

Toronto West



Quick Stats

13.8%

Class A availability rate in Airport Corporate Centre

153,200 sf

Total new supply completed in third-quarter 2019 in Toronto West (all located in Oakville)

15.2%

Availability rate in Toronto West, up 60 bps quarter-over-quarter

208,500 sf

Year-to-date net positive absorption in Toronto West

\$17.03 psf

Average asking net rental rate in Meadowvale (all classes)

The suburban Greater Toronto Area (GTA) office markets had a lacklustre third quarter with modest occupancy gains in the Toronto East and North markets, and notable losses in Toronto West. This was in contrast to the Downtown and Midtown Toronto markets, which remain the catalyst for much of the growth in the GTA office market overall. Occupancy levels in Toronto West declined by 336,600 square feet (sf) during the third quarter of 2019 – the first negative quarterly absorption result in almost four years. This brings the year-to-date net absorption level for the Toronto West office market to a respectable 208,500 sf, which is the result of a strong first half of 2019. The negative absorption resulted in a 90-basis-point (bps) increase in overall vacancy to finish the third quarter at 11.6%, while availability also increased, rising 60 bps quarter-over-quarter to 15.2%.

The bulk of new vacant space registered in the third quarter was in Meadowvale, with 264,500 sf of net negative absorption. This was largely the result of General Electric (GE) completely vacating its old headquarters

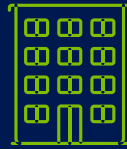
at 2300 Meadowvale Blvd., a 275,600-sf class A office building that had already been actively marketed for lease for some time. This is also the largest suburban office campus available for lease in the GTA. GE inked a 70,000-sf lease at 1919 Minnesota Ct. in 2018, which will be the location of its new Canadian headquarters. The Dixie & Eglinton node, adjacent to the more prominent Airport Corporate Centre (ACC), also experienced significant negative absorption of 149,000 sf during the quarter. This was the outcome of TD Bank returning 147,000 sf at 1875 Buckhorn Gate.

In spite of the less-than-stellar third-quarter results in the Toronto West office market, a number of notable deals occurred. The largest deal reported during the quarter was the Centre for Health & Safety Innovation's renewal for 101,000 sf at 5110 Creekbank Rd. in the Dixie & Eglinton node. General Mills will also be calling Dixie & Eglinton home as the company recently took some of the available space at 1875 Buckhorn Gate, leasing 44,100 sf with a start date of May 2020. Meadowvale also experienced



332,500 sf

Total office area under construction in Oakville



4

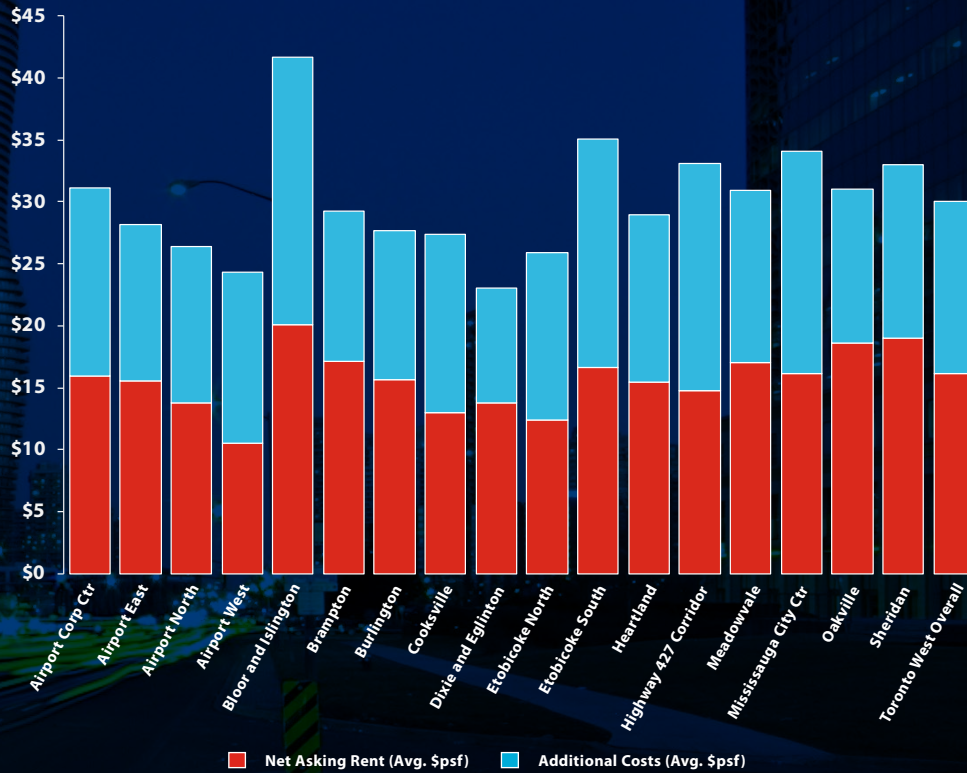
Buildings in Airport Corporate Centre with more than 50,000 sf of available space – down from 8 one year ago



