



1ST QUARTER 2015

Greater Toronto Area Commercial Real Estate Investment Review

Partnership. Performance.

With few big deals, sales of office, industrial, retail, multi-residential and ICI land properties (>=\$1 million) in the Greater Toronto Area (GTA) fell 27% from fourth-quarter 2014 to \$1.9 billion during the first quarter of 2015. This is a 47% decline compared to the \$3.6 billion worth of properties that sold in the same quarter one year ago. While retail and industrial properties contributed the most to the GTA's first-quarter investment tally, sales fell across all sectors and, for the fourth consecutive quarter, no property type exceeded the billion-dollar mark. Capital is plentiful and the debt market remains buoyant. Lending secured by real estate still produces very acceptable yields and most things remaining equal, the lending environment will continue to benefit owners and buyers.

The retail sector led all asset classes with \$471 million in trades, accounting for one-quarter of total GTA dollar volume. However, retail dollar volume was down 20% and 59% from the fourth and first quarters of 2014, respectively. The biggest retail deal and second-largest deal overall during the quarter was the \$97-million sale of Agincourt Mall in Scarborough, a Walmart-anchored community shopping centre, which last traded in 1995 for \$24.8 million. Community and neighborhood shopping centres were the most actively traded product with the vendor-purchaser profile comprising a mix of institutional, private and developer capital.

The industrial sector followed, with sales of \$446 million (23% share), down 13% quarter-over-quarter from \$515 million, and slightly off (-1%) year-over-year. With low and stable availability, a conservative development pipeline and steady demand, the industrial sector has seen the highest sales volume of any asset class during the past four quarters and the second-highest cumulative total since the trough of 2009. Investors have been rewarded as the Canadian industrial sector provided the highest total annual return (9.2%) according to the IPD Index in 2014. Two REITs came together for the top deal: the \$70-million sale of 1400 Church St. in Pickering.

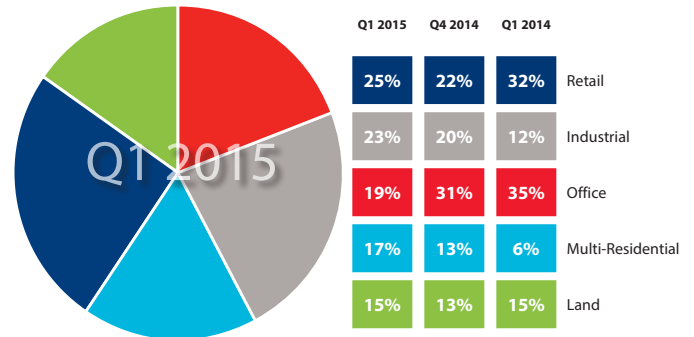
Office building sales posted the poorest quarter-over-quarter (-55%) and year-over-year (-71%) performance with \$369 million (19% share) in trades. Despite the poor result, the office sector recorded the only \$100-million-plus deal. On the heels of acquiring 5000 Yonge St. (for \$250 million) last quarter, GWL Realty Advisors bought Yonge Richmond Centre in Toronto's financial core for nearly \$154 million (\$518 per square foot) – accounting for 42% of the sector's quarterly total. The next big downtown office building to come to market later this year will be Ontario Power Generation's 700 University Ave. (1.2 million square feet).

The multi-residential sector contributed \$332 million (17% share) to the first quarter GTA investment tally – in line with the average sales flow over the past few years. Multi-residential properties saw the least decline – down 6% from last quarter – and showed the greatest improvement in deal flow compared with the first quarter of 2014 (+62%). Starlight Apartments was an active buyer, acquiring two high-rise and four low-rise buildings in two separate transactions for \$106 million, one of the vendors being CAP REIT, which also bought \$54 million worth of multi-residential assets during the quarter.

ICI land was the least-traded property type with first-quarter sales of only \$285 million (15% share). This is down from \$353 million and \$560 million in the fourth and first quarters of 2014, respectively. Though absent from the top five deals list, Oxford Properties sold its site at 4800 Yonge St. (0.88 acres) to Menkes Developments for \$12.7 million, once again highlighting investor demand for transit-served office sites. York Region saw the highest dollar volume (\$113 million / 40% of GTA total), while Halton witnessed the most acreage sold – 327 of the more than 877 acres sold during the quarter.

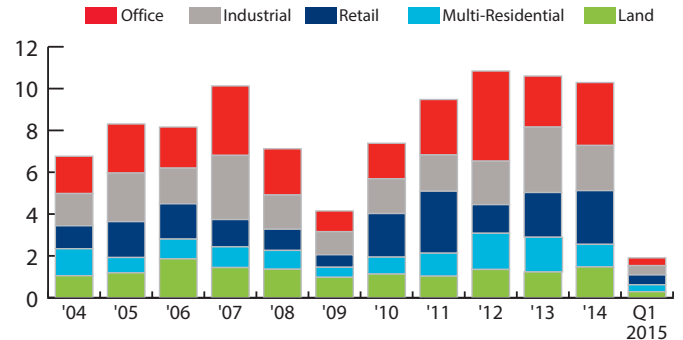
GTA Investment Activity

(% Sector)



