GTA FLASH REPORT 2020

Altus Group

COMMERCIAL INVESTMENT & LAND MARKET

GREATER TORONTO AREA

Total investment property sales volumes in the Greater Toronto Area rebounded in 2019 to $22.6 billion, the 2nd highest annual volume yet recorded by Altus Group.

Overall Highlights

After slowing in 2018, investment property sales (based on sales valued at $1 million or more) in the Greater Toronto Area (GTA) ramped back up, increasing 7% in 2019. While a similar number of transactions occurred as in 2018, the average deal size in 2019 was up.

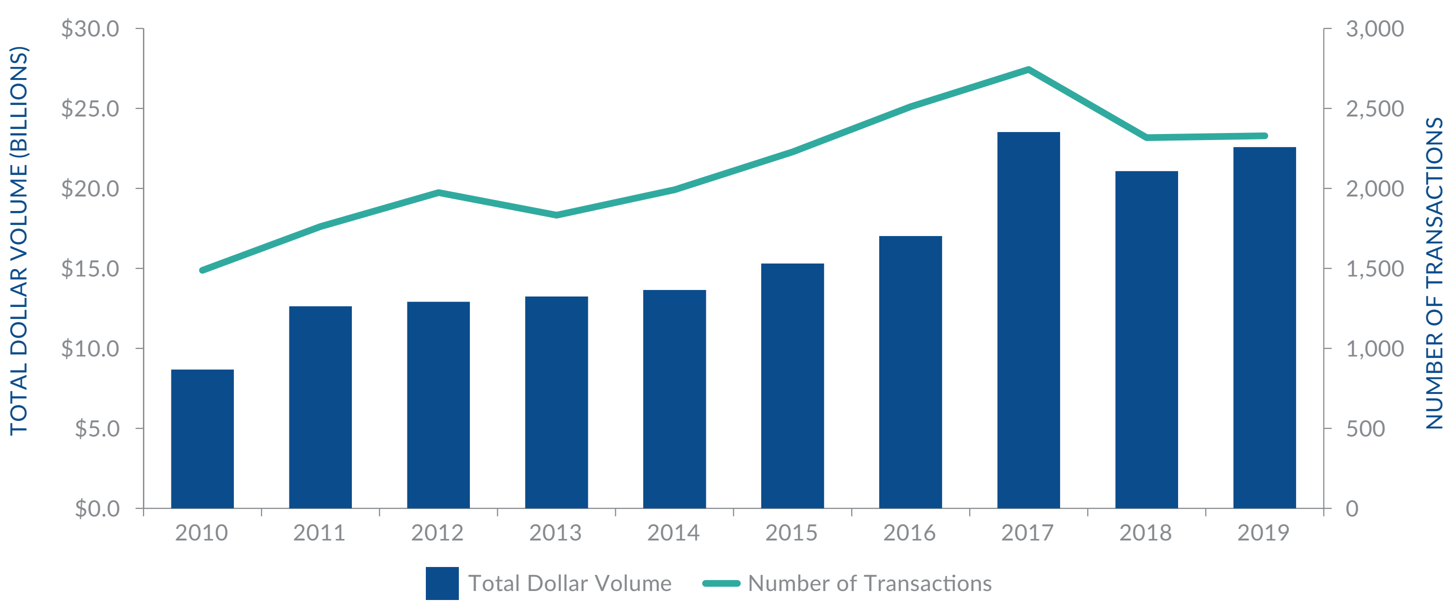
The increase in 2019 was spread across the GTA, with each Region recording an increase in sales volumes over 2018. The largest increase was in the City of Toronto, up $674 million from 2018.

After modest transaction cap rate increases on average in 2018, the downward trend resumed in 2019, with the exception of retail properties.

Institutional investors increased their buying for the second year in a row in 2019, to a record high, while foreign investors stepped back after a strong presence in 2018.

Annual Investment Property Sales Transactions

GREATER TORONTO AREA



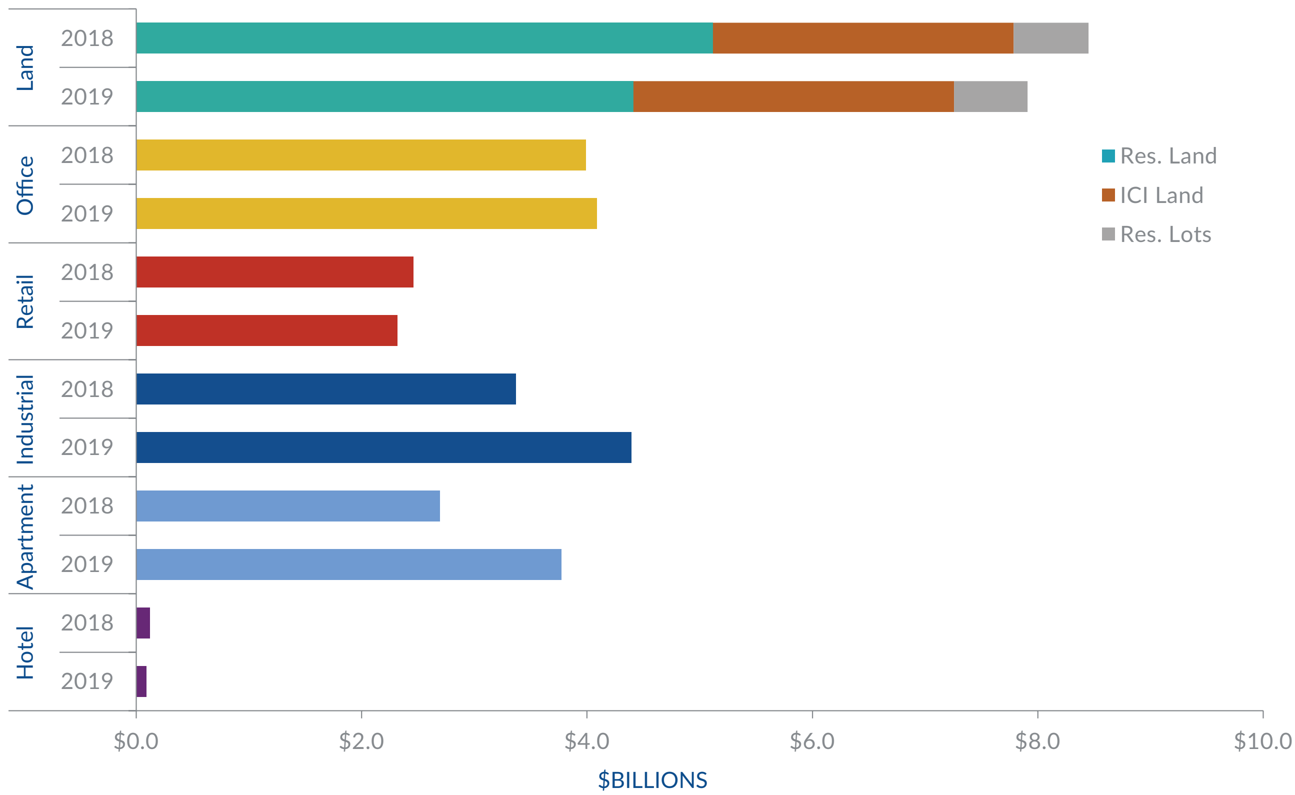
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

