Investment Market Overview

Well, the market is still on fire, continuing where we left off from the last quarter. The number of high dollar transactions this quarter is off the charts, as such, we will just be concentrating on the big ones this quarter.

The high dollar sale goes, much like last quarter, to KingSett who closed, literally, a Dream deal for $1.4 billion. The largest transaction in this portfolio sale was the remaining percentage they did not own in Scotia Tower on King Street West. The acquisition price was $681,542,961.

The numbers drop off from there with the next highest deal being found in the high rise sector for just over $200 million and a transaction for $101 million in the industrial sector, nothing to sneeze at.

So, despite rising interest rates and government intervention in our sandbox, the market raised a middle finger and didn't skip a beat.

A quick review of the results indicates a slight reduction in sales volume in the office sector compared to last quarter with 58 trades versus 66 in Q2. An incredible 24 transactions were in excess of $10 million, compared to 15 three months prior. The sale of Dream REITs interest in Scotia Plaza to KingSett for $681million, noted above, leads the way.

Retail sales stayed strong this past quarter. We noted 180 trades in our second quarter while we record 174 transactions this quarter. It was less than a year ago that a normal quarter contained about 120 transactions, this year has seen that number increase by almost 50%. What makes this quarter extraordinary was the number of high dollar deals. Last quarter only saw 8, this quarter we will report 12 large deals. The high dollar sale was only $45 million, nothing earth shattering. What is more relevant is the fact that we will report on 12 high dollar sales. The last year has shown the number of significant sales in this sector record less than 10 large transactions per quarter.

We note 137 industrial sales, down somewhat from last quarter where we noted 151 transactions. High dollar volumes were similar to last quarter with 20 sales closed versus 19 in Q2. The high dollar sale was $101 million at 101 Sandalwood Parkway West in Brampton offering a 5% cap rate. Save for a couple of sales, the numbers drop down below $15 million for the remainder of the transactions that we will discuss.

In as much as we anticipated that High Rise land sales should drop off given recent actions by the Ontario government to put the brakes on the residential market, it would appear that investors in this sector didn't get the memo. We had huge volumes in this quarter with 63 closings, almost half of which were over $10 million with 27 deals reaching this threshold versus only 12 in Q2. The high dollar trade was located in North York at 5799-5915 Yonge for $200,800,000 for 8.712 acres of land.

We mentioned the upcoming demise of the OMB in our last quarter, to be replaced by TLAB, the Toronto Local Appeal Board, and run by the municipality instead of the provincial government.

5799-5915 Yonge Street, Toronto

They are up and operational this quarter but, in review of the hearings to date, nothing of major consequence has gone across their desks unless you live next door to the owner who wanted to put an addition on the rear of his house. The OMB is still working on a backlog of major rezoning applications to be heard so it may be a while before we see how TLAB performs on something with meat on its bones. What we may see occur is a switch back to condo sales versus purpose built apartment rentals, the choice du jour of many builders and their institutional partners. Recently Allied and RioCan announced they would no longer pursue building rentals on their King Portland Centre mixed use development and would go with condo sales instead, a decision, they say, is based upon a higher IRR by going with sales. So this may not be a decision based upon changes in rent controls but more so on what money can be put in your jeans at the end of the day.

Office Sales

Here we go, our largest sale of the quarter pertains to the KingSett (in partnership with AIMCo) acquisition of Dream REIT's 50% interest in Scotia Plaza at 40 and 44 King Street West and 11 Adleaide Street West. KingSett's and AIMCo owned the other 50% at the time of sale. The selling price for this 1,976,690 square foot complex was $681,542,961 or $690 per square foot on an equivalent 100% sale interest. Soon after the announcement of the sale, it was reported that Amazon was in discussions to acquire 112,000 square feet in the complex, backfilling 5 floors that had been vacated. Also part of the Scotia Plaza

100 Yonge Street, Toronto

sale was 100 Yonge Street, although a separate transaction for this property can not be found, media reports indicate that the combined selling price of Scotia Plaza and 100 Yonge Street was $750 million.

