

Toronto West



Quick Stats

15.2%

Class A availability rate in Burlington

174,100 sf

Year-to-date new supply in
Toronto West

47%

Availability rate in properties currently
under construction in Toronto West

71,500 sf

Net positive absorption in Heartland
during the second quarter, out of
238,000 sf total in Toronto West

\$16.16 psf

Average asking net rental rate in
Mississauga City Centre (all classes)

Another good quarterly performance by the Toronto West office market continued to lift the overall Greater Toronto Area (GTA) and suburban office markets as the West added more than 238,000 square feet (sf) of net positive absorption in the second quarter of 2019, for a total of more than 520,000 sf in the first half of the year. By comparison, the GTA-wide second-quarter net absorption came in at 109,000 sf, which brings the total year-to-date figure to approximately 872,000 sf. The usual suspects continued to boost the Toronto West office market, as Heartland added 71,500 sf of net positive absorption in the quarter (189,500 sf year-to-date), followed by Meadowvale with 63,900 sf (80,000 sf year-to-date) and Oakville with 44,100 sf (96,400 sf year-to-date). The Mississauga City Centre (MCC) also had a strong showing with positive second-quarter absorption of 68,400 sf.

Deal velocity remained robust with a flurry of leasing activity in the second quarter, pushing the Toronto West availability rate down to 14.6%, which represents a decrease of 60 basis

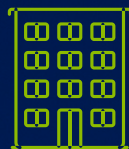
points (bps) quarter-over-quarter and 80 bps year-over-year. A number of significant lease transactions in the Airport Corporate Centre (ACC) helped decrease the node's availability rate by 230 bps – the largest decline out of all major office nodes – to end the quarter at 16.4%. Both Medline Canada and Aramark Canada inked deals at 5150 Spectrum Way, with each removing approximately 44,000 sf of class A office availability. Other major office nodes with large quarterly decreases in availability were Heartland with a 200-bps drop to 14.9% and MCC with a 120-bps drop to 9.5%.

The largest west-end lease transaction during the second quarter was Bell Canada's renewal for 1.14 msf at its Creekbank Rd. location in the Dixie & Eglinton submarket (which neighbours the more prominent ACC office node). This single transaction provided stability to the area, as Bell Canada's footprint represents approximately one-third of the entire office inventory in Dixie & Eglinton. Microsoft also inked a short-term deal to further extend its current lease in the west



938,100 sf

Office area under construction in Toronto West



7

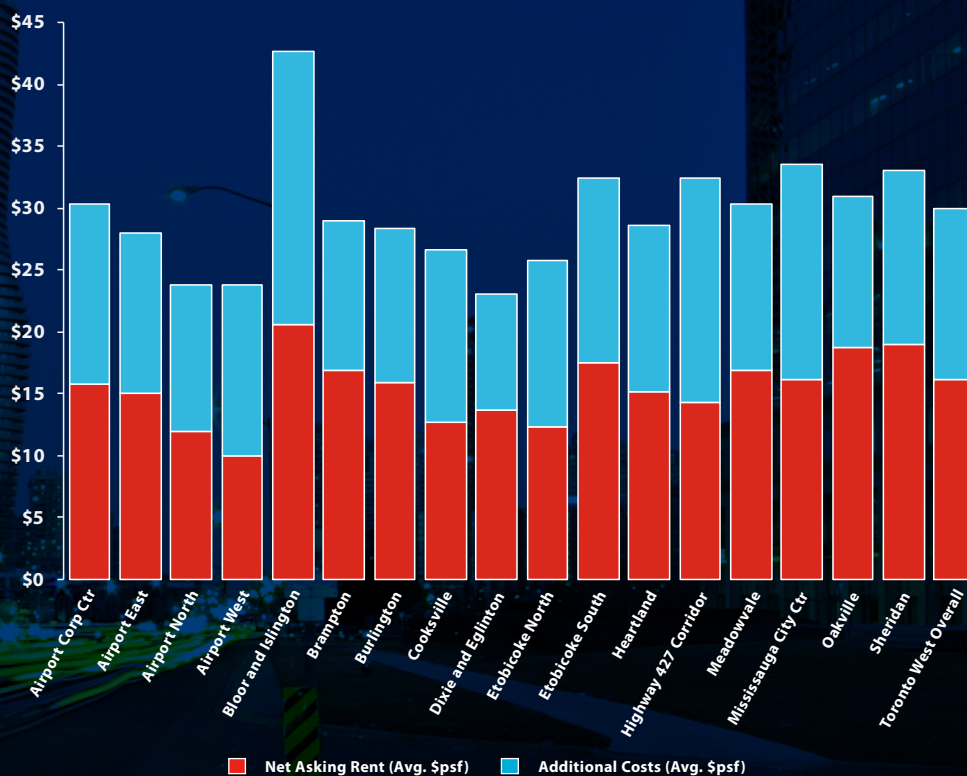
Buildings in the Airport Corporate Centre with more than 50,000 sf of available space



