

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 away from the viewer towards the right side of the frame.

Greater Toronto investment review

Q2 2024

**AVISON
YOUNG**

Greater Toronto market fundamentals

\$4.3B

total commercial real estate investment volume during Q2 2024
down 23% compared with Q2 2023

237

number of Q2 2024 industrial asset sales
39% of total transactions

\$520M

total office investment volume during Q2 2024
up 25% compared with Q2 2023

3,467

acres of ICI land sold during Q2 2024 across the Greater Toronto Area (GTA)
up 112% compared with Q2 2023

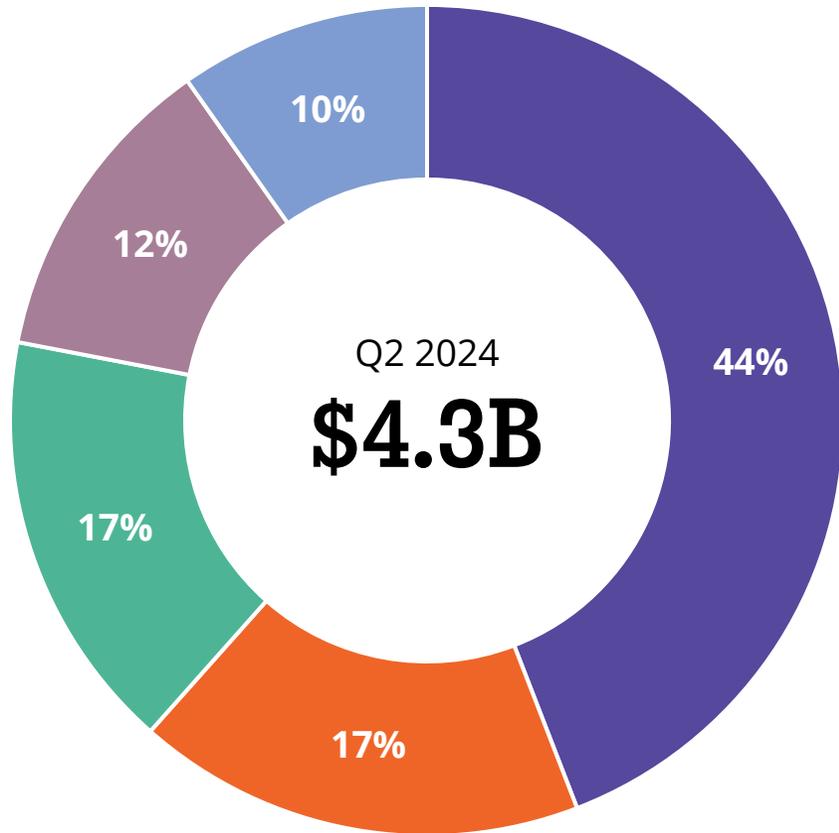
4.2%

average capitalization rate for multi-residential assets
up 40 bps year-over-year

\$364

average sale price per square foot (psf) for industrial assets across the GTA
up \$4 year-over-year

Greater Toronto investment activity



	Q2 2024	Q1 2024	Q2 2023
Industrial	\$1.9B	\$1.1B	\$3.4B
ICI Land	\$740M	\$312M	\$652M
Retail	\$700M	\$585M	\$484M
Office	\$520M	\$217M	\$415M
Multi-Residential	\$414M	\$278M	\$563M
Total	\$4.3B	\$2.5B	\$5.5B

Investment market trends

01

Quarterly uptick still falls short of long-term average volume

Overall investment volume in the GTA was \$4.3 billion in Q2 2024 – up 73% quarter-over-quarter but down 23% compared with Q2 2023. This result is a notable improvement over last quarter, but still below 2023's quarterly investment volume average of \$5.1 billion. The overall first-half total of \$6.7 billion represents a decline in volume of 43% compared with first-half 2023.

Some potential vendors and purchasers continued to delay deals under consideration during the second quarter, in anticipation of interest-rate cuts by the Bank of Canada, which ultimately began to take place in June.

02

Investors remain cautious despite improving conditions

The investor community remained cautious through the second quarter of 2024, as uncertainty continued to surround capital liquidity and interest-rate expectations. Although rate cuts did begin in June, the impact on second-quarter investment volume was minimal and potential buyers are still keeping an eye on inflation numbers and their potential impact on the Bank of Canada's plans for further reductions in interest rates.

