

## GREATER TORONTO AREA OFFICE

### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
GTA Employment	3.3 mil	3.5 mil	▼
GTA Unemployment	6.1%	6.3%	▲
Canada Unemployment	5.9%	5.7%	▲

Source: Statistics Canada

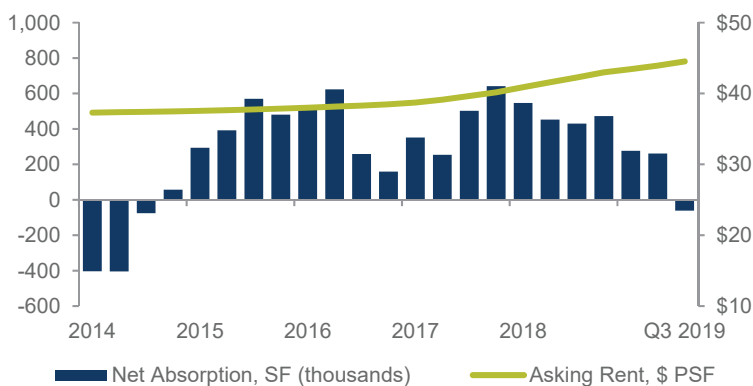
### Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Availability Rate	6.5%	6.0%	■
Net Absorption (sf)	646,594	-645,966	■
Under Construction (sf)	6,521,150	8,632,831	▲
Average Asking Rent*	\$43.31	\$45.61	▲

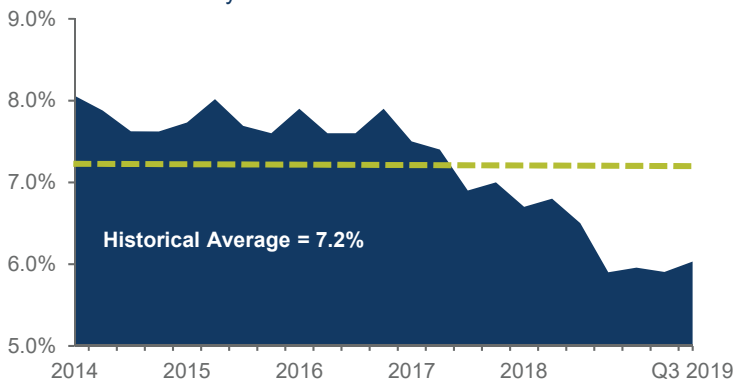
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Availability



## Economy

Job gains have outpaced economic growth by a significant margin this year in Ontario. Already, 220,000 new positions have been created bringing the unemployment rate to a low of 5.3%. Influenced by restraint in public spending along with trade and global uncertainty, GDP growth is expected to remain subdued through 2020 (*TD Economics*).

## Market Overview

Market conditions in Downtown Toronto have remained extremely tight through 2019. At 2.1% in the third quarter of 2019, availability held firm near one of the lowest levels on record. Though we are in the midst of one of the longest development cycles on record, growth continues to far outpace supply. Downtown Toronto now has the second lowest availability rate among the most active growth markets in North America. In downtown fringe submarkets surrounding the core, Class A availability has plunged below the 2.0% mark, with literally 0% vacancy in Downtown South.

It is no surprise that this unprecedented shortage of space has driven significant rental rate growth. Since the first quarter of 2017, Downtown's overall average net rent has skyrocketed by 43%. Across the most active North American markets, downtown Toronto posted the second fastest gross rental rate growth. Despite staggering rent increases, downtown is still considered a competitively priced option compared to other top North American markets.

Meanwhile, growth has continued to elude the GTA suburban markets. In the third quarter of 2019, GTA North was the only suburban market that posted positive results. Absorption rose to 147,000 square feet (sf) and availability declined to 6.2% from 7.5% in the second quarter of 2019. Rents in the suburbs remained stable. Given these fundamentals, the suburban markets continue to present an excellent value play opportunity for businesses that do not need to be located downtown.

## Outlook

Although we need to keep an eye on potential headwinds including global and trade uncertainty, the downtown market stands on incredibly solid ground and is expected to remain tipped in the favour of landlords until 2021. The pipeline to 2024 will bring 10.3 million square feet (msf) of new supply to market, which will undoubtedly create a more balanced market with more options for tenants.

### Availability

The Financial Core's overall availability rate in the third quarter of 2019 was unchanged from 3.0% last quarter. In addition, availability has been stable over the past two years with an average quarterly rate of 3.0%. Class B product had the lowest availability rate over the past 3 quarters.

Over 270,000 sf of availability is expected to return to market over the next two quarters. This includes over 45,000 sf at 25 King Street West, which is to be vacated by CIBC.

