

## GREATER TORONTO AREA OFFICE

### Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
GTA Employment	3.2 mil	3.3 mil	▲
GTA Unemployment	7.6%	6.9%	▼
Canada Unemployment	6.9%	6.6%	▼

Source: Statistics Canada

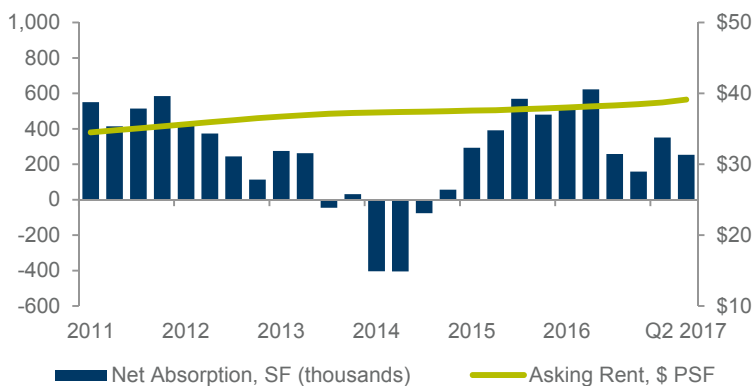
### Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Availability Rate	7.6%	7.4%	▲
Net Absorption (sf)	901,443	510,477	▼
Under Construction (sf)	3,684,007	3,429,137	▼
Average Asking Rent*	\$38.39	\$40.00	■

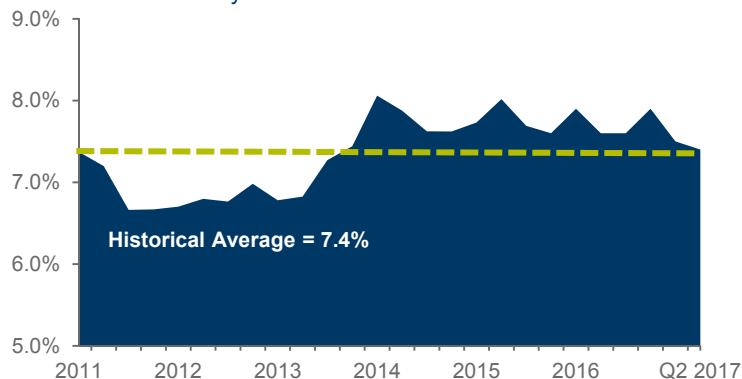
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Availability



## Economy

Gains in private sector full-time jobs pushed Ontario's unemployment rate below 6% for the first time since May 2001. Consumer confidence and the strong housing sector were key factors. Measures taken to cool the housing market are not expected to have a major impact on GDP growth, which is projected to remain unchanged at 2.7%. However, the recent 0.25% interest rate hike – the first in seven years, may be an offsetting influence (RBC Economics).

## Market Overview

Downtown Toronto's availability rate rose marginally for the first time in two years to 3.6% in the second quarter - not a game changer as the market remained extremely tight.

Although over 900,000 square feet (sf) of new office space from both new supply and availabilities in existing buildings hit the market during the quarter, continued strong absorption soaked up 364,000 sf, well above the five-year average of 195,000 sf per quarter. Much of this performance is due to tenants taking occupancy in new developments. Fringe markets, as well, remained tight. While availability in Downtown South bumped up to 2.8%, providing a bit of breathing room, it plunged in Downtown West to a 17-year low of 2.0%.

Suburban markets enjoyed moderate growth in the first half of 2017 with overall absorption holding firm in positive territory in the second quarter of 2017. Boosted by demand in Vaughan, GTA North led the way in growth this quarter with absorption reaching 56,000 sf, while GTA East saw a modest gain. Availability in GTA West fell for a second successive quarter to 14.3% as the impact of the supply shock that the market has experienced in recent years eases.

## Outlook

Downtown availability is expected to move upward in the latter half of 2017 as close to 1.1 million square feet (msf) of availability is added to the market. However, this relief will likely be short lived, given continued strong demand from the tech sector and migrating tenants. A pause in the new development boom, which facilitated Downtown's transformation over the past eight years, will also influence market conditions. Availability is expected to average a tight 3.6% through 2018 and 2019. On the Suburban front, the tide will likely turn with growth slowing in the near term as large amounts of availability impact the performance of all markets.

