

OUR NEW LISTING

2181-2187 Queen Street East, Toronto, Ontario



The asking price is \$8,250,000. This three storey 18,290 leasable square foot building built circa 1987 offers the new owner the opportunity to create value by leasing up the existing 5,257 square foot existing vacancy (29%) and increase the income in place of \$286,846 up to \$500,301 normalized at 95% occupancy. Preliminary concept indicates potential to add two additional floors totalling 10,139 sft. Offers will be emailed to PGagne@PetrusRealty.ca Offers will not be reviewed until May 31st 2016. [Click here for more information](#) 

OUR RECENT STOREFRONT SALES



27 Carlton Street

A 24,846 square foot leasable building. Closed Mar 17, 2015 at \$8,650,000 or 4.6% Cap Rate. [Click for our case study](#) 



110-114 Cumberland Street

A 13,350 square foot leasable building. Closed Feb 25, 2014 at \$9,450,000 or 4.2% Cap Rate. [Click for our case study](#) 

RECENT RETAIL SALES IN TORONTO

400-408 Bloor Street West – a 20,000 sf-floor retail located west of Spadina Ave. Closed on Mar 30 th 2016 at \$15,800,000 or \$790 per sf. Cap Rate 4.9%	26 Bellair St., 81 Yorkville Ave – 2 retail buildings of 4,920 sf-floor located west of Bay Street. Closed on Jun 18 th 2015 at \$8,100,000 or \$1,646 per sf.
2329 Yonge Street – a 5,000 sf-floor retail building located north of Eglinton Avenue. Closed on Mar 24 th 2016 at \$8,500,000 or \$1,700 per sf.	2637 Yonge Street – an 8,000 sf-floor retail building located east of Spadina Avenue. Closed on Jun 12 th 2015 at \$8,900,000 or \$1,113 per sf.
77 Yorkville Ave – a 3,800 sf-floor retail building located west of Bay St. Closed on Mar 24 th 2016 at \$13,600,000 or \$3,579 per sf. Cap Rate 2.6%	336 Queen Street West – a 10,647 sf-floor retail building located south of Lawrence Avenue. Closed on May 5 th 2015 at \$14,600,000 or \$1,371 per sf.
96-100 Ossington Ave – a 15,400 sf-floor retail building located north of Queen Street W. Closed on Feb 26 th 2016 at \$9,100,000 or \$591 per sf.	96 Scollard Street – an 8,000 sf-floor retail building located west of Bay Street. Closed on February 17 th 2015 at \$5,000,000 or \$625 per sf.

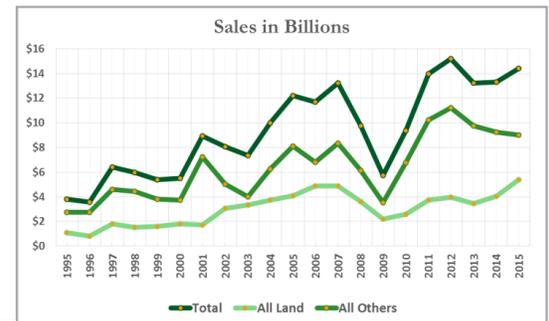
Source: Marsh Report



INDUSTRY COMMENTARY:

Real Estate Trades Then and Now... Negative Leverage then and Positive Leverage Now

Why do we all hear grievances that prices in commercial real estate are too high when Marshnet.com reports sales/purchases of \$14.4 billion or 2,045 trades of real estate in 2015? [Click here for more information](#) 



Source: Marsh Report



LIFE LESSONS at PETRUS COMMERCIAL REALTY CORP - Lesson #74

Now that *Downton Abbey's* fifth season is airing on Netflix, it seems like there couldn't be a better time to celebrate the sassy, sharp-tongued dame, and to ask yourself the eternal question: What would the Dowager say? [Click here to read full lesson](#) 

Source: <http://www.sheknows.com/entertainment/articles/1108201/dowager-countess-quotes>



INDUSTRY COMMENTARY:

Real Estate Trades Then and Now...

