

# MARKETBEAT

## Greater Toronto Area, ON

Office Q4 2018



### GREATER TORONTO AREA OFFICE

#### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
GTA Employment	3.4 mil	3.4 mil	▲
GTA Unemployment	6.0%	6.2%	▼
Canada Unemployment	5.7%	5.6%	■

Source: Statistics Canada

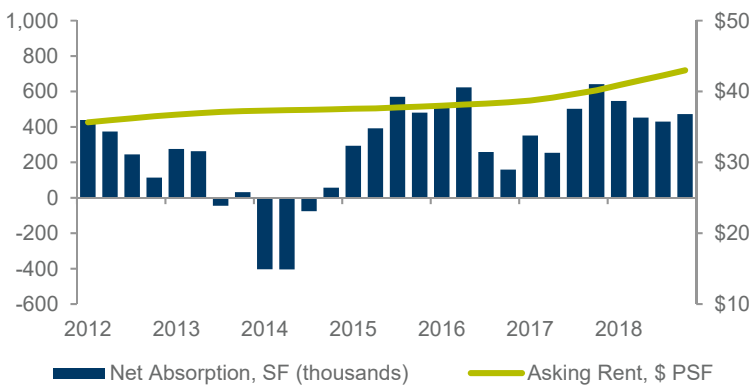
#### Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Availability Rate	7.0%	5.9%	▼
Net Absorption (sf)	522,856	692,522	■
Under Construction (sf)	3,352,968	7,351,358	▲
Average Asking Rent*	\$40.76	\$43.63	▲

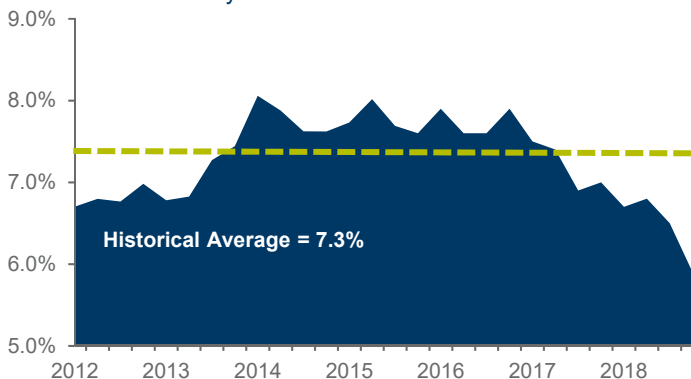
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



#### Overall Availability



### Economy

Following four years of solid growth, Ontario's economy is close to reaching capacity and GDP growth is projected to slow in 2019 to 1.9% from 2.2% in 2018. Rising domestic debt and global economic uncertainty caused the Bank of Canada to hold its benchmark rate steady at 1.75% and it is now widely expected that there will be only two, not three, hikes in 2019. Unemployment reached its lowest level in 30 years and is expected to remain tight in 2019.

(Source: RBC Economics)

### Market Overview

Downtown Toronto has become one of the tightest and fastest-growing markets in North America. Availability dipped continually to historic lows through 2018, putting the squeeze on tenant options and driving up rental rates.

Overall availability fell steadily each quarter, closing the year at an incredible low 1.9%. The lion's share of this outstanding growth took place in the fringe markets surrounding the core. However, with space options running out in the fringe, the financial core reaped the benefits and availability plummeted to a record low of 2.4%. Not surprisingly, rising rental rates was a huge part of the 2018 narrative. Occupiers considering renewal or relocation options experienced sticker shock. Rental rates in downtown Class A buildings skyrocketed by an average 16.7% through the year – the biggest annual increase in almost 20 years.

In the suburbs, GTA West pulled an about-face in 2018. Buoyed by sustained demand each quarter, annual growth reached a 11-year high of 871,000 square feet (sf) while availability plunged to a five-year low of 11.5%. GTA East, on the other hand, continued to post moderate results. Quarterly absorption reached a two-year high of 273,000 sf and availability settled at 9.6%. Meanwhile, availability in GTA North nudged down to 6.9% from 7.0% quarter-over-quarter.

### Outlook

While three new developments – 80 Atlantic Avenue, 620 King Street West, and 500 Lakeshore Boulevard West – are set to open their doors in 2019, adding close to 500,000 sf to the downtown inventory, most of this space has been preleased. Little relief is expected until 2021. Bolstered by lower-than-expected interest rates and an exploding tech sector, domestic and international companies will be seeking space that is virtually nonexistent through 2019. In such tight conditions, rising rental rates will remain a stark reality for tenants on the street. Mitigating factors could be the ongoing trade war and reduced Chinese and EU trade.