For the balance of the $1.4 billion portfolio sale, KingSett acquired on their own account 2-8 King Street East, 10 and 18 King Street East, 81A-83 Yonge. In the west, they acquired 6655, 6695, 6715 and 6725 Airport Road, 6509 Airport Road, 6299 and 6303 Airport Road, 3035 Orlando Drive and the Valhalla Executive Centre on the East Mall. In the east, 80 Whitehall Drive in Markham and 2075 Kennedy Road and 26 and 50 Village Green Square round out the portfolio.


81A-83 Yonge Street, Toronto

8 King Street East, on the north east corner of Yonge is a 151,000 square foot office building, selling for $55,801,059 or $370 per square foot. The building was 96.3% leased at the time of sale. Given that there is a restaurant and Sleep Country on the ground floor, this property might also be categorized as a Bed and Breakfast.

10 King Street East is a 57,052 square foot building that sold for $22,201,590 or $389 per square foot. The building was fully leased at the time of sale.

18 King Street East measures 231,505 square foot office structure that sold for $43,148,285 or $186 per square foot, a bargain in this portfolio. It too was 100% leased at the time of sale.

81A-83 Yonge is a smaller, three storey structure measuring 11,337 square feet. The selling price was $5,998,285 or $529 per square foot. This building was also 100% leased.

Heading west, 6655, 6695, 6715 and 6725 Airport Road comprises two 7 storey buildings, a two storey building and a single storey building in Mississauga. The complex comprises 329,347 square feet of space and sold for $38,860,002 square feet, resulting in a value of $118 per square foot. Vacancy was an issue as only 6655 Airport Road was fully leased at the time of sale while 6695 and 6715 Airport Road were completely vacant and 6725 Airport Road was 45% leased.


6715 Airport Road, Mississauga

6509 Airport Road measures 60,000 square feet and sold for $11,578,001 or $193 per square foot. This building was fully leased to LaFarge Canada where they will cement a new relationship with the new tenant.

6299 and 6303 Airport Road sold for $21,088,000 or $123 per square foot for 171,135 square feet of building area. 6299 Airport Road was 61% leased while 6203 Airport Road was 94% leased at the time of sale.

3035 Orlando Drive is a small, 16,754 square foot, single storey office building that sold for $3,400,001 or $203 per square foot. The building was fully leased to the North West Company.

Valhalla Executive Centre, located at 300, 302, and 304 The East Mall comprises 327,000 square feet. This three building complex sold for $36,727,483 or $112 per square foot. The property was 52.4% leased.

80 Whitehall Drive, in Markham, is a multi-tenant, two storey office building measuring 60,539 square feet. The selling price was $14,837,775 for a value of $245 per square foot. The building was 100% jammed with tenants including Smuckers Foods of Canada and Abbott Medical Optics.

Corporate Plaza, which includes municipal addresses 2075 Kennedy Road and 26 and 50 Village Green Square in Scarborough, sold for $38,674,000 for 210,607 square feet of combined area. The selling price provides for a value of $184 per square foot. The building was 78% leased at the time of sale.


80 Whitehall Drive, Markham

That should conclude the highlights of this portfolio sale. Given the disposition program that Dream has undertaken and KingSett's thirst for properties, this writer suggests that this won't be the last time those names will be written this quarter.

Canderel and OP Trust sold a 75% interest in 777 Bay Street to Greystone and Bimcor for $398,100,000 or $597 per square foot based upon an equivalent 100% sale transfer. The building measures 888,800 square feet and was producing a net income of $24,416,800. The resultant return is equivalent to 4.6%. The sale was concluded through a share purchase by the purchaser.

Adgar Investments, in conjunction with Montez, acquired 2001, 2005 and 2015 Sheppard Avenue East from Redbourne for $76,071,631 or $254 per square foot. This

299,538 square foot complex was 95.5% leased at the time of sale. The reported net income was $4,839,523, resulting in a 6.4% return to the new owners. Redbourne acquired the holdings in 2014, paying $65,300,000, providing for a nice $11 million lift on a 3 year hold.

