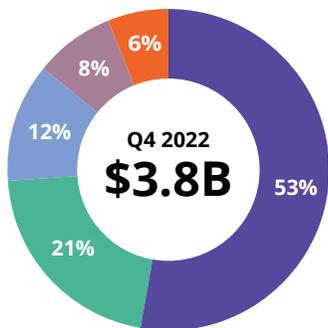


Greater Toronto Area



GTA Investment Activity by Sector and Dollar Volume



	Q4 2022	Q3 2022	Q4 2021
Industrial	\$2B	\$1.4B	\$2.3B
ICI Land	\$784M	\$1.2B	\$1.9B
Retail	\$450M	\$694M	\$1.2B
Office	\$306M	\$536M	\$1.4B
Multi-Residential	\$234M	\$699M	\$896M

Investment in Greater Toronto Area (GTA) commercial real estate amounted to \$22.3 billion during 2022 (down just 5% from 2021's record-breaking volume), but with a marked difference between the first-half (\$14 billion) and second-half (\$8.3 billion) dollar volumes. Strong momentum from 2021 carried through the first half of 2022, but repeated interest-rate hikes and the shifting economic landscape put a damper on activity later in the year as buyers and sellers adjusted their pricing expectations given increased capital costs and an uncertain outlook. Nevertheless, capital is still available for the right transactions, and there is deal activity.

Rising interest rates and economic uncertainty impacted transaction volume during the fourth quarter, as sales of office, industrial, retail, multi-residential and ICI land assets (>=\$1 million) across the GTA totaled \$3.8 billion – down 17% quarter-over-quarter and 51% compared with the same quarter one year earlier. After a decade of consistent declines, the average GTA-wide cap rate rose 50 bps year-over-year to end 2022 at 4.5% – the

highest average rate since 2016. All asset types posted rising rates.

Moving into 2023, stakeholders appear to be adjusting to the new market landscape, with confidence beginning to gain momentum. Thus far, there has been an absence of large deals as investors take a more cautious approach, but activity is expected to ramp up through the first half of the year as the market stabilizes. Although not a significant factor to date, there is the potential for an uptick in distressed-asset sales as some owners whose strategies relied on low interest rates may feel the pinch of higher rates.

Industrial

Investment in the industrial sector rose 40% quarter-over-quarter to \$2 billion (representing an impressive 53% of the GTA quarterly total), for a full-year total of \$7.5 billion – down a mere 1% from 2021's record-breaking volume. Of the annual total, Peel Region accounted for 43% (\$3.2 billion), followed by the City of Toronto (\$1.8 billion / 24%) and York Region (\$1.2 billion / 16%). Industrial was the only sector to post institutional-



4.5%

Average cap rate for all asset types GTA-wide – up 50 bps year-over-year



11,349

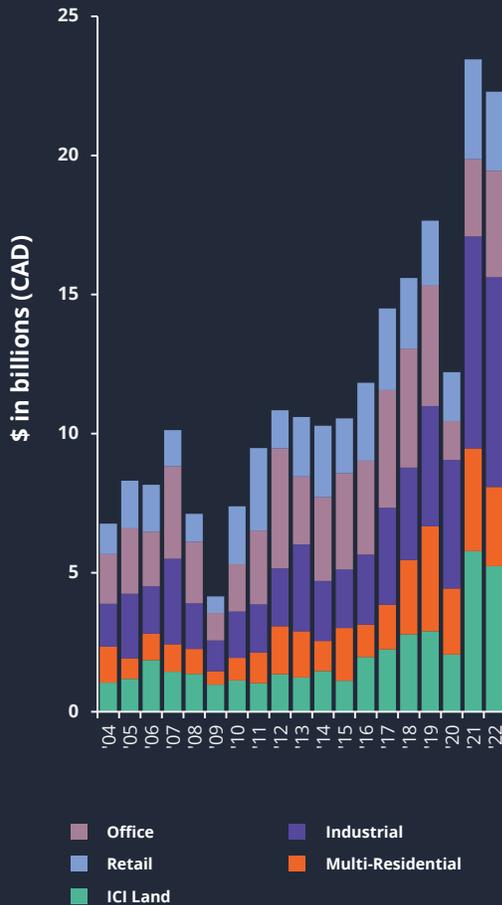
Total acreage of GTA ICI land sales during 2022 (down 41% year-over-year)



