

# Toronto North & East



Photo credit: York Region

## Quick Stats

**11.6%**

Overall availability rate in combined Toronto North & East markets, vs. 12.4% one year ago

**29%**

Hwy. 404 & Hwy. 407 sublet available space as a percentage of total available space

**641,000 sf**

Total area under construction in the Toronto North and East markets

**4**

Buildings with largest contiguous available area greater than 50,000 sf in the North Yonge and Vaughan nodes

**\$36.18 psf**

Total estimated direct gross rental rate for class A space in Toronto North vs. \$32.12 psf in Toronto East

The Toronto North and East office markets experienced a positive yet relatively quiet third quarter of 2019. Collectively, occupancy levels increased 145,000 square feet (sf) with class A and B buildings in the East market making up the bulk of the gain. Quarter-over-quarter, overall availability rose 30 basis points (bps) to 11.6%, while vacancy dropped 10 basis points (bps) to 7.2%. The sublet market grew marginally (33,000 sf) to 902,000 sf during the quarter, as the East market posted a near-record high for sublet availability, just as the North market neared a record low. Major Canadian banks signed the most significant lease transactions during the third quarter as they continue to reconsider their real estate strategies in both the North and East markets and throughout the Greater Toronto Area.

Toronto North saw occupancy levels rise 25,600 sf – softening the market's year-to-date loss. The North Yonge market preformed best, recording growth of 46,000 sf, while Vaughan countered with negative 30,000 sf – offsetting most of North Yonge's gain

– and the other nodes experienced only slight change. The North market's overall availability rose 70 bps quarter-over-quarter to 10.3%, down 70 bps from the same quarter one year ago. Availability rates in both North Yonge and Vaughan have begun to stabilize closer to a neutral level (around 7% and 11%, respectively) after posting imposingly high (in North Yonge) and low (in Vaughan) rates in recent history. Vacancy lifted 40 bps to 7.1% after pausing at 6.7% for two quarters. Banks inked the largest deals in the North market during the quarter, with the Royal Bank of Canada signing a 193,000-sf renewal at Manulife's York Mills Centre, while Scotiabank leased 23,000 sf at SmartCentres' newly completed 200 Apple Mill Rd. in the Vaughan Metropolitan Centre (VMC).

After a five-quarter absence of new-supply additions, two buildings were completed during the third quarter, adding 147,300 sf to the inventory, including the aforementioned and long-awaited mixed-use PWC-YMCA tower on Apple Mill Rd. in the VMC (103,000



# 7.2%

Overall Toronto East vacancy rate –  
19-year low



# \$34.23 psf

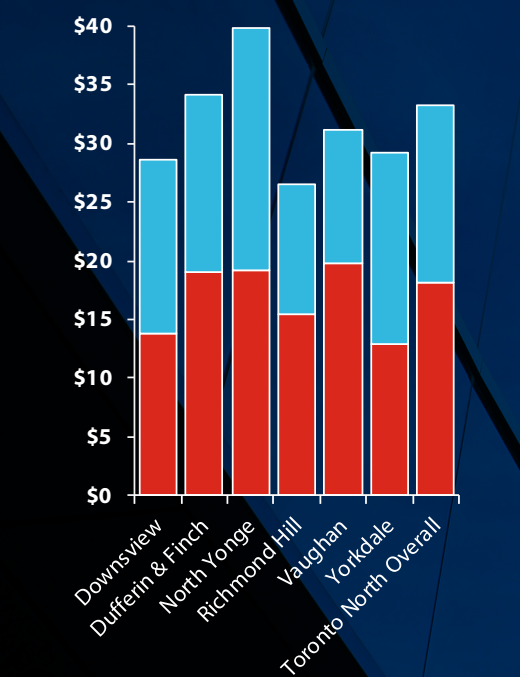
Total estimated direct gross asking  
rental rate for class A space in the  
Consumers Road node



