



4TH QUARTER 2014

Toronto West Office Market Report

Partnership. Performance.

Market Overview

During the fourth quarter of 2014 the Toronto West office market witnessed a continuation of the gradual softening that has been occurring since the brief plateau reached in 2012. Overall availability and vacancy rates remained elevated—at 16.1% and 14.1% respectively—a marginal retreat from the third quarter. Leasing velocity was inconsistent while new office buildings delivered to the market were purpose-built and posted little to zero availability. These trends and figures, along with the highly scrutinized exit of Target Canada, amount to a strain on the market that will demand creative leasing options from tenants and landlords alike in the months to come. That being said, it should be noted that the Toronto West market fared better overall in 2014 than its North or East counterparts, besting both in terms of leasing velocity, absorption and new product coming to market.

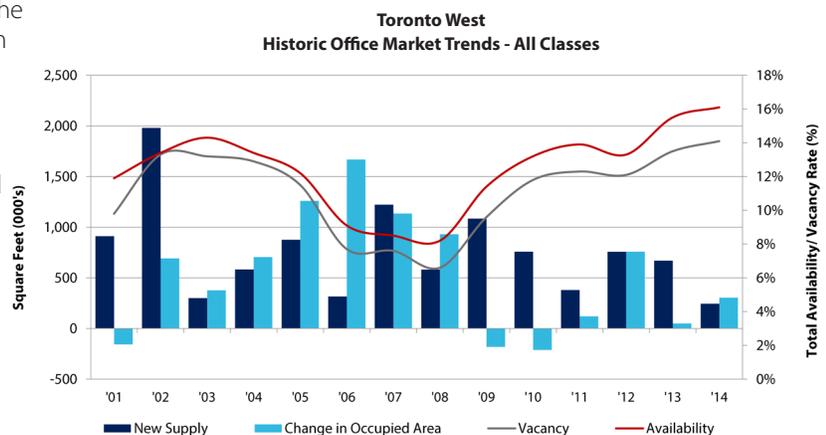
Though not reflected in the fourth-quarter numbers, a much discussed topic at present is the aforementioned dismantling of Target Canada and the more than 180,000 square feet (sf) of vacant office space the company will leave behind at 5550 Explorer Drive (AeroCentre V) in the Airport Corporate Centre (ACC). The impact of this sudden departure will hit the Airport nodes hard but is not expected to cause a great stir elsewhere in the West; particularly since diversity between the surrounding nodes is such that, while the size of the space is substantial, competitive markets such as Meadowvale and Oakville will continue to attract tenants who find their locations more desirable, even in the face of higher average asking rates: class A space in the ACC averages \$17.03 per square foot (psf) while comparable space in Meadowvale averages \$18.31 psf, and in Oakville nearly a full two dollars higher at \$18.96 psf.

In the southwest, Oakville continues to prove itself as one of the stronger, more reliable nodes in the Toronto West market, posting fourth quarter absorption of 40,000 sf, with a number of deals in the 8,000 sf and under range. Notably, Geotab inked a long-term headlease totaling roughly 37,000 sf of single-storey office space at 1075 North Service Road that had previously been occupied by Hatch.

Oakville also boasted the most office space currently under construction at the end of 2014 (532,061 sf), with the bulk of the space being concentrated in Phase III of the Westbury Business Park (2201 Bristol Circle: 208,380 sf) and Phase II of the Joshua Creek Corporate Centre (110,200 sf). Traction and demand in this market are plentiful, with nearly 80% preleased at 1375 North Service Road, and another 90,000 sf of single-storey office space coming to market by the end of the second quarter of 2015. Elsewhere in the West market, high absorption in the Dixie & Eglinton area can be attributed to Sobeys moving into its 202,000-sf design-build at 4980 Tahoe Boulevard, a much welcomed gain for the area following the departure of BlackBerry earlier in 2014.

In other market news, a number of developers have decided to green-light speculative projects in the Toronto West market including Carttera, Westbury International, Fengate and Pauls Properties. Carttera and Westbury will be constructing multi-level office buildings while Fengate and Pauls Properties will be focusing their efforts on new flex buildings in the Oakville and Burlington areas. These developments are a good sign for tenants and landlords alike in the wake of the less-than-ideal leasing climate currently facing some of Toronto West's traditionally stronger nodes.

