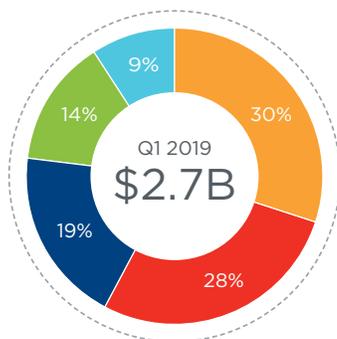


GTA Investment Activity by Sector and Dollar Volume



Q1 2019 Q4 2018 Q1 2018

Sector	Q1 2019	Q4 2018	Q1 2018
INDUSTRIAL	\$817M	\$841M	\$780M
OFFICE	\$767M	\$711M	\$2B
RETAIL	\$511M	\$647M	\$781M
ICI LAND	\$392M	\$515M	\$492M
MULTI-RESIDENTIAL	\$236M	\$602M	\$288M

First Quarter 2019 / Commercial Real Estate Investment Review

Greater Toronto Area

Coming off a \$15.6-billion record year in 2018, the Greater Toronto Area (GTA) investment market's pace slackened in the first quarter of 2019 as sales volume for office, industrial, retail, multi-residential and ICI land assets (>= \$1 million) declined 18% quarter-over-quarter to \$2.7 billion. Sales declined in four of the five sectors, while for the second straight quarter, no asset class exceeded \$1 billion.

The year's opening quarter is often quieter for investment, while a bid-ask gap, stricter due diligence and investors being more selective all contributed to the slower start. Cap rates for all asset types moved within a narrow band, with the GTA-wide average inching up 10 basis points (bps) quarter-over-quarter to 4.3%. Nonetheless, investors continue to be drawn to the market's strong fundamentals, offering stable yields and cash flows.

INDUSTRIAL

Industrial was the top-performing

investment sector, despite sales sagging 3% quarter-over-quarter. A supply-demand imbalance and rising rents continue to attract investors, resulting in \$817 million (30% of the GTA total) in trades during first-quarter 2019 – up 5% year-over-year. Investors' appetite for single-tenant warehouses dominated the quarter's top five transactions by dollar volume. The largest was the GTA portion (two properties totaling almost \$59 million) of a four-property Ontario portfolio sold by Insurance Corporation of British Columbia (ICBC) to Fiera Properties. The quarter's largest single-asset sale was a single-tenant warehouse in Vaughan, fully occupied by UPS – sold by HOOPP for almost \$51 million (\$237 per square foot (psf)). Among the GTA's regions, Peel was the most active, with \$302 million in sales (37% of overall volume) during the quarter, led by Mississauga (\$242 million).

OFFICE

After attracting the most capital of any sector for the fifth consecutive year in



4.3%

Average capitalization rate for GTA assets



\$767M

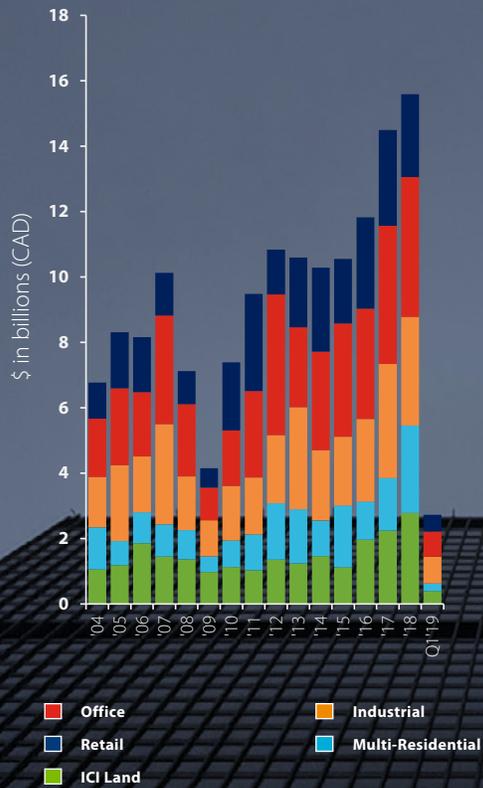
Total office investment sales in the first quarter – up 8% quarter-over-quarter