Triovest sold 123 Commerce Valley Drive in Markham to Morguard for $66,500,000 or $327 per square foot. This 203,522 square foot building was 93% leased at the time of sale and produced a net income of $3,721,055 for a 5.6% return.

2810 Matheson Boulevard E, Mississau-

Dream Office REIT sold 2810 Matheson Boulevard East to Europro Real Estate for $27 million or $209 per square foot. The building measures 128,924 square feet. This building is part of a 5 building portfolio of office and industrial buildings that had a total value of $66 million. One of the other office buildings in the portfolio was 6501 and 6523 Mississauga Road, an 84,000 square foot, single storey office building. The selling price produces a value of $170 per square foot. The third building was 6531 and 6559 Mississauga Road, containing 71,750 square feet and a value of $151 per square foot based upon a $10,850,000 selling price.

Pauls Properties sold 585 and 603 Michigan Drive in Oakville to Blackwood Partners for $24,813,858. The buildings measure 86,752 square feet, equaling a value of $286 per square foot. Vacancy rates were high in the complex, resulting in a transaction based more on price per square foot than on income.

Investors Group sold a 50% interest in 5255 Yonge, the Yonge Norton Centre, to Crown Realty Partners for $24,500,000 or $202 per square foot based upon an equivalent 100% transfer. The building measures 242,617 square feet and was 64% leased at the time of sale. Crown has announced an aggressive leasing program to backfill the vacant space since acquisition.

Dream Office REIT, also sold 586 Argus Road in Oakville for $18,500,000 or $248 per square foot based upon 74,570 square feet of space. The building was fully leased at the time of sale. The property produced $1,149,000 in net income, offering a 6.2% return to Morguard, the purchaser.

Boat Rocker Media acquired the business and real estate associated with Proper Television's 772 Dovercourt Road at Bloor. This sale was necessitated by the unfortunate sudden death of the owner of the business. The selling price was $12,833,126 or $473 per square foot based on $473 per square foot. Please caution utilizing this value for comparative purposes as the selling price does include the value of the business. The property was formerly a Canada Post depot. The vendor acquired the building and added a second floor during their ownership and fully renovated the existing space with high end finishes.

George Yabu and Glenn Pushelberg sold their building at 415 Eastern Avenue, occupied by Avenue Furniture, for $11,200,000 or $668 per square foot. This 16,758 square foot building was extensively renovated and sold to First Gulf Group who has extensive land holdings to the west of the subject property. About a year ago, this writer made an offer of $6 million for this property on behalf of a client, a number the vendor offered as one they might consider at the time. So, their decision to hold for one further year did result in a very smart business decision.

918 St. Clair Avenue W, Toronto

City View Homes sold their holding at 918 St. Clair Avenue West for $11 million or $606 per square foot. This 18,150 square foot building was fully leased at the time of sale. The purchaser, Berni Holdings Limited received an income of $426,000 at the time of sale, providing for a 3.9% going-in return. City View had purchased the building in 2013 with the intention of developing the site for residential purposes.

Hullmark closed on their 50% interest in 205 Richmond Street West for $10,896,000 or $326 per square foot on a 100% equivalent basis. The other 50% is owned by the Ontario College of Art ("OCAD") who acquired the property in 2007. At that time, the building was acquired for future use by OCAD. As part of this transaction, OCAD have done a leaseback for all of the space in this 66,938 square foot building.

Midtown, 25 Imperial Street was sold to a company controlled by Plazacorp, a residential developer. The building measures 22,000 square feet and sold for $10,800,000 or $491 per square foot. The property sold two years prior for $7,775,000.

Our last sale occurred in Mississauga at 100 Middlegate Road a 52,280 square foot building owned by Crown Realty Partners to a private buyer for $10,407,500 or $199 per square foot. The building was vacant at the time of sale and the purchaser will utilize the building for its own purposes.

