



LEE &
ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

Q4 2023 MARKET REPORTS



FEATURED MARKET REPORTS



INDUSTRIAL



OFFICE



RETAIL



MULTIFAMILY

THE LEE ADVANTAGE

Every Lee & Associates office delivers world-class service to an array of regional, national, and international clients - from small businesses and local investors to major corporate users and institutional investors. Our professionals combine the latest technology, resources, and market intelligence with their experience, expertise, and commitment to superior service to optimize client results.

WHAT SETS US APART?

Since 1979, Lee & Associates has reimagined the way that commercial real estate companies should be structured. Each Lee & Associates office is owned and operated by its professionals. As shareholders of the company, this separates us from our competition and creates one common goal; to provide seamless, consistent execution and value-driven market-to-market services to our clients.

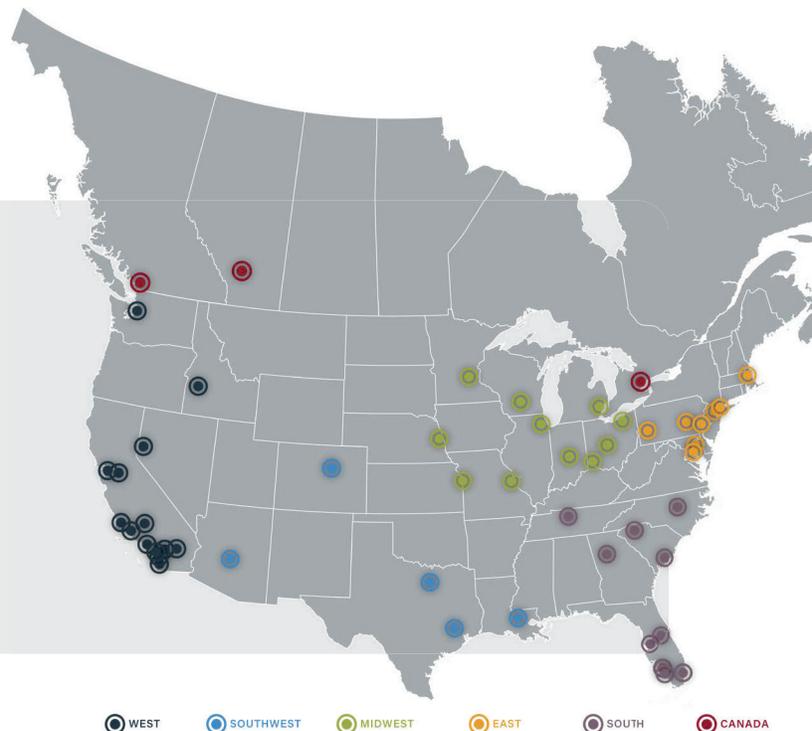
SERVICES TO MEET THE NEEDS OF OUR CLIENTS

Lee & Associates' offices offer a broad array of real estate services tailored to meet the needs of the company's clients in each of the markets it operates, including commercial real estate brokerage, integrated services, and construction services.

With specialty practice groups in each of these disciplines, our professionals regularly collaborate to make sure they are providing their clients with the most advanced, up-to-date market technology and information.

LOCAL EXPERTISE INTERNATIONAL REACH

With offices in 75+ markets across North America, Lee & Associates has the ability to deliver first-class services to our clients both locally and internationally.