Negative Leverage then and Positive Leverage Now

Why do we all hear grievances that prices in commercial real estate are too high when Marshnet reports sales/purchases of \$14.4 billion or 2,045 trades of real estate in 2015 (more than \$1 million in all trades not part of owned homes)? These trades cannot all be grounded on wrong valuation parameters. Surely our check and balance systems driven in large parts by our financial institutions prejudiced by the early 90's melt down must have kept buyers in check.

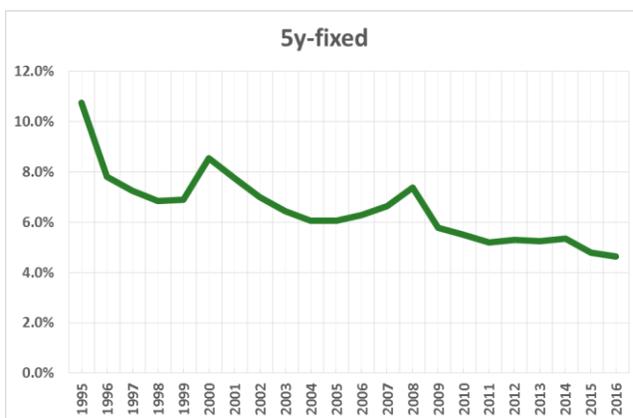
That 2015 trade level is a 276% increase or 3.8 times the 1995 total trades. Pick any frame of reference, or for example, the five year average total sales of \$5.0 billion (1995-99); \$8.0 billion (2000-04); \$10.1 billion (2005-09); and \$13.0 billion and the respective increases in the number of trades: 834; 1,122; 1,389; 1,513 and the growth pattern is clear except perhaps for the 2008-2009 transitory downturn.

	Total	All Land	All Others	5 yr Posted Rate
year	\$ billions	\$ billions	\$ billions	as of January 1st.
1995	\$3.829	\$1.099	\$2.730	10.8%
1996	\$3.563	\$0.812	\$2.751	7.8%
1997	\$6.426	\$1.816	\$4.610	7.3%
1998	\$5.959	\$1.515	\$4.444	6.9%
1999	\$5.395	\$1.596	\$3.799	6.9%
average	\$5.034	\$1.368	\$3.667	
2000	\$5.513	\$1.799	\$3.714	8.6%
2001	\$8.938	\$1.722	\$7.216	7.8%
2002	\$8.071	\$3.052	\$5.019	7.0%
2003	\$7.360	\$3.346	\$4.014	6.5%
2004	\$9.999	\$3.729	\$6.270	6.1%
average	\$7.976	\$2.730	\$5.247	
2005	\$12.204	\$4.094	\$8.110	6.1%
2006	\$11.679	\$4.881	\$6.798	6.3%
2007	\$13.202	\$4.878	\$8.324	6.7%
2008	\$9.745	\$3.630	\$6.115	7.4%
2009	\$5.742	\$2.191	\$3.551	5.8%
average	\$10.092	\$3.895	\$6.197	
2010	\$9.341	\$2.571	\$6.770	5.5%
2011	\$13.948	\$3.741	\$10.207	5.2%
2012	\$15.200	\$3.978	\$11.222	5.3%
2013	\$13.200	\$3.454	\$9.746	5.2%
2014	\$13.300	\$4.050	\$9.250	5.3%
average	\$12.998	\$3.559	\$9.439	
2015	\$14.400	\$5.403	\$8.997	4.8%