GREATER TORONTO AREA

Investment Property Sales Transactions by Asset Class

GREATER TORONTO AREA, 2018 VS. 2019



Source: Altus Group

The Industrial and Apartment sectors were the biggest contributors to increased investment property sales volumes in the GTA in 2019.

Highlights by Sector

There were mixed performances by sector in 2019, with some sectors continuing to set new records.

The Apartment sector was the star performer in 2019, setting a record high for investment volumes. This was due in large part to Starlight Investment's acquisition of a 44 property, $1.7 billion portfolio in December.

The Residential Land market continued to decline in total investment sales in 2019, down by $716 million (12%) from 2018. This reduced the total value of land sales (ICI, Residential & Lots combined) to $7.9 billion, despite a new record for ICI Land (which was boosted by the East Harbour Lands transaction).

The Industrial sector also set another new record high, up 31% to $4.4 billion, while Office hit its own new high at $4.1 billion, up 2% from 2018.

The Retail and Hotel sectors each saw a second consecutive year of decline, down 6% and 26% from 2018 respectively.

The decline in total Residential Land sales volumes was led by Low Density land sales.

Residential Land Highlights

Total Residential Land investment was down again in 2019, returning to levels last seen in 2015.

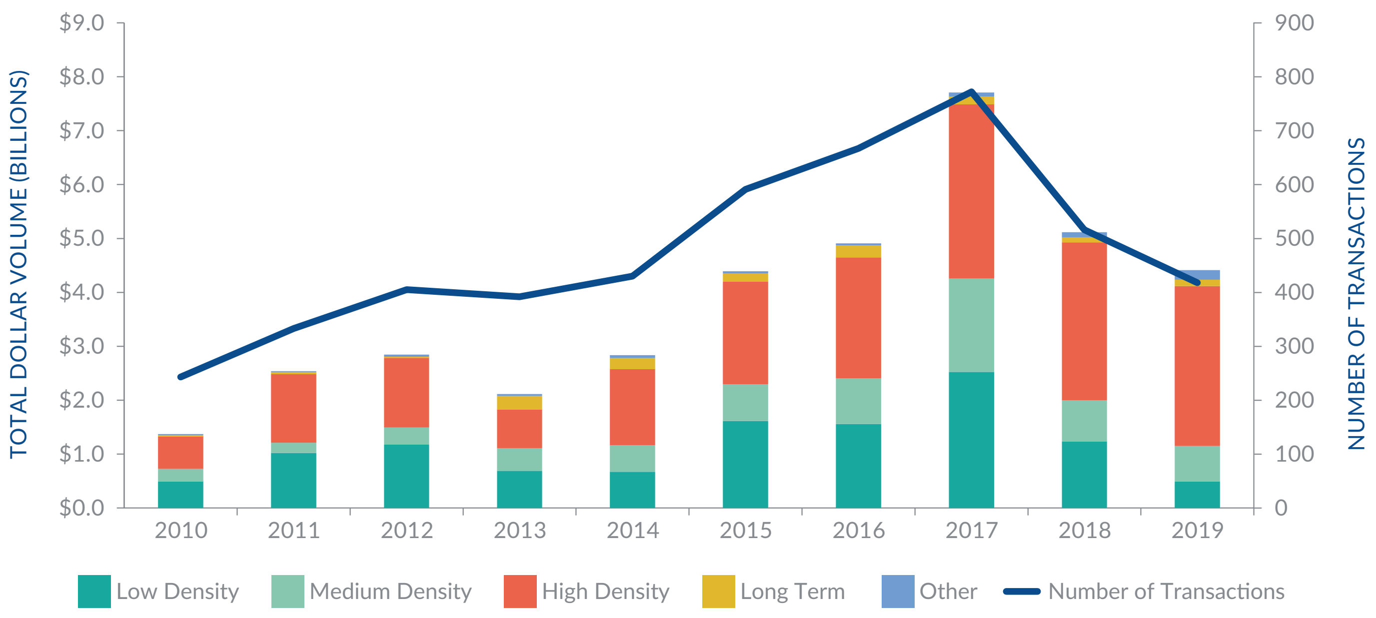
Low Density Residential Land sales accounted for almost all the decline in overall Residential Land sales, down by 60% in 2019 to $493 million, the lowest level since 2009. The decline in low density Residential Land sales was spread throughout the 905 Regions.

High Density Residential Land sales were up a modest 1% to just under $3 billion and accounted for two-thirds of all Residential Land sales volume in the GTA in 2019.

Medium Density land sales (primarily land for future townhouse development) were down 14% to $656 million in 2019.

Residential Land Transactions by Land Use

GREATER TORONTO AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

GREATER TORONTO AREA

The $640 million purchase of the Atrium on Bay contributed to another record year for Office transactions in the GTA.

Featured Investment Transactions

The record year for Apartment was aided by the Rossland Park sale, for $220 million to Q Residential.

The joint venture purchase of the Atrium on Bay for $640 million was the largest Office sector purchase in another record year in 2019.

