Media Release

For Immediate Release (9 pages)
Wednesday, October 12, 2016

Media Relations:
Sherry Quan
604.647.5098 or 604.726.0959
email: sherry.quan@avisonyoung.com

Editors/Reporters
· Please click on link to view and download Avison Young's Fall 2016 North America, U.K. and Germany Commercial Real Estate Investment Review:
https://avisonyoung.uberflip.com/i/736665-ayfall16namericaukgermanyinvestmentreviewoct12-16final

Investment capital continues to flow into commercial real estate in pursuit of increasingly scarce returns

Avison Young releases its Fall 2016 North America, U.K. and Germany Commercial Real Estate Investment Review

Toronto, ON — Investor appetite for commercial real estate assets remains relatively healthy – despite ongoing geopolitical influences, which lend some uncertainty to the marketplace – as buyers look to increase allocations to the sector in their ongoing quest for yield. Scarcity of available product remains a factor in many markets as stakeholders keep an eye on interest-rate hikes and their potential effect on pricing.

These are some of the key trends noted in **Avison Young's *Fall 2016 North America, U.K. and Germany Commercial Real Estate Investment Review***, released today.

The report covers commercial real estate investment conditions in 51 markets in four countries on two continents: **Calgary**, **Edmonton**, **Montreal**, **Ottawa**, **Toronto**, **Vancouver**, **Atlanta**, **Austin**, **Boston**, **Charlotte**, **Chicago**, **Cleveland**, **Columbus OH**, **Dallas**, **Denver**, **Detroit**, **Fairfield County**, **Fort Lauderdale**, **Hartford, Houston**, **Jacksonville, Las Vegas**, **Long Island**, **Los Angeles**, **Miami**, **Minneapolis**, **Nashville, New Jersey**, **New York**, **Oakland**, **Orange County**, **Orlando**, **Philadelphia**, **Phoenix**, **Pittsburgh**, **Raleigh-Durham**, **Sacramento**, **San Antonio**, **San Diego County**, **San Francisco**, **San Mateo**, **Tampa**, **Washington DC**, **West Palm Beach**, **Coventry U.K.**, **London U.K.**, **Berlin**, **Duesseldorf**, **Frankfurt, Hamburg** and **Munich**.

"Here we are again one year later with our review of the commercial real estate investment market with insights from across Avison Young's network with coverage now extended to include Germany," comments **Mark E. Rose,** Chair and CEO of Avison Young. "Irrespective of the ongoing conversation around potential interest-rate hikes and new geopolitical factors such as the Brexit fallout, abundant capital continues to seek the stability and returns that the commercial real estate sector still offers."

“Historically low interest rates continue to fuel our industry. Simply put, if there were some adverse event that caused interest rates to move up, we would have a correction – and that’s not necessarily a bad thing,” says Rose. “But, at this point, we don’t expect to see rates move for a considerable period of time, thus keeping commercial real estate top-of-mind with many investors, compared with alternative investments.”

Rose continues: “Canada and the U.S. are performing well, benefitting from global investors’ perception of them as safe havens as well as stable domestic activity in both countries. Although the U.S. is, perhaps, being held back by uncertainty surrounding the upcoming presidential election, this short-term investor hesitation should dissipate once the election is behind us. Meanwhile, initial fears resulting from Brexit are also proving to be a short-term check on activity, and we’ve seen smart money taking advantage of a disruption in the market. And in Germany, investors have a variety of opportunities to capitalize on the country’s diverse available assets. Our capital markets teams work collaboratively to create solutions – both market and off-market – for buyers and sellers across the Avison Young platform.”

CANADA

Canada’s commercial real estate investment market remains stable, despite regional pressures affecting fundamentals. The abundance of capital in the marketplace continues – the result of low-cost borrowing, a favourable exchange rate, and demand from both domestic and foreign investors – but activity is restrained by the limited supply of product.