Buyers are still holding a considerable amount of "dry powder" as they wait on the sidelines in the hope that economic conditions will continue to improve. Private investors, in particular, have begun to show signs of increased activity, while institutional buyers remain quieter.

03

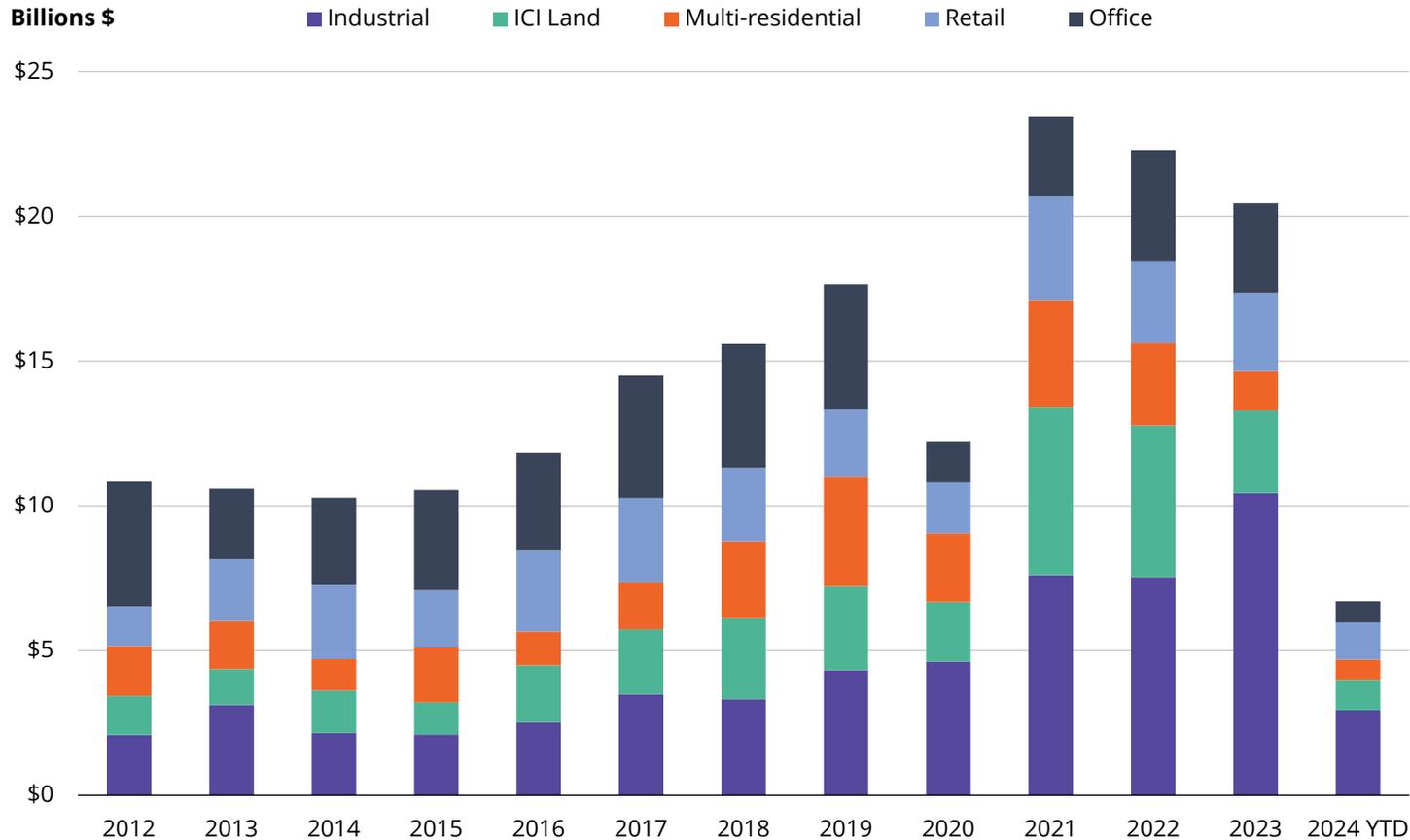
Number of distress sales rises, but total value falls

Although still relatively rare, distressed asset sales across the GTA have grown in number through the first half of 2024 – with nine having taken place in the first quarter and 14 in the second, the first-half total of 23 such transactions already exceeds 2023's full-year total of 21.

The total value of distress sales, however, is down thus far in 2024 (\$89.1 million compared with \$96.2 million in first-half 2023 and \$255.5 million in all of 2023). Despite the challenging interest-rate environment of recent years, distress sales have remained relatively scarce and the assets involved have mainly been at the lower end of the value range.

