

Lennard:

*Understanding the
world of commercial
real estate.*

The Q™ Market Report Q3 : 2020



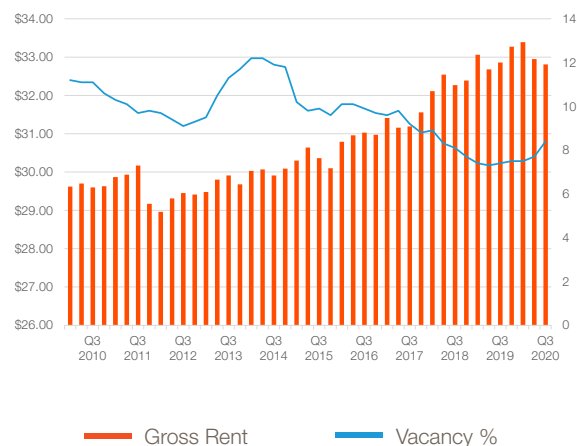
Office Market

For the moment we are caught between the stay-at-home economy and what we hope is the return-to-something-more-normal economy post vaccine, not an ideal environment for decision makers. Optimism has begun to emerge with the positive news of a Covid-19 vaccine, to be delivered in spring/summer 2021.

For our third quarter report we decided to return to our traditional format of the Q Market commentary now that we have a couple of quarters of new post Covid lockdown data. It is still difficult to establish meaningful trends because this market is changing weekly, and the market data for certain segments is very limited given the steep reduction in leasing transaction activity.

There remains very little consensus on how the pandemic will unfold especially since governments in all economies are playing such a large role. The massive government spending and ultra low interest rates have provided a lot of fuel for the marketplace, but they are confusing what was the “real” economy, making decision makers more tentative. The current projection is that our government spending will produce huge

GTA Vacancy and Gross Rental Rates - 5 Year Trend View



Submarket	Total # Buildings	Problem Buildings	%
Burlington	62	31	50.00%
427 Corridor	19	8	42.11%
North York "A"	23	8	34.78%
Airport Corporate Centre	58	19	32.76%
Meadowvale	59	19	32.20%
Financial Core "C"	10	3	30.00%
404 / Steeles	61	18	29.51%
Consumers Road "A"	7	2	28.57%
Don Mills / Eglinton	32	9	28.13%
Oakville	74	20	27.03%
Heartland	50	12	24.00%
Scarborough	48	11	22.92%
Consumers Road "B"	18	4	22.22%
Mississauga City Centre	25	5	20.00%
Duncan Mill	26	5	19.23%
Eglinton "A"	11	2	18.18%
King & Dufferin	39	7	17.95%
Pickering	13	2	15.38%
Bloor "A"	22	3	13.64%
Downtown East	63	8	12.70%
North York "B"	16	2	12.50%
Financial Core "B"	43	5	11.63%
Downtown West	121	14	11.57%
Bloor "B"	33	3	9.09%
404 / 7	121	11	9.09%
Eglinton "B"	26	2	7.69%
Dixie Eglinton	28	2	7.14%
St. Clair	19	1	5.26%
Financial Core "A"	54	1	1.85%

Problem Buildings Statistics: Number of Buildings With 15% Direct Vacancy or Greater

deficits this year and for the next two years, and they have no plan for how and when to reduce the deficit.

With the majority of people working from home, the resilient GTA housing market is holding up well, with the exception of smaller speculative condos that are seeing far less rental and Airbnb demand. Office utilization rates are about 10% in the downtown core with most downtown workers choosing to

stay home. When the downtown core cannot deliver what it usually does in terms of sports, culture and entertainment, questions naturally arise for some about its value over the shorter term.

The GTA real estate market was underpinned with very strong fundamentals heading into the pandemic. After the March 16 lockdown, we transitioned to a “sideways” leasing market in most market nodes characterized

by very little demand and relatively tight head lease supply. Sideways markets have very few trades to act as markers, making setting prices challenging for both landlords and sublandlords. Head lease vacancy rates have remained steady for the most part but sublease supply has moved up, substantially in some markets. On the tenant side, many decision makers have moved into a holding pattern and are only willing to make shorter term lease commitments until things normalize further. The uncertainty caused by Covid-19 has produced considerable demand destruction throughout the office leasing market. The downtown and midtown markets are very firm with low to mid single digit vacancy rates. The softer markets are mainly in selected suburban markets such as the 427 Corridor, Burlington, Airport Corporate Centre, Scarborough and Meadowvale.

The downtown Class A market is tight at only

5.5% last quarter up from 5.1% and 5.4% vacant in Q2 and Q1 of 2020 respectively. There are arbitrage opportunities for office landlords in the tightest segments who can terminate older leases and move rates up. Available downtown new development supply through 2024 is 2,521,837 square feet, but only 715,112 square feet of this overhang is scheduled to be delivered in 2021 minimizing its immediate impact. Head landlords are receptive to shorter and more flexible length of lease term, compared with pre-Covid terms that were typically 5 to 10 years. Some tenants have elected to sublease their space or let their leases expire and will work from home until market conditions clear up. Landlords are seeing a major decrease in tour activity levels and a large increase in broker incentives to help drive very limited demand to their property. Head lease office vacancies remain very low in the downtown and midtown markets with prices relatively steady, although we are beginning to see discounts

GTA Rolling 3 Quarter Statistics by Submarket

	Q3/20	Q2/20	Q1/20
Single Digit Vacancy ▼	15/29 (52%)	17/29 (59%)	18/29 (62%)
Absorption (1% or greater) ▼	0/29 (0%)	1/29 (3%)	6/29 (21%)
Highest Vacancy	Burlington (19.4%)	Burlington (18.2%)	Burlington (17.6%)
Lowest Vacancy	Pickering (3.3%)	St. Clair & Pickering (2.7%)	Downtown West (1.9%)
Most Improved	Oakville (-0.6%)	North York "B" (-1.2%)	Meadowvale (-3.5%)
Highest Net Rates	Financial Core "A" (\$43.55)	Financial Core "A" (\$43.44)	Financial Core "A" (\$44.17)
Lowest Net Rates	Dixie & Eglinton (\$6.95)	Dixie & Eglinton (\$6.95)	Dixie & Eglinton (\$6.95)
Highest Problem Building Percentage**	Burlington (50.0%)	Burlington (45.2%)	Burlington (45.9%)
Lowest Problem Building Percentage**	Financial Core "A" (1.9%)	Eglinton "A" (0.0%)	Consumers Road "A" (0.0%)

GTA Overall Office Rolling 3 Quarter Statistics

		Q3/20	Q2/20	Q1/20
Gross Rental Rates	▼	\$32.81	\$32.95	\$33.39
Direct Vacancy	▲	8.4%	7.7%	7.5%
Sublease Supply	▲	2.3%	1.6%	1.3%
Quality Sublease Supply*	▲	1,769,255 SF	1,267,458 SF	891,770 SF
Absorption (Direct)	▲	1,333,389 SF	323,548 SF	133,542 SF
Absorption (Sublet)	▲	1,471,520 SF	521,913 SF	182,856 SF
Problem Buildings**	▲	20%	18%	17%

of up to 20% from pre-Covid rent levels in some cases. Most office tenants grudgingly continue to pay their rent, in contrast to retail tenants where this is often impossible. Office head lease pricing remains firm, except where some landlords have agreed to defer rent where tenant distress can be proven. Many of our clients have requested monthly rent deferrals that can be amortized over the remaining lease term and paid back when things return to “normal”. Some landlords have applied for government rent assistance. Others are looking at tenant requests on a case by case basis, and are requesting financial reviews to substantiate requests from those tenants wanting to defer. They are particularly sensitive to opportunistic plays made under the cover of Covid-19.

Current lease deal structures are “front-end

loaded” to provide more inducements up front before easing into higher rents. Forward rent pricing beyond even 12 months out is extremely difficult to establish at present because it is dependent on when things will return to normal, and on how many businesses will fail, leaving sublease spaces behind. There have been some creative buyouts where tenants have been able to exit a longer term lease for a penalty paid up front leaving the more entrepreneurial landlords to take their chances on releasing the space. This maneuver depends on some degree of optimism for a vaccine relatively soon.

Quality Sublease supply (subleases of longer than three years with good leaseholds in place) has moved up across much of the market, but especially in the downtown and midtown markets, some as a result of tenant

Buildings with Available Space Across the GTA

Market Area	# Bldgs with available space	# Bldgs w/50,000 SF available or more	# Spaces available 2,000 -8,000 SF
Downtown			
Greater Toronto	913	115	1,373
Downtown Toronto	261	39	428
Toronto East	186	22	258
Midtown Toronto	75	6	113
Toronto North	81	12	126
Toronto West	298	36	439

Buildings with Contiguous Space Across the GTA

GTA	# of Buildings with 100,000+ SF contiguous space	# of Buildings with 50,000+ SF contiguous space
Q3 2020	17	54
Q2 2020	14	50
Q1 2020	14	50

distress, and some as a result of the success of remote work. The best quality sublease supply will receive the most of the attention in these markets, provided the underlying sublandlord financial covenants are healthy enough.