Retail Sales

With 12 high dollar sales this quarter, we are entering into new territory as small deals have dominated this space for quite some time. Although, given 174 transactions this quarter in this sector, 12 properties selling for over $10 million hardly makes a dent in the trend toward smaller deals.

The high dollar sale this quarter was $45 million with the sale of Milliken Crossings in Scarborough. Located at 5631-5671 Steeles Avenue East, Triovest sold this 139,465 square foot shopping centre to Losso Mall Developments. The selling price is equivalent to $323 per square foot. The centre contains such tenants as Shoppers Drug Mart, Field Fresh Supermarket and Popeyes.

Fiera Properties picked up 14800 Yonge Street in Aurora for $42,240,000 or $343 per square foot. This 123,150 square foot centre was sold by Merkur and Sister. The property was 94% leased at the time of sale and offered a net income of $2,112,000 and a 5% yield. No Frills, Staples, Bulk Barn and the Beer Store occupied part of the centre.

2421-2435 Appleby Line, Burlington

General Motors Asset Management sold a 50% interest in 2421-2435 Appleby Line to Triovest Realty, who took a 12.4% interest while Appleby Equities took 37.6% of the offering. The selling price was $37,700,000 or $403 per square foot on an adjusted basis. This 187,250 square foot centre was occupied by Sport Chek, Dollarama, Winners and Homesense.

Fiesta Farms acquired the building they occupied at 2 Essex Street, 168 Christie Street, 13 Essex Street and 150 Christie Street for $28,500,000 or $861 per square foot. The vendor was a private investor.

Tribute Communities sold the retail component of their condominium project at 297-301 College Street to SunLife Financial for $28 million. The selling price provides for a value of $920 per square foot based on 30,429 square feet of space. The space was leased to one tenant – Independent City Market.

A 26,815 square foot Shoppers Drug Mart located at 980 Queen Street East at Logan sold for $25 million or $932 per square foot. The property was acquired from a private investor by Cando Apartments, a company that is in the process of building a commercial portfolio to complement their apartment building holdings.

Pemberton Group purchased the retail space located in the former Four Seasons Hotel at 21 Avenue Road from Camrost Felcorp for $20,462,161 or $1,362 per square foot for 15,000 square feet of space. The space is partially occupied by STK restaurant, a rather high end steak house.

222 Queen Street W, Toronto

Scotiabank sold a portfolio of 16 bank branches to Metrus Properties. We do not have the total value of the portfolio. The bulk of the properties were located in Toronto. We will feature the sale of 222 Queen Street West at this time which traded for $17,771,517 or $1,239 per square foot for this 14,342 square foot, single storey branch.

Dass Group sold a convention centre building at 2901 Markham Road in Scarborough for $15,500,000. This 23,550 square foot unit was condominium titled and provided for a price equivalent to $658 per square foot. The purchaser was a private company.

Golesco Holdings sold 364 Queen Street West to S-Trip for $14,360,000 or $1,161 per square foot for this 12,373 square foot, two storey building that was occupied by Guess at the time of sale. The buyer intends to occupy the building once Guess vacates the property.

Car National Canada sold 2260 Battleford Road in Mississauga to Go Auto for $12,500,000 or $549 per square foot. Go Auto intends to use the 22,750 square foot car dealership for its own automotive business.

Our final sale in this sector is located at 145 Yonge Street, sold by a private owner and acquired by Queen Street Partners for $10 million. This 8,200 square foot, three storey building was vacant at the time of sale. The selling price indicates a value of $1,220 per square foot.

Industrial Sales

Industrial volumes resumed to their normal pace with 137 transactions recorded versus 151 trades clocking in between June and September. The top dollar sale pertains to the transaction between Orlando Corporation and Pure REIT for $101 million. This single tenant building, leased to Kellogg Canada and located at 100 Sandlewood Parkway West in Brampton measures 764,182 square feet resulting in a value of $132 per square foot. The net income at the time of sale was $5,050,000, offering a 5% return.