### Leasing Activity

Leasing activity fell in the third quarter of 2019 to 410,000 sf from 461,000 sf last quarter, driven by a drop in Class AAA leasing of 34,000 sf. The all classes average quarterly leasing in 2019 was under 500,000 sf, its lowest level in 5 years.

Notable transactions included Clearbanc leasing 55,000 sf at 33 Yonge Street and Knotel leasing 23,000 sf at 121 King Street West. The majority of large deals this quarter were below 25,000 sf (excluding renewals).

### Sublease Availability

Overall sublet availability rose in the third quarter of 2019 by 35,000 sf to reach 219,000 sf, which is slightly above the 2-year quarterly average of 211,000 sf. The increase was driven by a 19,000-sf rise in Class B availability.

Over the next two quarters, new sublet availability of about 69,000 sf is expected to come to market. This includes the 18,000-sf sublet by Integrated Asset Management Corp. at 70 University Avenue.

### Absorption

Overall absorption improved marginally in the third quarter of 2019 to negative 31,000 sf, driven by Class A absorption.

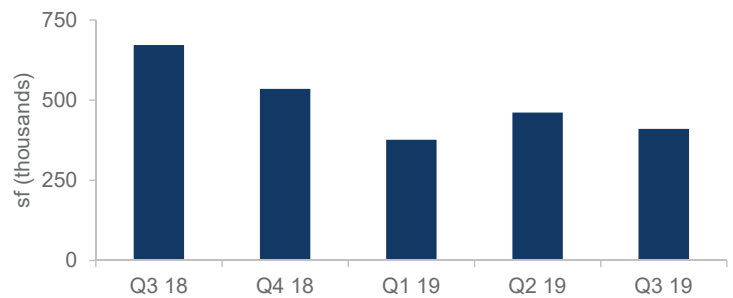
However, Class AAA absorption weakened, keeping the Financial Core's overall absorption negative for a third consecutive quarter.

Overall absorption is likely to record its first negative annual result since 2015, as continuing low availability may be dampening demand. As a result, tenants seeking contiguous blocks of space that are 50,000 sf and greater are faced with limited options.

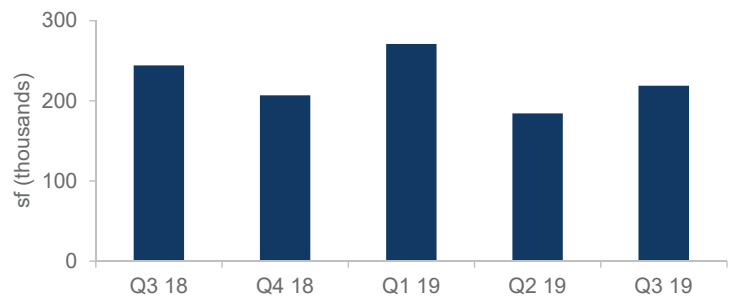
Availability All Classes



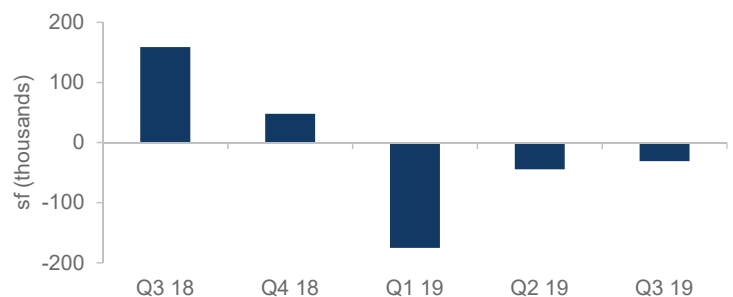
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



## Availability

The Downtown Fringe's overall availability rate in the third quarter of 2019 was unchanged from 1.4% last quarter. The availability rate has remained below 2.0% for an unprecedented 8 quarters.

An additional 267,000 sf of availability is expected to come to market over the next two quarters. The largest block will be the entire 90,000-sf building at 545 Lake Shore Boulevard West. Also, Syneos Health is expected to vacate 37,000 sf at 720 King Street West.

## Leasing Activity

Leasing activity fell in the third quarter of 2019 to 277,000 sf from 509,000 sf last quarter, driven by a 214,000-sf drop in Class A. Last quarter's figure was higher due to new supply leasing. No buildings were completed this quarter.

Leasing in new developments remained strong with Spaces leasing 106,000 sf at 25 Ontario Street and Achievers leasing 55,000 sf at 99 Atlantic Avenue. Export Development Canada leased 26,000 sf at 155 Wellington Street West.