### Availability

The Financial Core's overall availability rate tightened in the fourth quarter of 2018, falling to a record low of 2.4% from 3.1% last quarter. This was mainly driven by Class B availability, which fell by 164,000 sf to 427,000 sf.

An additional 677,000 sf of availability is expected to return to market over the next two quarters. This includes a block of over 100,000 sf at Royal Bank Plaza, North Tower. Also, Scotiabank is expected to vacate a total of 75,000 sf at 20 Queen Street West.

### Leasing Activity

Annual leasing exceeded 3 million square feet (msf) in both 2016 and 2017, buoyed by high leasing levels within several newly completed office towers. Although no new supply was added in 2018, total leasing was still strong at 2.5 msf.

Cassels Brock & Blackwell LLP leased 107,000 sf at Bay Adelaide Centre North. Chartered Professional Accountants of Ontario leased approximately 66,000 sf at 130 King Street West. A notable renewal was CIBC World Market Inc.'s 266,000-sf deal at 161 Bay Street.

### Sublease Availability

Sublet availability decreased in the fourth quarter of 2018 to 207,000 sf from 244,000 sf last quarter. This drop in availability was driven by Class B space, which decreased by 46,000 sf to 38,000 sf over the quarter.

Over the next two quarters, new sublet availability is expected to increase by about 94,000 sf. The largest availability arriving will be State Street Trust Company Canada's 26,000-sf premises at 30 Adelaide Street East.

### Absorption

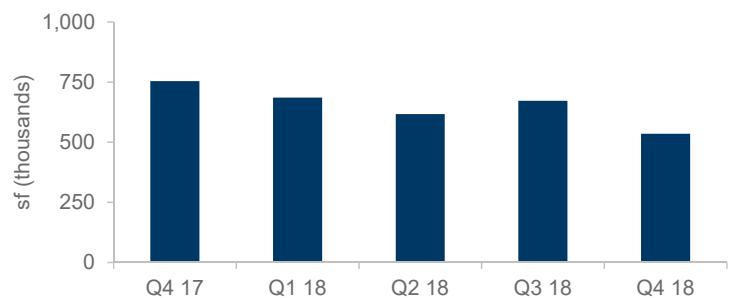
Overall absorption was modest in the fourth quarter of 2018, falling to 48,000 sf from 159,000 sf last quarter. As a result, 2018 absorption of 481,000 sf was the lowest annual total of the past 3 years.

Looking ahead, absorption in 2019 is likely to continue being moderate, constrained in part by declining availability. No spike in absorption is expected as there are no office buildings scheduled for completion this year. Absorption will come from tenants occupying space in the Financial Core's existing buildings.

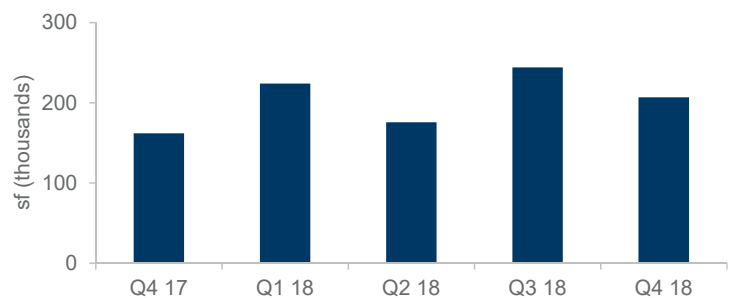
Availability All Classes



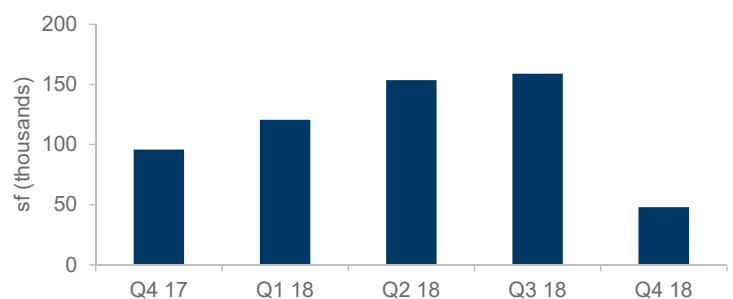
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



## Availability

Overall availability fell marginally in the fourth quarter of 2018 to 1.4%, driven by a 67,000-sf decrease in Class A space. Available space has decreased by 73% or almost 1.5 msf since the first quarter of 2014. Downtown South is the Fringe's tightest submarket with an overall availability rate of 0.9%.

