

A photograph of a city street, likely in Toronto, featuring a red and white tram on a dedicated track. 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

Q3 2024

**AVISON
YOUNG**

Greater Toronto market fundamentals

\$3.1B

total commercial real estate investment volume during Q3 2024
down 24% compared with Q3 2023

116

number of Q3 2024 industrial asset sales
38% of total transactions

\$287M

total office investment volume during Q3 2024
down 84% compared with Q3 2023

1,000

acres of ICI land sold during Q3 2024 across the Greater Toronto Area (GTA)
down 22% compared with Q3 2023

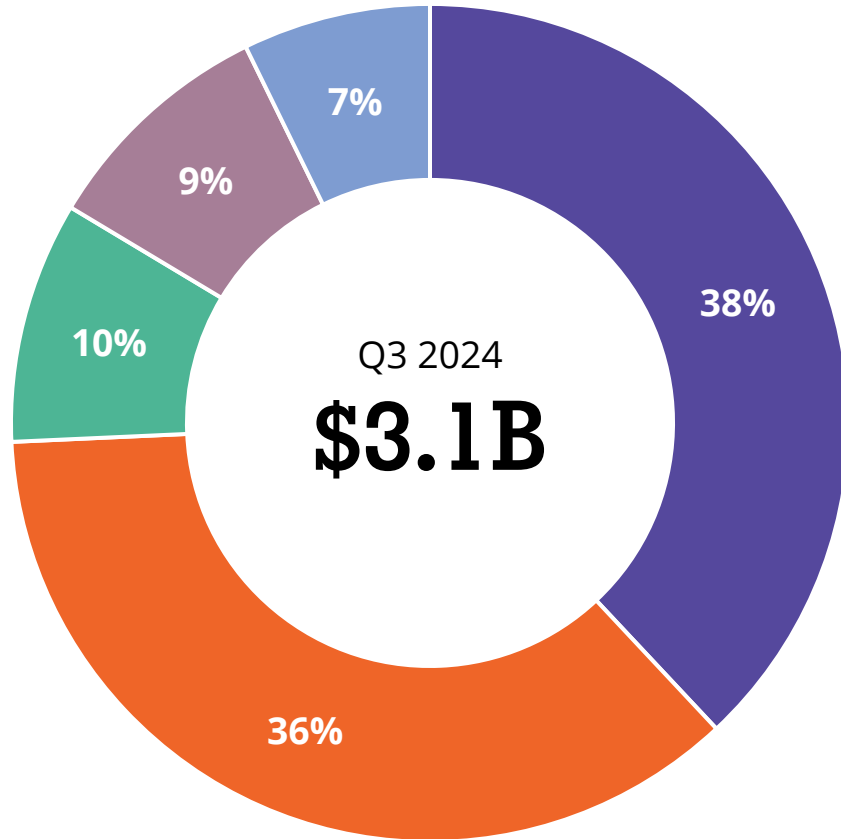
4.2%

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
down \$1 year-over-year

Greater Toronto investment activity



	Q3 2024	Q2 2024	Q3 2023
Industrial	\$1.2B	\$1.9B	\$1.2B
Multi-Residential	\$1.1B	\$414M	\$211M
Office	\$287M	\$520M	\$1.8B
Retail	\$281M	\$700M	\$356M
ICI Land	\$223M	\$740M	\$544M
Total	\$3.1B	\$4.3B	\$4.1B

Investment market trends

01

Deal and investment volumes remain below recent averages

Overall investment volume in the GTA was \$3.1 billion in Q3 2024 – down 28% quarter-over-quarter and 24% compared with Q3 2023. The overall year-to-date total of \$9.8 billion represents a decline in volume of 38% compared with the same period in 2023. At just under \$3.3 billion, the quarterly average investment volume thus far in 2024 is the lowest recorded since 2020 (\$3.1 billion).

After a busy second quarter in which more than 600 transactions were completed across the GTA, the third quarter was much quieter, with only half as many deals taking place.