Greater Toronto investment activity

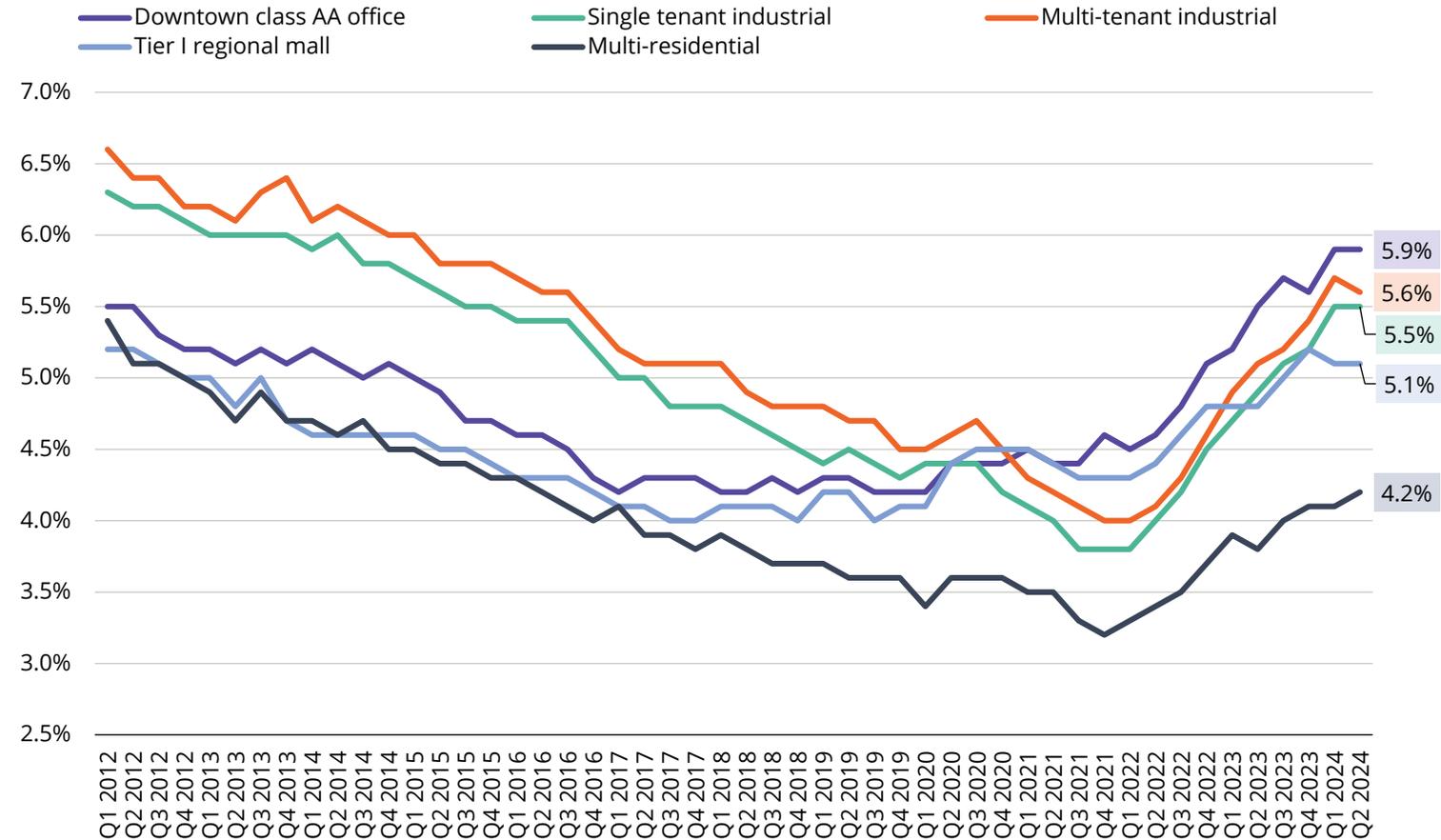
Transaction volume by asset class



Investment volume remained below average in Q2 as deals continued to be delayed in anticipation of further interest rate cuts.

Greater Toronto investment market indicators

GTA capitalization rate trends



Multi-tenant industrial was the GTA's only asset type to post cap rate compression during Q2.