An additional 140,000 sf of availability is expected to come to market over the next two quarters, with most spaces being under 5,000 sf. The largest available block will be 23,000 sf at 200 Wellington Street West to be vacated by the City of Toronto.

## Leasing Activity

Leasing activity rose in the fourth quarter of 2018 to 475,000 sf from 371,000 sf last quarter, driven by activity in Class A. This included leasing of 68,500 sf at 410 Bathurst Street, which was completed in the quarter.

Notable deals this quarter included the HSBC Bank Canada 110,000-sf deal at 16 York Street, Think Research Corporation 88,000-sf deal at 25 Ontario Street and WeWork's 67,000-sf deal at 171 East Liberty Street. All of these deals are within buildings under construction, highlighting the strong demand for space.

## Sublease Availability

Overall sublet availability was basically flat over the fourth quarter of 2018 at 163,000 sf. This can be attributed to an increase in Class B sublet availability, which offset decreases in the other classes.

Over the first half of 2019, sublet availability will likely tighten, with only an additional 26,000 sf of space expected to come to market. The largest block of sublet space arriving will be 14,000 sf at 155 Wellington Street West.

## Absorption

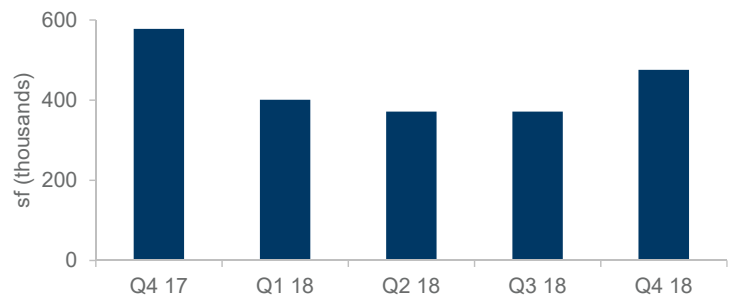
King West, which contains the desirable Liberty Village area, had absorption in the fourth quarter of 2018 of 89,000 sf, the highest of the Downtown Fringe's submarkets. This helped to keep the Fringe's overall absorption marginally positive at 67,000 sf.

The decline in the Downtown Fringe's availability contributed to the lower absorption levels experienced in 2018. Absorption is expected to rise in 2019 as several office buildings, each with a high level of leasing, are scheduled for completion.

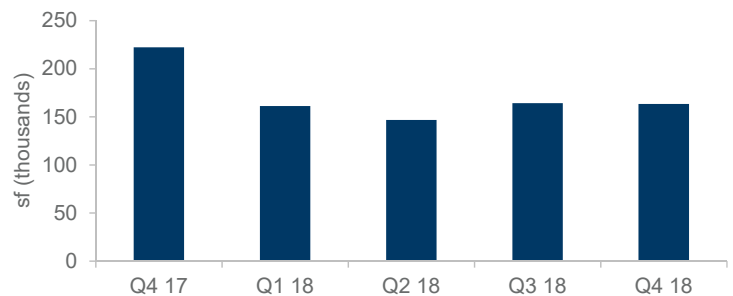
Availability All Classes



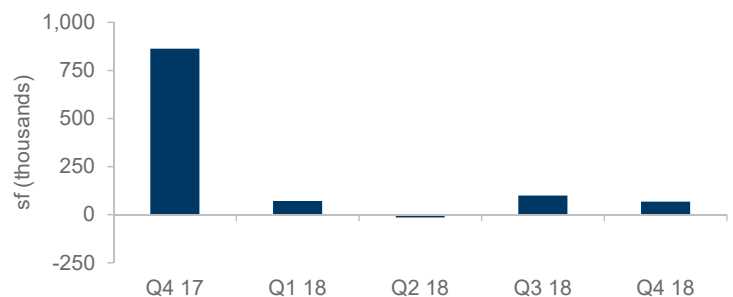
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

Midtown's availability rate decreased to 2.3% from 3.2% quarter-over-quarter, driven by a 77,000-sf decrease in Class A space in the Bloor submarket. This historic level is the lowest achieved in over 30 years. The Eglinton submarket experienced the largest drop in overall availability, falling to 4.2% from 3.2% last quarter.

Almost 160,000 sf of space is expected to return to market over the next three quarters. The majority of the availabilities are below 10,000 sf, with the largest being a 32,000-sf block to be vacated by Dialog at 2 Bloor Street East.

### Leasing Activity

Leasing activity this quarter jumped to 307,000 sf from 162,000 sf last quarter. This was driven by an increase in Class A leasing of 122,000 sf in the Bloor submarket. This quarter's total leasing is at least 50% greater than the average quarterly leasing experienced over the last three years.