02

Bid-ask spread not yet resolved by falling interest rates

Despite the Bank of Canada interest rate having fallen 125 bps since June, a bid-ask spread remains between buyers and sellers. Many potential buyers have considerable capital available to deploy, but are still waiting for rates to decline further. Ongoing decreases in interest rates are expected to result in more investment activity in coming quarters.

Along with the expectation of further rate decreases in the near term, other factors holding back investment volume include volatility in bond yields – rendering financing costs more difficult to predict and model – and uncertainty around the longer-term impacts of the recent U.S. election result on inflation and interest rates.

03

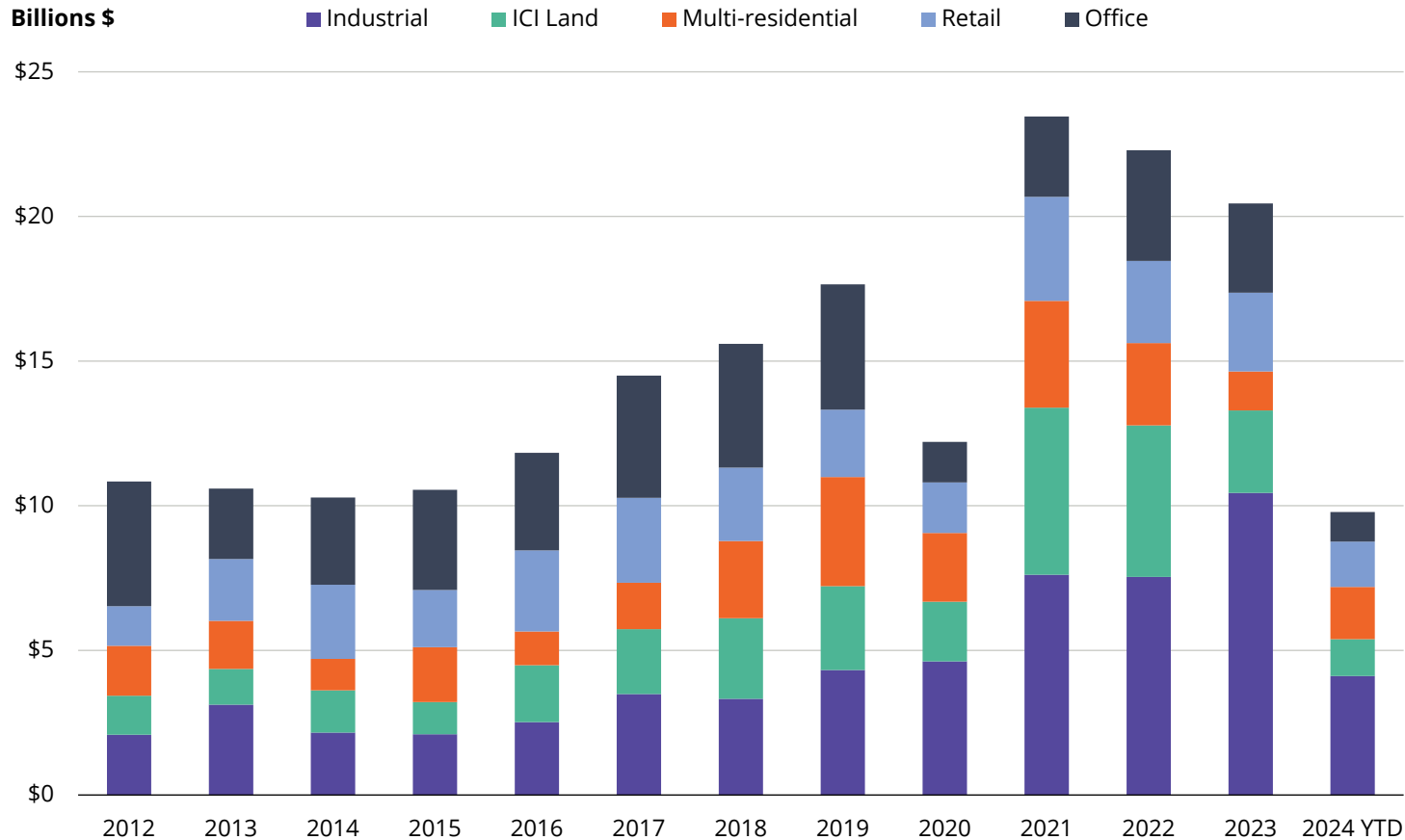
Distress sales up, but still not a significant percentage of deals