Investment, multi-family and industrial segments are seeing excellent activity compared with the devastated retail and hotel segments. For our detailed investment commentary, please see the Investment Market section of this report.

There has not been a uniform response to new work procedures on the part of managers. The hard work of creating customized solutions based on individual work styles is challenging for managers and requires a nuanced approach. The new

remote world of work necessitates more trust, along with increased empathy and humanity on the part of management, who must help to establish work boundaries in order to avoid employee burnout, promote positive communications, while maintaining company culture and providing a great digital experience for employees. Back-to-work planning must consider the unique circumstances and the level of comfort and fear which varies greatly from person to person. Strict safety protocols have been put in place for those who really need to get back to the office. All companies are reconciling remote working, business culture and continuity, as well as employee safety and well-being, while accelerating their technology strategies.

Many employees do not want to return to the

Direct Supply by Submarket

	Q3/20	Q2/20	Q1/20
Supply Moving Up	23/29 (79%)	13/29 (45%)	15/29 (52%)
Supply Moving Down	4/29 (14%)	10/29 (34%)	13/29 (45%)
Flat Supply	2/29 (7%)	6/29 (21%)	1/29 (3%)

Sublease Supply by Submarket

	Q3/20	Q2/20	Q1/20
Supply Moving Up	19/29 (66%)	11/29 (38%)	9/29 (31%)
Supply Moving Down	2/29 (7%)	7/29 (24%)	8/29 (28%)
Flat Supply	8/29 (28%)	11/29 (38%)	12/29 (41%)

Quality Sublease Supply* by Submarket

	Q3/20	Q2/20	Q1/20
Supply Moving Up	15/29 (52%)	10/29 (34%)	6/29 (21%)
Supply Moving Down	5/29 (17%)	2/29 (4%)	8/29 (28%)
Flat Supply	9/29 (31%)	17/29 (59%)	15/29 (52%)

Net Rental Rates by Market

	Q3/20	Q2/20	Q1/20
Rents Moving Up	10/29 (34%)	9/29 (31%)	11/29 (38%)
Rents Moving Down	9/29 (31%)	11/29 (38%)	7/29 (24%)
Flat Rent	10/29 (34%)	9/29 (31%)	11/29 (38%)

*Quality Subleases—Subleases with a term of 3 years or greater

**Problem Buildings—Buildings with a direct vacancy of 15% or greater

Construction Costs

Non-Residential Building Construction Price Index	Toronto	National Average
Quarterly Change	+0.5%	+0.1%
Year-over-Year Change	+2.8%	+1.6%

workplace at all until there is a vaccine. The pre-pandemic trend of higher density open plans has given way to less dense closed plans with greater privacy. There was already resistance to the increased density of the workplace prior to the pandemic.

Office Market Conclusions

The massive amounts of economic stimulus provided by all governments around the world has buoyed stock markets and allowed their general economies to continue to function. The Canadian economy is running very unevenly with some businesses doing well and others being devastated, particularly those subjected to the second wave shutdowns. It is hard to say how this will play out when the stimulus is withdrawn, as well as what permanent structural damage has

been done by the shutdowns. If restrictions on businesses are ramped up to manage the second wave in the near term, then demand will continue to suffer and the risk of deflation will increase. Government financial supports complicate this picture. Managing stimulus versus lockdown restrictions is an extremely delicate dance that governments are not really equipped to handle. The Conference Board of Canada reports that consumer confidence dropped in October by its largest monthly decrease since April, driven by concerns over job prospects, this could translate into reduced consumer spending. The planning horizon has been blurred for many businesses. Strange economic conditions, massive changes to lifestyle and support structures, combined with bizarre politics south of the border make decision making challenging at best. The pandemic has accelerated both the evolution and

New Developments—Downtown Market

Address	Total Size (SF)	Total Leased (SF)	Total Available (SF)	Completion Date
41 Alma Avenue	63,000	13,698	49,302	2020
100 Queens Quay East	646,971	422,867	224,104	2021
125-155 Queens Quay East	461,000	328,648	132,352	
147 East Liberty Street	107,594	59,688	47,906	
19 Duncan Street	146,000	146,000	0	
2 Queen Street West	29,149	0	29,149	
336 Queen Street West	28,510	0	28,510	
460 Front Street West	127,158	127,158	0	
57 Spadina Avenue	48,902	0	48,902	
65 King Street East	396,065	396,065	0	
8 Spadina Avenue	909,720	705,531	204,189	
Total Available 2021: 715,112				
160 Front Street West	1,255,000	1,255,000	0	2022
20 Edward Street	61,220	5,292	55,928	
25 Ontario Street	463,747	379,638	84,109	
375-381 Queen Street West	72,717	0	72,717	
40 Temperance Street	820,000	743,391	76,609	
486 Front Street West	92,350	92,350	0	
Total Available 2022: 289,363				
234 Simcoe Street	63,550	0	63,550	2023
261 Queens Quay East	253,935	0	253,935	
530 Front Street West	520,284	0	520,284	
Total Available 2023: 837,769				
141 Bay Street	1,431,388	801,097	630,291	2024
TOTAL	7,998,260	5,476,423	2,521,837	

extinction of some business practices and work trends, exposing any weaknesses in companies.

Even though many tenants are trying to kick major decisions such as real estate down the road until there is more clarity around the timing and effect of a vaccine, office demand is now tentatively returning, and it appears we are moving off the bottom.

The opening of schools has been a very positive change since last quarter, even

as fear and uncertainty remain very high as second wave Covid-19 cases surge. Restrictions and business shutdowns are being reintroduced in many countries, going backwards.

The meaning of real estate and its utilization in all sectors has been seriously challenged. Given the strong underlying fundamentals in many real estate submarkets we expect that there will be a price snap back as soon as demand begins to return in earnest to those sectors most affected by the pandemic. Of

course, there will be lasting changes. The travel, accommodation, food services, culture and recreation sectors will continue to suffer possibly irreparable damage.

Very few employees, especially those with health compromised friends and family members, are keen to return to the office until there is a vaccine. Everyone wants to know what the future of office space will look like, and if it means overheads can be reduced somehow.

Given the still high costs of construction, subleases with existing leaseholds, IT infrastructure, and furniture remain by far the most cost-effective leases overall for

those companies presently looking for accommodation in the market.

As confidence slowly emerges now that an end is in sight, the game for decision-makers is to finesse the timing of the end of the pandemic against what will be a boom in demand for everything once the coast is clear.

Please see our “Problem” Building stats on page 2 for an overview of the health of all submarkets. The higher the “problem” percentage, the weaker the market. Weaker segments have a higher number of buildings with high vacancy. Prices are expected to move down modestly there.



Investment Market

Well, we just lived through another three months of COVID-19 and most of us are still working from home. Surely the commercial real estate market has imploded. Not so fast, you will note that sales volumes are not too far off pre-COVID levels.

As a market participant, you are likely aware that the office market is suffering a high volume of office sublet space while the bricks and mortar side of the retail market is struggling to get back on its feet. So you might be surprised to learn that one of the highest dollar sales was found in the office sector while the retail sector recorded 130 sales over the quarter, outpacing all of the other sectors surveyed in this report.

In Q2, we cautioned readers that not all of the transactions recorded were deals commenced after the start of the pandemic. It is safe to say that the results this quarter are likely deals undertaken during COVID. Much like we medically know far more today about COVID than we did in March, the real estate market also has had some time to contemplate life moving forward and, as of this writing, investors are moving ahead with deals. The one thing that is similar to the second quarter is the buyer profile continues to be led by private investors, in most cases.

So how did we make out? In the office sector there were 33 sales in excess of \$1 million while we recorded 34 in Q2. Also like the last quarter, we note only 7 sales more than \$10 million while we posted 8 in Q2. The difference is the dollar value of the high

dollar sale. Where we could only muster a high of \$39,375,000 last time around, the winner this quarter came in at \$78,500,000 with the sale of 277 Wellington Street West by Triovest to Reserve Properties and Westdale. Other than a sale in the \$27 million range, the remainder of the high dollar transactions were in the \$10-15 million range.



277 Wellington Street W

We stated earlier that the retail sector wins the award in providing the high score of transaction volume against our other participants in this report. That's really the highlight as only 9 properties traded over \$10 million with the high dollar sale being located at 3080 and 3120 Dufferin Street for \$30 million. It should be outlined that this was for a car dealership and not your garden variety community centre. To make matters worse, the next high dollar sale was, you guessed it, another car dealership located at 2375 Wyecroft Road in Oakville. Both properties were operating as Toyota dealerships at the time of sale if you're looking for conspiracy theories in the results.