One of the largest Industrial transactions in 2019 was 80 Via Renzo Drive, a newly built data centre which sold for $215 million.

While overall Residential Land investment activity was down again in 2019, the relatively strong performance for high density land was buoyed by the $348 million purchase of the Celestica site in North York by Aspen Ridge Homes.

Featured Investment Property Transactions

GREATER TORONTO AREA

Date	Sector	Transaction Name	Purchaser(s)	Price
Dec-20-2019	Office	York Mills Centre	First Capital Realty	$240,000,000
Jun-06-2019	Office	Atrium on Bay	TD Greystone Asset Management & KingSett Capital	$640,000,000
May-01-2019	Retail	Stock Yards Village	RioCan REIT	$88,500,000
Sep-11-2019	Industrial	80 Via Renzo Drive	AIMCo	$215,000,000
Jun-04-2019	Apartment	Rossland Park	Q Residential	$220,000,000
Sep-25-2019	ICI Land	East Harbour Lands	Cadillac Fairview	$690,000,000
Mar-08-2019	Residential Land	1150 Eglinton Avenue East	Aspen Ridge Homes	$347,801,025

Source: Altus Group

INDUSTRIAL MARKET
GREATER TORONTO AREA

Demand for industrial space continues to outstrip new supply.

Industrial Market Highlights

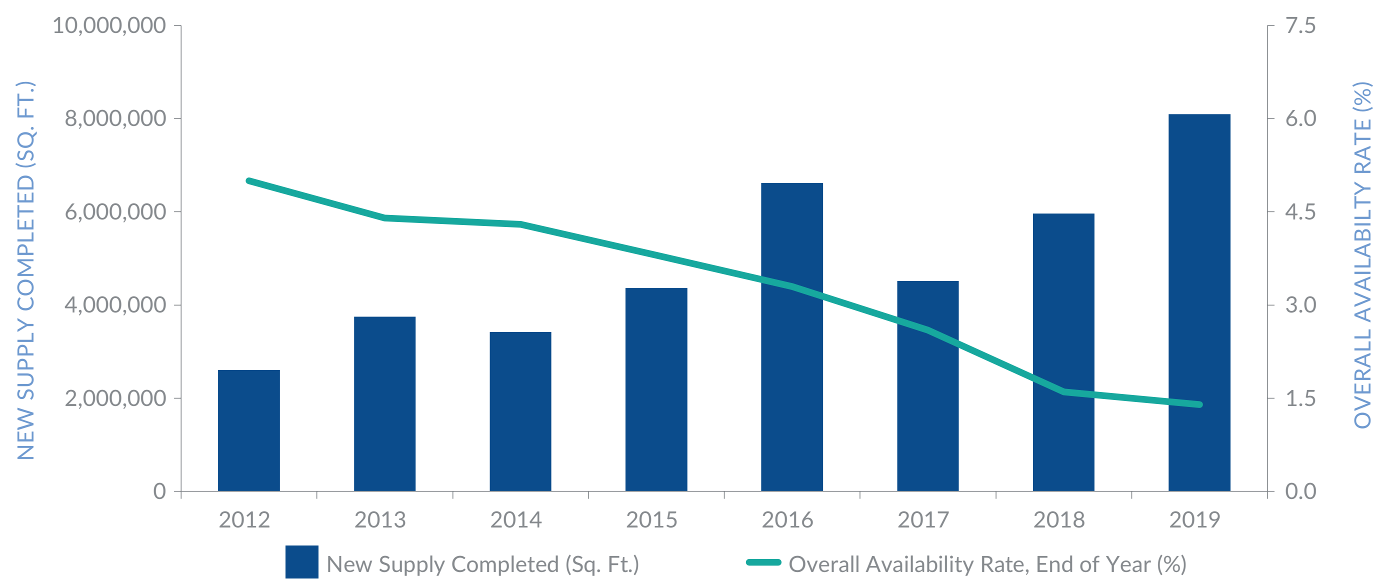
The industrial leasing and sales market in the GTA remained very tight in 2019 throughout the GTA.

Just over 8 million sq. ft. of new industrial space was added in 2019, up more than one-third from 2018. However, demand for additional space outpaced the new supply, pushing the overall availability rate down further, to 1.4% by year end 2019.

There is currently 14.7 million sq. ft. of industrial space under construction in the GTA which should help to ease tight conditions somewhat. Nearly 60 percent of the space under construction is in the Toronto West submarket.

Both industrial rental rates and sale prices are expected to continue to climb in 2020, especially given the shortage in available space across the GTA.

Industrial Market
GREATER TORONTO AREA



Source: Altus Group

OFFICE MARKET

GREATER TORONTO AREA

Office vacancy rate approaching pre-recession levels.

Office Market Highlights

Only about 1.0 million sq. ft. of new office space was added to the Greater Toronto Area office market in 2019 – the lowest level since 2006.