## Availability

The overall availability rate increased in the second quarter to 4.7% from 4.4% last quarter. This was driven by Class A availability, which rose to a nine-year high of 930,000 sf. New supply, 100 Adelaide Street West and 20 Wellington Street East, added a combined total of about 115,000 sf to availability in the Financial Core.

Availability is expected to increase by almost 723,000 sf over the next two quarters. The largest upcoming availability will be 149,000 sf at 150 King Street West.

## Leasing Activity

Leasing activity increased in the second quarter to 1.6 msf from 608,000 sf last quarter. The completion of the two new office buildings accounted for over 800,000 sf of the leasing total.

Significant deals completed in the quarter included: Norton Rose Fulbright Canada LLP's 88,000-sf lease at 222 Bay Street, Accenture Incorporated's 67,000-sf lease at 40 King Street West and HarperCollins Canada Ltd.'s 57,000-sf lease at 22 Adelaide Street West.

## Sublease Availability

Sublet availability decreased to 240,000 sf from 364,000 sf quarter-over-quarter, which is a 4-year low. Over this period, triple A sublet space has sunk to a low of 61,000 sf. It is notable that Class B sublet space has plunged to a 21-year low of 22,000 sf.

Over the next two quarters, sublet availability is expected to increase by 55,000 sf, including ecobee's 20,475-sf premises at 250 University Avenue. Thereafter, the amount of new sublet availabilities being tracked is low.

## Absorption

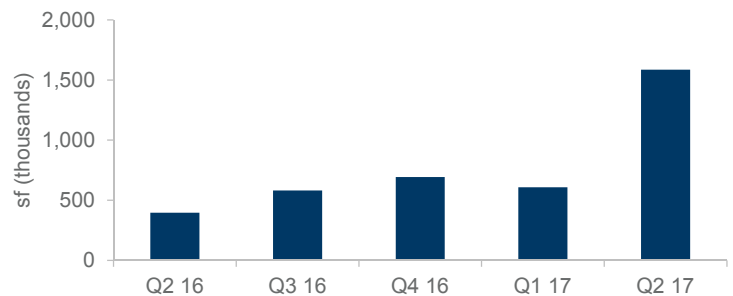
Overall absorption increased in the quarter to 337,000 sf from 233,000 sf last quarter. Although EY occupied 256,000 sf at 100 Adelaide Street West, its displaced space at 222 Bay Street became available, offsetting a portion of this large absorption.

The total absorption from tenants occupying a new building will usually extend beyond the opening date. An example is this quarter's opening of 20 Wellington Street East, which will see BDO occupying its 29,000-sf premises in Q4 2017. As a result, this absorption will be recognized in the future.

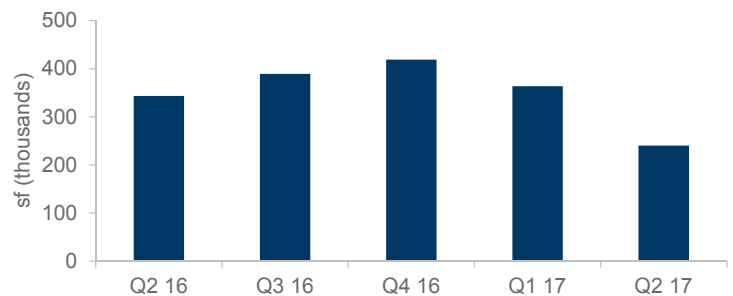
Availability All Classes



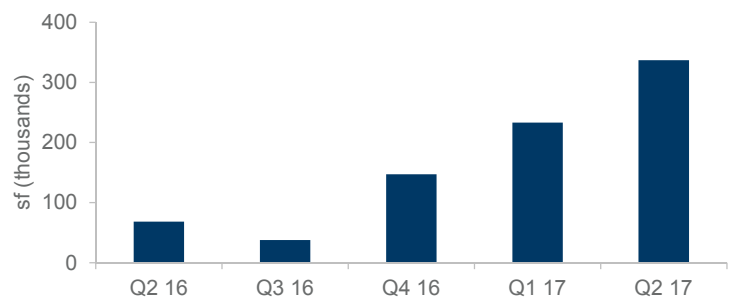
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



## Availability

The overall availability rate was relatively flat at 2.4% over the second quarter. Despite this, Downtown West market conditions tightened further with availability plunging to a 17-year low.

