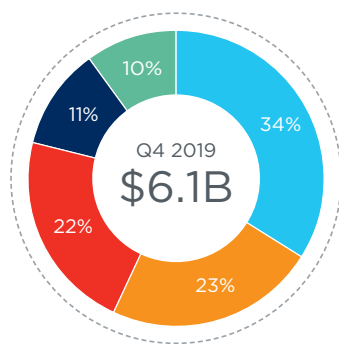




## GTA Investment Activity by Sector and Dollar Volume



Q4 2019    Q3 2019    Q4 2018

Sector	Q4 2019	Q3 2019	Q4 2018
<b>MULTI-RESIDENTIAL</b>	\$2.1B	\$577M	\$602M
<b>INDUSTRIAL</b>	\$1.4B	\$1.2B	\$841M
<b>OFFICE</b>	\$1.3B	\$1B	\$711M
<b>RETAIL</b>	\$663M	\$480M	\$647M
<b>ICI LAND</b>	\$605M	\$1.2B	\$515M

## Fourth Quarter 2019 / Commercial Real Estate Investment Review

# Greater Toronto Area

The Greater Toronto Area (GTA) commercial real estate investment market set a new high-water mark for dollar volume as \$17.7 billion in assets changed hands in 2019 – up 13% over 2018's total. Fourth-quarter sales of office, industrial, retail, multi-residential and ICI land assets (>=\$1 million) were a whopping \$6.1 billion – up 39% quarter-over-quarter. All sectors but retail posted year-over-year growth and record-high annual sales totals. Office attracted the most capital in 2019, while multi-residential and industrial posted the highest growth – all three are likely to remain top of mind in 2020. Meanwhile, the downward pressure on capitalization (cap) rates will continue, especially for properties with redevelopment and intensification potential.

### MULTI-RESIDENTIAL

The fourth quarter's top performer with \$2.1 billion in trades (up 265% quarter-over-quarter and 34% of the GTA total), 2019 multi-residential sales totalled \$3.8 billion – exceeding the \$2.7-billion

record set in 2018. Low vacancy, strong population growth, limited supply and rental upside upon tenant turnover mean investor demand remains voracious, resulting in the lowest yields of any asset class. The fourth quarter was supercharged by a massive portfolio trade, as Starlight Investments purchased more than \$1.4 billion worth of GTA assets (21 properties / 4,708 units) from Continuum REIT as part of a \$1.7-billion transaction that included 6,271 units in all. The sale capped a remarkable 2019 in which Starlight bought nearly \$2.2 billion in GTA assets (57% of total GTA dollar volume). Meanwhile, Toronto is still mulling a Vacant Homes Tax to improve housing supply.

### INDUSTRIAL

Like the multi-residential sector, industrial boasts an extremely tight leasing market with rapidly rising rents and new construction still lagging behind tenant demand. Buyers (including users) remain eager to place capital, with \$1.4 billion (23% share) in



4.1%

Average capitalization rate for GTA assets – down 10 bps year-over-year



\$17.7B

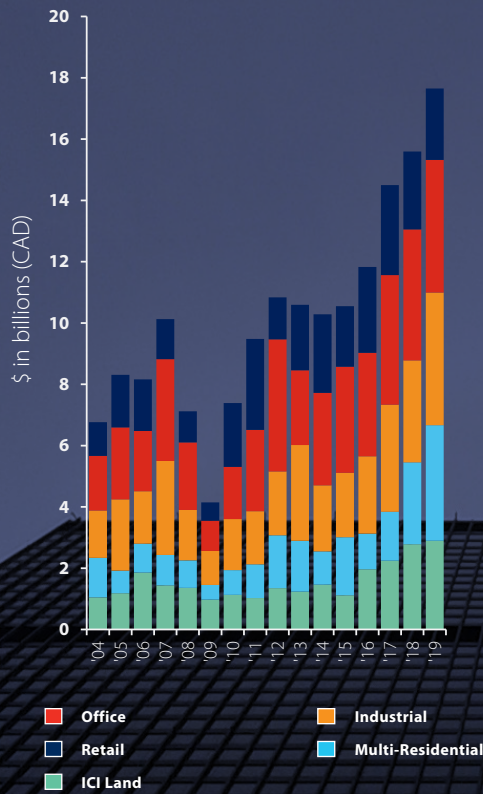
GTA-wide investment dollar volume in 2019 – up 13% year-over-year



