



Greater Toronto investment review

Q4 2023

**AVISON
YOUNG**

Greater Toronto market fundamentals

\$4.6B

total commercial real estate investment
volume during Q4 2023
up 21% compared with Q4 2022

161

number of Q4 2023 industrial asset sales
36% of total transactions

\$10.4B

total 2023 industrial investment volume
a new record-high annual total

6,803

acres of ICI land sold during 2023
across the Greater Toronto Area (GTA)
down 46% year-over-year

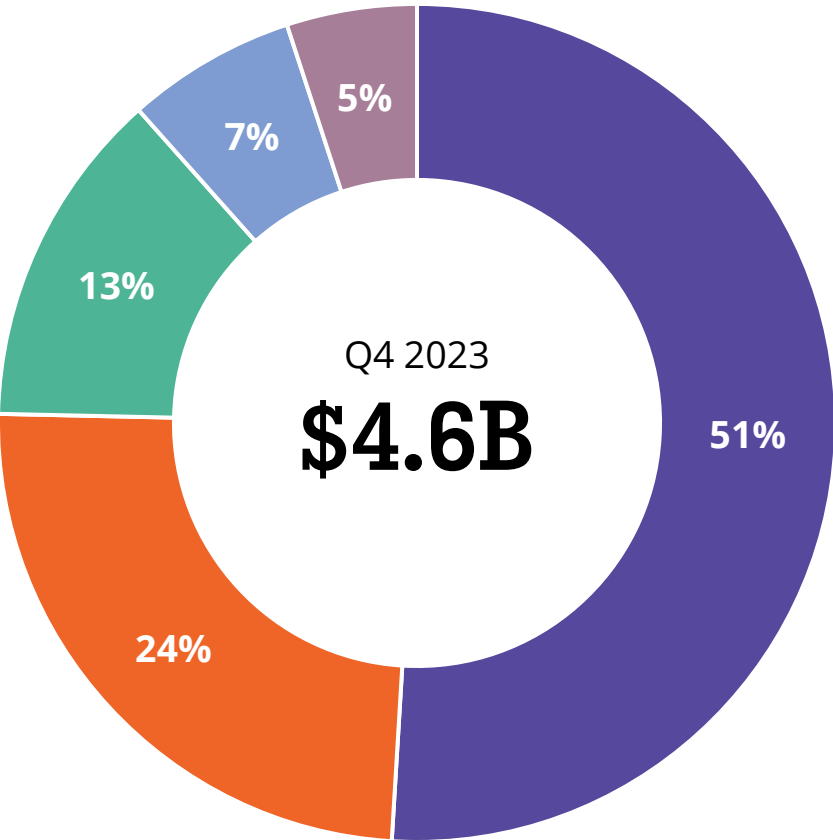
4.1%

average capitalization rate for
multi-residential assets
up 40 bps year-over-year

\$343

average sale price per square foot (psf)
for industrial assets across the GTA
down \$25 quarter-over-quarter

Greater Toronto investment activity



	Q4 2023	Q3 2023	Q4 2022
Industrial	\$2.3B	\$1.2B	\$2B
Retail	\$1.1B	\$356M	\$450M
ICI Land	\$598M	\$544M	\$784M
Office	\$299M	\$1.8B	\$306M
Multi-residential	\$230M	\$210M	\$234M
Total	\$4.6B	\$4.1B	\$3.8B

Investment market trends

01

Bid-ask spread narrows as markets show stabilization

Overall GTA investment volume was \$4.6 billion in Q4 2023 – up 12% quarter-over-quarter and 21% compared with Q4 2022. Full-year sales volume of \$20.4 billion was down 8% year-over-year, but still higher than any past year except 2021 and 2022.

Our take on this trend...

The market is showing signs of stabilization in all sectors, with a narrowing bid-ask spread as stakeholders begin to find it easier to determine the value of assets, availability of debt and what's happening in the leasing markets for all asset types. Transaction activity is expected to gain momentum in 2024 as stakeholders adjust.

