

GREATER TORONTO AREA OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
GTA Employment	3.2 mil	3.2 mil	▲
GTA Unemployment	7.0%	6.8%	▼
Canada Unemployment	7.1%	6.9%	▼

Source: Statistics Canada

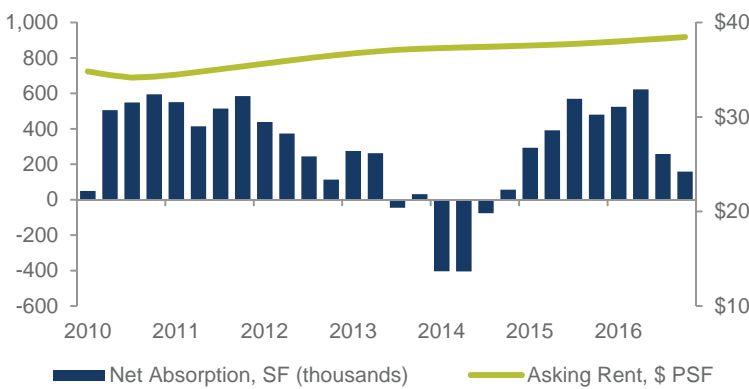
Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Availability Rate	7.6%	7.9%	▲
Net Absorption (sf)	366,245	(31,273)	▼
Under Construction (sf)	4,645,711	3,241,672	▼
Average Asking Rent*	\$37.92	\$38.63	■

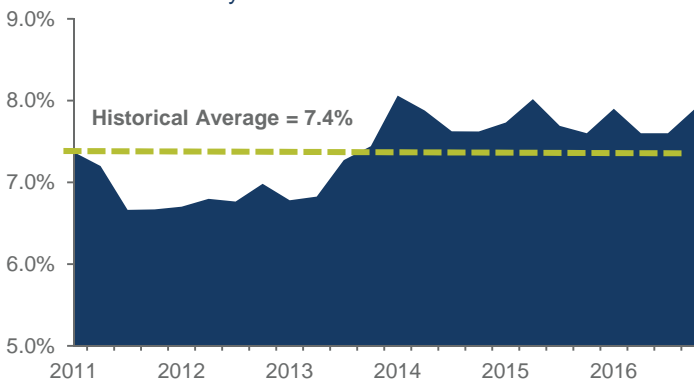
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Availability



Economy

Although Ontario's GDP growth is projected to ease slightly from 2.5% in 2016 to 2.3% in 2017, it is expected to lead the way in growth among the provinces. Solid job growth and robust consumer spending should bolster GDP growth, while a cooling housing sector may be a restraining factor. Uncertainty surrounding U.S. trade policies with Canada could also dampen the outlook for the manufacturing sector (RBC Economics).

Market Overview

Downtown Toronto's office market ended another high-demand year with a bang. The availability rate fell steadily through the year, landing at an eight-year low of 4.0% in the fourth quarter. Expansionary momentum continued to power forward, with absorption reaching 101,000 square feet (SF) in the quarter. This brought the two-year downtown absorption total to 2.1 million square feet (MSF). The last time the market saw such accelerated demand was ten years ago during 2005-2006. The lion's share of this outstanding growth took place in the fringe markets surrounding the core where availability plunged to a near-record low of 2.9% in Q4. Downtown East alone saw availability shrink in Q4 to 2.3%, the lowest on record. With the overall downtown availability at a low 4.0% -- the same place it was in 2009 -- this dynamic market is poised to see more growth and development in 2017 and beyond.

Suburban markets on the other hand, experienced a roller coaster year. GTA West saw its availability rate rise to a 20-year high of 14.8% as slow demand prevailed and a steady flow of new supply continued to flood the market. The GTA East availability rate eased up to 10.1%, while availability in the GTA North rose above the 7% mark for the first time in 11 years to 7.2%. This increase is due to the vacancy brought to market by the new KPMG Tower, which opened this quarter.

Outlook

Although three new developments, which will add 2.2 MSF to the downtown inventory, are scheduled to open in the first half of 2017, most of this new space has been preleased. Tight conditions with strong demand will continue. However, availabilities should open up in the latter half of 2017 as displaced space from tenants moving into the new towers become available. The GTA West may see a tapering off of increasing availability as the flow of new supply drops back to the lowest level since 2006. GTA East will likely see moderate growth in 2017.

Availability

The overall availability rate decreased in Q4 to 5.1% from 5.3% last quarter. This was driven by class A availability, which fell to 5.3% from 6.0%, its lowest level in seven quarters.

Availability is expected to increase by 772,000 SF over the next two quarters. BLG's relocation to Bay Adelaide Centre East will create a significant vacancy at Scotia Plaza. The upcoming completion of 100 Adelaide Street West will add 118,000 SF of vacancy.

