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Greater Toronto Area West Office Market Report

1st Quarter 2011

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GTA West Market Overview

The Greater Toronto Area (GTA) West office market continues to battle with high availability and vacancy rates. With ample opportunities to choose from, the market remains in the tenant's favour; on the other hand, the landlord community is aggressively competing for every deal, with a particular emphasis on tenant retention, while others are investing capital in older, vacancy-challenged facilities.

For the second consecutive quarter, the availability rate (space marketed for lease) declined an additional 40 basis points (bps) ending the first quarter of 2011 at 13.9%; remaining, however, 40 bps higher than in the same quarter one year ago. The vacancy rate (physically unoccupied space) increased 30 bps to end the quarter at 13.2%, and is 120 bps higher than in the first quarter of 2010.

Despite a modest rise in leasing velocity, the GTA West office market experienced another quarter of negative absorption as occupancy levels fell 292,000 square feet (sf) with losses largely coming from the Airport Corporate Centre. These results were similar to the first quarter of 2010 when GTA West saw a decrease in occupied area of 209,000 sf. Notwithstanding the overall poor absorption results, there are some bright spots: Mississauga City Centre turned in a positive quarter with an increase in occupied area of 46,000 sf, prompting the vacancy and availability rates to drop to 9.1% and 11.9%, respectively; Airport North, another bright spot, witnessed a rise in occupied area of almost 44,000 sf during the quarter.

High vacancy and availability rates are keeping any significant rental rate increases at bay. Overall, the average asking net rental rate finished the quarter at \$14.10 per square foot (psf), similar to one year ago. Class A office rents increased marginally, to end the first quarter of the year at \$16.55 psf. The spread in asking rental rates from class A to class B and C buildings are \$4.15 and \$5.90 psf, respectively. As the economy continues to recover, look for landlords to increase their net effective rents to compensate for lower free rent periods and tenant inducements.

New supply additions in the first quarter included the Great Lakes Business Park - Phase I totaling 140,500 sf spread across three buildings in Oakville. Meanwhile, construction continues on seven buildings comprising 612,122 sf, 36% of which is pre-leased. Two of the larger projects under construction in the Meadowvale node are well underway and include 7125 Mississauga Rd. (126,000 sf) and 6925 Century Ave. (250,000 sf), with 56% of the space already pre-leased. Noteworthy deals in the first quarter included e.i. du Pont Canada Company leasing 80,000 sf at a new building to be built at 1919 Minnesota Court in Meadowvale.