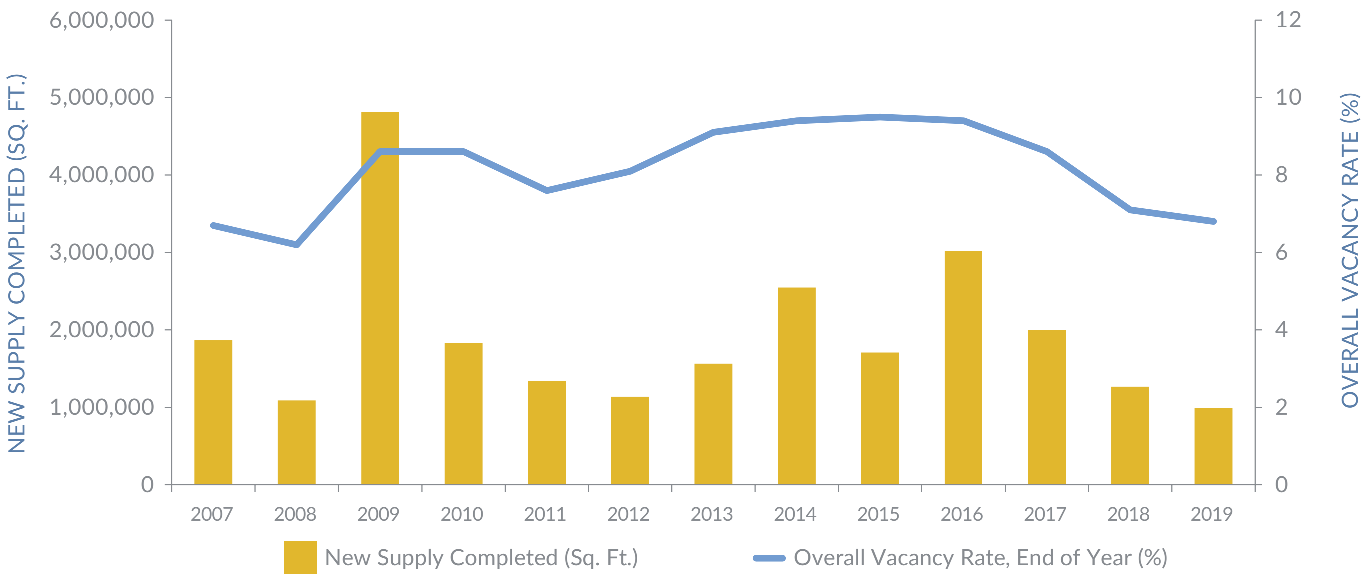
The new supply was insufficient to meet the demand for additional space. As a result, the overall office vacancy rate continued to drift lower, ending 2019 at its lowest level since 2008.

At the end of 2019 there was almost 11 million sq. ft. of office space under construction in the GTA – almost double the level of 2 years earlier. Only about one-quarter of the under construction space is still available to lease.

Office rental rates are expected to continue to climb in 2020, especially in the downtown with low vacancy rates and limited new available office space expected to be delivered.

Office Market

GREATER TORONTO AREA



Source: Altus Group

Tight Downtown submarket is home to overwhelming majority of space under construction.

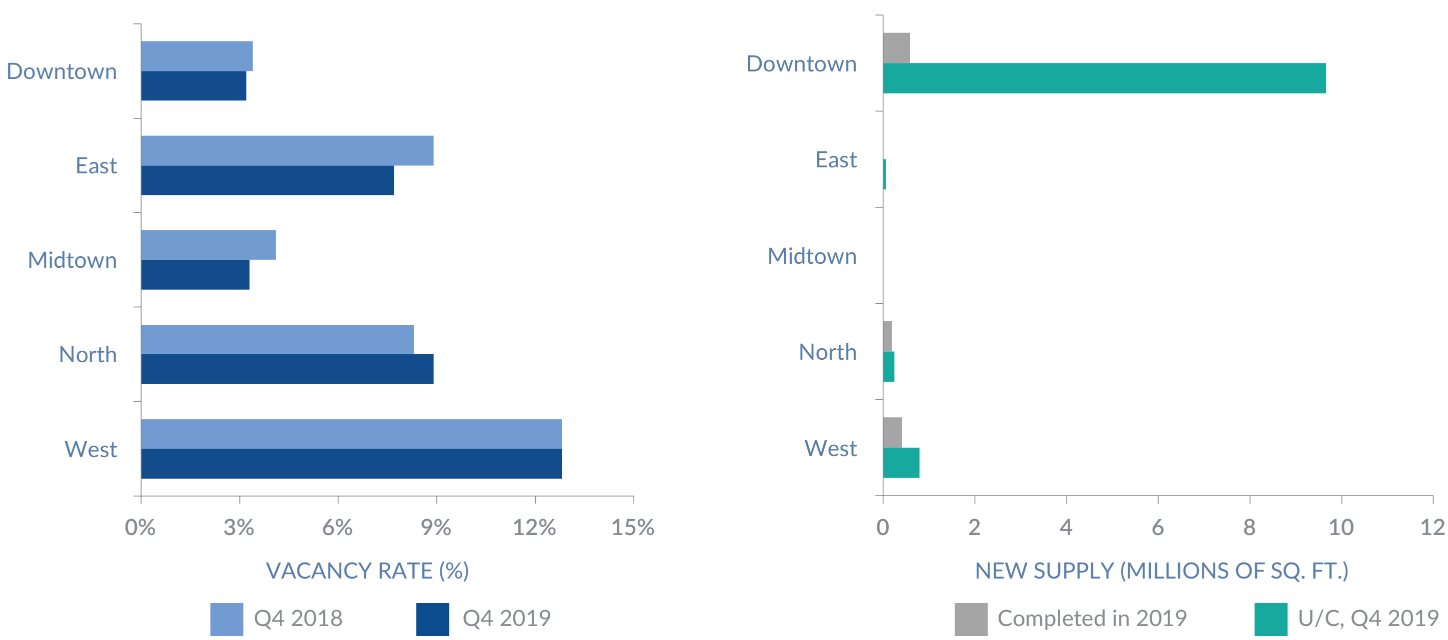
Office Market Highlights *Continued*

Downtown office absorption continued to outpace new supply in 2019, pushing the vacancy rate down to the lowest level recorded in Altus Group's tracking history. Only the North submarket recorded an increase in its vacancy rate in 2019, although the West submarket continues to be oversupplied.

The majority of the new office space under construction in the GTA is in the tight Downtown submarket, where additional space is most needed. The Midtown submarket could see further tightening, with no new supply on the horizon.

Office Market, Downtown vs. Other Areas

GREATER TORONTO AREA



Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

GREATER TORONTO AREA

After a slow start to the year, total new home sales in the GTA rebounded in 2019, up 47% from 2018.

New Home Sales Highlights

Total new homes sales in the GTA rebounded in 2019 to just under 36,500 units, near the 10 year average. Stronger buyer demand combined with more single-family options available at a wider range of price points were key factors behind the increase from the downward adjustment in 2018.