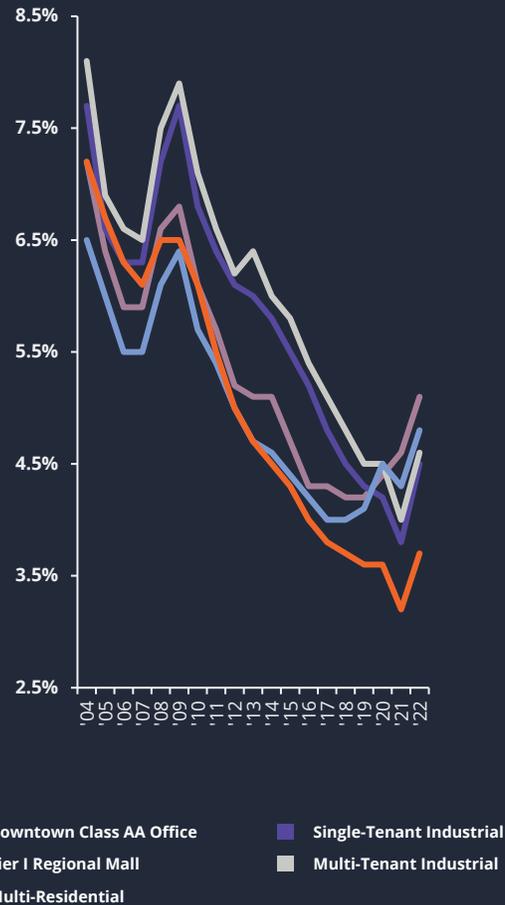
779

GTA-wide industrial asset sales in 2022 – 35% of the year's total number of transactions

GTA Investment Volume



GTA Select Capitalization Rates



\$2B

Industrial trades represented 53% of total GTA investment volume during the fourth quarter, including a \$428-million portfolio sale



95 Market Dr., part of the TD Greystone - Pure Industrial Portfolio

scale transactions during the fourth quarter and remains the GTA's most sought-after asset type. Despite some headwinds, vacancy remains low and demand from tenants and users is strong, securing industrial assets' favourable position among investors.

ICI Land

Quarterly investment volume of \$784 million in the ICI land sector (21% of GTA total) was down 34% quarter-over-quarter, with the full-year total of \$5.2 billion falling short of 2021's record-breaking result by only 9% despite declining activity in the second half of 2022. In a rising interest-rate environment, non-productive assets (with holding expenses but little or no income) are likely to be eyed with some caution by investors, and undeveloped land is a prime example of this. Deal and investment volume in this sector will likely remain muted (relative to recent years' elevated levels) until investors can see more stability for debt and exit valuations.

Retail

Retail asset sales accounted for 12% of overall GTA volume during the fourth quarter, with investment declining 35% quarter-over-quarter to \$450 million. The sector's full-year total of

\$2.8 billion was down 21% year-over-year. Retail has emerged from the pandemic in better shape than some had expected, and good-quality retail remains an important asset class for institutional and private investors. Demand varies by asset type – for example, food-anchored assets remain highly sought-after – and buyers and sellers may be closer in their pricing expectations for retail than for some other asset types. The reduced sales volume may be partly attributable to a lack of willing sellers, as retail assets often also serve as a longer-term land investment with holding income.

Office

Still affected by a lack of clarity regarding return-to-office and longer-term workplace strategies on the part of tenants, investment in the office sector fell 43% quarter-over-quarter to \$306 million in fourth-quarter 2022 (8% of GTA total), for a full-year total of \$3.8 billion. Boosted by the sale of Royal Bank Plaza in the first quarter, the annual result was up 38% year-over-year and nearly triple 2020's total, but fell short of 2019's record-high \$4.3 billion in trades. In the latter part of 2022, market activity was characterized by the lack of large,

institutional-grade deals, and by the prevalence of suburban-asset deals. Nevertheless, smaller deals continued, with an active buyer pool including owner-user groups and private capital.

