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Greater Toronto Area commercial real estate investment activity falls to decade low despite second-half rally

Avison Young releases Winter 2009-2010 Investment Review for the GTA, global economic malaise continues to influence local market decision-making as industrial deals dominate

TORONTO (CNW) - Commercial real estate investment activity strengthened in the second half of 2009, but totals for the year lagged behind 2008 numbers as uncertain market conditions created by the global economic downturn took their toll on both the value and quantity of transactions across the Greater Toronto Area (GTA).

"The last six months of the year brought buyers' and sellers' expectations closer together, resulting in a higher volume of transactions," comments Bill Argeropoulos, Vice-President and Director of Research (Canada) for Avison Young. "Industrial buildings were the most traded investment of the year and the only asset to crack the billion-dollar mark ($1.1 billion), capturing just over one-quarter (27%) of the total investment volume in 2009."

These are some of the key trends noted in Avison Young's Winter 2009-2010 Investment Review - Greater Toronto Area, released today. The semi-annual report tracks office, industrial, retail, land, and multi-residential sales transactions in the GTA greater than $1 million in value.

The $2.8 billion worth of second-half 2009 completed transactions, while representing a great improvement over the first half, still fell short of the $3.5 billion traded in the latter half of 2008. In the first half of 2009, GTA commercial real estate investment volume reached $1.4 billion compared with $3.6 billion in the first half of 2008.

On a whole-year basis, a total of $4.2 billion worth of commercial properties changed hands in the GTA in 2009, a $3 billion (41%) decrease from 2008 and a 60% plunge from the peak of $10 billion in 2007.

"Despite the less than stellar results, buyers and sellers are beginning to find common ground, as almost $1 billion worth of properties closed in the last month of 2009. This accelerated activity provides strong guidance for a better year in 2010," notes Argeropoulos.

Given the lower volume of trades, it has been difficult to gauge the direction of capitalization rates. The consensus amongst the investment community is that capitalization rates for primary assets in all categories have climbed approximately 50 to 150 basis points from the lows of 2007, according to the report.

"However, with more investors returning to the commercial real estate market, coupled with an easier debt environment, values appear to have stabilized and could experience some modest increases in 2010," adds Robin White, Avison Young Investment Broker and Executive Vice-President.

<< Other Investment Review Highlights: ---------------------------------- Office ------ >> Activity in the office sector showed a strong recovery in the second half of 2009, more than doubling the results from the first six months of the year.

However, the year-end total of $990 million in office volume represents a 55% decline from the market's performance in 2008.

<< Multi-Residential ----------------- >> A lack of product being brought to market continues to be the biggest challenge facing the multi-residential market, with too few owners willing to sell to satisfy the high demand from investors. The 2009 total of $481 million in transactions was $417 million, or 46%, lower than the 2008 total of $898 million.

<< Industrial ---------- >> Suburban areas of the GTA, including Mississauga, Vaughan and Halton, posted the highest number of industrial investment transactions in 2009.

Together, the three regions accounted for more than 50% of deals completed in the second half of the year. Although hit by the downturn in the manufacturing and automotive sectors, the industrial market witnessed more than $1 billion in transactions in 2009.

<< Retail ------ >> In a difficult year for retailers, uncertainty about consumer spending also caused significant caution in the retail property investment market. Deal activity fell from just over $1 billion in 2008 to $600 million in 2009, a 41% decline. Despite the uncertain conditions, not all buyers and sellers shied away from making major transactions, with several large deals for retail centres taking place in the last six months of the year.

<< Land ---- >> Several factors combined to contribute to a 28% fall in total transaction value in 2009, with an annual total of $975 million for approximately 5,600 acres of land that changed hands during the year. This asset class, which includes properties as varied as parking lots and railway corridors, was the only category of investment for which the second-half results in 2009 fell short of those for the first half of the year - although the margin was slight.

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 600 real estate professionals in 17 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management and financial services to owners and occupiers of office, retail, industrial and multi-residential properties.

<< Editors/Reporters: ------------------ - Avison Young Winter 2009-2010 Investment Review-Greater Toronto Area, full report: >> http://www.avisonyoung.com/library/pdf/Toronto-ResearchFolder/Investment_Review_Winter09-10.pdf << For further information/comment: -------------------------------- - Bill Argeropoulos, Vice-President & Director of Research (Canada), Avison Young: (416) 673-4029 - Robin White, Broker, Executive Vice-President, Investment Group, Avison Young: (416) 673-4009 - Sherry Quan, National Director of Communications & Media Relations, Avison Young: (604) 647-5098; cell: (604) 726-0959 >> www.avisonyoung.com Editors/Reporters can now follow Avison Young on Twitter: http://twitter.com/AvisonYoung -0- 02/24/2010 /For further information: Bill Argeropoulos, (416) 673-4029, Email: bill.argeropoulos(at)avisonyoung.com/ CO: Avison Young (Canada) Inc.