“Some domestic owners are recycling capital by selling assets to crystallize gains, fund new investments and pay down debt, while joint-ventures are increasingly popular as a means of spreading risk,” notes **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. “Meanwhile, foreign investors continue to see Canada as a safe place for their money, particularly in gateway markets such as Vancouver and Toronto – often resulting in elevated pricing.”

Argeropoulos continues: “Some headline deals from the first half of the year (such as Scotia Plaza in Toronto and Bentall Centre and Royal Centre in Vancouver) caused a repricing of trophy assets in these key markets, which has carried over into the second half of 2016. As a result, further noteworthy transactions are expected before year-end 2016 or in early 2017 as institutional players contemplate bringing properties to market to take advantage of high pricing. In Alberta, investment volumes were only slightly muted despite challenged leasing fundamentals as pension-fund-backed property owners in Calgary and Edmonton experienced less pressure to liquidate assets at a discount than did REITs.”

Notable First-Half 2016 Canadian Investment Market Highlights:

- Demand for commercial real estate assets in Canada’s six major markets surged 34% compared with the first half of 2015 with first-half 2016 proceeds of $14.4 billion (CAD) – on pace to exceed the record $28 billion sold in all of 2012.

- Average capitalization (cap) rates were flat or marginally lower across all markets (except Calgary and Edmonton) and all five asset types compared with one year earlier. Multi-residential and retail assets tied for the lowest yields, while Vancouver and Toronto had the tightest cap rates.

- Toronto remained the top investment market ($5.9 billion / 41% share) in the first half 2016 – up 26% year-over-year. Vancouver kept pace ($4.4 billion), recording the greatest annual sales increase (+118%) – driven largely by foreign investors' appetite for trophy office product.

- Office building sales ($4.2 billion) led all asset categories, posting the greatest annual increase. Top-ranked Vancouver and second-place Toronto combined for almost 90% of the total office tally. However, investment was skewed by large single-asset and portfolio sales – Scotia Plaza in Toronto and Vancouver's Royal Centre and Bentall Centre.

- Typically low vacancy rates and stable returns helped multi-residential investment increase 15% to $2.8 billion. Sales fell in Calgary and Edmonton (due to economic uncertainty) and Toronto (due to supply constraints), while surging in the nation's capital, Ottawa.

- Retail advanced 22% to $2.5 billion as investors coveted a broad spectrum of urban and suburban assets. While Toronto was the only market to exceed $1 billion in sales, Vancouver posted the greatest year-over-year growth as retail trades more than doubled.

- ICI land and industrial each had $2.4 billion in sales with land investment growing 14%, while industrial trades slipped 5% from a standout result one year earlier.

"Given the first-half performance and deals currently in the pipeline, 2016 has the potential to be a banner year – with as much as $29 billion in transactions, a figure not seen since 2012 – or at least give a strong head start to 2017," concludes Argeropoulos.

U.S.

In Avison Young's U.S. markets, real estate remained an attractive investment, though overall volume moderated slightly in comparison with first-half 2015. The U.S. real estate market continued to register a tremendous amount of capital chasing core, core-plus or opportunistic deals during the past year, and demand for all asset types remained strong in the first half of 2016. The amount of available capital has bolstered investment sales for nearly all U.S. markets, especially second-tier corporate destinations boasting diverse economies, expanding workforces and lower costs to conduct business.

"The U.S. is viewed as a safe haven among investors fleeing global economic uncertainty in favour of the nation's relatively stable real estate market and yields," notes **Earl Webb**, Avison Young's President, U.S. Operations. "Despite lower sales volume in some markets year-over-year, compressed cap rates and reported pricing indicated a sustained seller's market with activity limited more by deal scarcity than investor demand."

John Kevill, Avison Young Principal and Managing Director, U.S. Capital Markets, adds: "There will continue to be global attention on the nation's top investment markets with significant amounts of capital at work in major markets, resulting in trophy assets being traded at record pricing. Nevertheless, with fewer deals being marketed, investors looking to compete with well-funded institutional players are increasingly seeking mid-range deals in urbanized, amenity-rich, accessible suburban markets supported by strong demographics."

