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## Downtown office vacancy rate up: study

Ashley Csanady July 30, 2010 – 6:00 am

The worst of the recession may be over, but in the first half of 2010 office rental vacancies in Toronto's downtown core hit double digits for the first time in five years, says a report released on Thursday by Avison Young, Canada's largest independently owned commercial real-estate company.

The vacancy rate in the downtown core climbed to 10.3% from 7.6% this time last year, while the GTA's vacancy rate rose to 11.3% from 9.6% a year ago. Downtown Toronto offers 70 million of the city's 170 million total square feet of office space.

A number of factors are to blame for the vacancy spike, says Bill Argeropoulos, vice-president and director of research for Avison Young, who compiled the Greater Toronto Area Office Market Report. Some vacancies are lingering effects of the recession, with many companies deciding to downsize or downgrade their office space, while a major glut of new office space over the past year also contributed to the spike. Four million square feet of office space have opened in the past year and 1.1 million square feet are available for sublet, comprising 15% of the total rental market in Toronto.

Mr. Argeropoulos said some of the buildings hardest hit are those you would least expect, such as the TD Centre and First Canadian Place. Many companies are jumping from the skyline stalwarts for new buildings that are more environmentally friendly and energy-efficient.

That doesn't mean the Toronto skyline will lose its more iconic structures, but that these buildings will continue to renovate to attract new offices, Mr. Argeropoulos said

"Supply is definitely exceeding demand because the market is still in the red," Mr. Argeropoulos said.

"There's a bit of a lag between the two variables. Demand will eventually start to pick up."

"I think those buildings will attract tenants and they will fill up," Mr. Argeropoulos added.

He believes the climate will pick up over the coming year, and despite the rise in vacancies, the number of tenants looking for a new office is also on the rise.

"We're tracking slightly over three million square feet of tenant mandates, and last year at this time, we were at roughly two million square feet," Mr. Argeropoulos said.

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