Leasing Activity

Leasing activity increased for a second consecutive quarter, rising in Q4 to 693,000 SF from 582,000 SF last quarter. Total leasing for 2016 spiked to 3.0 MSF, a 47% jump over 2015. This resulted in the Financial Core's best leasing year since 2006.

The increase over the quarter was mainly due to the leasing of class A space, which almost doubled to 412,000 SF. Class A transactions included the Department of Justice's leasing of 111,000 SF at 120 Adelaide Street West and Dentsu Aegis Network's leasing of 80,000 SF at 1 University Avenue.

Sublease Availability

Sublet availability increased in the quarter by 30,000 SF to 419,000 SF, matching the average for the last three years. This was driven by marginal increases to both triple A and class A sublet availability.

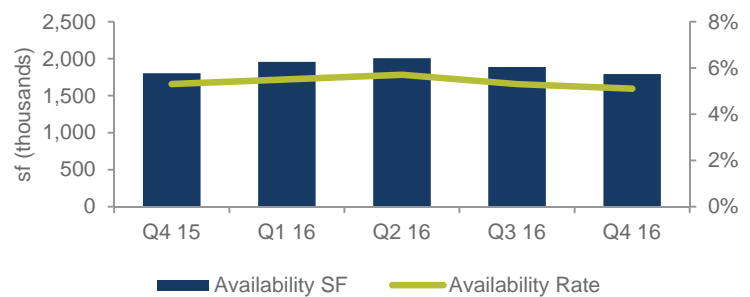
Over the next two quarters, sublet availability is expected to increase by 82,000 SF. The new sublet availabilities will include 28,000 SF at 121 King Street West and 20,000 SF at 250 University Avenue. Currently, both the overall number and size of new sublets being tracked show a decrease as 2017 progresses.

Absorption

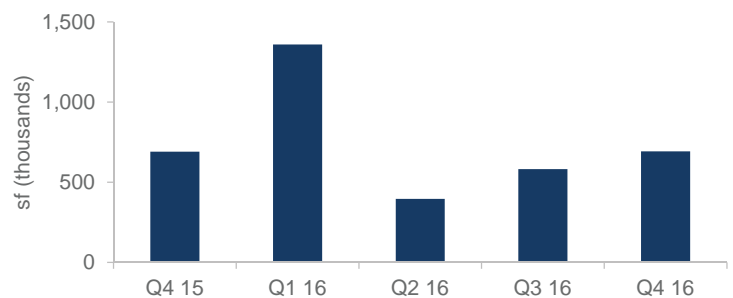
Overall absorption rebounded in Q4, pushing the annual total to 546,000 SF. This was the Financial Core's best year of absorption since posting 801,000 SF in 2010. Also, absorption remained positive in each quarter of 2016, a result not accomplished since 2011.

The completion and subsequent occupancy of additional new buildings in 2017 will generate positive absorption. However, this will be partially offset by the negative absorption arising from the space that will be vacated by tenants relocating to their new premises.

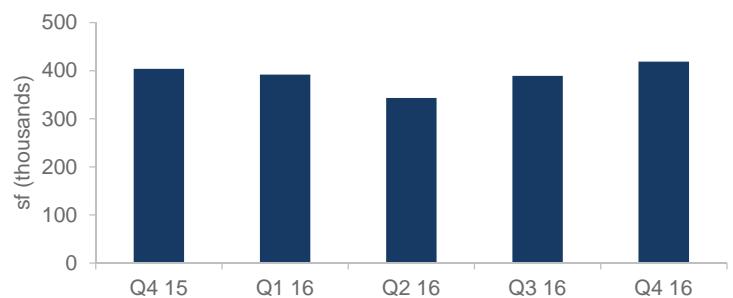
Availability All Classes



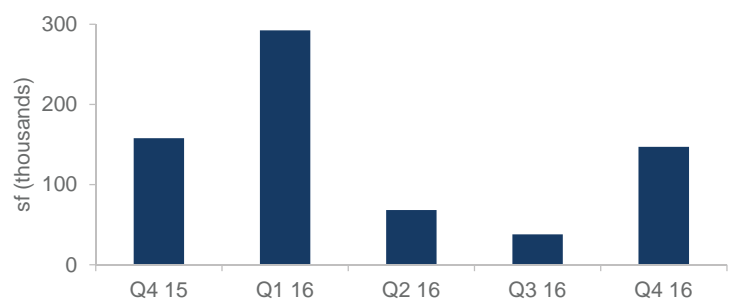
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



Availability

The overall availability rate has been relatively stable over the last three quarters, finishing Q4 at 2.9%. However, the King West submarket's availability rate rose in Q4 to 7.4%, the highest level in almost five years, with the addition of 34,000 SF of class B availability at 135 Liberty Street.

