

A photograph of a city street, likely in Toronto, featuring a red and white tram on tracks. The street is lined with tall, modern glass skyscrapers. The sun is low in the sky, creating a bright, hazy atmosphere and long shadows. The tram is moving towards the viewer. The overall scene is a mix of urban infrastructure and modern architecture.

# Greater Toronto investment review

Q1 2024

**AVISON  
YOUNG**

# Greater Toronto market fundamentals

**\$2.5B**

total commercial real estate investment volume during Q1 2024  
**down 61% compared with Q1 2023**

**140**

number of Q1 2024 industrial asset sales  
**38% of total transactions**

**\$217M**

total office investment volume during Q1 2024  
**down 63% compared with Q1 2023**

**1,693**

acres of ICI land sold during Q1 2024 across the Greater Toronto Area (GTA)  
**down 14% compared with Q1 2023**

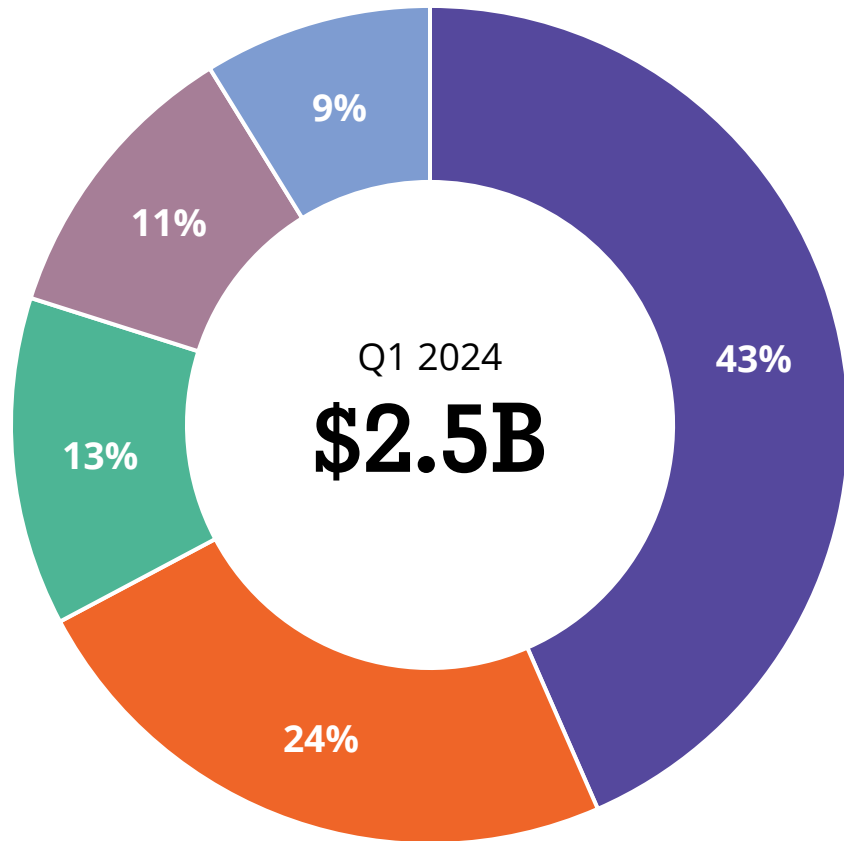
**4.1%**

average capitalization rate for multi-residential assets  
**up 20 bps year-over-year**

**\$367**

average sale price per square foot (psf) for industrial assets across the GTA  
**up \$6 year-over-year**

# Greater Toronto investment activity



	Q1 2024	Q4 2023	Q1 2023
Industrial	\$1.1B	\$2.3B	\$3.5B
Retail	\$585M	\$1.1B	\$763M
ICI Land	\$312M	\$598M	\$1.1B
Multi-residential	\$278M	\$230M	\$345M
Office	\$217M	\$299M	\$588M
<b>Total</b>	<b>\$2.5B</b>	<b>\$4.6B</b>	<b>\$6.3B</b>

# Investment market trends

## 01

### Stakeholders bide their time through the first quarter

Overall investment volume in the GTA was \$2.5 billion in Q1 2024 – down 46% quarter-over-quarter and 61% compared with Q1 2023. This result represented the lowest quarterly volume since Q1 2017, when \$2.4 billion in assets changed hands.