MARKET FACTS	
14.2% Total availability rate for class A space in Toronto West	93% Of all absorption happened in class A space
1.4 Million square feet of class A space under construction in Toronto West	5.6% Total availability for LEED-constructed product in Toronto West



TORONTO WEST MARKET SUMMARY

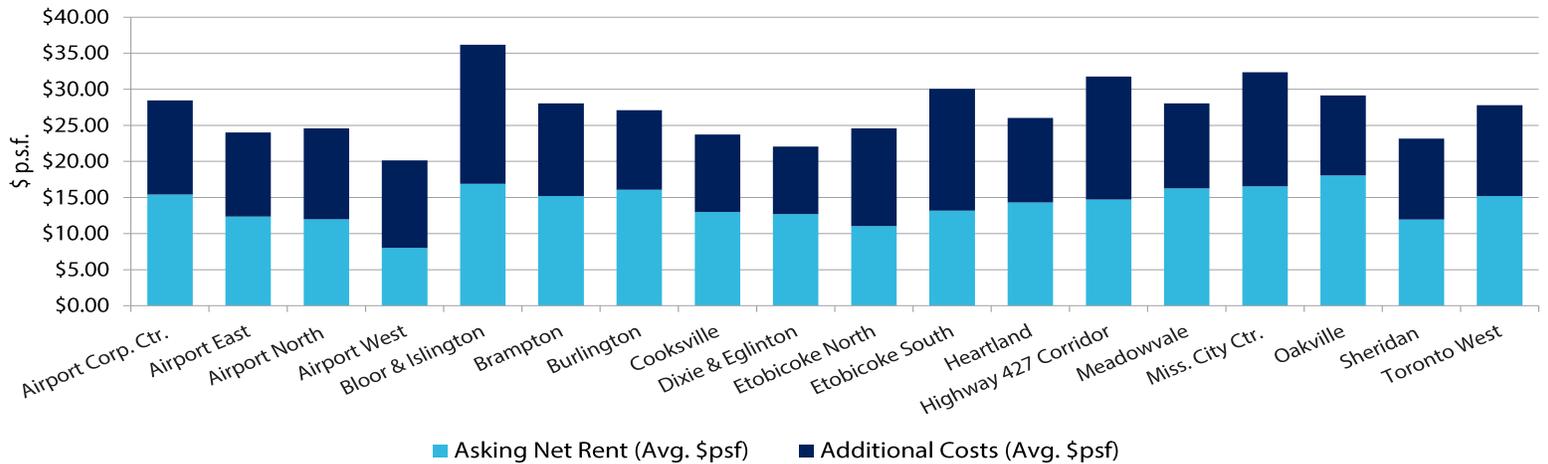
Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 months ago	3 months ago	Current Quarter	12 months ago	3 months ago	Current Quarter	Current Quarter	Year-to-Date	Year-to-Date Completions	Under Construction	% Pre-Leased
15.5%	16.6%	16.1%	13.6%	14.4%	14.1%	304	118	519	1,871	41%



COMPARISON OF LEASING OPTIONS FOR TENANTS – TORONTO WEST

Office Space at Selected Districts	Available Space				Availability Rate		
	No. of Bldgs.	Buildings with more than 50,000 sq. ft.	Buildings with largest contiguous available area greater than 50,000 sq. ft.	Number of spaces between 4,000 sq. ft. and 8,000 sq. ft.	Direct %	Sublet %	Total %
Airport Corp. Ctr. Class A	37	5	4	7	28.4	2.3	30.7
Airport Corp. Ctr. All Classes	49	6	5	14	24.9	1.9	26.8
Burlington Class A	22	2	0	12	16.3	4.6	20.9
Burlington All Classes	54	2	0	21	14.4	3.5	17.9
Heartland Class A	21	3	2	13	14.0	0.3	14.3
Heartland All Classes	39	5	4	17	11.7	3.7	15.4
Meadowvale Class A	34	2	2	7	5.4	2.2	7.6
Meadowvale All Classes	59	6	4	21	10.4	2.6	13.0
Mississauga City Ctr. Class A	14	4	1	11	13.9	3.4	17.3
Mississauga City Ctr. All Classes	24	5	1	15	14.4	2.5	16.9
Oakville Class A	34	2	2	15	9.9	0.9	10.8
Oakville All Classes	50	3	3	22	11.6	1.4	13.0
Toronto West Class A	229	28	18	96	11.8	2.4	14.2
Toronto West All Classes	470	44	29	180	13.5	2.6	16.1

Toronto West - Occupancy Costs - All Classes



TORONTO WEST SIGNIFICANT TRANSACTIONS

Address	Node	Tenant	Size
1550 Enterprise Road	Airport West	SCM Adjusters Canada	49,400 sf
6600 Financial Drive	Meadowvale	Russell Metals	43,000 sf
1075 North Service Road East	Oakville	Geotab	37,000 sf
3430 Superior Court	Oakville	John Deere Financial	37,500 sf
50 Burnhamthorpe Road West	Mississauga City Centre	MNP LLP	35,000 sf



avisonyoung.com

For more information on this report, please contact Avison Young:

Bill Argeropoulos 416.673.4029
Principal & Practice Leader, Research (Canada)

John Markle 905.283.2396
Research Associate

Avison Young
77 City Centre Drive
East Tower, Suite 301
Mississauga, ON L5B 1M5
T 905.712.2100 F 905.712.2937

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