Pure REIT provides our second high dollar sale with the acquisition of 2777 Langstaff Road in Vaughan and represents a sale/leaseback of the Toys R Us distribution centre measuring 471,051 square feet. The selling price was $73,400,000 or $156 per square foot. Toys R Us will initially lease the building for $3,500,000, providing a return of 4.8%.

It's looking like Pure REIT went on a bit of a tear this past quarter, bringing us two more transactions, part of a portfolio sale with Trans Force International. The properties include 5200 Maingate Drive and 5200 Dixie Road, both in Mississauga. The Maingate Drive building measures 89,900 square feet and sold for $35,900,000 or $400 per square foot. Two factors might explain the high selling price per square foot – there was a portion of the building that consists of a three storey office component and the land area was 16.05 acres, suggesting future development opportunities on site.

5425 Dixie Road sold for $68,100,000 or $390 per square foot given a building area of 174,750 square feet. Similar to the Maingate sale, this building sits on 42.13 acres of land, providing substantial future development potential.

Postmedia Network sold to Rice Group and Greystone their 275,914 square foot building at 2250 Islington Avenue for $30,475,000 or $110 per square foot. Postmedia entered into a sale/leaseback of part of the building on a ten year lease. The balance of the building will be leased to third party tenants.

It's been a few minutes since we talked about Pure REIT, well they also purchased 1865 Clements Road in Pickering from Saphire Swan Ventures Corp. for $23,962,500 or an adjusted value of $124 per square foot given an area of

1865 Clements Road, Pickering

181,850 square feet. The price adjustment is due to 4.5 acres of excess land that ran with the deal that was individually valued at $1,462,500 per acre (hey, isn't that what one used to pay for retail zoned land?). The building is occupied by Trench Canada who is paying $1,192,500 per annum, providing a 5.3% cap rate.

Summit REIT acquired from Redbourne 330 Humberline Drive in Etobicoke for $23,925,000 or an adjusted value of $80 per square foot. The building measures 255,026 square feet. The adjustment in the price is a result of 3 acres of extra land that ran with the property. The purchaser valued this land at $1,175,000 per acre. The property was 83% leased at the time of sale and produced a net income of $1,315,875 and a 5.5% going-in return. It is interesting to note that Redbourne purchased the building in 2015 when it was fully leased for $14,051,000. The tenant in place at the time of Redbourne's acquisition had vacated the building over the course of ownership and they backfilled most of the space in the interim, providing them with a nice $10 million lift for a two year hold.

Comas Manufacturing sold their holding at 190 Statesman Drive in Mississauga for $18,200,000 or $104 per square foot. The 175,000 square foot building was purchased by a user under a numbered company.

190 Statesman Drive, Mississauga

Menkes acquired 8205 Parkhill Drive in Milton from Adient, the occupant, for $17,500,000 for this 159,496 square foot building. This price translates into a price equivalent to $110 per square foot. At the time of writing, we have few details of this transaction but it would appear to be a sale/ leaseback.

Summit REIT also acquired 2616 Sheridan Garden Drive in Oakville from Sheridan Gardens Holdings for $15,333,531 or $134 per square foot. The building measures 114,350 square feet and was leased back by the vendor at an initial rent of $789,677, providing for a 5.2% return for Summit.

Veritiv Canada sold 560 Hensall Circle in Mississauga to a user group, C.J. Graphics, for $14,957,001 or $69 per square foot. This 216,846 square foot building included 36,000 square feet of office space.

We discussed the office building component of the Dream/ Europro portfolio sale earlier. The sale of 2645 Skymark Avenue, a 142,696 square foot industrial building, was part of the package. The property sold for $14,500,000 or $102 per square foot. Tenants include Hasbro, First Service and Hopewell Logistics.

Morguard sold 5040 Timberlea Boulevard in Mississauga to Integrated Asset Management for $13,750,000 or $80 per square foot. This 171,100 square foot building was partially occupied by Delphax.

Suzuki Canada sold their building at 100 East Beaver Creek in Richmond Hill to a private investor for $13,400,000 or $124 per square foot. We do not know at the time of writing whether this purchaser will utilize the building for its own use as Suzuki has vacated the building. The building measures 108,250 square feet.

