



COMMERCIAL PROPERTY

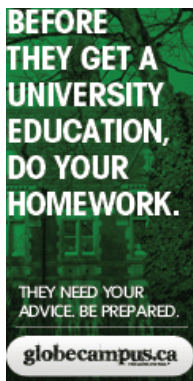
# Does this skyline make me look fat?

STEVE LADURANTAYE — REAL ESTATE REPORTER

Globe and Mail Update  
Published Monday, Mar. 21, 2011 12:00AM EDT  
Last updated Tuesday, Mar. 22, 2011 10:17AM EDT

1 comment

Share icons: Email, Tweet, Print/License, and font size controls.



While there's more to a city's real estate market than its trophy properties, Jones Lang Lasalle figures it's the skyline that captivates interest. That's why the commercial real estate brokerage compiled its first North American Skyline Review.

The report focuses on downtown properties that make up the highest profile areas in 21 cities, including Toronto and Montreal. Criteria for each is different – in Toronto, bank towers are the focus, for example, while in Boston it's buildings higher than 18 storeys built after 1980. The intention is to give a general idea of how marquee districts in each city compare to each other.

In most cities in the report, rents fell by about 2 per cent in 2010. But Jones Lang said the majority of rents are close to hitting bottom, if they haven't already. And, as the top space in each city refills with tenants, rents are likely to move higher, it says.

"Due to space limits in this segment of the market, we will see rent growth in the near term and potentially rent spikes over the next 24 months as new construction could be the only viable alternative for larger tenants in some of these markets," said John Sikaitis, senior vice-president of research for Jones Lang.

There aren't comparable studies into specific downtown markets, but Canadian experts note tenants have taken opportunities created by the recession to occupy marquee buildings that they may not have afforded before the downturn. "Tenants are gravitating toward better-quality buildings," said Avison Young principal Bruce Cowper.

The office space covered in the Jones Lang study accounts for only about 30 per cent of everything available, but because it is the best real estate in each city it "leads market recoveries and downturns with respect to both the investment and leasing side."

Notably, there were fewer transactions in the Canadian cities, as better financed landlords faced less pressure to sell through the recession. (Two of the measures here – average tenants improvement allowance and average free rent – are concessions offered to woo tenants.)

TODAY'S MUST READS

- **LIFE**  
Elsewhere in Japan, life carries on
- **REPORT ON BUSINESS**  
How to leverage LinkedIn to grow
- **REPORT ON BUSINESS**  
Should Canadian companies do business with despots?
- **SPORTS**  
Which goalie should win the Vezina?
- **TECHNOLOGY**  
Eight predictions for Canada's telecom industry

MORE FROM THE GLOBE AND MAIL



■ **NEWS**  
Canadian jets bomb Libyan target in first attack



■ **GLOBE INVESTOR**  
Need for speed leads to faster wires to TSX



■ **SPORTS**  
Jays pitcher Morrow will start season on DL

## How they measure up

### Toronto

Where: Bank towers with asking rents above \$25 a square foot net.

Total vacancy: 12.7 per cent

Space leased/vacated in 2010: 994,732 square feet

Average asking rent: \$62.13

Average tenant improvement (TI) allowance: \$28 a square foot

Average free rent (months): 6

Transactions (2005-2010): 1

Quote: "The effect of the Pan-American Games will become a serious consideration for construction and leasing demand over the next four years."

### Chicago

Where: Properties larger than 750,000 square feet, built or renovated since 1985

Total vacancy: 16.3 per cent

Space leased/vacated in 2010: -156,285 square feet

Average asking rent: \$35.33 a square foot

Average TI allowance: \$50 a square foot

Average free rent (months): 10

Transactions (2005-2010): 40

Quote: "Continuing the trend from 2010, activity will include a variety of relocations, renewals and subleases, but overall shifts in size, positive or negative, should average out."

### Montreal

Where: Downtown buildings with more than 200,000 square feet, asking rent above \$20 a square foot net.

Total vacancy: 11.3 per cent

Space leased/vacated in 2010: 63,959 square feet.

Average asking rent: \$43.69

Average TI allowance: \$25 a square foot

Average free rent (months): 0

Transactions (2005-2010): 3

Quote: "The outlook for 2011 looks bullish from the landlord perspective, with some caution applied to just how much net rents will increase over the next 12 months."

