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Thursday, July 29, 2010

# Both Vacancy and Demand High in Toronto

Last Updated: July 29, 2010 04:10am ET

By Robert Carr

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Toronto

TORONTO-Office vacancy is still increasing in the greater Toronto area, climbing to 11.2% in the second quarter, according to a new report by Avison Young. However, there's about three million square feet of demand in the area, said the company, and the new buildings are getting full.

Even Downtown Toronto saw an increase in office vacancy, hitting 10.3% in Q2, a level not seen in five years, says Bill Argeropoulos, SVP and director of research for the company. What hasn't helped the occupancy rate is the five new office towers, including the Bay-Adelaide Centre West, Telus Tower, RBC Centre, Maple Leaf Square and 18 York St. All have been successful at pulling tenants away from existing buildings, and are almost 80% leased.

"The big challenge is the blocks of space left behind. Tenants will now also be able to trade up from lesser space to take advantage of depressed rental rates, they want new LEED certified, efficient buildings," Argeropoulos tells GlobeSt.com. "Office leasing here has definitely changed from a year ago, though. Business confidence has improved. It's not just leases 18 months and out rolling, these are tenants looking ahead two-to-three years and taking advantage of the marketplace."

He says banks are the largest tenants looking for space, though there's some difficulty, and possible confusion to customers, in

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these companies switching buildings. Also, there banks are looking to downsize. "There's one bank here that occupies about one million square feet, but when they move they may end up leaving half of that behind. Hopefully they can keep some of the space and split it between two locations."

Regardless, Argeropoulos says this past quarter is still a far cry from last year, when there was only about two million square feet of demand in the area. "We're definitely going to see a slow progression for the last half of the year. It will be interesting to see the renewals or relocations that follow in the second half of 2010," he says.

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