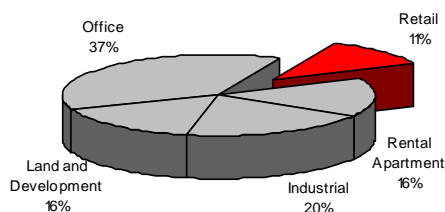


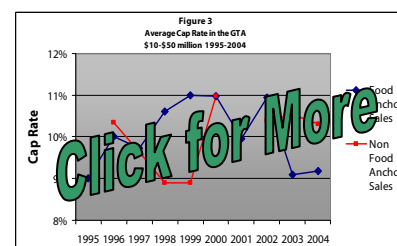
Pierre Gagné's Historic Scope of Business



The corporate branding exercise that we commissioned last year for P.G. Gagné Commercial Real Estate Corp. revealed that different clients have a different understanding of the scope of business covered by the firm. We are clearly identified as GTA experts advising and assisting in the sale of mid-market assets. Many clients however associate our asset class mainly along the lines of their own scope of business. P.G. Gagné Commercial Real Estate Corp. covers all main asset classes. **This week's newsletter addresses the retail sector.**

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

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.**



Recent Sales in the GTA

570 Westney Road South – a property improved with two multi tenant retail buildings with 60,000 square feet of leasable space. Located on the north west corner of Westney Road South and Lade Driveway West in Ajax. Closed September 2004 at \$6,000,000 or \$100 per square foot.

Burlington Power Centre – a property improved with multiple single storey buildings with a total of 296,788 square feet of leasable retail space. Located at the north west corner of Brant Street and North Service Road in Burlington. Closed December 2004 at \$54,300,000 or \$183 or 9.26% cap rate.

2000 Sheppard Avenue East – a property improved with two multi tenant retail buildings with 30,039 square feet of leasable retail space and 9,309 square feet of leasable office space. Located on the north side of Sheppard Ave East just west of Victoria Park Avenue. Closed October 2004 at \$5,300,000 or \$135 per square foot or 9.5% cap rate.

Observatory Place – a property improved with a one storey multi tenant retail plaza of 48,446 square feet and a four storey office building of 38,469 square feet. Located at 9555 Yonge Street between 16th Avenue and Major Mackenzie Drive in Richmond Hill. Closed December 2004 at \$15,520,000 or \$179 per square foot or 7.9% cap rate.

Whites Road Shopping Centre – a property improved with single storey multi tenant retail plaza with 65,703 square feet of leasable space. Located at the southeast corner of Whites Road and Kingston Road in Pickering. Closed June 2004 at \$16,350,000 or \$248 per square foot or 8.90% cap rate.

Niagara Square – a property improved with a single storey enclosed mall with 410,251 square feet of leasable space. Located in the City of Niagara Falls. Closed September 2004 at \$26,000,000 or \$63.38 per square foot or 10.81% cap rate.

10620 Yonge Street – a property improved with two multi tenant retail buildings with 53,000 square feet of leasable space. Located on the southwest corner of Yonge Street and Oxford Street in Richmond Hill. Closed November 2004 at \$6,175,000 or \$117 per square foot.

2200 Brock Road – a property improved with 50,870 square feet of leasable retail space. Located on the west side of Brock Road north of Finch Avenue in Pickering. Closed December 2004 at \$5,167,500 or \$102 per square foot.

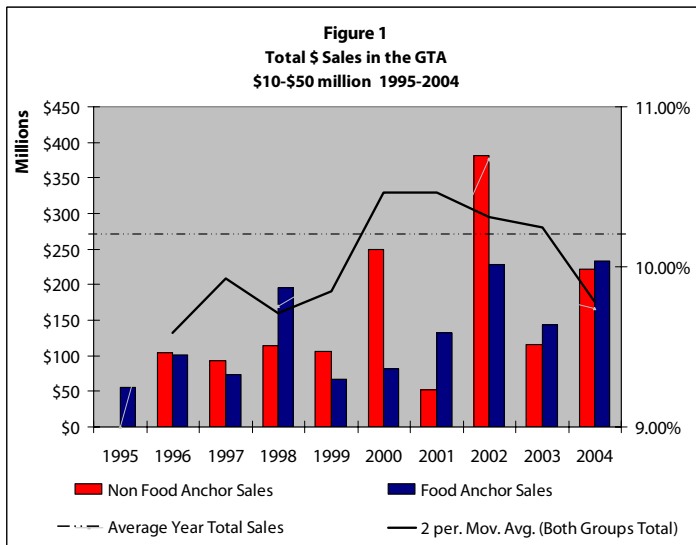


Life Lessons at P.G. Gagné Commercial Real Estate Corp. – Lesson #10

“Opportunity is missed by most because it comes dressed in overalls and looks like work.”
– Thomas A. Edison

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We have sampled all retail centres sold between 1995 and 2004 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 \$274 million since 1995 for this asset group. The volume of dollar sales has generally been increasing since 1995 and 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 \$30 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 discernible cap rate difference in what appears to have been a market influx. 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.