Availability is expected to increase by almost 380,000 sf over the next two quarters, including 51,000 sf at 80 Atlantic Avenue. Looking forward, the total size of new availabilities per quarter will begin to ease by the third quarter of 2018.

## Leasing Activity

Leasing activity decreased in the second quarter to 413,000 sf from 1.7 msf in the previous quarter. The return to a more normal level was expected this quarter, following the leasing spike in the first quarter of 2017 associated with the arrival of new supply.

CIBC will lease a total of up to 1.75 msf at CIBC Square, anchoring both 81 and 141 Bay Street. This 2.9 msf, two-tower development had its groundbreaking in the quarter. Ombudsman Ontario leased 36,000 sf at 483 Bay Street.

## Sublease Availability

Overall sublet availability increased over the quarter to 222,000 sf from 183,000 sf last quarter. Larger sublet blocks that became available in the second quarter were 53,000 sf at 18 York Street and 27,000 sf at 25 York Street.

Over the second half of the year, sublet availability is expected to increase by 81,000 sf, including PricewaterhouseCoopers LLP's 26,000-sf sublet at 18 York Street. Thereafter, the amount of new sublet availabilities being tracked is low.

## Absorption

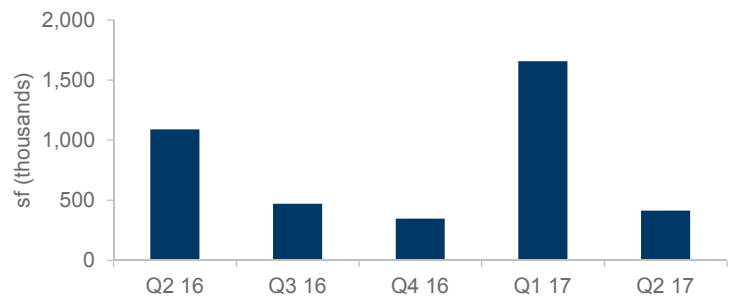
The Downtown Fringe's absorption was weak, falling to 27,000 sf from 354,000 sf quarter-over-quarter. Not a surprising result as a decline was expected following the absorption spike in the first quarter, as tenants began taking occupancy of their premises in the new buildings - 1 York Street and 351 King Street West.

Absorption is expected to rebound in the fourth quarter, as tenants continue to move into their premises in the new buildings, including Sun Life at 1 York Street. Over the next two years, absorption is expected to be moderate, driven by lower levels of occupancy from new supply. The next wave of major office towers will begin to arrive in 2020.

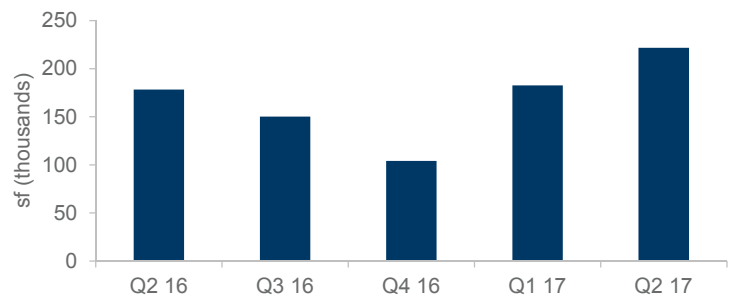
Availability All Classes



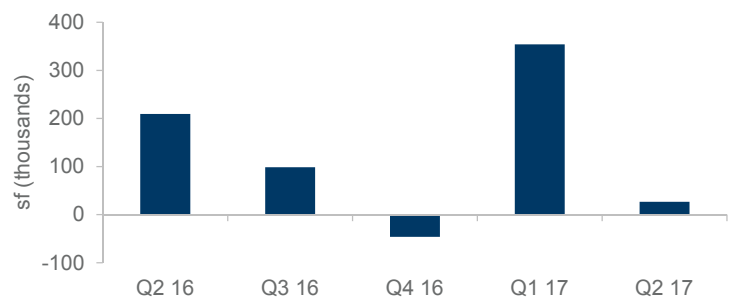
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

Midtown's availability decreased in the second quarter to 3.8% from 4.3% last quarter, driven by Class A availability, which fell to 3.1% from 4.2%. The availability rate declined for the second consecutive quarter, falling to a 27-year low.

