

Toronto North & East



Photo credit: York Region

Quick Stats

11.6%

Overall availability rate in Toronto North, vs. 10.2% one year ago

10%

Vaughan sublet available space as a percentage of total available space

190,800 sf

Total new office area built in the Toronto North and East markets during 2019 – all in Vaughan

5

Buildings with largest contiguous available area greater than 50,000 sf in the Hwy. 404 & Steeles node

\$37.02 psf

Total estimated direct gross rental rate for class A space in Toronto North vs. \$32.22 psf in Toronto East

Collectively, the Toronto North and East office markets finished the fourth quarter and 2019 in positive territory. Combined occupancy levels increased 358,000 square feet (sf) with class B buildings in the East and class A buildings in the North making up the bulk of the gain. Quarter-over-quarter, overall availability rose 30 basis points (bps) to 11.9%, while vacancy held steady at 7.2%. Available sublet space also remained flat, at 903,000 sf, as gains in the East market balanced losses in the North. The East had an exceptionally strong showing in 2019, as occupancy increased 455,000 sf year-over-year. It was also a year of big lease transactions including: Bell Canada (445,000 sf), Scotiabank (406,000 sf), RBC Financial (193,000 sf), Questrade (105,000 sf) and FSRA (102,000 sf).

In Toronto North, occupancy climbed 136,000 sf during the quarter, bringing the market's full-year absorption into positive territory after a slow start to the year. The Vaughan node performed best – recording growth of almost 97,000 sf, followed by North Yonge

with 66,500 sf – lifting the overall market and offsetting losses in the Yorkdale and Dufferin and Finch nodes. SmartCentres' mixed-use PWC-YMCA tower on Apple Mill Rd. in the Vaughan Metropolitan Centre (103,000 sf of office space) opened for occupancy in November with PWC taking possession of four floors (77,000 sf) for 230-plus employees.

The North market's overall availability jumped 130 bps quarter-over-quarter to 11.6% and sits 140 bps higher than one year ago. This was largely attributed to RioCan REIT marketing a 99,000-sf contiguous block over six floors (currently occupied by BMO Financial) at 4881 Yonge St. – part of its Yonge Sheppard Centre Complex in North Yonge. Vacancy increased 40 bps quarter-over-quarter and 50 bps year-over-year to close 2019 at 7.5%. Notable fourth-quarter lease deals included Mulvey & Banani inking a new 28,000-sf lease at Crown Realty's 90 Sheppard Ave. E., while Starbucks renewed its Canadian head office (24,500 sf) at GWL's 5140 Yonge St. for a short term, as it prepares to relocate to



3.6%

Overall Pickering availability rate – a 17-year low



\$41.08 psf

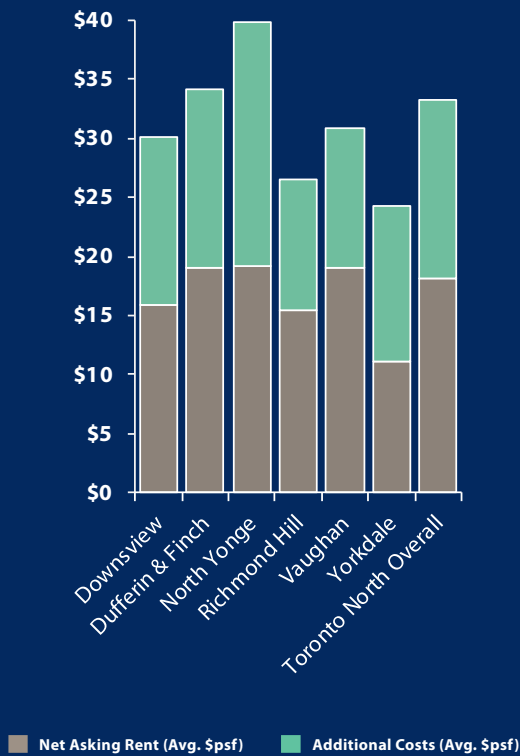
Total estimated direct gross rental rate for class A space in the North Yonge node