The first quarter of the year is often quieter in terms of transaction activity; in the early part of this year in particular, some potential vendors and purchasers may have chosen to delay deals they were considering, given the prevailing expectation that interest rates would begin to come down. In addition, last year, a \$2.3-billion industrial portfolio sale in Q1 boosted the total, giving starker contrast to the comparison with the most recent quarterly result.

## 02

### Private investors are the most active buyer group

At the beginning of 2024, there was a sense among stakeholders that the uncertainty around capital liquidity and interest-rate expectations was starting to clear up, with the prospect of rate cuts as early as June providing the market with some confidence. However, that earlier uncertainty has now returned to some extent, as the talk has turned to the possibility of rates remaining higher for longer, and changes to capital gains tax regulations have further unsettled the marketplace.

Not many deals requiring significant debt are taking place at the moment, while institutional buyers remain largely on the sidelines. Smaller transactions are continuing apace, though, with private investors and users accounting for more than 80% of investment dollar volume in Q1 2024.

## 03

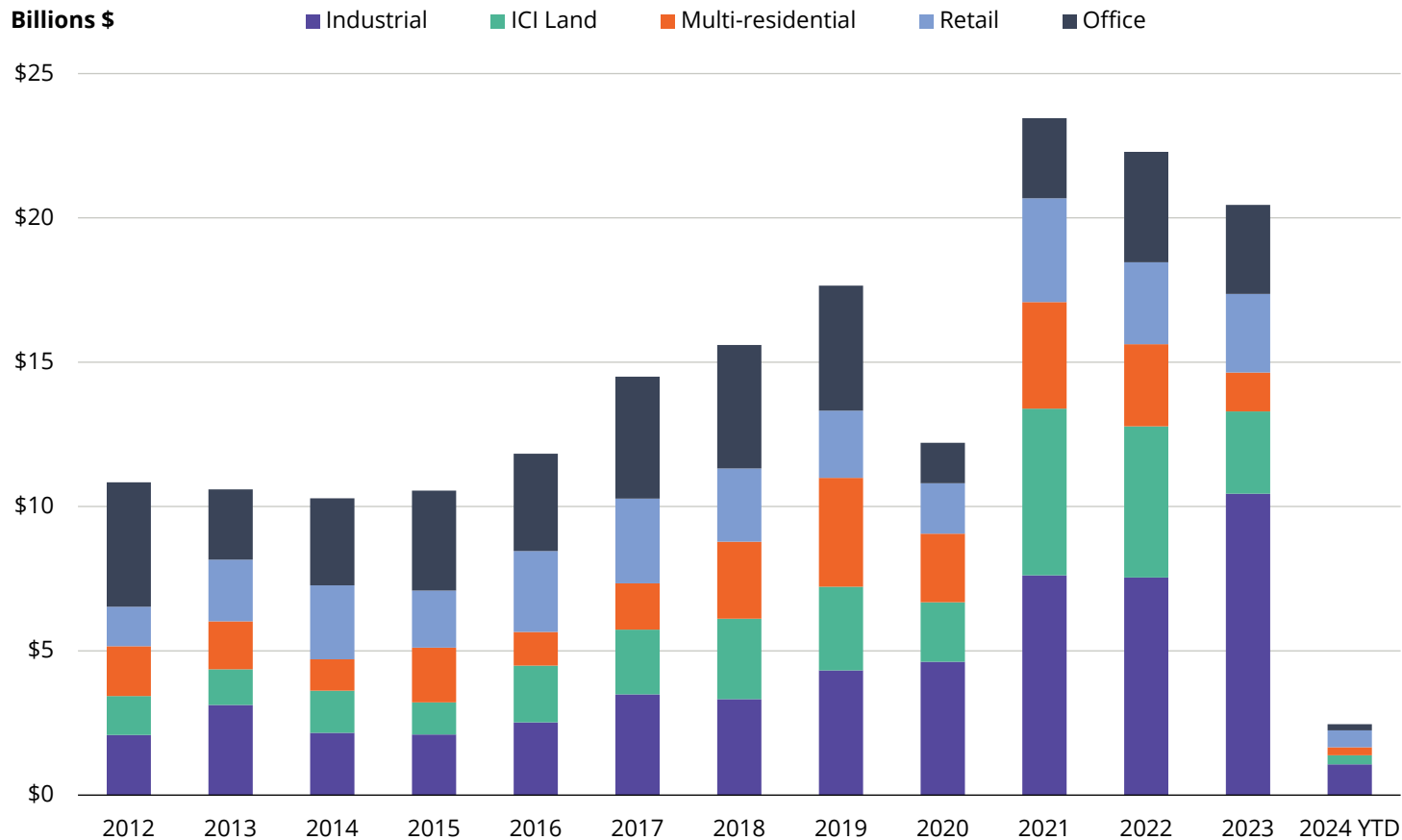
### Global investors explore their options in the GTA