\$16.16 psf

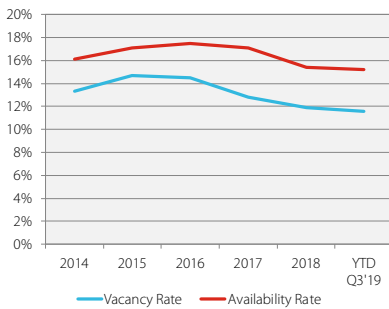
Average asking net rental rate for MCC, compared to \$18.63 psf in Oakville (all classes)

Toronto West Occupancy Costs - All Classes

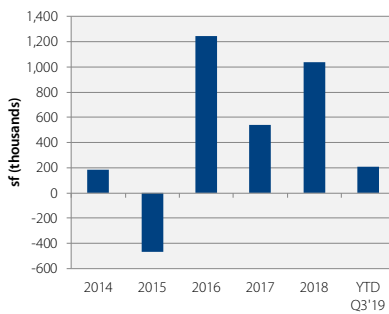


Average occupancy costs throughout Toronto West remained essentially flat quarter-over-quarter, with average asking net rental rates finishing at \$16.15 per square foot.

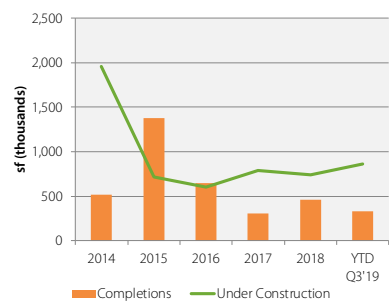
Toronto West
Overall Availability & Vacancy Trends



Toronto West
Overall Absorption Trends



Toronto West
Overall New Supply Trends



its share of notable deals as IQVIA Solutions Canada signed a new lease agreement to occupy 18,300 sf at 6700 Century Ave., while Atlas Copco took 11,100 sf at 2240 Argentia Rd.

On the new-supply side, three office buildings were completed in Toronto West during the third quarter of 2019 – all in Oakville. The new buildings are 1415-1425 Cornwall Rd. (28,600 sf), 418 Iroquois Shore Rd. (IQ Centre – Building A – 42,300 sf) and 3421 Superior Ct. (Great Lakes Business Park – 82,300 sf). This new inventory promoted Oakville to third-largest office node in Toronto West (by total square footage) with 4.8 million square feet (msf), surpassing Heartland (4.7 msf). Oakville currently trails only Meadowvale (6.4 msf) and ACC (5.1 msf) for top spot in Toronto West. In the development pipeline, nearly 863,000 sf of office inventory remains under construction, distributed between Oakville (332,500 sf / 39%), ACC (244,000 sf / 28%), Heartland (240,000 sf / 28%) and Burlington (46,000 sf / 5%). A further 3.4 msf of office space across 30 buildings is slated for future development in Toronto West. The bulk of this future development is situated in the ACC with almost 1.8 msf, followed by Oakville and Meadowvale with 543,000 sf and 270,000 sf, respectively.

Average occupancy costs throughout Toronto West remained essentially flat quarter-over-quarter, with average asking net rental rates finishing at \$16.15 per square foot (psf), and average asking gross rental rates coming in at \$30.10 psf. In fact, the average asking net rental rate has changed little year-over-year (it was \$16.07 psf in third-quarter 2018). Oakville continues to be the most expensive major office market option for tenants in Toronto West with an average asking net rental rate of \$18.63 psf. This is largely due to the rate premium associated with the node's

recent influx of new office inventory. Meadowvale was in second place with an average asking net rental rate of \$17.03 psf, followed by Mississauga City Centre (MCC) at \$16.16 psf. Although a smaller node, Bloor & Islington continues to be the most expensive overall in Toronto West with an average asking net rental rate of \$20.06 psf and an average asking gross rental rate of \$41.68 psf. The price premium is largely associated with the subway-connected Bloor Islington Place, while high additional rent results from elevated property value assessments in the City of Toronto.