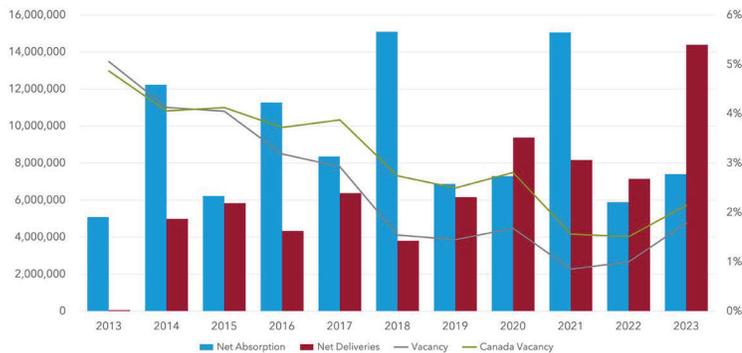
INDUSTRIAL MARKET OVERVIEW

DANIEL SMITH, *Senior Vice President, Partner*

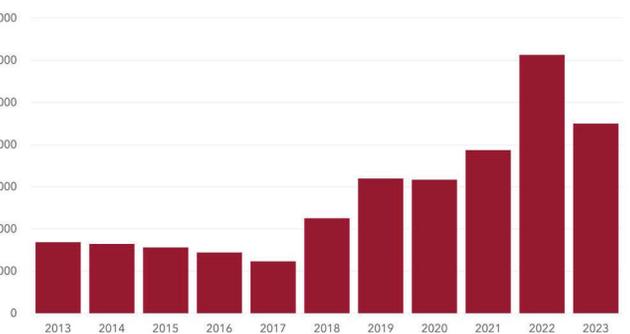
Approximately 35% of Canada's industrial assets are concentrated in the Greater Toronto Area. Fueled by robust immigration, strategic location, and dynamic demographics, Toronto is a key center for logistics, distribution, and manufacturing with e-commerce growth significantly contributing to the increasing demand for space. However, barriers to entry, such as land restrictions and a complex entitlement process, hinder new supply development, resulting in a supply-demand mismatch. Recent efforts to address this have resulted in increased construction, particularly in submarkets like Mississauga and Vaughan. Despite rising construction costs and potential delays, investor interest remains high, evidenced by the high transaction volume within the last twelve months.

MARKET INDICATORS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
▼ 12 Mo. Net Absorption SF	7,398,901	8,483,142	5,266,657	6,749,609	5,886,865
▲ Vacancy Rate	1.8%	1.3%	1.4%	1.2%	1.0%
▲ Avg NNN Asking Rate PSF	\$20.00	\$19.63	\$18.94	\$18.24	\$17.51
▼ SF Under Construction	22,504,396	26,627,158	29,427,598	29,459,667	30,644,308
▲ Inventory SF	871,930,812	866,264,514	862,746,820	860,746,120	857,543,542

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
255 Chrysler Drive** Brampton, ON	1,072,833 SF	\$202,381,906* \$251.52 PSF	TPG Oxford Properties Group	Class B
100 Royal Group Crescent** Vaughan, ON	1,043,251 SF	\$197,812,554* \$252.82 PSF	TPG Oxford Properties Group	Class A
9050 Airport Road** Brampton, ON	544,106 SF	\$112,559,252* \$275.83 PSF	TPG Oxford Properties Group	Class A

* All numbers shown are in Canadian dollars (CAD); **Part of a 10 Property Portfolio

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
12315 Coleraine Drive Caledon, ON	450,867 SF	GWL Realty Advisors	Proactive Logistics	Transportation and Warehousing
6710 5th Line Milton, ON	252,424 SF	Sun Life	KIOTI	Farm Machinery/ Equipment Mfg
7075-7095 Ordan Drive Mississauga, ON	165,321 SF	Orlando Corporation	Super-Pufft Snacks Corp.	Food Manufacturing



