

Toronto North & East



Quick Stats

9.2%

North Yonge class A office
vacancy rate

34%

Hwy. 404 & Steeles sublet
available space as a percentage
of total available space

88,227 sf

Sublet available area in Toronto
North, vs. 829,143 sf in
Toronto East

2

Buildings with largest contiguous
available area greater than
100,000 sf in Toronto East, vs. six
one year ago

\$37.60 psf

Total estimated direct gross
rental rate for class A space in
Toronto North vs. \$31.87 psf in
Toronto East

Leasing activity in the Toronto North and East office markets started 2019 on a positive note, building on the overall success of 2018. Collectively, occupancy levels increased by 85,000 square feet (sf) with class C buildings marginally making up the bulk of the gain. Quarter-over-quarter, availability declined by 40 basis points (bps) to 11.3% while overall vacancy fell 40 bps to 7.1%. The amount of space on the sublet market increased by almost 250,000 sf quarter-over-quarter, offering nearly 920,000 sf – mainly credited to new offerings in the East market.

Toronto North saw occupancy levels fall by 11,035 sf during the first quarter, continuing a trend of shrinking occupied area for a fourth consecutive quarter. Vaughan was the only submarket of the North's six nodes to see positive occupancy change (+19,841 sf), all of which was in class A buildings. Overall availability rose 20 bps quarter-over-quarter to 10.4%, but is down 20 bps from the same quarter one year ago, further demonstrating the relatively flat leasing in the North market over the last year where any advances in absorption were negated by returning space to the market. Vacancy also continued

its downward trend, dropping 30 bps during the quarter (the fourth consecutive quarter with a drop), but has risen 50 bps year-over-year to 6.7%. The North market's most notable lease transactions during the quarter were in North Yonge, where Questtrade consolidated operations from two buildings into one and extended its lease at Manulife's North American Centre (105,000 sf) and tech firm Alithya Technology leased a full floor in RioCan's 2 Sheppard Ave. E.

After years in flux, Menkes Developments has reached a settlement with the City of Toronto for its development at 4800 Yonge St. (at the southwest corner of Yonge St. and Sheppard Ave.). Recently ratified by the Local Planning Appeal Tribunal to gain the zoning bylaw amendments needed for site plan approval, the development moves a step closer to realization. The settlement incorporates some building modifications, including almost doubling the office component from 91,160 to 161,459 sf. Menkes had purchased the site, which sits at the last remaining surface parking lot at the intersection of two subway lines in Toronto, for \$12.7 million in 2015 from Oxford Properties.



11.7%

Overall availability rate in Toronto East, vs. 13.8% one year ago



\$20.49 psf

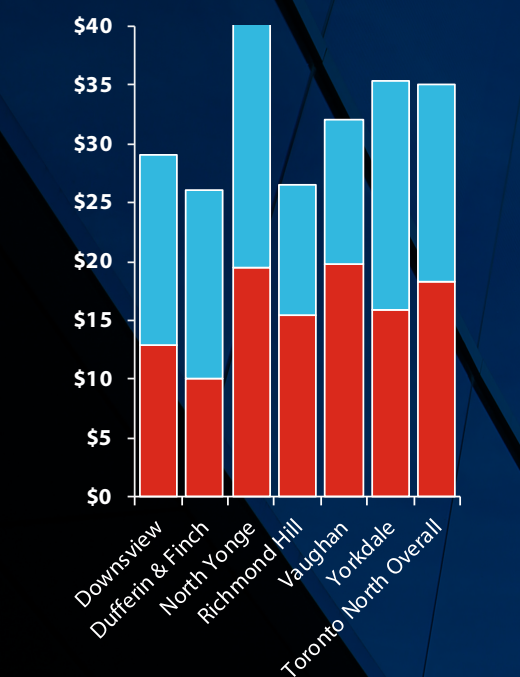
Average asking class A net rent in the Vaughan node



