# Toronto North and East Office Market Report

4th Quarter 2011

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## Market Overview

The gap between the Toronto North and East office leasing markets has continued to widen through 2011, as the North market steadily outperformed the East. Although both districts experienced an uptick in leasing activity and a decrease in vacancy rates (physically unoccupied space), the improvement was most notable in the Toronto North market, while additional new supply muted the performance of Toronto East.

The overall availability rate in the East district held steady at 11.8% in the fourth quarter, similar to the rate seen a year earlier. In contrast, the North district availability rate plummeted 230 basis points (bps) over the course of the year, to 4.8% at year-end. This represents a ten-year low for availability in the North district, even lower than the 5.5% rate seen in the third quarter of 2008, just before the most recent recession began. The fourth quarter of 2011 saw availability decline by 70 bps to eclipse the prior mark.

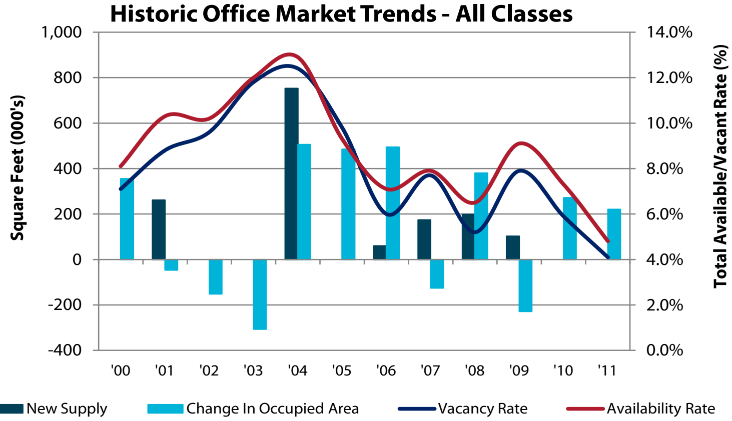
Meanwhile, the overall vacancy rate (physically unoccupied space) in the two districts paints a similar picture, with that in the North falling by 100 bps in the fourth quarter to close 2011 at 4.1%, and the East fell by only 30 bps in the same period to 9.6%. The North district is the tightest for vacancy of the five districts in the Greater Toronto Area – even edging out Downtown.

Both markets benefited from the lease-up of a couple of lingering large blocks of contiguous space. In Toronto North, RBC Financial leased 193,000 sf at York Mills Centre in the North Yonge Corridor, while JP Morgan Chase inked a deal for 91,000 sf at Consilium Place in the Scarborough market in Toronto East. There continues to be a spread in asking net rental rates between the North and East markets of approximately $3 per square foot (psf), with the North once again outpacing the East. However, when it comes to Class A space, the gap is much narrower, at less than $2 psf.

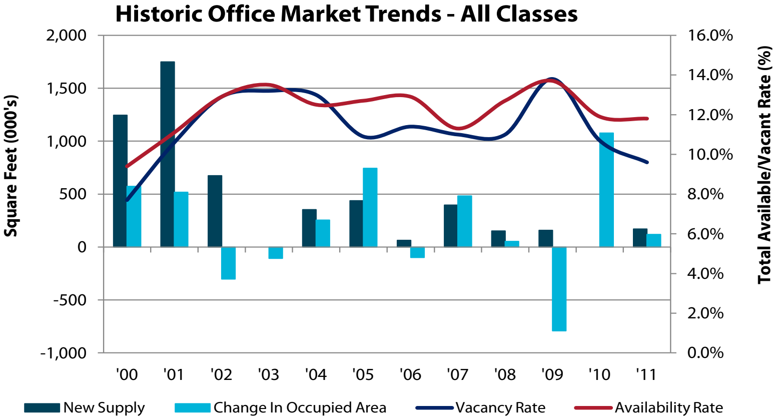
### MARKET FACTS

| | |
|---|---|
| **4.1%** Overall vacancy rate in Toronto North | **1** Number of buildings with more than 50,000 sf available in the North Yonge Corridor office node |
| **329** Thousands of sf available sublet space in the Hwy. 404 & Hwy. 407 office node | **15%** Overall availability rate in the Consumers Rd. office node |

**Toronto North**
**Historic Office Market Trends - All Classes**




**Toronto East**
**Historic Office Market Trends - All Classes**




### TORONTO NORTH AND EAST DISTRICTS 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 |
| **Toronto North** | 7.1% | 5.5% | 4.8% | 5.7% | 5.1% | 4.1% | 83 | 221 | 0 | 172 | 0.0% |
| **Toronto East** | 11.9% | 11.8% | 11.8% | 10.7% | 9.9% | 9.6% | 81 | 118 | 171 | 30 | 0.0% |

