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# GTA WEST

## OFFICE MARKET HIGHLIGHTS

The GTA West market was very active during the course of 2005, with leasing soaring well above 2004 levels. Vacancy finished the year at 12.7 %, down 1.6% from 2004 with occupied space increasing over 800,000 square feet during 2005. The Airport market continued to be the best performer however Mississauga City Centre witnessed renewed activity in 2005. There has been a strengthening of tenant retention in the GTA West, with several companies over 100,000 square feet renewing/expanding at their current location. Leasing activity is expected to remain positive through 2006.

Build-to-suit activity continues to outpace speculative projects, a trend expected to continue through 2006. The region saw over 870,000 square feet of new supply come to the market during 2005, exceeding the 700,000 square feet delivered in 2004. With an emerging shortage of contiguous blocks of space over 50,000 square feet, the pace of new construction is expected to increase in 2006. Notable construction announcements in 2005 included Maple Leaf Foods Inc. (180,000 square feet), The Weather Network (80,000 square feet), and Kingsway Insurance (200,000 square feet).

### GREATER TORONTO MARKET AT A GLANCE

POPULATION  
**5.4 million**

OFFICE INVENTORY  
**121.9 million sf**

OFFICE VACANCY  
**10.7%**

CBD CLASS A VACANCY  
**7.9%**

INDUSTRIAL INVENTORY  
**687 million sf**

INDUSTRIAL VACANCY  
**5.2%**

Rental rates softened in 2005 but are expected to stabilize during 2006 as vacancy decreases further. Rates in certain sub-markets will continue to face downward pressure as landlords try to attract new tenancies and reduce vacancy in their buildings.

## INDUSTRIAL MARKET HIGHLIGHTS

Industrial vacancy ended 2005 at 7.3%, up 1.9% from 2004. This increase was heavily influenced by a number of new facilities reaching completion in the final quarter of the year. This new space is expected to be absorbed within the first half of 2006, taking into account current demand levels. Increasing development charges and construction costs did not significantly impact leasing activity in 2005. However, if these costs continue to rise, expect rental rates to follow suit.

The industrial market proved to be very active through 2005 with a number of new speculative facilities being completely leased up. There are many users actively looking for space over 100,000 square feet and this has spurred developers to continue building facilities on speculation. Expect this trend to continue through 2006, as tenant demand continues to grow.

The recent influx of US developers into this market, along with the continued efforts of local developers, has kept new construction moving along. The construction landscape is starting to change with an emphasis on building much larger facilities than were built in the past. Of significance, Orlando Corporation is developing a 460,000 square foot facility at 7090 Kennedy Road and Prologis Canada Inc. is nearing completion of their 650,000 square foot building at 200 Courtneypark Drive West. At the end of 2005 there were 11 speculative buildings under construction in excess of 100,000 square feet.

## INVESTMENT MARKET HIGHLIGHTS

There seems to be an unlimited number of investors looking to buy real estate, limited only by a shortage of available investment product. Multiple bids are common, with the majority of demand coming from pension funds and foreign investors. Demand for land remains strong especially with the introduction of the Greenbelt Act, which has further tightened the supply of development lands in the area.

Investment sales activity was high in 2005 and this trend is expected to continue through 2006. Of significance, the Ontario Pension Board purchased a portfolio of 58 industrial buildings from Erin Mills Development Corporation for \$336 million, totaling 2.88 million square feet. In the office market, Desjardins Financial Security Life Assurance Company purchased the Erindale Corporate Centre from GWL Realty Advisors Inc./ Menkes Developments Inc. for \$43 million, consisting of three buildings totaling 328,000 square feet.

## RETAIL MARKET HIGHLIGHTS

Strong housing starts in 2005 positively influenced the retail landscape with big-box and community shopping centres expanding as a result of increased consumer demand. In most retail categories and market nodes, sales per square foot continued to climb while rental rates flattened out. Net rates currently average in the mid to high \$20.00 per square foot range, however, there are unique areas that are achieving low to mid \$30.00 per square foot. This trend is expected to continue through 2006. The most prominent emerging retail node is at Highway 401 & Winston Churchill Boulevard, where surrounding residential and commercial development is driving growth.