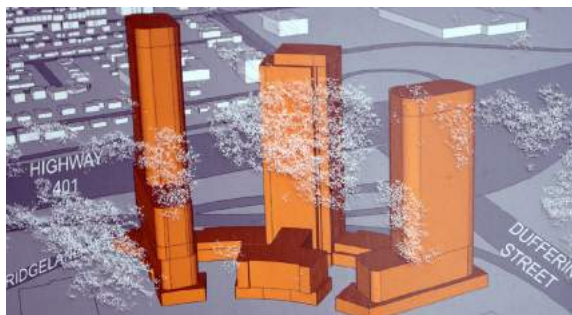
3080 Dufferin Street

Industrial improves its sales performance from the previous quarter, notching 121 sales against 85 transactions last Spring. These sales volumes, though down from average quarters, are not too much off pace. There were 20 sales in excess of \$10 million with the high dollar sale coming in at \$30 million, just \$2 million shy of last quarters topper. The property in question is in Etobicoke at 75-77 Fima Crescent, a 214,518 square foot facility. We note a sharp increase in high dollar sales this quarter in comparison to Q2 where we only saw 8 transactions over \$10 million at that time versus 20 transactions in Q3 exceeding

that mark. Industrial remains the darling in the commercial real estate sector as many companies learned from the outset of the pandemic that not having an online presence put your business in great peril so demand is exceeding supply with no relief in rental rates

We rebounded to normal sales volumes in the High-Rise Land sector this quarter where 50 trades were put up on the board, 18 of which exceeded \$10 million in value. In Q2, only 32 properties changed hands. We suspect the brakes were put on when the pandemic took hold. Over the last quarter, there has been good intel on the residential market. Several sales centre openings saw great success, selling out beyond 75% in most cases and with selling prices showing no discount, if not even higher, than before the went into lockdown. A good example is Alterra's planned development on Eastern Avenue, hardly a tony neighbourhood at the moment yet selling units at over \$1,200 per square foot. Compare this to your friends trying to re-sell their existing units with barely a soul taking an interest while inventory continues to rise.

It is in this sector that we note the highest dollar sales with two transactions exceeding \$80 million with the winner being located at 3450 Dufferin Street at \$86,500,000 for 5.089 acres of dirt. Next down the list was the sale of 13.766 acres at 429 Lake Shore Boulevard East and 324 Cherry Street for just over \$83 million.



3450 Dufferin Street

Office Sales

We are gradually moving up to more significant sales in this sector although we are still a good distance away to reporting on \$100 million plus transactions. At \$78,500,000 or \$784 per square foot, the sale of 277 Wellington Street West would not suggest any drop in value for office assets. This 100,076 square foot building was sold by Triovest Realty Advisors, who acquired the property in 1998, to Reserve Properties and Westdale Properties. It should be noted that the prime rationale behind the purchase is to redevelop the property for future residential uses.



1800 Argentia Road, Mississauga

We head down Highway 401 to 1800 Argentia Road in Mississauga for our next high dollar sale. The site is improved with a single-story data centre occupied by Sungard Availability Services, the vendor. The property was sold to California based LMRK Di Can-Ro Holdings, a company that specializes in the investment of data centres and other tech related real estate. The selling price was \$26,825,892 or \$335 per square foot based upon a building area of 80,000 square feet.

In our last report, we made mention of the marketing of 1 Niagara Street, one of the first properties to hit the market during the pandemic. This quarter we learn of the outcome of this trade. The building was the Toronto office of Nygard, the now defunct



1 Niagara Street

fashion design house. The vendor was the Court of Queen's Bench based in Manitoba, Nygard's home base, while the purchaser was a private investor. The building was sold vacant and occupies 25,454 square feet. The selling price was \$17 million or \$668 per square foot. Like the 277 Wellington Street sale, this pricing level does not suggest any significant discount in value prior to March.

A private vendor sold 23 Bedford Road to 23 Bedford House Inc., another private investor for \$14,250,000 or \$746 per square foot. This 19,102 square foot building contained two residential units within its walls, offering a net office area of 12,000 square feet. The office area was completely vacant at the time of sale. This property came to market just prior to the pandemic and likely caused an "Oh, sh*t" moment for the vendor and listing agents at the time.

As we continue our discussion of private investor transactions, the sale of 3601 Victoria Park continues with this trend. The building measures 69,000 square feet over 5 storeys on 2.5 acres of land. A selling price of \$13,410,000 provides a rather discounted value of \$194 per square foot.

Another court ordered sale reaches these pages where we see the Ontario Superior Court of Justice sell 130 Dundas Street East in Mississauga to a numbered company



130 Dundas Street E, Mississauga

for \$12,440,000 or \$283 per square foot. Although there is limited information on this transaction, a quick search indicates that there are numerous medical tenants resident in the building.

Our last high dollar sale pertains to an office condominium purchase by the Pharmacy Examining Board of Canada. The units in question encompass the second floor of 59 Hayden Street at Yonge and Bloor. The space comprises 13,500 square feet and was sold by Cresford Developments for \$10,700,000 or \$793 per square foot. The space was vacant at the time of sale and the Board will occupy the space for their own use.



247 Davenport Road

Once we drop down below \$10 million, there is only one building that comes close to this figure as the remaining sales are below \$6 million and this writer means well below \$6 million. The sale in question is 247 Davenport Road, a non-descript 9,200 square foot, 1955 vintage building that sold for \$8,900,000 or \$967 square foot. The vendor was Stuart Investments Inc. while the buyer was a private investor.

Although nothing makes this writer happier than typing words, there really isn't anything else in the results of note, suggesting that we move on from here with the knowledge that the office sector is suffering yet values on closed deals are not showing any significant discount from the start of the year.

Retail Sales

It is quite phenomenal that we report 130 sales this quarter yet only 9 could stretch over the \$10 million wall. Retail has not shown much bench strength over the last few years, rarely having any "whoa" moments with respect to high dollar sales values. So maybe we shouldn't be concerned with the results as it's more business as usual in terms of both sales volumes and high dollar sales. Frankly, this writer thought the results would have been far worse although investing in commercial real estate may be a smarter investment than the volatility of the stock market.

As outlined in our opening remarks, the two high dollar sales pertained to automobile dealerships. The first one that we review is located at 3080 and 3120 Dufferin Street, just north of Lawrence Avenue. The property was purchased by the tenant, Yorkdale Toyota from a numbered company for \$30 million. The site measures 3.167 acres and is improved with a 26,600 square foot dealership. The site also included a Harvey's

fast-food restaurant measuring 3,200 square feet where, if you act now, you can pick up a Signature Poutine for only \$4.99!

An interesting note on this transaction - the vendor acquired these holdings in 2018 for a total price of just \$9,750,000. The occupants at the time of this sale were the same as those found in the 2020 sale.



3120 Dufferin Street

Our next Toyota dealership sale sees Cars Canada selling to the Humberview Group 2375 Wyecroft Road in Oakville. Similar to the previous report, the dealership measures 29,400 square feet on 2.308 acres of land and sold for \$24,900,000 or \$841 per square foot. Humberview, an automotive based company, intends to operate a dealership on the site moving forward.



2375 Wyecroft Road

Moving on from kicking tires at a car dealership, we head to Yorkville and note the sale of 5,120 square feet of ground floor condominium units at 88-94 Cumberland Street. To prepare readers in advance, this writer suggests that you are sitting



88-94 Cumberland Street

down. The selling price of \$16,500,000 equates to a value of \$3,125 per square foot, imagine what they would be worth without a pandemic! The sale sees Minto Group sell the space to Prowinko Canada, a highly active owner in this neighbourhood. The units were vacant at the time of sale. If this helps justify the price, the deal included one parking space and a storage locker.

Northloop Developments purchased 563 King Street West from Twin Peaks Inc. for \$13,750,000 or \$932 per square foot. This three storey, street retail building, measuring 14,750 square feet, was formerly occupied by For Your Eyes Only. It is unlikely that this property will be used as a “strip centre” in the future and will probably get re-purposed by the new owner and leased for mixed-use purposes.

Well, it has been a couple of sales since we talked about a car dealership sale, so let's look at 2260 Battleford Road in Mississauga. The property, improved with a 22,750 square

foot dealership on 3.008 acres, sold for \$12,870,000 or \$566 per square foot. The vendor was Mike Preistner Real Estate Inc. who sold to Rafih Auto Group. The purchaser will use the property for its own dealership use.



4820–4830 Sheppard Avenue E

We turn to our first retail centre sale in this section where we review 4820–4830 Sheppard Avenue East. The site is improved with a 19,797 square foot development, transacted between two private investors. The selling price was \$12,569,600 or \$635 per square foot. The net income was reported as \$497,000, offering a return of 3.9%. This sale was part of a portfolio of two properties with the purchaser acquiring the neighbouring property at 4800-4810 Sheppard Avenue East for \$26,710,000 from the vendor. This is a 62,534 square foot industrial building that we will discuss further in our next section.