Industrial

Demand from buyers still strong despite rising availability

Investment in the industrial sector rose 76% quarter-over-quarter but was down 45% compared with Q2 2023, as \$1.9 billion in sales took place during the second quarter of 2024 – representing 44% of the GTA quarterly investment total. The sector’s GTA-leading first-half total of \$2.9 billion nevertheless trailed last year’s \$6.9-billion first-half result by 58%.

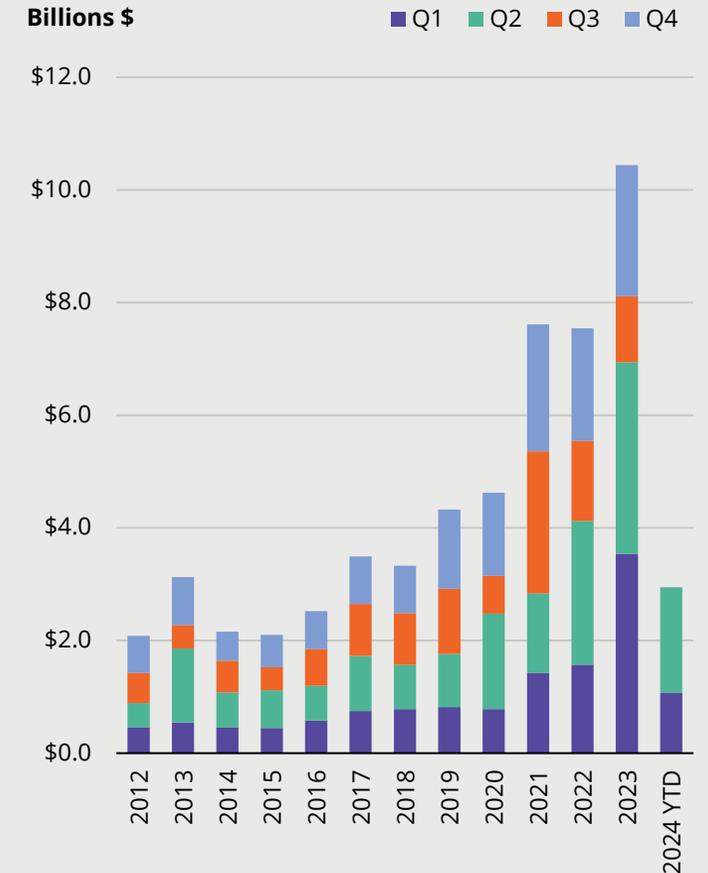
Industrial was once again the GTA's most-traded asset class by dollar volume during the second quarter. The remarkable rental-rate growth of the past few years has plateaued, but rents have still more than doubled in the past five years, so demand for industrial assets continues to be strong from both investors and users.

Although availability in the leasing market has risen in recent quarters, the market remains tight and far from tipping in tenants’ favour. Nevertheless,

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
AIMCo – Pure Industrial Portfolio	East / West	\$149,350,000 / \$249	Pure Industrial	AIMCo
2600 North Park Dr., Brampton	West	\$110,000,000 / \$332	1000144109 Ontario Inc.	Oxford Properties Group
445-465 Milner Ave. & 50-70 Novapharm Ct., Toronto	East	\$60,100,000 / \$322	KOLT Investments	GWL Realty Advisors
CanFirst – Dream GTA Portfolio	West / North	\$56,810,000 / \$220	Dream	CanFirst Capital Management
27 Automatic Rd., Brampton	West	\$52,500,000 / n/a	Lion Force Transport Inc.	BVD Group

Industrial investment volume



ICI land

Buyers and owners come up against elevated costs

ICI land sales accounted for 17% of GTA dollar volume in Q2 2024, as \$740 million in assets changed hands – up 137% quarter-over-quarter and 14% year-over-year. Year-to-date, the sector’s total of \$1.1 billion in sales volume was down 39% compared with the same period in 2023.

Deal activity in the ICI land sector continues to be hindered by elevated carrying and development costs (including interest rates, development charges and construction costs).

Although interest rates have begun to decrease, some owners who purchased large parcels with high carrying costs under better economic conditions and amid higher demand for development may nevertheless be increasingly motivated to sell. In the meantime, transaction activity for ICI land parcels in the GTA remains comparatively muted relative to the elevated levels recorded a few years ago.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
Torbram Rd., Mississauga	West	\$84,670,000 / \$4,786,591	Pearson International Fuel Facilities Corp.	K.S.P. Holdings Inc.
5122 First Line, Milton	West	\$55,638,000 / \$1,101,961	Tribal Partners	822404 Ontario Inc.
5749 Regional Rd. 30, Uxbridge	East	\$42,000,000 / \$206,704	1000770730 Ontario Inc.	Lucky Blossom Investments Ltd.
13523 & 13689 Torbram Rd., Caledon	West	\$41,750,000 / \$227,434	2696919 Ontario Inc.	Private individual(s)
11953 Creditview Rd., Brampton	West	\$37,200,000 / \$3,439,349	MG Mayfield Creditview Development Inc.	Creditview Enterprises Inc.