Notable transactions in the fourth quarter of 2018 included UBER's 78,000-sf deal at 121 Bloor Street East and Alterna Savings' 17,000-sf deal at 2 Bloor Street East.

### Sublease Availability

Sublet availability was essentially flat over the quarter rising slightly to 49,000 sf from 47,000 sf last quarter. Sublet levels continued to remain low over 2018, at just over 50% of the 3-year quarterly average of 91,000 sf. The majority of sublet space is in the Bloor submarket, which accounts for over 70% of all sublet space in Midtown.

Over the next two quarters, a low amount of sublet space is being tracked to become available. As a result, sublet availability is expected to remain low over the next few quarters.

### Absorption

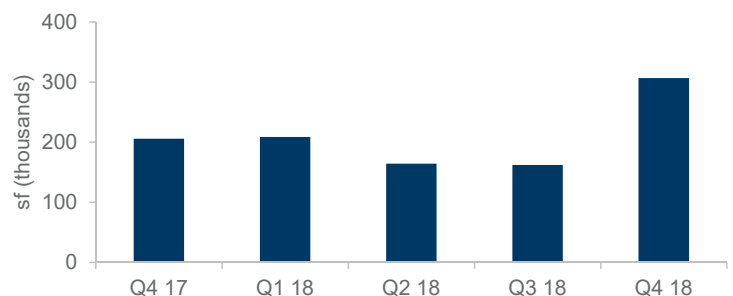
Midtown's overall absorption increased in the fourth quarter of 2018 to 147,000 sf from negative 62,000 sf last quarter. The recovery occurred in all three submarkets, with positive quarterly results in all. The total absorption in 2018 was 173,000 sf, Midtown's highest annual amount since 2011.

Midtown continues to experience large swings in quarterly absorption as shown once again by this quarter's result. Average quarterly absorption over the last two years has risen to over 40,000 sf compared to the 5-year quarterly average of 15,000 sf.

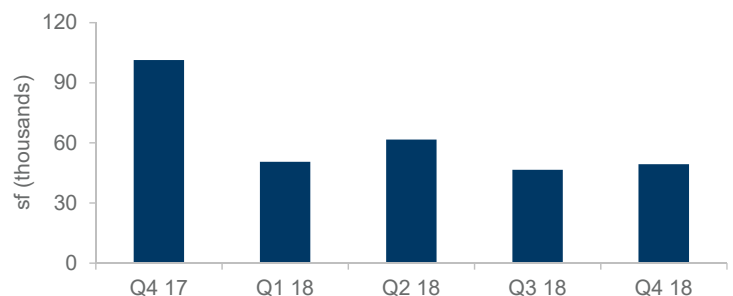
Availability All Classes



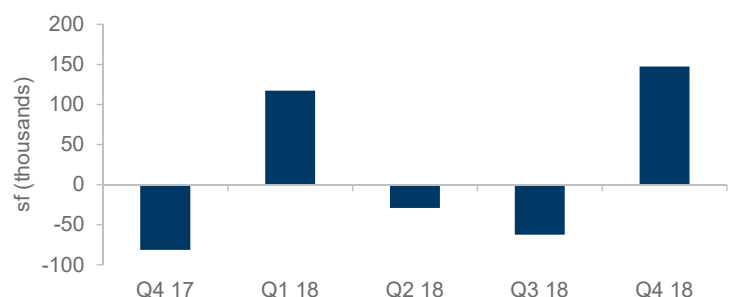
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The GTA East overall availability rate decreased in the fourth quarter of 2018 to 9.6% from 10.6% last quarter. This was due to both Markham submarkets along Hwy 404, each of which saw a decrease in availability of at least 180,000 sf this quarter.

Approximately 127,000 sf of space is expected to return over the next quarter. This includes the 32,000-sf block at 2005 Sheppard Avenue East, half of which is expected to be vacated by Great-West Life Assurance Company.

### Leasing Activity

Leasing activity increased in the fourth quarter of 2018 to 592,000 sf from 410,000 sf last quarter. This increase was primarily due to Class B leasing activity, which rose by 117,000 sf in the quarter.

Significant transactions completed in the fourth quarter of 2018 were AMD Technologies Inc.'s 65,000-sf lease at 33 Commerce Valley Drive East and Bank of China's 22,000-sf deal at 50 Minthorn Boulevard.

### Sublease Availability

Sublet availability decreased this quarter to 492,000 sf from 527,000 sf last quarter. This was driven by the Duncan Mill submarket's sublet space decrease of 20,000 sf during the quarter. Although sublet availability fluctuated over 2018, its current level is about 25% higher than the 3-year quarterly average of 398,000 sf.

