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# Greater Toronto Area Office Market Report

1<sup>st</sup> Quarter 2010

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## Market Overview

The Greater Toronto Area (GTA) office market put up disappointing numbers in the first quarter of 2010. After a strong fourth quarter finish in 2009, which saw positive absorption (net change in occupied space) of 688,000 square feet (sf), demand softened in the first quarter of 2010, resulting in a decline in occupied area of 14,500 sf. As expected, the overall GTA vacancy rate (physically unoccupied space) increased to 10.6% and is up 250 basis points (bps) from the same quarter a year ago. Similarly, the availability rate (space marketed for lease) has climbed 150 bps, currently resting at 11.7%. Though more space has returned to the market over the past year, the rate of increase has decelerated since year-end 2009. Since then, vacancy and availability have risen only 20 and 30 bps, respectively.

The rate of new office construction and supply is also abating, which is a welcome relief, especially in the Downtown district. The total amount of office space under construction across the GTA has dropped from a decade high of 7.1 million square feet (msf) (63% pre-leased) at year-end 2008 to 2.1 msf (52% pre-leased) at the close of the first quarter 2010. Just over two-thirds or almost 5 msf has been ongoing in Downtown Toronto, with nearly 4 msf already delivered and a further 880,000 sf scheduled for completion by the end of 2011. New supply, coupled with a protraction of corporate decision-making due to the recession, has caused the vacancy rate to nearly double in the past year to 9.2%. With demand levels lower than historical norms, the rental market remains soft and continues to experience downward pressure attributed to higher direct and sublet availability, as well as new supply. Therefore, a tenant's market is expected to prevail while landlords' primary concern will be tenancy retention.

## Data Points

**6.5%**

GTA vacancy during the collapse of Lehman Brothers in Q3 2008

**\$23.71**

Average asking net rate for Downtown Class A office space

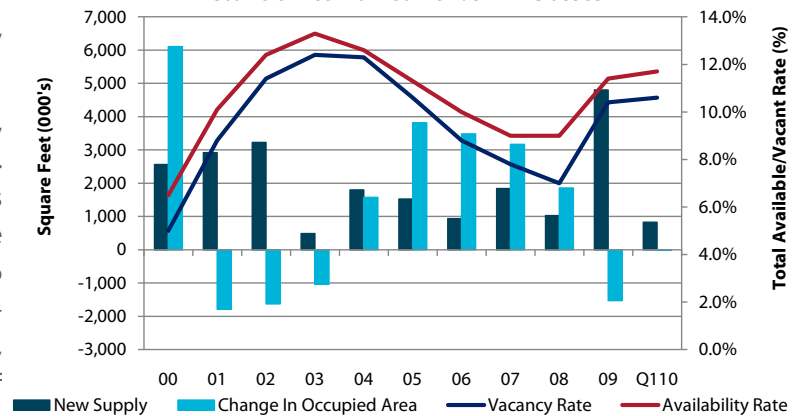
**32**

Number of LEED Gold certified full floors available in the new towers

**16%**

Availability in AAA towers in Financial Core

## Greater Toronto Area Historic Office Market Trends - All Classes



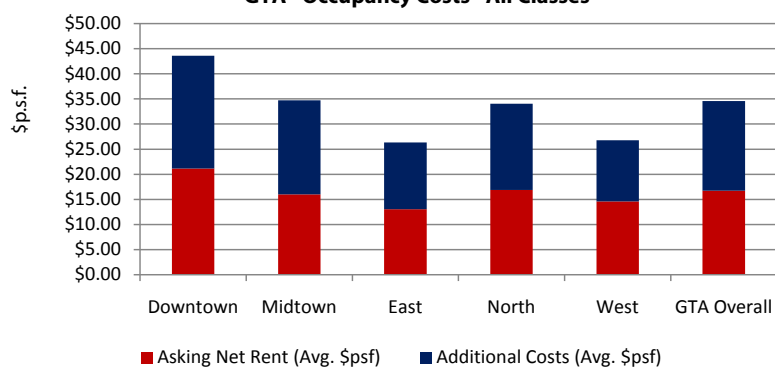
## GREATER TORONTO AREA MARKET SUMMARY

Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 months ago	3 months ago	Current Quarter	12 months ago	3 months ago	Current Quarter	Current Quarter	Year-to-Date	Year-to-Date Completions	Under Construction	% Pre-Leased
10.2%	11.4%	11.7%	8.1%	10.4%	10.6%	-14.5	-14.5	832	2,147	52%

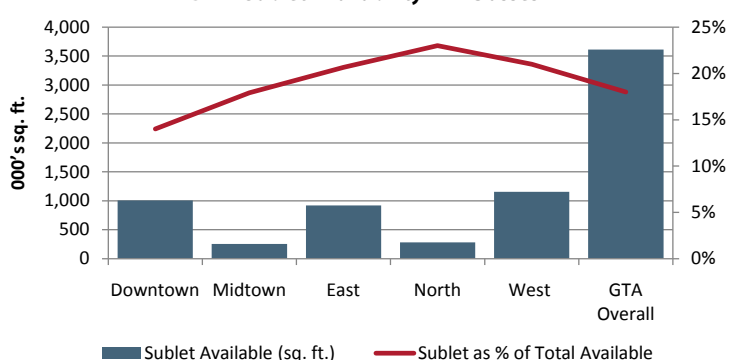
## COMPARISON OF LEASING OPTIONS FOR TENANTS - GTA

Office Space at Selected Districts	No. of Bldgs.	Available Space			Availability Rate		
		Buildings with more than 50,000 sq. ft.	Buildings with more than 10,000 sq. ft.	Number of spaces between 4,000 sq. ft. to 8,000 sq. ft.	Direct %	Sublet %	Total %
Downtown All Classes	390	34	135	189	9.2%	1.5%	10.6%
Downtown Class A	113	28	56	78	10.1%	1.7%	11.8%
Midtown All Classes	144	7	43	40	7.0%	1.5%	8.5%
Midtown Class A	35	3	16	13	7.4%	1.6%	9.0%
GTA East All Classes	311	20	119	124	11.4%	3.0%	14.4%
GTA East Class A	130	13	65	78	10.1%	4.0%	14.1%
GTA North All Classes	109	8	32	41	7.1%	2.1%	9.2%
GTA North Class A	50	5	23	28	7.0%	2.8%	9.8%
GTA West All Classes	467	25	157	164	10.7%	2.9%	13.5%
GTA West Class A	202	19	85	70	9.4%	3.7%	13.0%

**GTA - Occupancy Costs - All Classes**



**GTA - Sublet Availability - All Classes**



## GREATER TORONTO AREA SIGNIFICANT TRANSACTIONS FOR THE FIRST QUARTER

Address	District	Tenant	Size
130 King St. W.	Downtown	National Bank	107,000 sf
2 Bloor St. E.	Midtown	Ontario Realty Corp.	64,000 sf
70 Valleywood Dr.	GTA East	Cole Engineering	53,000 sf
4711 Yonge St.	GTA North	Proctor and Gamble	235,000 sf
6865 Century Ave.	GTA West	Golder Associates	125,000 sf

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