02

Industrial and retail assets attract the most buyer demand

Investors continue to prioritize industrial assets as they deploy their capital, while retail properties also attracted plenty of attention. During the fourth quarter, these sectors together accounted for 75% of GTA dollar volume.

Our take on this trend...

Record-high investment activity for the industrial sector in 2023 demonstrates these assets' ongoing appeal as buyers adapt to a slight increase in availability and slower rental-rate growth in what remains a tight leasing market. Meanwhile, supply of the most desirable necessity-based retail assets falls short of demand as many owners elect to hold.

03

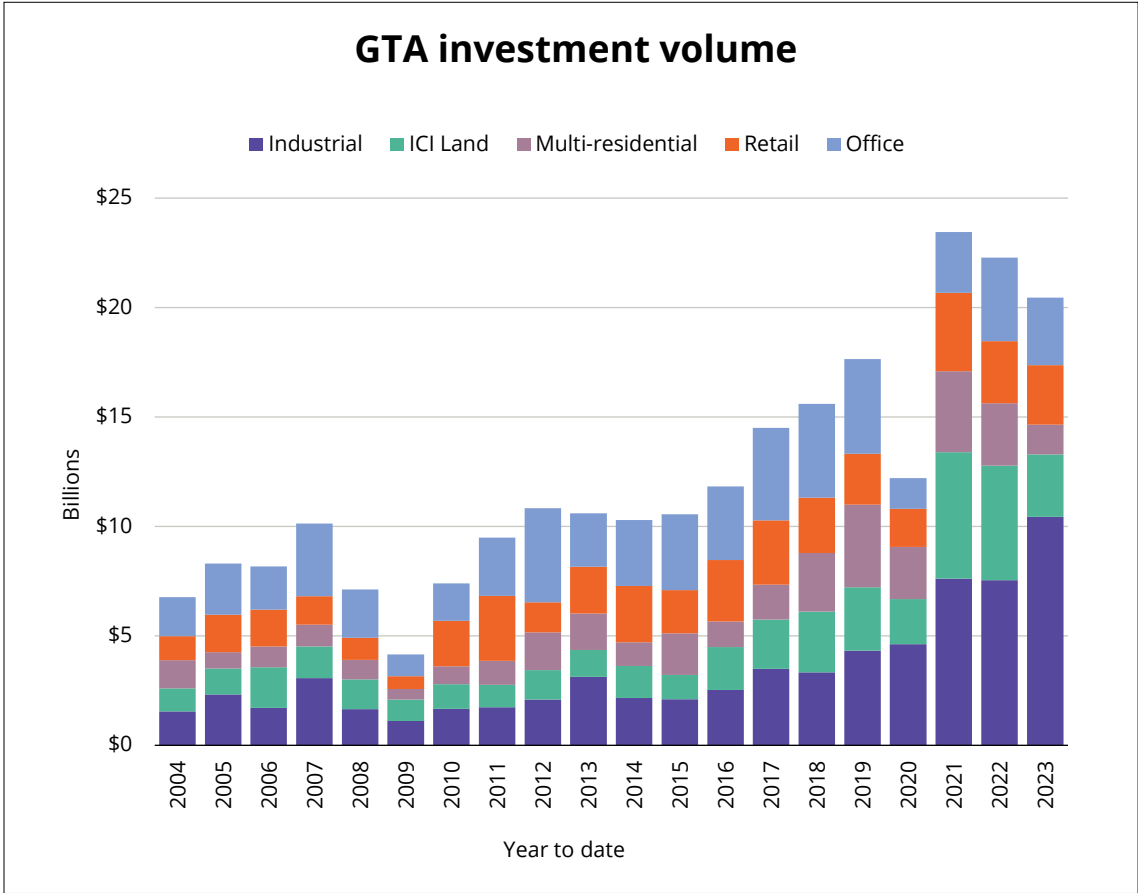
Predictable rates and good fundamentals provide confidence

Following a period of uncertainty, investors' confidence in the predictability of future interest rates has increased, with a sense that rates will hold around current levels for the medium term or begin to decline this year.

