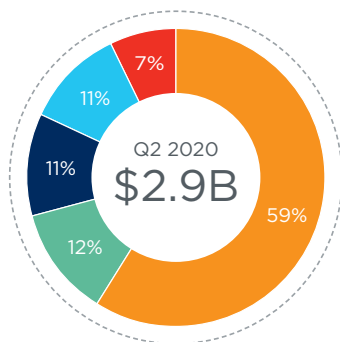


GTA Investment Activity by Sector and Dollar Volume



Q2 2020 Q1 2020 Q2 2019

INDUSTRIAL	Q2 2020	Q1 2020	Q2 2019
	\$1.7B	\$782M	\$944M

ICI LAND	Q2 2020	Q1 2020	Q2 2019
	\$356M	\$451M	\$730M

RETAIL	Q2 2020	Q1 2020	Q2 2019
	\$322M	\$535M	\$677M

MULTI-RESIDENTIAL	Q2 2020	Q1 2020	Q2 2019
	\$310M	\$615M	\$854M

OFFICE	Q2 2020	Q1 2020	Q2 2019
	\$204M	\$429M	\$1.2B

Second Quarter 2020 / Commercial Real Estate Investment Review

Greater Toronto Area

The COVID-19 pandemic has put the Greater Toronto Area (GTA) commercial real estate investment market on pause. Capital is still plentiful; however, investors are waiting for greater clarity on cash flows and the pace of recovery. Second-quarter sales of office, industrial, retail, multi-residential and ICI land assets (\geq \$1 million) totaled \$2.9 billion – similar to the previous quarter, which was down 54% from fourth-quarter 2019. In fact, four of the five asset classes registered significant declines quarterly and annually, and if not for a single large industrial portfolio sale, second-quarter dollar volume would have been down 44% quarter-over-quarter. Year-to-date, overall investment volume totals \$5.7 billion – down 20% year-over-year. Distressed asset sales have not yet become a major factor, with 12 trades year-to-date totaling \$56 million – not out of line with the same period in 2019.

INDUSTRIAL

The industrial market has not skipped a beat with more investment capital

flowing into the sector (quarterly and annually) than any other asset class in 2020. This is fueled by limited supply, good rental growth and burgeoning e-commerce business, as evidenced by Walmart Canada's recent \$3.5-billion infusion into its supply-chain network. An impressive \$1.7 billion changed hands during the second quarter (up 117% quarter-over-quarter and 59% of GTA total) for a first-half 2020 tally of \$2.5 billion. Dollar volume is up 41% year-over-year and is on pace to surpass 2019's record result of \$4.3 billion. The second-quarter total was boosted by the \$1.3-billion portfolio sale between Alberta's TC Energy and Ontario Power Generation. Propelled by that transaction, Halton Region and the City of Toronto combined for 85% of second-quarter sales.

ICI LAND

ICI land sales fell 21% quarter-over-quarter to \$356 million (12% share) for a first-half investment dollar volume of \$807 million in sales – down 28%



3.6%

Average capitalization rate for multi-residential assets vs. GTA-wide average of 4.3%



\$633M

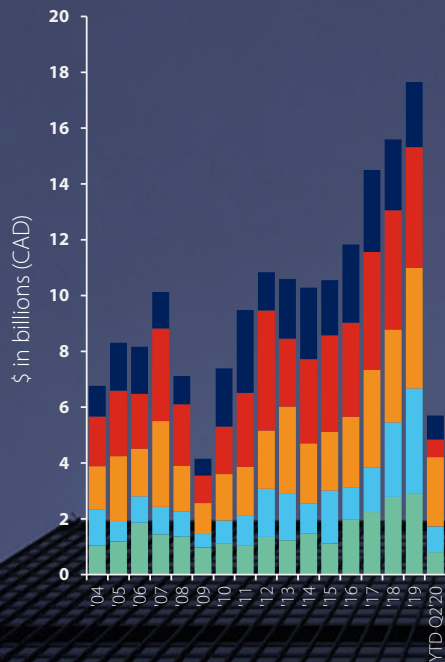
Total office investment sales in the first half of 2020 – down 67% year-over-year



59%

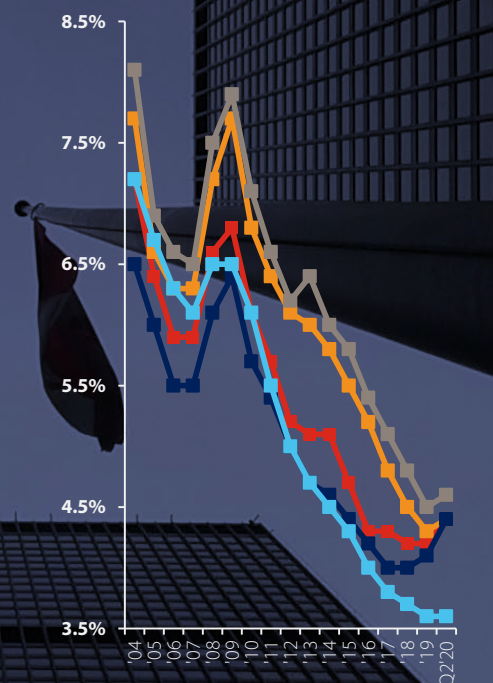
Industrial sector's share of total first-half 2020 GTA dollar volume