# 11

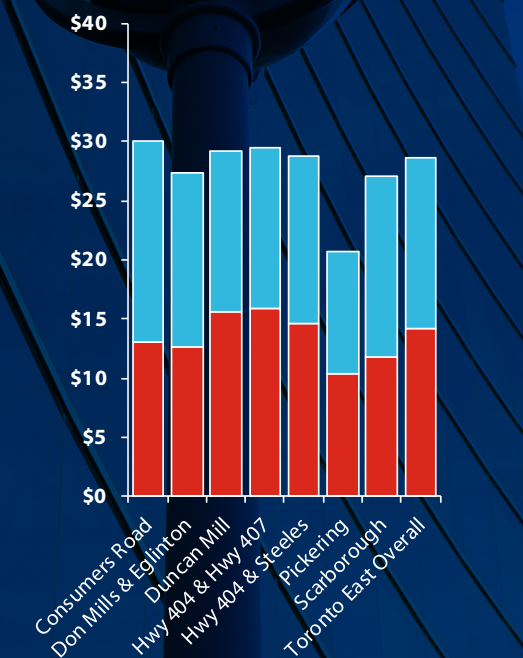
North and East market class A  
buildings with largest contiguous  
available area greater than 50,000 sf

Toronto North Occupancy Costs - All Classes



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

Toronto East Occupancy Costs - All Classes

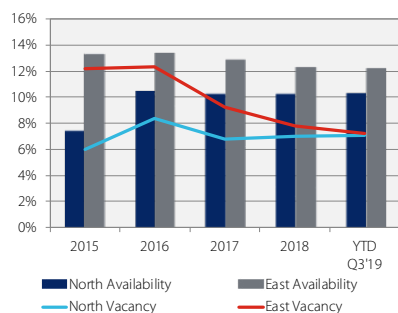


Net Asking Rent (Avg. \$psf) Additional Costs (Avg. \$psf)

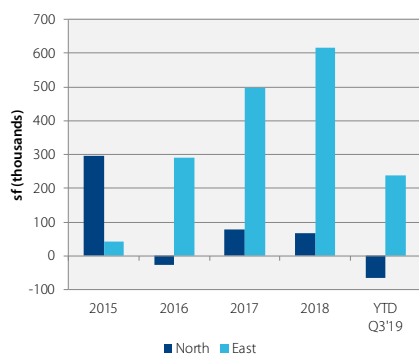


*Major Canadian banks signed the most significant lease transactions during the third quarter as they continue to reconsider their real estate strategies.*

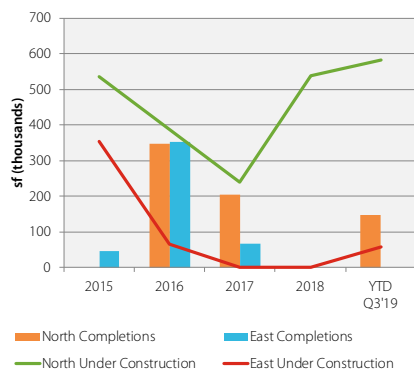
Toronto North & East  
Overall Availability & Vacancy Trends



Toronto North & East  
Overall Absorption Trends



Toronto North & East  
Overall New Supply Trends



sf of office space) and 277 Cityview Blvd. building A in Vaughan (44,300 sf). Meanwhile, construction commenced on the 43,500-sf building B. In all, five buildings representing more than 580,000 sf are under construction (70% preleased) with expected completion dates ranging from late 2019 through 2021. SmartCentres also has plans to construct a 600,000-sf third office tower in the VMC, with a flexible podium designed for office or retail use.

In other development news, The Milestone Group announced plans to transform 40 acres fronting Steeles Ave. W. at Keele St. in Vaughan into a 1-msf multi-building business park, dubbed "Milestone Corporate Campus". No construction timeline has been announced.