2395 Motorway Boulevard

Here we go again, the next sale pertains to, yup, another car dealership. This one is also located in Mississauga but is an investment

sale. The vendor was Cloverbrae Investments Limited who sold their holding occupied by Erinwood Ford to Morguard Investments Limited. The dealership is located at 2395 Motorway Boulevard and is improved with a 45,391 square foot building. The selling price was \$12 million or \$264 per square foot. Erinwood Ford was paying an annual rent of \$480,000 at the time of sale, resulting in a 4% cap rate going in.

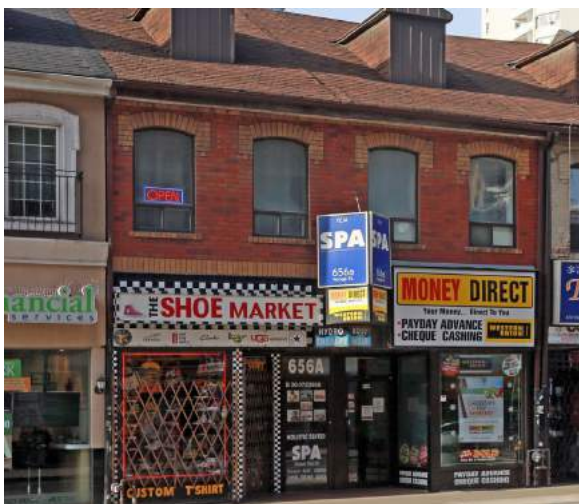
We have one more \$12 million sale and it's a user acquisition. Empire Communities sold to Kingsway College School twenty-one condominium units measuring 28,300 square feet for a value of \$424 per square foot. The property is located at 2181 Lake Shore Boulevard West near Park Lawn Road.



91-93 Scollard Street

Our last high dollar sale is NOT an auto dealership. This time we see another Yorkville neighbourhood sale with Scollard Investments Inc. selling 91-93 Scollard Street to The Brand Factory a three storey plus basement holding for \$10,500,000 or \$686 per square foot. The building measures 15,311 square feet and was vacant at the time of sale. The property was listed in May for \$11 million and sold and closed in 60 days with strong market interest during the marketing period.

This writer gasped when he wrote about the Cumberland Avenue sale at \$3,125 per square foot. Well, there were quite a few sales worth noting that exceeded \$1,000 per square foot that we'll examine in this space. Firstly, at 13 St. Clair Avenue West, GTL 13 Properties Corp. acquired from Minic Investments Limited their 3,600 square foot building for \$8 million or \$2,222 per square foot. The building is fully occupied by Pizzaiolo.



654 Yonge Street

Moving south, two private investors transacted the sale of 654 Yonge Street for \$6,700,000. The building measures 3,550 square feet, resulting in a value of \$1,887 per square foot. The building was partially occupied by the Shoe Market.

North of Yonge and Eglinton, KPMR Investments Inc. acquired 2485 Yonge Street for \$2.8 million from a private owner. The building measures 1,700 square feet providing a value of \$1,647 per square foot. The vendor provided a leaseback for a period of two years, offering a 2.8% cap rate to the purchaser. This property is part of an assembly being undertaken by the purchaser which would have influenced the selling price in the transaction.



442 Queen Street W

Lastly, we look at 442 Queen Street West, a popular area in the city with its eclectic mix of national and local tenants. The building was sold by a private investor for \$2.8 million to another private buyer. The building measures 2,072 square feet on two floors, indicating a value of \$1,351 per square foot. As we have noted in a number of instances, the property was only on the market a short time, in this case 30 days. It had been listed at \$2,990,000. The commercial space was vacant at the time of sale.

The above conversation could continue. This writer can count 10 other sales in excess of \$1,000 per square foot beyond the ones covered above. This doesn't mean that the benchmark price for retail properties is at least \$1,000 per square foot but there's few properties selling for less than \$500 per square foot within a catchment stretching from Oshawa to Burlington and north to Newmarket.

Industrial Sales

The industrial sector staged a great turnaround this quarter with a showing of 121 transactions, almost 40 more than Q2. We also see 20 transactions exceed \$10 million versus only 8 from our last report. Although the trophy sale in the quarter only reached \$30 million, the volume and value of trading are the notable metrics to take away from this quarter.



75-77 Fima Crescent, Etobicoke

Talking about \$30 million, the “Trophy” sale we shall discuss is, visually, not a trophy. The property, located at 75-77 Fima Crescent in south Etobicoke sold to Compass Datacentres YYZ and was acquired from Horner Developments, Mantella and Sons Investments Limited and Fima Development. This 1966 era building was vacant at the time of sale, measuring 214,518 square feet, resulting in a value of \$140 per square foot. Compass intends to use the building for its own purposes.

We mentioned 4800-4810 Sheppard Avenue East in our retail report as it was part of a two property portfolio sale between private investors. The industrial side of the transaction pertains to this property, measuring 62,534 square feet located within two buildings. The selling price was \$26,710,400 or \$427 per square foot.

The net income being offered at the time of sale was \$1,144,000, indicating a return of 4.3%. The property last sold in 2017 for \$17 million.



4800-4810 Sheppard Avenue East

Investors Group sold 8520, 8540 and 8560 Jane Street in Vaughan to Vimica Investments for \$25 million or \$234 per square foot. The three buildings on site had a combined area of 106,707 square feet.

Ironwood Bay Ventures sold 6701 Financial Drive in Mississauga to Dream Unlimited for \$23,900,000 or \$206 per square foot. The building measures 115,633 square feet and is occupied by Mackie Moving and BDO although at the time of writing, Dream has listed over 100,000 square feet available for lease.. The vendor acquired the property in 2016 for \$13,850,000.



6701 Financial Drive, Mississauga

Oldcastle Building Products Canada Inc. sold 7447 Bren Road in Mississauga to a private, numbered company. The building measures 39,892 square feet and traded for \$23,250,000 or \$583 per square foot. The high selling price can be partially attributed to the 9.360-acre site area where

the land could command values of \$1.5 to 2 million an acre these days. The building was vacant at the time of sale.

BT Parkhill Inc. acquired 8100 Parkhill Drive in Milton from CREIT for its own use. The building measures 101,750 square feet and sold for \$22,613,000 or \$222 per square foot.

Granite REIT scored EB Games property at 8995 Airport Road in Brampton for \$22,173,529 or \$176 per square foot. The building measures 126,000 square feet. EB Games remained in the building at the time of closing.



8995 Airport Road, Brampton

Granite REIT also acquired 5600-5630 Timberlea Boulevard in Mississauga from Investors Group for \$19,400,000 or \$165 per square foot. The four buildings on site have a combined area of 119,356 square feet. At the time of sale, the net income was estimated to be \$751,943, indicating a return of 3.9%.

Stepping back for a minute, the 3.9% return in the record above certainly may cause panic for investors seeking similar industrial product. As is the case in many industrial transactions, the rates being paid are well below market. In the example above, the average rent was \$6.30 per square foot. Not long ago this would have been an attractive rent. Today you're looking at rents exceeding \$10 per square foot, so the motivation of paying a low cap rate

is justified. When leases roll at market rents there will be a significant lift in value for the owner. We now return to our regularly scheduled programming.

Two numbered companies transacted the sale of 67 and 83 Jacobs Keiffer Parkway in Vaughan for \$17,500,000 or \$293 per square foot. The 60,145 square foot building was vacant at the time of sale. Included in the sale was 17,500 square feet of mezzanine space that was not counted in rentable area. The purchaser acquired the property for its own use. There are capital expenses that will likely be needed in the near term as the roof and driveway are original to the building constructed in 2001.

Trillium Roadways sold 1625 Shawson Drive in Mississauga to a private, numbered company for \$16,250,000. The building measures 25,583 square feet, indicating a value of \$635 per square foot. As was noted in another report in this section, there was excess land of approximately 2.5 acres that made up the offering which would have provided additional value. The purchaser intends to use the building for its own business purposes.



1625 Shawson Drive, Mississauga

There they grow again! Granite REIT headed east to acquire 555 Beck Crescent in Ajax. The building is occupied by Novaflex Plastics and sold by their holding company Donflex Realty Inc.. The site is improved with a 99,600 square foot building for a price of \$15,350,000 or \$154 per square foot.

Tiber Holdings Inc. sold 1800 Britannia Road East in Mississauga to a private, numbered company for \$15,300,000 or, wait for it, \$1,280 per square foot based upon a building area of 11,950 square feet. The site improvements are used for truck repair purposes so closer to being categorized as a retail transaction. Further, the small building is located on 4.958 acres of land, offering significant value to the trade.

The sale of 2579 and 2599 Rema Road was part of a portfolio sale which also includes 2630 Rema Road. The vendor was Frank J. Seger Holdings Limited and Anita Ekstein Holdings Limited. The purchaser was a private, numbered company. The 2579 and 2599 Rema Road property sold for \$15,200,000 or \$259 per square foot. The site was improved with two buildings with a total area of 58,789 square feet. The buildings were partially leased at the time of sale. The 2630 Rema Road building sold for \$9 million and was leased to a single tenant. The building measures 40,373 square feet for a value of \$223 per square foot.