Although no major deals were closed in the GTA during the first quarter, Canadian assets in general – and Toronto assets in particular – continue to draw interest from international investors around the globe.

Canada remains a stable and reliable country that provides a safe environment in which to invest. The devaluation of the Canadian dollar against other major currencies coupled with the willingness of vendors of Canadian real estate to be more realistic in their pricing expectations has attracted a number of international investors to seriously consider entering the Canadian market. Stakeholders and market observers will be watching this trend closely throughout 2024.

# Greater Toronto investment activity

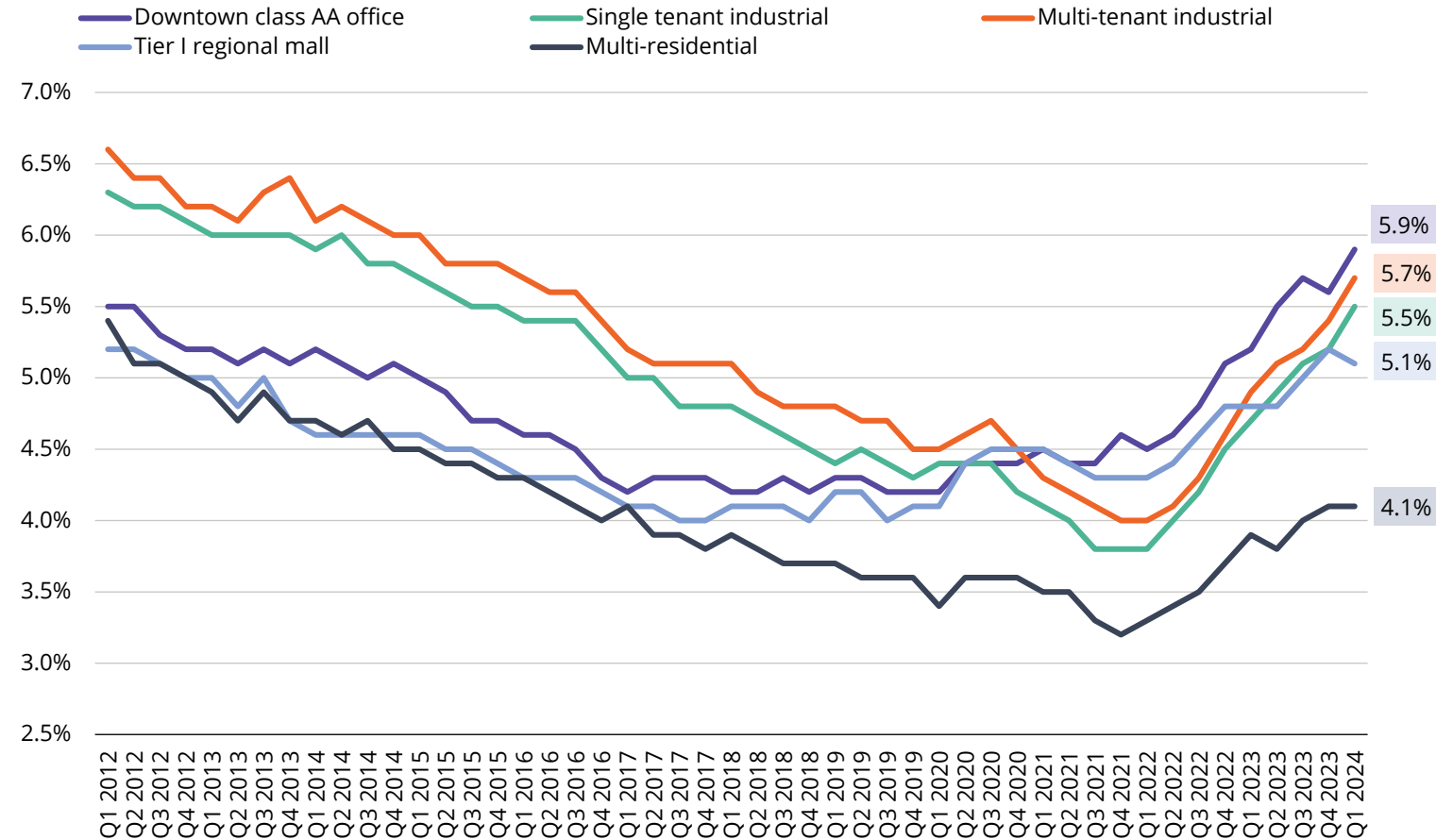
Transaction volume by asset class



