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Media Release

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Editors/Real Estate Reporters

- Please click on link to view Avison Young's *First Quarter 2010 GTA West Office Market Report*:
http://www.avisonyoung.com/library/pdf/Mississauga/Research/Avison_Young_-_GTA_West_Office_Report_-_Q1_2010_-_WEB_1.pdf

Decrease in leasing velocity pushes GTA West vacancy up to 12% in first quarter of 2010

Avison Young releases its First Quarter 2010 GTA West Office Market Report

Mississauga, ON — The combination of new office product being completed, weak absorption, and an inflated sublet market pushed the GTA West's overall vacancy rate to a four-year high in the first quarter of 2010. Overall vacancy currently sits at 12%, up 120 basis points from the fourth quarter of 2009. Despite the increase in the overall vacancy rate, the majority of key submarkets in the GTA West remain relatively strong.

These are some of the key trends noted in **Avison Young's First Quarter 2010 GTA West Office Market Report**, released today.

"Overall velocity of new transactions in the market has been quiet," comments Avison Young Principal **Martin Dockrill**. "As a result, in the right circumstances, tenants are taking advantage of a softer office market by restructuring their leases well in advance of expiry, reducing occupancy costs, and increasing the overall flexibility of their lease."

"Over the past 12 months, landlords have continued to focus on maintaining tenancy and income," continues Dockrill. "Competition to retain tenants in the office market has motivated some landlords to 'blend and extend' leases. This tenant's market has created downward pressure on rental rates in the GTA West (especially in struggling markets such as the Airport Corporate Centre), which registered an availability rate of 23.1% among all office classes at the end of the first quarter." (Availability rate includes physically vacant space *and* occupied space marketed for lease.)

The average asking rental rate for office space in the GTA West has remained relatively stable over the past 12 months and ended the first quarter at \$14.60 per square foot, according to the report. Moreover, the GTA West office market is witnessing an escalating sublet market, which currently

accounts for 21% of availability. Coupled with new supply and lower leasing velocity, these factors are anticipated to keep rental rates from escalating any further in the coming quarters.

“The majority of lease transactions that have occurred over the past 12 months have been renewals. Any new significant transactions that have been completed recently have been the result of consolidation and the desire to obtain increased efficiency in new product,” notes **Jeff Flemington**, Avison Young Principal.

The most recent example of this was the lease completed by Golder Associates to become the lead tenant in the phase two building of First Meadowvale Corporate Centre. The 250,000-square-foot (sf) office building is scheduled for completion in the first quarter of 2012.

The total amount of office space under construction in the GTA West stood at 994,000 sf at the end of the first quarter of 2010.

“The continual addition of class A LEED office buildings in the GTA West is making some class C buildings become less attractive to certain tenants, forcing landlords of this product to reduce rents to remain competitive,” adds Flemington.

Founded in 1978, **Avison Young** is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 600 real estate professionals in 17 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management and financial services to owners and occupiers of office, retail, industrial and multi-residential properties.

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