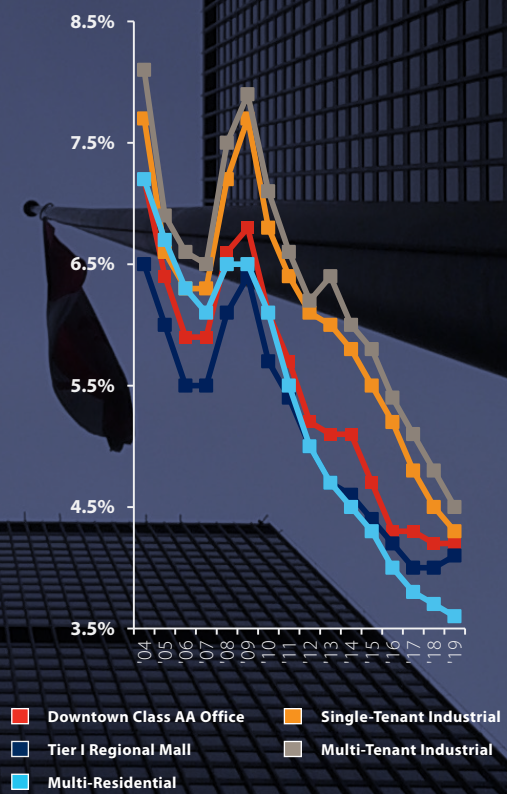
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Total number of retail property sales during the fourth quarter – the most of any asset class

GTA Investment Volume



GTA Select Capitalization Rates





# \$1.4B

Starlight Investments' acquisition from Continuum REIT included 4,708 units in the GTA (the \$1.7-billion portfolio totaled 6,271 units overall)

*Pictured: 2450 & 2460 Weston Road, Toronto  
Image courtesy of Starlight Investments*

investment during the fourth quarter. In all, \$4.3 billion in industrial assets changed hands in 2019 – up 30% year-over-year. While 2018 was devoid of \$100-million-plus transactions, four such trades happened in 2019 – the top two both being data centres sold for more than \$200 million each, highlighted by the fourth-quarter sale of 45 Parliament St. between BRL Realty and Equinix for \$223 million (\$920 per square foot (psf)). As in 2018, Mississauga and Peel were the GTA's busiest municipality and region by dollar volume, posting full-year totals of \$838 million and \$1.3 billion, respectively.

### OFFICE

The office market had a banner year in which GTA-wide vacancy dropped to a two-decade low of 5.6%. Even lower downtown vacancy (2.1%) means landlords can exercise their pricing power, pushing average gross rents for the best space above \$80 psf. Office narrowly edged out industrial as the most popular asset class for the sixth straight year. The fourth-quarter

total of \$1.3 billion (22% share) in sales was up 30% from the third quarter for a full-year tally of \$4.3 billion – marginally higher than in 2018. Four transactions exceeding \$100 million were completed in the fourth quarter alone – the largest being the sale of York Mills Centre (567,000-sf complex) by Manulife Financial to Gazit TripLLLe Canada for \$240 million. The office sector accounted for 10 of the market's 20 \$100-million-plus sales in 2019.

### RETAIL

Sales of retail assets rose 38% quarter-over-quarter to \$663 million (11% share), but the sector's \$2.3-billion full-year total fell short of 2018's result by 8%. Newer grocery-anchored shopping centres are a hot commodity, as evidenced by GWL Realty Advisors' fourth-quarter acquisition of Halton Hills Village for just over \$42 million from First Capital Realty. The property previously sold for \$32 million in 2007. Through all four quarters of 2019, no large centres changed hands – the sector's largest

single transaction of the year was the second-quarter sale of a 50% interest in Stock Yards Village by CPP Investment Board to RioCan REIT for \$88.5 million (\$351 psf).