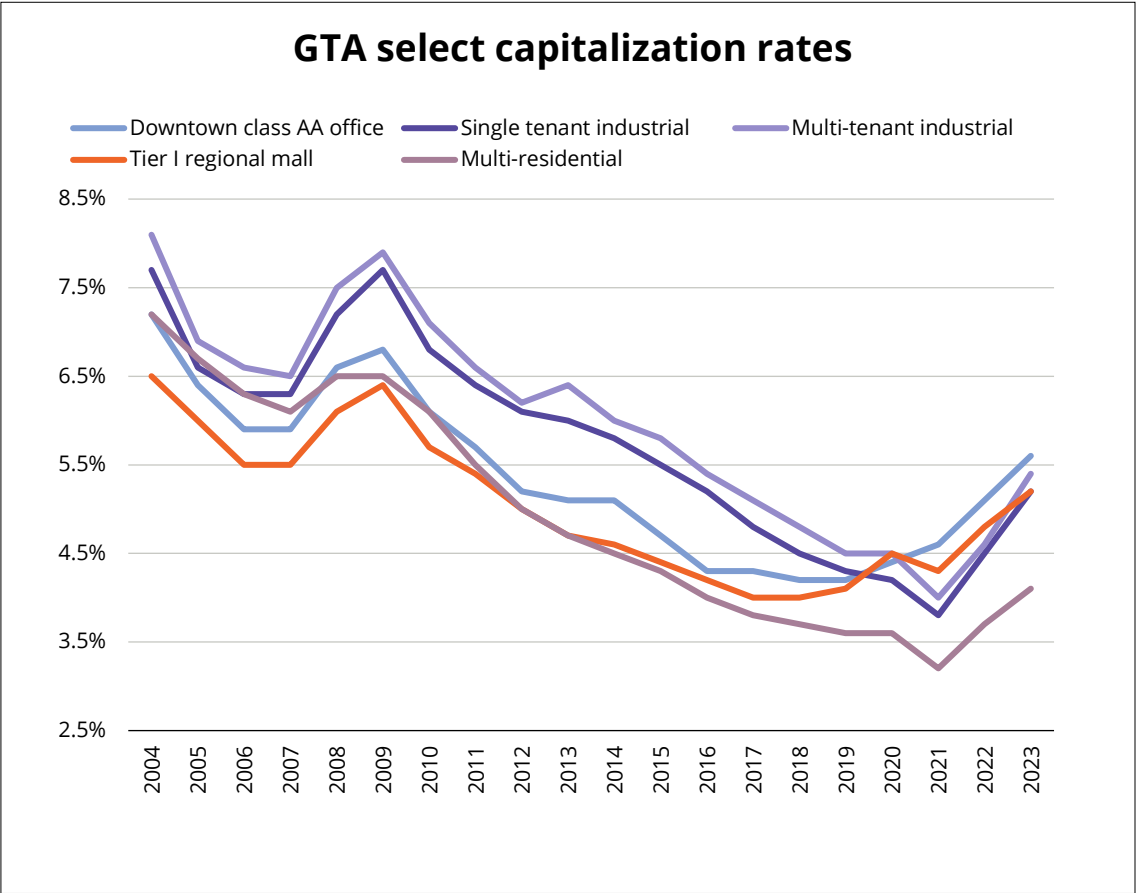
Our take on this trend...

Compared with the potential for imminent and unpredictable changes, the current sense of predictability regarding interest rates gives stakeholders greater assurance in structuring transactions. Meanwhile, tenant activity continues in all sectors, unemployment remains relatively low, and the economy is performing well – all good signs for investor confidence in 2024.

