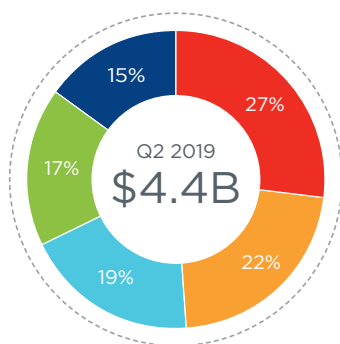


## GTA Investment Activity by Sector and Dollar Volume



Q2 2019 Q1 2019 Q2 2018

OFFICE			
\$1.2B	\$767M	\$711M	
INDUSTRIAL			
\$944M	\$817M	\$787M	
MULTI-RESIDENTIAL			
\$854M	\$236M	\$560M	
ICI LAND			
\$730M	\$392M	\$1.3B	
RETAIL			
\$677M	\$511M	\$540M	

## Second Quarter 2019 / Commercial Real Estate Investment Review

# Greater Toronto Area

Following a slow first quarter, commercial real estate sales in the Greater Toronto Area (GTA) rebounded in the second quarter of 2019. Investor appetite remains voracious, driven by solid market fundamentals, low interest rates, plentiful capital and sustained pricing. Second-quarter 2019 sales volume for office, industrial, retail, multi-residential and ICI land assets ( $\geq$  \$1 million) jumped 61% quarter-over-quarter to \$4.4 billion. All five sectors posted increased dollar volume quarter-over-quarter, with multi-residential, ICI land and office the biggest gainers. The first-half 2019 investment tally of \$7.1 billion trails 2018's mid-year mark (\$8.2 billion) but, apart from the usual summer lull, there is no sign of investor demand letting up during the remainder of 2019.

### OFFICE

The office leasing market remains robust and with 2.1% downtown vacancy and rising rents, suburban assets' appeal for investors is enhanced by falling vacancy and the potential for higher rents. Office

building sales increased 53% to \$1.2 billion (27% of the GTA total) for a year-to-date total of \$1.9 billion and this was the only sector to register a \$1-billion-plus quarter during first-half 2019. However, dollar volume was down from \$2.7 billion in first-half 2018. The biggest second-quarter transaction (in not just the office sector but all GTA asset classes) was H&R REIT's sale of its 1.1-million-square-foot (msf) Atrium on Bay office and retail complex to KingSett Capital and TD Greystone for \$640 million. H&R acquired the property in 2011 for \$345 million. Suburban assets rounded out the quarter's top five office trades.

### INDUSTRIAL

Investors continue to be drawn to the GTA industrial market – one of the tightest in North America, with sub-2% vacancy, limited supply, escalating rents and strong ties to the retail supply chain. The industrial sector posted second-quarter sales of \$944 million (22% share), up from \$817 million in the first quarter for a first-half 2019 investment result of





# 4.3%

Average capitalization rate for GTA assets – unchanged from the previous quarter



# \$1.9B

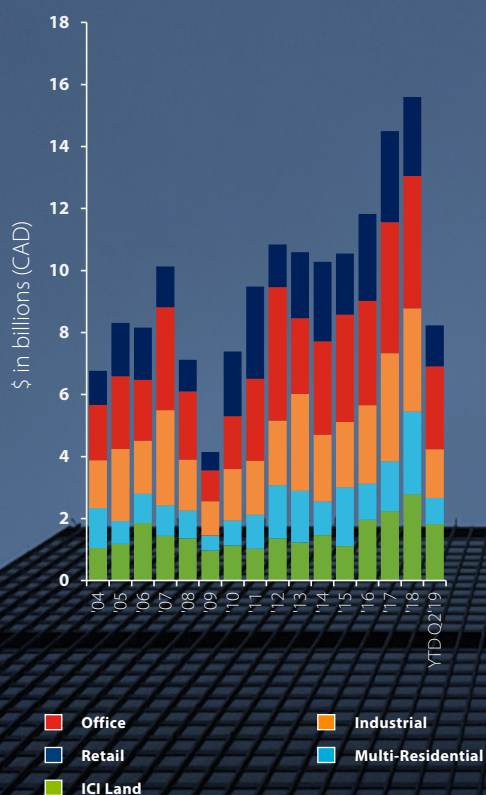
Total office investment sales in the first half of 2019 – down 38% year-over-year