Market Facts

13.9%

Availability rate in the GTA West

\$16.55

Average asking net rental rate for GTA West Class A office space

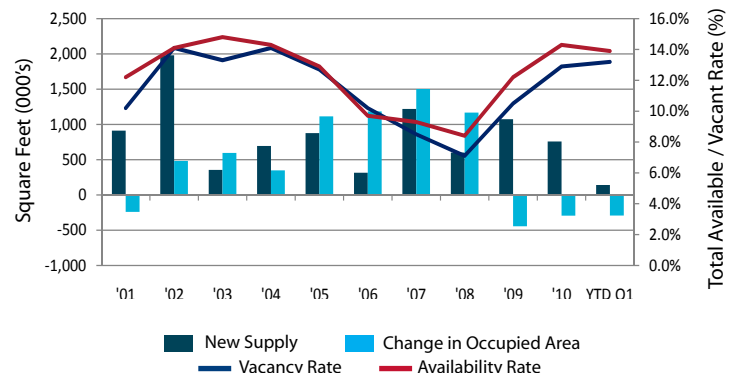
28

Buildings with more than 50,000 sf available

9.1%

Vacancy rate in Mississauga City Centre

Greater Toronto Area West Historic Office Market Trends - All Classes



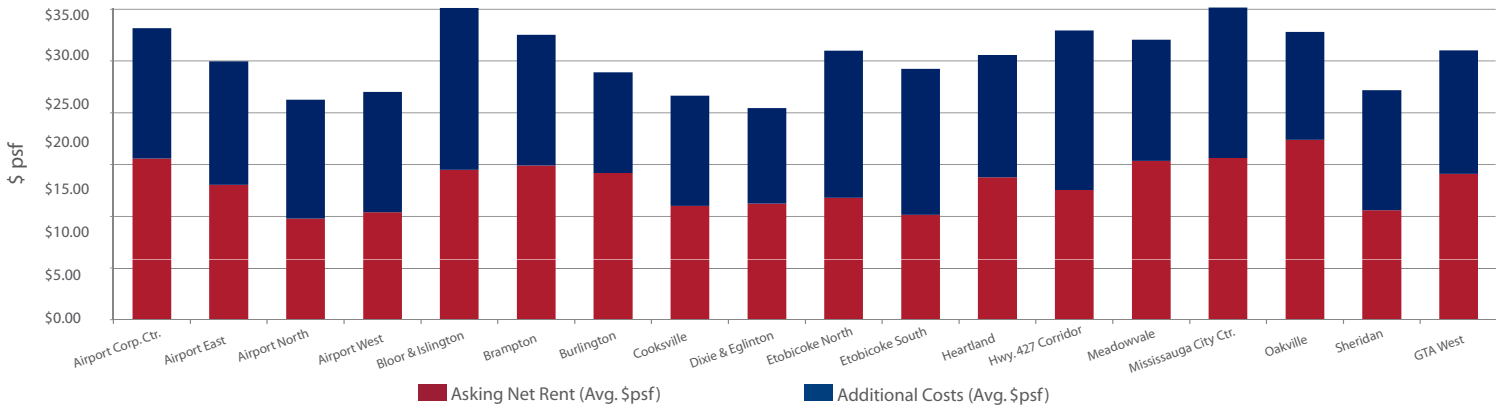
GREATER TORONTO AREA WEST MARKET SUMMARY

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
13.5%	14.3%	13.9%	12.0%	12.9%	13.2%	-292	-292	140	612	36%

COMPARISON OF LEASING OPTIONS FOR TENANTS - GTA WEST

Office Space at Selected Districts	No. of Bldgs.	Available Space			Availability Rate		
		Buildings with more than 50,000 sf	Buildings with more than 10,000 sf	Buildings with space between 4,000 sf to 8,000 sf	Direct %	Sublet %	Total %
Airport Corp. Ctr. Class A	21	7	16	28	13.1%	7.0%	20.1%
Airport Corp. Ctr. All Classes	32	7	25	65	16.3%	5.6%	21.9%
Burlington Class A	15	1	8	31	8.8%	4.5%	13.3%
Burlington All Classes	36	1	16	53	10.1%	2.8%	12.9%
Heartland Class A	13	2	9	18	9.2%	2.9%	12.1%
Heartland All Classes	20	2	12	23	9.2%	2.1%	11.3%
Meadowvale Class A	14	1	13	15	4.8%	2.2%	7.0%
Meadowvale All Classes	30	3	24	57	8.8%	2.1%	10.9%
Miss. City Centre Class A	12	3	7	25	11.5%	1.3%	12.8%
Miss. City Centre All Classes	19	3	10	42	10.9%	1.0%	11.9%
Oakville Class A	20	2	12	26	15.7%	1.2%	16.9%
Oakville All Classes	28	2	16	37	14.3%	1.3%	15.6%
GTA West Class A	121	23	88	205	9.7%	3.4%	13.1%
GTA West All Classes	270	28	163	490	11.5%	2.4%	13.9%

GTA West - Occupancy Costs - All Classes



GREATER TORONTO AREA WEST SIGNIFICANT TRANSACTIONS

Address	Node	Tenant	Size
1919 Minnesota Crt.	Meadowvale	e.i. du Pont Canada Company	80,000 sf
1005 Skyview Dr.	Burlington	Deloitte	25,000 sf
1100 Burloak Dr.	Burlington	State Farm	21,000 sf
178 South Service Rd.	Oakville	Rockstar Interactive	15,600 sf
6303 Airport Rd.	Airport North	Teradata	12,800 sf

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