

FEATURE Toronto dwarfs both Calgary and Vancouver when it comes to pure real estate investing

Three cities, one giant

WI/REALNET

WESTERN INVESTOR

Commercial real estate pros in swaggering Vancouver and Calgary like to boast their markets are on a giant roll but, when compared with Canada's biggest city, both appear like dwarfs.

In this special report with *Western Investor*, Toronto's **RealNet** (www.realnet.ca) notes that 2012 was a banner year in all three centres, but also confirms that Toronto real estate sales are more than four-times higher than in either of the two largest western municipalities. And Toronto is widening its lead.

The overall research for 2012 (covering only sales worth more than \$1 million) shows that Calgary commercial real estate sales soared 80 per cent from a year earlier and hit the second-highest level in Vancouver – but set an all-time record in Toronto.

In Calgary, total commercial real estate sales last year reached \$4.84 billion. Vancouver tallied a slightly higher \$4.85 billion (down from the 2007 peak of \$5.85 billion) while Toronto showed why it's the Goliath of Canadian real estate with \$13 billion in commercial real estate deals last year, and nearly \$3 billion so far in 2013.

It was residential land that dominated the Vancouver commercial scene, accounting for 33 per cent of all sales, while the apartment market had the biggest dollar gain, shooting up 27 per cent from a year earlier to \$123.9 million.

In Calgary, raw land – for both multi-family residential and commercial – made



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Photo: Wikipedia

TOP: Vancouver: 2012 commercial real estate sales of \$4.85 billion. LEFT: Calgary: 2012 commercial real estate sales of \$4.84 billion. RIGHT: Toronto: 2012 commercial real estate sales of \$13 billion.

up nearly a third (\$1.35 billion) of all sales, while the apartment sector saw values soar 254 per cent to \$468.4 million, the third-best year on record. The commercial strata sector is also seeing near-record high prices.

While Toronto's residential land sales reached \$744 million in the fourth quarter of 2012 alone, it is the office sector that dominates the market, accounting for 27.6 per cent of the total dollar volume in the fourth quarter.

Vancouver

In 2012 there were 1,298 commercial real estate transactions in excess of \$1 million, but it was residential land and the multi-family market that dominated the action. Since the most recent low in 2009 investment volumes in the city have increased 78 per cent, RealNet reports.

When deals in the fourth quarter of last year are broken out, those related to the residential sector account for a whopping 53.8

per cent of all transactions. Industrial sales, by comparison, make up just 15.7 per cent, with offices taking a mere 2.1 per cent slice.

The low numbers for hard commercial real estate, such as warehouses, shopping malls and office buildings, lead partially to a RealNet warning of "a market plateau."

Some examples of major deals in the first quarter of 2013:

- A 53-unit Kitsilano apartment building sold for \$15.2 million, or \$286,792 per suite, with a 3.7 per cent capitalization rate;
- a residential-zoned .34-acre lot in downtown Vancouver sold for \$20 million with a maximum floor-space ratio of five times the lot size; and
- a 2.9-acre commercial site (the former **Canada Post** building) on West Georgia Street, downtown, sold for \$166 million, more than double its assessed value.

Calgary

Calgary has much broader mix of commercial real estate transaction than Vancouver, according to RealNet research.

In the fourth quarter 2012 office buildings made up 30 per cent of the investment market, with industrial accounting for a 20.6 per cent share and a record for quarterly activity with \$302.8 million in sales.

But the residential market is also strong, with developers paying up to \$210,000 per acre.

"After lagging behind other Canadian markets, Calgary has now also reached high levels of investments," said **Paul Richter**, RealNet's director of research.

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