## Sublease Availability

Overall sublet availability increased in the third quarter of 2019 to 183,000 sf from 163,000 sf last quarter. This increase can be attributed mainly to the Downtown East submarket's Class A and B sublet availability, which rose by a combined total of 17,000 sf.

A low amount of sublet space is expected to become available over the next quarter. Over the past 6 quarters, sublet availability of Class B space has exceeded that of Class A space.

## Absorption

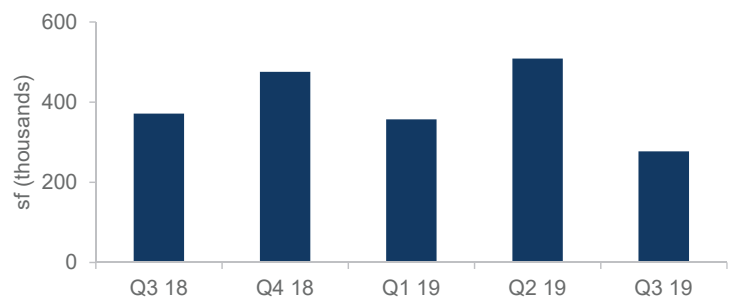
The Downtown Fringe's overall absorption decreased in the third quarter of 2019 to negative 49,000 sf from 222,000 sf last quarter. This was the first negative result since the second quarter of 2018. Absorption was negative across all classes of space.

Currently, there are very few large contiguous blocks that are immediately available in the Fringe. Most of the options for tenants requiring at least 50,000 sf are located in the new developments that will be completed between 2020 and 2022. As these buildings are completed and occupied, absorption will likely increase.

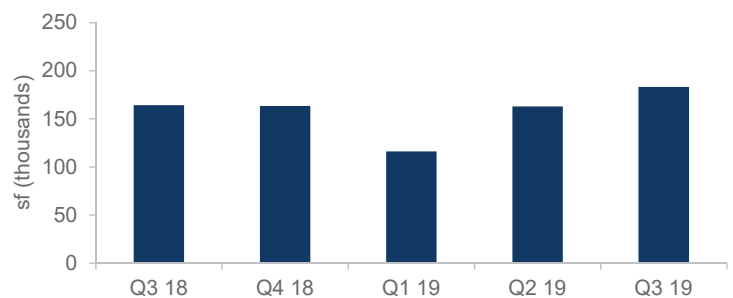
Availability All Classes



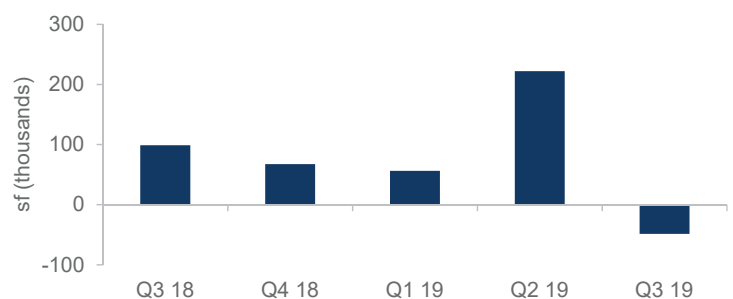
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

Midtown's availability rate increased in the third quarter of 2019 to 2.5% from 2.1% last quarter, the fourth consecutive quarter in which the rate has been below 2.5%. The rise was driven by a 62,000-sf increase in availability in the Bloor submarket.

About 100,000 sf of space is expected to return to market over the next two quarters. All spaces are below 20,000 sf including a 17,000-sf block at 95 St. Clair Avenue West to be vacated by Desjardins Financial Security Life Assurance Company.

### Leasing Activity

Leasing activity in the third quarter of 2019 fell to 109,000 sf from 129,000 sf last quarter, driven by an decrease in Class A leasing in the Bloor submarket of 56,000 sf. This is the lowest level in 3 years and over 40% below the three-year average of 195,000 sf. Class B buildings accounted for 50% of all leasing activity.

Notable transactions this quarter included ILSC Language Schools' 18,000-sf renewal at 80 Bloor Street West and Crosslinx Transit Solutions' 11,000-sf deal at 40 Eglinton Avenue East.

### Sublease Availability

Sublet availability increased in the third quarter of 2019 to 91,000 sf from 71,000 sf in the previous quarter. This marks the highest level achieved in 7 quarters and is close to the 4-year quarterly average of 100,000 sf. Sublet availabilities tend to be largely concentrated in Class A buildings.

Very few sublet spaces are expected to become available over the next two quarters, all of which are in blocks of under 5,000 sf. Therefore, sublet availability is poised to remain at modest levels.