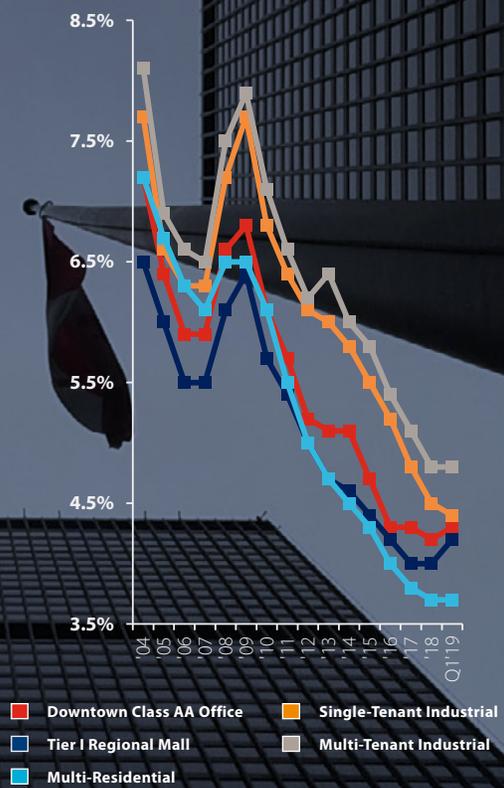
30%

Industrial sector's share of total first-quarter 2019 GTA dollar volume

GTA Investment Volume



GTA Select Capitalization Rates





2018, office assets garnered \$767 million in transactions (28% share) in first-quarter 2019 – the only sector to post quarter-over-quarter growth (+8%). As with industrial assets, sellers are taking advantage of the extremely tight market and fierce competition among buyers. Despite buyers' enthusiasm, a bid-ask gap is impacting deal velocity and some anticipated sales (such as those of Bloor Islington Place and AeroCentre) have yet to materialize. GWL Realty Advisors was on the buy side (with its partners) of the quarter's two largest office deals. By far the biggest – in the office sector and GTA overall – was the sale of Dynamic Funds Tower in Toronto's financial core for \$473 million (\$728 psf), while 56 Wellesley St. W. was a distant second at \$98 million (\$454 psf).

RETAIL

Investment sales volume for retail assets continued to fluctuate quarter-to-quarter, coming in at \$511 million (19% share) in the first quarter of 2019 – down 21% from the previous

quarter, and 35% year-over-year. The total was also below 2018's four-quarter average of \$635 million. The quarter's top transactions included schools, streetfront retail and a power centre. Vancouver-based ICBC, also an active seller of office and industrial properties during the quarter, sold its Iroquois Ridge Shopping Centre in Oakville to Abel Capital for \$34 million (\$524 psf) at a reported 5.6% cap rate.

ICI LAND

The ICI land sector posted first-quarter 2019 sales of \$392 million (14% share) – down 24% from the fourth quarter of 2018 and its weakest performance in two years. Unlike last quarter, the top five transactions were suburban, with downtown sites notably absent. School boards were active as both buyers and sellers. The City of Toronto was the GTA's most active region by dollar volume during the quarter, with \$117 million in sales (30% of overall volume), followed closely by Peel at \$111 million (28%). By total acreage sold, Durham Region led with 385 acres traded (33% of the overall total),

although King (in York Region) was the leading municipality (176 acres / 15%). Limited supply of developable land resulted in average prices in excess of \$1.2 million per acre for industrial and commercial land, with some examples topping \$2 million.

MULTI-RESIDENTIAL

The least-traded asset class during the first quarter of 2019 was multi-residential – with volume hampered, as usual, by tight supply rather than lack of investor interest. From an extraordinary \$1.2-billion sales peak in third-quarter 2018, volume declined by half in the fourth quarter and by more than half again in the first, with \$236 million changing hands (9% share). The top transaction was the \$30-million sale of 15 Walmer Rd. in Toronto's Annex neighbourhood, representing nearly \$385,000 per unit and a cap rate of 2.2%. Starlight Investments, among the sector's most active players in 2018, also made the top five with its purchase of a 79-unit Mississauga townhouse complex for almost \$27 million.

Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
Dynamic Funds Tower	\$473,000,000	\$728	GWL Realty Advisors / Investors Group / OPTrust	Oxford Properties Group / CPPIB
56 Wellesley Street West	\$98,000,000	\$454	GWL Realty Advisors / Canada Life Insurance Co. / London Life Insurance Co.	Greystone Managed Investments / Slate Asset Management
Warden City Centre	\$26,520,000	\$208	Davpart Inc.	Insurance Corporation of British Columbia
4085 Palladium Way	\$23,520,000	\$692	Talisker Corp.	Gross Capital
507 King Street East & 10 Virgin Place	\$21,750,000	\$443	507 King East Management Ltd.	Ontario Superior Court of Justice
Industrial	Total Price	Price psf	Purchaser	Vendor
ICBC – Fiera Properties Portfolio	\$58,850,000	\$183	Fiera Properties	Insurance Corporation of British Columbia
777 Creditstone Road	\$50,800,000	\$237	FGF Brands	HOOPP
205 Market Drive	\$49,750,000	\$206	Canada Life Insurance Co. / Great West Life Assurance Co. / London Life Insurance Co.	Keter Canada Inc.
185 William Smith Drive	\$27,500,000	\$126	Bentall Kennedy	KingSett Capital
15 Ingram Drive	\$26,050,000	\$226	NYX Capital	Speedy Self Storage Inc.
Retail	Total Price	Price psf	Purchaser	Vendor
TDSB – TCDSB Portfolio	\$80,000,000	\$592	Toronto Catholic District School Board	Toronto District School Board
Iroquois Ridge Shopping Centre	\$34,250,000	\$524	Abel Capital	Insurance Corporation of British Columbia
4916-4946 Dundas Street West	\$26,500,000	\$602	Amica Seniors Lifestyles	Trinity Development Group
475 Patricia Avenue	\$14,000,000	\$311	Toronto Cheder	Eitz Chaim Schools
407 Iroquois Shore Road	\$13,230,000	\$151	407 Iroquois Holdings Inc.	Cathmark Investments Inc.
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
15 Walmer Road	\$30,000,000	\$384,615	Walmer Bloor Holdings Inc.	Rialto Apartments Ltd.
1539-1647 Williamsport Drive & 3468-3532 Fieldgate Drive	\$26,750,000	\$338,608	Starlight Investments	Private individual(s) / Amaranth Resources Ltd. / Fleetwood Holdings Ltd.
1056 Queens Avenue	\$25,500,000	\$286,517	Green Eitz (Oakville) Inc.	Caretenders Financial Services Inc.
29-31 Upper Canada Drive	\$23,400,000	\$205,263	Westdale Properties	Lipman Management Inc.
65 Times Avenue	\$21,000,000	\$328,125	Equiton Partners	KingSett Capital
ICI Land	Total Price	Price per acre	Purchaser	Vendor
5741 Datsun Road	\$23,004,272	\$2,027,523	Manitoulin Transport	Orlando Corp.
7100 Birchmount Road	\$22,100,000	\$4,405,901	The City of Markham	York Catholic District School Board
Mississauga Road & Wanless Drive	\$18,876,153	\$1,130,444	Dufferin-Peel Catholic District School Board	Mattamy Homes
Morningside Avenue & Neilson Road	\$17,570,850	\$1,147,671	Beedie Group	Neilson-Finch Residential Developments Inc.
3420 Queen Street East	\$16,500,000	\$1,564,574	Bridging Finance Inc.	Ontario Superior Court of Justice



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Properties

For more information, please contact:

Bill Argeropoulos
Principal & Practice Leader, Research (Canada)
416.673.4029
bill.argeropoulos@avisonyoung.com

18 York Street
Suite 400, Mailbox #4
Toronto, ON M5J 2T8
416.955.0000