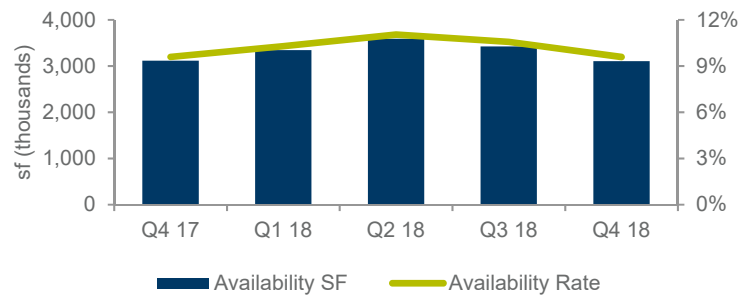
A low amount of sublet space is being tracked to become available over the next quarter, with the largest block being Longview Solution Inc.'s 24,000-sf sublet at 65 Allstate Parkway.

### Absorption

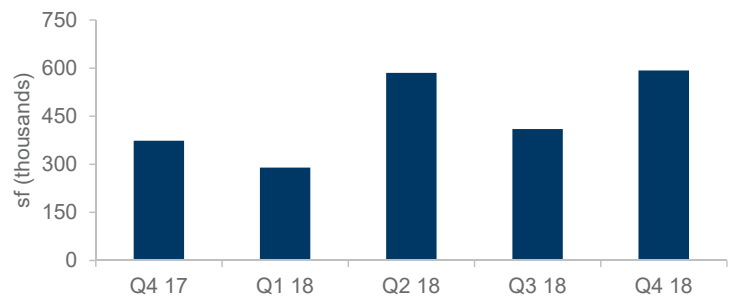
GTA East's overall absorption continued to remain in positive territory in the fourth quarter of 2018, countering the weak results of the first half of the year. Absorption increased this quarter to 273,000 sf from 150,000 sf last quarter. This can be attributed to an increase in the Steeles & Hwy 404 submarket's Class B absorption of 148,000 sf in the fourth quarter.

The overall annual absorption total for 2018 decreased to 134,000 sf from 148,000 sf last year. This is still an improvement over the 5-year annual average absorption of 38,000 sf.

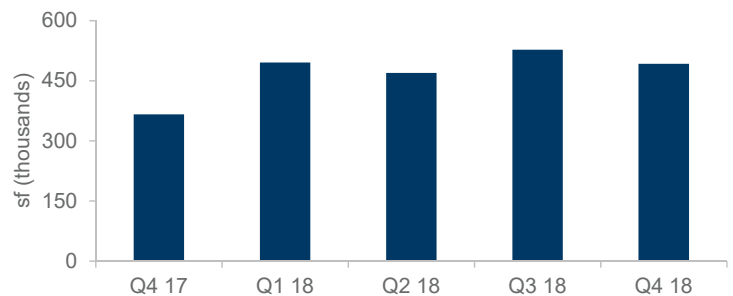
Availability All Classes



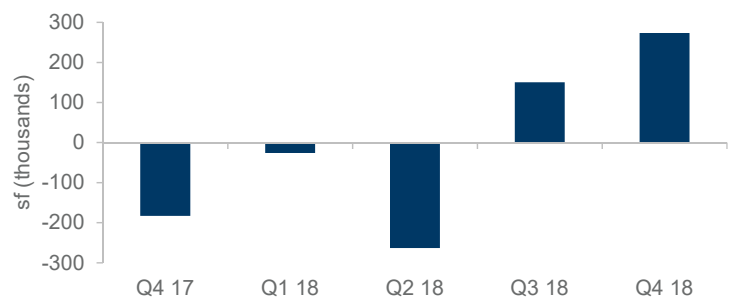
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The GTA North overall availability rate slightly decreased in the fourth quarter of 2018 to 6.9% from 7.0% last quarter. This was driven by the North Yonge Corridor submarket's overall availability decrease of 88,000 sf.

Approximately 120,000 sf of space is expected to return over the next quarter. This includes 19,000 sf at 4711 Yonge Street, of which 10,000 sf is expected to be vacated by GL Smith Planning & Design Inc.

### Leasing Activity

Leasing activity decreased in the fourth quarter of 2018 to 179,000 sf from 334,000 sf last quarter. This was mainly due to the Vaughan submarket Class A leasing falling by 62,000 sf quarter-over-quarter.

Significant transactions completed in the fourth quarter of 2018 included DUCA Credit Union's 32,000-sf lease at 5255 Yonge Street and Mosaic Transit Construction General Partnership's 23,000-sf deal at 25 Sheppard Avenue West.

