

Toronto West



Quick Stats

16.1%

Availability rate (all classes) in Burlington in the fourth quarter

388,000 sf

Total new supply completed in Toronto West during 2019

11.2%

Vacancy rate in Toronto West, down 40 bps quarter-over-quarter

88,800 sf

Net positive absorption in Toronto West in the fourth quarter

\$17.03 psf

Average asking net rental rate for ACC (all classes)

The Toronto West office market closed out the decade in strong fashion, bouncing back from a sluggish third quarter to register close to 89,000 square feet (sf) of net positive absorption during the final quarter of 2019, with class B buildings being the most active. This brought total Toronto West office absorption in 2019 to a respectable 366,000 sf, with notable gains in occupied area in the Heartland, Oakville, and Burlington office nodes. Fourth-quarter office leasing activity in Toronto West was healthy as the availability rate dropped 70 basis points (bps) to end the year at 14.5%, while the vacancy rate declined 40 bps quarter-over-quarter to 11.2% – a seven-year low. Major office nodes where availability declined most sharply during the quarter included Heartland (-290 bps to 10.3%) and Burlington (-260 bps to 16.1%). In all, eight of the 17 nodes posted availability rates below the Toronto West market-wide average.

The market's recent leasing performance is partly attributable to the Toronto region's transformation to an emerging

technology hub and global city, as well as a growing emphasis on transit-oriented and mixed-use development. These, along with the Hurontario Light Rail Transit line – projected to be completed by 2024 – will add to the market's appeal. With availability and vacancy rates at or approaching historic lows, and rapidly rising rents in Toronto's downtown and midtown markets, Toronto West, and the suburban markets in general, will remain a cost-effective alternative for many occupiers.

Notable fourth-quarter lease transactions included AstraZeneca's 97,200-sf renewal at 1004 Middlegate Rd. and Baxter Healthcare's renewal for 64,200 sf at 7125 Mississauga Rd. in the Cooksville and Meadowvale nodes, respectively. Meanwhile, AECOM signed a new 30,600-sf lease at 5090 Explorer Dr. in Airport Corporate Centre (ACC), while new deals by Kruger Products LP (28,100 sf) at 2-8 Prologis Blvd. and Family Services of Peel (13,200 sf) at 5975 Whittle Rd. added to Heartland's strong quarterly performance. Despite Tim Hortons' exit and Microsoft



240,000 sf

Total area under construction in Heartland



2

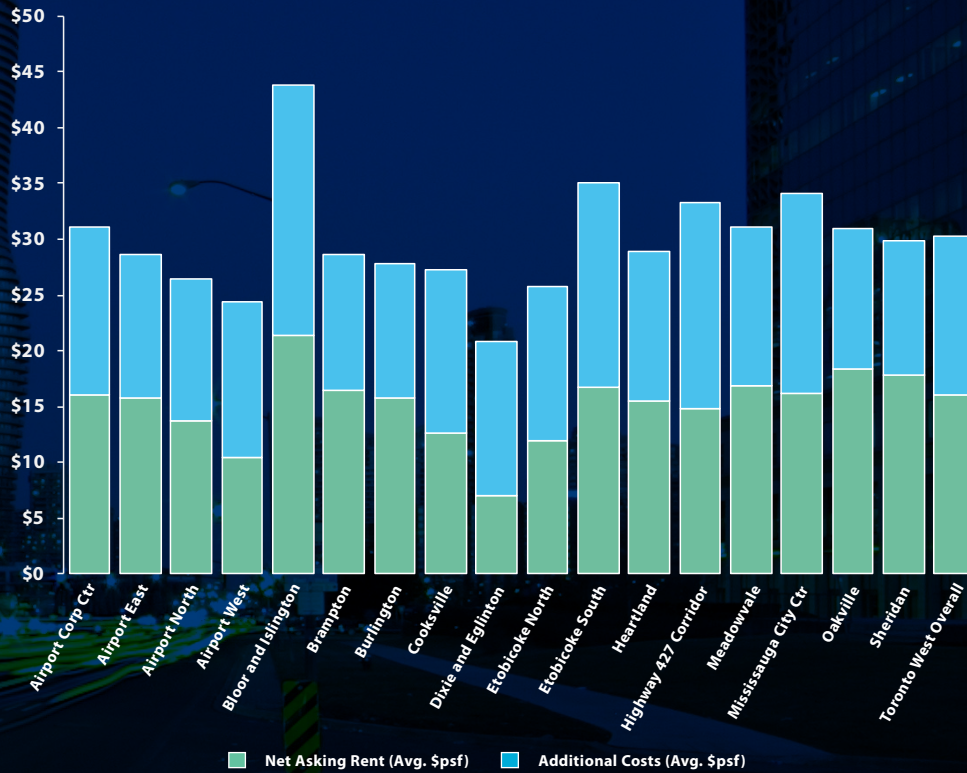
Buildings in Oakville with more than 50k sf of available space (contiguous)



\$400 M

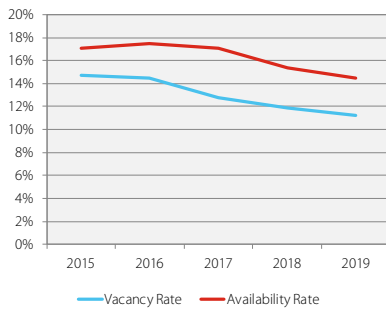
Total dollar volume of office sales in Toronto West during the fourth quarter

Toronto West Occupancy Costs - All Classes

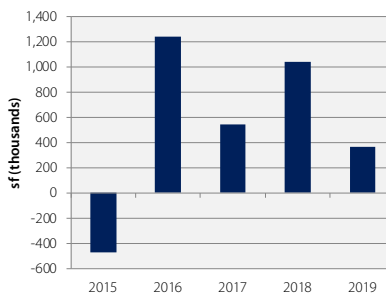


Plans for the "Square One District" in the MCC call for an 18-msf mixed-use development including more than 18,000 residential units and 37 towers.

