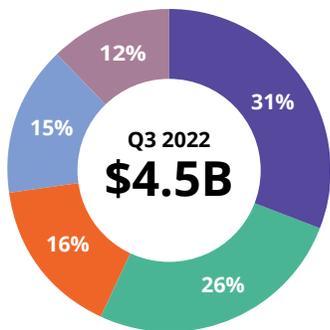


Greater Toronto Area



GTA Investment Activity by Sector and Dollar Volume



	Q3 2022	Q2 2022	Q3 2021
Industrial	\$1.4B	\$2.6B	\$2.5B
ICI Land	\$1.2B	\$1.7B	\$1.5B
Multi-Residential	\$699M	\$1B	\$1.3B
Retail	\$694M	\$696M	\$961M
Office	\$536M	\$1.1B	\$680M

Activity in the Greater Toronto Area (GTA) commercial real estate investment market slowed during the third quarter of 2022 following a strong first half, as the impacts of rising interest rates and economic uncertainty began to take effect. Many of the transactions that closed during the third quarter were negotiated in earlier months, and the market is expected to undergo a period of adjustment as stakeholders seek a new equilibrium in the current economic landscape. Industrial assets remained the GTA's top sector by investment dollar volume, both during the third quarter and year-to-date.

Third-quarter sales of office, industrial, retail, multi-residential and ICI land assets (>=\$1 million) across the GTA totaled \$4.5 billion – down 35% quarter-over-quarter, and also when compared to the same quarter one year earlier. Through three quarters of the year, total investment volume of \$18.5 billion already exceeds all previous full-year totals except 2021 (\$23.5 billion); however, the decline in activity during the second half of the year indicates that result is unlikely

to be repeated in 2022. Cap rates are still compressed by historical standards, but the GTA average for all asset classes increased 20 basis points (bps) quarter-over-quarter to 4.3% – the highest level since 2017.

Although transaction volume is down as stakeholders grapple with a bid-ask gap resulting from the higher cost and tighter availability of debt, liquidity is still out there for certain assets and deals. Private buyers have been able to adjust their pricing relatively quickly, while a number of institutional investors are reluctant to buy, not because of a lack of capital, but out of caution due to the current market conditions.

Industrial

Following a strong second quarter, investment volume for industrial assets across the GTA declined 44% to \$1.4 billion in the third – representing 31% of the quarter's overall GTA investment volume and a 44% decrease compared with the same quarter one year ago. Year-to-date investment in the sector totaled \$5.5 billion – up 3% from 2021's three-quarter result, and already exceeding the full-year



4.3%

Average cap rate for all asset types GTA-wide – up 20 bps quarter-over-quarter



2,634

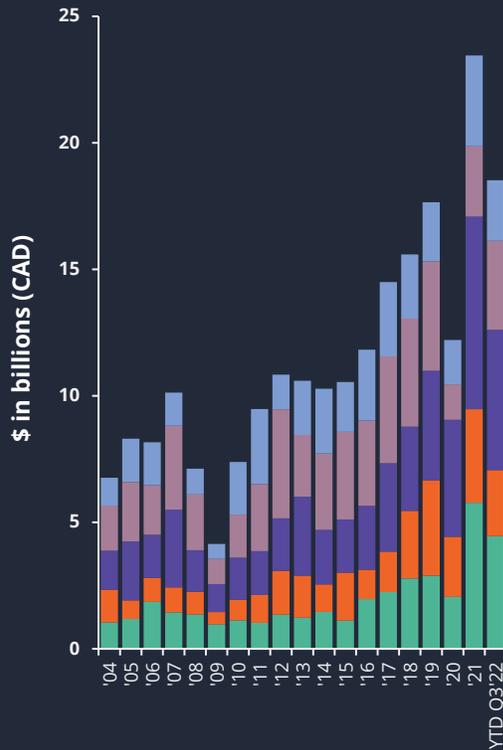
Total acreage of third-quarter GTA ICI land sales (down 27% quarter-over-quarter)



204

GTA-wide industrial asset sales – 38% of the quarter's total number of transactions

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

\$1.4B

Industrial trades represented 31% of total GTA investment volume during the third quarter, including a \$133-million portfolio sale



6200 Tomken Rd., part of the OPTrust – LaSalle portfolio

totals from all previous years except 2021 (\$7.6 billion). The leasing market is still very strong, with high levels of demand from both tenants and users. At the same time, investors are having to adjust for different returns based on the cost of debt. Given the GTA's strong fundamentals, the sector is expected to weather the current situation with continuing low vacancy and rising rents, but one cloud on the horizon is the outside possibility of contraction by large users if the economy shrinks more than anticipated.

ICI Land

Investment in ICI land assets declined 28% quarter-over-quarter to \$1.2 billion (26% of GTA total) in the third quarter. Year-to-date, sales volume of \$4.5 billion is second only to the industrial sector, but may not reach 2021's high water mark full-year total of \$5.8 billion by year-end. Rising construction and debt costs have slimmed the potential buyer pool and slowed the rapid increase in land values. Buyers are looking for more security and less speculative locations compared with the exuberance of recent years.