\$18.68 psf

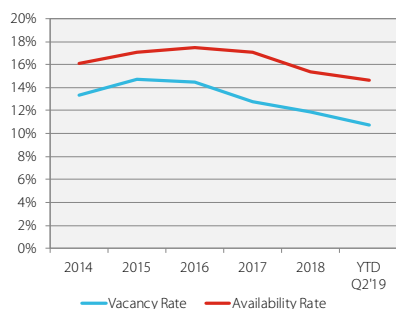
Average asking net rental rate in Oakville, vs. \$16.13 psf in Toronto West overall

Toronto West Occupancy Costs - All Classes

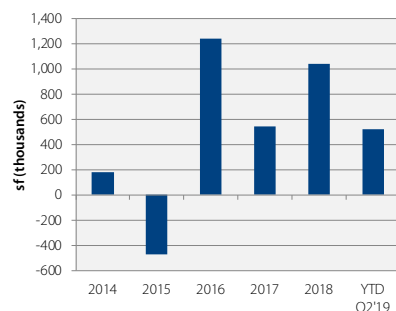


Deal velocity remained robust with a flurry of leasing activity in the second quarter to help drive down the Toronto West availability rate to 14.6%.

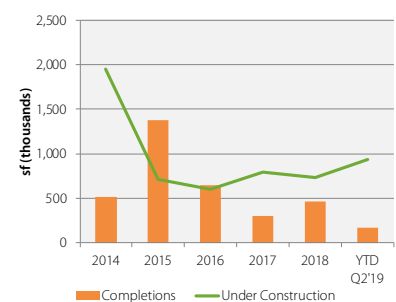
Toronto West Overall Availability & Vacancy Trends



Toronto West Overall Absorption Trends



Toronto West Overall New Supply Trends



end at 1950 Meadowvale Blvd. (160,700 sf) to align with its plans to relocate to a new downtown Toronto headquarters (phase 1 of CIBC Square). Meadowvale's reputation as a major west-end office node, and its historically strong absorption levels, mean that no significant negative effects are expected to be felt in the node when Microsoft departs. Meadowvale's availability rate gained a modest 30 bps to finish the second quarter at 14.5%.

A notable success story in the second quarter was Prodigy Games' deal for 95,800 sf at 226 Wyecroft Rd. in Oakville. This property was Tim Hortons' former head office before the company moved to downtown Toronto (65,000 sf at the Exchange Tower). It was purchased by Nicola Wealth Real Estate in the second quarter as part of a two-building transaction totaling 110,000 sf (226 & 228 Wyecroft Rd.) for a total price of \$31 million, or \$283 per square foot (psf). At the time of sale, 226 Wyecroft was fully vacant and the quick turnaround to full occupancy is a testament to the strength of leasing activity in Toronto West, and specifically Oakville.