### Absorption

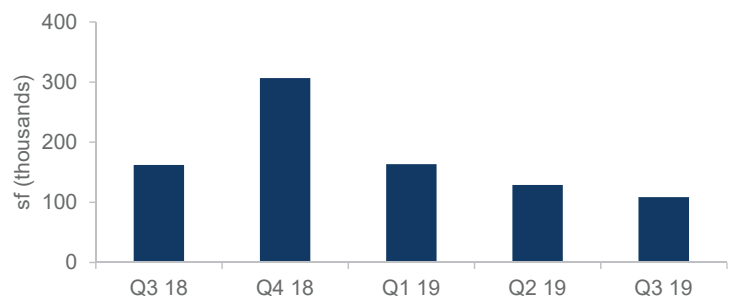
Midtown's overall absorption increased slightly in the third quarter of 2019 to negative 71,000 sf from negative 77,000 sf last quarter. All classes of space were in negative territory; Class A accounted for almost 75% of the overall result.

Midtown continues to experience wide swings in quarterly absorption as demonstrated by its recent performance over the last several quarters. As a result, average quarterly absorption over the last five years has tended to be rather low at under 10,000 sf.

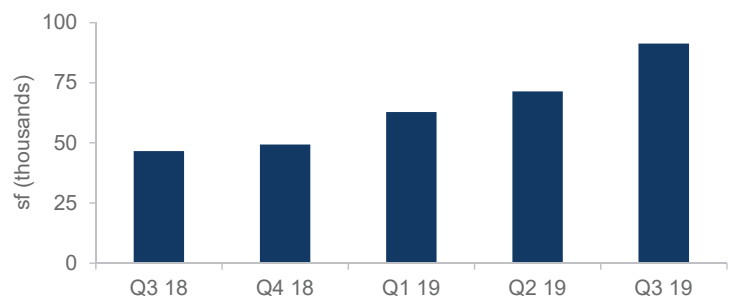
Availability All Classes



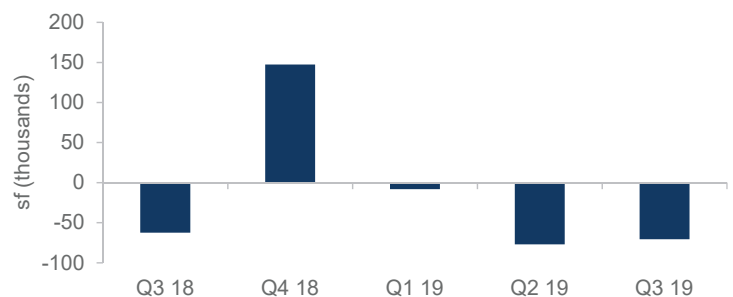
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The GTA East overall availability rate increased in the third quarter of 2019 to 10.0% from 8.9% last quarter. This was mainly due to the Hwy 404 & Steeles submarket, which saw an increase in availability of 362,000 sf this quarter.

Over 110,000 sf of space is expected to return over the next two quarters. This includes the 13,000-sf block at 7303 Warden Avenue which is expected to be vacated by Brookfield Homes (Ontario) Ltd.

### Leasing Activity

Leasing activity decreased this quarter to 271,000 sf from 314,000 sf last quarter. This was primarily due to the Hwy 404 & Hwy 7 submarket's leasing activity decreasing by 51,000 sf in the quarter.

Significant transactions in the third quarter of 2019 included T & T Properties Ltd.'s 27,000-sf sublease at 123 Commerce Valley Drive East and Northspace Gervais Inc.'s 11,000-sf lease at 15 Gervais Drive.

### Sublease Availability

Sublet availability increased in the third quarter of 2019 to 783,000 sf from 575,000 sf last quarter. This was driven by the Hwy 404 & Steeles submarket's sublet space increase of 203,000 sf during the quarter.

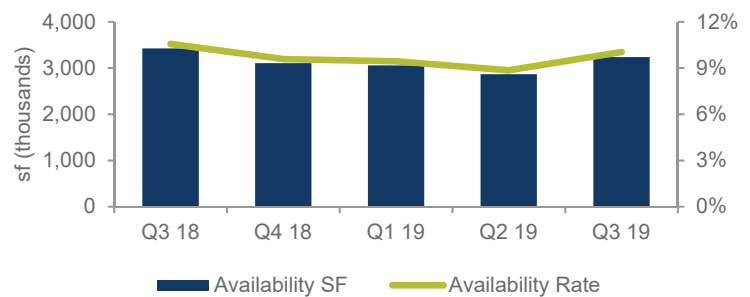
There is a low amount of sublet space that is being tracked to become available over the next two quarters. A notable upcoming block will be a 14,000-sf sublet at 1220 Sheppard Avenue East.