Rowland Emergency and Specialty Vehicles Inc. acquired 240 Attwell Drive in Etobicoke for its own use. The building measures 64,439 square feet and sold for \$12,775,000 or \$198 per square foot. The vendor was Trans-Canada Door Limited.



240 Attwell Drive, Etobicoke

In another user deal, a private, numbered company purchased 4040 Chesswood Drive for \$11,750,000 from H.L. & M. Marcus Investments. The building measures 86,500 square feet, resulting in a value of \$136 per square foot. The building was originally listed for \$15,500,000 and took 9 months to find a buyer, suggesting that the pandemic may have concerned the seller, resulting in the reduced selling price.



4040 Chesswood Drive

Investors Group has been an active vendor this quarter. This time they sold 25 and 49 Coldwater Road near York Mills and Leslie to Northbridge Capital for \$10,500,000 or \$194 per square foot based upon 54,043 square feet of building area. The cap rate on the deal was 5% going in but Northbridge indicated that rental rates in this flex-office property had room to grow by at least 50% when leases roll.

Henry Warehousing and Rail Inc. sold their building at 99 Fenmar Drive for \$10,057,198 or \$188 per square foot. The building was acquired by a private investor. The 53,500 square foot building was vacant at the time of sale.

A private investor acquired two properties from Inox Industries Inc., 60 and 70 Summerlea Road in Brampton. The 60 Summerlea Road building measures 58,600 square feet and sold for \$10,036,500 or \$171 per square foot. The 70 Summerlea Road was a small, 7,714 square foot building, selling for \$4,800,000 or \$622 per square



70 Summerlea Road, Brampton

foot. The building is a two-storey structure with a large, fenced yard. The combined value of the portfolio was \$14,836,500 or \$224 per square foot.

Tru-Form Diamond Tool Co. Ltd. sold 29 and 39 Armstrong Avenue in Halton Hills to a private, numbered company for \$10 million or \$347 per square foot. The building is multi-tenanted and the purchaser will take a portion of space in this 28,800 square foot facility for its own use.

Our last sale in this sector sees another \$10 million trade and pertains to 98 Norfinch Drive. The sale sees two private companies acting in the transaction for this single tenant building occupied by a refrigeration company. The building measures 57,340 square feet for a value of \$174 per square foot.

High Density Residential Land Sales

Similar to the second quarter, we up the ante by almost 20 this quarter to 50 high rise sales transactions, in other words, back to normal volumes, at least for now.

The value of the transactions also has a very similar tone to activity prior to COVID, noting five sales in excess of \$25 million within the 18 sales in excess of \$10 million. Turning to the high dollar sale, the location

of this transaction was not in the usual neighbourhoods of King West or Yorkville. The property in question is 3450 Dufferin Street, across from Yorkdale Mall. This 5.09-acre site was improved with a hotel that was owned by Easton's Group of Hotels Inc. The purchaser was a team which includes Timbercreek, Fitrovia Real Estate and AimCo. The selling price was \$86,500,000 or \$95 per square foot buildable. The proposed development was approved at the time of sale and permits 909,174 square feet of development with 1,044 residential units, 255 hotel suites and 3,681 square feet of retail space.



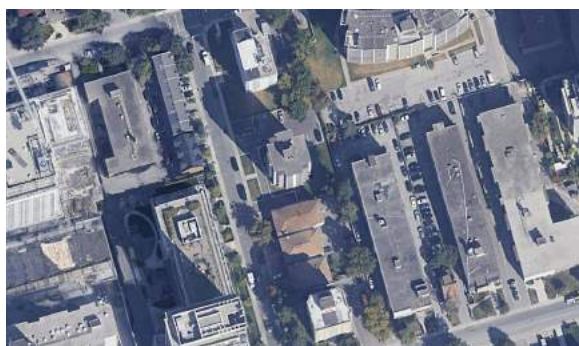
324 Cherry Street and 429 Lake Shore Boulevard East

Cityzen Group acquired from Home Depot 324 Cherry Street and 429 Lake Shore Boulevard East for \$83,181,320 for 13.766 acres of land. At the time of sale, an application to develop 2,517,033 square feet of space was planned in a mixed-use project of residential and commercial uses to be located within 7 blocks. If approved, the selling price equates to \$33 per square foot.

Tridel filled up their shopping basket and acquired 840 Dupont Street from Sobeys. The site measures 2.8 acres and sold for \$35 million. The site is currently improved with a Sobeys grocery store. At the time of writing, no application for redevelopment had been submitted.

Two private investors sold their 0.474 acre holding located at 5203, 5213, 5215 Yonge Street and 11 Parkview Avenue north of Sheppard for \$27 million. The purchaser was Inmino Developments Inc.. No application for development has yet been submitted.

MOD Developments acquired 241 Redpath Avenue in the Yonge and Eglinton area for \$26,500,000. The site measures 0.375 acres and was sold by Nasa Investments Holdings Ltd.. This is an interesting trade as the site was improved with a 12-storey apartment building at the time of sale, resulting in the requirement of the purchaser to provide rental replacement units in the new development. At the time of closing, an application to develop a 35 storey, 387-unit apartment condominium was contemplated, having a building area of 260,895 square feet. If approved, the selling price equates to a value of \$101 per square foot buildable.



241 Redpath Avenue

Uxland Development sold to Lifetime Developments their property at 504 Wellington Street West for \$19 million. The site measures 0.161 acres and there was a development application submitted in 2016 that had been approved at the time of sale. The development will see 58,491 square feet constructed in a 13 storey, 34-unit building. Based upon the selling price, the property achieved a rather healthy value of \$325 per square foot.



57 Adelaide Street East

Goband 57 add to their assembly with the acquisition of 57 Adelaide Street East. Goband acquired the property for \$18,900,000 from a private, numbered company. The site measures 0.161 acres. In combination of their other properties in this area which include 55 Adelaide Street East and 17, 19 and 25 Toronto Street, they have acquired 0.618 acres of land with a total investment of \$84,280,000. No application has yet been submitted for development.



114 Church Street

Madison Group purchased 114 Church Street for \$18,659,136, receiving 0.227 acres of land for their effort. The vendor was Emeth Holdings Limited and Har-Ru Holdings Limited. This property gets added into the assembly undertaken by Madison Group in this area as they previously purchased 114 Church and 59 Richmond Street East in April. The combined area of the assembly is 0.442 acres and they have invested \$46,909,136 to date. Madison have applied to construct a 402,414 square foot building on site measuring 45 storeys and housing 479 proposed units. If approved, the site has a value of \$117 per square foot buildable.

Toronto Community Housing closed another deal with Daniels Corporation in the Gerrard Street East and Parliament Street area this quarter. The site measures 2.039 acres and sold for \$17,751,910. At the time of sale, no application for redevelopment had been tendered.

As part of a receivership sale, the Ontario Superior Court of Justice sold 189 Dundas Street West in Mississauga to Augend 189 Dundas West Village Properties for \$16,675,000 for 3.486 acres of land. There has been no application for development as of this writing.

Inasmuch as we have reported that the high-rise sector is on good footing, our next sale pertains to 58 and 62 Sheppard Road in Oakville. The purchaser was a private, numbered company that acquired the 1.368-acre property for \$16 million from the Ontario Superior Court of Justice. No application for development has been submitted at this time.

Freed Developments sold 71 Talara Drive near Bayview and Highway 401 to Tribute Communities for \$15,700,000. The site measures 0.733 acres. There was no development application tendered prior to or after the sale.



71 Talara Drive

The Pharmacy Examining Board of Canada, a name we discussed in the Office sector this quarter, sold their building at 717 Church Street for \$15,250,000 to Capital Development. The site offers 0.092 acres of land. Capital Developments also acquired 57 Collier Street this quarter for \$3 million, resulting in a combined value of the assembly so far at \$18,250,000 for 0.129 acres of land. No development application has been submitted at this time.



717 Church Street

Emblem Developments purchased 244 King Street East to add to their assembly in the area for \$15,041,502 for 0.119 acres. The vendor was a private, numbered company who purchased the property in 2019 for only \$4.4 million. Emblem also acquired two other properties this quarter located at 248-250 King Street East and 246 King Street East. The combined area of the assembled properties equals 0.169 acres and they have invested \$22,192,953 so far. No applications have been submitted for redevelopment.



3070 Ellesmere Road, Scarborough

Seriously, the high-rise market is holding its own, yet here's another sale conducted by the Ontario Superior Court of Justice for the property located at 3070 Ellesmere Road in Scarborough. The buyer was Reichmann International Realty Advisors, paying \$15 million for this development approved site measuring 1.303 acres. With an approved area of 261,772 square feet, the selling price offers a value of \$57 per square foot buildable. Not trying to wish ill will on anyone but this property also last sold in 2014 under power of sale.