Greater Toronto investment market indicators



Source: Altus Data Studio



Source: Altus Investment Trends Survey

Industrial

Investment volume breaks previous annual record

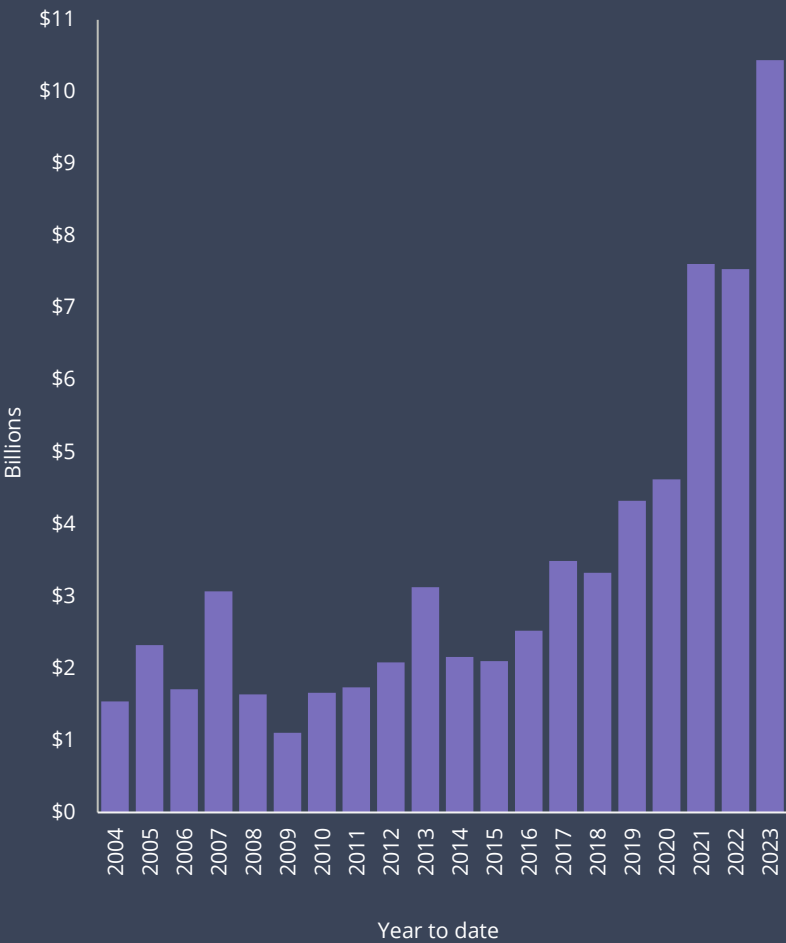
The industrial sector became the GTA’s first-ever asset type to surpass \$10 billion in annual transaction volume, posting \$10.4 billion in sales during 2023 – up 38% year-over-year and smashing its own previous record high of \$7.6 billion, set in 2021. Fourth-quarter volume of \$2.3 billion (51% of the GTA total) was up 17% compared with Q4 2022.

As is evident from the sector’s annual total, industrial assets are still number one on investors’ radar. Although rental-rate growth in the leasing market has slowed somewhat, buyers are tempering their expectations and activity continues apace. The market is still very tight, with locations in demand across the GTA.

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
Oxford Properties – TPG Portfolio (75% interest)	West & North	\$990,000,000 / \$258	TPG	Oxford Properties
Oxford Properties – Dream Portfolio	North	\$120,700,000 / \$273	Dream Unlimited	Oxford Properties
175 Sandalwood Pkwy. W., Brampton	West	\$77,900,000 / \$521	The City of Brampton	BVD Group
2340 Winston Park Dr., Oakville	West	\$67,100,000 / \$332	Concert Properties	Morguard
1 Woodslea Rd. & 5 Intermodal Dr., Brampton	West	\$62,600,000 / \$316	GIC / Dream Industrial REIT	GWL Realty Advisors