### Absorption

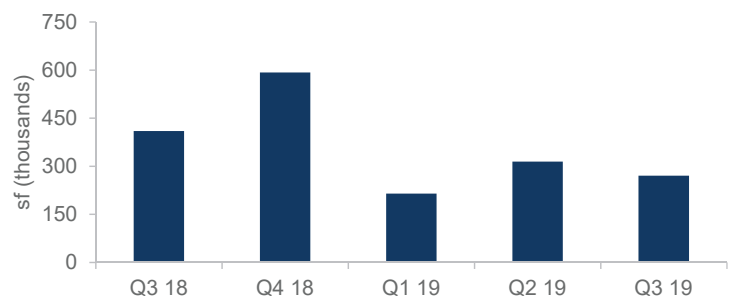
GTA East's overall absorption decreased in the third quarter of 2019 to negative 382,000 sf from 72,000 sf last quarter. This can be attributed to a decrease in the Hwy 404 & Steeles submarket's overall absorption of 280,000 sf in the quarter.

Based on the year-to-date absorption total of negative 438,000 sf, it is likely that the total absorption for 2019 will also end up being negative. In addition, there has been no new supply or under construction activity since the third quarter of 2018.

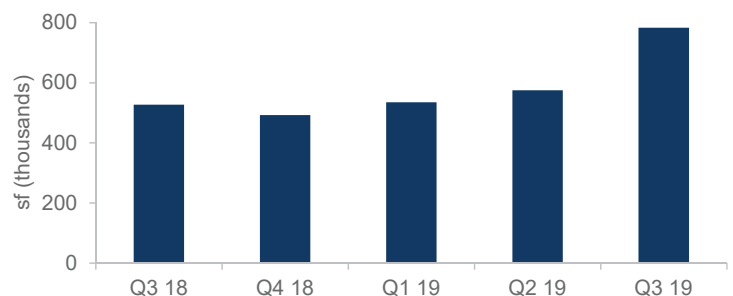
Availability All Classes



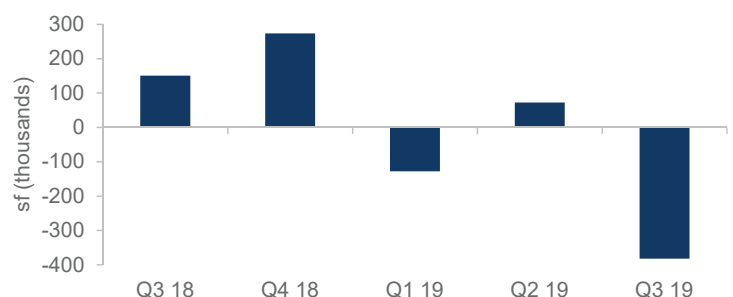
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The GTA North overall availability rate decreased in the third quarter of 2019 to 6.2% from 7.5% last quarter. This was driven by Class A availability, which decreased by 237,000 sf. However, Class B reached its highest quarterly level in the last 5 years.

Approximately 49,000 sf of space is expected to return over the next quarter. This includes a 12,000-sf block at 4950 Yonge Street, which is expected to be vacated by Withrow & Associates.

### Leasing Activity

Leasing activity increased in the third quarter of 2019 to 438,000 sf from 135,000 sf last quarter. This was driven by the North Yonge Corridor submarket's Class A leasing, which increased by 270,000 sf quarter-over-quarter.

A significant transaction completed in the third quarter of 2019 was the Financial Services Regulatory Authority of Ontario's 103,000-sf lease at 25 Sheppard Avenue West. Most of the large deals this quarter were located in the North Yonge Corridor.

### Sublease Availability

Overall sublet availability declined in the third quarter of 2019 to 45,000 sf; almost a 30-year low. This level represents about 35% of the 5-year quarterly average of 128,000 sf.

Sublease availability has been tightening over the past 6 quarters as a result of a drop in the North Yonge Corridor's overall sublet figure. Overall sublease availability is likely to remain modest as a low amount of sublease space is being tracked to become available over the next several quarters.

