Executive Summary

Considering the scale of COVID-19, both the commercial and housing sectors of the real estate market in the Greater Toronto Area (GTA) have been significantly impacted. Real estate is one of the shifting economic fortunes, and has been the pioneer of recovery from market recession. There is a sudden demand for management consulting firms from real estate portfolio investors to analyze current and future market behaviour, in order to ensure their investment, and their client's investments are stable with fewer associated risks under uncertain economic times.

SasNav Realty Consulting Group is a mid-sized real estate firm. Their business mandate is to purchase & sell residential properties, and to lease commercial properties for profit. Currently, their residential portfolio includes detached homes, semi-detached homes, and townhouses. The portfolio, which is valued at $100M, is uniformly distributed throughout the GTA. SasNav's commercial portfolio, valued at $50M, consists of restaurants, pubs and offices throughout the GTA, but predominantly in Toronto. Due to COVID-19, SasNav are looking to refine their strategy and portfolio distribution to minimize the negative impact of the pandemic.

The project scope for the residential market focused on the following: (1) identify the potential areas of growth, (2) to investigate the current effects of COVID-19 in terms of market activity, (3) to analyze market segmentation for properties $700K to $1.5M, and (4) determine how the residential portfolio can be distributed throughout the GTA. The commercial portfolio's scope was defined to investigate the current effects of COVID-19 on the commercial sector, identify the impact of the government's COVID-19 policies, and determine how SasNav can effectively use their commercial space and portfolio. With this scope in mind, the project objectives included the analysis of historical (2017 to 2019) and current (2020) real estate trends, the identification of the most lucrative areas, the analysis of potential future trends from 2021 to 2023, as well as compiling our findings into a strategy and portfolio.

During the diagnosis phase, we utilized a research framework and market activity data from the Toronto Regional Real Estate Board to develop and form the final recommendations. The framework included research into the current state of the residential and commercial markets, identifying the key parameters that affect real estate investment decisions, analyzing the projected future market activity and identifying the most lucrative areas for investment.

From the diagnostic methodology and analysis, the most lucrative residential areas to invest in for each home-type were identified. For the commercial portfolio, the results indicated that offices in Downtown & Midtown Toronto, as well as restaurants in the Toronto East, West & York region should be kept. However, the vacant offices in the non-Toronto regions should be sold as vacancy rates are forecasted to increase.

Using the analysis results and forecast, the action planning and implementation was formed. As the market activity forecast predicts a market downturn in 2021, we recommend the client to purchase properties in March 2021(when prices significantly decrease), and hold them for at least a year to account for the eventual market rebound. In the meanwhile, these properties can be rented out as data shows that multi-family housing (i.e. semi-detached, detached) is resilient despite the pandemic. Then in 2022 and onwards, we recommend to buy homes in December & January, sell in April to September, hold non-Toronto properties for at least 6 months and Toronto properties for at least 1 year to achieve a minimum 4% net profit.