## MOST POPULAR STORIES

1. Canada a bastion of fiscal responsibility? Maybe not  
.....
2. Canadian consumer finally 'tapped out' and 'exhausted'  
.....
3. Libya's economic war rages in southern Europe  
.....
4. Europe debt woes flare up ahead of summit  
.....
5. How to leverage LinkedIn to grow

## **Boston**

Where: Properties built after 1980, higher than 18 storeys or at least 200,000 square feet

Total vacancy: 16.4 per cent

Space leased/vacated in 2010: 532,645 square feet

Average asking rent: \$44.77 a square foot

Average TI allowance: \$42.32 a square foot

Average free rent (months): 6.3

Transactions (2005-2010): 36

Quote: "A notable trend has emerged in 2010, as high-rise tower availability, defined as space higher than the 16th floor, began its descent from its cyclical high total vacancy, opening a five-percentage-point gap between it and the low-rise tower market."

## **New York**

Where: Premier buildings in Manhattan that "truly move the market."

Total vacancy: 10.5 per cent

Space leased/vacated in 2010: 1,107,515 square feet

Average asking rent: \$68.09 a square foot

Average TI allowance: \$62.86 a square foot

Average free rent (months): 5.9

Transactions (2005-2010): 67

Quote: "With low-risk investments barely keeping pace with inflation, investors are lining up to invest in New York City real estate. The velocity of recovery in New York City outpaces the global and U.S. markets."

## **San Francisco**

Where: Properties built or significantly renovated since 1985

Total vacancy: 15 per cent

Space leased/vacated in 2010: -433,664 square feet

Average asking rent: \$43.63 a square foot

Average TI allowance: \$45 a square foot



Average free rent (months): 4




Transactions (2005-2010): 37

Quote: "While leasing fundamentals have plenty improvement ahead, the next two years promise to bring a new vitality and higher values to the market."



1 comment

 Print/License
 


Sponsored Links

15%+ ROI Canadian REIT

Free eBook shows you how to profit from Canadian revenue properties.  
www.League.ca

Talent Management for the 21st Century

Register to download this Harvard Business Review article.  
www.sap.com

Download Free CRM White Paper from SAP

Read this white paper, get the basics on CRM, and avoid the "CRM paradox"  
www.sap.com

Advertise Here

Back to top

MORE TOP STORIES



**POLITICS**

Election looms as opposition stacks deck against Harper Tories



**OPINIONS**

The strategy continues to evolve



**SPORTS**

Habs focus on points, not revenge ahead of rematch with Bruins



**GLOBE DRIVE**

The hole truth about pothole season in Canada



**TECHNOLOGY**

Yahoo revamps Web search



**TECHNOLOGY**

Royal wedding to be posted online

VIDEO



Harper doesn't want election



Hell hath no fury ...



Teen says Lawrence Taylor deserves jail for sex crime

PHOTOS



Best pictures from the past 24 hours



Share your best photos of graffiti



Globe leads pack for photo awards



Globe2Go



e-Edition



Mobile



Newsletters



Newspaper



RSS

Home

-  News
-  Commentary
-  Business
-  Investing
-  Sports
-  Life
-  Arts
-  Technology
-  Drive
- Site map

More Sections

- Appointments
- Art Store
- Births & Announcements
- Careers
- Globe Campus
- Classifieds
- Classroom Edition
- Contests
- Deaths
- Newspaper Ads
- Real Estate
- Special Reports
- Sustainability mandate

Globe Plus

Subscribe

Globe Recognition

Recognition card

Advertise

- Advertise with us
- Newspaper
- Magazine
- Online
- Marketing Solutions Group
- Media Central
- Classifieds

Online

- Help
- Contact Us

Newspaper

- Customer Care
- Contact Us
- Staff
- Press Room
- Corrections
- Subscribe
- Vacation Stops
- Change Address

Privacy Policy

Terms & Conditions

Disclaimer

© Copyright 2011 The Globe and Mail Inc. All Rights Reserved.  
 444 Front St. W., Toronto, ON Canada M5V 2S9  
 Phillip Crawley, Publisher