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Editors/Reporters

• Please click on link to view Avison Young's *Third Quarter 2018 GTA Office Market Report*:
<https://www.avisonyoung.ca/documents/95732/4519304/Greater+Toronto+Area+Office+Market+Report+%28Q3+2018%29/>

**Unprecedented quarter for Toronto downtown office
development announcements as vacancy dips to historic low**

Avison Young releases its Third Quarter 2018 GTA Office Market Report

Toronto, ON – The Greater Toronto Area (GTA), perhaps the hottest office leasing market in North America, had an eventful third quarter of 2018, fuelled by the unquenchable demand for office space in Toronto's bustling downtown market. Tight conditions prevailed in Toronto's Midtown market, while the suburban market continues to strive for consistency.

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

According to the report, more than 3.8 million square feet (msf) was leased in the third quarter alone across the GTA, raising the year-to-date total to more than 8 msf – on pace to match or exceed the 11-msf-plus leased in all of 2017. More than 519,000 square feet (sf) was absorbed during the quarter with the downtown outpacing the suburban market – bringing the year-to-date absorption tally to more than 1.1 msf. In the meantime, GTA-wide availability declined 40 basis points (bps) to 9.2%, while vacancy dipped 10 bps to a near-decade-low of 6.1% at the close of third-quarter 2018.

"It was an unprecedented quarter for new office development announcements and historically low vacancy in Toronto's red-hot downtown market," comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. "There was no sign of the traditional summer lull as four new office towers were announced, totalling 2.7 msf – with more than half of the space already preleased as the downtown vacancy rate dipped to a new historic low of 1.9%."

Third-Quarter 2018 Toronto Downtown development announcements included:

- Allied Properties REIT's and RioCan REIT's The Well (1.1 msf / 2021 targeted completion date) securing Ottawa-based e-commerce platform provider Shopify (434,000 sf), digital advertising marketplace Index Exchange (205,000 sf) and co-working firm Spaces (127,000 sf);
- Brookfield Property Partners' Bay Adelaide Centre North (825,000 sf / 2022), to be anchored by Scotiabank (420,000 sf);
- Menkes Developments, Alcion Ventures and Waterfront Toronto's Waterfront Innovation Centre (461,000 sf / 2021) with global communications firm WPP (260,000 sf) as the lead tenant; and
- Carttera Private Equities kicked off 65 King St. E. (400,000 sf / 2021) on a speculative basis.

The report goes on to say that the total amount of office space underway in downtown Toronto has climbed to nearly 10 msf (55% preleased) – a record for the market – equating to 13% of the existing inventory. Most of this space is scheduled to come online between 2020 and 2022 and total 7.4 msf, of which 51% is preleased.

Tight conditions prevailed in Toronto's Midtown market with the overall vacancy rate ending third-quarter 2018 at 3.2%. On the other hand, the suburban market continues to strive for consistency with minimal changes in suburban vacancy (10.2%), while construction activity remained steady at 1.1 msf (49% preleased) – spread between Toronto West and Toronto North.

"The big story has been – and remains – the critically low number of options available in downtown Toronto for companies looking to expand their existing operations or seek new ones today – not necessarily two, three or four years from now," says Argeropoulos. "Apart from the recent development announcements, we are likely to see at least one more project unveiled by year-end 2018."

He concludes: "The downtown market will remain firmly in the landlords' grasp with continued upward pressure on rental rates for at least the next 18 to 24 months. Increasing rental rates may encourage some tenants to right-size and/or pursue more affordable opportunities – such as the suburbs, which remain tenant-friendly."

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