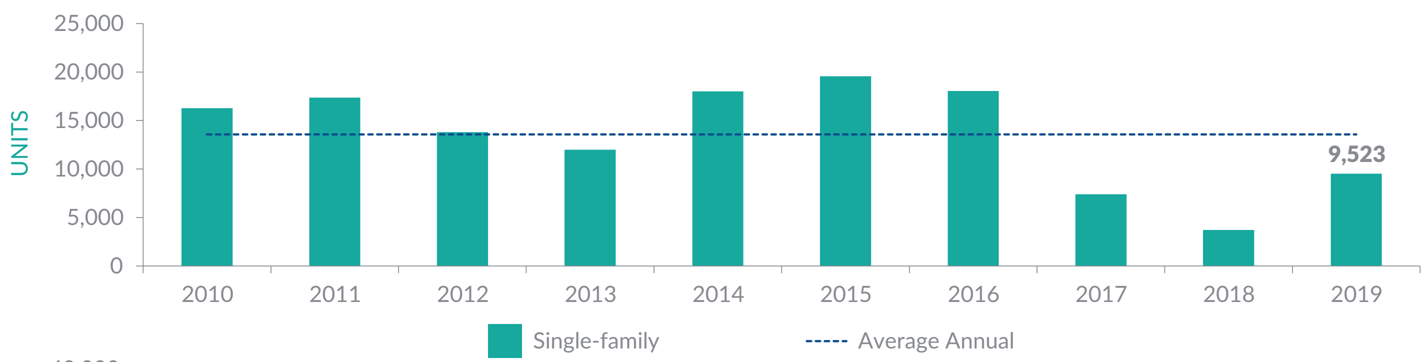
After cooler sales in 2018 and the early part of 2019, GTA new condominium apartment sales (which includes units in low, medium and high-rise apartment buildings, lofts and stacked townhouses) bounced back in 2019 to the third highest level ever.

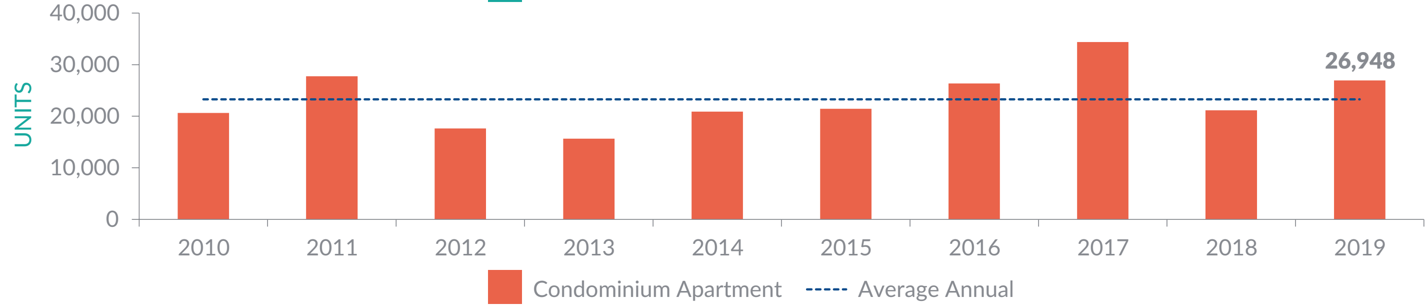
The downward trend in new single-family home sales (which includes detached, link, semi-detached and traditional townhouse units) came to an end in 2019. Sales were 2.5 times the level of 2018, however they remained well below the 10 year average.

The share of new condominium apartment sales in 2019 that occurred within the City of Toronto fell to 54% as activity grew in the 905 regions, particularly in York Region which saw its sales double from the previous year.

Annual New Home Sales

GREATER TORONTO AREA





Source: Altus Group

The gap in the benchmark price for a new single-family home and a new condominium apartment in the GTA continued to narrow in 2019.

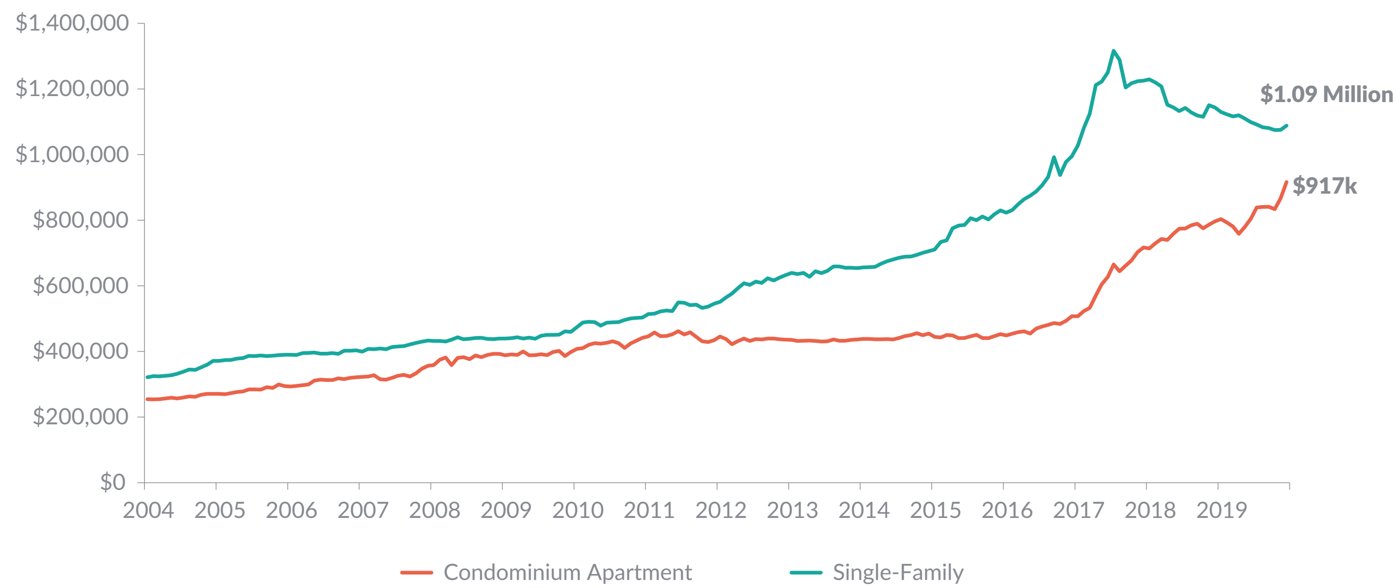
New Home Pricing Highlights

At the end of 2019, the benchmark price of a new condominium apartment in the GTA reached an all time high, breaking through the $900,000 threshold. The second half of the year accounted for almost all of the gains, as the recovery in the market started to gain traction.