Availability is expected to increase by 381,000 SF over the next two quarters. This includes a 50,000-square foot contiguous block at the newly renovated brick and beam office building at 310 Spadina Avenue.

Leasing Activity

Leasing activity decreased in the fourth quarter to 347,000 sf from 471,000 SF last quarter. The leasing total for 2016 of 2.4 MSF was lower than last year's leasing total by 24,000 SF.

Class B leasing experienced the biggest change in the quarter, declining by 50% to 107,000 SF. Although class A leasing was marginally lower, highlights included Thomson Reuters' 49,000-SF lease at 120 Bremner Boulevard and One Eleven's 48,000-SF lease at 325 Front Street West.

Sublease Availability

Overall sublet availability tightened further over the quarter, falling to a sixteen-year low of 104,000 SF. Class C sublet space has essentially dried up and class B sublet space has been declining this year.

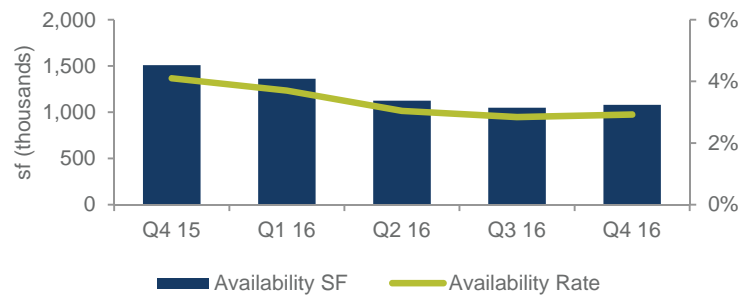
Sublet availability is expected to increase by 117,000 SF over the next two quarters. This includes the Royal & Sun Alliance Insurance Company of Canada's 53,000-SF sublet at 18 York Street and The Globe and Mail's 28,000-SF sublet at 351 King Street East.

Absorption

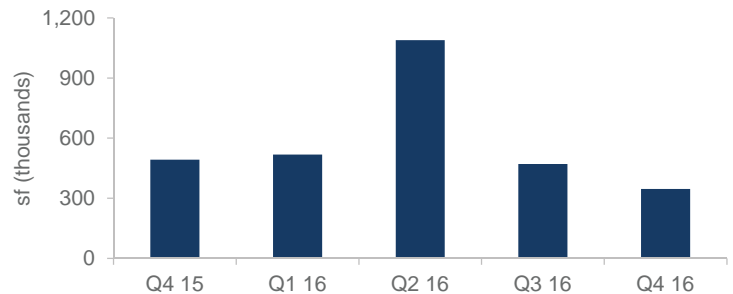
The Downtown Fringe's absorption decreased to negative 46,000 SF from 99,000 sf over the course of the quarter. This was driven by absorption of negative 48,000 SF (class A) in Downtown West and negative 31,000 SF (class B) in King West.

Absorption is expected to receive a positive boost in 2017 from new supply occupancy as One York Street and 351 King Street East open their doors and tenants relocate. The fringe's annual absorption for 2017 is expected to surpass 2016's total of 392,000 SF.

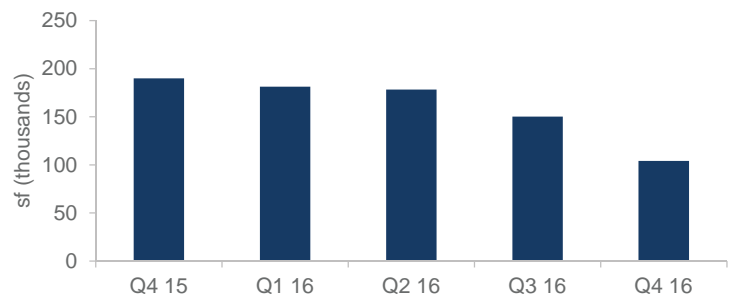
Availability All Classes



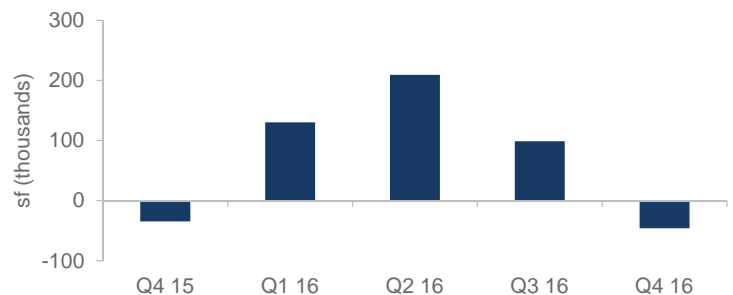
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



Availability

Midtown's availability increased in the fourth quarter to 4.9% from 4.4% last quarter, driven by a rise in the St. Clair submarket's class B availability to 5.8% from 3.0%. New class B availabilities in the quarter included a total of about 22,000 SF at 95 St. Clair Avenue West.

