**2018 Toronto Commercial and Residential Real Estate Market Takes a Breather**

*Altus Group data reveals that commercial property investment and new condo sales were down from 2017’s record levels, while absorptions of office and industrial space and transactions in the rental apartment sector were more robust*

**TORONTO** (February 1, 2019) - Altus Group Limited (“Altus Group”) (TSX: AIF), a leading provider of software, data solutions and independent advisory services to the global commercial real estate industry, today released its *2019 GTA Flash Report*, which provides a comprehensive review of the real estate market in the Greater Toronto Area (“GTA”) based on 2018 Altus Group data. The report highlights the performance of investment property sales volumes, land markets, commercial leasing and the new home sectors in the GTA.

Overall year-over-year percentage change in relative performance by market activity in the GTA:

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| **Market activity** | **Year-over-year % change in activity levels** |
| New Single-Family Home Sales | -50% |
| New Condominium Apartment Sales | -38% |
| Investment Transaction $ Volumes, Improved Properties | -1% |
| Investment Transaction $ Volumes, Land | -22% |
| Office Space Absorption | 18% |
| Industrial Space Absorption | 251% |

“Real estate investment in general had a bit of a quieter year after an exceptional 2017,” said Matthew Boukall, Vice President, Data Solutions at Altus Group. “We expect the downturn will be short-lived, with the rebound in homebuying intentions, the pause in interest rate increases and continued interest in commercial real estate as an investment asset class.”

Total investment property sales volumes in the GTA totalled $21.1 billion in 2018, down from the record set in 2017, but still the second highest annual volume yet recorded since Altus Group started tracking the market in 2000. The decline largely can be attributed to the 31% decline in residential land activity.

Within the investment property transactions, the rental apartment sector was the star performer in 2018, posting both the largest dollar and largest percent increases with $2.7 billion in sales while the office sector set another new record, at just under $4 billion in sales. After three years of decline, institutional investors stepped up their activity again in 2018. At the same time foreign investment reached a multi-year high.

In the office market, the completion of new office space dropped to the lowest level in 15 years with only 650,000 sq. ft. of new offices added to the GTA in 2018. Stronger office space absorption in the downtown submarket, combined with virtually no new supply delivered last year, pulled the vacancy rate in the downtown to 3.1%, the lowest level recorded in Altus Group’s tracking history. Much needed new office supply is on its way with close to 11.9 million sq. ft. under construction, of which 9.9 million sq. ft. is underway in the downtown alone.

Turning to the new home sector, total new home sales in the GTA dropped 40% to just over 25,000 units, which is the lowest level since Altus Group started tracking. New condominium apartment sales fell back to levels comparable to 2014 and 2015, and while down from the record level set in 2017, are near the ten-year average for the market. The reduction in sales activity is partially attributable to the more stringent mortgage stress testing that delayed purchases, and a limited availability of single-family product that was affordable to a broader range of incomes. With available inventory low in relation to the pace of sales, the average asking price for a new condominium apartment in the GTA rose by 57% in the past two years with the benchmark price reaching an all-time high at just under $800,000 by the end of 2018.

The good news is that more GTA households are planning to buy homes in the upcoming year. Homebuying intentions among renters – the primary pool for potential first-time buyers – plunged in 2017 due to affordability and mortgage financing challenges but rebounded in late 2018.

Below are key predictions for 2019:

* Office, Industrial and Retail:
  + Office: while office space demand is expected to stay strong in the downtown market, the 9.9 million sq. ft. of space currently under construction will lead to gradually easing vacancy rates over the next few years. The market is experiencing increased interest from tenants considering suburban locations based on the competitive rents and more alternatives to choose from.
  + Industrial: demand for industrial space will remain strong as online and traditional retailers seek warehouse space to support their e-commerce business strategies. Rents will continue to show significant increases due to shortages in newer facilities.
  + Retail: while e-commerce has continued to disrupt the retail markets, demand for retail assets remained strong. Watch for increased mixed-use development and new retail concepts especially as retailers expand choices for how consumers shop.
* Land Sales:
  + With growth prospects for the GTA still very favourable, land sales are expected to improve from 2018 levels. However, some uncertainty has been introduced to this sector, with the Province of Ontario’s proposed changes to the Growth Plan for the Greater Golden Horseshoe and the introduction of the Local Planning Appeal Tribunal (LPAT).
* New Homes Market:
  + Even with some moderate increases in contributions from purpose-built rental buildings, new condos will remain the primary source of the additional housing needed to accommodate a growing population base. This will keep both end-users and investors active in the market.
  + New single-family home sales will remain relatively low until competition with lower-priced excess supply in the resale market is reduced and more affordable product options are made available that appeal to a broader range of buyers.
* Commercial Investment Property:
  + Investment activity in the GTA is expected to remain strong in 2019 as assets in Canada and Toronto continue to be in demand for investors based on stable market fundamentals and a track record of consistent returns, especially for core asset classes.

The *2019 GTA Flash Report* can be downloaded at <https://datasolutions.altusgroup.com/download-toronto-flash-report-2019/>.

**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.

For more information on Altus Group, please visit: [www.altusgroup.com](http://www.altusgroup.com).

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