The second quarter saw no new building completions in the West market; however, the development pipeline remains active with more than 938,000 sf currently under construction across 11 buildings. New development is concentrated in a handful of office nodes in Toronto West, including Oakville (454,300 sf), the ACC (243,800 sf), and Heartland (240,000 sf). Six buildings are scheduled to be completed in the west end in the second half of 2019, representing a total square footage of 527,000 sf, or more than half the current development pipeline. With heightened tenant demand and steady new supply (865,000 sf in the past five years), Oakville continues to be the most expensive office option among the major Toronto West

office submarkets with an average asking net rental rate of \$18.68 psf.

Office investment in Toronto West picked up steam in the second quarter with \$358 million worth of deals reported. This dwarfs the nearly \$46 million worth of deals posted in the first quarter of the year, and is more than double the total from second-quarter 2018. The largest transaction was the sale of the AeroCentre, a six-building office portfolio located in the ACC, to Fiera Properties by Healthcare of Ontario Pension Plan (HOOPP) for \$163 million. This transaction alone represents almost half of the West market's total second-quarter dollar volume. The next largest transaction was the sale of a 25% interest in a GTA-wide office portfolio by Slate Asset Management to New York-based Wafra for \$132 million. The three-asset west-end portion comprised seven buildings for a value of nearly \$82 million. Oakville also had its fair share of investment activity, as it registered the third- and fourth-largest sales of the quarter with the sale of 226 & 228 Wyecroft Rd. for \$31 million, and the sale of Ennisclare Corporate Centre (1045, 1075 & 1155 North Service Rd. W.) by QuadReal Property Group to Crown Realty Partners for \$30 million.

Office leasing activity remained strong throughout the first half of the year in Toronto West, and it is projected to continue throughout the remainder of the year with a number of large office tenants currently interested in the area. This will likely continue to push occupancy costs upwards from the reported average asking net rental rate of \$16.13 psf for all office classes in Toronto West in the second quarter, and \$17.71 psf for class A office. While office investment sales were down in the first quarter, momentum caught up in the second quarter and is expected to continue for the remainder of the year.

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
15.4%	15.2%	14.6%	12.1%	11.3%	10.7%	238	521	174	938	53%

Comparison of Leasing Options for Tenants

Available Space					Availability Rate		
Office Space in Select Nodes	No. of Bldgs	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	7	4	17	13.6	4.1	17.7
Airport Corp Ctr All Classes	55	7	4	24	13.3	3.1	16.4
Burlington Class A	26	1	0	7	15.2	0.0	15.2
Burlington All Classes	63	1	0	18	13.4	0.3	13.7
Heartland Class A	29	4	1	8	12.3	4.0	16.3
Heartland All Classes	48	4	1	10	11.7	3.2	14.9
Meadowvale Class A	35	4	3	3	10.9	2.5	13.4
Meadowvale All Classes	61	6	4	10	12.5	2.0	14.5
Mississauga City Ctr Class A	14	1	0	9	7.2	2.1	9.3
Mississauga City Ctr All Classes	25	1	0	17	7.9	1.6	9.5
Oakville Class A	43	4	3	10	13.3	2.0	15.3
Oakville All Classes	70	4	3	15	15.2	1.4	16.6
Toronto West Class A	254	27	15	79	12.3	2.2	14.5
Toronto West All Classes	529	36	23	150	13.1	1.5	14.6

Toronto West Significant Transactions

Address	Node	Tenant	Size
5099, 5025, 5115 Creekbank Road	Dixie & Eglinton	Bell Canada	1,140,300 sf
1950 Meadowvale Boulevard	Meadowvale	Microsoft	160,700 sf
226 Wyecroft Road	Oakville	Prodigy Games	95,800 sf
5150 Spectrum Way	Airport Corporate Centre	Medline Canada	44,500 sf
5150 Spectrum Way	Airport Corporate Centre	Aramark Canada	43,500 sf

For more information, please contact:



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Properties

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