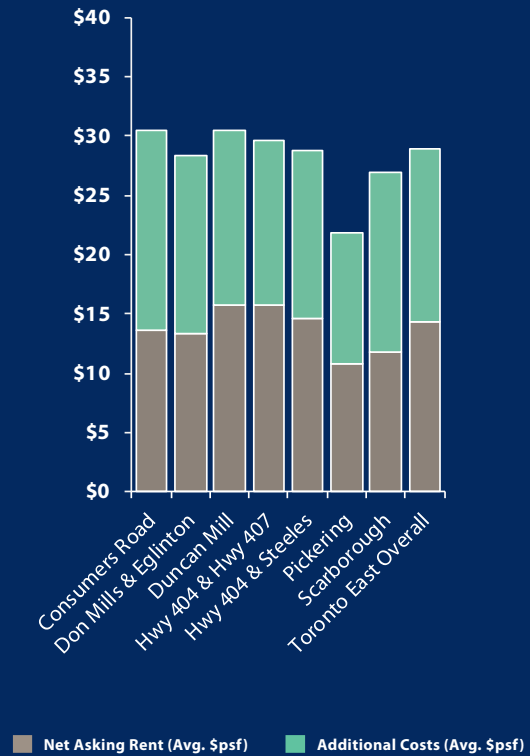
84%

Percentage of total new supply preleased in the North & East markets

Toronto North Occupancy Costs - All Classes

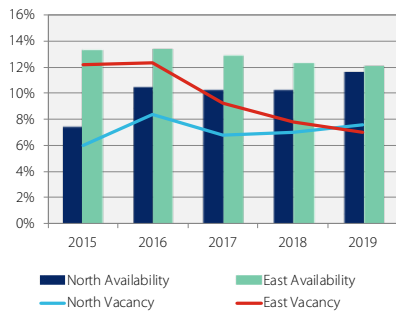


Toronto East Occupancy Costs - All Classes

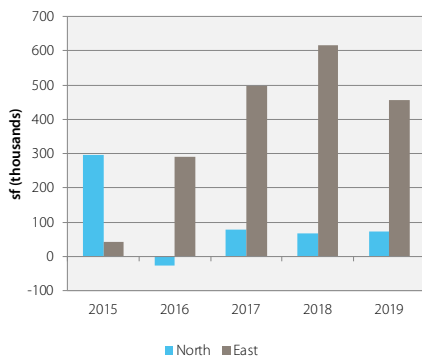


The East had an exceptionally strong showing in 2019, boosted by some of the biggest lease transactions of the year including Bell Canada (445,000 sf) and Scotiabank (406,000 sf).

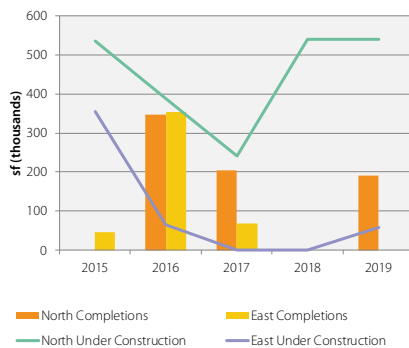
Toronto North & East
Overall Availability & Vacancy Trends



Toronto North & East
Overall Absorption Trends



Toronto North & East
Overall New Supply Trends



new space next door at 5160 Yonge St. – also a GWL asset.

Vaughan accounted for the sole office completion during the quarter: Lorwood’s 277 Cityview Blvd. building B (43,500 sf) echoed the completion of building A (44,300 sf) in the third quarter. The two buildings were fully vacant, offering a combined 87,800 sf of flex office space. During the year, three buildings reached completion, adding 190,800 sf to the North market – all in Vaughan. With more than 740,000 sf, the Vaughan node has been a development hotbed, accounting for virtually all the North market’s new construction deliveries over the past three years. Meanwhile, four buildings remain under construction, representing 538,200 sf (82% preleased) and projected to come online by year-end 2021.