He goes on to say: "Office investors are looking for opportunities in communities where the live-work-play environment is supporting residential and business occupancy and driving rental rate growth."

Notable First-Half 2016 U.S. Investment Market Highlights:

- Total sales volume for the U.S. markets tracked by Avison Young reached $139.4 billion (USD) in the first half of 2016 (a 1% decrease when compared with the same period in 2015). Gateway cities New York ($21.4 billion / 15% share) and Los Angeles ($14.2 billion / 10%) accounted for 26% of the total first-half 2016 volume.

- Cap rates for all property types averaged 6.5% at mid-year 2016, edging down 10 basis points (bps) year-over-year. Every product type recorded further cap-rate compression with the industrial sector leading the way with a 30-bps decrease to 6.8%. Multi-residential properties recorded the lowest cap rate at 5.8%.

- The lowest average yields across all sectors were achieved in New York (4.8%) and San Francisco (4.5%). Notably, San Francisco recorded sub-5% cap rates for each property type with multi-residential at 3.6% – the lowest cap rate reported in the U.S.

- Foreign investment continued to drive sales volume in the U.S. and, in the first six months of 2016, overseas investors spent $35.2 billion on U.S. assets. China accounted for $11.7 billion of the total and, as of mid-year, surpassed Canada as the top foreign capital source for the first time since 2009. Manhattan captured the most capital by far with $11.4 billion, or 32%, of the total.

- Not surprisingly, the office sector garnered the most sales ($51.2 billion) in first-half 2016, followed closely by multi-residential with $50.6 billion (a notable 19% increase over the same period in 2015).

- Demand appears to be waning for traditional retail centres in sprawling suburban markets, while it has intensified for urban, mixed-use and grocery-anchored assets, resulting in several markets with sub-6% cap rates and trades exceeding $1,000 psf.

"Pure cap-rate compression has stabilized, and investors are going to look for growth from urbanization trends," adds Kevill. "Avison Young anticipates that buyers seeking yield will increasingly bid on key assets in secondary markets."

Webb concludes: "This investment cycle is in some ways disconnected from market fundamentals, though the U.S. certainly continues to register positive indicators such as improved vacancy and rent growth across property types. Rather, the ongoing favourable lending rates keep commercial real estate yields attractive, so that the U.S. investment sales market will continue to be robust and will support pricing expectations going into 2017."

Editors/Reporters:

Please turn to the following pages of the report for fall 2016 market highlights of the local investment markets. For further info/comment, please contact the Avison Young Principals/Managing Directors listed below. Thank you.

p. 3 Canada & U.S.:
Bill Argeropoulos, Principal and Practice Leader, Research (Canada), 416.673.4029 or cell: 416.906.3072 bill.argeropoulos@avisonyoung.com
Margaret Donkerbrook, Principal and Practice Leader, U.S. Research, 202.644.8677 margaret.donkerbrook@avisonyoung.com

Canada
p.11 Calgary
Todd Throndson, Principal and Managing Director, 403.232.4343 todd.throndson@avisonyoung.com

p.12 Edmonton
John Ross, Managing Director, 780.429.7564 john.ross@avisonyoung.com

p.13 Montreal
Denis Perreault, Principal and Managing Director, 514.905.0604 denis.perreault@avisonyoung.com

p.14 Ottawa
Michael Church, Principal and Managing Director, 613.567.6634 michael.church@avisonyoung.com

p.15 Toronto
Martin Dockrill, Principal and Managing Director, 905.283.2333 martin.dockrill@avisonyoung.com

p.16 Vancouver
Michael Keenan, Principal and Managing Director, 604.647.5081 michael.keenan@avisonyoung.com