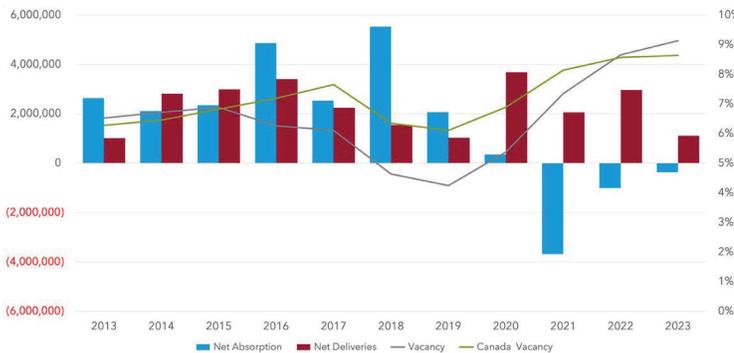
OFFICE MARKET OVERVIEW

WILL GEHRING, *Senior Vice President*

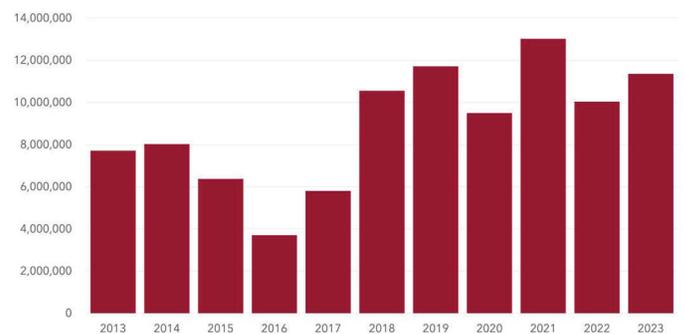
Toronto's office market grapples with persistent challenges posed by hybrid work which is evident in decreased downtown foot traffic. This has led to weakened office demand, doubling vacancy rates, and sustained negative office absorption. Sublease availability, particularly in the downtown core, has surged as major tenant in the tech and financial sector move to newer properties. Concurrently, investment activity has declined, marked by the absence of major downtown transactions, impacting valuations as properties sell at discounted rates with cap rates increase amid a higher interest rate environment.

MARKET INDICATORS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
▲ 12 Mo. Net Absorption SF	(370,368)	(1,356,764)	(1,244,120)	(1,224,932)	(1,006,815)
▼ Vacancy Rate	9.1%	9.2%	9.4%	9.0%	8.7%
▲ Avg NNN Asking Rate PSF	\$39.81	\$39.74	\$39.58	\$39.57	\$39.45
▼ SF Under Construction	11,361,788	11,783,690	9,704,567	9,713,570	10,039,511
▲ Inventory SF	288,293,944	287,469,492	287,633,441	287,544,438	287,186,928

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
1295 North Service Road Burlington, ON	140,000 SF	\$26,150,000* \$186.79 PSF	Crossroads Christian Communications Ontario Superior Court of Justice	Class B
1340 Pickering Parkway** Pickering, ON	127,770 SF	\$28,694,183* \$224.58 PSF	CentreCourt Ontario Pension Board	Class A
160 Traders Boulevard East Mississauga, ON	92,635 SF	\$22,788,260* \$246.00 PSF	Undisclosed Manuel Clementino	Class C

*All numbers shown are in Canadian dollars (CAD) ** Part of a 3-Property Portfolio

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
120 Bloor Street East Toronto, ON	121,760 SF	Montez Corporation, Adgar Canada	Georgian@ILAC	Language Schools
404 Logistics Pike Keswick, ON	92,500 SF	Panattoni Development Company Canada	Canadian Life Science and Technology Park	Educational Services
120 Bloor Street East Toronto, ON	88,302 SF	Montez Corporation, Adgar Canada	Georgian@ILAC	Language Schools



