

Toronto West



Quick Stats

15.2%

Overall Toronto West availability rate in first-quarter 2019, vs. 16.8% a year ago

80,900 sf

New supply completed in Burlington during first-quarter 2019

53%

Availability rate in properties currently under construction in Toronto West

157,000 sf

Net absorption in Toronto West class A buildings in first-quarter 2019

\$18.81 psf

Average asking net rental rate for Oakville – the highest of all major office nodes in Toronto West

The Greater Toronto Area (GTA) suburban office markets were once again led by Toronto West, which continued to display strong leasing activity through the first three months of 2019. Of almost 370,000 square feet (sf) of net positive absorption in the suburbs during the first quarter, Toronto West contributed close to 285,000 sf. 13 of the market's 17 office nodes registered growth in occupied area. Class A and B office buildings combined for 157,000 sf and 119,000 sf of net positive absorption, respectively.

The Toronto West office market saw its share of significant lease transactions in the first quarter, with notable deals including a design-build for Samuel, Son & Co. comprising 55,000 sf at 1900 Ironoak Way in Carttera's 42-acre Oakwoods Business Park at the intersection of the QEW and Highway 403 in Oakville; SOTI Inc. leasing 45,300 sf at 6975 Creditview Rd. in Meadowvale; and Bird Construction taking 39,100 sf at 5700 Explorer Dr. in the Airport Corporate Centre

(ACC). These deals and others helped drive down Toronto West's office availability rate to 15.2% at the end of the first quarter, which represents a decline of 20 basis points (bps) quarter-over-quarter, and a decrease from 16.8% a year earlier. The Toronto West office vacancy rate also decreased, falling 60 bps quarter-over-quarter and 160 bps year-over-year to finish the quarter at 11.3%. Nine of the market's 17 office nodes posted availability and vacancy rates below the first-quarter averages.

Despite steady development, Oakville had the largest quarterly decline in availability and vacancy of all the major west-end office nodes during the first quarter. Oakville's overall availability rate dropped 200 bps from the previous quarter to 17.5%, while vacancy declined 140 bps to 14%. Another notable first-quarter deal in Oakville was Hexagon Manufacturing Intelligence Canada's deal for 14,900 sf at 555 Michigan Dr., effectively removing the building's last available space. KPM Industries is



891,100 sf

Total office area under construction in Toronto West



10.9%

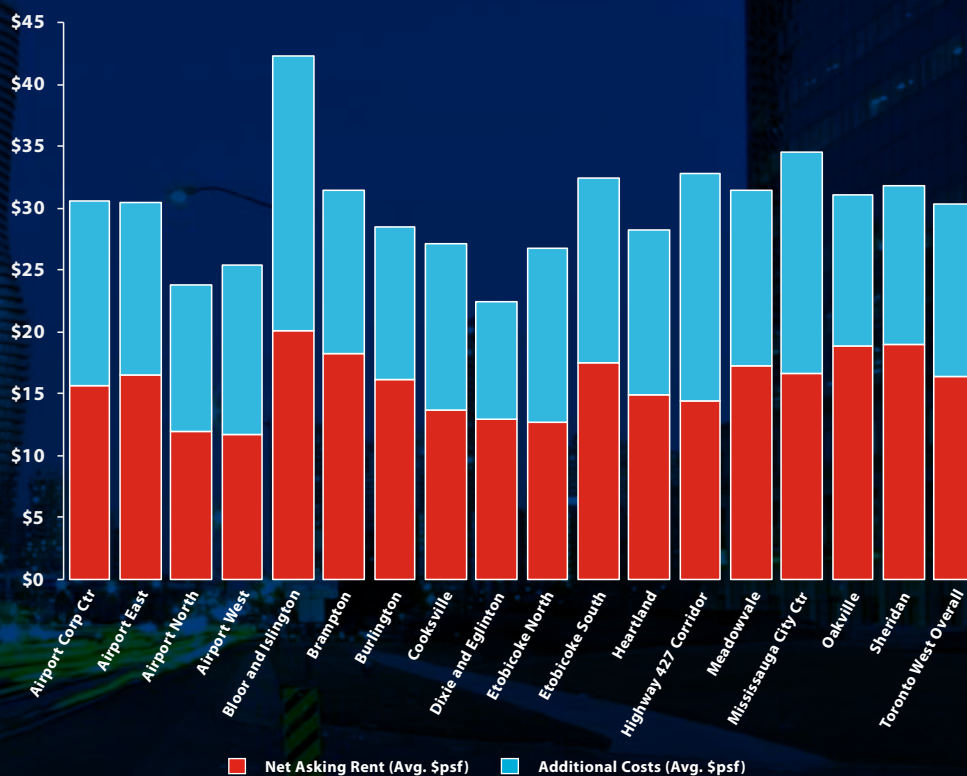
Vacancy rate in the ACC, down from 11.5% at year-end 2018



\$17.27 psf

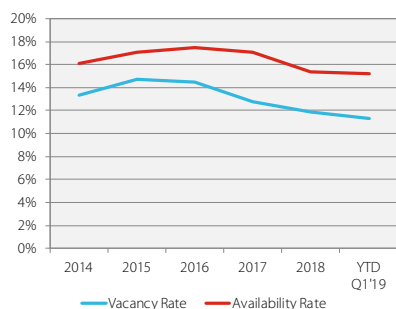
Average asking net rental rate in Meadowvale

Toronto West Occupancy Costs - All Classes

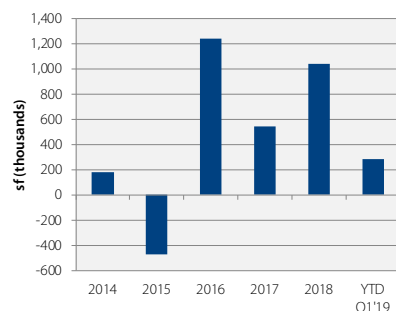


Of almost 370,000 sf of net positive absorption in the suburbs during the first quarter, Toronto West contributed close to 285,000 sf.