The benchmark price of a single-family home in the GTA finished 2019 at $1.09 million, about 17% below the peak reached in July 2017. Increased product availability in more affordable areas has been a contributor to the price moderation.

The gap in prices between new single-family homes and new condominium apartments has narrowed significantly since early 2017, which has helped single-family homes regain some of the relative attractiveness lost in the 2015 to mid 2017 period.

New Home Benchmark Prices*
GREATER TORONTO AREA



**Average asking price for available inventory*

Source: Altus Group

Relatively low new condominium apartment inventories driving price increases.

New Home Inventory Highlights

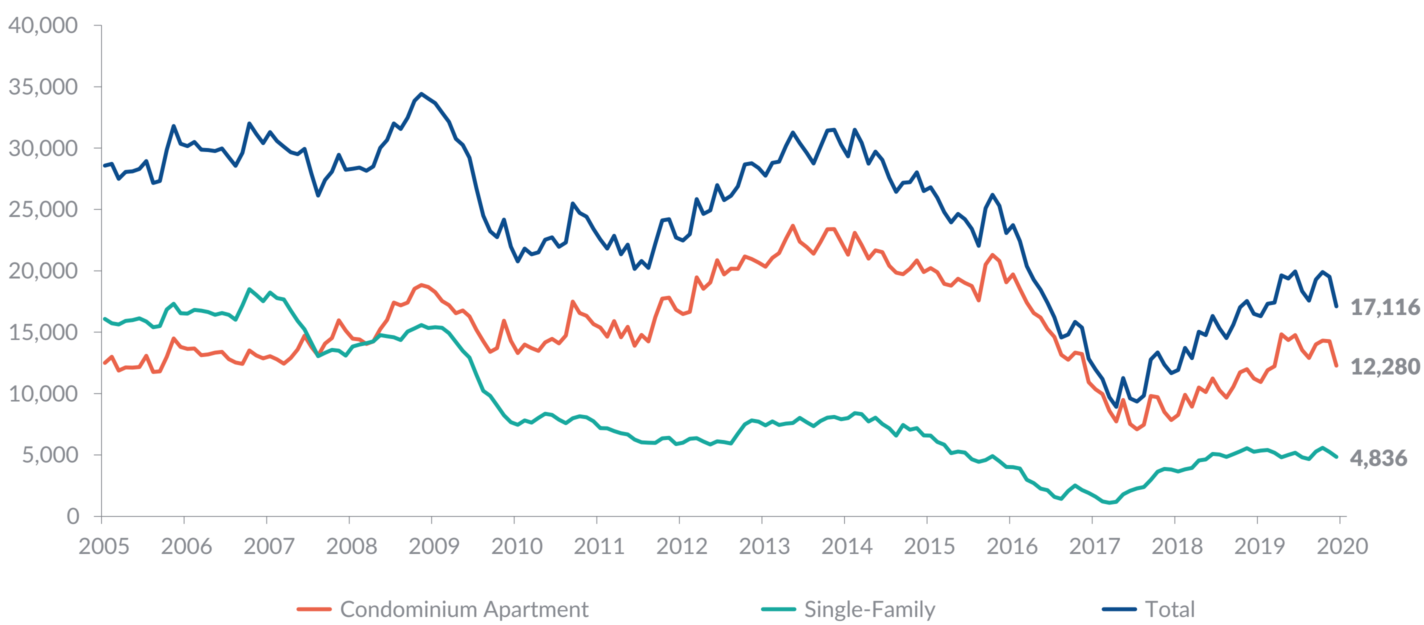
The inventory of total new homes available to purchase fluctuated during 2019 in line with trends in new project openings, but ended the year slightly above a year earlier.

Based on the monthly pace of sales in 2019, the just over 12,000 units of new condominium apartment inventory at the end of 2019 represented only 5.5 months of supply - about half the long-term average for December of about 10 months. This low inventory, relative to demand, is a key factor in the resumption of the upswing in the benchmark price of a new condominium apartment unit in the latter half of 2019.

While the level of new single-family inventory held relatively steady throughout 2019, given the pickup in sales, the months of available inventory fell, moving back into line with longer-term averages. At the end of 2019, there were relatively more options affordable to a broader range of buyers – about 1 in 4 new single-family homes available to purchase at the end of 2019 was priced below $750,000, compared to 1 in 5 a year earlier.

New Home Remaining Inventory

GREATER TORONTO AREA



Source: Altus Group

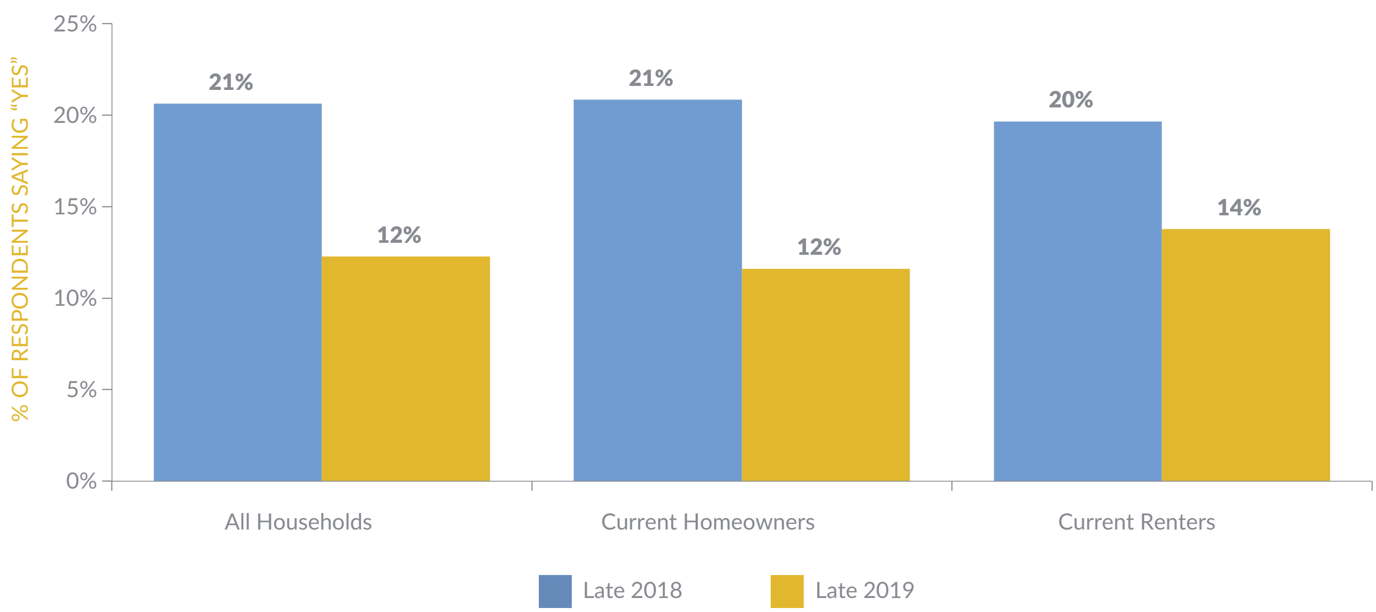
More hesitation in homebuying intentions.