### Absorption

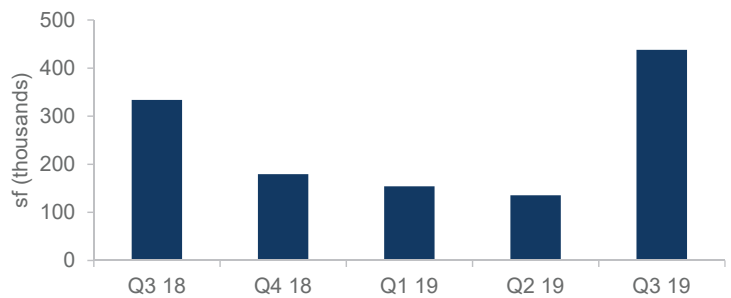
GTA North absorption increased in the third quarter of 2019 to 147,000 sf from negative 121,000 sf last quarter, driven by an increase in overall absorption of 196,000 sf in the North Yonge Corridor submarket. GTA North leads the suburbs with positive overall absorption both in this quarter and year-to-date 2019.

Absorption will likely remain moderate for the remainder of 2019 as new development activity will be low. The next scheduled building completion will be the 97,000-sf building at 6220 Highway 7 West in Vaughan in the first quarter of 2020.

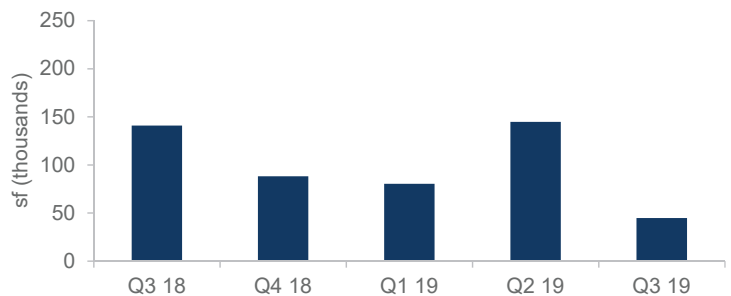
Availability All Classes



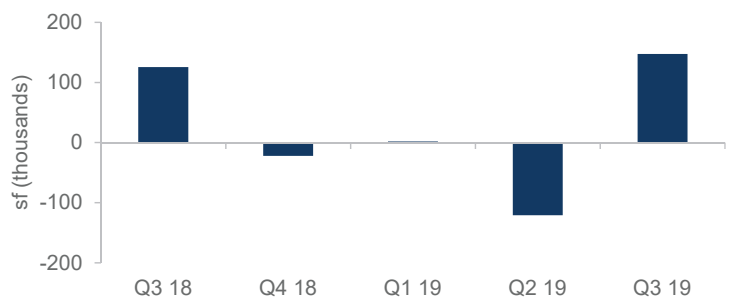
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The overall availability in the third quarter of 2019 was stable at 11.4%. Although most of the GTA West submarkets experienced an overall decline in availability, Meadowvale's availability worsened, increasing by 47% to 805,000 sf, driven by its Class A space.

Approximately 161,000 sf of space is expected to come to market next quarter. The largest availability will be a 93,000-sf block at 5050 Satellite Drive, a development expected to be completed next quarter.

### Leasing Activity

Leasing activity rose marginally in the third quarter of 2019 to 600,000 sf from 586,000 sf last quarter. The Airport submarket's Class A leasing increase of 105,000 sf this quarter was partially offset by a 54,000-sf decrease in Hurontario's Class C leasing.

Notable transactions this quarter included Samuel, Son & Co. Ltd.'s 55,000-sf lease at 1900 Ironoak Way, Industrial Alliance's 45,000-sf lease at 1415 Joshuas Creek Drive East, Aramark Canada Ltd.'s 44,000-sf lease at 5150 Spectrum Way and Walker Industries' 37,000-sf lease at 603 Michigan Drive.

### Sublease Availability

Sublease availability experienced a slight decrease in the third quarter of 2019, falling to 586,000 sf from 620,000 sf. This can be attributed to a 40,000-sf decline in Class A availability in the Airport submarket.

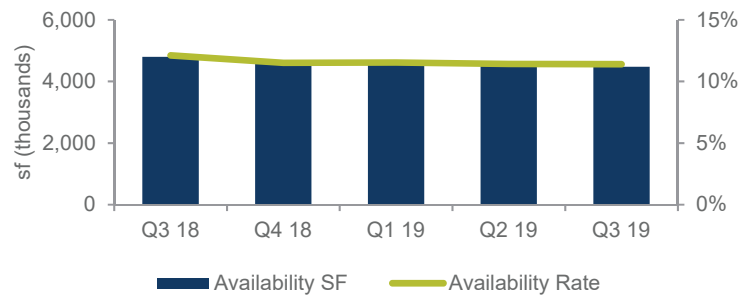
Sublease availability rose in the third quarter of 2019 to 586,000 sf from the 12-year quarterly low of 396,000 sf a year ago. This is lower than the 5-year quarterly average of 767,000 sf. Next quarter, since a low amount of sublet space is expected to return to market availability may decrease slightly.