Industrial investment volume



Source: Altus Data Studio

Retail

Supply remains restricted as owners hold assets

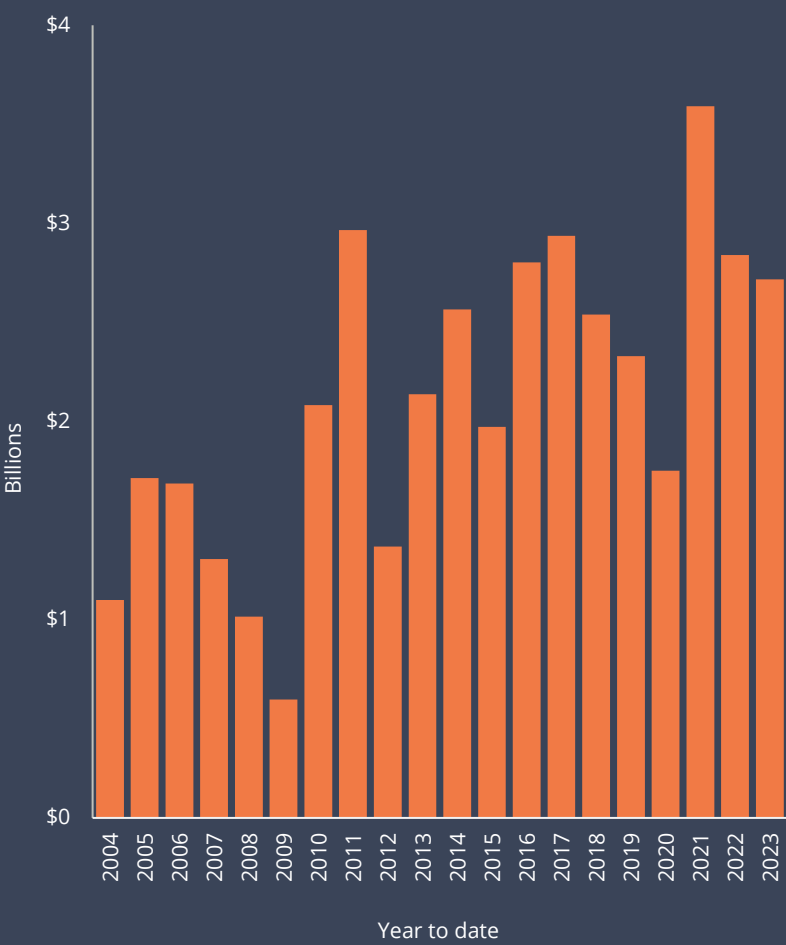
Fourth-quarter investment volume of \$1.1 billion (up 148% compared with Q4 2022, and accounting for 24% of the GTA total) boosted the retail sector’s full-year total to \$2.7 billion – down 4% year-over-year despite the strong finish to 2023. During the fourth quarter and also for the year as a whole, the number of retail properties that changed hands in the GTA was second only to the industrial asset class.

Retail assets remain in demand from buyers, with a particular focus on food-anchored or necessity-based strip malls. However, the supply of properties for sale remains restricted by current owners’ preference to hang on to these assets, given that they offer stable income, hold their value, and (in many cases) have additional value based on their potential for redevelopment.

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
Vaughan Mills Shopping Centre (49% interest)	North	\$470,155,000 / \$640	LaSalle Investment Management	Ivanhoe Cambridge
Pickering Town Centre	East	\$203,000,000 / \$245	CentreCourt Developments	Investment Management Corp. of Ontario
1855-1911 Dundas St. E. & 3025 Lenworth Dr., Mississauga	West	\$55,000,000 / \$355	Nations Fresh Food	Zoran Properties
300 Steeles Ave. W., Vaughan	North	\$40,700,000 / \$680	Galleria Supermarket	Fairfax Financial Holdings
2901 Sheppard Ave. E., Toronto	Central	\$30,000,000 / \$1,122	Steelcon Group of Companies	Starbank Development