### Sublease Availability

Overall sublet availability decreased to 88,000 sf from 141,000 sf quarter-over-quarter, driven by a 50,000-sf decrease in the North Yonge Corridor's Class A sublet space. The quarter's sublet availability is 68% of the 3-year quarterly average of 130,000 sf.

A very low amount of sublet space is being tracked to become available in the next several quarters, with the largest block Freedom Lending's 3,000-sf sublet at 9135 Keele St. As a result, overall sublet availability will likely continue to remain low in 2019.

### Absorption

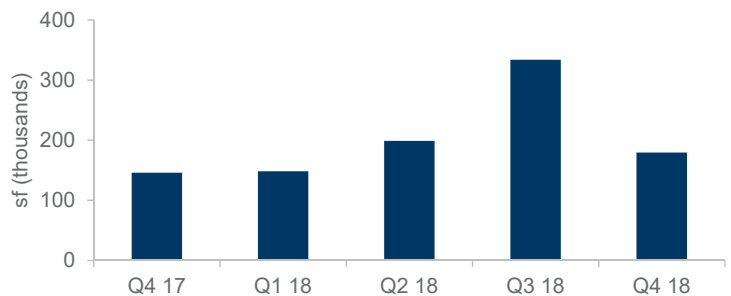
GTA North absorption decreased in the fourth quarter of 2018 to negative 22,000 sf from 126,000 sf last quarter. This was mainly due to drop of Class A absorption in the Vaughan submarket by 65,000 sf.

Vaughan's 90,000-sf development at 6220 Highway 7 West, GTA North's next new building, is not expected to drive up absorption in 2019 since the entire building is currently available for lease. Absorption is expected to remain low in the coming quarters.

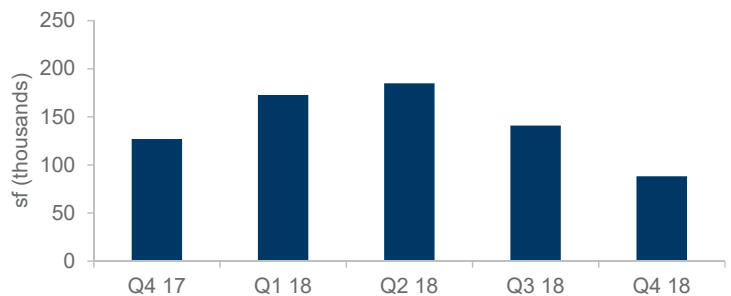
Availability All Classes



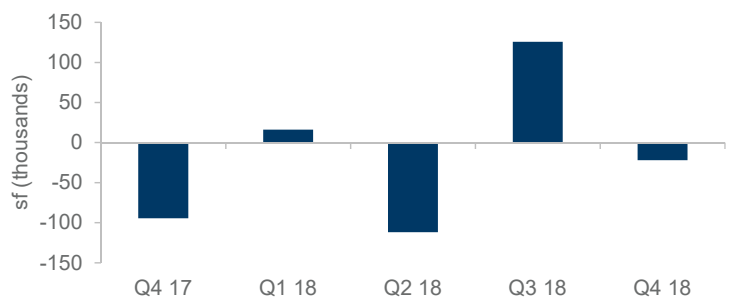
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The overall availability rate fell in the fourth quarter of 2018 to a 5-year low of 11.5% from 12.1% in the previous quarter. The drop was driven by Class A space in the Airport Corporate Centre submarket, which experienced a decline of 82,000 sf.

Approximately 587,000 sf of space is expected to become available in the first half of 2019. This includes 139,000 sf at 360 Oakville Place and 93,000 sf at 5050 Satellite Drive, two new developments nearing completion.

### Leasing Activity

Leasing activity fell to 561,000 sf from 751,000 sf quarter-over-quarter, primarily due to a decline in Class A space. The Meadowvale submarket experienced the largest decline this quarter falling to 36,000 sf from 192,000 sf.

Significant deals this quarter included Primus Management ULC's 26,000-sf deal at 2680 Skymark Avenue, Mad Engine LLC's 15,000-sf deal at 30 International Boulevard and Carlson Wagonlit Travel's 14,000-sf deal at 2425 Matheson Boulevard East.

### Sublease Availability

Sublease activity increased in the fourth quarter of 2018 to 466,000 sf from 396,000 sf last quarter. This increase was driven by a 49,000-sf increase of Class A sublet space in the Airport Corporate Centre submarket. In 2018, sublet space has fallen by 35% to 40% from its 5-year quarterly average.