### Absorption

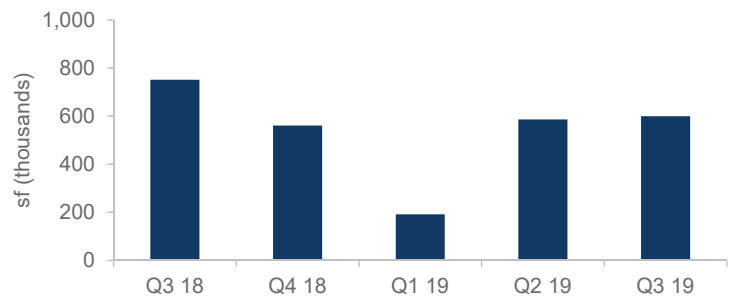
GTA West absorption declined to negative 260,000 sf from 24,000 sf in the previous quarter. This was driven by a decrease in Class A absorption of 329,000 sf in the Meadowvale submarket.

Class A absorption was weak across most of the GTA submarkets in 2019, resulting in year-to-date overall absorption of negative 353,000 sf. The 3-quarter average this year of negative 118,000 sf is well below the 5-year quarterly average of 50,000 sf. Absorption is likely to remain low in the coming quarter.

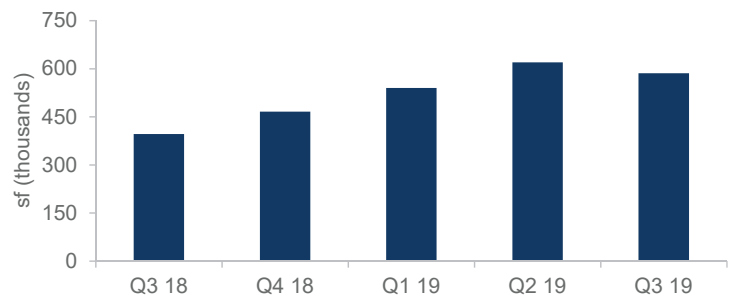
Availability All Classes



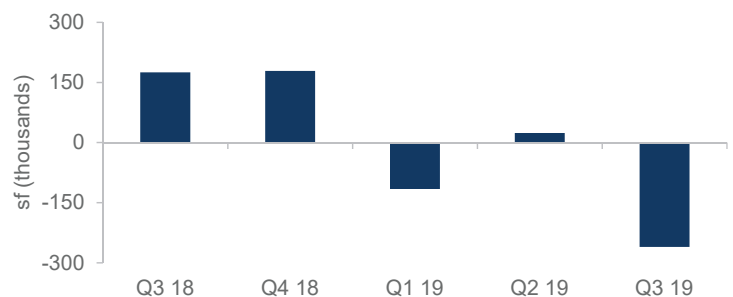
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



# MARKETBEAT

## Greater Toronto Area, ON

Office Q3 2019



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	35,262,958	218,857	828,226	3.0%	-31,111	-250,915	1,247,280	2,063,000	\$68.40	\$71.90
Downtown Fringe	38,294,943	183,108	350,925	1.4%	-48,587	229,625	1,142,842	5,887,279	\$53.13	\$57.02
<b>Downtown</b>	<b>73,557,901</b>	<b>401,965</b>	<b>1,179,151</b>	<b>2.1%</b>	<b>-79,698</b>	<b>-21,290</b>	<b>2,390,122</b>	<b>7,950,279</b>	<b>\$60.45</b>	<b>\$65.30</b>
Midtown	16,108,884	91,284	304,807	2.5%	-70,710	-155,995	400,709	0	\$48.31	\$54.18
<b>CENTRAL AREA</b>	<b>89,666,785</b>	<b>493,249</b>	<b>1,483,958</b>	<b>2.2%</b>	<b>-150,408</b>	<b>-177,285</b>	<b>2,790,831</b>	<b>7,950,279</b>	<b>\$58.29</b>	<b>\$63.83</b>
GTA East	32,225,615	783,220	2,453,855	10.0%	-382,440	-438,353	799,440	0	\$30.78	\$34.25
GTA North	15,137,016	44,733	899,984	6.2%	147,245	27,898	726,905	96,500	\$37.31	\$38.71
GTA West	39,263,059	585,675	3,888,958	11.4%	-260,363	-352,672	1,377,713	586,052	\$31.56	\$33.32
<b>SUBURBAN AREA</b>	<b>86,625,690</b>	<b>1,413,628</b>	<b>7,242,797</b>	<b>10.0%</b>	<b>-495,558</b>	<b>-763,127</b>	<b>2,904,058</b>	<b>682,552</b>	<b>\$32.20</b>	<b>\$34.68</b>
<b>GTA TOTALS</b>	<b>176,292,475</b>	<b>1,906,877</b>	<b>8,726,755</b>	<b>6.0%</b>	<b>-645,966</b>	<b>-940,412</b>	<b>5,694,889</b>	<b>8,632,831</b>	<b>\$45.61</b>	<b>\$50.72</b>