Retail investment volume



Source: Altus Data Studio

ICI Land

Activity returns to pre-boom levels after two busy years

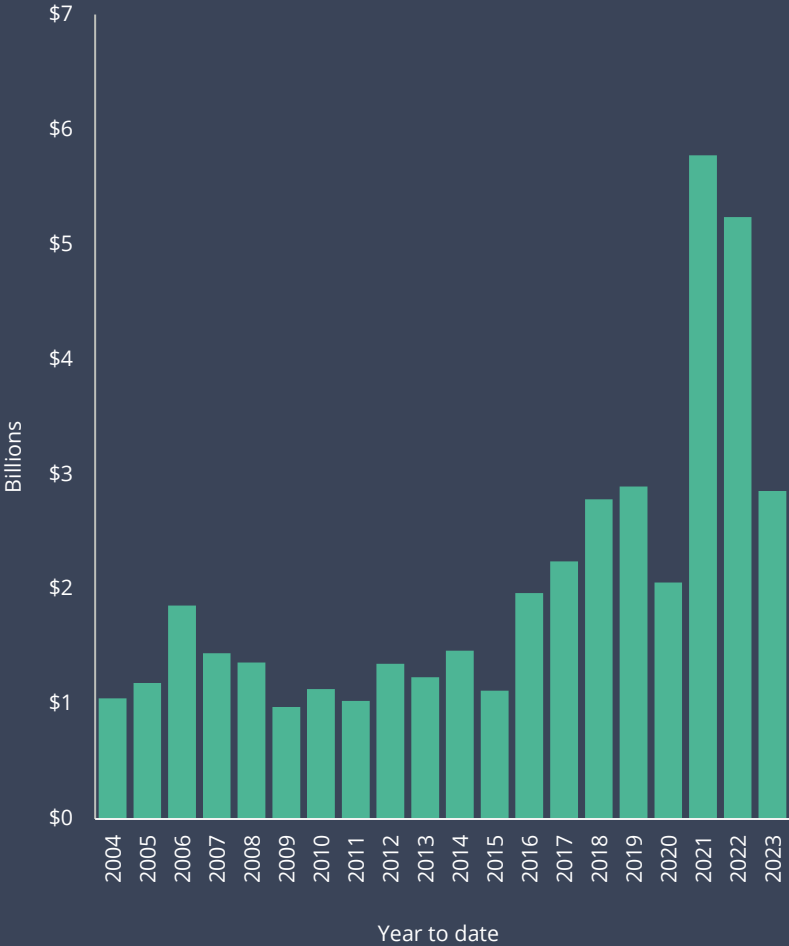
Investment volume for ICI land assets totaled \$598 million in Q4 2023 (down 24% from Q4 2022 and representing 13% of the quarterly GTA total). The sector’s full-year total of \$2.9 billion was down 46% year-over-year, and a decrease of 51% from the record-high \$5.8 billion worth of assets that traded in 2021. In line with the decline in investment volume, the number of transactions decreased 55% year-over-year to 271 in 2023.

Following a boom period in recent years, the appeal of ICI land for investors has waned as potential developers find themselves in an environment with higher interest rates and holding costs, rising construction costs, and less certainty around returns on their investment. Under these circumstances, activity in the sector has returned to more normal levels compared with the past two years’ exceptional volumes.

Significant sale transactions

Address	District	Sale price / \$ per acre	Buyer	Seller
3143 Nineteenth Ave., Markham	North	\$68,000,000 / \$848,409	Times Group	Ontario Superior Court of Justice
11670 Woodbine Ave., Whitchurch-Stouffville	North	\$61,652,700 / \$673,601	11670 Woodbine (KD) Corp.	P. Campagna Investments Ltd.
259 Geary Ave., Toronto	Central	\$32,000,259 / \$n/a	Green Storage	TAS
Queens Quay E., Toronto	Central	\$28,007,353 / \$n/a	City of Toronto	Menkes Developments
Victoria Park Ave., Toronto	Central	\$24,138,450 / \$n/a	Tamprop Development ULC	Crestpoint Real Estate Inv. / North American Development Grp. / Hazelview Inv.

