

# Q+A: BGO's Holmes on 95 Wellington acquisition

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Last month, BGO made the largest office [purchase](#) the Toronto market has seen in over a year, paying Cadillac Fairview \$198.1m for [95 Wellington Street West](#).

The deal – the city's third nine-figure office trade of 2026 – is the latest signal that investors' view of the asset class has finally turned after years of ostracization.

Simon Holmes, Canadian chief investment officer at BGO, sat down with *Green Street News* to discuss the acquisition, the firm's investment strategy and the market's long-awaited recovery.

**From a broader market perspective, what made this the right time for BGO to acquire an office asset?**

Earlier this decade, BGO was one of the first [firms] to sell down non-strategic office buildings in the wake of Covid and some of those cyclical trends that

created negative conditions in the office market for a few years.

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But about 15 months ago, we started to see a clear trend that tenants were returning to the office on a more consistent basis. We were seeing the early start of an office market recovery. Within our own portfolio, we were seeing tenants leasing and absorbing more space, and we were seeing tenants pushing their employees back to the office on a more frequent basis. So, we came to the conclusion that this would bode well for high-quality buildings in the right markets.

### **What appealed about 95 Wellington above other assets that are on the market right now?**

The Toronto financial core really has been the epicenter of the office market recovery, and 95 Wellington appealed to us as a way to access that recovery. It's phenomenally located about a block from Union Station, the main transit hub for rail and subway in Toronto. That proximity to mass transit is critical for tenants today.

The previous owners did a phenomenal job renovating and refurbishing the asset over the past decade. It really presented as a new build, given all the work they've done to restore the exterior and completely renovate the lobby and some of the common areas. It caters to boutique tenants – like advisory, professional services and financial firms – who are drawn to the smaller floorplates, versus some of the brand-new buildings in the Toronto market that have very large, 30,000 sq ft-plus floorplates.

### **What is BGO's long-term strategy for the building?**

We're able to utilize our in-house leasing and property management platform, BGO Properties, to jump in and sink our teeth into the leasing mandate here, which is to stabilize the asset with high-quality tenants as quickly as possible. We're excited for the opportunity to be able to push cashflow and stabilize the asset in the context of a market that is recovering quickly and where high-

quality space in well-located buildings is increasingly scarce.

## **This deal represents your Core strategy's re-entry to the Toronto office market. Can you touch on that decision?**

That specific fund exited the downtown Toronto office market in early 2022 with the sale of 121 King. So, this purchase for that fund really represented a full cycle strategy for us, of exiting at a high point and coming back in at an attractive entry point, and also upgrading the portfolio in terms of the quality of the holding to some extent as well. I think this is an important step in a multi-year execution of a specific office sector strategy for that specific fund.

## **Timing wise, those deals are night and day.**

Exactly. Because interest rates were so low, pricing for office held for a while after Covid hit. There were still groups willing to buy at close to pre-Covid pricing at that point in time.

We view [the sale of 121 King] as a good trade – to cycle out of office with the intent to get back in, if and when the fundamentals proved that the market was on a cyclical recovery, and we could source the rates at the right high-quality property at an attractive basis. And that's certainly what we found at 95 Wellington. So, it was really an important and attractive opportunity for us.

## **Beyond the performance of your own portfolio that you mentioned earlier, what were some of the signs that proved to you that the office recovery had begun?**

For Class-A space downtown, we've seen overall vacancy drop from about 20% at the peak a couple of years ago down to about 12% today. When you drill down even further and look at the AAA space, that vacancy rate is around or even below 3%. So, all of that bodes very well.

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When you see those extremely tight conditions, you can fully expect that owners will continue to have increased pricing power and be able to increase

rents over the coming years, especially given that we do not see any prospect of new supply being added to the Toronto market until at least the end of the decade, if not the early 2030s given that there's nothing under construction today. I think the next few years will represent a great runway for owners of high-quality office space in downtown Toronto, given some of those fundamentals and that significant tenant absorption we've seen over the last few quarters.

### **Speaking of new supply, what are some viable sites downtown where you could see that going in?**

There aren't a lot of high-quality sites. It is clear that transit is critical, so you kind of have to look at who owns sites in close proximity to Union Station. It's a pretty short list.

Over the last several years, especially during Covid, there was a lot of talk about office-to-residential conversions. Now, given the shift in dynamic of those two sectors, with office being increasingly appealing and residential experiencing some headwinds, you're hearing rumblings of groups that have residential development density exploring whether they can convert that site from a residential development to an office development.

It really emphasizes how cyclical the whole real estate landscape is. For the better part of the decade it was all about beds and sheds, residential and industrial. Today, investors can't get enough grocery-anchored retail. And office, as we've seen, has increasingly strong fundamentals that I fully expect will continue to drive investor demand for high-quality space.

### **What is BGO's investment strategy when it comes to office assets?**

At BGO we manage investment vehicles across all different points of the risk spectrum between core, core plus, value add and development. So, really, depending on where we are in the cycle, we can execute on office investment or development opportunities where we see the best risk-adjusted returns.

At this point in the cycle, when we're able to acquire high-quality assets at a significant discount to replacement cost, we'll look to do so, and we'll always focus on high-quality buildings in great locations where there is some type of ability for us to add value, but we definitely have a broad opportunity set in the office sector.