EdgeConneX purchased 565 Gordon Baker Road from a private investor for $13,200,000. This 37,900 square foot building, with a value of $348 per square foot, will be used by the purchaser for its own business. The vendor made a nice $6 million lift from their acquisition in 2014 when they bought the building for $7,250,000.

Investors Group sold a portfolio of properties to Berkshire Axis Development consisting of 5 properties for a total consideration of $28,025,000. The portfolio contained 28 and 30 Fulton Way, an 85,663 square foot building that sold for $12,194,000 or $142 per square foot. 25A East Pearce Street, which was improved with a 35,545 square foot building and selling for $4,496,000 or $126 per square foot. 25B East Pearce Street sold for $5,808,000 or $164 per square foot for this 35,513 square foot building while 1245 Reid Street sold for $5,527,000 for a 36,098 square foot building for a price of $153 per square foot. All buildings were located in Richmond Hill and were small, multi-tenant buildings.

Plaza Retail REIT picked up 6685 Century Avenue in Mississauga for $12 million. This vacant, 76,440 square foot building had a value of $157 per square foot.

6685 Century Avenue, Mississauga

We have a tie for the lowest priced, high dollar trade of the quarter at $11,100,000. The two properties include 9 Van Der Graf Court in Brampton and 305 Pendant Drive in Mississauga. The Van Der Graf property was sold by Morguard to RK Investment Company who will use the building for its business. The building measures 50,174 square feet, resulting in a value of $201 per square foot. The Pendent Drive building was also acquired by a user, Reliance Metals Canada. This 90,000 square foot building was sold by Peel Properties for a price of $112 per square foot.

High Density Residential Land Sales

Twenty seven properties traded in excess of $10 million in this quarter, likely a record since we started this report. That's almost half of the 63 sales in total for the quarter. Compared to last quarter where we only posted 12 high dollar trades. Sit back, relax, here we go.

So we start off with a rather healthy sale for $200,800,000 and it's not a small corner property in Yorkville, rather it's 5799-5915 Yonge and 46 Averill Crescent in North York, the Newtonbrook Shopping Centre, on an 8.712 acre site. The vendor was Silvercore Inc. and the purchaser was China Aoyuan Property Group. The property had been rezoned prior to closing to permit 1,767,711 square feet of development including 189,714 square feet of retail and office space. The site would house 1,674 residential units in four towers measuring 28, 34, 36 and 47 storeys. The selling price equates to $114 per square foot buildable, a number most resembling recent values on King West, downtown.

Our next trade remains on Yonge Street but is only a paltry $53,900,000 for 2.179 acres of land located in Vaughan at 7028 Yonge Street and 32 Steeles Avenue West. The site was acquired by Gupta Group from Donview Management Limited. Gupta also acquired 2 Steeles Avenue West on the same day, a 0.632 acre property for $14,300,000, resulting in a combined site area of 2.811 acres for $68,200,000 or $24,261,829 per acre. At the time of writing, no application for redevelopment had been submitted.

Dani Cohen sold his assembly of 321, 325 and 327 King Street West to Empire Communities for $45 million, a lot measuring 0.292 acres. The site was approved for a 227,000 square foot development with 102 parking spots. The selling price equates to a value of $198 per square foot buildable.

Bazis International acquired 11 Yorkville Avenue from Cromwell Management for $45 million, a site improved with a converted office building to apartments. The lot measures 0.307 acres. This property is included in an assembly by Bazis which also includes 18 Cumberland Street and 5 units within 17 Yorkville Avenue. At the time of writing, no application had been submitted for redevelopment.

Crombie REIT acquired 1215-1255 McCowan Road in Scarborough for $42 million from Knightstone Capital. The property is improved with a Freshco grocery store on 4.552 acres of land. Crombie see the value in site for future high rise development given its immediate proximity to the McCowan subway stop. To date, Crombie have amassed enough land in their portfolio to develop over 6,500 units across Canada. At the time of writing, no development application had been tendered and we suspect that it may be some time before they move forward on this basis. In the meantime, they have holding income from the 62,000 square foot Freshco.

