

INVESTMENT FORECAST

Retail
Toronto

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

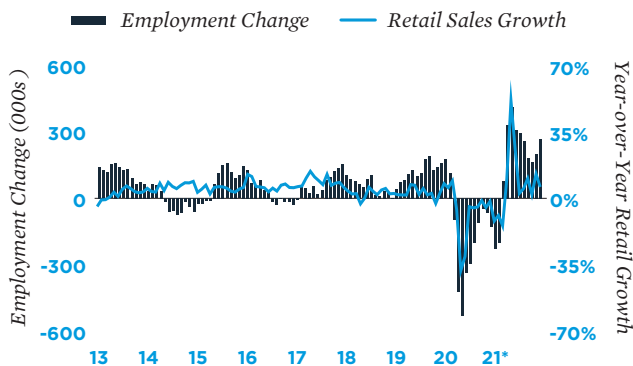
Resilience During the Pandemic Prompts Construction and Lifts Investor Sentiment

Builders shift focus to suburbs. Toronto's retail segment endured adversity as COVID-19 restrictions subdued foot traffic and changed the way consumers behave. Despite these challenges, retail vacancy never exceeded 2 per cent at the height of the disruption, and availability has since gravitated downward. The demand drivers in the GTA are unquestioned, with the metro logging 16 consecutive quarters of positive net absorption entering this year. Strong leasing activity is expected to continue in 2022, though a large construction pipeline will inhibit vacancy from contracting to the 1.7 per cent mark recorded prior to the pandemic. Areas of Toronto adding the most new inventory, putting them at risk of a short-term rise in availability, include Outlying York, Outlying Peel and Markham-Richmond Hill. These are all suburban locations, which are attracting new residents amid remote work flexibility and escalating living costs in the urban core. In light of these trends, retailers have been expanding their footprint in the suburbs, highlighted by Walmart committing to an 180,000-square-foot spot in Newmarket.

Toronto Retail Investment Trends

- Investors have placed additional emphasis on targeting mixed-use assets with a multifamily and retail component in the past year, due to the prevalence of remote work in the metro.
- The average cap rate for retail properties in Toronto dipped into the low-4 percent band, while the mean per-square-foot sale price reached \$609 – the second highest figure of the major metros.

Employment vs. Retail Sales Trends




2022 Retail Trends


**2.6 MILLION
SQUARE FEET**
will be completed

CONSTRUCTION:

Deliveries in 2022 surpass the trailing five-year annual average and exceed last year's tally by more than 2 million square feet; however, less than 500,000 square feet is being built without a tenant signed on.


**10
BASIS POINT**
increase in vacancy

VACANCY:

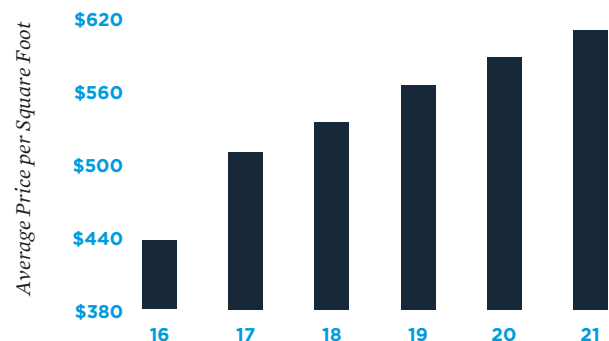
Net absorption of nearly 2.3 million square feet is not enough to prevent a mild rise in vacancy, with the rate ticking up to 1.8 per cent in 2022.


**2.4%
INCREASE**
in asking rent

RENT:

The average asking rent is set to climb for the fifth year in a row, as new inventory enters a market with limited availability. The average asking rent in the GTA reaches \$27.80 per square foot.

Sales Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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