Approximately 150,000 sf of space is expected to return to market over the next two quarters. This includes new availabilities of 17,000 sf at 55 St Clair Avenue West and 14,000 sf at 175 Bloor Street East (North Tower).

### Leasing Activity

Midtown's leasing activity in the second quarter increased to 266,000 sf from 240,000 sf last quarter. Leasing increased for the third consecutive quarter, driven by Class A leasing in the Bloor submarket, which rose by 43,000 sf.

Notable deals in the quarter included Canadian Tire Corporation's 47,000-sf lease at 20 Eglinton Avenue West in the Yonge Eglinton Centre and Jolera Inc.'s 15,000-sf transaction at 365 Bloor Street East.

### Sublease Availability

Sublet availability decreased to 56,000 sf from 109,000 sf quarter-over-quarter. The decrease was driven by Class A sublet availability in the Bloor submarket, which fell by 33,000 sf. The sublet portion of Midtown's Class A availability has fallen to a 10-year low of 5.4%.

A low amount of sublet space is being tracked to become available over the balance of 2017. Therefore, sublet availability is expected to tighten further in the second half of the year.

### Absorption

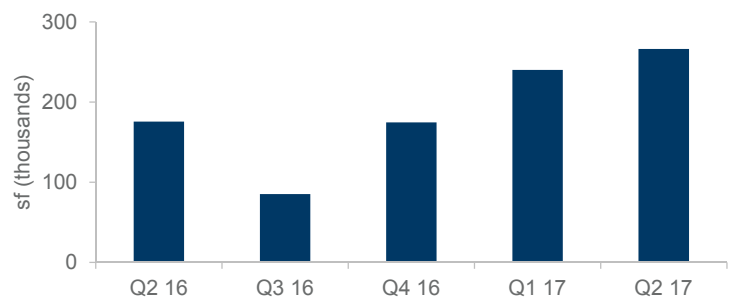
Midtown's overall absorption declined in the second quarter to 43,000 sf from 89,000 sf last quarter. This decrease can be attributed to a decline in Class B absorption which dropped by about 77,000 sf quarter-over-quarter. The Bloor and St Clair submarkets' absorption both declined by approximately 50,000 sf. This was partially offset by a gain of 55,000 sf in the Eglinton submarket.

Midtown's absorption is expected to remain moderate through the remainder of 2017, constrained by the market's low availability and a lack of new supply.

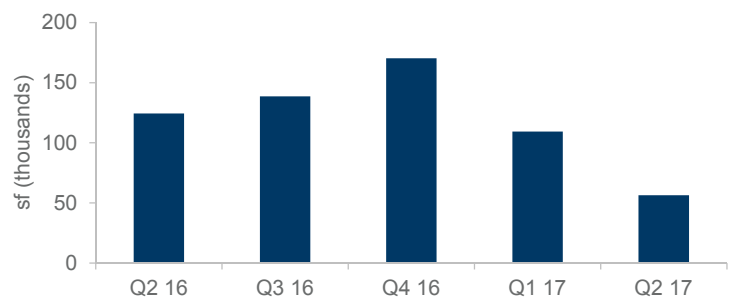
Availability All Classes



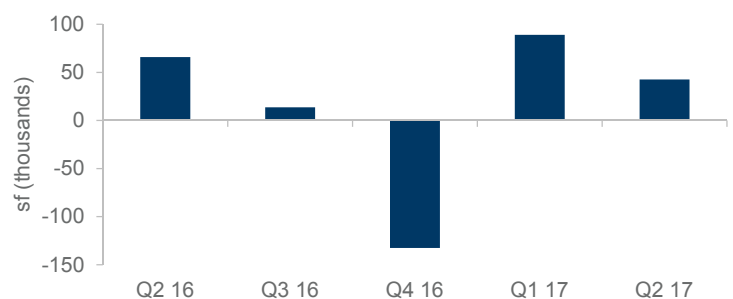
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

GTA East's overall availability rate increased slightly this quarter to 9.8% from 9.7% last quarter. This was due primarily to the Don Mills & Eglinton submarket which saw an availability increase of 44,000 sf.

