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Editors/Reporters

- Please click on link to view Avison Young's *First Quarter 2018 Greater Toronto Area Commercial Real Estate Investment Review*:
<http://www.avisonyoung.ca/documents/95732/4519304/Greater+Toronto+Area+Investment+Review+%28Q1+2018%29>

Sound fundamentals buoy active commercial property investment market

Avison Young releases its First Quarter 2018 Greater Toronto Area Commercial Real Estate Investment Review

Toronto, ON – Greater Toronto Area (GTA) commercial real estate investment sales increased 28% quarter-over-quarter to \$4.3 billion in the first quarter of 2018. Bolstered by strong office property sales, this total represented the best first-quarter tally in the region since 2014 – and an 80% year-over-year increase. These increases followed another record year in 2017, when \$14.5 billion of GTA commercial property – including office, industrial, retail, multi-residential and ICI land assets – changed hands. Although investors remain hungry, cap rates flattened from year-end 2017, possibly indicating price adjustments for some asset types.

These are some of the key trends noted in ***Avison Young's First Quarter 2018 Greater Toronto Area Commercial Real Estate Investment Review***, released today. The quarterly report tracks GTA office, industrial, retail, ICI land and multi-residential property sales transactions valued at \$1 million or more.

“Buoyed by solid property fundamentals in every commercial real estate sector, but especially in the office and industrial segments, investors remain bullish on the country’s largest and hottest market early in 2018,” comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. “Every year brings with it a definitive transaction, and this year’s big deal appears to have come early, with the sale of Bay Adelaide Centre (50% non-managing interest) for \$850 million to Guernsey-based Dadco Investments. This transaction not only propped up the office sector, but actually masked reduced quarter-over-quarter investment volumes in the other four sectors while demonstrating the market’s enduring appeal to foreign investors.”

Avison Young Principal **Richard Chilcott**, who is a member of the firm's capital markets group, says: "The demand for investment product in all categories showed little change from the previous quarter, although the transaction volumes were down from the fourth quarter of 2017. Investors with existing portfolios are seeing increasing rental returns from core asset classes, such as downtown Toronto office product and GTA-wide industrial investments. The increasing cost of debt will have some impact on pricing in certain sectors, but the underlying correction in some sectors' transaction volumes is principally due to a lack of willing vendors."

Notable First-Quarter 2018 Investment Highlights:

- **GTA-wide** investment volume in the first quarter of 2018 came in at \$4.3 billion, up 28% quarter-over-quarter, and 80% year-over-year.
- The **office** sector was the most active – and the only one to crack \$1 billion in first-quarter sales – as dollar volume more than quadrupled quarter-over-quarter to almost \$2 billion.
- After posting its best quarterly result of the year and being the top-performing asset class in the fourth quarter of 2017, **retail** investment sales declined 12% quarter-over-quarter to \$781 million.
- Coming off a record-setting \$3.5 billion in sales in 2017, **industrial** property investment dipped a modest 8% quarter-over-quarter to \$780 million, but was up marginally year-over-year.
- **ICI land** sales slipped 22% to \$492 million (11% share) in first-quarter 2018 from \$628 million in fourth-quarter 2017. However, year-over-year sales were up 36%.
- **Multi-residential** sales plunged 47% quarter-over-quarter to \$288 million – the lowest total in the past four quarters.

"The user-purchase market for vacant industrial product has grown significantly during the past several years," notes Avison Young Principal **Ben Sykes**. "Asking prices on a per-square-foot basis across all of the GTA are aggressive. With a lack of inventory, the average asking price is up; however, the properties are sitting on the market longer. Time will tell whether this lull will endure and, possibly, result in a price adjustment for what has been a very hot industrial market, particularly for users."

Sykes adds: "Industrial land remains in high demand. Sites that are zoned to permit outside storage remain the most sought-after and are selling for \$1.5 million to \$2 million per acre, given the limited number of existing sites that permit these uses. This situation is compounded by the fact that municipalities have brought on very little new supply permitting outside storage, opting for cleaner industrial uses with limited, or no, outside storage."

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 2,600 real estate professionals in 84 offices,

providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.

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