ICI Land investment volume



Source: Altus Data Studio

Office

Low fourth-quarter volume gives way to better 2024 outlook

Fourth-quarter sales volume of \$299 million (similar to Q4 2022 and accounting for 7% of the GTA total) brought the office sector to a full-year total of \$3.1 billion transacted in 2023. This result represented a 19% decline year-over-year, despite receiving a boost from the third-quarter sale of a data centre portfolio for \$1.35 billion.

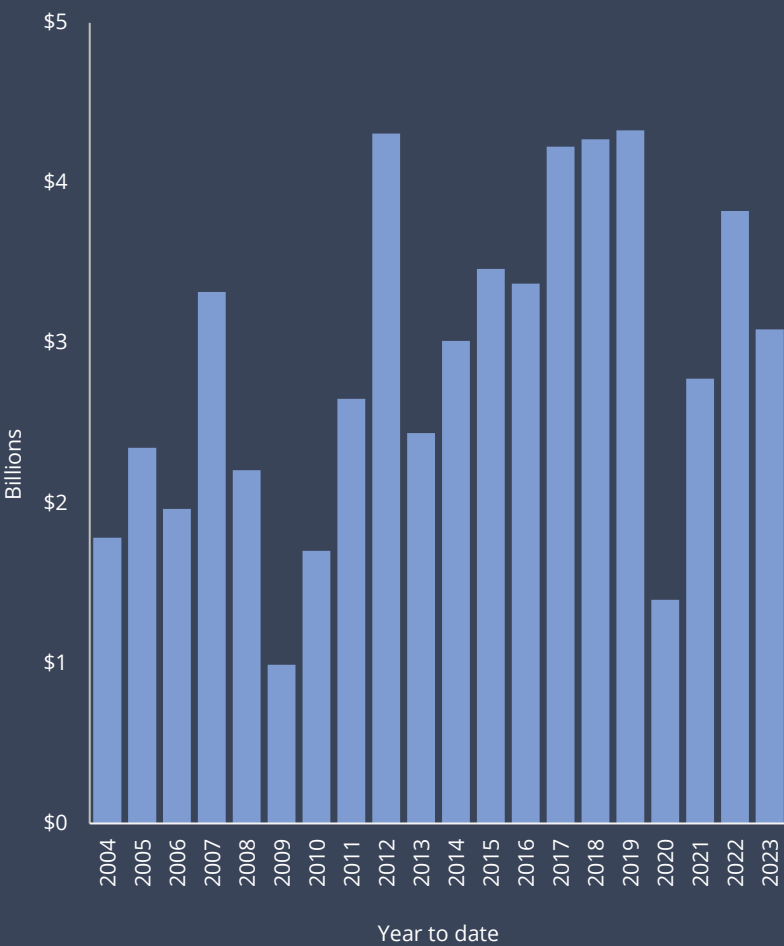
The office sector continued to grapple with uncertainty throughout 2023. Once again during

the fourth quarter, no major downtown Toronto office assets changed hands, resulting in low overall sales volume. Nevertheless, there are signs that the market is moving again in the opening months of 2024, as activity has begun to pick up, and the outlook for this year is more favourable.

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
1295 N. Service Rd., Burlington	West	\$26,150,000 / \$189	1000708882 Ontario Inc.	Ontario Superior Court of Justice
6605 Hurontario St., Mississauga	West	\$22,900,000 / \$381	RSG Holdings Ltd.	Rock Developments Inc.
160 Traders Blvd. E., Mississauga	West	\$22,788,265 / \$246	15490448 Canada Ltd.	Hallmark Housekeeping Service Inc.
6835 Century Ave., Mississauga	West	\$19,750,000 / \$309	United Association Local 787	Morguard
5705 Cancross Ct., Mississauga	West	\$13,500,000 / \$313	Prep Doctors	KingSett Capital