**Investment volume was lower than usual in Q1 as some stakeholders may have chosen to delay deals in anticipation of interest rate cuts later in 2024.**

# Greater Toronto investment market indicators

GTA capitalization rate trends



**Cap rates have generally been on an upward trend coming out of the pandemic.**

# Industrial

## Investor demand remains strong as market adjusts

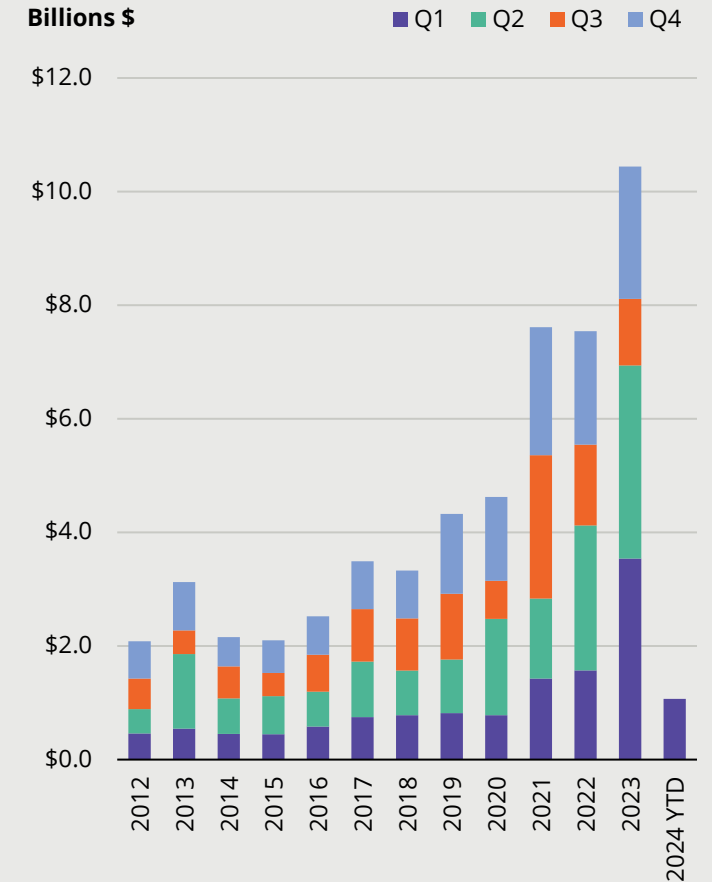
Investment in the industrial sector declined 54% quarter-over-quarter and 70% compared with Q1 2023 to \$1.1 billion during the first quarter of 2024 – nevertheless, representing 43% of the GTA quarterly investment total. It is worth noting that last year’s first-quarter result was boosted significantly by the acquisition of Summit Industrial Income REIT by a joint venture between GIC and Dream Industrial REIT, with the GTA portion of the portfolio changing hands for \$2.3 billion.