Distressed asset sales volumes across the GTA continued to grow through the third quarter of 2024, as 14 properties totalling \$71.6 million in value changed hands (up from \$49.7 million for the same number of sales in Q2). The year-to-date total of 37 such transactions already exceeds 2023's full-year total of 21. At \$160.8 million, total year-to-date volume of these sales was 18% higher than the same period last year.

Despite the challenging market conditions and the uptick in distressed-asset sales volume, these situations have remained relatively scarce (accounting for only 3% of the number of transactions and 2% of investment volume through three quarters of the year).

Greater Toronto investment activity

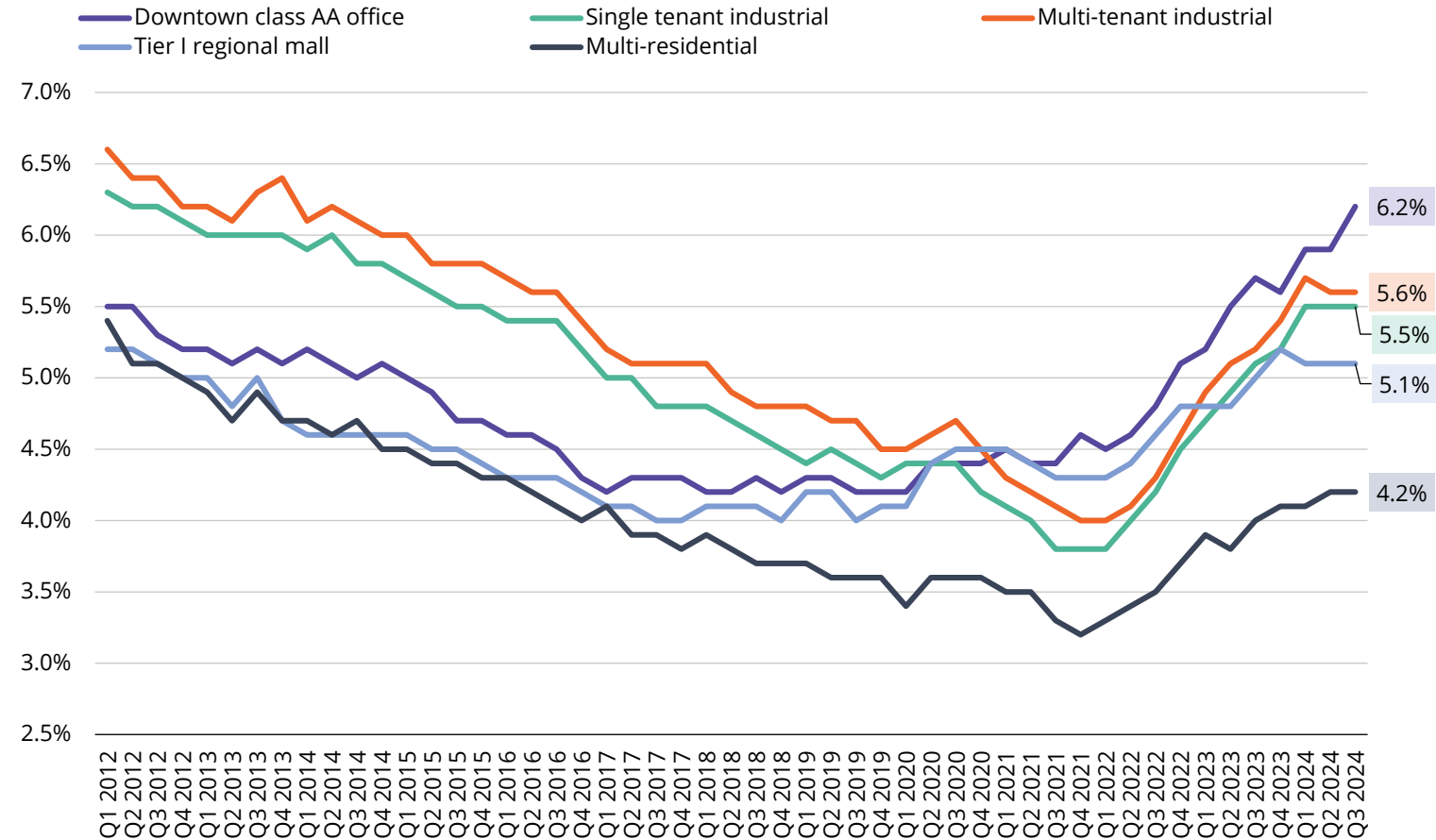
Transaction volume by asset class



Investment volume through three quarters of 2024 continues to lag behind recent years' levels.