GTA Investment Volume

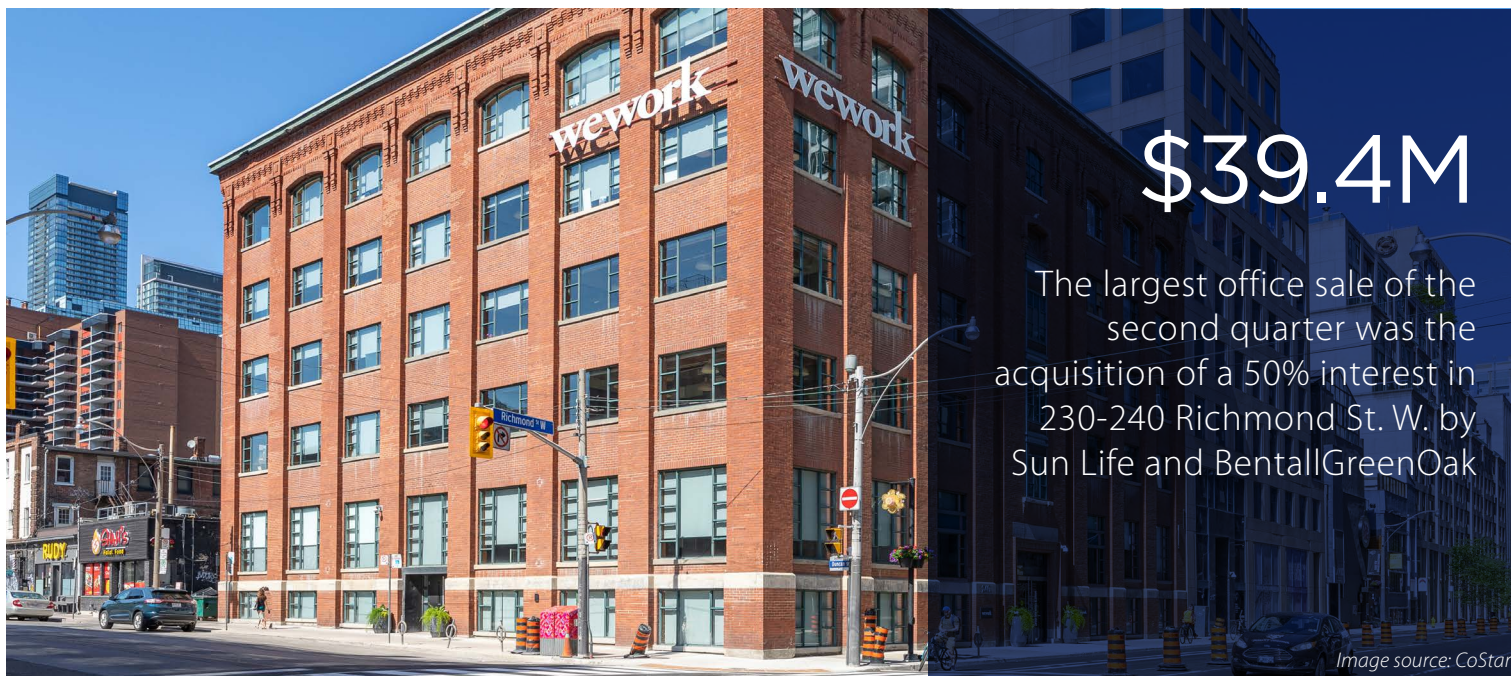


- Office
- Industrial
- Retail
- Multi-Residential
- ICI Land

GTA Select Capitalization Rates



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



\$39.4M

The largest office sale of the second quarter was the acquisition of a 50% interest in 230-240 Richmond St. W. by Sun Life and BentallGreenOak

Image source: CoStar

on a year-over-year basis. By dollar volume, Caledon and Brampton lifted Peel Region to first place among the GTA's regions in the second quarter (\$150 million / 42% of ICI land sales volume), while Peel also topped the list by number of acres sold (930 acres / 40% of GTA total). Among land uses, industrial land posted the largest dollar volume (\$166 million / 47% of GTA total), while long-term investment land comprised the greatest acreage (1,042 acres / 45% of GTA total).

RETAIL

The retail sector has felt the impact of the lockdown most – with massive job losses, rent deferrals and heavy reliance on government support – though the gradual re-opening offers some hope. Investor demand has waned, as retail asset sales declined for the second straight quarter, falling 40% quarter-over-quarter to \$322 million (11% share) – for a first-half tally of \$857 million (down 28% year-over-year). Unsurprisingly, the quarter's top five deals were

small, ranging between \$10 and \$25 million, comprising streetfront and community centres, with a largely private buyer pool – including some based out of Vancouver and Montreal.

