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Posted October 29 , 2010

Exchange Morning Post

Commercial Real Estate

Office vacancy dips below 10% in the Greater Toronto Area as 2.5 million square feet is transacted across the region

[Third Quarter 2010 Greater Toronto Area Office Market Report](#)

Toronto – Decisions surrounding commercial office space requirements that were delayed during the summer months are finally being negotiated, as evidenced by a flurry of leasing transactions concluded in the third quarter of 2010 in the Greater Toronto Area (GTA) office market. However, even though leasing activity accelerated during the quarter, prompting a modest decline in vacancy, availability stubbornly remains in double-digit territory.

These are some of the key trends noted in Avison Young's *Third Quarter 2010 Greater Toronto Area Office Market Report*, released yesterday.

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"During the tail end of the spring and over the summer months, we noted an increase in business confidence that was supported by a notable rise in the number of mandates that we were tracking at the time. Now, we are seeing hard evidence of deals actually being transacted," comments Bill Argeropoulos, Vice-President and Director of Research (Canada) for Avison Young.

He continues: "In the third quarter alone, we tracked close to 2.5 million square feet (msf) of transactions across the GTA, with nearly 70% of the deals pertaining to renewal and/or expansion of premises, while the remaining 30% resulted, or will eventually result, in relocation of premises."

According to the report, the overall vacancy rate (physically unoccupied space) in the GTA dipped below 10% to close the third quarter of 2010 at 9.7% – a level not seen in five quarters. However, the availability rate (which includes space being marketed for lease but is not physically vacant) held steady, finishing the quarter at 11.6%.

The availability rate has resided in double-digit territory for seven consecutive quarters and is still some 350 basis points above the most recent market trough of 8.1% set in the second quarter of 2008.

The report goes on to note that Toronto's suburban market houses the bulk (58% of the 20 msf available in the GTA) of available office space, with the GTA West and East districts registering overall availability rates of 15.3% and 13.3%, respectively.

"If your operations don't require you to have a 100% presence in downtown Toronto, the suburbs are a viable alternative for users, particularly of the larger space categories – and more importantly, at half the gross occupancy cost," adds Mark Fieder, Avison Young Principal and Managing Director of Avison Young's Ontario region.

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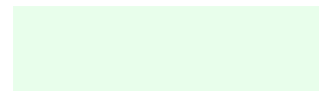
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"In contrast, with an availability rate of 10%, the downtown market is faring better, but is not out of the woods yet," notes Argeropoulos.

"Of the 7 msf available for lease at the end of the third quarter, more than half (55%) resides in the financial core, which has historically acted as a bellwether for the overall health of the market. Now that the newest towers are more than 90% leased, perhaps the big blocks of space that are largely confined to some of the vintage towers in the core will garner more serious attention. The alternative for those tenants insistent on being in a new LEED-certified building is to wait until at least 2013-2014, the earliest a new building could be delivered," he says.

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Contact Information:

Publisher:
Exchange Business Communication Inc.
Waterloo, Ontario, Canada
Tel: 519.886.0298

Editor-in-Chief
Jon Rohr
editor@exchangemagazine.com

Account Manager

John Hobin
john.hobin@exchangemagazine.com

Matt Kennedy
matt.kennedy@exchangemagazine.com