Approximately 202,000 sf of space is expected to return to the GTA East market over the next quarter. This includes a 53,000-sf block at 80 Allstate Parkway and a total of 44,000 sf at 15 Gervais Drive.

### Leasing Activity

Leasing activity fell in the second quarter to 344,000 sf from 402,000 sf in the first quarter of 2017. This was primarily due to the Hwy 404 & Steeles submarket's leasing declining by 130,000 sf. This quarter's leasing activity is below the 5-year quarterly average of 391,000 sf.

Significant transactions included The Dominion of Canada General Insurance Company expansion of 22,000 sf at 8133 Warden Avenue and CH2M's renewal deal of 50,000 sf at 245 Consumers Road.

### Sublease Availability

Sublet availability has been relatively steady over the last four quarters. It rose to 321,000 sf from 310,000 sf quarter-over-quarter. The largest increase was 20,000 sf in the Scarborough submarket.

A low amount of sublet space is being tracked to become available over the next quarter, with the largest block being a 6,000-sf sublet at 105 Gordon Baker Road.

### Absorption

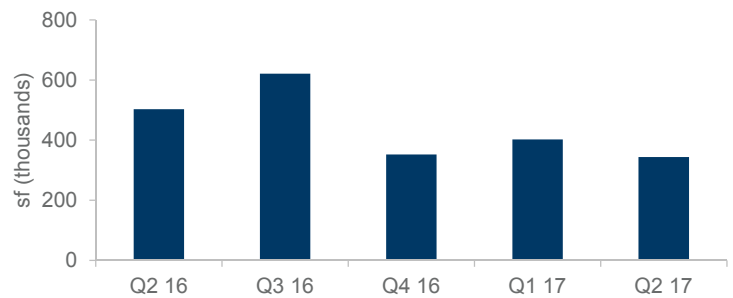
GTA East overall absorption remained positive this quarter, but fell to 8,000 sf from 95,000 sf last quarter. A positive gain of 86,000 sf in the Hwy 404 & 7 submarket was offset by negative absorption of 44,000 sf and negative 37,000 sf in the Don Mills & Eglinton and Consumers Road submarkets, respectively.

The average quarterly absorption over the last five years has been relatively low. Fluctuations, which have been the norm over the last several years, are likely to continue in the coming quarters.

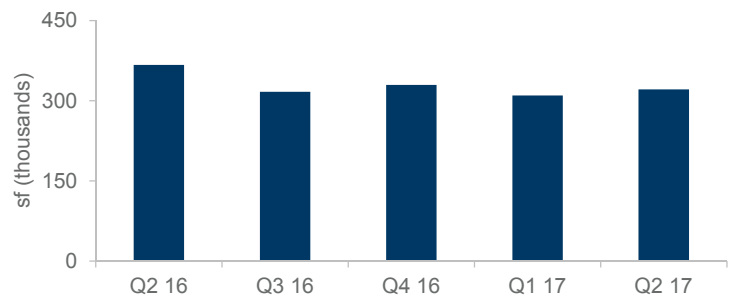
Availability All Classes



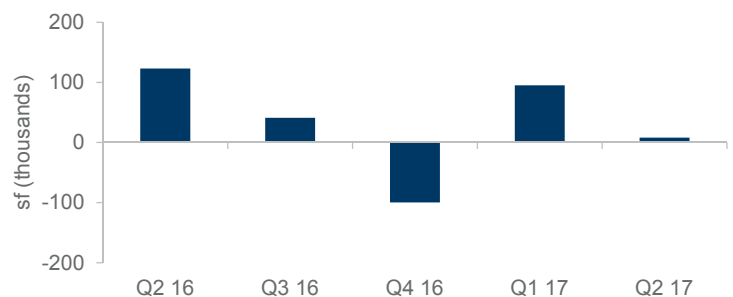
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



### Availability

The GTA North's overall availability rate in the second quarter decreased to 6.6% from 7.6% last quarter. This was driven by Class A availability decreases of 122,000 sf and 45,000 sf in the North Yonge Corridor and Vaughan submarkets, respectively. In addition, no new supply was added in this quarter.

A total of 434,000 sf of space is expected to become available in the GTA North market over the next two quarters. This includes large blocks of 78,000 sf at 4100 Yonge Street and 75,000 sf at 5255 Yonge Street.