Greater Toronto investment market indicators

GTA capitalization rate trends



Cap rates were flat quarter-over-quarter for all assets except office, which increased 30 bps.

Industrial

Industrial remains top-of-mind, but year-to-date volume down nearly half

Investment in the industrial sector declined 38% quarter-over-quarter but was flat compared with Q3 2023, as \$1.2 billion in sales took place during the third quarter of 2024 – representing 38% of the GTA quarterly investment total. Although this remains the GTA’s most-traded asset class, the sector’s year-to-date total of \$4.1 billion trailed last year’s \$8.1-billion first-half result by 49%.

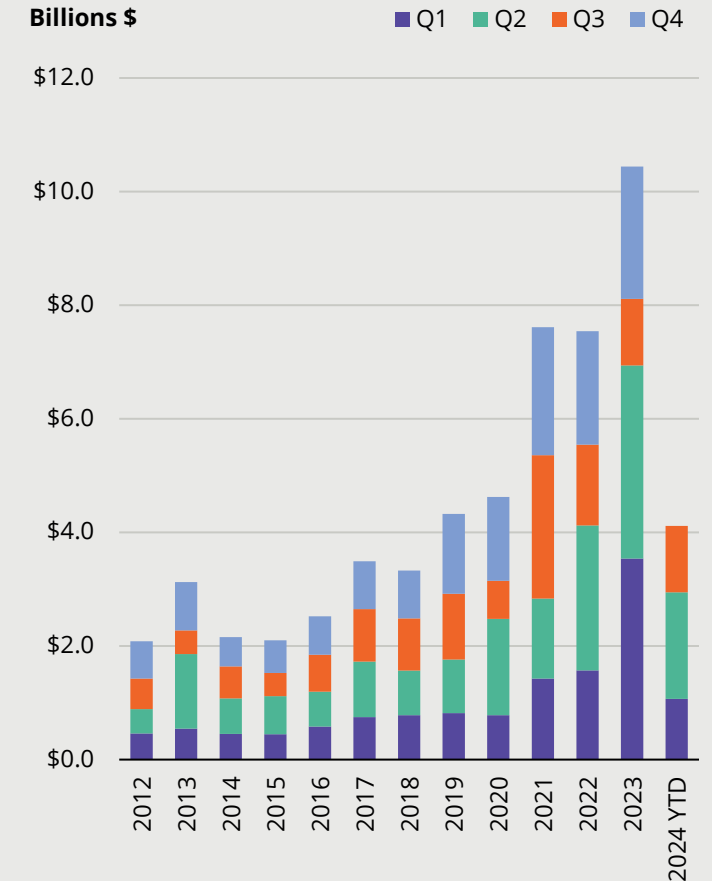
Despite availability having increased slightly and a slackening in rental-rate growth, the industrial sector