58,543 sf

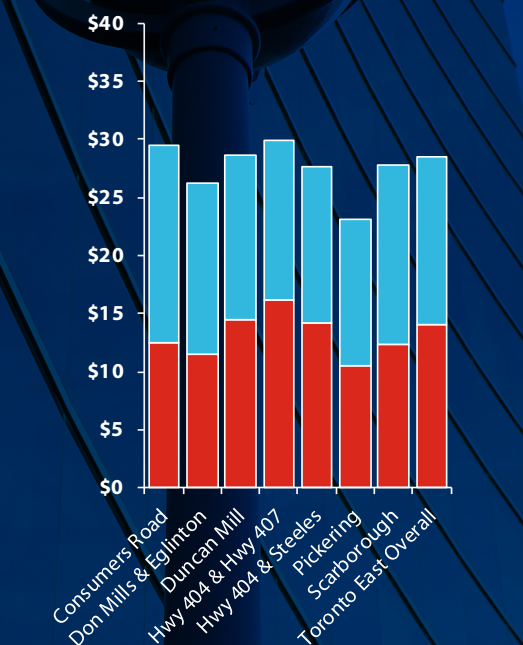
Total office area under construction in Toronto East

Toronto North Occupancy Costs - All Classes



Net Asking Rent (Avg. \$psf) Additional Costs (Avg. \$psf)

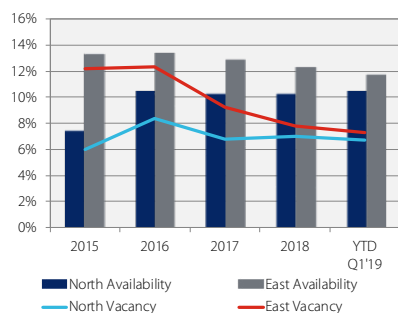
Toronto East Occupancy Costs - All Classes



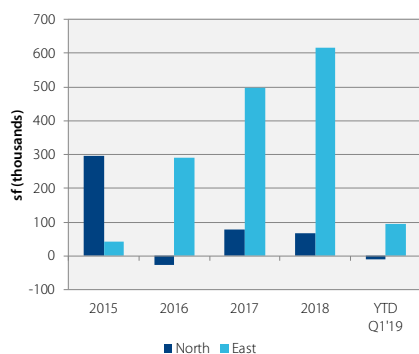
Net Asking Rent (Avg. \$psf) Additional Costs (Avg. \$psf)

Vaughan was the only submarket of the North's six nodes to see positive occupancy (19,841 sf), all of which was in class A buildings.

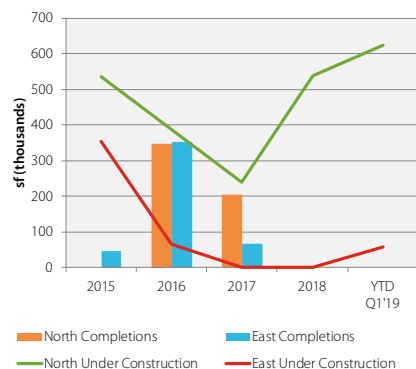
Toronto North & East
Overall Availability & Vacancy Trends



Toronto North & East
Overall Absorption Trends



Toronto North & East
Overall New Supply Trends



On the development front, while no buildings were completed during the quarter in the North market, five buildings are now under construction, with the commencement of 5 Shoreham Dr. in North York. The 86,376 sf building is slated for completion in 2021 and will be the new home of the Toronto and Region Conservation Authority. The four-storey building will be of mass timber construction and have several green features. Six buildings are in the preleasing phase with the potential to add more than 1.1 msf to the North market if built.

In Toronto East, occupancy levels continued to build on the success of the last couple of years – most notably in class A and C buildings during the first quarter of 2019. Occupancy rose by 96,000 sf during the quarter, with five of the market's seven nodes recording positive and varied net absorption, while Don Mills & Eglinton and Scarborough both dipped into negative territory. Availability across all building classes dropped 60 bps quarter-over-quarter to 11.7% and is down 210 bps year-over-year, attributed to steady absorption throughout the last year – notably in Consumers Road and Duncan Mill during the first quarter of 2019. Overall vacancy followed availability over the past year, ending the first quarter at 7.3% and dropping 60 bps during the quarter and 200 bps year-over-year. The East market's sublet availability rate spiked at 2.6% to end the first quarter, rising 70 bps attributed to 200,000 sf (Nielson sublet) coming to market at 150-160 McNabb St. in the Highway 404 & Steeles node.

