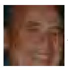
Retail and REITs Drive Canada's Commercial Market



Posted by Alex Finkelstein 11/18/10 8:00 AM EST
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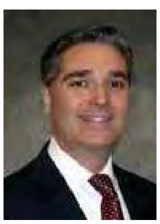
Vancouver, Canada

Strong demand by investors for Canadian retail properties has pushed sales to record levels in the third quarter, according to a new study by Avison Young's Toronto headquarters.

An active real estate investment trust sector also helped boost trading. Sales already have exceeded totals for all of 2009, Canada *Newswire* reports.

By the end of the third quarter, over $12 billion in commercial real estate assets had changed hands - up 57% over the same nine-month period one year ago.

While retail has been the most sought-after property type among investors, Toronto has been the most active and Vancouver the most expensive market.



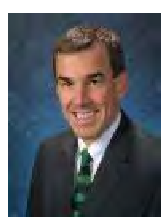
Bill Argeropoulos

"With the recent closing of the ING portfolio comprising some 400 industrial properties across the country and the Nortel campus in Ottawa, to name a few, we can expect overall investment volume in Canada to reach the $16-billion range in 2010 - barring any deal closings being pushed into 2011," says Bill Argeropoulos, Vice- President and Director of Research (Canada) for Avison Young.

"This is a significant improvement over the $11 billion worth of investment sale transactions completed in 2009, but is still shy of the $21 billion recorded in 2008 and the $30 billion in properties that changed hands at the peak of the market in 2007."

According to the study, retail was not only the most actively- traded asset class in Canada in the first nine months of 2010, but it also posted the greatest improvement over the same period in 2009.

In all, $3.8 billion (+207%) worth of retail properties changed hands, capturing 31% of the overall investment dollar volume. Office ($2.3 billion / +35% / 19% share), land ($2.1 billion / +7% / 18% share) and industrial ($2.0 billion / +31% / 17% share) trailed, while multi-residential finished at $1.8 billion (+53%) and a 15% market share.



Tom Godber

"Compared to last year, the results to date are a welcome sign that the commercial real estate investment market is gaining traction in Canada," says Argeropoulos.

"This upswing is attributed to a number of factors, including stable and improving market fundamentals, historically-low borrowing costs, high availability of debt, a narrowing bid-ask gap and the emergence of REITs as active buyers."

Investors favored Toronto over any other market as Canada's largest city recorded $4.7 billion in commercial real estate sales, up 92% over the same nine-month period in 2009 - accounting for 39% of the total sales volume.

Vancouver, at $2.4 billion (+34%) was second, capturing 20% of the total investment volume. Montreal ($1.8 billion / +56% / 15% share), Calgary ($1.6 billion / +31% / 13% share) and Edmonton ($1.0 billion / +56% / 8% share) followed, while Ottawa lagged behind.

Ottawa, the nation's capital, was the only market not to crack the $1 billion mark, finishing with $436 million (+22%) and a 4% market share.

In Montreal, "significant amounts of capital are looking for a place to go," notes Avison

John M. Ross

Young Principal Tom Godber. "With more product coming to market in the last quarter of 2010 than we have seen for several years, Montreal will remain frustrating for value buyers - but great for sellers."

Similarly, Avison Young Principal John M. Ross says there is an abundance of capital in the Edmonton marketplace, with "good quality assets garnering interest from all investor classes, including private, pension, public and REIT players.

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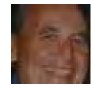

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