Multi-Residential

Escalating interest rates began to impact the market after mid-year,

creating a disconnect between buyers and sellers, as the multi-residential sector posted \$699 million in trades during the third quarter (16% of GTA total) – down 30% quarter-over-quarter and 48% compared with the same quarter one year earlier. There is a good supply of available assets on the market, but the cost and availability of debt and expected returns on equity are impeding many buyers' ability to rise to sellers' pricing expectations. If the geopolitical and economic situation stabilizes as expected in the first half of 2023, the market could start to return to normal levels of activity as stakeholders adjust and find a new balance.

Retail

Retail was the GTA's most stable asset class quarter-over-quarter, with total investment of \$694 million (15% of GTA total) essentially repeating the second quarter's result. However, volume was down 28% compared with the third quarter of 2021. With \$2.4 billion in year-to-date sales, the sector is unlikely to match last year's \$3.6-billion total before the year is out. Nevertheless, consumers are still spending money – especially for essentials – and tenant mix is an

important consideration. Strength in this sector is largely coming from private buyers, while some lenders are more open to considering retail assets, viewing them as having less uncertainty than others, such as office.

Office

The least-traded asset class during the quarter (by dollar volume) was office, with \$536 million in properties changing hands (12% of GTA total) – down 50% quarter-over-quarter – for a year-to-date total of \$3.5 billion. One reason for the decline in volume is that transactions are moving more slowly for larger product as pricing is being adjusted due to the cost of debt. The office leasing market has been relatively resilient so far, but many investors are taking a "wait-and-see" approach as they have underlying concerns about tenants' future occupancy requirements. There continues to be an active user and private investor market, especially in the suburbs, with transactions for smaller and mid-market buildings still moving forward.

Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
100 Wynford Dr.	\$120,795,616	\$263	Oak Street Real Estate Capital	H&R REIT
95-105 Moatfield Dr.	\$97,018,684	\$239	Visionary Education Technology Holdings Group Inc.	Slate Office Management
2727 Meadowpine Blvd.	\$44,000,000	\$293	2727 Meadowpine Ltd.	Carttera
6345-6375 Dixie Rd.	\$24,000,000	\$185	1000215208 Ontario Inc.	Cristall Group Investments
7240-7270 Woodbine Ave.	\$21,502,800	\$283	7240 Woodbine Group Inc.	Sandringham Holdings Ltd.
Industrial	Total Price	Price psf	Purchaser	Vendor
OPTrust - LaSalle Investment Management Portfolio	\$133,300,000	\$335	LaSalle Investment Management	OPTrust
153 Van Kirk Dr.	\$92,000,000	\$371	Pure Industrial	ITPDS Ltd.
199 & 255 Longside Dr.	\$59,250,000	\$338	Summit Industrial Income REIT	Mantoria Inc.
4700, 4800, 4900 Dixie Rd., 1331 Crestlawn Dr. & 1330 Eglinton Ave. E.	\$45,850,000	\$330	Soneil Investments	Greystone Managed Investments / Panattoni Canada
140 Wendell Ave.	\$44,500,000	\$185	Northbridge Capital	Mar-Risa Holdings Inc.
Retail	Total Price	Price psf	Purchaser	Vendor
Shops on Steeles & 404	\$117,450,000	\$408	Streamliner Properties Inc. / The Kerbel Group	Wycliffe Property Management Ltd.
Amberlea Shopping Centre	\$45,000,000	\$449	First Capital Realty / Crestpoint Real Estate Investments	Strathallen Capital Corp.
8180-8220 Bayview Ave.	\$35,000,000	\$812	1000242096 Ontario Inc.	First Capital REIT
255 Dundas St. W.	\$22,800,000	\$994	255 Dundas Holdings Inc.	2683340 Ontario Inc.
460 Renforth Dr.	\$18,350,000	\$537	Choice Properties REIT	Bossman Automotive Products Inc. / 5831424 Manitoba Ltd. / Blackman Holdings Inc. / 1000120503 Ontario Inc. / Private individual(s)
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
2233 & 2235 Hurontario St.	\$131,955,000	\$339,216	Starlight Investments	Karl Fay Investments Ltd. / Unifay Investments Ltd. / Fedar Investments Ltd.
70 Park St. E.	\$105,545,000	\$490,907	Dream Unlimited	1001935 Ontario Ltd.
65 Dundas St. E.	\$94,000,000	\$335,714	City of Toronto	Silver Hotel Group
61-69, 75 Eastdale Ave. & 2-12, 16-24 Goodwood Park Cres.	\$90,100,000	\$361,847	LaSalle Investment Management	CAPREIT
78 Braemar Dr.	\$63,250,000	\$413,398	Equiton Partners	Lidor Holdings Ltd.
ICI Land	Total Price	Price per acre	Purchaser	Vendor
12861 & 12489 Dixie Rd.	\$567,000,000	\$1,968,128	Tribal Partners	2168443 Ontario Inc. / Private individual(s)
772 Winston Churchill Blvd.	\$102,350,000	\$2,647,439	Fengate Asset Management	ONE Properties
Citizen Court	\$36,500,000	\$3,004,362	City of Markham	Loutan Ltd. / 14th Avenue Commercial Holdings Ltd.
10 & 14 Mansewood Ct.	\$35,887,000	\$4,104,185	1000024820 Ontario Inc.	10405400 Canada Inc.
5355 Ashburn Rd.	\$29,162,150	\$947,962	QuadReal	First Gulf

Get more market information

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