Notable first-quarter deals were concentrated in the Highway 404 & Highway 407 node and included Qualcomm renewing and right-sizing to 75,000 sf at Northam's 55 and 105 Commerce Valley Dr. W. (returning 20,000 sf to the market); Combined Insurance Co. of America signing a lease for 30,900 sf at 150 Commerce Valley Dr. W.; and Huawei inking a deal

for 30,300 sf at The Remington Group's 10 Aviva Way in Markham's new downtown for an R&D effort.

On the new supply front, construction has commenced at Canada's first net-positive energy office building (Howland Green Business Centre) at 200 Cachet Woods Crt. in the Highway 404 & Highway 7 node. The building is planned to produce more energy than it will consume when fully operational. The three-storey, 59,000 sf building is 80% preleased and expected completion is targeted for December 2019. Northwest Healthcare Properties has leased to Lakeridge Health 30,000 sf (a 50% interest) in a planned medical office project at 2580 Brock Rd. in north Pickering. Completion is targeted for early 2021, and will add 30,000 sf of available space to the Pickering node.

Investment sales during the first quarter of 2019 started at a slower than normal pace in the Toronto North and East markets. However, Davpart purchased Warden City Centre (3760 & 3762 Fourteenth Ave.) in Markham from the Insurance Corporation of British Columbia for \$26.5 million (\$208 psf) at an estimated 6.2% capitalization rate, taking the title of the largest suburban trade thus far in 2019. Several significant assets including Slate's 225 Duncan Mill Rd. (159,877 sf), Unifor's 205 Placer Crt. (45,000 sf) and Crown's three towers at 675 Cochrane Dr. (totaling 380,850 sf) had been put on the market for sale during the first quarter of 2019. These offerings demonstrate the appetite for investment office product in the market from the landlord community. As a final note, the long-awaited sale of Celestica's Toronto campus was announced during the quarter. The 60.5-acre site at 844 Don Mills Rd. and 1150 Eglinton Ave. E. in North York was purchased by the Condrain Group for \$348 million and is slated for an intensive mixed-use redevelopment to be built in phases in the coming years. Current plans call for almost 645,000 sf of new office space.

Toronto North and East Market Summary

Market Overview - Q3 2023											
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
Toronto North	10.6%	10.2%	10.4%	6.2%	7.0%	6.7%	-11	-11	0	625	74%
Toronto East	13.8%	12.3%	11.7%	9.3%	7.9%	7.3%	96	96	0	59	0.0%

Comparison of Leasing Options for Tenants – Toronto North

Available Space					Availability Rate		
Office Space at Selected Nodes	No. of Bldgs.	Buildings with more than 50,000 sf	Buildings with largest contiguous available area greater than 50,000 sf	Number of spaces between 4,000 sf and 8,000 sf	Direct %	Sublet %	Total %
North Yonge	39	9	3	23	11.5	0.6	12.1
Richmond Hill	3	0	0	0	5.7	0.0	5.7
Vaughan	46	2	1	9	6.1	1.1	7.2

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Hwy. 404 & Hwy. 407	113	4	3	24	6.1	2.2	8.3
Hwy. 404 & Steeles	61	4	4	15	8.0	4.1	12.1
Don Mills & Eglinton	29	1	0	19	10.2	1.5	11.7
Consumers Road	33	3	1	22	13.5	0.0	13.5
Duncan Mill	22	2	2	5	11.7	2.8	14.5
Pickering	13	0	0	0	4.1	0.0	4.1
Scarborough	39	4	4	10	12.4	5.0	17.4

Toronto North and East Market Significant Transactions

Address	District/Node	Tenant	Size
5700 Yonge Street	North / North Yonge	Questrade	105,000 sf
55 & 105 Commerce Valley Drive West	East / Hwy.404 & Hwy. 407	Qualcomm	75,000 sf
150 Commerce Valley Drive West	East / Hwy.404 & Hwy. 407	Combined Insurance Co. of America	30,900 sf
10 Aviva Way	East / Hwy.404 & Hwy. 407	Huawei Canada	30,300 sf
2 Sheppard Avenue East	North / North Yonge	Alithya Technology	16,200 sf


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