2359 Danforth Avenue

One more of these and this writer is going to stop writing this report. The Ontario Superior Court of Justice approved the sale of 2359 Danforth Avenue to TGA Group, who paid \$14 million for this 0.463-acre site. It is interesting to note that the site had been excavated three floors below grade by the original owner prior to sale. The site was

sold approved for 103,706 square feet of development, providing for a value of \$135 per square foot buildable. It is interesting to note that this property was put on the market at the start of the pandemic, yet it attracted more than 10 offers by the offer due date.

Canderel purchased a 45% interest in 12 Greenbrier Road and 625 Sheppard Avenue East from Haven Developments for \$13,500,000. The site offers 1.1 acres of land. The property was subject to a development application that had been approved at closing to permit 178,950 square feet consisting of a 10-storey mixed-use building and two townhouse blocks with 205 units and 5,005 square feet of commercial space. The selling price provides a value of \$168 per square foot buildable.

Looks like this report will continue to be written as our last transaction pertains to the sale of 954, 956, 958 Broadview Avenue and 72 Chester Hill Road. This 1.158-acre property was purchased by Diamond Kilmer Developments from Estonian House in Toronto Limited and a private owner. The selling price was \$12,500,000. Although not approved at the time of sale, an application to construct 196,657 square feet located within an 18-storey development was submitted in 2017. If approved, the property has a value of \$64 per square foot buildable.



72 Chester Hill Road

Closing Observations

Well that was quite a rollercoaster. To be honest, this report is written without any prior review of the results. It was rather shocking for this writer to see so many power of sale transactions this quarter in the high-rise sector. As reported earlier, sales centres for new developments are seeing line ups and are selling out the initial offerings fairly quickly and at values with little, if any, discount prior to COVID. The business term we use for this is “a disconnect”, likely words that we will speak more often as time goes by. Frankly, the office and retail sectors were where we should have seen the Ontario Superior Court of Justice as the registered vendor more often. Then again, the majority of office product, of any meaningful size, is in the hands of pension funds and REITs, organizations that are well capitalized that we trust can survive through these times. Retail is trickier, at least in what is trading as it is mainly mom and pops doing the buying and selling while substantial assets rest in the hands of organizations similar to the owners of office.

As this is being written over the Thanksgiving weekend, Toronto has just gone into lockdown in certain sectors for the next 28 days to try to stem the second wave of infections. It's hard not to feel for restaurant owners who just reopened such a short time ago. This writer, a movie buff, went to see a film a few weeks ago and was the only one in the theatre. A treat for this guy who hates any audience participation during the show but could this mean a future of only being able to watch new-to-the-service, 1985 vintage movies on Netflix if things don't improve?

Let's hope we don't lose the momentum that the market has shown this quarter. Yes, buyers are waiting with bated breath for the fall but that will likely coincide with lenders heading for the exits. Having worked through the 1990s recession you should be careful what you wish for, it's not pretty.



The Q™ Investment section is written each quarter by Dean Macaskill, Senior Vice President, Investment at Lennard Commercial Realty.



The Q™ Charts & Tables

Our charts and tables cover the major market nodes across the GTA. Each node description contains the following statistical information:

- Vacancy rates
- Gross rates—now more accurate, this number only includes buildings with available space.
- Sublease and Quality Sublease supply
- Total number of problem buildings
- Top 2 problem buildings

Also included are charts which graphically depict the following information:

— Gross Rent — Vacancy %

The Lennard Segment Index™ (LSI)

The Lennard Segment Index™ (LSI) is the average vacancy rate for a market node comprised of our survey selections. The LSI establishes a benchmark by which landlords

can closely monitor leasing performance, reducing vacancy carry, and increasing building value.

Buildings with “problem” vacancy outlined in this report are defined as having a vacancy rate of 15% or greater.

The number of buildings in a node with “problem” vacancy divided by the total number of buildings in a segment is The Problem Percentage™.

The overall health of a submarket or node can be clearly defined by The Problem Percentage™. The higher The Problem Percentage™ the softer the market (See overview on front page).

Downtown Financial Core

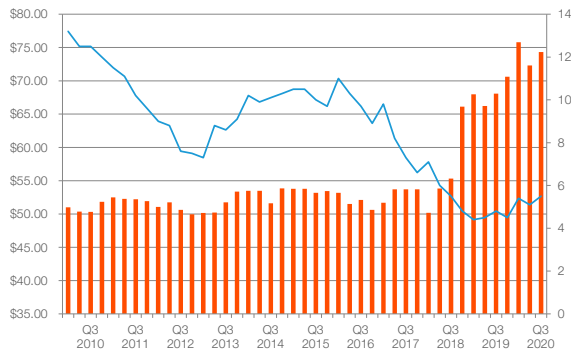
Downtown Class “A”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	5.5	5.1	5.4
Gross Rate (\$)	74.34	72.31	75.79
Sublease Supply (sq.ft.)	446,531	275,816	202,953
Quality Sublease (sq.ft.)	166,060	90,652	47,809
Tenant Options 10,000 + sf	33	32	29
Tenant Options 50,000 + sf	15	15	12

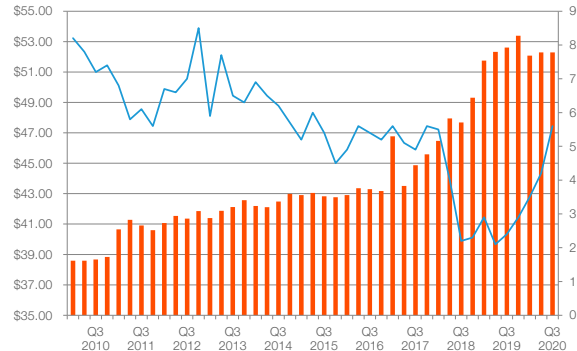
Downtown Class “B”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	5.6	4.2	3.5
Gross Rate (\$)	52.29	52.29	52.08
Sublease Supply (sq.ft.)	483,997	119,178	111,507
Quality Sublease (sq.ft.)	94,133	54,333	16,630
Tenant Options 10,000 + sf	13	10	6
Tenant Options 50,000 + sf	1	1	0



Financial Core Class “A” Headlease Vacancy and Gross Rates





Financial Core Class “B” Headlease Vacancy and Gross Rates



Problem building statistics were as follows:

Problem Percentage:	1 of 54 - 1.85%
	#1 Vacancy 320 Bay Street Vacancy: 62.5%
	#2 Vacancy 95 Wellington Street W Vacancy: 48.4%



Problem building statistics were as follows:

Problem Percentage:	5 of 44 - 11.36%
	#1 Vacancy 48 Yonge Street Vacancy: 35.6%
	#2 Vacancy 360 Bay Street Vacancy: 26.9%

Downtown Class “C”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	12.6	11.2	8.5
Gross Rate (\$)	53.76	65.02	50.14
Sublease Supply (sq.ft.)	13,413	11,554	12,782
Quality Sublease (sq.ft.)	5,171	5,167	5,167
Tenant Options 10,000 + sf	4	3	3
Tenant Options 50,000 + sf	0	0	0

Problem building statistics were as follows:

Problem Percentage:	3 of 10 - 30.00%
	#1 Vacancy 366 Bay Street Vacancy: 42.8%
	#2 Vacancy 80 Richmond Street W Vacancy: 17.2%

Downtown East & West Markets

Downtown East

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	6.3	5.1	3.9
Gross Rate (\$)	44.10	44.83	46.07
Sublease Supply (sq.ft.)	151,779	63,796	39,052
Quality Sublease (sq.ft.)	65,848	36,686	22,865
Tenant Options 10,000 + sf	12	8	11
Tenant Options 50,000 + sf	1	1	2

Problem building statistics were as follows:

Problem Percentage:	8 of 63 - 12.70%
	#1 Vacancy 35-39 Front Street E Vacancy: 100.0%
	#2 Vacancy 909-911 Queen Street E Vacancy: 100.0%

Downtown West

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	4.6	3.6	1.9
Gross Rate (\$)	48.03	47.39	51.87
Sublease Supply (sq.ft.)	641,294	341,398	171,149
Quality Sublease (sq.ft.)	204,023	150,691	56,362
Tenant Options 10,000 + sf	29	15	15
Tenant Options 50,000 + sf	4	2	3



Problem building statistics were as follows:

Problem Percentage:	14 of 123 - 11.38%
	#1 Vacancy 1 Niagara Street Vacancy: 100.0%
	#2 Vacancy 420 Wellington Street W Vacancy: 100.0%

King & Dufferin

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	7.6	7.1	6.0
Gross Rate (\$)	48.81	48.81	49.08
Sublease Supply (sq.ft.)	136,044	47,832	14,674
Quality Sublease (sq.ft.)	13,145	4,725	6,729
Tenant Options 10,000 + sf	12	9	9
Tenant Options 50,000 + sf	0	0	0

Problem building statistics were as follows:

Problem Percentage:	7 of 40 - 17.50%
	#1 Vacancy 78 Mowat Avenue Vacancy: 100.0%
	#2 Vacancy 1266 Queen Street W Vacancy: 88.6%