Homebuyer Highlights

Fewer GTA households were planning to buy homes in the upcoming year in late 2019, according to Altus Group's FIRM Survey.

Homebuying intentions among renters – the primary pool for potential first-time buyers – had shown some recovery in late 2018 but had softened again by late 2019. Current homeowners also expressed less willingness to buy a home than a year earlier. Growing uncertainty with respect to the economic and job outlook likely played a role in dampened homebuying intentions.

Planning to Buy a Home in the Next Year
GREATER TORONTO AREA



Source: Altus Group

Most younger renters would like to own a home someday.

Homebuyer Highlights *Continued*

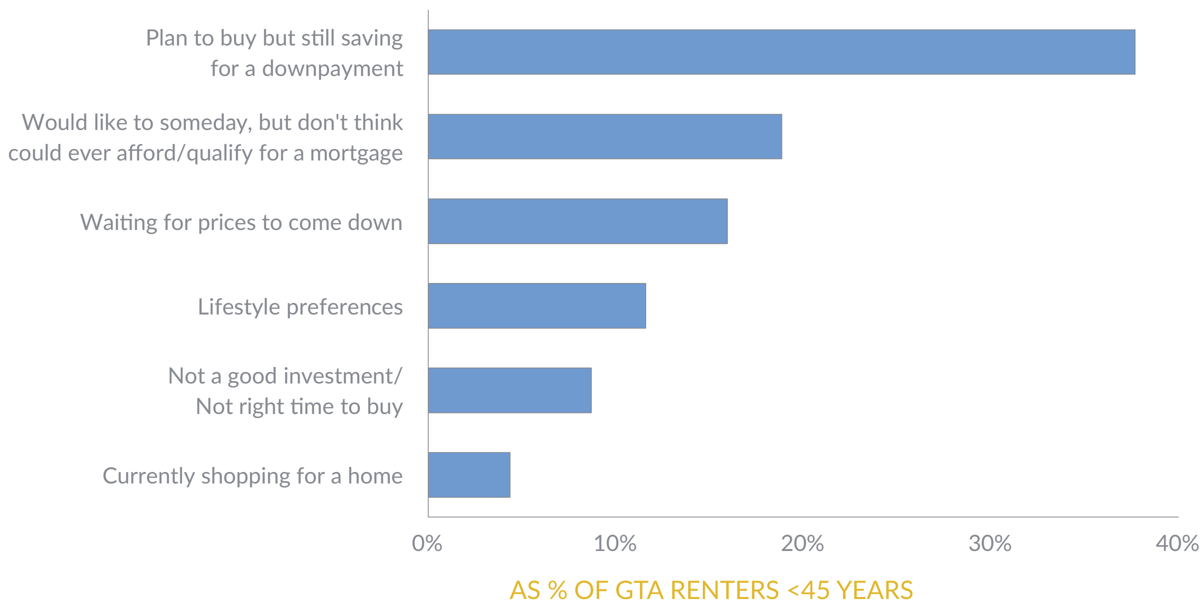
The desire for homeownership remains strong among younger renters, with only about 1 in 9 indicating that they simply prefer the renter lifestyle.

Many renters, however, now need to save a bit longer in order to qualify for a mortgage: more than 1 in 3 younger GTA renters say they are still saving for their downpayment.

Some younger renters feel that they will never be able to afford to buy and/or qualify for a mortgage. This proportion has grown in recent years and is likely a factor in lower homebuying intentions among current renters.

Reasons Why Younger Renters Do Not Own a Home

GREATER TORONTO AREA



Source: Altus Group

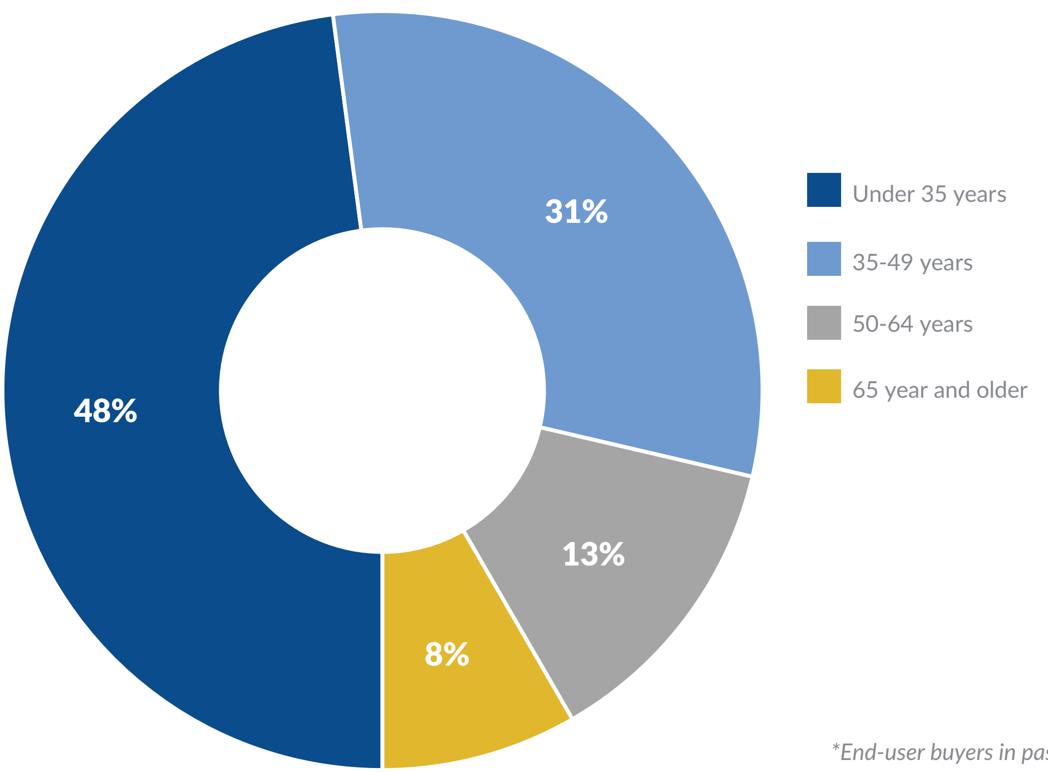
Not all younger households are being priced out of homeownership.