remains very active and in demand with plenty of investor capital available – but fewer top-quality assets offered for sale than in recent years as some vendors are holding their assets to await the return of higher pricing. The scarcity of small-bay units for lease has resulted in greater demand from would-be buyers in that size range, while even large-bay buildings may sell more easily if they can readily be demised into smaller units.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
8450 Boston Church Rd., Caledon	West	\$361,000,000 / \$264	Prologis	Sycamore Partners
6941 Kennedy Rd., Mississauga (50% interest)	West	\$89,600,500 / \$252	Crestpoint Real Estate	Shoppers Realty Inc.
150 & 156 Duncan Mill Rd., Toronto	Central	\$71,500,000 / \$310	StorageVault Canada Inc.	Ruth Reisman Ltd.
1575 South Gateway Rd., Mississauga	West	\$52,530,042 / \$326	Enticor Properties Inc.	KingSett Capital
261 Abbotside Way, Caledon	West	\$48,585,000 / \$350	DH Management	GWL Realty Advisors

Industrial investment volume



Multi-residential

Quarterly volume boosted by two large portfolio sales

At \$1.1 billion, multi-residential investment during Q3 2024 was up 169% quarter-over-quarter and an impressive 429% compared to the same quarter last year. The figure represents 36% of the GTA's quarterly total. Year-to-date, the sector's total of \$1.8 billion in investment is 61% above the same period in 2023 – making this the only asset class to post an increase year-over-year.

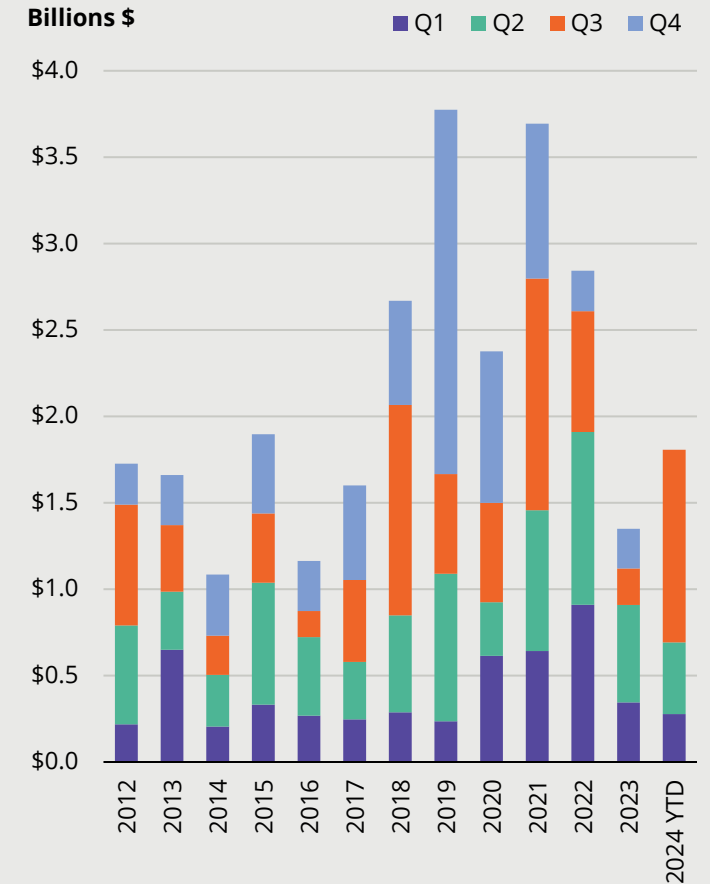
The increase in investment volume during Q3 was supported by the sale of two large, institutional-

quality portfolio transactions. Nevertheless, capital that has spent the last two years on the sidelines is moving back into the market in response to lower interest rates. As interest-rate drops continue, the market has the potential to achieve levels of investment activity closer to historical norms during the fourth quarter and going into 2025.