### Leasing Activity

Leasing activity decreased in the second quarter to 160,000 sf from 212,000 sf in the first quarter. It was mainly due to Vaughan's Class A leasing falling by 85,000 sf. This quarter's leasing activity is still above the 5-year quarterly leasing average of 150,000 sf.

Significant transactions completed in the second quarter included: Factory Mutual Insurance Company's 48,000-sf deal at 100 New Park Place, and Economical Insurance Group's 25,000-sf deal at 5700 Yonge Street.

### Sublease Availability

Overall sublet availability decreased to 135,000 sf from 231,000 sf quarter-over-quarter. This was driven mainly by the North Yonge Corridor, which saw a decrease in sublet space of 82,000 sf in the quarter.

A low amount of sublet space is being tracked to become available over the next quarter, with the largest block being Krylov & Company Barristers' 18,000-sf sublet at 25 Sheppard Avenue West.

### Absorption

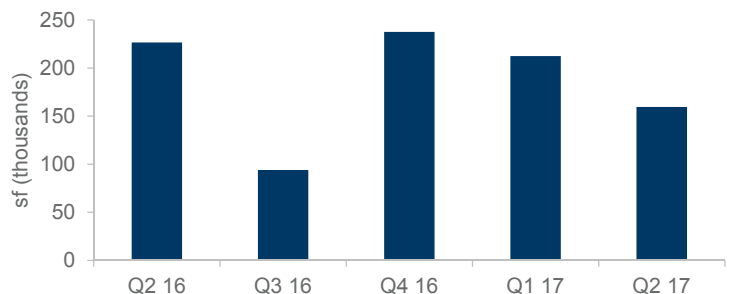
GTA North absorption increased to 56,000 sf from 24,000 sf last quarter. The second quarter increase was driven by Class B overall absorption, which was less negative by 22,000 sf.

New development activity is slowing down in the GTA North market. Typically, tenants moving into the new buildings will exert upward pressure on absorption. However, no leasing has been completed at Vaughan's development at 6260 Highway 7, which is scheduled for completion in the fourth quarter of 2017.

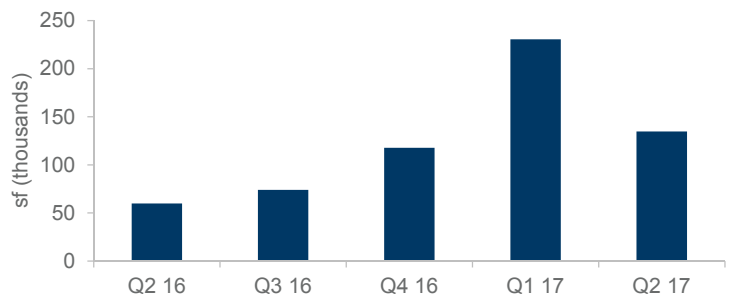
Availability All Classes



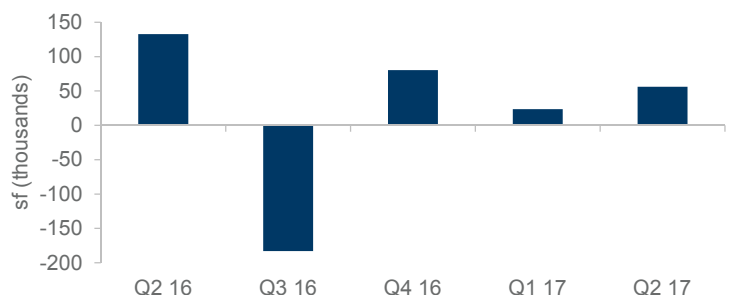
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes





### Availability

The availability rate experienced a slight decrease to 14.3% from 14.7% over the quarter. Class A space in the Airport submarket saw the largest decline with a reduction of 149,000 sf this quarter.

Although availability declined this quarter, the overall availability rate continues to remain relatively stable. Over the next two quarters, availability is expected to increase by 545,000 sf. Availabilities that are coming back to market include 59,000 sf at 2275 Upper Middle Road East and 53,000 sf at 2920 Matheson Boulevard East.

### Leasing Activity

Leasing activity increased in the second quarter of 2017 to 510,000 sf from 491,000 sf last quarter, driven by a 75,000-sf increase in Class A leasing in the Meadowvale submarket.