Midtown Markets



Bloor Class “A”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	8.7	6.5	6.4
Gross Rate (\$)	50.27	48.84	48.84
Sublease Supply (sq.ft.)	96,428	48,270	49,776
Quality Sublease (sq.ft.)	68,419	21,031	22,331
Tenant Options 10,000 + sf	5	5	5
Tenant Options 50,000 + sf	2	2	2



Bloor Class “B”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	4.1	3.7	3.7
Gross Rate (\$)	46.95	46.95	47.32
Sublease Supply (sq.ft.)	44,713	30,052	27,996
Quality Sublease (sq.ft.)	19,333	6,302	4,246
Tenant Options 10,000 + sf	5	4	4
Tenant Options 50,000 + sf	1	1	1

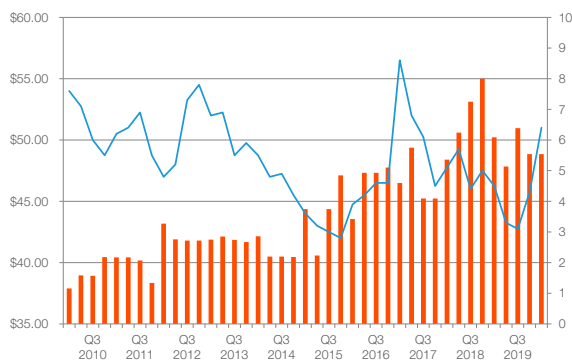
Problem building statistics were as follows:

Problem Percentage:	3 of 22 - 13.64%
	#1 Vacancy 160 Bloor Street E Vacancy: 37.8%
	#2 Vacancy 175 Bloor Street E Vacancy: 37.2%

Problem building statistics were as follows:

Problem Percentage:	3 of 33 - 9.09%
	#1 Vacancy 80 Bloor Street W Vacancy: 23.1%
	#2 Vacancy 365 Bloor Street E Vacancy: 19.9%



Bloor Class “A” Headlease Vacancy and Gross Rates



St. Clair

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	4.6	2.7	2.7
Gross Rate (\$)	50.98	50.57	49.67
Sublease Supply (sq.ft.)	102,913	1,369	0
Quality Sublease (sq.ft.)	98,633	1,369	0
Tenant Options 10,000 + sf	3	3	2
Tenant Options 50,000 + sf	0	0	0

Problem building statistics were as follows:

Problem Percentage:	1 of 19 - 5.26%
	#1 Vacancy 1 St. Clair Avenue E Vacancy: 26.9%
	#2 Vacancy 1 St. Clair Avenue W Vacancy: 14.8%

Eglinton Class "A"

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	8.6	3.5	3.2
Gross Rate (\$)	47.34	45.93	46.83
Sublease Supply (sq.ft.)	89,251	25,981	81,742
Quality Sublease (sq.ft.)	55,057	11,389	9,927
Tenant Options 10,000 + sf	1	3	4
Tenant Options 50,000 + sf	0	1	1



Problem building statistics were as follows:

Problem Percentage:	2 of 11 - 18.18%
	#1 Vacancy 130 Merton Street Vacancy: 79.7%
	#2 Vacancy 2345 Yonge Street Vacancy: 16.6%

Eglinton Class "B"

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	5.9	6.3	6.3
Gross Rate (\$)	40.13	35.67	39.26
Sublease Supply (sq.ft.)	43,474	12,080	15,255
Quality Sublease (sq.ft.)	0	1,634	1,634
Tenant Options 10,000 + sf	5	5	5
Tenant Options 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage:	2 of 25 - 8.00%
	#1 Vacancy 477 Mount Pleasant Road Vacancy: 17.1%
	#2 Vacancy 150 Eglinton Avenue E Vacancy: 16.4%

GTA North Markets

North York Class “A”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	11.3	11.3	11.0
Gross Rate (\$)	40.74	40.00	41.54
Sublease Supply (sq.ft.)	135,100	99,855	56,685
Quality Sublease (sq.ft.)	69,271	56,608	8,479
Tenant Options 10,000 + sf	14	12	14
Tenant Options 50,000 + sf	7	6	5



Problem building statistics were as follows:

Problem Percentage:		8 of 23 - 34.78%
	#1 Vacancy 110 Sheppard Avenue E Vacancy: 38.5%	
	#2 Vacancy 5160 Yonge Street Vacancy: 33.6%	

North York Class “B”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	10.0	8.9	10.1
Gross Rate (\$)	39.70	39.97	39.97
Sublease Supply (sq.ft.)	21,396	13,803	7,109
Quality Sublease (sq.ft.)	11,791	6,470	2,000
Tenant Options 10,000 + sf	6	7	7
Tenant Options 50,000 + sf	1	1	2

Problem building statistics were as follows:



Problem Percentage:		2 of 16 - 12.50%
	#1 Vacancy 4881 Yonge Street Vacancy: 74.1%	
	#2 Vacancy 5 Park Home Avenue Vacancy: 23.1%	

GTA East Markets

Consumers Road Class “A”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	11.7	10.4	8.9
Gross Rate (\$)	34.54	34.61	34.61
Sublease Supply (sq.ft.)	200	12,145	12,145
Quality Sublease (sq.ft.)	0	10,600	10,600
Tenant Options 10,000 + sf	4	4	5
Tenant Options 50,000 + sf	0	0	1

Problem building statistics were as follows:

Problem Percentage:		2 of 7 - 28.57%
	#1 Vacancy 2550 Victoria Park Avenue Vacancy: 25.9%	
	#2 Vacancy 200 Yorkland Boulevard Vacancy: 15.8%	

Consumers Road Class “B”

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	15.0	15.2	16.1
Gross Rate (\$)	29.37	29.37	29.37
Sublease Supply (sq.ft.)	24,307	21,944	31,019
Quality Sublease (sq.ft.)	0	0	0
Tenant Options 10,000 + sf	9	9	9
Tenant Options 50,000 + sf	2	3	3

Problem building statistics were as follows:

Problem Percentage:		4 of 18 - 22.22%
	#1 Vacancy 2255 Sheppard Avenue E Vacancy: 37.3%	
	#2 Vacancy 243 Consumers Road Vacancy: 34.0%	

Highway 404 / Steeles

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	13.2	12.2	12.3
Gross Rate (\$)	27.94	28.32	29.32
Sublease Supply (sq.ft.)	262,264	265,989	265,989
Quality Sublease (sq.ft.)	5,312	49,620	6,530
Tenant Options 10,000 + sf	21	21	21
Tenant Options 50,000 + sf	7	7	6

Problem building statistics were as follows:

Problem Percentage:		18 of 61 - 29.51%
	#1 Vacancy 131 McNabb Street Vacancy: 100.0%	
	#2 Vacancy 7271 Warden Avenue Vacancy: 100.0%	



Highway 404 / Highway 7

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	5.1	4.7	4.7
Gross Rate (\$)	29.51	29.52	29.36
Sublease Supply (sq.ft.)	177,697	121,150	128,362
Quality Sublease (sq.ft.)	19,856	25,921	36,239
Tenant Options 10,000 + sf	19	17	21
Tenant Options 50,000 + sf	1	1	3

Don Mills and Eglinton

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	10.3	8.0	7.2
Gross Rate (\$)	29.11	28.48	29.19
Sublease Supply (sq.ft.)	178,968	194,045	184,766
Quality Sublease (sq.ft.)	144,598	144,598	147,049
Tenant Options 10,000 + sf	11	10	11
Tenant Options 50,000 + sf	2	2	1

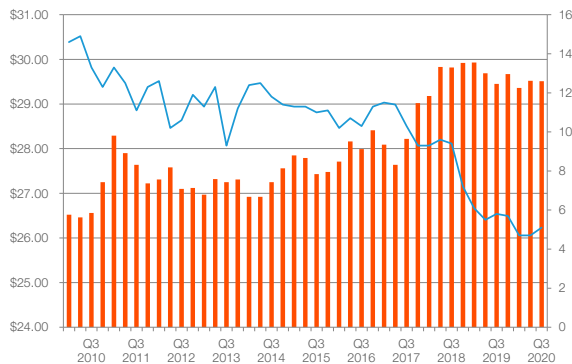
Problem building statistics were as follows:

Problem Percentage:	11 of 120 - 9.17%
	#1 Vacancy 200 Town Centre Boulevard Vacancy: 38.9%
	#2 Vacancy 100 Mural Street Vacancy: 34.9%

Problem building statistics were as follows:

Problem Percentage:	9 of 32 - 28.13%
	#1 Vacancy 29 Gervais Drive Vacancy: 42.6%
	#2 Vacancy 3 Concorde Gate Vacancy: 33.6%

Highway 404/7 Headlease Vacancy and Gross Rates



Duncan Mill

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	13.6	12.3	12.3
Gross Rate (\$)	28.83	29.42	30.92
Sublease Supply (sq.ft.)	194,222	69,610	69,610
Quality Sublease (sq.ft.)	180,718	69,610	69,610
Tenant Options 10,000 + sf	6	5	7
Tenant Options 50,000 + sf	3	3	3