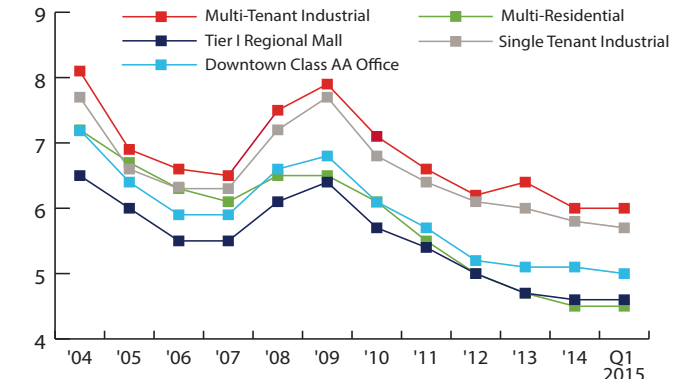
GTA Investment Volume

\$ in billions (CAD)



GTA Select Capitalization Rates

% Average Cap Rate



Significant Transactions By Sale Price - First Quarter 2015

OFFICE

Property	Total Price	Price psf	Purchaser	Vendor
Yonge Richmond Centre	\$153,800,000	\$518	GWL Realty Advisors	AIMCo Realty / Brookfield Properties Corp. / CPPIB
333 First Commerce Dr. & 24 State Farm Way	\$57,466,274	\$196	Desjardins Group	State Farm Mutual Automobile Insurance Co.
81 – 85 The East Mall	\$10,515,000	\$128	NorthWest Value Partners	Eastset Capital Corp.
5025 – 5045 Orbitor Drive	\$10,500,000	\$99	MP Developments Ltd. / MP Executive Suites Ltd.	Davpart Inc.
27 Carlton Street	\$8,650,000	\$348	Memnon Management	Aarmic Investments Ltd.

INDUSTRIAL

Property	Total Price	Price psf	Purchaser	Vendor
1400 Church Street	\$70,173,682	\$88	Choice Properties REIT	H&R REIT
Art Heller Enterprises – Summit Industrial REIT Portfolio	\$25,150,000	\$74	Summit Industrial Income REIT	Art Heller Enterprises Ltd.
440 Rainside Drive	\$19,150,000	\$77	Northam Realty Advisors	Sun Life Assurance Company of Canada
2400 & 2430 Royal Windsor Drive	\$19,000,000	\$65	Panattoni Development Company	The Sterling Group
8020 Fifth Line	\$13,615,000	\$123	Hopewell Development Corporation	Sensient Flavors Canada Inc.

RETAIL

Property	Total Price	Price psf	Purchaser	Vendor
Agincourt Mall	\$97,000,000	\$334	Investors Group / PSP Investments / North American Development Group	1098748 Ontario Limited
240 – 250 Alton Towers Circle	\$25,641,410	\$189	Laurier Homes & Paradise Homes	Northam Realty Advisors
Whites Road Shopping Centre	\$25,000,000	\$381	Valiant Rental Properties Limited	Linmar Investment Corporation Limited
Bayview North Centre	\$19,500,000	\$399	Liberty Development Corp.	Sun Life Assurance Company of Canada
Bolton Country Plaza	\$18,600,000	\$207	Stonebridge Bolton Queen Inc.	Gross Capital Group

MULTI-RESIDENTIAL

Property	Total Price	Price per unit	Purchaser	Vendor
50 Spadina Road & 35 Walmer Road	\$59,000,000	\$257,642	Starlight Apartments	Jerry Hefner Holdings Ltd. / Harry Hiller Investments (1996) Ltd. / Hilross Builders Ltd.
K.A.F. Development – CAP REIT Portfolio	\$53,736,000	\$188,547	CAP REIT	Atwater Developments Ltd. / K.A.F. Development Ltd.
Best Western Primrose Hotel & Student Residence	\$50,540,000	\$74,324	Knightstone Capital Mgmt. / HOOPP	Arsandco Investments Ltd.
2175, 2177 & 2181 Avenue Road, 53 Delhi Avenue & 166 Wilson Avenue	\$47,000,000	\$180,769	Starlight Apartments	CAP REIT
Community Lifecare – Southbridge Capital Portfolio	\$27,797,050	\$119,301	Southbridge Capital Inc.	Community Lifecare Inc.

LAND

Property	Total Price	Price per acre	Purchaser	Vendor
8926, 8944 & 8980 Highway 27	\$32,530,425	\$745,000	PIRET	Di Poce Management Limited
689 King Street West	\$17,100,000	\$42,643,391	Main and Main Developments Inc.	1227506 Ontario Limited
Ridgeway Drive	\$15,547,350	\$1,046,748	The Ridgeway Group Corporation	The Erin Mills Development Corporation
Veterans Drive	\$14,872,380	\$934,430	Peel District School Board	Mattamy Homes
10988 & 10990 Warden Avenue	\$14,150,000	\$252,886	The Regional Municipality of York	Zacorp Ventures Inc.



avisonyoung.com

© 2015 Avison Young Commercial Real Estate (Ontario) Inc., Brokerage

Some of the data in this report has been gathered from third party sources and has not been independently verified by Avison Young. Avison Young makes no warranties or representations as to the completeness or accuracy thereof. Investment sales data sourced from Avison Young, RealNet Canada Inc. and Altus InSite.

For more information on this report, please contact Avison Young:

Bill Argeropoulos 416.673.4029
Principal & Practice Leader, Research (Canada)

Avison Young
18 York Street
Suite 400, Mailbox #4
Toronto, ON M5J 2T8
T 416.955.0000 F 416.955.0724