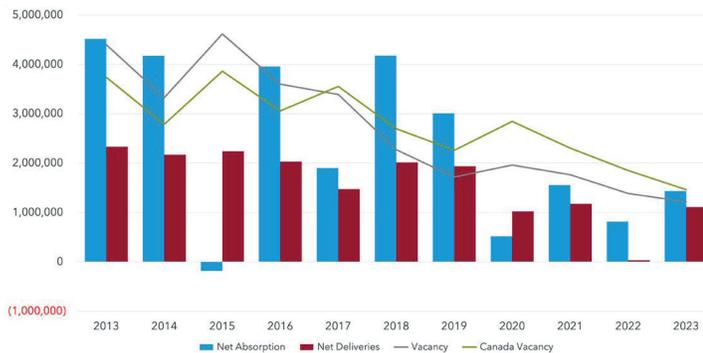
RETAIL MARKET OVERVIEW

LUIS ALMEIDA, SIOR, *Executive Vice President, Partner*

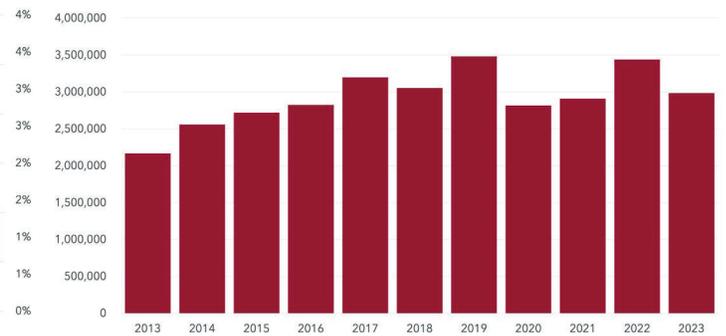
Retail vacancy remains low across diverse store types, notably with larger enclosed shopping centers maintaining steady leasing. Sales volumes have declined, with small neighborhood formats dominating transactions while larger retail acquisitions pivot towards mixed-use developments. The limited new supply and the transformation of older shopping centers into mixed-use developments contribute to robust market fundamentals. Anticipated economic cooling may lead to slower rental growth, granting tenants increased negotiating power. Moreover, amid a cooling Canadian economy, the reduction in government loan programs in 2024 poses challenges, potentially impacting retail consumption and sales.

MARKET INDICATORS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
▲ 12 Mo. Net Absorption SF	1,434,193	1,038,450	852,365	1,025,757	813,286
▼ Vacancy Rate	1.5%	1.6%	1.7%	1.7%	1.6%
▼ Avg NNN Asking Rate PSF	\$34.71	\$34.93	\$34.80	\$34.43	\$34.14
▼ SF Under Construction	2,985,556	3,103,755	2,740,760	3,215,109	3,438,463
▲ Inventory SF	304,223,250	304,039,375	303,885,770	303,394,400	303,112,574

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	TENANCY TYPE
1 Bass Pro Mills Drive Vaughan, ON	1,276,400 SF	\$465,500,000* \$744.28 PSF	LaSalle Investment Management Ivanhoe Cambridge	Multi-Tenant
1355 Kingston Road** Pickering, ON	788,000 SF	\$172,386,814* \$218.77 PSF	CentreCourt Ontario Pension Board	Multi-Tenant
1855-1911 Dundas Street East*** Mississauga, ON	239,144 SF	\$37,528,935* \$312.12 PSF	Kingsdale Development Zoran Property Management	Multi-Tenant

*All numbers shown are in Canadian dollars (CAD); ** Part of 3 Property Portfolio; *** Part of 2 Property Portfolio

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
1 Bloor Street East Toronto, ON	31,000 SF	First Capital REIT	AVANT	Fitness & Recreational Sports Centers
11 Yorkville Avenue Toronto, ON	15,081 SF	Undisclosed	Sweat and Tonic	Fitness & Recreational Sports Centers
590 King Street West Toronto, ON	13,200 SF	YAD Investments Limited	Greta Bar	Dine-In Restaurants



