

For Immediate Release (3 pages)
Thursday, April 19, 2018

Contact:
Bill Argeropoulos
416.673.4029
email: bill.argeropoulos@avisonyoung.com

Editors/Reporters

• Please click on link to view Avison Young's *First Quarter 2018 GTA Office Market Report*:
<http://www.avisonyoung.ca/documents/95732/4519304/Greater+Toronto+Area+Office+Market+Report+%28Q1+2018%29>

Downtown Toronto office space crunch leads to opportunities in suburbs

Avison Young releases its First Quarter 2018 GTA Office Market Report

Toronto, ON – As expected, the pace of leasing activity in the Greater Toronto Area (GTA) office market was slightly muted in the first quarter of 2018 with transactions in existing product restrained by the growing scarcity of space, especially in Downtown and Midtown Toronto. Nevertheless, the market posted positive results in most submarkets and asset classes to start the year. Although the results of 2017 will be hard to repeat, record-low vacancy and rising rents in Downtown and Midtown may pave the way for better results in suburban markets in 2018.

These are some of the key trends noted in **Avison Young's First Quarter 2018 Greater Toronto Area Office Market Report**, released today.

According to the report, transactions inked in previous quarters translated into rising occupancy levels with first-quarter 2018 absorption registering 655,000 square feet (sf). Unlike in previous quarters, the suburban markets collectively outpaced the Downtown and Midtown markets by roughly a two-to-one margin. More than 2.1 million square feet (msf) of lease transactions were concluded market-wide in the first quarter – down from the fourth-quarter 2017 result (and the 2017 quarterly average) of nearly 3 msf. This activity was sufficient to lower the market's overall availability rate to 10.2%, while overall vacancy finished the first quarter of the year at 6.5%.

“Coming off a banner year in 2017, I don't think we were overly surprised by the market's somewhat subdued, yet overall positive, first-quarter results,” comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. “In all, demand continues to outpace new supply, and nowhere is this trend more apparent than in Toronto's growing Downtown market.”

Argeropoulos continues: “With Downtown vacancy sitting at a record-low 2.5%, it has become an extremely competitive market in which to transact given the scarcity of space in existing product, rising rental rates, and no meaningful relief in terms of new supply until 2020. That's when 2.5

msf is expected to be completed out of the nearly 6 msf now under construction downtown. However, the prelease commitment on that 2.5 msf is 43% and rising. Taking into account the success of recently completed projects, and given the deals that are being negotiated today, this space is certain to be fully preleased by the time it is delivered in 2020. Between now and then, some large-block relief can be found in a few smaller development and redevelopment projects that are in progress and targeting 2019 delivery.”

“With very few options to choose from, rental rates have experienced significant upward pressure,” adds Argeropoulos. “Our analysis reveals that, on average, starting face rates for deals in class A Downtown space increased 28% in 2017 compared with 2016 – the largest year-over-year jump since the Great Recession. Although each deal is different, in many cases, what would have been a \$35 face rate a year ago is now \$40 or more.”

Tenants seeking affordable opportunities in the Midtown market are faced with equally tight conditions with vacancy falling to a historic low of 2.9%.

The report goes on to say that Toronto’s suburban markets started 2018 on a positive note with contributions from all three suburban markets – Toronto East (mainly class B), Toronto North (class A) and, to a lesser extent, Toronto West (class A). New development has kept suburban availability (14.8%) and vacancy (10.6%) stable during the past year.

Argeropoulos concludes: “The suburbs are poised to benefit from the tight market conditions in Downtown and Midtown. The East, North and West suburban markets offer a wide variety of favourably priced options for tenants not requiring a core location with an ever-growing emphasis on transit-oriented and mixed-use development and new transit connections for existing nodes. Savvy suburban landlords will focus on finding creative solutions to provide urban amenities in suburban settings to attract and retain tenants struggling to find room for growth.”

Avison Young is the world’s fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.

-end-

For further information/comment/photos:

- **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada), Avison Young: 416.673.4029; cell 416.906.3072 bill.argeropoulos@avisonyoung.com
- **Martin Dockrill**, Principal and Managing Director, Ontario, Avison Young: 905.283.2333 martin.dockrill@avisonyoung.com
- **Sherry Quan**, Principal, Global Director of Communications & Media Relations, Avison Young: 604.647.5098; cell: 604.726.0959 sherry.quan@avisonyoung.com

www.avisonyoung.com

Avison Young is a 2018 winner of the Canada's Best Managed Companies Platinum Club designation, having retained its Best Managed designation for seven consecutive years.

Follow Avison Young on Twitter:

For industry news, press releases and market reports: www.twitter.com/avisonyoung

For Avison Young listings and deals: www.twitter.com/AYListingsDeals

Follow Avison Young Bloggers: <http://blog.avisonyoung.com>

Follow Avison Young on LinkedIn: www.linkedin.com/company/avison-young-commercial-real-estate

Follow Avison Young on YouTube: www.youtube.com/user/AvisonYoungRE

Follow Avison Young on Instagram: www.instagram.com/avison_young_global