Problem building statistics were as follows:

Problem Percentage:	5 of 26 - 19.23%
	#1 Vacancy 225 Duncan Mill Road Vacancy: 75.1%
	#2 Vacancy 240 Duncan Mill Road Vacancy: 65.3%

Pickering

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	3.3	2.7	3.7
Gross Rate (\$)	23.42	20.65	22.86
Sublease Supply (sq.ft.)	3,108	0	0
Quality Sublease (sq.ft.)	3,108	0	0
Tenant Options 10,000 + sf	0	1	1
Tenant Options 50,000 + sf	0	0	0

Problem building statistics were as follows:

Problem Percentage:	2 of 13 - 15.38%
	#1 Vacancy 1099 Kingston Road Vacancy: 28.8%
	#2 Vacancy 1305 Pickering Parkway Vacancy: 16.6%

Scarborough

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	14.2	13.9	14.8
Gross Rate (\$)	26.82	25.72	25.46
Sublease Supply (sq.ft.)	245,168	245,412	258,658
Quality Sublease (sq.ft.)	174,622	238,532	187,868
Tenant Options 10,000 + sf	11	13	14
Tenant Options 50,000 + sf	6	6	4

Problem building statistics were as follows:

Problem Percentage:	11 of 48 - 22.92%
	#1 Vacancy 520 Ellesmere Road Vacancy: 51.1%
	#2 Vacancy 2200-2206 Eglinton Avenue E Vacancy: 48.4%

GTA West Markets

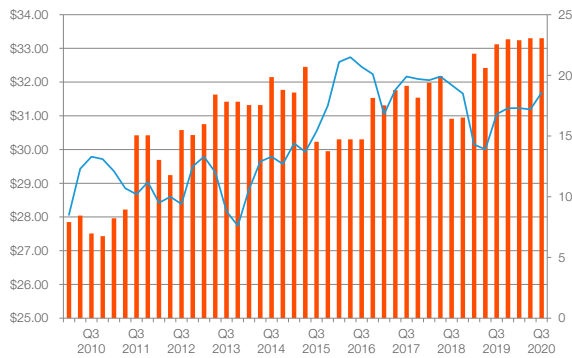
Highway 427 Corridor

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	18.6	17.2	17.3
Gross Rate (\$)	33.30	33.30	33.24
Sublease Supply (sq.ft.)	56,125	59,507	92,283
Quality Sublease (sq.ft.)	18,479	18,479	18,479
Tenant Options 10,000 + sf	10	10	10
Tenant Options 50,000 + sf	2	2	2

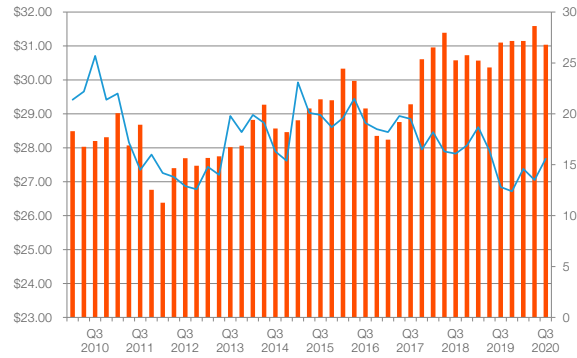
Airport Corporate Centre

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	19.0	15.2	14.5
Gross Rate (\$)	31.59	31.04	31.15
Sublease Supply (sq.ft.)	182,829	96,105	40,499
Quality Sublease (sq.ft.)	148,294	71,166	21,826
Tenant Options 10,000 + sf	25	20	20
Tenant Options 50,000 + sf	5	4	4

Highway 427 Corridor Headlease Vacancy and Gross Rates



Airport Corporate Centre Headlease Vacancy and Gross Rates



Problem building statistics were as follows:

Problem Percentage:	8 of 19 - 42.11%
	#1 Vacancy 10 Four Seasons Place Vacancy: 55.8%
	#2 Vacancy 191 The West Mall Vacancy: 36.7%

Problem building statistics were as follows:

Problem Percentage:	19 of 58 - 32.76%
	#1 Vacancy 5205 Satellite Drive Vacancy: 100.0%
	#2 Vacancy 5520 Explorer Drive Vacancy: 60.6%

Dixie Eglinton

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	3.9	3.9	3.9
Gross Rate (\$)	20.79	20.79	20.79
Sublease Supply (sq.ft.)	29,369	29,369	29,369
Quality Sublease (sq.ft.)	29,369	29,369	29,369
Tenant Options 10,000 + sf	3	3	2
Tenant Options 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage:	2 of 28 - 7.14%
	#1 Vacancy 1875 Buckhorn Gate Vacancy: 53.7%
	#2 Vacancy 1660 Tech Avenue Vacancy: 42.9%

Meadowvale

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	14.1	14.6	12.5
Gross Rate (\$)	30.50	14.44	31.34
Sublease Supply (sq.ft.)	51,982	30,674	39,155
Quality Sublease (sq.ft.)	15,762	13,538	29,972
Tenant Options 10,000 + sf	21	18	18
Tenant Options 50,000 + sf	6	6	7

Problem building statistics were as follows:

Problem Percentage:	19 of 57 - 33.33%
	#1 Vacancy 6860 Century Avenue Vacancy: 81.8%
	#2 Vacancy 6733 Mississauga Road Vacancy: 65.6%

Mississauga City Centre

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	9.5	8.9	9.5
Gross Rate (\$)	9.5	8.9	9.5
Sublease Supply (sq.ft.)	72,551	66,828	59,128
Quality Sublease (sq.ft.)	71,876	61,718	57,699
Tenant Options 10,000 + sf	13	14	15
Tenant Options 50,000 + sf	2	2	1



Heartland

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	9.3	9.0	7.6
Gross Rate (\$)	29.36	29.47	29.37
Sublease Supply (sq.ft.)	55,548	43,032	78,032
Quality Sublease (sq.ft.)	47,700	38,500	38,500
Tenant Options 10,000 + sf	14	14	15
Tenant Options 50,000 + sf	2	2	2

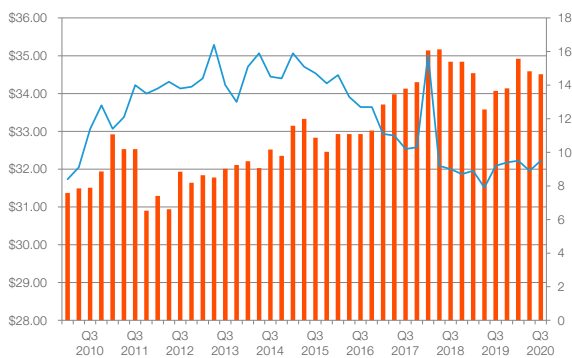
Problem building statistics were as follows:

Problem Percentage:	5 of 24 - 20.83%
	#1 Vacancy 1 City Centre Drive Vacancy: 25.6%
	#2 Vacancy 1290 Central Parkway W Vacancy: 19.3%

Problem building statistics were as follows:

Problem Percentage:	12 of 50 - 24.00%
	#1 Vacancy 100 Milverton Drive Vacancy: 30.5%
	#2 Vacancy 5770 Hurontario Street Vacancy: 29.0%

Mississauga City Centre Headlease Vacancy and Gross Rates



Burlington

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	19.4	18.2	17.6
Gross Rate (\$)	27.68	27.77	27.51
Sublease Supply (sq.ft.)	32,896	22,802	16,365
Quality Sublease (sq.ft.)	10,463	9,335	3,870
Tenant Options 10,000 + sf	21	21	16
Tenant Options 50,000 + sf	1	2	1

Problem building statistics were as follows:

Problem Percentage:	31 of 62 - 50.00%
	#1 Vacancy 649 North Service Road W Vacancy: 100.0%
	#2 Vacancy 5420 North Service Road Vacancy: 38.5%

Oakville

	Q3/20	Q2/20	Q1/20
Vacancy Rate (%)	13.6	14.2	14.7
Gross Rate (\$)	31.18	31.20	30.94
Sublease Supply (sq.ft.)	57,803	60,132	64,904
Quality Sublease (sq.ft.)	28,214	39,415	29,980
Tenant Options 10,000 + sf	30	32	30
Tenant Options 50,000 + sf	3	3	4

Problem building statistics were as follows:

Problem Percentage:	20 of 75 - 26.67%
	#1 Vacancy 3421 Superior Court Vacancy: 100.0%
	#2 Vacancy 2295 Bristol Circle Vacancy: 81.1%

Thank you for subscribing to The QTM Market Report.

For more information, please contact:

Raffi Kouyoumdjian
Vice President • Sales Representative
D: 905.917.2055 • C: 416.671.5913
raffi@lennard.com

201-60 Columbia Way, Markham
905.752.5020
lennard.com

Contact us to learn how to leverage the information in this report through our real estate value creation programs, The Space Program[®] and The Asset Value Creator ProgramTM

Lennard Commercial Real Estate, Brokerage 2020.