United States
p.18 Atlanta
Steve Dils, Principal and Managing Director, 404.865.3663 steve.dils@avisonyoung.com

p.19 Austin
Mike Kennedy, Principal and Managing Director, 512.717.3099 mike.kennedy@avisonyoung.com

p.20 Boston
Michael Smith, Principal and Managing Director, 617.575.2830 michael.smith@avisonyoung.com

p.21 Charlotte
John Linderman, Principal and Managing Director, 919.420.1559 john.linderman@avisonyoung.com

p.22 Chicago
Danny Nikitas, Principal and Managing Director, 312.940.8794 danny.nikitas@avisonyoung.com

p.23 Cleveland
Chris Livingston, Principal and Managing Director, 216.406.1131 chris.livingston@avisonyoung.com

p.24 Columbus, OH
Scott Pickett, Principal and Managing Director, 614.264.4400 scott.pickett@avisonyoung.com

p.25 Dallas
Greg Langston, Principal and Managing Director, 214.207.8388 greg.langston@avisonyoung.com

p.26 Denver
Alec Wynne, Principal and Managing Director, 720.508.8112 alec.wynne@avisonyoung.com

p.27 Detroit
Jim Becker, Principal and Managing Director, 313.209.4121 jim.becker@avisonyoung.com

p.28 Fairfield County
Sean Cahill, Principal and Managing Director, 203.614.1264 sean.cahill@avisonyoung.com

p.29 Fort Lauderdale
Pike Rowley, Principal and Managing Director, 954.938.1807 pike.rowley@avisonyoung.com

p.30 Hartford
Andrew Filler, Principal and Managing Director, 860.327.8302 andrew.filler@avisonyoung.com

p.31 Houston
Rand Stephens, Principal and Managing Director, 713.993.7810 rand.stephens@avisonyoung.com

p.32 Jacksonville
Pike Rowley, Principal and Managing Director, 954.938.1807 pike.rowley@avisonyoung.com

p.33 Las Vegas
Joseph Kupiec, Principal and Managing Director, 702.472.7979 joseph.kupiec@avisonyoung.com

p.34 Long Island
Ted Stratigos, Principal and Managing Director, 516.962.5399 ted.stratigos@avisonyoung.com

p.35 Los Angeles
Chris Cooper, Principal and Managing Director, 213.935.7435 chris.cooper@avisonyoung.com

p.36 Miami
Donna Abood, Principal and Managing Director**,** 305.447.7857 donna.abood@avisonyoung.com
Michael Fay, Principal and Managing Director, 305.447.7842 michael.fay@avisonyoung.com

p.37 Minneapolis
Mark Evenson, Principal and Managing Director**,** 612.913.5641 mark.evenson@avisonyoung.com

p.38 Nashville
Warren Smith, Managing Director, 615.727.7409 warren.smith@avisonyoung.com

p.39 New Jersey
Jeff Heller, Principal and Managing Director**,** 973.753.1100 jeff.heller@avisonyoung.com

p.40 New York
Arthur Mirante, Principal and Tri-State President, 212.729.1896 arthur.mirante@avisonyoung.com
Mitti Liebersohn, Principal and Managing Director, 212.729.7734 mitti.liebersohn@avisonyoung.com

p.41 Oakland
Charlie Allen, Principal and Managing Director, 510.333.8477 charlie.allen@avisonyoung.com

p.42 Orange County
Chris Cooper, Principal and Managing Director, 213.935.7435 chris.cooper@avisonyoung.com

p.43 Orlando
Greg Morrison, Principal and Managing Director**,** 407.440.6640 greg.morrison@avisonyoung.com

p.44 Philadelphia
David Fahey, Principal and Managing Director**,** 610.276.1081 david.fahey@avisonyoung.com

p.45 Phoenix
David Genovese, Principal and Managing Director, 480.423.7900 david.genovese@avisonyoung.com

p.46 Pittsburgh
Brad Totten, Principal and Managing Director, 412.944.2132 brad.totten@avisonyoung.com