In Toronto East, occupancy levels continued to rise, gaining 119,300 sf during the third quarter – attributed mainly to leasing activity in class A buildings in Highway 404 & Highway 407 and class B in Duncan Mill. Overall availability in the East market increased 20 bps quarter-over-quarter to 12.2%, but is down 90 bps year-over-year, attributed to steady absorption over the past five quarters, particularly in the Highway 404 & Highway 407 node. Overall vacancy fell 30 bps during the quarter to 7.2% – a 19-year low. At 21%, sublet availability as a proportion of total available space remains high with more than 200,000 sf in each of the Highway 404 & Highway 407 (CGI / 150 Commerce Valley Dr. W.), Highway 404 & Steeles (Nielsen / 150-160 McNabb St.) and Scarborough (Telus / 300 Consilium Pl.) nodes.

Notable lease transactions included Scotiabank signing a 406,400-sf sale/leaseback across two buildings (2201 Eglinton Ave. E. and 888 Birchmount Rd.) with the new owner, Westdale

Properties. Elsewhere, Extencicare renewed its lease for 50,000 sf at Slate Properties' 3000 Steeles Ave. E. in Markham; T&T Properties inked a 27,000-sf sublease in Morguard's 123 Commerce Valley Dr. E. in Markham; and The Firm Group leased 24,200 sf at 100 Consilium Pl. in Scarborough. One building remains under construction in the East market (Howland Green Business Centre – 59,000 sf / 100% sold) with completion targeted for year-end 2019. Six buildings are in the preleasing phase with the potential to add 994,000 sf to the market if built.

On the investment front, notable sales included Slate's largely vacant 156,000-sf office building at 225 Duncan Mill Rd., sold to a private Canadian investor for \$26.7 million. Having leased 32,300 sf at 5255 Yonge St. one year ago, DUCA Financial sold its head office (5290 Yonge St. in North Yonge) to DCMS Realty Developments for \$15.5 million, while OJCR Construction purchased 1091 Gorham St. in Newmarket from Skyline REIT for almost \$10.5 million. Also of note, RioCan REIT announced its acquisition of KingSett Capital's 50% interest in the Yonge Sheppard Centre for \$357.6 million. This gives RioCan 100% ownership of the nearly 1-msf complex, comprising 401,000 sf of office space, 299,000 sf of retail and 258,000 sf of residential rental space. KingSett took a \$100-million stake in RioCan as part of the deal. Meanwhile, Manulife Financial listed its York Mills Centre complex for sale in the North Yonge node, comprising 567,000 sf of office and retail space across four buildings. Manulife acquired the complex in December 2011 for \$161 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	11.0%	9.6%	10.3%	7.1%	6.7%	7.1%	26	-64	147	582	70%
Toronto East	13.1%	12.0%	12.2%	8.8%	7.5%	7.2%	119	237	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	8	2	24	11.1	0.6	11.7
Richmond Hill	4	0	0	0	7.5	0.0	7.5
Vaughan	52	2	2	11	7.2	0.4	7.6

## 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	2	23	5.8	2.3	8.1
Hwy. 404 & Steeles	61	4	4	17	11.4	3.5	14.9
Don Mills & Eglinton	31	1	0	16	9.3	2.0	11.3
Consumers Road	34	5	1	21	15.3	0.8	16.1
Duncan Mill	25	1	1	5	8.1	2.7	10.8
Pickering	13	0	0	2	4.4	0.0	4.4
Scarborough	48	5	4	10	13.3	4.5	17.8

## Toronto North and East Market Significant Transactions

Address	District/Node	Tenant	Size
2201 Eglinton Avenue East & 888 Birchmount Road	East / Scarborough	Scotiabank	406,400 sf
York Mills Centre	North / North Yonge	Royal Bank of Canada	193,000 sf
3000 Steeles Avenue East	East / Hwy. 404 & Steeles	Extendicare	50,000 sf
123 Commerce Valley Drive East	East / Hwy. 404 & Hwy. 407	T&T Properties Ltd.	27,000 sf
100 Consilium Place	East / Scarborough	The Firm Group	24,200 sf


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Properties



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