Industrial remains the GTA's most-traded asset class by dollar volume. Availability in the leasing market has risen somewhat in recent quarters, but the market remains very tight and far from tipping in tenants’ favour. Although the remarkable rental-rate growth of the past few years has plateaued, meaning that buyers’ underwriting on future increases has become less aggressive, demand for industrial assets continues to be strong.

## Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
297 Rutherford Rd. S., Brampton	West	\$72,500,000 / \$n/a	JM Motors	BentallGreenOak
Fiera Real Estate – Dream Unlimited Portfolio	East	\$71,750,000 / \$226	Dream Unlimited	Fiera Real Estate
240 S. Blair St., Whitby	East	\$67,000,000 / \$230	Rainbow Capital Investments Ltd.	Manulife Investment Management
2385 Meadowpine Blvd., Mississauga	West	\$44,575,000 / \$342	Brookfield Properties	Panattoni Development Company
910 Mid-Way Blvd., Mississauga	West	\$42,000,000 / \$244	ITD Industries Inc.	Panattoni Development Company

## Industrial investment volume



# Retail

## Low supply restricts transaction volume

The GTA's second-most traded asset class by dollar volume during Q1 2024, the retail sector posted \$585 million in quarterly sales – down 48% from the previous quarter and 23% compared with the same quarter last year, but nevertheless representing 24% of total GTA investment volume in Q1.

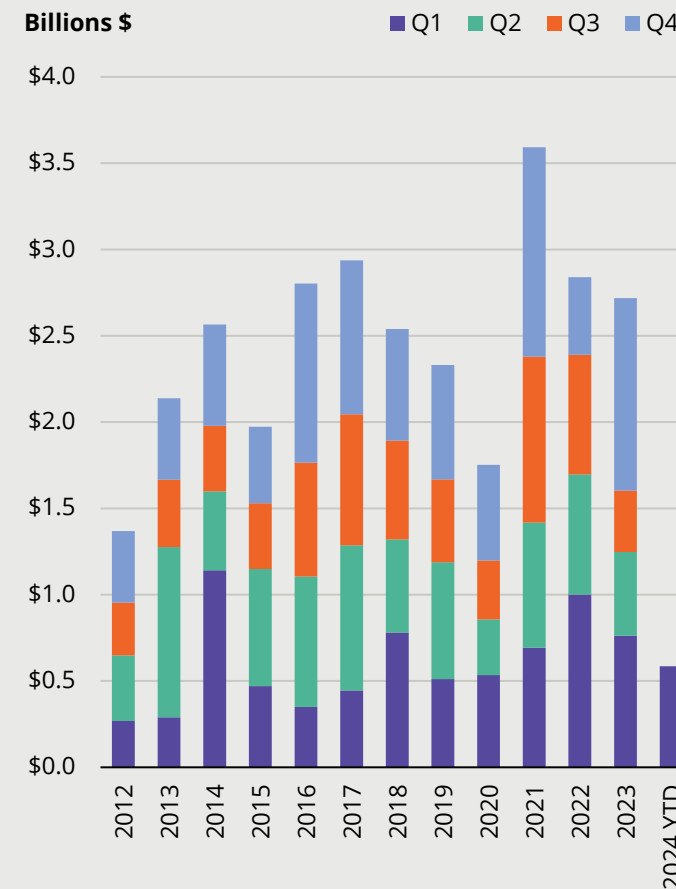
At \$100 million, the sale of a 50% interest in Lawrence Plaza at the corner of Lawrence Ave. W. and Bathurst St. in Toronto was the GTA's largest transaction in any sector during the first quarter.