Multi-Residential

The fourth quarter's unsettled debt markets made it difficult for stakeholders in the multi-residential sector to transact effectively, restricting the number of deals that occurred. The sector's quarterly investment volume of \$234 million (6% of GTA total) – down 66% quarter-over-quarter – is a testament to this. The full-year total of \$2.8 billion represented a decrease of 23% year-over-year. Early in 2023, bond rates seem to have begun to settle, providing some confidence in the market and leading to increased offering activity. This is expected to continue to improve as the year progresses. Although buyers are supported by this confidence, a bid-ask spread remains as buyers must account for higher interest rates, and ownership is still largely controlled by long-term, mainly private capital with little motivation to sell. However, some owners are beginning to adjust to the new reality of higher interest rates.

Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
25 Milverton Dr. & 5770 Hurontario St.	\$50,200,000	\$199	Kaneff Group	Crown Realty Partners
10 King St. E. & 83 Yonge St.	\$41,875,000	\$607	Ergo Properties	KingSett Capital
2085 Hurontario St.	\$33,660,000	\$321	Trillium Health Partners	Starlight Investments
649 N. Service Rd.	\$26,000,000	\$209	The Cultivated B. Real Estate Holdings Ltd.	H&R REIT
8001 Weston Rd.	\$23,238,000	\$303	Kierland Weston Ltd.	Downing Street Property Management
Industrial	Total Price	Price psf	Purchaser	Vendor
TD Greystone – Pure Industrial Portfolio	\$428,000,000	\$286	Pure Industrial	TD Greystone Asset Management
Investors Group – CanFirst Portfolio	\$222,650,000	\$289	CanFirst Capital Management	Investors Group
1330 Martin Grove Rd.	\$139,500,000	\$378	Vestcor	Carttera
5185 Garrard Rd. (90% interest)	\$138,000,000	\$296	Concert Properties	Broccolini
190 Summerlea Rd.	\$94,000,000	\$303	Crestpoint Real Estate Investments / PSP Investments	CNH Industrial Canada Ltd.
Retail	Total Price	Price psf	Purchaser	Vendor
585 Queen St. W.	\$51,218,000	\$573	Choice Properties REIT	RioCan REIT
690 Evans Ave.	\$31,379,320	\$713	Cadillac Fairview	Hamblin Watsa Investment Counsel Ltd.
5151 New St.	\$29,610,000	n/a	City of Burlington	Halton District School Board
100 Clarington Blvd.	\$27,105,000	\$538	Sobeys	Strathallen Capital
4000 Highway 7	\$19,350,000	\$864	Choice Properties REIT	Lee-Mar Developments Ltd.
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
123 Bellamy Rd. N.	\$94,500,000	\$378,000	Hazelview Investments	Golden-Hauer Investments Ltd.
2303 Eglinton Ave. E.	\$50,000,000	\$295,858	Equiton Partners	Werster Holdings Ltd.
20 Elizabeth St. N.	\$19,100,000	\$280,882	Pulis Investments	De Sei Investments Ltd.
240 Ormond Dr.	\$16,850,000	\$382,955	Distrikt Capital	Durham Region Non-Profit Housing Corp.
190 Queen St. S.	\$13,125,000	\$320,122	Starlight Investments	M. Koplowitz Charity Fund
ICI Land	Total Price	Price per acre	Purchaser	Vendor
800 Kipling Ave.	\$130,522,620	\$2,489,749	City of Toronto	Ontario Power Generation
624 Mayfield Rd.	\$48,000,000	\$492,388	624 Mayfield Road Investments Inc.	Private individual(s)
13649 Airport Rd.	\$44,900,000	\$867,834	13649 Airport Road Holdings Inc.	Private individual(s)
600 Conlin Rd. W.	\$42,929,250	\$2,537,490	Stonemont Financial Group	Panattoni
Lockport Ave.	\$39,660,583	n/a	City of Toronto	Hydro One

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