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Editors/Reporters

· Please click on link to view and download Avison Young's Downtown Toronto subway connectivity study infographic:

<http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Research/Links/2015/TorontoDowntownOfficeMarketSubwayConnectivity.pdf>

Making the connection: Subway proximity offers multiple benefits for Downtown Toronto office buildings

Avison Young releases study of subways' connections within Toronto's Downtown office market

Toronto, ON – Downtown Toronto's resurgence in recent years has been remarkable, following the migration of residents and businesses to the suburbs over the past few decades. The trend toward increased urbanization and greater density continues with residential and commercial developments creating demand for each other amidst a growing emphasis on mixed-use projects. One of the important factors enabling this transformation is public transit. In particular, office properties' proximity to a subway station provides notable benefits for both tenants and landlords in terms of property values, rental rates and vacancy rates.

These are some of the key findings of a study by **Avison Young** on subway connectivity to the office real estate market in Downtown Toronto, released today.

"Do subways matter? Absolutely," comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. "Tenants are placing as much importance on transit connectivity as they are on sustainability characteristics – such as LEED certification – and employee wellness. We have seen an increasing number of requests for proposals and tenant requirements that specify a location within 500 metres of a subway line, as tenants recognize the value of easy subway access for attracting and retaining employees. Furthermore, this access is an amenity that adds value to surrounding buildings from everyone's point of view – both occupiers and owners. For the latter, the impact can be seen in higher occupancy rates, higher rental rates and higher sale prices for buildings that are close to subway stations."

The study, conducted in early fall 2015, examined the entire Downtown market's 401 existing office buildings totalling almost 72 million square feet across all building classes, as well as seven buildings currently under construction and 13 potential development sites. The buildings were classified according to which Toronto Transit Commission (TTC) subway station they were closest to, and their distance from that station in metres (m), which was determined based on

above-ground walking distance for pedestrians. The study also looked at office building sales in the three-year period between October 2012 and early fall 2015.

Argeropoulos notes: “Given the office submarket’s location within the downtown subway loop, it is no surprise that 100% of office buildings in the Financial Core are within a 500m walk of a subway station. Second-ranked was the Downtown North node, with 81% of buildings within the same range. At the other end of the spectrum, only 12% of buildings in the King and Dufferin node (popularly known as Liberty Village) offer such proximity to the subway – although the node is well-served by other modes of transit, such as streetcars.”

Other key findings include:

- Across all of Downtown, the vacancy rate for office buildings less than a 500m walk from the subway was 6.1% – slightly below the overall downtown average and significantly lower than the 9.7% vacancy rate for buildings beyond the 500m range;
- Buildings in the Financial Core node had the lowest average walking distance to a subway station (233m), followed by those in Downtown North (343m);
- The Downtown South node (which extends beyond the area commonly labelled the South Core) had an average walking distance to the subway of 911m, with only three out of 14 office buildings less than 500m from a station. (It should be noted that distances to Union Station were measured to the TTC subway entrance on Front Street, not the southern end of Union Station);
- The three-year analysis of Downtown office building sales revealed that buildings within a 500m walk of a subway station sold for an average of \$475 per square foot (psf), while those beyond that range had an average sale price of \$364 psf during the same period;
- The two TTC subway stations serving the greatest number of office buildings (based on the walking distance between each building and station) are both on King Street: St. Andrew and King stations. King station serves as the nearest station for 77 office buildings (41 in the Financial Core and 36 in Downtown East), while St. Andrew serves 100 buildings (23 in the Financial Core, 72 in Downtown West and five located even further west in the King and Dufferin node).

New office building development has also felt the benefit of subway-accessible locations. Of the 18 major downtown office projects completed since 2009 or currently under construction, eight (44%) are located within a 500m walk of a subway station – despite the challenge of assembling suitable land parcels in the already dense downtown core. An examination of new development pricing reveals that the towers closest to the subway have reaped the rewards, with a premium of nearly \$7 psf on net face rates compared with those achieved by buildings further from the subway completed since 2009 or currently under construction.

“Developers are not missing out on these trends,” Argeropoulos adds. “There are at least 13 notable office development sites in downtown Toronto, with eight – that’s 62% – less than 500m from a subway stop. These projects are well-positioned to capitalize on tenants’ demand for

transit connectivity, as well as all the other sustainable attributes and modern features offered by new developments. Developments beyond the 500m mark can also prosper – as we have seen in the past – if they are well-served by other forms of transit, provide desirable amenities, and successfully combine multiple uses to create vibrant communities.”

While it is beyond the scope of this study, Argeropoulos notes, a similar scenario appears to be unfolding in the suburbs, with developers placing greater importance on existing or proposed connections to subways or GO Transit, for example.

Argeropoulos concludes: “As the downtown area becomes even more densely populated, demand for subways and other transit options will only intensify. Wise planning will be necessary to ensure that sufficient transit connectivity is provided to carry more riders, encourage development in new areas, and maximize value for all stakeholders: tenants, landlords and the city as a whole.”

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