With very little vacancy, good growth in rental rates and steady cash flow, owners of institutional-grade, grocery-anchored centres are not selling, even though demand from potential buyers is high. In fact, the supply of most types of retail assets coming to the market for sale is quite low. Many owners expect that cap rates are likely to decline along with bond rates over the next year or two – motivating them to hold on to their properties for the present, and slowing down activity in the market.

## Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
Lawrence Plaza (50% interest)	Central	\$100,000,000 / \$739	RioCan REIT	Lawrence Plaza Equities Inc.
Georgetown Market Place	West	\$64,500,000 / \$190	1000688186 Ontario Inc.	I.C.I. Group of Companies
Yonge Davis Centre	North	\$31,032,500 / \$590	Arkfield Capital	First Capital REIT
190 Canam Cres., Brampton	West	\$26,290,000 / \$697	Performance Auto Group	Rafih Auto Group
87 Mulock Dr., Newmarket	North	\$19,300,000 / \$411	14602340 Canada Inc.	AK Mulock Inc.

## Retail investment volume





# ICI land

## Elevated costs challenge owners and buyers alike

ICI land sales accounted for 13% of GTA dollar volume in Q1 2024, as \$312 million in assets changed hands – down 48% quarter-over-quarter and 71% year-over-year.

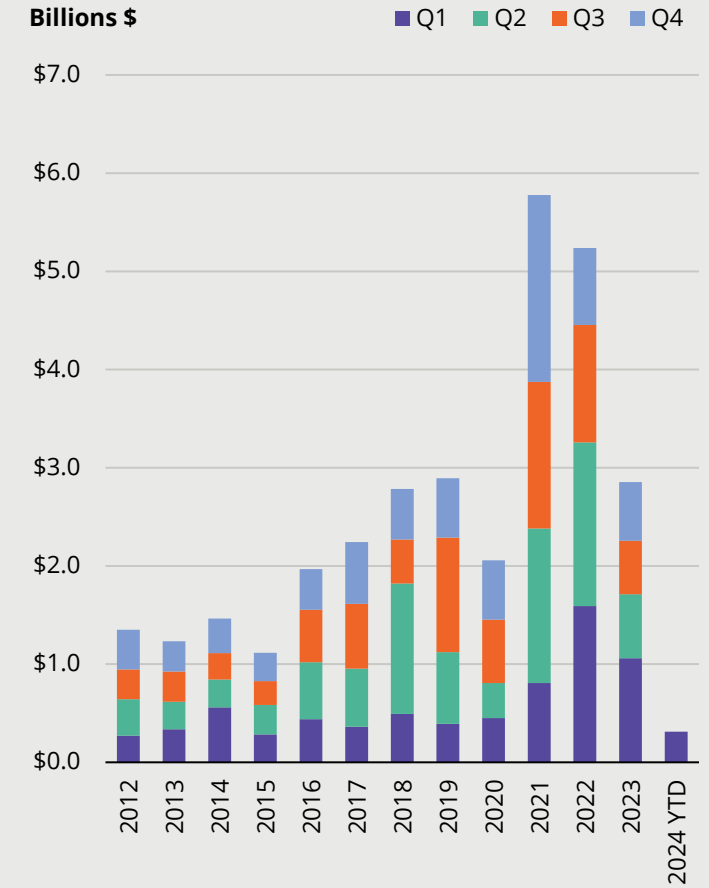
Elevated carrying and development costs (including interest rates, development charges and construction costs) continue to impede deal activity in this asset class, as potential buyers face challenges in determining their financial models for the future performance of any acquisitions.

Further activity in this sector during the coming quarters may be the result if interest rates do not come down quickly enough to satisfy some owners. Some large parcels of land around the GTA may have been purchased in the past few years with low interest rates and high demand for developments expected by the buyers – but both factors have changed since then. As a result, some owners may be increasingly motivated to sell the longer interest rates remain elevated.

## Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
3255 King Vaughan Rd., Vaughan	North	\$45,000,000 / \$1,104,132	Zzen Group of Companies	Calapa Farms Ltd.
Burkholder Dr., Pickering	East	\$20,890,000 / \$5,597,535	Durham District School Board	Lebovic Enterprises / North Pickering Community Management Inc.
Micklefield Ave., Whitby	East	\$20,550,000 / \$5,273,287	Durham District School Board	Heathwood Homes
Coronation Rd., Whitby	East	\$17,735,550 / \$n/a	Durham District School Board	Great Gulf
13242 Tenth Ln., Whitchurch-Stouffville	North	\$16,900,000 / \$122,956	Kingo Golf Club 007 Inc.	Sleepy Hollow Country Club Inc.

## ICI land investment volume



# Multi-residential

## Bid-ask spread hinders market activity

Multi-residential was the GTA's only sector to post a quarter-over-quarter increase in investment during Q1 2024, as sales volume rose 21% to \$278 million, representing 11% of the quarterly total. Nevertheless, the result was down 20% compared with that of Q1 2023.

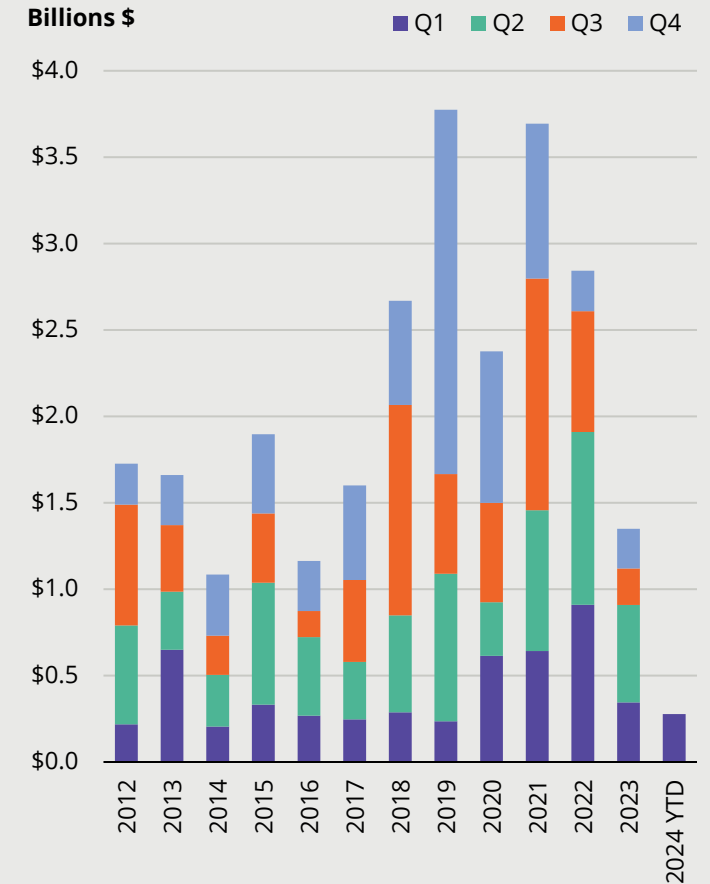
Market fundamentals remain very sound, with high occupancy rates and rental-rate growth; nevertheless, the market is slow at the moment. Although there is no shortage of either demand or supply, the bid-ask

spread remains wide, as owners see multi-residential as a highly reliable and safe investment with inherent value, for which many are unwilling to lower their pricing expectations. Meanwhile, potential buyers may be using available cash to shore up other areas of their portfolios, or held back from investing in multi-residential real estate by the high cost of money relative to their return expectations and other investment options available in the current high interest-rate environment.