Over the next two quarters only a small amount of sublet space is scheduled to become available. The largest total availability will be 16,000 sf of sublet space at 5750 Explorer Drive.

### Absorption

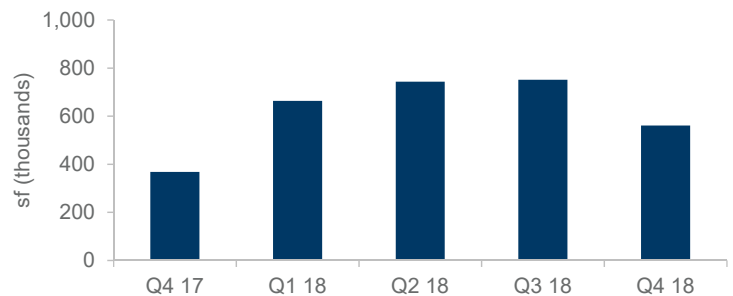
Overall absorption was relatively flat this quarter, up by just 4,000 sf. An increase in Class C was offset by a decrease in Class A. The annual absorption for 2018 of 871,000 sf was an 11-year high, driven by absorption from new supply in the second quarter.

Looking ahead, it is unlikely that there will be an absorption boost in 2019 as leasing is low in the upcoming new developments. Along with a steady supply of availability coming to market from existing buildings, absorption is likely to be more moderate over the next several quarters.

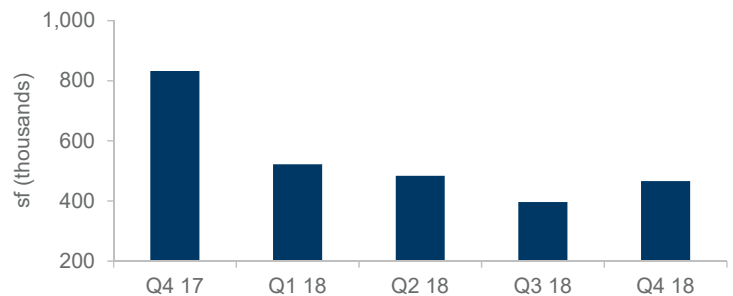
Availability All Classes



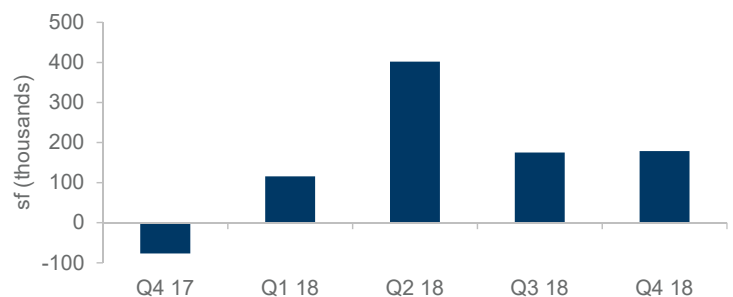
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



# MARKETBEAT

## Greater Toronto Area, ON

Office Q4 2018



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	35,505,151	206,823	648,185	2.4%	47,860	480,786	2,508,815	820,000	\$63.03	\$66.31
Downtown Fringe	38,115,292	163,362	377,636	1.4%	67,366	222,790	1,618,911	6,172,498	\$51.41	\$55.98
<b>Downtown</b>	<b>73,620,443</b>	<b>370,185</b>	<b>1,025,821</b>	<b>1.9%</b>	<b>115,226</b>	<b>703,576</b>	<b>4,127,726</b>	<b>6,992,498</b>	<b>\$57.01</b>	<b>\$61.80</b>
Midtown	16,197,605	49,304	328,331	2.3%	147,319	172,898	841,523	0	\$46.11	\$51.62
<b>CENTRAL AREA</b>	<b>89,818,048</b>	<b>419,489</b>	<b>1,354,152</b>	<b>2.0%</b>	<b>262,545</b>	<b>876,474</b>	<b>4,969,249</b>	<b>6,992,498</b>	<b>\$55.06</b>	<b>\$60.44</b>
GTA East	32,382,567	492,194	2,612,501	9.6%	273,462	134,457	1,876,244	0	\$30.21	\$33.67
GTA North	15,137,016	88,185	957,789	6.9%	-22,112	7,524	860,172	90,000	\$37.06	\$38.44
GTA West	39,633,441	466,054	4,098,757	11.5%	178,627	871,191	2,717,780	268,860	\$30.77	\$32.70
<b>SUBURBAN AREA</b>	<b>87,153,024</b>	<b>1,046,433</b>	<b>7,669,047</b>	<b>10.0%</b>	<b>429,977</b>	<b>1,013,172</b>	<b>5,454,196</b>	<b>358,860</b>	<b>\$31.61</b>	<b>\$34.14</b>
<b>GTA TOTALS</b>	<b>177,971,072</b>	<b>1,465,922</b>	<b>9,023,199</b>	<b>5.9%</b>	<b>692,522</b>	<b>1,889,646</b>	<b>10,423,445</b>	<b>7,351,358</b>	<b>\$43.63</b>	<b>\$48.61</b>