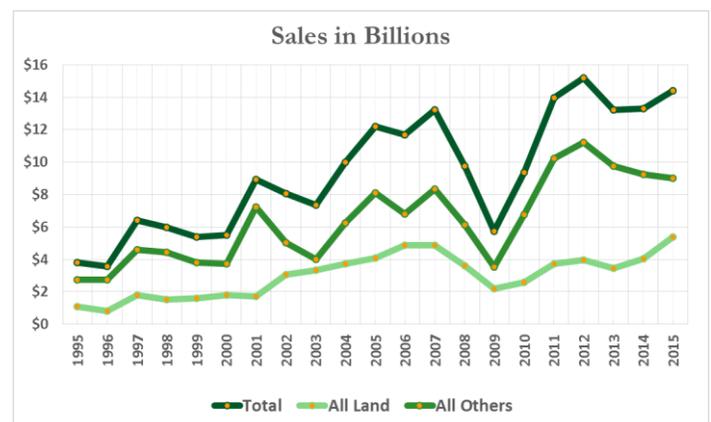
The 1990-94 was the melt down period in real estate and 1995 is recognized as the start of the correction. While the GTA is the reference, pretty much of all the western world and certainly Canada and the US faced the same conditions of restrained financing conditions, high vacancy, and low fundamentals whereby for example, class “B” office buildings in downtown Toronto were financeable mainly with vendor financing regardless of the \$50 per square foot price range. Understandably, these low prices relative to the \$400 price range of the late 80’s price levels were a reflection of the negative property income due to low net effective rates and high vacancy factors.

The stakeholders of late 80’s observed negative leverage conditions whereby cap rates were actually lower than the cost of mortgages as a modus operandi. The table/chart sourced from ratehub.ca captured the posted rate for a five year fixed rate mortgage as the proxy for the direction of the interest rates. Understandably, lower rates are and were available for different quality loans and our competent lenders and mortgage brokers will be first to identify the wide range of rates available for different loan risks and the fact that rates fluctuate throughout the year as influenced by various economic conditions. Nonetheless, the chart below drives the point of generally declining mortgage rates in the 1995-2016 period.

That late 80’s period is the precursor of the 1990-94 period that witnessed the collapse of most of the Trust industry as well as a serious tightening of mortgage financing. The fundamentals of a real estate investment in those days contended negative cash flow over the first two or three years of acquisition in anticipation of capital gains. As interest rates have continued to decrease since that period, trades today are accretive and they are based on positive leverage conditions across all assets classes.



Source: <http://www.ratehub.ca/mortgage-rate-history-canada>



Source: Marsh Report

Real estate is not for the faint of hearts. Either fundamentals are shaky and financing conditions are tight or prices are perceived to be too high. Either way, today’s existing markets with positive leverage have much momentum and risk is more with the renewal rates than today’s level of real estate prices. Most of our institutions and large private fund managers have reportedly structured a laddered renewal mortgage strategy over-layered by the portfolio lease renewal schedule to balance the risk of such renewal rate risk.



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"No life appears rewarding if you think about it too much."

"Nothing succeeds like excess".

"Vulgarity is no substitute for wit."

"Hope is a tease, designed to prevent us accepting reality."

"Principles are like prayers; noble, of course, but awkward at a party."

"Don't be defeatist, dear, it's very middle class."

"I do think a woman's place is eventually in the home, but I see no harm in her having some fun before she gets there."

"I know several couples who are perfectly happy. Haven't spoken in years."

"There's nothing simpler than avoiding people you don't like. Avoiding one's friends, that's the real test."

"Life is a game, where the player must appear ridiculous."

"The presence of strangers is our only guarantee of good behaviour."

"All life is a series of problems which we must try and solve, first one and then the next and then the next, until at last we die."

"You know me...Never complain, never explain."

"It always happens when you give these little people power, it goes to their heads like strong drink."

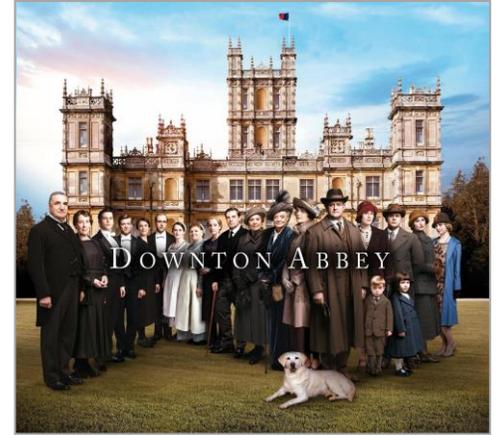
"My dear. A lack of compassion can be as vulgar as an excess of tears."

"There's a point, Spratt, where malice ceases to be amusing."

"Oh all this endless thinking, it's very overrated."

"Love is a far more dangerous motive than dislike."

"No guest should be admitted without the date of their departure being known."



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