\*Rental rates reflect gross asking \$psf/year

\*\* Leasing activity excludes renewals

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
25 Ontario Street	106,000	Spaces	Lease	Downtown East
25 Sheppard Avenue West	103,000	Financial Services Regulatory Authority of Ontario	Lease	Yonge & Hwy 401
99 Atlantic Avenue	55,000	Achievers	Lease	King West
33 Yonge Street	55,000	Clearbanc	Lease	Financial Core
1900 Ironoak Way	55,000	Samuel, Son & Co. Ltd.	Lease	Oakville
1415 Joshuas Creek Drive East	45,000	Industrial Alliance	Lease	Oakville
5150 Spectrum Way	44,000	Aramark Canada Ltd.	Lease	Airport Corporate Centre
123 Commerce Valley Drive East	27,000	T & T Properties Ltd.	Lease	Hwy 404 / 407
155 Wellington Street West	26,000	Export Development Canada	Lease	Downtown West

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Atrium on Bay	1,079,870	H & R REIT / TD Greystone Asset Management & KingSett Capital	\$640,000,000 / \$593	Downtown North
1045, 1075 & 1155 North Service Road West	185,340	Quadreal Property Group / Crown Realty Partners	\$30,000,000 / \$162	Oakville
30 Eglinton Avenue West	164,731	KingSett Capital / Crown Realty Partners & Plaza Partners	\$70,900,000 / \$430	Hurontario
226 & 228 Wyecroft Road	110,000	Tim Hortons / Nicola Wealth Real Estate	\$31,000,000 / \$283	Oakville
302 Bay Street	55,479	Bank of Montreal / Campus Living Centres	\$41,184,000 / \$742	Financial Core

Source: RealNet Canada Inc.



## Key Construction Completions 2019

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
620 King Street West, Toronto	Downtown West	Shopify	Q2 2019	268,217 (100%)
80 Atlantic Avenue, Toronto	King West	Universal Music	Q1 2019	87,477 (100%)
3455 North Service Road – Building A, Burlington	Burlington	Tandia	Q1 2019	43,189 (50%)

## Key Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
81 Bay Street, Toronto	Downtown South	CIBC	Q4 2020	1,510,593 (100%)
160 Front Street West, Toronto	Financial Core	TD Bank Financial Group	Q3 2022	1,255,000 (100%)
The Well: 8 Spadina Avenue, 460 Front Street West & TBD, Toronto	Downtown West	Shopify	Q2 2022	1,067,000 (TBD)
16 York Street, Toronto	Downtown South	First National Financial LP	Q2 2020	886,159 (58%)
Bay Adelaide Centre North: 40 Temperance Street, Toronto	Financial Core	Scotiabank	Q3 2022	820,000 (77%)
100 Queens Quay East, Toronto	Downtown South	LCBO	Q1 2021	700,000 (48%)
25 Ontario Street, Toronto	Downtown East	Think Research	Q2 2021	451,779 (19%)
65 King Street East, Toronto	Downtown East	Speculative	Q2 2021	413,071 (100%)
125-155 Queens Quay East, Toronto	Downtown South	WPP Plc	Q1 2021	409,600 (69%)
500 Lake Shore Boulevard, Toronto	King West	Loblaws Companies Limited	Q4 2019	160,989 (100%)
19 Duncan Street, Toronto	Downtown West	Thomson Reuters	Q1 2021	146,515 (100%)
99 Atlantic Avenue, Toronto	King West	Speculative	Q1 2020	139,553 (72%)
360 Oakville Place Drive, Oakville	Oakville	Speculative	Q3 2020	139,132 (61%)
5050 Satellite Drive, Mississauga	Airport Corporate Centre	ERCO Worldwide Ltd.	Q4 2019	129,728 (28%)
171 East Liberty Street, Toronto	King West	WeWork	Q3 2021	125,900 (56%)
529 Michigan Drive, Oakville	Oakville	Speculative	Q1 2020	101,032 (0%)
6220 Highway 7 West, Vaughan	Vaughan	Speculative	Q1 2020	95,500 (0%)

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