bps quarter-over-quarter



\$3B

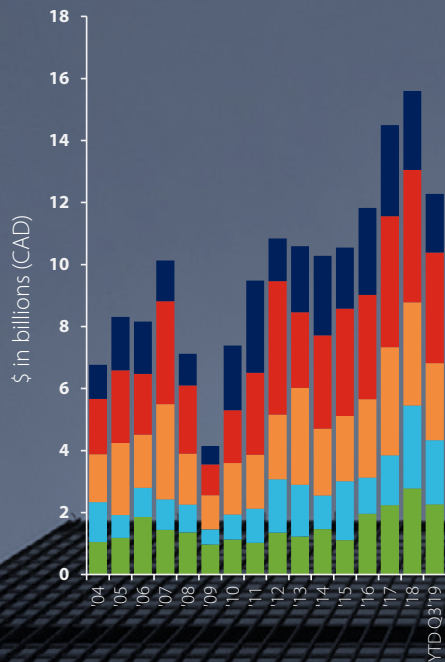
Total office investment sales through three quarters of 2019 – down 19% year-over-year



146

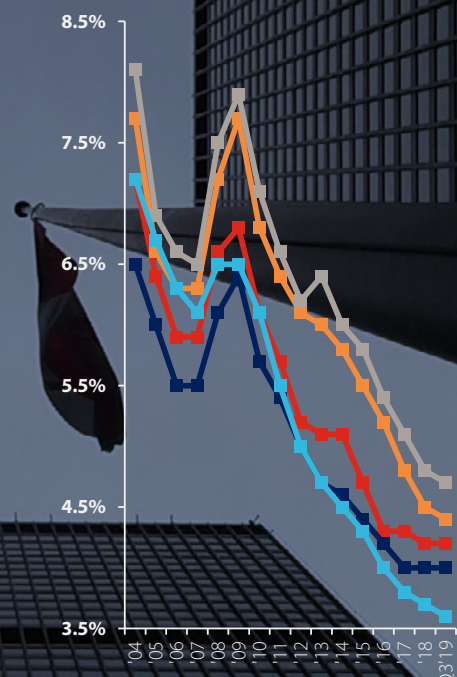
Total number of retail property sales – the most of any asset class

GTA Investment Volume



- Office
- Retail
- ICI Land
- Industrial
- Multi-Residential

GTA Select Capitalization Rates



- Downtown Class AA Office
- Tier I Regional Mall
- Multi-Residential
- Single-Tenant Industrial
- Multi-Tenant Industrial



\$690M

Cadillac Fairview purchased the 38-acre East Harbour development site from First Gulf for \$18.2 million per acre

Image courtesy of Cadillac Fairview

Though warehouse/distribution space remains top-of-mind, the sector's top transaction was that of 80 Via Renzo Dr. in Richmond Hill, a new 118,100-square-foot (sf) data centre on eight acres, bought by AIMCo for \$215 million. This made Richmond Hill (\$226 million / 20% of GTA total) the GTA's most active municipality by dollar volume, though Peel (\$391 million / 34%) edged out York (\$372 million / 32%) as the most active region. Data centres will remain popular, given the advent of 5G technology and strong growth in cloud services and social networking.

OFFICE

Office building sales declined 12% quarter-over-quarter to just over \$1 billion (23% share) in third-quarter 2019. This represents a 17% increase compared with third-quarter 2018, but a repeat of last year's \$4.2-billion full-year total could be out of reach. With historically low vacancy and rising rents, barriers to entry remain pricing and availability of product. The quarter's largest trade was RioCan REIT

increasing its share of the mixed-use Yonge Sheppard Centre complex to 100%, buying partner KingSett's 50% for \$357.6 million – showcasing the value of transit-oriented, mixed-use properties. The partners purchased the asset for \$218 million in 2011. The sector could receive a boost before year-end as some notable assets came to market during the quarter: Manulife Financial's four-building, 567,000-sf York Mills Centre in North Yonge, and Rogers Communications' 118,000-sf 350 Bloor St. E. in Midtown.

MULTI-RESIDENTIAL

Following a strong second quarter, third-quarter sales of multi-residential properties fell 32% to \$577 million (13% share). Total volume through nine months of 2019 was nearly \$1.7 billion – down 24% year-over-year. As usual, low volume was the result of demand outpacing supply. The GTA's housing-supply crunch makes this the most hotly contested asset type, with cap rates down 10 bps year-over-year to 3.6%. Vacancy is sub-1% and average monthly rent rose to a record-

high \$2,515, according to Urbanation – up 30% in just three years – though a 25-year-high in new supply slowed rental growth. Starlight Investments continued buying, picking up 12 Akelius Canada assets (19 buildings / 626 units) for \$176.8 million (\$281,529 per suite) at a reported 3.8% cap rate.