MULTI-RESIDENTIAL

A stable asset class with good rent collection through the pandemic and sound fundamentals (but still hindered by the availability of product for sale), multi-residential sales dropped 50% to \$310 million (11% share) – the lowest quarterly result since first-quarter 2019 (\$236 million). In all, first-half 2020 sales stood at \$925 million – down 15% year-over-year and significantly below 2019's record-setting \$3.8-billion total. Timbercreek accounted for almost half of quarterly dollar volume – acquiring a nine-building portfolio (509 units) from Flagship Property Ventures for \$143 million. Starlight Investments remains the biggest buyer year-to-date with \$264 million in acquisitions. Clouds on the horizon for the sector include restricted immigration and the conclusion of CERB, perhaps

leading to an uptick in availability and downward pressure on rental rates.

OFFICE

Office was the GTA's least-traded asset class as the Great Lockdown has muted leasing levels, led to an uptick in sublease space and forced occupiers to rethink how they use their premises. Notwithstanding healthy fundamentals, many buyers remain on the sidelines because of uncertainty around office demand and rental growth. After plunging 68% in the first quarter, office sales dropped another 52% in the second quarter to a mere \$204 million (7% share) – the lowest quarterly result since third-quarter 2013 (\$161 million). First-half office sales amounted to \$633 million – down 67% year-over-year, and out of reach of 2019's total of \$4.3 billion. The quarter's top transaction included Sun Life and BentallGreenOak buying a 50% interest in two interconnected urban buildings 100% occupied by WeWork and OCAD University for \$39.4 million.

Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
230-240 Richmond Street West (50% interest)	\$39,375,000	\$659	Sun Life Assurance Company of Canada / BentallGreenOak	OCAD University
5040-5060 Spectrum Way	\$33,800,000	\$295	Sun Commercial Real Estate	GWL Realty Advisors
5825 Explorer Drive	\$33,750,000	\$325	Baylis Medical	BentallGreenOak
2155 Leanne Boulevard	\$15,200,000	\$169	Prime Real Estate Group	Sparling & Associates
259 Yorkland Road	\$11,990,000	\$428	Cestar College	259 Yorkland Property Holdings Inc.
Industrial	Total Price	Price psf	Purchaser	Vendor
TC Energy – OPG Portfolio	\$1,328,000,000	n/a	Ontario Power Generation (OPG)	TC Energy
2084 Steeles Avenue East	\$32,000,000	\$138	Takol Steelton Inc.	Private individual(s)
37 Bethridge Road	\$19,075,000	\$149	Adelaide Development Corp.	Software To Go Inc.
1290 South Service Road West	\$15,194,000	\$116	Consumer Lighting Canada	General Electric
285 Industrial Parkway South	\$14,200,000	\$135	C.P. Converters Canada	The Jim Pattison Group
Retail	Total Price	Price psf	Purchaser	Vendor
365 Queen Street West	\$25,000,000	\$1,678	Ergo Properties	Blue Bay Properties
9651 Yonge Street	\$23,770,000	\$746	1246652 B.C. Ltd.	Clarissa Developments Inc.
126 Scollard Street	\$19,000,000	\$864	LDC Logistics Development Corp.	1203840 Ontario Ltd.
430 Adelaide Street West	\$11,950,000	\$1,232	Krank Adelaide Ltd.	Impact Equity Inc.
2 Allaura Boulevard	\$9,650,000	\$388	2747209 Ontario Inc.	2082591 Ontario Inc.
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Flagship – Timbercreek Portfolio	\$143,370,000	\$281,670	Timbercreek	Flagship Property Ventures
25 Villa Road & 90-92 James Street	\$26,500,000	\$259,804	Starlight Investments	992304 Ontario Ltd.
2313 Islington Avenue	\$22,400,000	\$280,000	2736090 Ontario Inc.	Executive Apartments Ltd.
600 Eglinton Avenue West	\$17,800,000	\$296,667	SpiceCart	Marcus Realty Mgmt. / Kaproperty Holdings
1191 Birchmount Road	\$9,800,000	\$239,024	2749330 Ontario Inc.	1191 Birchmount Rd. Inc.
ICI Land	Total Price	Price per acre	Purchaser	Vendor
10481 Highway No. 50	\$39,245,530	\$1,476,951	Caplink	Private individual(s)
134 Kennedy Road South	\$34,500,000	\$2,266,159	134 Brampton Inc.	2512195 Ontario Inc.
13242 Hurontario Street	\$19,957,197	\$120,318	2757332 Ontario Inc.	Wilkinsvale Farms Ltd.
Drew Road	\$18,810,000	\$2,193,075	City of Mississauga	2299720 Ontario Inc.
55 Fenmar Drive	\$16,250,000	\$1,535,336	2727499 Ontario Inc.	Abraham Solomon Holdings / Max Solomon Holdings / Joseph Solomon Holdings



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