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

\*\* Leasing activity excludes renewals

### Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
16 York Street	110,000	HSBC Bank of Canada	Lease	Downtown South
40 Temperance Street	107,000	Cassels Brock & Blackwell LLP	Lease	Financial Core
25 Ontario Street	88,000	Think Research Corporation	Lease	Downtown East
121 Bloor Street East	78,000	UBER	Lease	Bloor & Yonge
171 East Liberty Street	67,000	WeWork	Lease	King West
33 Commerce Valley Drive	65,000	AMD Technologies Inc.	Lease	Hwy 404 / 407
5255 Yonge Street	32,000	DUCA Credit Union	Lease	Yonge & Hwy 401
2680 Skymark Avenue	26,000	Primus Management ULC	Lease	Airport Corporate Centre

### Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Queens Quay Terminal	494,901	Brookfield Properties / Northam Realty Advisors Limited	\$261,000,000 / \$527	Downtown South
Oakville Corporate Centre	315,727	Morguard Investments Limited / Soneil Investments	\$54,150,000 / \$172	Oakville
1235, 1275 North Service Road West	144,000	Quadreal Property Group / Wafra Inc.	\$33,560,000 / \$233	Oakville
337 Magna Drive	121,100	Magna International inc. / 2561386 Ontario Inc.	\$60,000,000 / \$495	Aurora
1243 Islington Avenue	111,370	Canderel and KingSett Capital / Montez Corporation	\$40,431,085 / \$363	Bloor & Islington

Source: RealNet Canada Inc.



## MARKETBEAT

# Greater Toronto Area, ON

Office Q4 2018



### Key Construction Completions 2018

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
8 Prologis Boulevard, Mississauga	Hurontario Corridor	Royal & Sun Alliance Insurance Company of Canada	Q2 2018	210,500 (81%)
410 Bathurst Street, Toronto	King West	University Health Network	Q4 2018	138,500 (100%)
1415 Joshuas Creek Drive East, Oakville	Oakville	Weight Watchers Canada Ltd.	Q2 2018	89,600 (24%)
2 International Boulevard, Etobicoke	Airport Fringe	Speculative	Q2 2018	74,756 (25%)
5 Via Renzo Drive, Richmond Hill	Hwy 404 & Hwy 7	n/a	Q3 2018	60,000 (75%)
555 Michigan Drive, Oakville	Oakville	n/a	Q4 2018	30,600 (51%)

### Key Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
81 Bay Street, Toronto	Downtown South	CIBC	Q4 2020	1,510,592 (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	Q3 2020	886,159 (44%)
Bay Adelaide Centre North: 40 Temperance Street, Toronto	Financial Core	Scotiabank	Q3 2022	820,000 (77%)
100 Queens Quay East, Toronto	Downtown South	LCBO	Q2 2021	700,000 (33%)
65 King Street East, Toronto	Downtown East	Speculative	Q2 2021	413,071 (0%)
25 Ontario Street, Toronto	Downtown East	Think Research	Q2 2021	451,779 (19%)
125-155 Queens Quay East, Toronto	Downtown South	WPP Plc	Q3 2021	415,615 (68%)
620 King Street West, Toronto	Downtown West	Shopify	Q1 2019	268,217 (100%)
99 Atlantic Avenue, Toronto	King West	Speculative	Q1 2020	139,553 (15%)
360 Oakville Place Drive, Oakville	Oakville	Speculative	Q1 2019	139,132 (0%)
5050 Satellite Drive, Mississauga	Airport Corporate Centre	ERCO Worldwide Ltd.	Q2 2019	129,728 (28%)
6220 Highway 7 West, Vaughan	Vaughan	Speculative	Q2 2019	90,000 (0%)

Cushman & Wakefield ULC  
161 Bay Street, Suite 1500  
P.O. Box 602  
Toronto, Ontario M5J 2S1  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Juana Sue-A-Quan,  
Research Director  
Tel: +1 416 359 2621  
[juana.sueaquan@cushwake.com](mailto:juana.sueaquan@cushwake.com)

#### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.