This quarter also saw a number of large transactions in the GTA West market. Some transactions included: PCL Construction's 60,000-sf deal at 2201 Bristol Circle and Novo Nordisk Canada Inc.'s 34,000-sf deal at 2476 Argentia Road. A notable renewal was Canada Bread Company's transaction at 10 Four Seasons Place for 58,000 sf.

### Sublease Availability

The sublease availability rate has seen a decline this quarter, dropping to 15.8% from 17.4% in the first quarter of 2017. The Airport submarket saw the biggest decrease in the second quarter with Class A sublet space dropping to 206,000 sf from 327,000 sf last quarter.

About 27,000 sf of sublet space is expected to come to market over the next quarter. The largest availability expected to come to market is Worldlynx's 15,000-sf sublet at 175 Galaxy Boulevard.

### Absorption

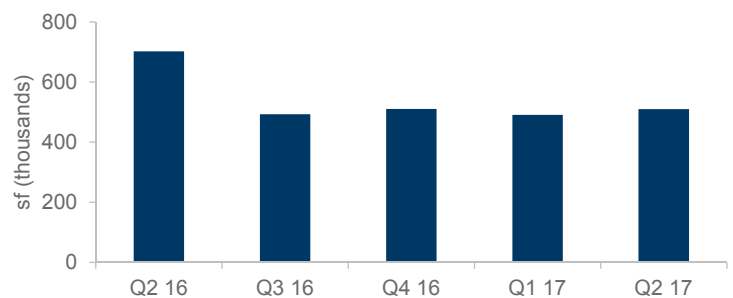
Absorption has increased this quarter to 40,000 sf from negative 2,000 sf last quarter. This can be attributed to absorption of 66,000 sf at 2201 Bristol Circle and 60,000 sf at 2476 Argentia Road.

Absorption will rise minimally when 567 Michigan Drive, a 41,000-sf development in Oakville, is completed next quarter since leasing activity has been low. GTA West's absorption is expected to be modest in the coming quarters.