Significant sale transactions

Address	District	Sale price / \$ per unit	Buyer	Seller
Greenrock – Brookfield Portfolio	Central	\$437,184,000 / \$368,000	Brookfield Properties	Greenrock Property Management
Oxford – Starlight Portfolio	Central	\$216,300,000 / \$350,000	Starlight Investments	Oxford Properties Group
CAPREIT – Park Vista Holding Portfolio	Central	\$133,000,000 / \$360,434	Two / Six Eight / Seven Park Vista Holding Ltd.	CAPREIT
Blackstone / Starlight – Equiton Portfolio	Central	\$130,200,000 / \$376,301	Equiton	Blackstone / Starlight Investments
6509 Glen Erin Dr., Mississauga	West	\$79,500,000 / \$243,865	Minto Group	CSH Heritage Glen Inc.

Multi-residential investment volume



Office

Investment activity remains slow as institutional capital still absent

After a busier second quarter, investment volume in the office sector fell 45% quarter-over-quarter and 84% year-over-year to \$287 million in Q3 2024 – accounting for 10% of the GTA’s overall investment volume during the quarter. With \$1 billion in transactions through three quarters of the year, investment volume in the office sector was down 63% compared with the same period in 2023.

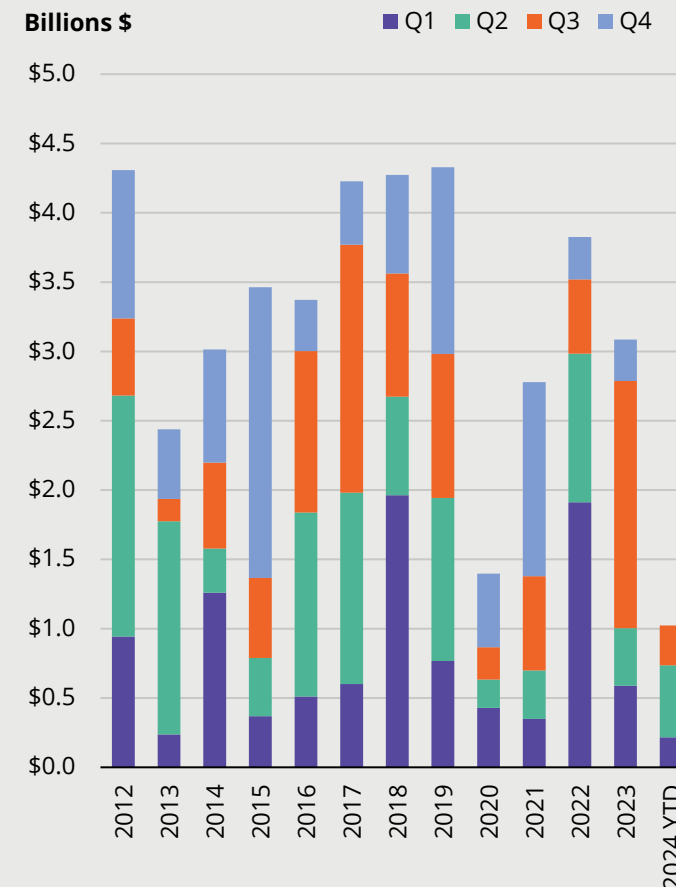
Institutional capital has yet to return to the market in a significant way. Private investors and users are

prepared to look at the right assets at the appropriate price, while availability of financing remains both asset- and borrower-specific. Suburban buildings are the most in demand from users – particularly fully vacant ones – but despite elevated vacancy rates in the office leasing market, very few buildings are actually fully vacant. Investors, meanwhile, are looking for buildings whose tenants have already “right-sized” to mitigate risk to future revenue.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
3600 Steeles Ave. E., Markham	North	\$115,000,000 / \$134	Triple Properties Inc.	IBM Canada
1900 & 1908 Ironoak Way, Oakville	West	\$35,250,000 / \$347	Binscarth Holdings LP	Carttera
LaSalle – Bellridge Portfolio	West	\$28,900,000 / \$112	Bellridge Capital	LaSalle Investment Management
10 Lower Spadina Ave., Toronto	Downtown	\$23,700,000 / \$396	Arkfield	Dream Impact Trust
2330 Kennedy Rd., Toronto	East	\$18,000,000 / \$174	1000936394 Ontario Inc.	1660866 Ontario Inc.

