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Media Release

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Editors/Reporters
· Please click on link to view and download Avison Young's Third Quarter 2015 Greater Toronto Area Commercial Real Estate Investment Review:
http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Offices/Toronto-HQ/Research/2015/GTAInvestmentReviewQ32015.pdf

Consistent GTA commercial real estate investment market promises a strong finish to 2015 despite supply constraints

Avison Young releases its Third Quarter 2015 Greater Toronto Area Commercial Real Estate Investment Review

Toronto, ON — Sales of commercial real estate assets in the Greater Toronto Area (GTA) continue to fluctuate quarter-over-quarter. Despite a strong showing by the office sector, sales declined in the industrial, retail, ICI land and multi-residential sectors. Consistent, however, are historically low interest rates, plentiful capital, constrained product supply and competitive bids (especially from foreign buyers), resulting in historically low cap rates.

These are some of the key trends noted in ***Avison Young's Third Quarter 2015 Commercial Real Estate Investment Review – Greater Toronto Area***, released today. The quarterly report tracks GTA office, industrial, retail, ICI land and multi-residential property sales transactions greater than $1 million.

"Buoyed by stable leasing fundamentals, the market's true acquisition potential continues to be unrealized, constricted by the lack of available product for sale," comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. "The demand is definitely there, as investors are looking for ways to strategically deploy more capital into all the asset types and geographical areas across the GTA. Investors have been increasing allocations to commercial real estate, as this sector has now earned its place as a core portfolio holding, and is no longer considered an alternative investment option – producing favourable total returns vis-à-vis equities and bonds."

Argeropoulos continues: "In this already highly competitive marketplace, which has pitted domestic buyers against one another, you now have an increasing number of foreign investors, particularly from China. These buyers have not only bolstered investment volumes – helping to fill the void left by some local players who have been sidelined by high pricing and deploying capital abroad – but have had an even bigger impact by pushing valuations higher and compressing yields."

Notable Third-Quarter 2015 Investment Highlights:

- **GTA** investment volume in the third quarter of 2015 came in at slightly more than $2 billion, down 27% quarter-over-quarter and 2% year-over-year. The three-quarter tally stands at $6.7 billion, down 13% year-over-year.

- **Office** building sales led all asset categories, improving 38% quarter-over-quarter to $578 million (29% share). Despite sales rising for the second consecutive quarter, the year-to-date sum of $1.4 billion lags the $2.2 billion that sold in the first three quarters of 2014.

- The **industrial** sector saw sales fall 39% to just under $409 million (20% share), bringing the three-quarter dollar volume to $1.5 billion (-7% year-over-year); however, sales could still match or surpass 2014's annual total of $2.2 billion by the end of 2015.

- **Multi-residential**, the second-quarter leader ($705 million), managed only $401 million (20% share) in the third quarter – a 43% decline. Nonetheless, the sector is having a banner year, with $1.4 billion in assets traded year-to-date (nearly double the volume during first three quarters of 2014) – exceeding 2014's $1.1-billion annual total.

- Investment in the **retail** sector totalled $1.5 billion through the first three quarters of 2015. Like industrial, retail property sales fell 44% quarter-over-quarter to $381 million (19% share). A larger proportion (68%) of dollar volume was in the urban 416 area code rather than the suburban 905 area code.

- **ICI land** is the least-traded asset type, and the only sector below the $1-billion mark ($827 million), year-to-date. While the total acreage sold increased between quarters, dollar volume fell 19% to $242 million (12% share) – the lowest result in 15 quarters.

- Capitalization rates were either flat or marginally lower than one quarter earlier.

"The fourth quarter is off to a great start with $2.8 billion already in the books, and the $10.3 billion that sold in all of 2014 is within range of being surpassed by year-end," concludes Argeropoulos.

***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 2,000 real estate professionals in 71 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-family properties.*

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