Greater Toronto Real Estate Report

Asset Focus: Retail Land

May 09, 2006 Volume #12.04

NEW LISTING
FOR SALE - POTENTIAL RETAIL LAND ASSEMBLY
3064 Trafalgar Road, Oakville, Ontario

A site of approximately 2 acres located on the west side of Trafalgar Road, north of Dundas Street East in Oakville, Ontario. The site offers the potential for a land assembly of 5 to 6 acres. Offer submission deadline is 12:00 o'clock noon **Wednesday May 31st, 2006** at the offices of P.G. Gagné Commercial Real Estate Corp.

CLICK HERE to find out more or visit www.gagenrealestate.ca/3064trafalgar.php

FORWARD PURCHASE - RENTAL STUDENT RESIDENCE TO BE BUILT
380 Church Street, 50-56 Gerrard Street East, Toronto, Ontario

The 25,640 square foot "L shaped" site; excluding the corner is located in the northwest quadrant of Gerrard Street East and Church Street at 380 Church Street and 50 and 56 Gerrard Street immediately adjacent to Ryerson University in Toronto. The vendor is soliciting Expressions of Interest to purchase the freehold interest of the site together with a 134,204 square foot, 184 suite rental student housing building to be constructed and rented for the purchaser.

Find out more….

PIERRE'S RECENT SALE
WILLOWDALE PLAZA SITE
4759-4789 Yonge Street, Toronto, Ontario

The 3.686 acre Willowdale Plaza Site located on the prime south east corner of Yonge Street and Sheppard Avenue. **Closed April 20, 2006 at $29,000,000 or $7,867,607 per acre.**

Find out more….

RECENT RETAIL LAND SALES IN THE GTA

Sources: John Marsh Report

Great Lakes Boulevard – 1.49 acres located on the south west corner of Sandalwood Parkway in Brampton. Closed March 31, 2006 at $1,488,312 or $997,835 per acre.

1893 Appleby Line – 1.19 acres located south of Dundas Street in Burlington. Closed March 30, 2006 at $1,000,000 or $839,764 per acre.

Castlemore Road – 2.25 acres located on the south east corner of Airport Road in Brampton. Closed March 15, 2006 at $1,901,449 or $846,739 per acre.

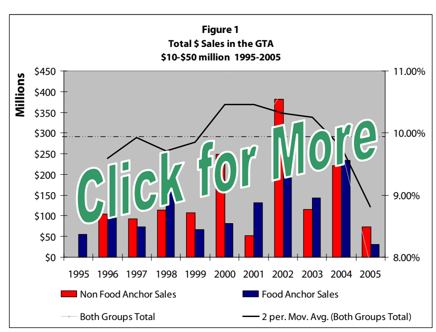
1013 Maple Avenue – 8.032 acres located at the south east corner of Steeles Avenue and Thompson Road in Milton. Closed January 30, 2006 at $3,815,200 or $475,000 per acre.

McLaughlin Road – 1.20 acres located south of Queen Street West in Brampton. Closed August 2, 2005 at $1,000,000 or $833,300 per acre.

1194 Dundas Street East – 7.83 acres located on the south east corner of Prince Michael Drive in Oakville. Closed May 19, 2006 at $6,750,000 or $862,100 per acre.

INDUSTRY COMMENTARY - Valuation Parameters of Food Anchored Retail Centres when compared to Non-Food Anchored Retail Centres 1995-2005

We have tested the hypothesis that food anchored retail centres should trade at a lower cap rate when compared to non-food anchored retail centres. As well, we anticipated that the price per square foot of food anchored retail centres might be lower than non-food anchored retail centres given the larger sales area and negotiating strength of a traffic generating food store. **Here's what we have really found.**



Valuation Parameters of Food Anchored Retail Centres when compared to Non-Food Anchored Retail Centres

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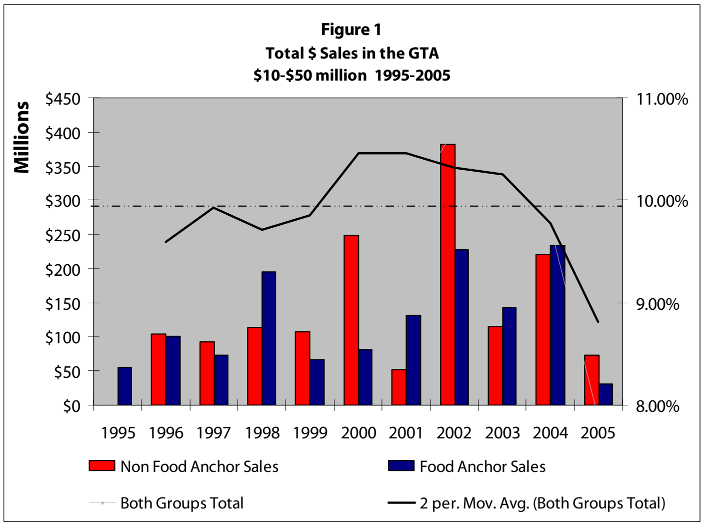

We have sampled all retail centres sold between 1995 and 2005 in the GTA at prices ranging between $10 and $50 million. We have excluded single tenanted retail centres but we have not made the distinctions between enclosed and non-enclosed retail centres.

The total yearly investment sales is an average of $258 million since 1995 for this asset group. The volume of dollar sales has generally been increasing since 1995. The cap rates have increased from 1995 to 2000 and have declined since then (see figure 1).

Our hypothesis of a lower price per square foot for a food anchored retail centre generally holds true since 1995 (see figure 2). The average price difference is approximately $35 per square foot.

Our findings regarding the difference in cap rates however is interesting because in the three-year period of 2000, 2001 and 2002 the market did not differentiate between the two types of retail centres. There was no discernable cap rate difference in what appears to have been a market in a state of change. Prior to 2000 however, cap rates of food anchored retail centres sold were generally 90 bps higher than the non-food anchored retail centres.

Only in 2003 and 2004 has the market paid a premium for a food anchored retail centre with an average cap difference of approximately 130 bps. We can't explain why the difference in cap rate does not bear a consistent difference amongst the two classes of retail centres throughout the 10 year period but this analysis if not subjected to a sampling error may point to some form of arbitrage available from time to time.