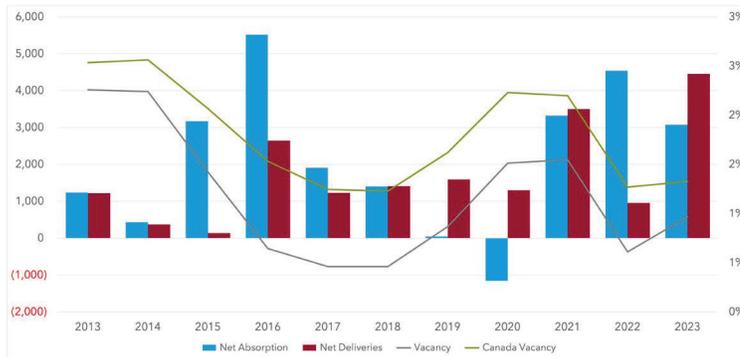
MULTIFAMILY MARKET OVERVIEW

LUIS ALMEIDA, SIOR, *Executive Vice President, Partner*

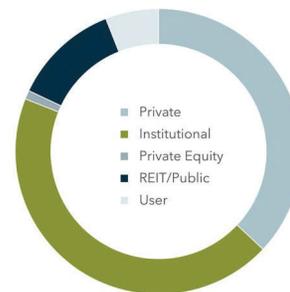
Toronto's population growth, fueled by robust international migration, outpaces apartment supply which forces many towards rentals due to the high demand and limited homeownership opportunities. The resulting low vacancy rate fuels strong annual growth in apartment rentals, with expectations of future deceleration due to fewer turnover opportunities. Developers have responded with ongoing construction projects, facilitated by the federal government's exclusion of GST on new rentals. Despite favorable fundamentals, investor interest has cooled amid higher interest rates and economic slowdown, leading to a widened bid-ask spread in the transaction market over the past year.

MARKET INDICATORS	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
▲ 12 Mo. Absorption Units	3,077	2,698	2,679	3,433	4,538
◀▶ Vacancy Rate	1.0%	1.0%	0.9%	0.7%	0.6%
▲ Asking Rent/Unit (\$)	\$2,219	\$2,209	\$2,169	\$2,118	\$2,062
▼ Under Construction Units	22,021	22,380	21,320	18,300	18,113
▲ Inventory Units	387,899	387,368	385,596	384,284	383,441

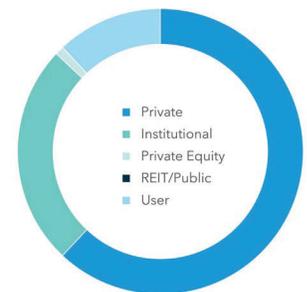
NET ABSORPTION, NET DELIVERIES, & VACANCY



SALE BY BUYER TYPE



SALE BY SELLER TYPE



**Sale by Buyer' and 'Sale by Seller' Data is comprised of data from the previous 12 months.

TOP SALE TRANSACTIONS	SALE PRICE	NUMBER OF UNITS	BUYER / SELLER
2293 Eglinton Avenue East Toronto, ON	\$32,350,000* \$274,153 Per Unit	118	Lankin Investments Greencrest Developments
245 Carlaw Avenue Toronto, ON	\$1,295,000* \$14,716 Per Unit	88	Undisclosed MK International, Inc.
2 Laxton Avenue Toronto, ON	\$10,950,000* \$202,778 Per Unit	54	WoodGreen Community Services GK Associates

*All numbers shown are in Canadian dollars (CAD)

TOP SELLERS (PAST 12 MONTHS)	SALES VOLUME	TOP BUYERS (PAST 12 MONTHS)	SALES VOLUME
Power Corporation of Canada	\$185,500,000	Starlight Investments Ltd.	\$232,380,018
Roche Development Group, Inc	\$170,180,018	Realstar Group	\$84,748,231
Alit Developments	\$84,748,231	Lankin Investments	\$62,850,000
Harry Rotenberg Real Estate	\$69,500,000	Connor, Clark & Lunn Financial Group	\$61,833,333
Hazelview Investments	\$65,115,250	InterRent Real Estate Investment Trust	\$61,833,333

ABSORPTION

Refers to the change in occupancy over a given time period. Lease renewals are not factored into absorption unless the renewal includes the occupancy of additional space. (In that case, the additional space would be counted in absorption.) Pre-leasing of space in non-existing buildings (e.g., Proposed, Under Construction, Under Renovation) is not counted in absorption until the actual move-in date.