In other development news, York Region is offering a development charge (DC) deferral program on new large-format office and residential buildings. The incentive is part of an effort to support the formation of “complete communities”, ensuring adequate employment and residential options are available locally. In particular, the initiative is intended to boost supply of large office developments to support continued population and economic growth in the region. The program is tiered, with the term of the DC deferral depending on the development’s size and location. Full DCs payable could be deferred, interest free, for between five and 20 years (20 years for projects with more than 400,000 sf of office space, located within regional centres and corridors).

In Toronto East, occupancy levels continued to rise, gaining 221,300 sf during the fourth quarter – led by class

B buildings in Scarborough, Consumers Road and Highway 404 & Highway 407. Overall availability across all building classes in the East fell 10 bps quarter-over-quarter and 20 bps year-over-year to 12.1%, attributed to stable absorption throughout 2019. Overall vacancy fell 10 bps during the quarter to 7.1% – extending the 19-year low marked in the third quarter. Sublet availability as a proportion of total available space remains high with 763,000 sf available, concentrated largely in the Highway 404 & Highway 407, Highway 404 & Steeles and Scarborough nodes. Notable lease transactions included belairdirect inking a 32,000-sf relocation at Dorsay’s 2255 Sheppard Ave. E. from 105 Gordon Baker Rd.; CDSPI Advisory Services’ new 16,400-sf lease at Adgar’s 2005 Sheppard Ave. E.; and Agropur Dairy Cooperative’s renewal of 15,000 sf at Slate’s 7100 Woodbine Ave. Howland Green Business Centre (59,000 sf / 100% sold) is the only building under construction with completion targeted for early 2020. Six buildings are in the preleasing phase with the potential to add 994,000 sf to the market if built.

On the investment front, the Toronto North and East markets recorded a second consecutive year with more than \$1 billion in office building sales. Notable fourth-quarter transactions included Manulife’s five-building, 567,000-sf York Mills Centre complex sold to Gazit TriPLLLe Canada for \$240 million; private Canadian investors Europro and WFCU Credit Union purchasing 5001 Yonge St. from Dream Office REIT for \$132 million; and True North Commercial REIT’s acquisition of two landmark sites in Markham: Trillium Executive Centre from Crown Realty for \$118 million, and 101 McNabb St. from OPTrust for \$90 million.

Toronto North and East 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
Toronto North	10.2%	10.3%	11.6%	7.0%	7.1%	7.5%	136	72	191	538	82%
Toronto East	12.3%	12.2%	12.1%	7.9%	7.2%	7.1%	221	455	0	59	100%

Comparison of Leasing Options for Tenants – Toronto North

Office Space at Selected Nodes	No. of Bldgs.	Available Space			Availability Rate		
		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	40	7	3	20	11.8	0.9	12.7
Richmond Hill	4	0	0	0	7.5	0.0	7.5
Vaughan	53	2	2	13	9.0	1.0	10.0

Comparison of Leasing Options for Tenants – Toronto East

Office Space at Selected Nodes	No. of Bldgs.	Available Space			Availability Rate		
		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 %
Hwy. 404 & Hwy. 407	121	3	1	27	5.7	1.5	7.2
Hwy. 404 & Steeles	61	6	5	16	12.1	3.4	15.5
Don Mills & Eglinton	31	1	0	18	8.7	1.3	10.0
Consumers Road	34	4	1	16	12.8	1.0	13.8
Duncan Mill	25	3	1	6	13.8	3.1	16.9
Pickering	13	0	0	1	3.6	0.0	3.6
Scarborough	48	4	3	8	12.9	5.4	18.3

Toronto North and East Market Significant Transactions

Address	District/Node	Tenant	Size
2255 Sheppard Avenue East	East / Consumers Road	belairdirect	32,000 sf
90 Sheppard Avenue East	North / North Yonge	Mulvey & Banani	28,000 sf
5140 Yonge Street	North / North Yonge	Starbucks	24,500 sf
2005 Sheppard Avenue East	East / Consumers Road	CDSPI Advisory Services	16,400 sf
7100 Woodbine Avenue	East / Hwy. 404 & Steeles	Agropur Dairy Cooperative	15,000 sf



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