RETAIL

Despite being the most active sector by number of sales (146), retail was the quarter's least-traded property type by dollar volume, posting just \$480 million in trades (11% share) – down 29% quarter-over-quarter and 16% year-over-year. The sector's year-to-date tally (just shy of \$1.7 billion) is 13% behind the same period in 2018. With no large centres changing hands, sold assets averaged just \$3.3 million and 6,706 sf in size. A \$36.5-million automotive dealership sale was the quarter's largest. Automotive retail assets claimed two of the top five transactions as third-quarter sales in this subsector reached nearly \$73 million – half the total for automotive retail transactions in all of 2018.

Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
Yonge Sheppard Centre, Toronto (50% interest)	\$357,600,000	n/a	RioCan REIT	KingSett Capital
415 Yonge Street, Toronto	\$124,000,000	\$646	415 Yonge Holding Ltd.	Artis REIT
30 Eglinton Avenue West, Mississauga	\$70,900,000	\$430	Crown Realty Partners / Plaza Partners	KingSett Capital
2323 Yonge Street, Toronto	\$54,100,000	\$803	Minett Capital	Slate Asset Management
Lumsden Building, Toronto	\$45,500,000	\$861	Dream Office REIT	EmTwo Properties Inc.
Industrial	Total Price	Price psf	Purchaser	Vendor
80 Via Renzo Drive, Richmond Hill	\$215,000,000	n/a	AIMCo	Urbacon Properties / Summit REIT
12333 Airport Road, Caledon	\$89,250,000	\$157	PIRET	Bentall Kennedy
1100-1150 Caledonia Road, Toronto	\$71,500,000	\$230	Oxford Properties	Caledonia Holdings Corp.
Cristall Group – KingSett Portfolio	\$47,717,960	\$182	KingSett Capital	Cristall Group Investments
195 Harry Walker Parkway, Newmarket	\$26,500,000	\$91	Davpart Inc.	1191373 Ontario Inc.
Retail	Total Price	Price psf	Purchaser	Vendor
1635 The Queensway, Toronto	\$36,500,000	\$557	Automotive Properties REIT	Dilawri Group of Companies
145 Baycrest Avenue, Toronto	\$23,710,000	\$1,068	Toronto Catholic District School Board	Toronto District School Board
312 Queen Street West, Toronto	\$20,000,000	\$1,916	Memnon	Birenbaum Consultants Inc. / Selira Ltd.
5280 Dixie Road, Mississauga	\$13,915,000	\$272	Ontario Chrysler Jeep Dodge RAM	Actum Ltd.
237-239 Queen Street East, Brampton	\$13,550,000	\$233	1493951 Ontario Inc.	CanFirst Capital Management
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Akelius – Starlight Portfolio	\$176,800,000	\$281,529	Starlight Investments	Akelius Fastigheter AB
41 Roehampton Avenue, Toronto (50% interest)	\$114,116,862	\$490,825	RioCan REIT	Metropia
360 City Centre Drive, Mississauga	\$61,345,826	\$352,562	The Regional Municipality of Peel	Daniels Corp.
41 Dundonald Street, Toronto	\$35,000,000	\$346,535	Timbercreek Asset Management	2503576 Ontario Inc.
Private Vendor – Golden Equity Portfolio	\$26,400,000	\$231,579	Golden Equity Properties	Private individual(s)
ICI Land	Total Price	Price per acre	Purchaser	Vendor
East Harbour Lands, Toronto	\$690,000,000	\$18,201,482	Cadillac Fairview	First Gulf / Cowie Capital Partners Inc. / Northglen Investments
701 & 759 Winston Churchill Boulevard, Mississauga	\$45,841,000	\$968,601	759 Winston Churchill GP Inc.	Terranata Winston Churchill Inc.
174 Kennedy Road South, Brampton	\$42,969,694	\$2,228,256	Alectra Utilities	Kennedy Road Equities Inc. / Wam Kennedy Road GP Inc. / Wamgreen GP Inc.
8281 Healey Road, Caledon	\$29,000,000	\$865,517	AIMCo	Private individual(s) / Zancor Homes
10514 Coleraine Drive, Brampton	\$24,800,000	\$496,417	2689336 Ontario Inc.	Surreyrock Investments Inc.



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Properties

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