A total of 168,000 SF of space is expected to return to market over the next two quarters. The Bloor and Eglinton submarkets will each have almost 78,000 SF of space coming available.

Leasing Activity

Midtown's leasing activity in Q4 increased to 175,000 SF from 85,000 sf last quarter. The increase was bolstered by class A leasing in the Bloor submarket, which rose by 40,000 SF. The 2016 leasing total of 714,000 SF was 167,000 SF less than last year's total.

Cirkel International Inc. leased 14,000 SF at 90 Eglinton Avenue West. A notable renewal / expansion was YMCA Canada's 33,000-SF transaction at 2200 Yonge Street.

Sublease Availability

Sublet availability increased to 170,000 SF from 139,000 SF quarter-over-quarter. The Bloor submarket's sublet space as a percentage of overall availabilities shot up to 21.3% from 8.6%. This was due to increases in class A and C sublet space of 39,000 SF and 20,000 SF, respectively.

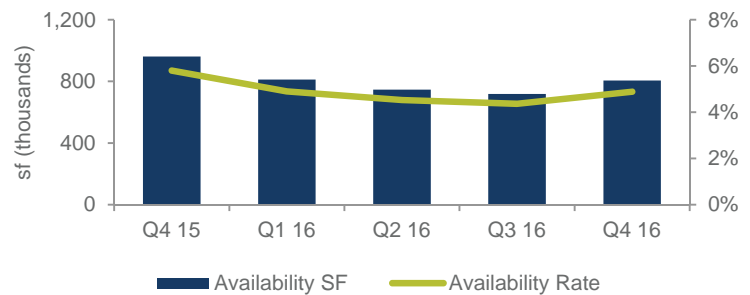
A low amount of sublet space is expected to come to market in the next quarter. Therefore, sublet availability is likely to decrease in the coming quarters.

Absorption

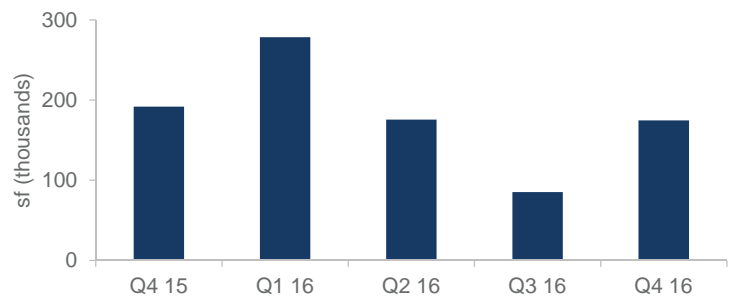
Midtown's overall absorption plummeted in the fourth quarter to negative 133,000 SF from 14,000 SF last quarter. This was the lowest quarter in over six years, with each submarket's overall absorption finishing in negative territory.

Despite a weak Q4, the overall absorption for 2016 was marginally positive at 28,000 SF, avoiding a second straight year of negative absorption. Historically, Midtown's absorption has been remarkably stable, with its average quarterly absorption being zero over the last 10 years. Absorption fluctuations will occur from time to time, but the market continues to be resilient.

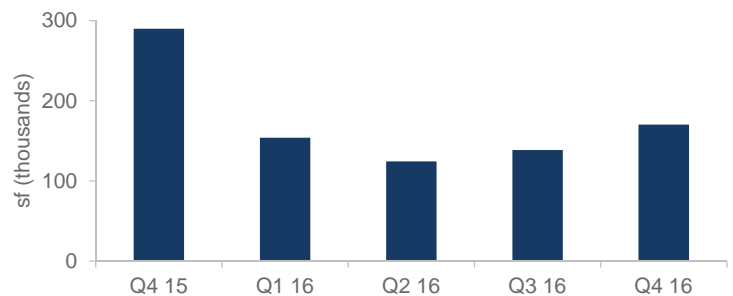
Availability All Classes



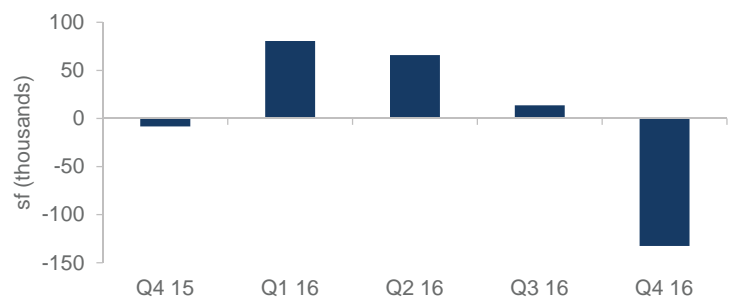
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



Availability

The overall availability rate in the GTA East market rose marginally this quarter to 10.1% from 10.0% last quarter. The Duncan Mill and Hwy 404 & Hwy 7 submarkets each saw increases in availability, which were partially offset by decreases in the Hwy 404 & Steeles and Consumers Road submarkets.