Office investment volume



Retail

Lack of willing sellers inhibits investment volume

During Q3 2024, the retail sector posted \$281 million in quarterly sales – down 60% from the previous quarter and 21% compared with the same quarter last year, and representing 9% of total GTA investment volume in Q3. The retail sector’s \$1.6-billion investment total for the first three quarters of 2024 represents a 2% decrease year-over-year.

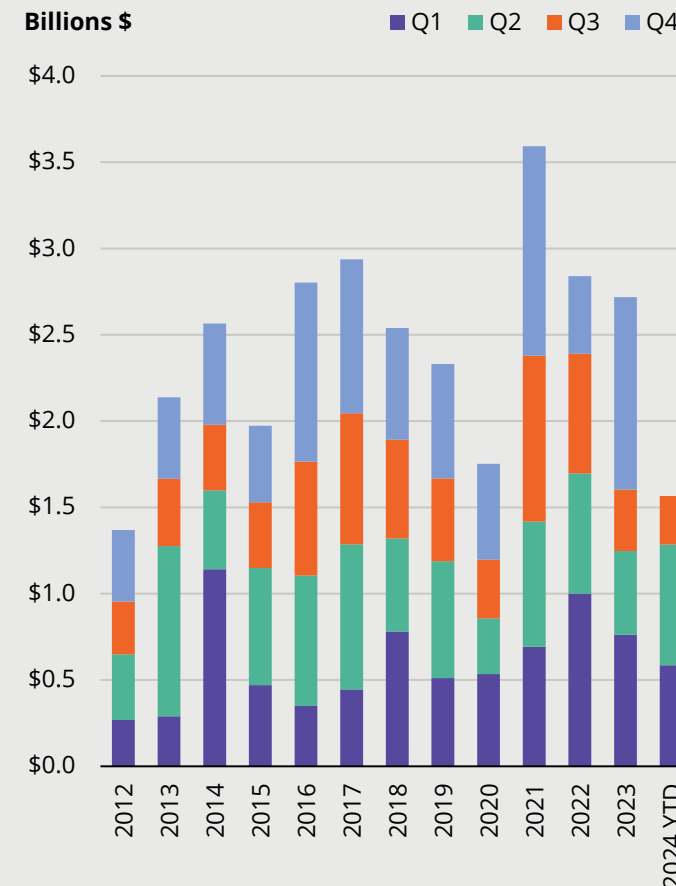
Purchaser interest in this asset class is currently higher than it has been for a number of years. Grocery-anchored or other necessity-based centres, in

particular, remain in high demand from potential buyers, but with solid fundamentals and growing rental rates in the leasing market, very few owners are willing to part with these reliable and desirable properties – keeping investment volume low for the time being. In addition to reliable holding income, well-located retail plaza assets are also prized for the longer-term redevelopment potential they offer.

Significant sale transactions

Address	District	Sale price / \$ psf	Buyer	Seller
2025-2027 Kipling Ave., Toronto	Central	\$20,000,000 / \$354	TESCO Building Supplies	Canadian Tire Corp.
300 Queen St. E., Brampton	West	\$18,250,000 / \$522	1000830866 Ontario Inc.	Lamco Inc.
7666, 7670 & 7690 Yonge St., Vaughan	North	\$14,000,000 / \$551	2474411 Ontario Inc.	Angerman Holdings Inc.
49 Baseball Pl., Toronto	Central	\$10,803,499 / n/a	1000881663 Ontario Inc.	77 & 79 EDR Inc.
431-433 Yonge St., Toronto	Central	\$10,000,000 / \$1,117	1000824718 Ontario Inc.	2769613 Ontario Inc.