Office investment volume



Source: Altus Data Studio

Multi-residential

Earlier rate uncertainty tempers transaction volume

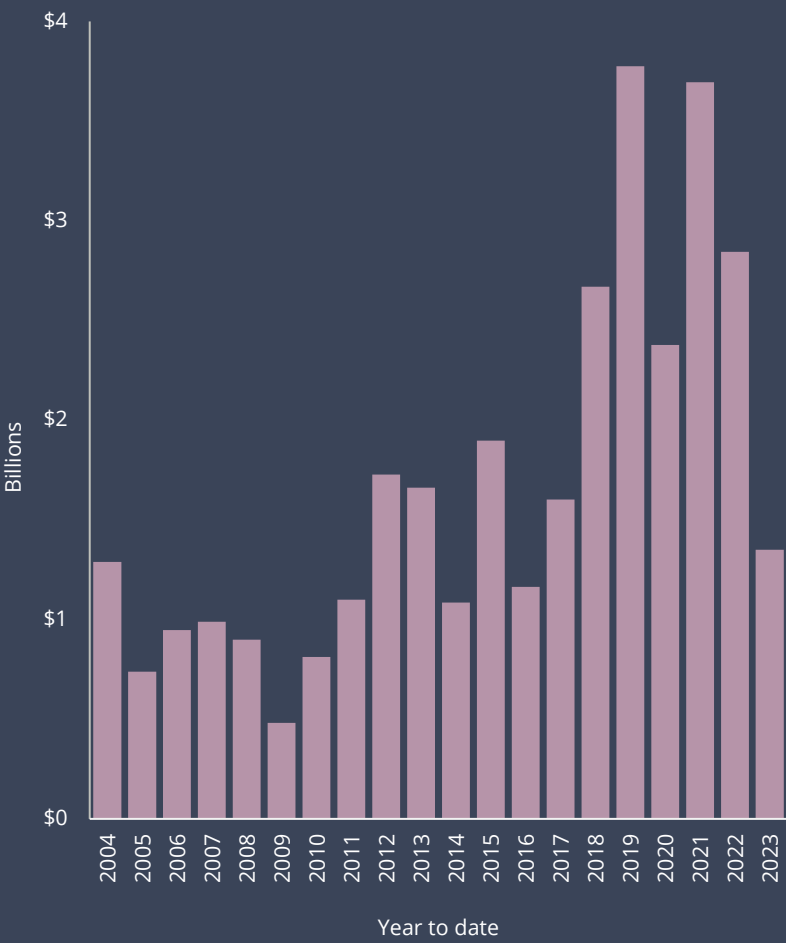
Investment activity in the multi-residential sector was up 9% quarter-over-quarter to \$230 million in Q4 2023 (5% of GTA total), but represented a 2% decrease compared with Q4 2022. The sector's full-year total of \$1.3 billion was down 53% year-over-year and the lowest annual result since 2016. The asset class posted the smallest number of transactions among GTA sectors for the second consecutive year.

Uncertainty around the potential for rising interest rates earlier in 2023 resulted in a significant reduction in investment volume months later as buyers' deferred decision-making pushed many deal closings beyond the end of the year. The stabilization in rates that characterized the second half of the year is expected to lead to greater investor confidence and a resumption of more normalized transaction volumes in 2024.

Significant sale transactions

Address	District	Sale price / \$ per unit	Buyer	Seller
Sterling Hill Capital – District Realty Trust Portfolio	Central	\$69,800,000 / \$317,273	District Realty Trust	Sterling Hill Capital Corp.
2293 Eglinton Ave. E., Toronto	Central	\$32,350,000 / \$274,153	Lankin Investments	Stamford Hill Investments
2300 Marine Dr., Oakville	West	\$20,600,000 / \$438,298	Arcanos Property Management	Realstar Group
4 Sherbourne St. N., Toronto	Central	\$12,250,000 / \$382,813	Osmington Gerofsky Development Corp.	Rosedale Ravine View Properties Inc.
1689 Victoria Park Ave., Toronto	Central	\$11,340,000 / \$210,000	Treasure Hill Homes	563313 Ontario Ltd.

Multi-residential investment volume



Source: Altus Data Studio

For more market insights
and information visit
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