Approximately 306,000 SF of space is expected to return to the GTA East market over the first half of 2017. This includes almost 50,000 SF at 2255 Sheppard Avenue East.

Leasing Activity

Leasing activity in the GTA East market fell to 352,000 SF from 621,000 sf quarter-over-quarter. The Hwy 404 & Hwy 7 submarket, which tends to drive the leasing activity in the east, decreased by 272,000 SF to a seven-quarter low of 110,000 SF.

During the quarter, Engage People Inc. leased 38,000 SF at 1380 Rodick Road and EnerCare Inc. leased 25,000 SF at 8133 Warden Avenue.

Sublease Availability

Sublet availability increased slightly over the quarter to 330,000 SF from 317,000 SF. The Hwy 404 & Steeles submarket saw an increase of 25,000 SF in sublet availability this quarter, which drove up the overall sublet availability in the market.

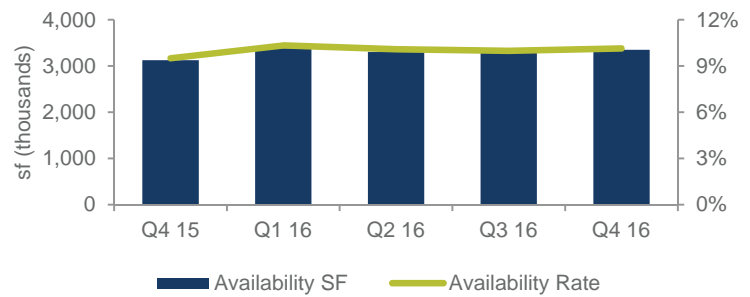
Sublet availability dropped by 60,000 SF over the last year. A low amount of sublet space is being tracked to become available over the next quarter, with the largest block being 10,000 SF at 150 Commerce Valley Drive West.

Absorption

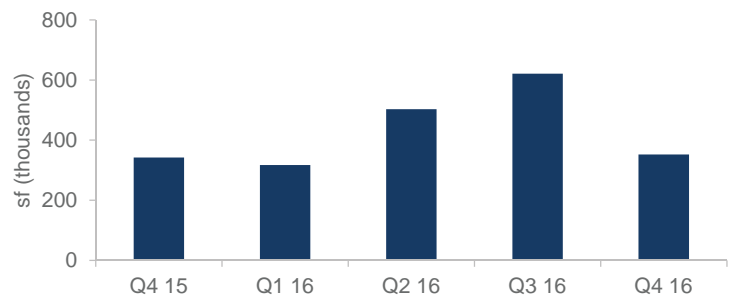
GTA East overall absorption fell over the quarter to negative 100,000 SF from 41,000 SF last quarter. This can be attributed to a decline in absorption in the Hwy 404 & Hwy 7 submarket in Q4 to negative 130,000 SF from 48,000 SF last quarter.

A weak result in Q1 dragged down the overall absorption for 2016 to negative 270,000 SF from 98,000 SF last year. This was the first year of negative absorption since 2013.

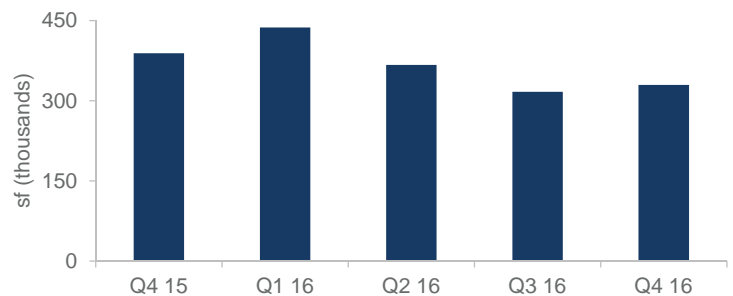
Availability All Classes



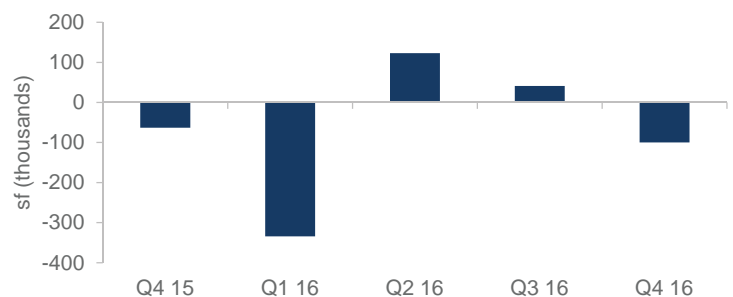
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



Availability

The GTA North's overall availability rate in Q4 increased to 7.2% from 5.9% last quarter, its highest level in 11 years. This increase was driven by the class A market in Vaughan, which saw 150,000 SF of new supply vacancy with the completion of 100 New Park Place (KPMG Tower) this quarter. North Yonge class A availability also increased by 66,000 SF.