### ICI LAND

After benefiting from the blockbuster sale of East Harbour Lands to Cadillac Fairview for \$690 million in the third quarter, ICI land sales fell by almost half quarter-over-quarter to \$605 million (10% share) in the fourth – for a full-year total of \$2.9 billion (up 4% year-over-year). The East Harbour Lands sale helped propel the City of Toronto to top spot among the GTA's regions during the year by dollar volume, with nearly \$1.4 billion in trades (47% of GTA total). In all, just under 9,500 acres were traded during 2019 – down 13% year-over-year – led by Durham Region (3,728 acres / 39% of GTA total). Despite the off quarter, redevelopment land is in high demand and all eyes now turn to the 170-acre Toronto Buttonville Municipal Airport site, offered for sale by Cadillac Fairview and Armadale Co.

## Significant Transactions by Sale Price

Sector				
Office	Total Price	Price psf	Purchaser	Vendor
York Mills Centre	\$240,000,000	\$423	Gazit TriPLLLe Canada	Manulife Financial
111 Peter Street	\$185,000,000	\$734	iA Financial Group	Crown Realty Partners
5001 Yonge Street	\$132,056,790	\$446	Europro / WFCU Credit Union	Dream Office REIT
Trillium Executive Centre	\$117,800,000	\$319	True North Commercial REIT	Crown Realty Partners
Mississauga City Centre (50% interest)	\$94,000,000	\$232	Morguard Corporation	Ontario Pension Board
Industrial	Total Price	Price psf	Purchaser	Vendor
45 Parliament Street	\$223,041,792	\$920	Equinix Canada Ltd.	BRL Realty Ltd.
2200 Yukon Court	\$180,100,000	\$164	GWL Realty Advisors / Canada Life	DSV
8265 Huntington Road	\$95,900,000	\$242	Crombie REIT	Sobeys Capital Inc.
70 & 80 Van Kirk Drive	\$50,000,000	\$148	Triovest	Vankirk7080 Inc.
Canada Post – Fiera Properties Portfolio	\$48,200,000	\$154	Fiera Real Estate	Canada Post Corp.
Retail	Total Price	Price psf	Purchaser	Vendor
Halton Hills Village	\$42,225,000	\$378	GWL Realty Advisors	First Capital Realty
McLaughlin Corners West	\$38,090,000	\$361	Ashiba Property Inc.	North American Development Group / First Capital Realty
Liberty Development – CB Parking Portfolio	\$28,500,000	n/a	CB Parking Inc.	Liberty Development Corp.
Bayview North Centre	\$28,100,000	\$574	2691331 Ontario Inc.	Liberty Development Corp.
1221 Markham Road	\$20,250,000	\$674	1221 Markham GP inc.	Kingsberg Monetary Corp.
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Continuum – Starlight GTA Portfolio	\$1,444,099,934	\$306,733	Starlight Investments	Continuum REIT
2333 Taunton Road	\$164,000,000	\$573,427	Realstar Group	Branthaven Homes
1110 Caven Street	\$67,500,000	\$315,421	Starlight Investments	Compten Management Inc.
85 & 95 Gamble Avenue	\$59,912,500	\$342,357	Q Residential	95 Gamble Apartments Ltd. / 85 Gamble Apartments Ltd.
65-75 Paisley Boulevard West	\$47,200,000	\$304,516	Equiton Partners	Lemberg Investments Ltd.
ICI Land	Total Price	Price per acre	Purchaser	Vendor
1395 Tapscott Road	\$90,510,200	\$2,200,000	Canada Post Corp.	Sun Life Assurance Company of Canada / First Gulf
689 King Street West	\$24,750,000	\$61,720,698	Manga Hotels	Timbercreek Asset Management
Airport Road	\$22,599,000	\$1,346,942	Minuk Construction & Engineering Co.	Parkmount Building Corp.
Mayfield Road & McVean Drive	\$19,500,000	\$1,922,698	Minuk Construction & Engineering Co.	Treasure Hill Homes
Ace Drive	\$18,007,850	\$1,147,508	Policaro Group / Mercedes-Benz	DG Group



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