



# Commercial & Investment Real Estate Report

## Post-Pandemic Outlook for Investment Real Estate in Central Toronto

Now that the pandemic is over and we are dealing with extraordinary interest rates and inflation due to government measures in the aftermath of the pandemic, we thought it would be a good time to discuss the effects that the last few difficult years have had on commercial real estate in Toronto.

While the pandemic has brought about significant changes to the commercial real estate market in Toronto as a whole, office and retail sectors experienced the greatest decline. In Ontario, business insolvencies were up 56.7%, year over year, in 2022 over 2021. Retail trade bankruptcies alone increased by 54%, year over year, nationwide. It seems implausible that there would be more business bankruptcies after the pandemic following the end of business lockdowns and after restrictions have eased.

However, economists have attributed this to the artificially low business closures during the pandemic due to federal small business subsidies, interest free loans, and ultra-low interest rates during those really tough months. Now that businesses are faced with repaying those subsidies and loans, and are experiencing much higher than average rates of inflation and interest, many are not able to stay afloat.

The CEBA (Canada Emergency Business Account) loan, for example, was a welcome vehicle for small businesses to stay buoyant during the worst months of the pandemic, however, the CEBA loan must be

repaid by December 31 st , 2023 in order for businesses to have, depending on the original loan amount, \$10,000 to \$20,000 of that loan forgiven. Facing a huge debt-load, many businesses are opting to walk away from their businesses, and their commercial leases.

Although Toronto's central region has experienced significant vacancy in the retail and office sectors which has had a negative effect on commercial rental rate, this trend is slowly shifting. As interest rates are stabilizing, small business bottom lines are returning to pre-pandemic norms, tenant confidence is returning, and rental rates are expected to stabilize as well. As the commercial rental market recovers and as more vacancy is absorbed into the market, it would be advisable for landlords to keep their rental rates high, and in return offer tenant inducements, build in escalations over the term, and/or keep terms short to take advantage of higher rates at the time of renewal. Regarding commercial real estate investments for those entering the market or expanding their portfolio, higher interest rates and lower rental rates have reduced cash on cash returns for these investors which has had a negative effect on values of properties based on a net operating income return analysis.

That said, investment properties are moving and prices have stabilized now that the Bank of Canada has indicated that interest rate hikes will be ending. There is still strong demand for mixed-use properties

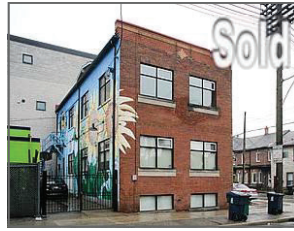


with shorter lease terms and properties with vacant commercial or residential units as the user market remains buoyant. Further, there are great opportunities for all cash investors. We have negotiated a number of Vendor Take Back Mortgages (VTB's) working on both the Buyer and Seller side recently. VTB's can help Buyers in a climate where lenders are risk adverse and can allow Sellers to facilitate sales, realize higher value, and defer capital gains tax. It is critical during this post-pandemic, ever evolving climate that property owners, with the assistance of a commercial realtor, evaluate the market, employ financial analysis tools, and position their property in the marketplace to maximize their value before making any

### Recent Blog Posts that can be found at [BosleyCommercialTeam.com](https://www.BosleyCommercialTeam.com):

- Zoning changes will allow multi-family homes in residential areas.
- Province mandates all large municipalities to increase density near major transit hubs.
- How Toronto is meeting increasing affordable housing needs.

RECENT REAL ESTATE ACTIVITY:



**1132 Queen St. W.**

Asking Price: \$2,388,000

- Located on great WQW block next to the Drake.
- Main Floor Retail & 3 Apts.
- 2,565 sf Abv. Grade + Pkg.

**15 Glenforest Rd.**

Asking Price: \$2,549,000

- Office Building just off Yonge near Lawrence Subway.
- Built in 2006 w/ fab rooftop patio.
- 2,755 sf. Finished space + pad pkg & next to Green P.

**686 Richmond St. W.**

Sold Price: \$3,550,000

- Corner near Queen W & Bathurst.
- Bright loft space w/ 10' ceilings zoned for Live or Work.
- 4,6023 sf omn3 lvs., 3 Pkg.

**64 Golden Ave.**

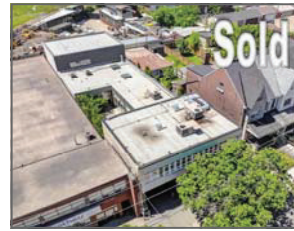
Asking Price: \$3,500,000

- Recently reno'd free standing loft office building near Dundas W subway.
- 3,898 sf of edgy, bright, creative space w/ 15' ceilings.
- 2 Pkg. & more nearby.