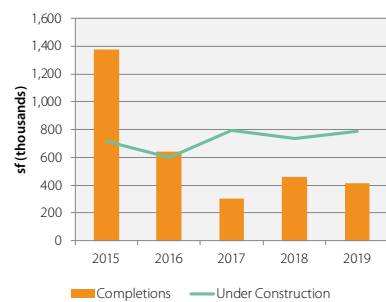
Toronto West
Overall Availability & Vacancy Trends



Toronto West
Overall Absorption Trends



Toronto West
Overall New Supply Trends



Canada's imminent relocation to a new downtown Toronto headquarters (phase 1 of CIBC Square), the market's ability to attract and retain major occupiers is strong. Case in point: in the largest office lease deal of the year, Bell Canada renewed its lease for 1.1 msf at its Creekbank Rd. location in the Dixie & Eglinton node, while online game-based learning platform Prodigy Games' deal for 95,800 sf at 226 Wycroft Rd. in Oakville conveniently backfilled Tim Hortons' former head office.

The rental market has remained relatively stable. Average asking net rental rates in Toronto West (all office classes) continued to hover around \$16 per square foot (psf) with only modest changes during the past seven quarters. For class A space, the average remains in the high-\$17-psf range, and has yet to break \$18 psf. New class A office product normally commands premium pricing, and asking rates for the buildings completed in 2019 ranged between \$18.50 and \$21 psf. There has been no shortage of new office supply in Toronto West to help buoy average asking rental rates, with seven new buildings totaling close to 388,000 sf delivered in 2019 – 60,580 sf in the fourth quarter. After adding more than 6.7 msf over the past decade, the Toronto West office inventory (46 msf) is second only to Downtown Toronto (77 msf) among the GTA's office markets. The construction pipeline remains robust, with more than 786,000 sf (60% preleased) of new office product underway. Oakville, which has been one of the hottest submarkets for development, leads the way based on both square footage (332,500 sf) and number of buildings (five). This is followed by Heartland (240,000 sf / two buildings), and the ACC (129,600 sf / one building).

Following the end of the fourth quarter, 2020 began with big news for the Mississauga City Centre (MCC) as Oxford Properties Group and Alberta Investment Management Corp. (AIMCo) announced plans for the "Square One District", calling for an 18-msf mixed-use development including more than 18,000 residential units and 37 towers. This will be the largest mixed-use downtown development in Canadian history, a transformative project that will change the City of Mississauga's downtown skyline. The office component – The Offices at Square One District – is exciting news for MCC as the node has not added any significant new office supply since the 1990s.

On the investment front, the Toronto West office market registered more than \$400 million worth of office building sales in the final quarter of 2019 – the largest quarterly dollar volume of the year. This pushed the full-year total to just over \$1 billion, exceeding the \$942 million sold in 2018. Peel region was home to the bulk of the year's trades with close to \$700 million (68% of the Toronto West total). Two of the largest fourth-quarter office sales included a 50% interest in a four-building portfolio totaling almost 811,000 sf in MCC, from Ontario Pension Board to Morguard Corp. for \$94 million. Elsewhere, True North Commercial REIT acquired First Meadowvale Corporate Centre – Phase II (252,500 sf) at 6925 Century Ave. in Meadowvale from Sun Life Assurance Company of Canada for \$87.5 million.

As the new decade begins, it is projected that strong leasing and sales activity in the Toronto West office market will persist in 2020 as companies continue to view the suburban office market as a viable alternative to 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
15.4%	15.2%	14.5%	11.9%	11.6%	11.2%	89	366	388	786	60%

Comparison of Leasing Options for Tenants

Office Space in Select Nodes	No. of Bldgs	Available Space			Availability Rate		
		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	38	4	3	14	12.0	1.0	13.0
Airport Corp Ctr All Classes	56	4	3	23	11.6	0.8	12.4
Burlington Class A	26	1	1	7	19.4	0.0	19.4
Burlington All Classes	61	1	1	16	16.0	0.1	16.1
Heartland Class A	29	2	0	9	8.7	1.6	10.3
Heartland All Classes	48	2	0	11	9.5	2.0	11.5
Meadowvale Class A	35	4	3	4	14.0	2.2	16.2
Meadowvale All Classes	61	7	4	12	16.0	1.6	17.6
Mississauga City Ctr Class A	14	1	0	12	9.5	2.1	11.6
Mississauga City Ctr All Classes	25	1	0	19	9.4	1.6	11.0
Oakville Class A	46	4	2	11	15.1	2.2	17.3
Oakville All Classes	73	4	2	17	15.2	1.9	17.1
Toronto West Class A	256	25	13	82	13.2	1.7	14.9
Toronto West All Classes	527	34	19	160	13.3	1.2	14.5

Toronto West Significant Transactions

Address	Node	Tenant	Size
1004 Middlegate Road	Cooksville	AstraZeneca Canada	97,200 sf
7125 Mississauga Road	Meadowvale	Baxter Healthcare	64,200 sf
5090 Explorer Drive	Airport Corporate Centre	AECOM	30,600 sf
2-8 Prologis Boulevard	Heartland	Kruger Products	28,100 sf
5225 Satellite Drive	Airport Corporate Centre	Match Marketing Group	25,000 sf



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