## Significant sale transactions

Address	District	Sale price / \$ per unit	Buyer	Seller
3385 Dundas St. W., Toronto	Central	\$88,000,000 / \$671,756	Realstar Group	Terra Firma Homes
15 Summerland Terr., Toronto	Central	\$79,350,000 / \$472,321	Tridel	Oxford Properties
41 River St., Toronto	Central	\$26,200,000 / \$903,448	Roland Real Estate Ltd.	Forty-One River Street (GP) Inc.
25 Lorne Ave., Newmarket	North	\$16,750,000 / \$250,000	Lankin Investments	Pinevalley Apartments Ltd.
200 Garden St., Whitby	East	\$11,950,000 / \$234,314	Whitby Mary Apartments Ltd.	Gardwhit Holdings Inc.

## Multi-residential investment volume



# Office

## Users and private investors capitalize on opportunities

Investment volume in the office sector declined 28% quarter-over-quarter and 63% year-over-year to \$217 million in Q1 2024 – at just 9% of the GTA's overall investment volume, this was the least-traded asset class of the first quarter.

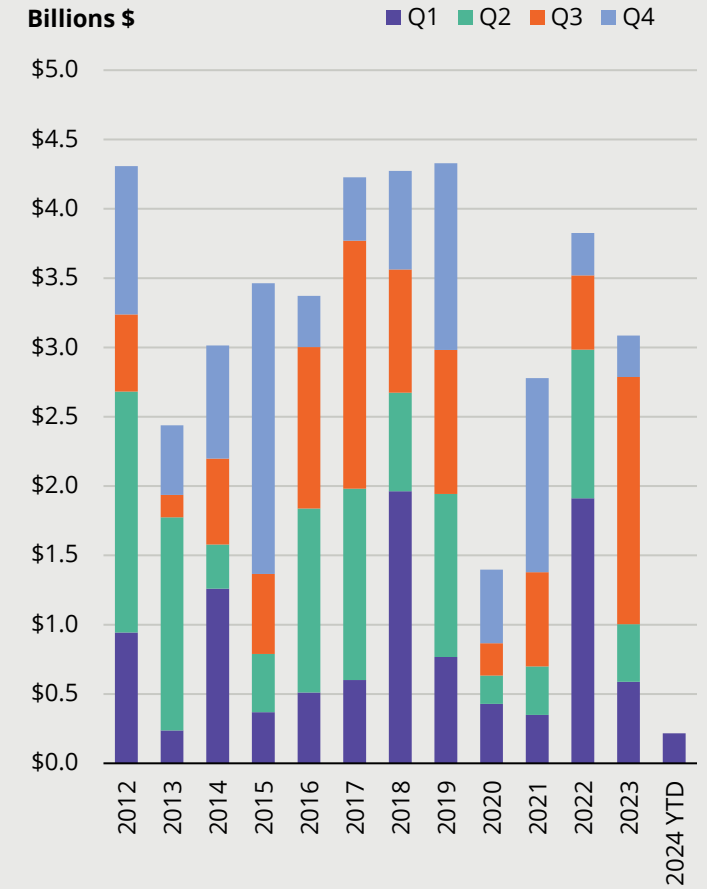
Despite the slow first quarter, liquidity and deal activity in the office sector have continued thus far in 2024, with volume in April already exceeding the first-quarter total.

Bid-ask spreads between buyers and sellers are generally narrower than for other asset types as both sides have found it possible to be realistic in their expectations. With institutional investors sitting on the sidelines, there are opportunities for private investors and user groups, who made up the entire buyer pool for GTA office assets during the first quarter, accounting for 74% and 26% of dollar volume, respectively.

## Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
70 York St., Toronto (leasehold and freehold interest)	Downtown	\$65,000,000 / \$335	KingSett Capital	Anbang Insurance Group
180 Duncan Mill Rd., Toronto	East	\$28,100,000 / \$194	Kingo (Duncan Mill) Development Corp.	180 Duncan Mill Corp.
2655 N. Sheridan Way, Mississauga	West	\$25,600,000 / \$162	Crown Realty Partners	Slate Asset Management / Wafra Inc.
Flatiron Building, Toronto	Downtown	\$15,400,000 / \$790	Lee Chow Group	The Commercial Realty Group
11 Indell Ln., Brampton	West	\$11,925,000 / \$365	Sunbelt Rentals	Indell Corp.

## Office investment volume



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