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Canada's largest office market returns to historic norms, with prospect of new development once again circulating in Downtown Toronto

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Avison Young releases its First Quarter 2011 Greater Toronto Area Office Market Report

TORONTO, April 26 /CNW/ - The Greater Toronto Area (GTA) office market has made steady and significant strides since the recession ended in late 2009 by returning to a more balanced environment and surprising many pundits along the way. Although availability and vacancy rates remain in double-digit territory in the suburbs, activity in the midtown and downtown markets is robust with demand from a wide spectrum of user groups seeking varying space requirements. This has raised the prospect of new office development once again in Downtown Toronto.

These are some of the key trends noted in Avison Young's *First Quarter 2011 Greater Toronto Area Office Market Report*, released today.

According to the report, the overall availability rate (which includes space being marketed for lease but not physically vacant) in the GTA declined 100 basis points (bps) in the past 12 months to 10.5% in the first quarter of 2011. By comparison, the overall vacancy rate (physically unoccupied space) across the region is down to 8.9%, having dropped 130 bps over the same period.

The GTA suburban market, comprising the North, East and West districts, combined to post an availability rate across all building classes of 12.1%. The West (13.9%) and East (12.2%) suburbs remained the weakest, while the North is the strongest at 6.8%.

Compared to the suburbs, the downtown and midtown markets are in much better shape, displaying strong, consistent tenant interest, with availability and vacancy rates firmly in single-digit territory. Midtown closed out the first quarter of 2011 with availability and vacancy rates of 8.5% and 7.4%, respectively. Downtown saw its overall availability rate drop to a two-year low, presently at 8.9%. Vacancy sits even lower at 6.6% - down 200 bps from one year ago.

"The downtown market came through the recent economic recession with some hiccups, but since the recession ended some 15 months ago, there has been a steady stream of tenant interest and deal velocity, contrary to the expectations of some market observers who projected vacancy rates to balloon to the mid-to-high teens," comments **Bill Argeropoulos**, Vice-President and Director of Research (Canada) for Avison Young.

"All one has to do is look at the successful lease-up of the newest downtown office developments, currently 93% leased and climbing. What's even more compelling is that there are now discussions underway that will soon result in the announcement of one, two or even three new office buildings, kick-starting the next development cycle."

Argeropoulos continues: "This is not entirely surprising as the latest developments are now nearly leased up and largely out of play - at least for large tenants - and most of the remaining large-block options, which are concentrated in the pricier class AAA towers, are not garnering the same attention as new construction."

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While market observers do a good job of measuring availability, vacancy and absorption, another key metric on the health of the market is the number of active tenant mandates. "In this regard, we are tracking just over 3 million square feet of tenants who are assessing their space requirements in Downtown Toronto, with at least a dozen in excess of 100,000 square feet - an encouraging sign for those with large-block vacancy or looking to kick off a new development," concludes Argeropoulos.

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 700 real estate professionals in 23 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.

· [Click here to view Avison Young's First Quarter 2011 GTA Office Market Report:](#)

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