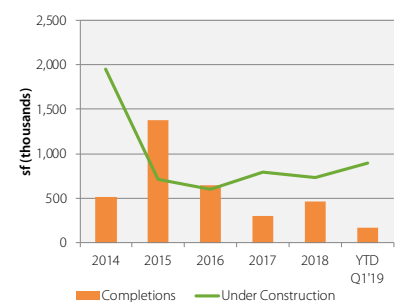
Toronto West Overall Availability & Vacancy Trends



Toronto West Overall Absorption Trends



Toronto West Overall New Supply Trends



the other large-block tenant in the building, having taken occupancy of its 15,700-sf unit in the first quarter of 2019. Also contributing to the market's growing occupancy levels, Campbell Company of Canada took possession of its new Canadian headquarters at 2845 Matheson Blvd. E. in the ACC. The company announced in 2018 that it would close its Toronto manufacturing facility and headquarters due to complications in retrofitting the dated building. With the company's move to the ACC, the node's first-quarter vacancy rate fell 60 bps quarter-over-quarter to 10.9%. Vacancy has been declining steadily since reaching a decade high of nearly 20% in 2010.

On the new supply side, Toronto West accounted for all of the GTA's suburban office completions during the quarter. Three new office buildings totaling 174,000 sf came online: In Burlington, 5045 Mainway (37,700 sf) and 3455 North Service Rd. (Walkers Line Corporate Centre Building A / 43,200 sf) were delivered, while the Heartland node welcomed 218 Export Blvd. (Red Diamond Corporate Centre), totaling 93,200 sf. The Toronto West development pipeline remains concentrated in Oakville (407,300 sf), the ACC (243,800 sf), and Heartland (240,000 sf), with the bulk of new construction slated for delivery in 2019 and 2020. Of the total square footage underway, 47% was preleased at the end of the first quarter.

The Bloor and Islington submarket continues to be the most expensive option of all the Toronto West nodes with average asking net rental rates at \$20.15 per square foot (psf). Airport West came in as the cheapest option with average asking net rental rates of \$11.73 psf. Of the major nodes,

Oakville had the highest average rent at \$18.81 psf, although this represented a slight drop relative to the previous quarter's rate of \$18.96 psf. After Oakville, Meadowvale and the Mississauga City Centre (MCC) have the next highest average asking net rates with \$17.27 psf and \$16.63 psf, respectively.

On the investment side, the Toronto West office market saw close to \$46 million in office building sales during the first quarter of 2019. This is a considerable decline compared with \$229 million in the first quarter of 2018. The largest sale transaction of the quarter was Talisker Corporation's purchase of 4085 Palladium Way (a 34,000-sf, two-storey, single-tenant office building) from Gross Capital for \$23.5 million, or \$692 psf. At the time of the sale, the property was fully occupied by the Ontario Court of Justice. Meanwhile, two large assets that were brought to the market in 2018 have yet to trade: Starlight Investments' and PSP Investments' three-tower, 884,000-sf mixed-use complex atop the Islington subway station in the Bloor and Islington node; and HOOPP's AeroCentre complex comprising 623,000 sf spread across six buildings in the heart of the ACC. Both complexes boast strong connectivity to transit options such as TTC and MiWay stations.

Despite the slowdown in office sales transactions in Toronto West during the opening quarter of 2019, leasing activity has been robust and is expected to continue throughout the year as the market looks set to capitalize on the tight leasing conditions and high rents in Downtown and Midtown Toronto.

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
16.8%	15.4%	15.2%	12.9%	11.9%	11.3%	285	285	174	891	47%

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	6	23	16.2	4.4	20.6
Airport Corp Ctr All Classes	55	7	6	31	15.4	3.3	18.7
Burlington Class A	26	1	0	6	14.8	0.0	14.8
Burlington All Classes	63	1	0	20	12.9	0.4	13.3
Heartland Class A	29	3	1	9	10.7	4.2	14.9
Heartland All Classes	48	4	1	15	13.4	3.5	16.9
Meadowvale Class A	35	4	3	6	10.0	2.9	12.9
Meadowvale All Classes	61	6	4	15	11.9	2.3	14.2
Mississauga City Ctr Class A	14	1	0	11	8.4	2.4	10.8
Mississauga City Ctr All Classes	25	1	0	19	8.9	1.8	10.7
Oakville Class A	43	4	4	13	13.6	1.1	14.7
Oakville All Classes	69	4	4	19	16.7	0.8	17.5
Toronto West Class A	254	27	19	93	12.5	2.4	14.9
Toronto West All Classes	525	37	27	169	13.6	1.6	15.2

Toronto West Significant Transactions

Address	Node	Tenant	Size
1900 Ironoak Way	Oakville	Samuel, Son & Co.	55,000 sf
6975 Creditview Road	Meadowvale	SOTI Inc.	45,300 sf
5700 Explorer Drive	Airport Corporate Centre	Bird Construction	39,100 sf
6630 Campobello Road	Meadowvale	Diebold Nixdorf	25,700 sf
3455 North Service Road	Burlington	Tandia Financial Credit Union	21,700 sf

For more information, please contact:



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Properties

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