p.47 Raleigh-Durham
John Linderman, Principal and Managing Director, 919.420.1559 john.linderman@avisonyoung.com

p.48 Sacramento
Thomas Aguer, Principal and Managing Director, 916.563.7827 tom.aguer@avisonyoung.com

p.49 San Antonio
Marshall Davidson, Principal and Managing Director, 210.714.8083 marshall.davidson@avisonyoung.com

p.50 San Diego County
Jerry Keeney, Principal**,** 858.201.7077 jerry.keeney@avisonyoung.com

p.51 San Francisco
Nick Slonek, Principal and Managing Director, 415.322.5051 nick.slonek@avisonyoung.com

p.52 San Mateo
Randy Keller, Principal and Managing Director, 650.425.6425 randy.keller@avisonyoung.com63

p.53 Tampa
Ken Lane, Principal and Managing Director, 813.444.0623 ken.lane@avisonyoung.com
Clay Witherspoon, Principal and Managing Director, 813.444.0626 clay.witherspoon@avisonyoung.com

p.54 Washington, DC
Josh Peyton, Principal and Managing Director, 202.644.8688 josh.peyton@avisonyoung.com

p.55 West Palm Beach
Jonathan Satter, Principal and Managing Director, 561.721.7031 jonathan.satter@avisonyoung.com

United Kingdom
p.57 Coventry
Robert Rae, Principal and Managing Director, +44 (0)24 7663 6888 robert.rae@avisonyoung.com

p.58 London
Nick Cook, Principal and Managing Director, +44 (0)20 7101 0200 nick.cook@avisonyoung.com

Germany
p.60 Berlin
Nicolai Baumann, Head of Leasing, **+49 30 40817 4168** nicolai.baumann@avisonyoung.com

p.61 Duesseldorf
Stephan Heinen, Principal and Managing Director, +49 211 22070 100
stephan.heinen@avisonyoung.com

p.62 Frankfurt
Udo Stoeckl, Principal and Managing Director, +49 69 962 443 111 udo.stoeckl@avisonyoung.com

p.63 Hamburg
Thomas Loeffler, Managing Director, +49 40 360 360 11 thomas.loeffler@avisonyoung.com

p.64 Munich
Markus Bruckner, Principal and Managing Director, +49 89 150 025 250
markus.bruckner@avisonyoung.com

***Avison Young** is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,400 real estate professionals in 79 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-family properties.*

-end-

For further information/comment/photos:

• **Sherry Quan**, Principal and Global Director of Communications & Media Relations, Avison Young: **604.647.5098; cell: 604.726.0959** sherry.quan@avisonyoung.com

• **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada), Avison Young: **416.673.4029; cell 416.906.3072** bill.argeropoulos@avisonyoung.com

• **Margaret Donkerbrook**, Principal and Practice Leader, U.S. Research, Avison Young: **202.644.8677**
margaret.donkerbrook@avisonyoung.com

• **Mark Rose,** Chair and CEO, Avison Young: **416.673.4028**

• **Earl Webb**, President, U.S. Operations, Avison Young: **312.957.7610**

•**John Kevill**, Principal and Managing Director of U.S. Capital Markets, Avison Young: **202.602.1737**

www.avisonyoung.com

*Avison Young was a winner of **Canada's Best Managed Companies** program in 2011, 2012, 2013 and 2014 and requalified in 2015 to maintain its status as a Best Managed Gold company*

Follow Avison Young on Twitter:
For industry news, press releases and market reports: www.twitter.com/avisonyoung
For Avison Young listings and deals: www.twitter.com/AYListingsDeals

***Follow Avison Young Bloggers:** http://blog.avisonyoung.com*

***Follow Avison Young on LinkedIn:** http://www.linkedin.com/company/avison-young-commercial-real-estate*

***Follow Avison Young on YouTube**: www.youtube.com/user/AvisonYoungRE*