Homebuyer Highlights *Continued*

Despite affordability challenges, younger homebuyers do play a key role in the Greater Toronto Area. About half of recent end-user homebuyers were under 35 years of age, according to data from Altus Group's FIRM Survey.

Most buyers under 35 years in the GTA are first-time buyers. Recent first-time buyers, on average, purchased homes that were about 12% below the overall average purchase price, and that were priced at about five times their annual incomes.

Recent Homebuyers by Age Group*
GREATER TORONTO AREA



**End-user buyers in past 5 years*

Source: Altus Group

SUMMING UP AND LOOKING AHEAD

GREATER TORONTO AREA

2020 promises to be another solid year for both the new home and investment property sectors in the GTA.

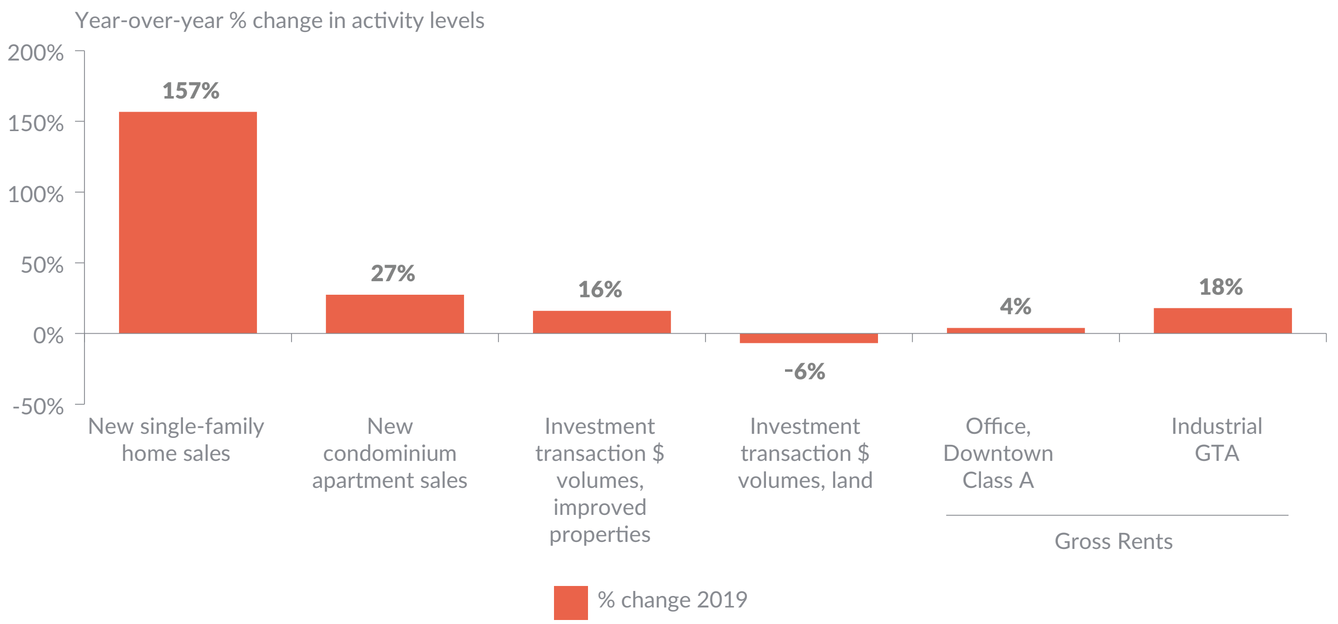
Property sales – both commercial and new homes – rallied in 2019 after taking a breather in 2018.

2020 promises to be another solid year for new home sales in the GTA, although weak homebuying intentions and uncertainty with respect to the global economy and geopolitical risk will make it challenging to improve on last year. While investors are expected to remain interested in acquiring residential land in 2020, lack of product available to purchase, in particular for low-density land, may continue to constrain actual sales.

The commercial sector market fundamentals will remain strong in the GTA in 2020, especially with the shortage in office and industrial availabilities. Even with new supply, the amount of pent-up demand will keep availabilities low. Commercial investment demand will remain high with interest from both domestic and foreign buyers. Expect cap rates to remain flat, with continued downward pressure for core investment assets.

Relative Performance by Market Activity

GREATER TORONTO AREA



Source: Altus Group

ABOUT THE FLASH REPORT

Produced by Altus Group, through our Data Solutions team. We have put together the following Flash Report which illustrates the expanded perspective our solutions provide in the GTA.

In this report, insights and perspectives are provided for the following areas:

- Commercial Investment & Land Market
- Industrial Market
- Office Market
- Residential Development Market
- Homebuyers

Altus Group is your single source for nationally researched real estate market data, backed by local expertise.

We hope you enjoy the report. Please let us know what you think by emailing *datasolutionsinfo@altusgroup.com*

About Altus Group Limited

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants. Altus Group pays a quarterly dividend of $0.15 per share and our shares are traded on the TSX under the symbol AIF.

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