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• **Avison Young Summer 2010 Investment Review–Greater Toronto Area, full report:**

http://www.avisonyoung.com/library/pdf/Toronto-ResearchFolder/Avison_Young_Summer_2010_Investment_Review_-_Greater_Toronto_Area.pdf

Investment capital starting to flow in Greater Toronto Area as office and retail sales exceed 2009 totals

Avison Young releases Summer 2010 Investment Review for the GTA

Toronto, ON – With buyers showing a stronger appetite for retail and office properties, Greater Toronto Area (GTA) commercial real estate investment sales dollar volume is on track to surpass its 2009 total.

In the first half of 2010, retail (\$1.1 billion) and office (\$992 million) property sales exceeded their totals for all of 2009. With more than \$500 million worth of commercial real estate assets being marketed for sale at the start of the second half of the year, and barring any unforeseen circumstances, investment sales should easily exceed last year's total of \$4.2 billion.

These are some of the key trends noted in ***Avison Young's Summer 2010 Investment Review–Greater Toronto Area***, released today. The semi-annual report tracks GTA office, industrial, retail, land, and multi-residential property sales transactions greater than \$1 million.

“Stable and improving market fundamentals, low borrowing costs, high availability of debt, and the emergence of real estate investment trusts (REITs) as active buyers have precipitated the rise in investment sales activity through the first half of the year,” comments **Bill Argeropoulos**, Vice-President and Director of Research (Canada) for Avison Young. “Retail replaced industrial as the most coveted investment asset from one year ago as sales skyrocketed by 427% over the first half of 2009 to close above the \$1 billion plateau (\$1.1 billion) at mid-year 2010.”

According to the report, overall investment sales volume across the GTA reached \$3.5 billion in the first half of 2010, up from \$2.8 and \$1.4 billion in the second and first half of 2009, respectively. Retail's \$1.1 billion in first-half 2010 investment is almost double the sector's year-end 2009 total of

\$599 million. Office investment reached \$992 million in the first half of 2010, slightly surpassing \$990 million for all of 2009.

Despite the improvements, overall sales are still well off the pace set during the peak of 2007, when year-end volume totalled slightly over \$10 billion.

“The first-half 2010 results are welcome indicators that portions of the wall of capital are finally finding a home – after being parked on the sidelines for an extended period,” adds **Robin White**, Avison Young’s Executive Vice-President, Capital Markets Group. “The uptick in sales and the increased competition for assets between pension funds and REITs are becoming more apparent, with REITs getting the upper hand, at least in the office sector.”

Dundee REIT and Whiterock REIT were the most active buyers of office product in the first half of this year. Combined, they acquired almost \$600 million in assets, representing 60% of the year-to-date office investment volume, according to the report.

“Favourable capital-market climates – on both the debt and equity sides of the equation – are helping to drive the acquisition velocity. Public real estate companies are able to raise capital in the public market, fuelling its need for deployment. This resurgence in activity in the real estate market from a year prior has also been supported by a reasonable level of activity from the institutional and non-institutional lenders,” explains Avison Young’s **Norman Arychuk**, Mortgage Agent, Capital Markets Group.

“Investment-grade assets are keenly sought, with pent-up demand from a broad range of competing investors putting downward pressure on cap rates. In contrast, the market for assets with vacancy or near-term expiry remains fickle, as investors cannot disconnect from the leasing market, where the cost and face rates of lease-up are being heavily scrutinized,” notes **Richard Chilcott**, a member of Avison Young’s Capital Markets Group.

“If the pace in investment sales witnessed thus far continues in the second half of the year, don’t be surprised if the final tally for 2010 approaches or breaks the \$7 billion mark – a figure not seen since 2008,” concludes Argeropoulos.

Other Investment Review Highlights:

Office

Investment in office properties has already topped the value of office transactions in all of 2009. In total, just over \$992 million worth of office properties changed hands in the first half of 2010, accounting for 28% of the overall investment volume in the GTA. This volume represents 41% and 246% increases over the second and first half of 2009, respectively.

Land

Nearly 2,300 acres of land changed ownership in the first half of 2010, representing \$591 million (17%) of total volume. The rise in land sales is attributed to the continued acquisition of strategic sites by Metrolinx, an Ontario Government Crown Corporation. While land sales volume increased from \$482 and \$494 million in the second and first half of 2009, respectively, total acreage fell short of the 3,500 acres sold in the second half of 2009.

Retail

Retail was the most actively traded asset class in the GTA in the first six months of the year, and the only asset class to crack the \$1 billion mark. In all, \$1.1 billion worth of retail properties changed hands, capturing 30% of the GTA's first-half investment volume and doubling its 2009 overall output. By comparison, only \$203 million worth of retail properties traded in the first half of 2009. The top five deals accounted for slightly more than half (53%) of the total value of retail deals in the first six months of 2010 with Oxford Properties and Ivanhoe Cambridge capturing the headlines.

Multi-Residential

GTA multi-residential property sales grew modestly compared to the second half of 2009. In all, multi-residential sales volume climbed to \$377 million in the first half of 2010 from \$332 million in the second half of 2009 – an increase of 14%. However, when compared to the first half of 2009, investment activity has jumped 153%.

Industrial

Industrial building sales waned in the first half of 2010, slipping to \$520 million from \$840 million in the second half of 2009 – a 38% drop. Industrial was the only sector to register a decline over the previous six-month period.

*Founded in 1978, **Avison Young** is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 700 real estate professionals in 21 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.*

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