1215-1255 McCowan Road, Scarborough

Seylynn Development purchased 2256 Lake Shore Boulevard West in Etobicoke from All Canadian Storage for $36,500,000. The site measures 1.55 acres. No application for redevelopment had been submitted at the time of writing.

The Siteline Group sold their 1.690 holding at 390-444 Dufferin Street to CREIT Acquisition Corp for $32 million. The site was sold approved to permit 389,492 square feet of development which would include 11,000 square feet of retail space, 32,970 square feet of office space and 29,159 square feet of industrial space, resulting in a price equivalent to $82 per square foot buildable.

Centrecourt Development acquired 19 Western Battery Park, in the King and Strachan neighbourhood, from a private investor for $30,666,300 in exchange for 0.460 acres of land. No application for development had been tendered at the time of sale.

Vandyk Group of Companies acquired through a court ordered sale 327 Royal York Road for $30,044,444. The site measures 0.914 acres of land and was approved for 204,803 square feet of development including 8,245 square feet of retail space. The selling price provides for a value of $147 per square foot.

Empire Communities found some more cash under their matrass and purchased 251 Manitoba Street in Etobicoke for $26 million from Etabbey Holdings, a site measuring 4.210 acres. The site was sold approved for 374,046 square feet of development which includes 499 townhouses and two towers measuring 29 and 11 storeys connected by a 4 storey podium. The price equates to $70 per square foot buildable.

Lamb Developments found the dough to purchase Silverstein bakeries' property at 193 McCaul Street for $23,750,000. The site measures 0.396 acres. At the time of writing, no application had been submitted for redevelopment.

68 Charles Street, Toronto

Promocentres sold 628 Church Street and 68 Charles Street East to Aspen Ridge for $22,499,999 for 0.258 acres of land. This property is part of an assembly by Aspen Ridge which includes 634 and 636 Church Street which they acquired this quarter for $12,999,990 for 0.163 acres of land. The site was zoned to permit a 47 storey residential tower with 344,359 square feet of development resulting in a value of $65 per square foot buildable.

Global Edge Investments sold their Howard Johnson hotel at 11 Avenue Road to a private investor for $20,212,500. The property measures 0.260 acres. The site was approved for a 100,000 square foot residential development, resulting in a value just over $200 per square foot buildable. In discussions with the vendor, it was not fully determined at the time of sale if the purchaser had acquired the property to develop for residential purposes.

WAM Developments added to their assembly at Queen and Power Streets when they purchased 351, 355 and 361 Queen Street East for $19,635,000 from Belitt Capital Corp for

351 Queen Street E, Toronto

$19,635,000. For the same amount of money, WAM acquired 363 Queen Street East, a site measuring .097 acres from a private investor. Over the course of the past quarter, WAM also acquired 161 Parliament, 80 and 82 Power Street, 90, 92, and 94 Power Street, 371 and 373 Queen Street East for a total assembly of 1.205 acres with an investment of $55 million. No application for development had been at the time of writing.

Vandyk Group also purchased 1345 Lakeshore Road East in Mississauga from Lago Terrace Developments for $16 million. The site measures 3.130 acres and improved with a car dealership. No application for redevelopment had been submitted at the time of sale.

TAS Design Build purchased 3100 Keele Street for $15,945,500 from Decade Homes. The site measures 2.062 acres. The property was approved for 284,393 square feet of development in a 12 storey building with two wings of 10 and 6 storeys. The selling price results in a value of $56 per square foot buildable.

Shifting gears north to 9675 and 9699 Yonge Street, Mister Transmission sold to Nyx Canada Corp. their 1.839 acres of land for $15,250,000. No application for redevelopment has been submitted to date.

The Palace Arms Hotel, located at 938 King Street West and 99 Strachan Avenue has new owners after The Fueling Station paid $13,400,000 to Tishman Holdings and Strawking Holdings. The site measures 0.329 acres and is improved with a historic structure. No application for redevelopment was tendered at the time of writing.