More than 220,000 SF of space is expected to become available over the next two quarters, including 60,000 SF at 6260 Highway 7 (under construction) and 50,000 SF at 25 Sheppard Avenue West.

Leasing Activity

Leasing activity increased in the fourth quarter to 238,000 SF from 94,000 SF in Q3, well above the 5-year quarterly average of over 140,000 SF. This was mainly due to KPMG's transaction of 137,000 SF at 100 New Park Place. The up and down leasing pattern of the last several quarters continued.

Other significant transactions completed in Q4 included: Metrolinx's 37,000-SF renewal at 5160 Yonge Street and RBC Dominion Securities' 36,000-SF deal at 5140 Yonge Street.

Sublease Availability

Overall sublet availability increased to 118,000 SF from 74,000 SF quarter-over-quarter, driven by a 35,000-SF increase in the North Yonge Corridor's class A sublet space. Two sublets of over 15,000 SF each accounted for the bulk of this increase.

Sublet space as a percentage of overall availabilities is currently 10.8%. This is approximately half the average levels recorded over the past 20 years. Low levels of sublet space are being tracked to come to market over the next few quarters.

Absorption

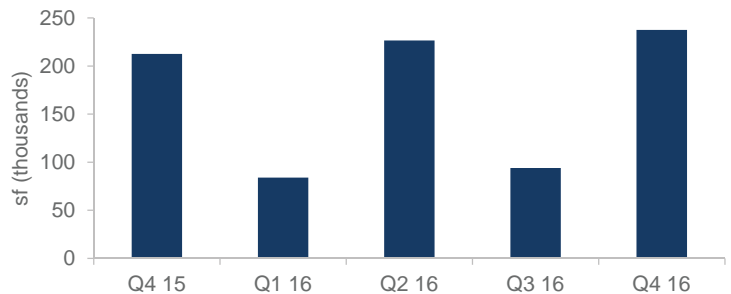
GTA North absorption rebounded to 80,000 SF from negative 183,000 SF last quarter. This was primarily due to the occupancy at the KPMG Tower in Vaughan.

Vaughan is a key submarket driving absorption growth. In 2017, two additional new buildings totaling nearly 100,000 SF are expected to come to market in Vaughan. Also, the subway extension is scheduled to be complete by years end. This is expected to spur development activities and keep absorption at moderate levels in the coming quarters.

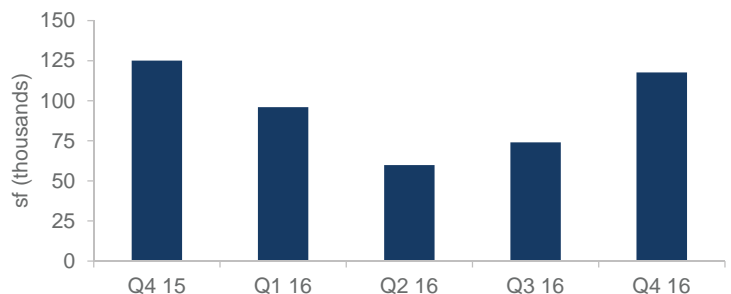
Availability All Classes



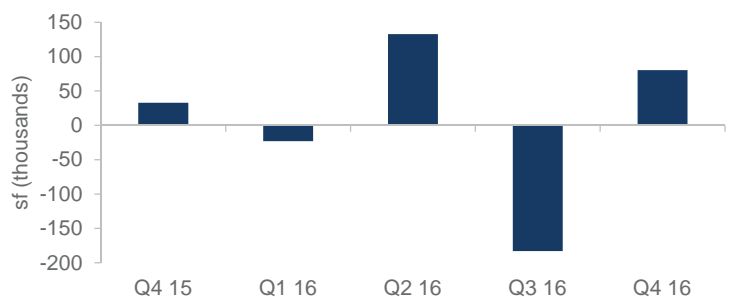
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



Availability

The GTA West market saw an increase in availability in the quarter, with the rate rising to 14.8% from 14.3% in Q3, the highest level in nearly 20 years. The rise this quarter was driven by new supply at 2727 Meadowpine Boulevard, adding 147,000 SF of available space.