ICI land investment volume



Retail

Retail asset class alone in posting growth in first-half sales

During Q2 2024, the retail sector posted \$700 million in quarterly sales – up 20% from the previous quarter and 45% compared with the same quarter last year, and representing 17% of total GTA investment volume in Q2. The retail sector’s \$1.3-billion first-half investment total in 2024 represents a 3% increase year-over-year – making this the only asset class to post growth in first-half investment volume.

Grocery-anchored or other necessity-based centres remain in high demand from potential buyers, but very few owners are willing to part with these reliable and desirable assets. The quarter’s five largest transactions included smaller neighbourhood centres (not grocery-anchored), a recreation facility and a user purchase of a 39,000-square-foot unit at the base of a residential condo tower in downtown Toronto.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
1224 Dundas St. E., Mississauga	West	\$55,300,000 / \$272	Soneil Investments	AIMCo
1443 Denison St., Markham	North	\$29,200,000 / \$426	Can Sports Centre	Remington Group
102 Peter St., Toronto	Central	\$26,500,000 / \$679	Bestco Fresh Foods	Graywood Developments
257-319 Kingston Rd. E., Ajax	East	\$25,580,000 / \$360	Novista Holdings Inc.	Gripmore Tires Inc.
16925 Yonge St., Newmarket	North	\$21,500,000 / \$512	16925 Yonge Investment Inc.	Invivo Investments Ltd.

Retail investment volume



Office

Narrowing bid-ask spread facilitates transaction activity

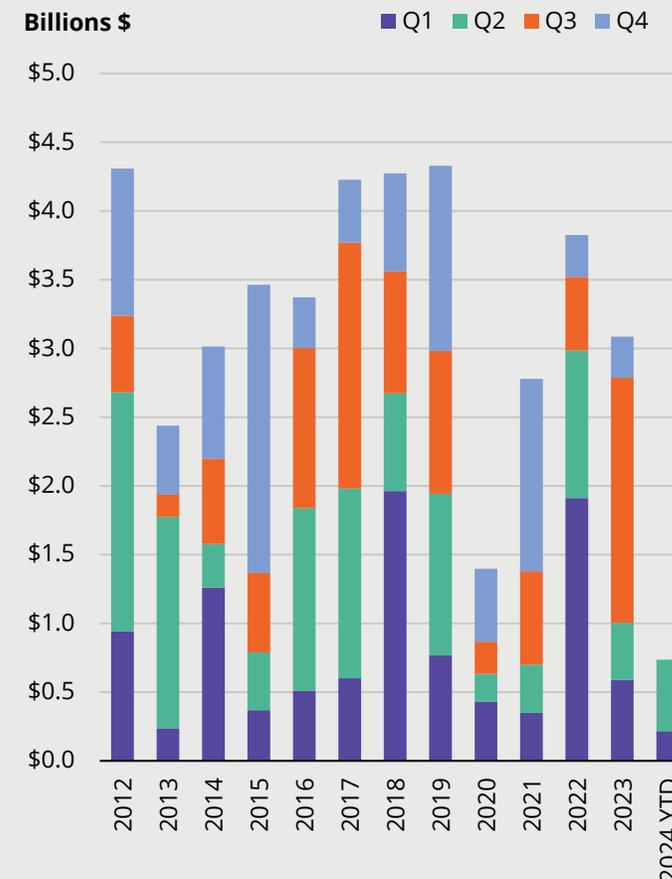
After a slow first quarter, investment volume in the office sector jumped 140% quarter-over-quarter and 25% year-over-year to \$519 million in Q2 2024 – accounting for 12% of the GTA's overall investment volume during the quarter. With \$736 million in transactions during the first half of the year, investment volume in the office sector was down 27% compared with the same period in 2023.