**449 Church St.**

Asking Price: \$2,100,000

- S. Of Wellesley in busy retail node.
- 2 com. Units w/ lg apt. abv.
- 3,575 sf of finished space w Pkg. off lane.



**207 Cowan Ave.**

Sold Price: \$6,200,000

- Almost 20,000 sf usable area.
- 6 Residential abv. grade loft units, 2,000 to 3,000 sf each most w/ 16'+ ceilings
- High basement w/ additional studios and apartments.

**804 St. Clair Ave. W.**

Sold Price: \$1,625,000

- Prime St. Clair W location close to condo development
- Main Floor Health Clinic w/ 2 apts. Above, Pkg. off lane.
- 2,400 sf abv. Grade. Deep lot allows for future addition.

**134 Osler Ave.**

Sold Price: \$3,100,000

- Junction loft conversion—over \$1 mil spent in reno.
- 4 units all w sep. utilities & HVAC.
- Almost 5,000 sf plus landscaped courtyard & Pkg.

**276 Sterling Ave.**

Sold Prices: \$2,625,000

- Live/Work Loft building near MOCA & Dundas W subway.
- 16' ceilings w Mezzanine & Green roof.
- 3,610 sf Abv. Grade plus landscaped courtyard & Pkg.

**1233 R Queen St. W.**

Sold Price: \$1,900,000

- Converted Industrial Bldg just south of Queen W in Parkdale.
- Main Floor open space w high bsmt both w high ceilings.
- Each floor is 2,000 sf.

WE ARE PROUD MEMBERS OF THE FOLLOWING ORGANIZATIONS:



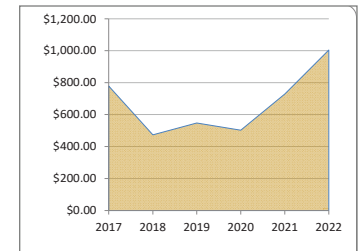
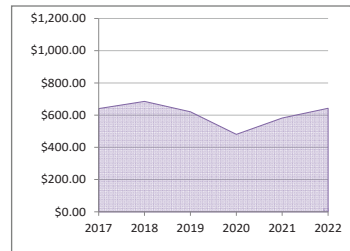
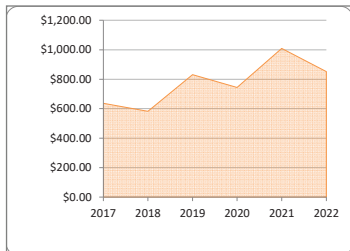
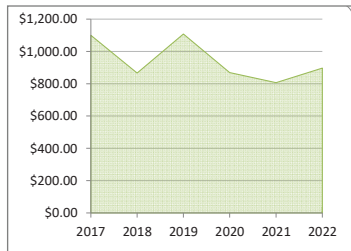
**CCIM Institute**  
Commercial Real Estate's Global Standard for Professional Achievement

Queen St. W. (Spadina to Dufferin)

Dundas St. W. (Spadina to Dufferin)

College St. (Spadina to Lansdowne)

Roncesvalles Ave.

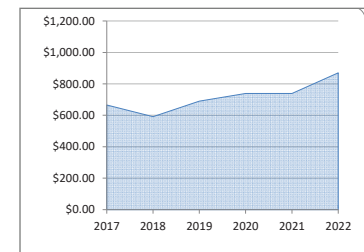
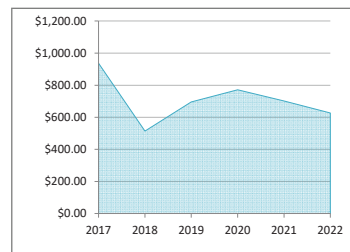
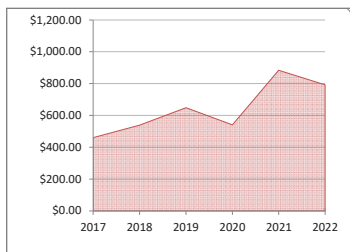
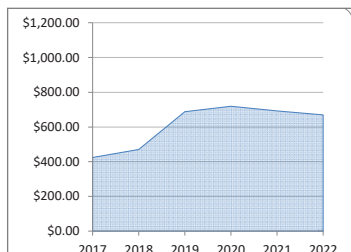


Queen St. W. (West of Dufferin)

Dundas St. W. (Dufferin to Bloor W.)

Spadina Ave.

Bloor St. W. (Spadina to Dundas W.)



The graphs above include all commercial sales reported on MLS® by the Toronto Real Estate Board CoStar and are provided to show general market conditions and trends. Sales prices vary by block. Many factors affect property values such as location, size, configuration, use, taxes, operating expenses, condition of the property and development potential. Please call me for the latest information relevant to the pricing of your property.