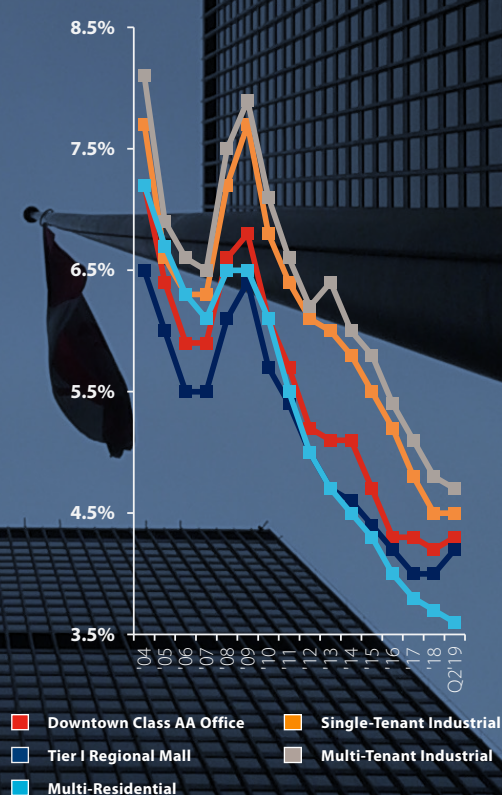
# 27%

Office sector's share of total first-half 2019 GTA dollar volume

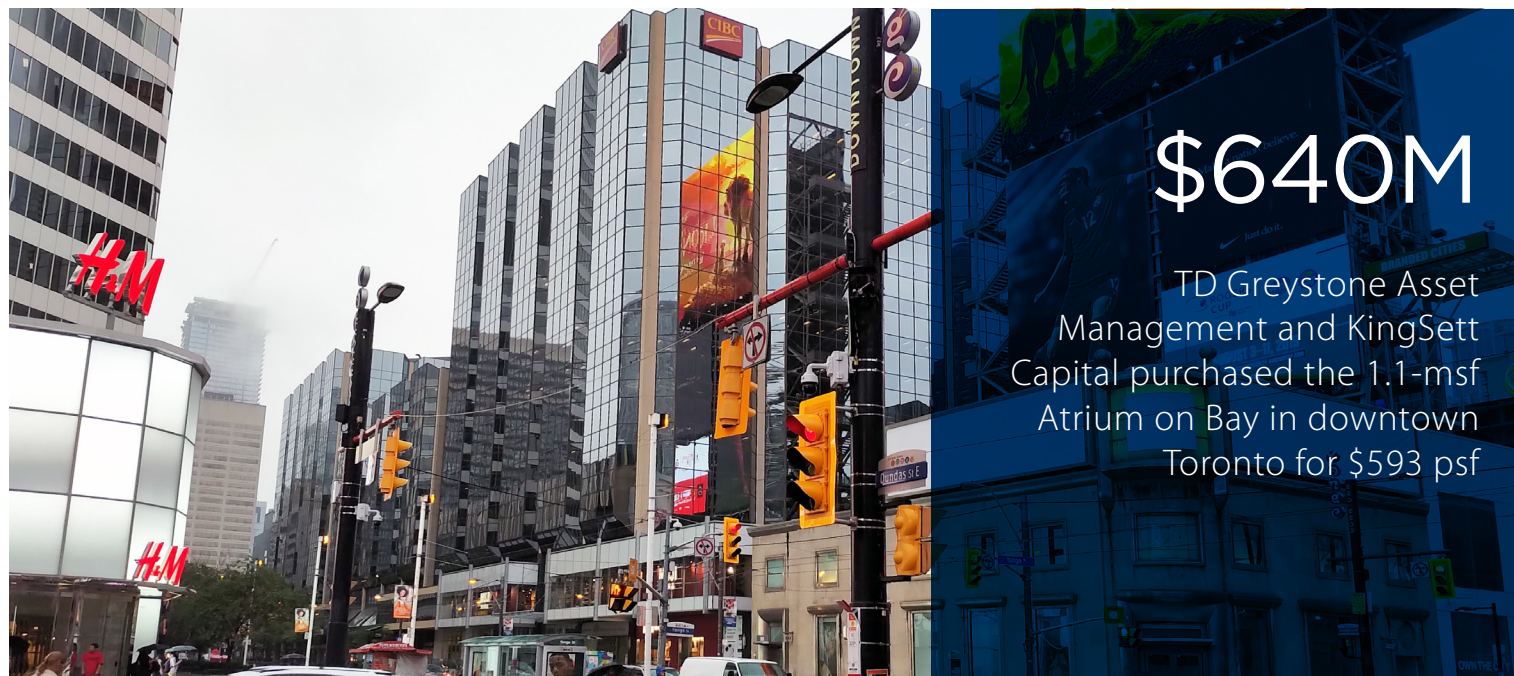
## GTA Investment Volume



## GTA Select Capitalization Rates







\$1.8 billion. Dollar volume is up 11% year-over-year and is on pace for a record full-year result of more than \$3.5 billion. The Insurance Corporation of British Columbia was an active seller, following up its \$59 million first-quarter portfolio sale to Fiera Properties, this time disposing two properties worth just over \$42 million to Bentall Kennedy. Once again during the quarter, Peel was the most active GTA region for industrial trades (\$296 million / 31% of GTA total), powered almost entirely by sales in Mississauga (\$253 million / 27% of GTA total).