CAP RATE

The income rate of return for a total property that reflects the relationship between one year's net operating income expectancy and the total price or value. Calculated by dividing the net operating income by the sale price or value.

CLASS A OFFICE

In general, a class A building is an extremely desirable investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality/expensive finish and trim, abundant amenities, first rate maintenance and management; usually occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility. They are most eagerly sought by international and national investors willing to pay a premium for quality and are often designed by architects whose names are immediately recognizable. A building meeting this criteria is often considered to be a landmark, either historical, architectural or both. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities. Buildings of this stature can be one-of-a-kind with unique shape and floor plans, notable architectural design, excellent and possibly outstanding location and a definite market presence.

CLASS B OFFICE

In general, a class B building offers more utilitarian space without special attractions. It will typically have ordinary architectural design and structural features, with average interior finish, systems, and floor plans, adequate systems and overall condition. It will typically not have the abundant amenities and location that a class A building will have. This is generally considered to be more of a speculative investment. The maintenance, management and tenants are average to good, although, Class B buildings are less appealing to tenants and may be deficient in a number of respects including floor plans, condition and facilities. They therefore attract a wide range of users with average rents. They lack prestige and must depend chiefly on lower price to attract tenants and investors. Typical investors are some national but mostly local.

CLASS C OFFICE

In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems. As with Class B buildings, they lack prestige and must depend chiefly on lower price to attract tenants and investors.

GROSS ABSORPTION

For existing buildings, the measure of total square feet occupied (indicated as a Move-In) over a given period of time with no consideration for space vacated during the same time period. Sublet space and lease renewals are not factored into gross absorption. However, in a lease renewal that includes the leasing of additional space, that additional space is counted in gross absorption. Preleasing of space in non-existing buildings (Planned, Under Construction or Under Renovation) is not counted in gross absorption until actual move in, which by definition may not be any earlier than the delivery date.

Source: CoStar Group and NAIOP Research Foundation

INDUSTRIAL GROSS RENT

A type of Modified Gross lease where the tenant pays one or more of the expenses in addition to the rent. Exact details must be confirmed for each lease.

INVENTORY

Existing inventory refers to the total square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space that is either planned, or under construction.

MODIFIED GROSS

Modified Gross is a general type of lease rate where typically the tenant will be responsible for their proportional share of one or more of the expenses. The Lessor (landlord) will pay the remaining expenses. For example: Plus Electric means the tenant pays rent plus their own electric expense, or Plus Janitorial means the tenant pays the rent plus their own janitorial expense. Both of these are types of Modified Gross Leases, which may vary from tenant to tenant.

NET ABSORPTION

For existing buildings, the measure of total square feet occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given

period of time. Lease renewals are not factored into net absorption. However, in a lease renewal that includes the leasing of additional space, that additional space is counted in net absorption. Pre-leasing of space in non-existing buildings (Planned, Under Construction or Under Renovation) is not counted in net absorption until actual move in, which by definition may not be any earlier than the delivery date.

TRIPLE NET (NNN)

A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building.

UNDER CONSTRUCTION

Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building Under Construction, the site must have a concrete foundation in place.

VACANCY RATE

Expressed as a percentage - it identifies the amount of New/Relet/Sublet space vacant divided by the existing RBA. Can be used for buildings or markets.

COMMON LEASE TYPES MATRIX

LEASE TYPE	RESPONSIBILITY FOR EXPENSES	OTHER
Gross (full service)	Landlord pays all or most of the operating expenses and taxes.	Costs of operation must be disclosed in lease.
Modified Gross	Expenses are divided between tenant and landlord.	Costs can be double or triple net depending on terms of lease.
Net	Tenant pays all operating expenses.	Landlord must disclose tenant responsibility in lease.
Triple Net (Net-net-net, or NNN)	Tenant pays all operating expenses, taxes and insurance.	Landlord is responsible for structure, roof and maybe parking lot.

Source: [CoStar Group](#) and [NAIOP Research Foundation](#)

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