EXCHANGE
MAGAZINE FOR BUSINESS/ECONOMIC DEVELOPMENT/ENTREPRENEURS

ACCOMMODATIONS
CONVENTIONS
DINING
GOLFING
SHOPPING
SPECIAL EVENTS

Previous Week | Monday | Tuesday | Wednesday | Thursday | Friday | Next Week

Search

Exchange Morning Post

../ Morning Post

Daily Exchange Magazine
Waterloo, Ontario
October 9, 2009

Posted October 9, 2009

Real Estate

Investment flow cools as buyers and sellers struggle to string together deals

Toronto - To everyone's surprise, in its quarterly Monetary Policy Report released in July, the Bank of Canada proclaimed the end of the recession, indicating the return to growth after three quarters of decline. For many Canadians and those in the commercial real estate sector, the announcement may be a bit premature, given that real estate lags the general recovery in the economy.

From an investment perspective, the buying and selling of property has been stuck in neutral due to a number of factors, including the collapse of the debt market; the unwillingness by many investors to trade devalued assets; a slowdown in executive decision-making; tight industry-lending conditions; financial weakness amongst tenants; and buyer perception versus vendor expectation. The buyer-vendor expectation gap is clearly evident in the deal flow, which has fallen off dramatically from the run-up that took place between 2005 and 2007.

Investment volumes for office, industrial, retail and multi-residential properties across Canada's major markets dropped by almost 60% in the first half of 2009 to $3.5 billion from $8.4 billion in the first half of 2008. Moving from West to East, investment volumes totalled $872 million in Vancouver (-10%); $363 million in Edmonton (-76%); $415 million in Calgary (-75%); $923 million in Toronto (-67%); $228 million in Ottawa (-31%) and $712 million in Montreal (-36%). In all, Vancouver and Toronto captured roughly 51% of the total investment activity.

Office product was the most sought-after investment property in the first six months of 2009, amounting to $1.3 billion. By comparison, $2.9 billion worth of office buildings changed hands over the same period one year prior – a 56% decline. Vancouver captured the lion's share of the activity at $506 million, or 38%, of the overall office total. While this figure is almost three times the volume of last year, it's largely skewed by one acquisition. German investor Deka Immobilien Investment GmbH purchased SITQ's Bentall V in Downtown Vancouver for $297 million in May of this year – the largest investment deal in Canada in the first half of 2009. The Germans made significant office acquisitions elsewhere as well, this time focusing on recently completed assets. In Montreal, KanAm Group purchased Phase II of the Bell Office Campus on Nuns' Island for $92 million from Canderel. In Calgary, Commerz Real AG acquired Stampede Station Phase I for approximately $74 million from Opus Building Corporation and WAM Development Group, although this latter deal closed in August.

Industrial was also top of mind with $800 million invested, down 64% from $2.2 billion over the same period last year. Multi-residential and retail product followed with $730 million (-44%) and $656 million (-67%), respectively. While Vancouver was the hotbed for office acquisitions, investors flocked to Toronto for industrial and retail assets, generating sales of $281 million (-69%) and $206 million (-61%), respectively. Montreal led the way once again in multi-residential investment with $229 million; however, this tally is off by 51% from last year. Apart from Vancouver office sales, Ottawa was the only other market to witness an increase in sales, with the multi-residential and industrial sectors rising 51% and 29% to $122 million and $46 million, respectively.

Notwithstanding the poor investment volumes to date, there's a feeling of optimism in the air as the end of the year approaches. Positive signs include an increased number of bids for assets and, more importantly, a narrowing bid-ask gap – all of which should lead to more transactions in the months ahead.

Source: Avison Young's Fall/Winter 2009 National Newsletter

Email Editor

Top North American Exchanges

Toronto
Montreal
American
Chicago
Nasdaq
New York

Submit Press Release
Visitor Centre
Weather
Advertising Inquires
Email
Tel: 519.886.0298

Subscribe to Exchange Magazine Print Edition

Contact Information:

Publisher:
Exchange Business Communication Inc.
Waterloo, Ontario, Canada
Tel: 519.886.0298

Editor-in-Chief
Jon Rohr
editor@exchangemagazine.com

Account Manager
John Hobin
advertise@exchangemagazine.com