### MULTI-RESIDENTIAL

Investor demand for GTA multi-residential properties far outweighs supply, as they command some of the country's highest rents and lowest yields. Vacancy has increased in recent quarters, but is still very low at 1.5%, according to Urbanation. Traditionally controlled by smaller private players, the sector's predictable yields, strong returns and cash flows are attracting major institutional investors, REITs and private-equity funds. Following

a paltry \$236 million first-quarter tally, sales nearly quadrupled to \$854 million (19% share) in the second quarter for a year-to-date total of \$1.1 billion – up 22% year-over-year. The top transaction of the quarter (and first half) was the \$220-million sale of Rossland Park in Oshawa – comprising 911 units in low- and high-rise apartments and townhomes on 40 acres. Starlight was also active, buying \$116 million worth of properties in two transactions.

### ICI LAND

ICI land sales increased 86% quarter-over-quarter, climbing to \$730 million (17% share) in the second quarter of 2019, lifting the six-month sales tally to \$1.1 billion – significantly behind the \$1.8 billion sold in first-half 2018. Despite the second-quarter uptick, the sector's record-setting full-year 2018 total of \$2.8 billion may be out of reach. The result was boosted by TD Bank's investment in the site of 160 Front St. W., where the bank and Ontario Teachers Pension Plan have preleased the entire 1.2-msf

office tower. Consequently, the City of Toronto was once again the GTA's most active region by dollar volume during the second quarter, with \$317 million in sales (43% of overall volume). However, the suburban "905" regions accounted for more than 99% of the 3,260 acres that changed hands.

### RETAIL

The sale of retail properties increased 32% between quarters to \$677 million (15% share), leaving the sector's first-half 2019 investment dollar volume at \$1.2 billion, slightly behind 2018's first-half performance of \$1.3 billion. The quarter's and year's top retail property transaction saw the Canada Pension Plan Investment Board (CPPIB) sell a 50% interest in its Stock Yards Village – a 504,000-sf shopping centre in Toronto's Junction neighbourhood – to RioCan REIT for \$88.5 million. For perspective, CPPIB had acquired the 50% interest in the property as a development site in 2008 for almost \$22 million, representing an adjusted price per acre of \$2,235,406.

## Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
Atrium on Bay	\$640,000,000	\$593	TD Greystone Asset Management / KingSett Capital	H&R REIT
AeroCentre	\$163,351,509	\$262	Fiera Properties	HOOPP
Slate – Wafra Portfolio (25% interest)	\$131,792,500	\$269	Wafra Inc.	Slate Asset Management
226 & 228 Wycroft Road	\$31,000,000	\$283	Nicola Wealth Real Estate	Tim Hortons
1045, 1075 & 1155 North Service Road West	\$30,000,000	\$162	Crown Realty Partners	QuadReal Property Group
Industrial	Total Price	Price psf	Purchaser	Vendor
11339 Albion Vaughan Road	\$45,000,000	\$879	New Millennium Tire	Bulk Transfer Systems Inc.
ICBC – Bentall Kennedy Portfolio	\$42,200,000	\$122	Bentall Kennedy	ICBC
2562 Stanfield Road	\$38,000,000	\$105	PIRET	Stanfield Investment Corp.
1602 Tricont Avenue	\$35,800,000	\$139	Dream Industrial	KingSett Capital
1151 & 1153 Martin Grove Road	\$34,375,000	\$305	S&C Electric Canada Ltd.	Tandem Management Ltd.
Retail	Total Price	Price psf	Purchaser	Vendor
Stock Yards Village (50% interest)	\$88,500,000	\$351	RioCan REIT	CPPIB
Shops at Wilson Station	\$36,000,000	\$727	Manulife Financial	CreateTO
Milton Mall	\$35,600,000	\$119	Paradise Homes	Bentall Kennedy
666 Burnhamthorpe Road	\$35,000,000	\$496	Zoran Realty Partners	Jeli Holdings Inc.
2195 Yonge Street	\$25,000,000	\$1,079	2683817 Ontario Inc.	Minto Group
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Rossland Park	\$220,000,000	\$241,493	Q Residential	H. Kassinger Construction Ltd.
30 Tichester Road & 1531, 1535, 1539 Bathurst Street	\$66,000,000	\$294,643	Starlight Investments	Heath Park Investments
190 Dudley Avenue	\$54,000,000	\$364,865	Homestead	Hermox Developments LLC
130 Gowan Avenue	\$49,625,000	\$308,230	Starlight Investments	Hermox Developments LLC
Erinwood Estates	\$42,000,000	\$287,671	Timbercreek	767269 Ontario Ltd.
ICI Land	Total Price	Price per acre	Purchaser	Vendor
156 & 174 Front Street West & 47 – 51 Simcoe Street (30% interest)	\$229,081,115	n/a	The Toronto-Dominion Bank	Cadillac Fairview
Rossland Road East	\$72,975,500	\$565,526	Crestpoint Real Estate Investments	Picov Farms Inc.
11242 Warden Avenue	\$34,300,000	\$348,765	City of Markham	Fieldgate Developments
50 Woodsy Park Lane	\$19,800,000	\$10,969,529	Toronto District School Board	City of Toronto
12155 Coleraine Drive	\$16,250,000	\$1,567,625	Triple X Inc.	Rolling Stones Aggregates


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Properties



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