Bid-ask spreads between buyers and sellers have continued to narrow as both sides have found it possible to be realistic in their expectations. In some cases, assets are trading below replacement cost, and these circumstances are creating some potential opportunities for entrepreneurial investors either to repurpose or upgrade office space to meet the requirements of today's users.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
25 Dockside Dr., Toronto	Downtown	\$232,500,000 / \$480	George Brown College / Halmont Properties Corp.	H&R REIT
199 Four Valley Dr., Vaughan	North	\$35,000,000 / \$349	199 Four Valley Nominee Ltd.	Artis REIT
110 Sheppard Ave. E., Toronto	North	\$29,000,000 / \$179	Minett Capital	Beneva Inc.
624 King St. W., Toronto	Downtown	\$18,000,000 / \$994	2371181 Ontario Inc.	624 King St. W. Holdings Inc.
5100 Spectrum Way, Mississauga	West	\$17,300,000 / \$235	Voyzant Inc.	Switch Health

Office investment volume



Multi-residential

Transaction activity slowed by ongoing bid-ask spread

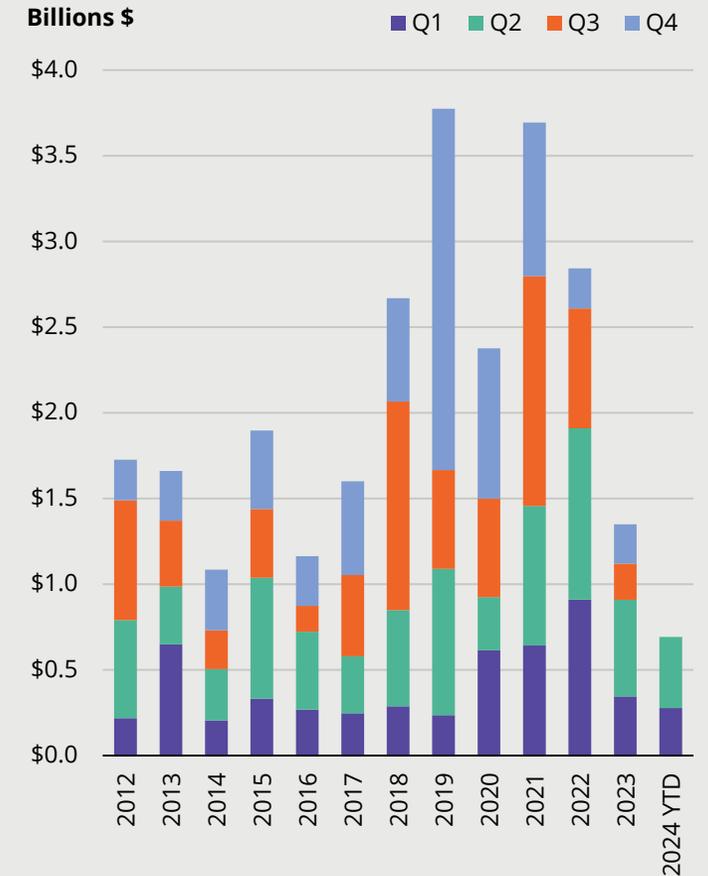
Multi-residential investment during Q2 2024 rose 49% quarter-over-quarter to \$414 million, but was down 26% compared to the same quarter last year. The figure represents 10% of the quarterly total, making this the GTA's least-traded asset class of the quarter. Year-to-date, the sector's total of \$909 million in investment is 24% below the same period in 2023.

Despite the market declining year-over-year, there is the expectation that activity will continue to increase throughout the second half of 2024. The prospect of declining interest rates and strong underlying fundamentals are bringing many investors back into the market, bridging the spread between owners' and investors' price expectations.

Significant sale transactions

Address	District	Sale price / \$ per unit	Buyer	Seller
2000 - 2012 Sheppard Ave. W., Toronto	Central	\$101,000,000 / \$315,625	QMW	Fisher-Kay Ltd.
1236 Birchmount Rd., Toronto (50% interest)	Central	\$52,288,595 / \$458,672	KingSett Capital	Birchmount Green Inc.
Kelvingrove & Glen Leven Apartments, Toronto	Central	\$38,250,000 / \$329,741	Paradise Developments	Realstar Group
1640 Lawrence Ave. W., Toronto	Central	\$25,880,000 / \$275,319	Lankin Investments	1640 Lawrence Avenue West Inc.
71 Parkwoods Village Dr., Toronto	Central	\$22,250,000 / \$274,691	Pulis Investments	Rimark Apartments Ltd.

Multi-residential investment volume



For more market insights and
information visit **avisonyoung.ca**

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