Retail investment volume



ICI land

Lack of clarity on costs and leasing demand hinders investment activity

ICI land sales accounted for 7% of GTA dollar volume in Q3 2024, as \$223 million in assets changed hands – down 70% quarter-over-quarter and 59% year-over-year. Year-to-date, the sector’s total of \$1.3 billion in sales volume was down 43% compared with the same period in 2023.

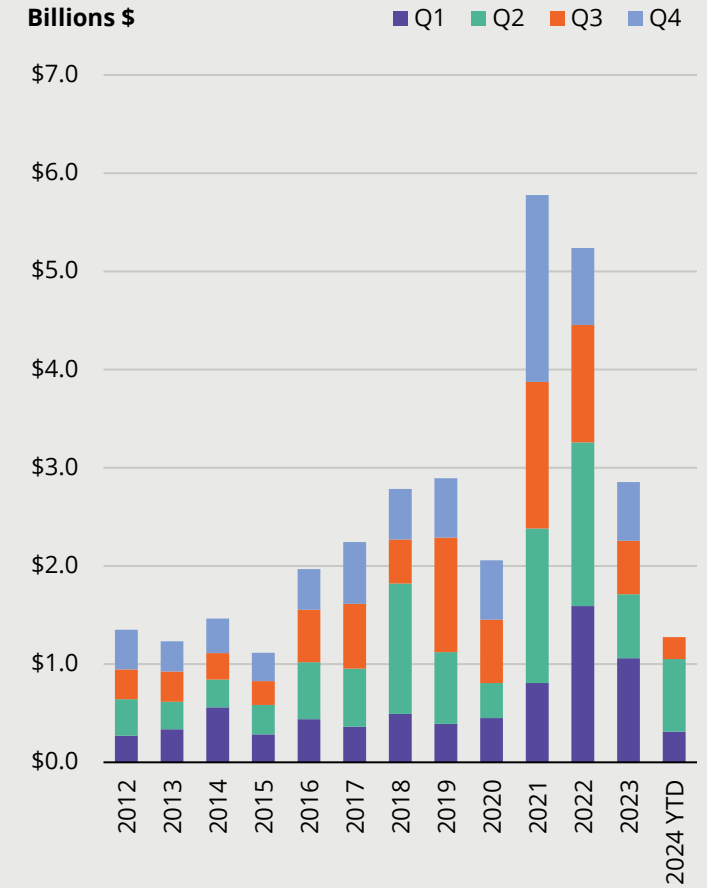
Deal activity in the ICI land sector continues to be hindered by elevated carrying and development costs (including interest rates, development charges and

construction costs). This situation is expected to persist while it remains unclear when demand in most sectors will warrant development, given the costs and the risks, along with the difficulty of securing financing and projecting returns on investment. Buyer demand in the ICI land sector is very sensitive to small changes in interest rates. In the meantime, industrial is the most appealing land type for developers, with both risk and costs somewhat lower than other assets.

Significant sale transactions

Address	District	Sale price / \$ per acre	Buyer	Seller
Bawden Dr., Richmond Hill	North	\$38,890,290 / \$6,509,924	York Region District School Board	TACC Construction Ltd.
47 Harry Walker Pkwy. S., Newmarket	North	\$37,247,400 / n/a	Costco Wholesale Canada	Rice Commercial Group / 12652463 Canada Inc.
Elgin Mills Rd. E., Markham	North	\$18,887,500 / \$2,461,553	The City of Markham	SmartREIT
365 Hood Rd., Markham	North	\$13,850,000 / \$4,112,233	1000073686 Ontario Inc.	1000366214 Ontario Inc.
Green Lane E., East Gwillimbury	North	\$12,823,200 / n/a	Conseil Scolaire Viamonde	Menkes Developments

ICI land investment volume



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

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