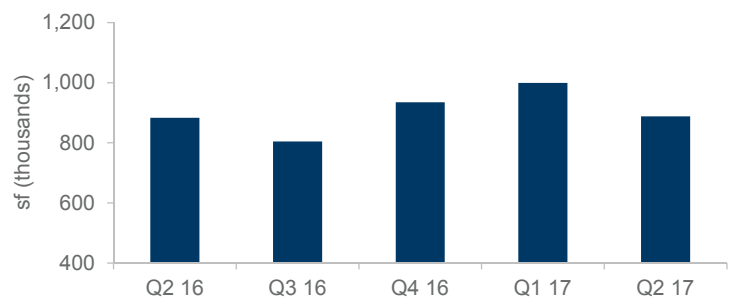
Availability All Classes



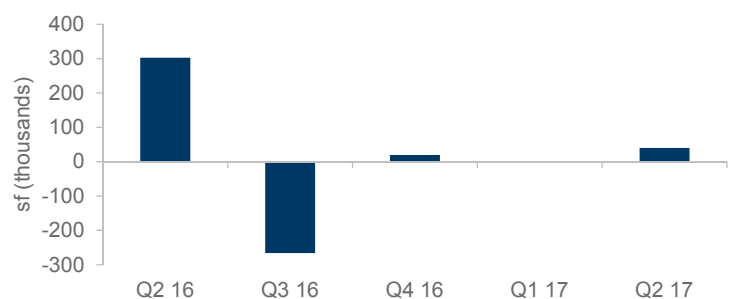
Leasing Activity All Classes



Sublease Availability All Classes



Absorption All Classes



# MARKETBEAT

## Greater Toronto Area, ON

Office Q2 2017



CELEBRATING  
**100**  
YEARS

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	36,268,316	240,287	1,473,762	4.7%	336,992	570,215	2,193,871	0	\$56.13	\$59.33
Downtown Fringe	38,216,383	221,712	711,154	2.4%	26,790	380,971	2,070,121	2,889,205	\$44.51	\$48.99
<b>Downtown</b>	<b>74,484,699</b>	<b>461,999</b>	<b>2,184,916</b>	<b>3.6%</b>	<b>363,782</b>	<b>951,186</b>	<b>4,263,992</b>	<b>2,889,205</b>	<b>\$50.17</b>	<b>\$54.82</b>
Midtown	16,486,181	56,388	570,223	3.8%	42,557	131,526	506,513	0	\$42.31	\$47.64
<b>CENTRAL AREA</b>	<b>90,970,880</b>	<b>518,387</b>	<b>2,755,139</b>	<b>3.6%</b>	<b>406,339</b>	<b>1,082,712</b>	<b>4,770,505</b>	<b>2,889,205</b>	<b>\$48.77</b>	<b>\$53.88</b>
GTA East	32,379,910	321,201	2,865,805	9.8%	8,204	103,274	745,893	0	\$29.16	\$32.89
GTA North	15,114,046	134,698	860,321	6.6%	56,270	79,912	372,020	60,000	\$35.22	\$36.27
GTA West	39,196,840	888,379	4,724,315	14.3%	39,664	37,214	1,000,622	479,932	\$30.11	\$32.06
<b>SUBURBAN AREA</b>	<b>86,690,796</b>	<b>1,344,278</b>	<b>8,450,441</b>	<b>11.3%</b>	<b>104,138</b>	<b>220,400</b>	<b>2,118,535</b>	<b>539,932</b>	<b>\$30.60</b>	<b>\$33.16</b>
<b>GTA TOTALS</b>	<b>177,661,676</b>	<b>1,862,665</b>	<b>11,205,580</b>	<b>7.4%</b>	<b>510,477</b>	<b>1,303,112</b>	<b>6,889,040</b>	<b>3,429,137</b>	<b>\$40.00</b>	<b>\$44.62</b>

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

\*\* Leasing activity excludes renewals

### Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
81 & 141 Bay Street	1,350,000	CIBC	Lease	Downtown South
222 Bay Street	88,000	Norton Rose Fulbright Canada LLP	Lease	Financial Core
40 King Street West	66,692	Accenture Incorporated	Lease	Financial Core
2201 Bristol Circle	60,000	PCL Construction	Lease	Oakville
22 Adelaide Street West	57,355	HarperCollins Canada Ltd.	Lease	Financial Core
100 New Park Place	48,252	Factory Mutual Insurance Company	Lease	Vaughan
20 Eglinton Avenue West	47,295	Canadian Tire Corporation	Lease	Eglinton & Yonge
22 Adelaide Street West	45,725	Wells Fargo Bank	Lease	Financial Core

### Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
700 University Avenue	1,218,950	Ontario Power Generation Inc. / KingSett Capital	\$433,000,000 / \$355	Downtown North
Mississauga Executive Centre	1,079,650	AIMCo / Starlight Investments	\$167,000,000 / \$309	Mississauga City Centre
The Airway Centre	681,874	Dream Office REIT / Greater Toronto Airports Authority	\$155,000,000 / \$227	Airport (Surrounding ACC)
West Metro Corporate Centre	616,364	Dream Office REIT / Slate Asset Management	\$145,000,000 / \$235	Hwy 427 Corridor
Dominion Public Building	362,886	Canada Lands Company / Larco Investments Ltd.	\$275,100,000 / \$758	Financial Core

Source: RealNet Canada Inc.



## Key Construction Completions Q2 2017

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
100 Adelaide Street West, Toronto	Financial Core	EY Canada	Q2 2017	905,720 (89%)
20 Wellington Street East, Toronto	Financial Core	BDO Canada LLP	Q2 2017	43,411 (66%)

## Key Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SF (% LEASED)
81 Bay Street, Toronto	Downtown South	CIBC	Q2 2020	1,477,000 (54%)
16 York Street, Toronto	Downtown South	Speculative	Q3 2020	879,000 (0%)
620 King Street West, Toronto	Downtown West	Shopify	Q1 2019	266,900 (75%)
8 Prologis Boulevard, Mississauga	Hurontario Corridor	Royal & Sun Alliance Insurance Company of Canada	Q1 2018	210,500 (82%)
410 Bathurst Street, Toronto	King West	n/a	Q3 2018	140,000 (57%)
500 Lake Shore Boulevard West, Toronto	King West	Speculative	Q2 2019	139,500 (0%)
360 Oakville Place Drive, Oakville	Oakville	Speculative	Q1 2018	139,132 (0%)
1415 Joshuas Creek Drive, Oakville	Oakville	Speculative	Q2 2018	89,600 (0%)

**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](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.