

# Toronto, Ontario

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

The same trends that started the year, rising availability and increasing occupancy costs, continued through Q2 2010 in the Greater Toronto Area (GTA) commercial marketplace. Overall availability edged up from 11.7% in Q1 to 11.9% over the last four months, with the largest increase again being seen in the West District where the rate rose from 13.5% to 14.1%. As with Q1, the North District and the Central Business District (CBD) were the best performers with rates actually dropping in each area, from 9.2% to 8.9% in the North and from 12.4% to 11.9% in the CBD.

One reversal of the first quarter trends came about in average net rental rates in the CBD. Both class A and class B properties saw their average rental rates drop \$0.10/SF while average taxes and operating costs remained flat. Class A properties in the core now average \$50.36/SF while class B properties average \$38.40/SF on a gross basis. Conversely, despite the rise in availability, rental rates rose the most in the West District where average gross occupancy costs climbed from \$25.44/SF in Q1 2010 to \$25.59/SF in Q2. The North District saw the greatest drop in average occupancy costs, falling from \$29.91/SF in Q1 to \$29.60/SF in Q2.\*

## Market Trends

- While the total amount of sublease space in the GTA has remained relatively stable over the past year, there have been distinct regional differences with more than 30% less in the CBD and almost 50% more in the West district since Q2 2009.

## Tenant's Perspective

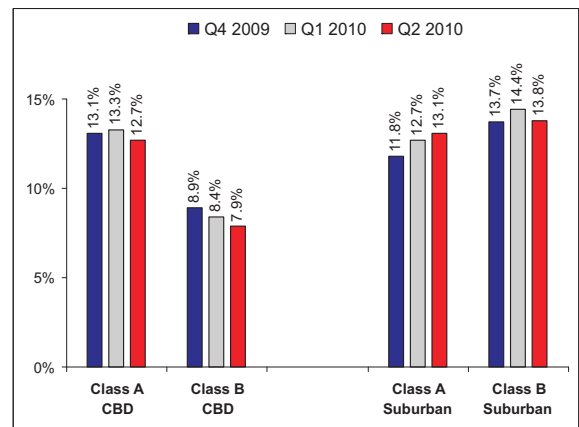
After a torrid start to the year, the Canadian economy appears to have slowed to a more reasonable, yet still strong, growth pattern. This has not yet been reflected in availability rates, but landlords are certainly optimistic in the pricing of their buildings. There has also been a considerable amount of new building completions over the past year, and newer, more energy efficient buildings are popular with tenants looking to reduce their operating costs. Naturally, this is making older buildings less attractive, and many landlords are realizing that without significant upgrades, some of their properties will become difficult to lease.

\* Note that a change in the geographic boundaries of some markets has had an impact on current and historical average rental rates. The rates quoted above reflect the new boundaries.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
TD Financing Services	73,979	Office	Lease
BMW Canada Inc.	65,025	Office	Lease
Quebecor Media	61,000	Office	Lease
Genworth Financial Mortgage Insurance Company Canada	54,769	Office	Lease
Central East Community Care Access Centre	48,585	Office	Lease
Deloitte Mgmt Services LP	42,953	Office	Lease
Verizon Canada Ltd.	39,203	Office	Lease
Thomson Reuters PLC	33,724	Office	Lease
Toronto Central Community Care Access Centre	32,796	Office	Lease
Infor Global Solutions	32,394	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$50.75	\$51.01	\$50.36
Class B Office	\$38.54	\$38.50	\$38.40
Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$28.78	\$28.81	\$28.78
Class B Office	\$24.75	\$24.68	\$24.62

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