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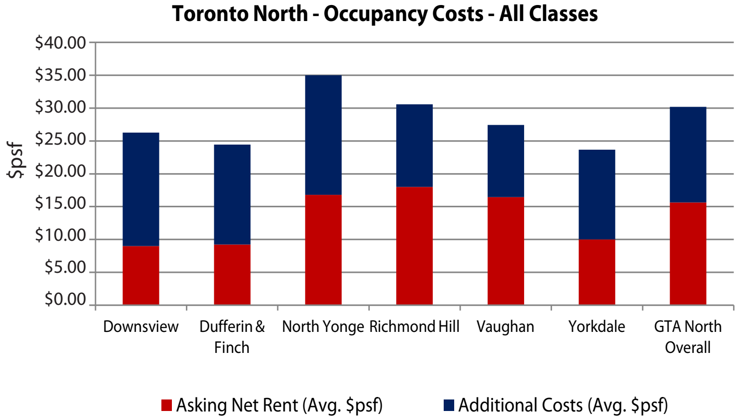
## COMPARISON OF LEASING OPTIONS FOR TENANTS – TORONTO NORTH

| | | Available Space | | | Availability Rate | | |
|---|---|---|---|---|---|---|---|
| **Office Space at Selected Nodes** | **Number of Buildings** | **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 %** |
| North Yonge | 38 | 1 | 13 | 9 | 3.3 | 1.4 | 4.7 |
| Richmond Hill | 3 | 0 | 0 | 0 | 1.5 | 0.0 | 1.5 |
| Vaughan | 32 | 3 | 10 | 3 | 5.7 | 0.8 | 6.5 |

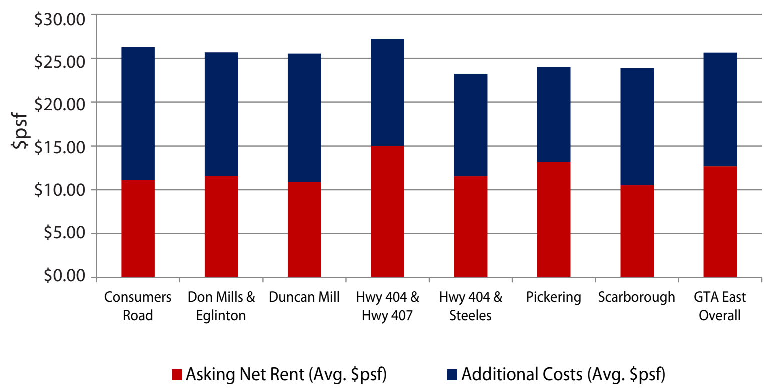
## COMPARISON OF LEASING OPTIONS FOR TENANTS – TORONTO EAST

| | | Available Space | | | Availability Rate | | |
|---|---|---|---|---|---|---|---|
| **Office Space at Selected Nodes** | **Number of Buildings** | **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 %** |
| Hwy. 404 & Hwy. 407 | 107 | 6 | 34 | 27 | 8.7 | 3.5 | 12.2 |
| Hwy. 404 & Steeles | 57 | 2 | 16 | 26 | 8.4 | 2.4 | 10.8 |
| Don Mills & Eglinton | 32 | 1 | 9 | 8 | 8.1 | 0.2 | 8.3 |
| Consumers Road | 33 | 3 | 18 | 29 | 14.7 | 0.3 | 15.0 |
| Duncan Mill | 21 | 1 | 7 | 9 | 8.1 | 1.6 | 9.7 |
| Pickering | 13 | 0 | 4 | 6 | 9.9 | 0.9 | 10.8 |
| Scarborough | 41 | 4 | 11 | 11 | 11.5 | 2.6 | 14.1 |

**Toronto North - Occupancy Costs - All Classes**




**Toronto East - Occupancy Costs - All Classes**




## TORONTO NORTH AND EAST DISTRICTS SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER

| Address | District | Tenant | Size |
|---|---|---|---|
| York Mills Centre | North | RBC Financial Group | 193,000 sf |
| 5140 Yonge St. | North | Capital One | 93,400 sf |
| 90 Sheppard Ave. E. | North | Minto Communities | 41,000 sf |
| 675 Cochrane Dr. | East | Ceridian Canada | 74,000 sf |
| 27 Allstate Pwky. | East | Oracle Canada | 50,000 sf |

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For a list of offices, please visit us at:
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For more information on this report, please contact Avison Young:


Bill Argeropoulos 416.673.4029
*Vice President & Director of Research, Canada*

Avison Young
600 Cochrane Drive, Suite 220, Markham, ON L3R 5K3
T 905.474.1155 F 905.474.9030
www.avisonyoung.com


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 Acknowledgement: Data for graphs, charts and tables used in this report are sourced from Avison Young and Altus InSite.