Over the next six months, almost 365,000 SF is expected to come to market, of which 71,000 SF will be from new supply. As such availability is expected to remain high in the near term.

Leasing Activity

Leasing activity rose to 511,000 SF from 493,000 SF quarter-over-quarter. Although there was a decline in class B leasing of 59,000 SF, this was offset by increases in class A and class C. The Airport Corporate Centre's leasing of 189,000 SF in Q4 was the highest of all GTA West submarkets, accounting for 37% of leasing.

In the fourth quarter, Lowe's Companies Canada, ULC leased 68,000 SF at 5150 Spectrum Way and Revera Health Services leased 50,000 SF at 5015 Spectrum Way.

Sublease Availability

Sublet availability increased to 935,000 SF from 805,000 SF quarter-over-quarter. This was mainly due to the arrival of new sublets totaling over 70,000 SF in Meadowvale and 65,000 SF in Hurontario.

Only a small amount of new sublease space is expected to return to market over the next few quarters, with the largest being a 40,000-SF sublease block at 6733 Mississauga Road in Meadowvale.

Absorption

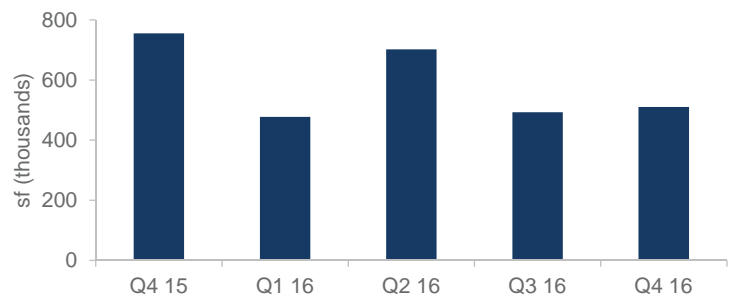
The wide swings of the past few quarters continued in Q4, with absorption increasing to 20,000 SF from negative 266,000 SF in Q3. This was driven by a 180,000-SF increase in the Airport submarket, of which over 90% was comprised of class A space.

The average quarterly absorption has changed significantly over the last ten years, 2007 - 2016. During the first five-year period, quarterly average absorption was 105,000 SF. However, during the latter five-year period, the average absorption declined to a low of 43,000 SF per quarter.

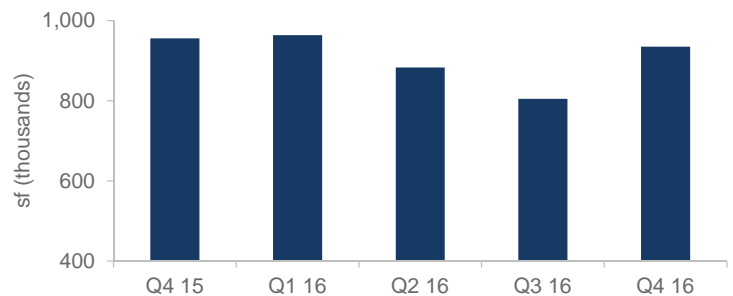
Availability All Classes



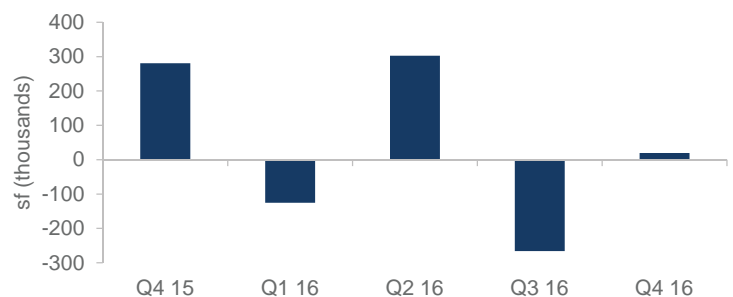
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



MARKETBEAT

Greater Toronto Area, ON

Office Q4 2016



SUBMARKET	INVENTORY (SF)	SUBLET AVAILABLE (SF)	DIRECT AVAILABLE (SF)	OVERALL AVAILABILITY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	35,319,185	418,930	1,374,315	5.1%	147,102	545,592	3,030,046	949,131	\$53.67	\$56.68
Downtown Fringe	36,938,456	104,159	975,618	2.9%	(46,027)	392,032	2,425,037	1,888,405	\$42.53	\$47.14
Downtown	72,257,641	523,089	2,349,933	4.0%	101,075	937,624	5,455,083	2,837,536	\$47.98	\$52.58
Midtown	16,486,181	170,332	635,342	4.9%	(132,611)	27,505	713,979	0	\$41.38	\$46.41
CENTRAL AREA	88,743,822	693,421	2,985,275	4.1%	(31,536)	965,129	6,169,062	2,837,536	\$46.77	\$51.74
GTA East	33,059,619	329,646	3,019,854	10.1%	(99,710)	(269,520)	1,793,650	23,101	\$28.81	\$31.01
GTA North	15,115,374	117,691	972,997	7.2%	80,374	6,746	641,571	98,675	\$34.61	\$35.90
GTA West	38,915,788	934,879	4,838,967	14.8%	19,599	(69,012)	2,183,266	282,360	\$29.66	\$31.67
SUBURBAN AREA	87,090,781	1,382,216	8,831,818	11.7%	263	(331,786)	4,618,487	404,136	\$30.13	\$32.19
GTA TOTALS	175,834,603	2,075,637	11,817,093	7.9%	(31,273)	633,343	10,787,549	3,241,672	\$38.63	\$42.04