Dupont Street has become a rather active street for new development. In this past quarter Plazacorp purchased 374 Dupont Street for $13,250,000 from a private owner. This 0.542 acre property joins an assembly undertaken by Plazacorp who also acquired 388 Dupont Street in March for $10,700,000 for 0.448 acres of land to provide for a total site area of 0.99 acres. No development application has been submitted at the time of writing.

Trinity Group sold 501 Lakeshore Road East in Mississauga to Senator Homes for $12,500,000. The site measures 6.535 acres and no application for development has yet been submitted.

A transaction between two private investors sees 3268 Finch Avenue East trading for $11,030,375. The property measures 1.003 acres and was in for application to permit 246,816 square feet of development including 10,581 square feet of retail space. If approved, the development would yield a value of $45 per square foot buildable.

Our last reviewed sale in this marathon of transactions pertains to 4636 Yonge Street in North York for $10,500,000. The property was acquired by Claude Bitton from a private investor and measures 0.438 acres. The purchaser owned the adjacent property at 4656 Yonge Street, acquired in 2015 for $8,150,000 for 0.484 acres of land. At the time of writing, no application for redevelopment has been submitted.

Closing Observations

So, we had what appears to be a record quarter with the number of high dollar transactions that occurred. This resulted in this writer trying to maintain a sense of brevity in his reporting in order to keep the length of the report in line with past issues. This writer enjoys looking for humour in the reams of properties reported upon but even that had to be left on the editing room floor this past quarter.

So what are we seeing? RioCan has announced the sale of $2 billion in non-core retail assets across the country so that they can concentrate on key urban markets like Vancouver and Toronto. RioCan is now getting heavily invested in mixed-us development projects with rental apartments being constructed on many of their urban properties. We also reviewed the acquisition by Crombie REIT on McCowan that will be slated for future residential development as they too move to expand their holdings to include rental apartments. Also CREIT threw their hat in the residential development ring with their purchase on Dufferin Street this past quarter.

There was an article in the news the other day suggesting that retail is dying and that's why the shift of predominant retail investment companies morphing into mixed use development entities. There were obvious outcries from these investors suggesting nothing could be further from the truth; that retail is strong and will continue to be their focus but the capital outlay to build out their future will be substantial and the money has to come from somewhere. So why not take advantage of the market we're now experiencing to maximize the cash in our piggy bank? So it's a bit of yin and yang situation. The move to mixed use projects will maintain their retail interests at the base of the residential tower yet safeguard these investors should the residents in those buildings decide sitting in their unit behind a computer screen ordering their takeout food, groceries and their clothing is a more productive mode of shopping than driving to the mall.

This writer has written a number of times about the high volume of listings coming across his desk over the past 12 months. It is interesting to note that the volume increases steadily and so do the number of repeat requests to assist in a sale. In closer look at these listings, the asking prices are way off the mark.

It's also the same in the off-market sector. Vendor expectations for many of these mom and pop properties are a joke. Beyond the numbers to justify the true selling price, many of these vendors feel a need to add to the price the cost of capital gains tax that they will have to pay on a property(s) owned since the 1960's let alone the fact that the property(s) were to be held forever so that they could be passed down to the children and grandchildren. Unfortunately, this is often when families fall apart. Opposing views as to what to do with those "damn properties mom and dad left behind" come forth. So you have one son run out to his broker friend at the club to sell some or all of the properties. Then the rest of the family members find out what's going on and now the lawyers are brought in. So the parents, thinking they are doing the right thing for their family, while saving on those nasty taxes, end up tearing their families apart. If more could see these events unfold before their unfortunate passing, maybe some semblance of reasonableness could pervade our market again.

Reasonableness is a good word and a good way to end this report. There appears to be little sign of a slowdown in our commercial real estate market despite governmental intervention. So it's "reasonable" to say that next quarter will likely produce more of the same, at least in terms of volumes, while this tap filled with cash can't seem to be turned off.

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