On the investment front, deal velocity remained steady in the third quarter with a total of \$225 million worth of office buildings changing hands in Toronto West. Peel region led the way with a total of \$183 million in dollar volume, followed by Etobicoke with almost \$30 million, while Halton region posted just over \$12 million. Total dollar volume was down 59% quarter-over-quarter and 40% compared with the third quarter of 2018. The quarter's largest office transaction was KingSett Capital's sale of 30 Eglinton Ave. W. in Heartland for almost \$71 million to Crown Realty Partners and Plaza Partners, with the intention of future redevelopment. KingSett had acquired the 164,700-sf office and retail complex in May 2016 for \$48 million. Elsewhere, Sun Life Assurance Company of Canada sold its four-storey, multi-tenant, class A office building at 2476 Argentia Rd. for \$38.1 million to Concert Properties. Notable assets put up for sale during the quarter included KingSett's 4.5-acre development site in Etobicoke with existing income generated from 336,800 sf across three office towers (300, 302 & 304 The East Mall, formerly known as the Valhalla Executive Centre), and LaSalle Investment Management's nine-storey, 188,000-sf office building at 2425 Matheson Blvd. E. in ACC.

Toronto West Market Summary

| Availability Trend | | | Vacancy Trend | | | Change in Occupied Area (000's of sf) | | New Supply (000's of sf) | | |
|--------------------|--------------|-----------------|---------------|--------------|-----------------|---------------------------------------|-----|--------------------------|--------------------|-----------|
| 12 Months Ago | 3 Months Ago | Current Quarter | 12 Months Ago | 3 Months Ago | Current Quarter | Current Quarter | YTD | YTD Completions | Under Construction | Preleased |
| 15.6% | 14.6% | 15.2% | 12.2% | 10.7% | 11.6% | -337 | 208 | 327 | 863 | 54% |

Comparison of Leasing Options for Tenants

| Office Space in Select Nodes | No. of Bldgs | Available Space | | | Availability Rate | | |
|----------------------------------|--------------|-----------------------------|--|---------------------------------------|-------------------|----------|---------|
| | | Bldgs with more than 50k sf | Bldgs with largest contiguous available area greater than 50k sf | Number of spaces between 4k and 8k sf | Direct % | Sublet % | Total % |
| Airport Corp Ctr Class A | 37 | 4 | 3 | 12 | 11.5 | 2.3 | 13.8 |
| Airport Corp Ctr All Classes | 55 | 4 | 3 | 18 | 11.1 | 1.7 | 12.8 |
| Burlington Class A | 26 | 2 | 1 | 8 | 23.2 | 0 | 23.2 |
| Burlington All Classes | 62 | 2 | 1 | 17 | 17.6 | 0.5 | 18.1 |
| Heartland Class A | 29 | 3 | 0 | 10 | 10.2 | 4.0 | 14.2 |
| Heartland All Classes | 48 | 3 | 0 | 12 | 10.0 | 3.2 | 13.2 |
| Meadowvale Class A | 35 | 5 | 4 | 3 | 13.8 | 2.4 | 16.2 |
| Meadowvale All Classes | 61 | 8 | 5 | 12 | 16.3 | 1.8 | 18.1 |
| Mississauga City Ctr Class A | 14 | 1 | 0 | 11 | 9.2 | 2.1 | 11.3 |
| Mississauga City Ctr All Classes | 25 | 1 | 0 | 18 | 9.2 | 1.6 | 10.8 |
| Oakville Class A | 46 | 4 | 2 | 9 | 15.5 | 2.4 | 17.9 |
| Oakville All Classes | 73 | 4 | 2 | 16 | 15.6 | 1.8 | 17.4 |
| Toronto West Class A | 256 | 27 | 14 | 77 | 13.4 | 2.1 | 15.5 |
| Toronto West All Classes | 529 | 36 | 20 | 153 | 13.7 | 1.5 | 15.2 |

Toronto West Significant Transactions

| Address | Node | Tenant | Size |
|---------------------|------------------|---------------------------------------|------------|
| 5110 Creekbank Road | Dixie & Eglinton | Centre for Health & Safety Innovation | 101,000 sf |
| 1875 Buckhorn Gate | Dixie & Eglinton | General Mills | 44,100 sf |
| 6700 Century Avenue | Meadowvale | IQVIA Solutions Canada | 18,300 sf |
| 55 Horner Avenue | Etobicoke | M.E. Andrews & Associates | 17,800 sf |
| 255 Longside Drive | Heartland | Cooper Equipment Rentals | 11,100 sf |

For more information, please contact:



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Properties

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