*Rental rates reflect gross asking \$psf/year

** Leasing activity excludes renewals

Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
120 Adelaide Street West	111,000	Department of Justice	Lease	Financial Core
1 University Avenue	80,000	Dentsu Aegis Network	Lease	Financial Core
5150 Spectrum Way	68,000	Lowe's Companies of Canada, ULC	Lease	Airport Corporate Centre
70 University Avenue	54,000	Booking.com	Lease	Financial Core
5015 Spectrum Way	50,000	Revera Health Services	Lease	Airport Corporate Centre
120 Bremner Boulevard	49,000	Thomson Reuters	Lease	Downtown South
325 Front Street West	48,000	One Eleven	Lease	Downtown West
1380 Rodick Road	38,000	Engage People Inc.	Lease	Hwy 404 / 7

Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Richmond-Adelaide Centre (50% interest)	2,360,060	Oxford Properties Group Inc./ Canada Pension Plan Investment Board	\$666,210,771 / \$565 (adjusted)	Financial Core
3650 & 3660 Victoria Park Avenue	154,300	Investors Group Trust/ True North Commercial REIT	\$34,000,000 / \$220	Hwy 404 / 407
250 University Avenue	152,528	6019839 Canada Inc./ Northam Realty Advisors Limited	\$84,800,000 / \$556	Financial Core
2233 Argentia Road	146,674	LaSalle Investment Management/ Crown Realty Partners	\$30,750,000 / \$210	Meadowvale
9050 Yonge Street	91,277	An individual acting in his/her own capacity./ (1) Montez Corp. (2) Adgar Canada	\$22,500,000 / \$247	Richmond Hill / Newmarket / Aurora

Source: RealNet Canada Inc.

MARKETBEAT

Greater Toronto Area, ON

Office Q4 2016



Key Construction Completions 2016

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
Bay Adelaide Centre East, Toronto	Financial Core	Deloitte & Touche LLP	Q1 2016	1,020,000 (82%)
100 New Park Place, Vaughan	Vaughan	KPMG Inc.	Q4 2016	352,141 (48%)
7980 Birchmount Road, Markham	Hwy 404 / 7	Aviva Canada	Q3 2016	313,476 (82%)
2201 Bristol Circle, Oakville	Oakville	Takeda Pharmaceutical Company Ltd.	Q2 2016	208,380 (13%)
2727 Meadowpine Boulevard, Mississauga	Meadowvale	Speculative	Q4 2016	146,821 (0%)
2476 Argentia Road, Mississauga	Meadowvale	Speculative	Q1 2016	100,795 (0%)
603 Michigan Drive, Oakville	Oakville	Dufferin Construction	Q1 2016	76,112 (34%)
255 Longside Drive, Mississauga	Hurontario Corridor	Spectrum Brands Canada Inc.	Q2 2016	71,169 (29%)
585 Michigan Drive, Oakville	Oakville	Speculative	Q1 2016	36,640 (0%)

Key Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
One York Street, Toronto	Downtown South	Sun Life Assurance Company of Canada	Q1 2017	944,359 (100%)
100 Adelaide Street West, Toronto	Financial Core	EY Canada	Q2 2017	905,720 (87%)
351 King Street East, Toronto	Downtown East	The Globe and Mail	Q1 2017	500,000 (93%)
130 Queens Quay East, Toronto	Downtown South	Artscape Launchpad	Q2 2018	313,113 (64%)
620 King Street West, Toronto	Downtown West	Shopify	Q1 2019	266,900 (43%)
360 Oakville Place Drive, Oakville	Oakville	Speculative	Q1 2018	139,000 (0%)
610 Chartwell Road East, Oakville	Oakville	MMM Group	Q1 2017	102,660 (70%)

Cushman & Wakefield
33 Yonge Street, Suite 1000
Toronto, Ontario M5E 1S9
cushmanwakefield.com

For more information, contact:
Stuart Barron,
National Director of Research
Tel: +1 416 359 2652
stuart.barron@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2017 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.