

# FIRST QUARTER 2012

## NEWSLETTER



**Tim Schnurr, H.B.A.**  
Sales Representative  
Vice President  
519.286.2018  
tim.schnurr@cbre.com



**Greg Harris, CCIM, LEED® AP**  
Sales Representative  
Sales Associate  
519.286.2011  
greg.harris@cbre.com



**Eric Heizer**  
Sales Representative  
519.286.2022  
eric.heizer@cbre.com

CBRE Limited | London, ON

150 Dufferin Avenue | Suite 602 | London, ON | www.cbre.ca/

# CBRE

### Featured Listing - London City Centre



The highlights of this offering include:

- **Class A office** offering with two levels of underground parking plus one surface lot
- **Two towers** with separate lobbies, integrated into one complex via ground-floor retail accessible from Dundas, Wellington and King Streets
- **Direct link** to the adjacent Hilton Hotel and a connection to the London Convention Centre via an above-ground walkway
- **Podium signage** and prominent ground floor corner exposure now available
- Join other **powerful tenants** like TD Bank, Corus Entertainment, DRN Commerce, and FedEx Kinkos
- Surrounded by **downtown amenities** including London Public Library, Citi Plaza, Covent Garden Market, GoodLife Fitness, YMCA of London, John Labatt Centre and VIA Rail station

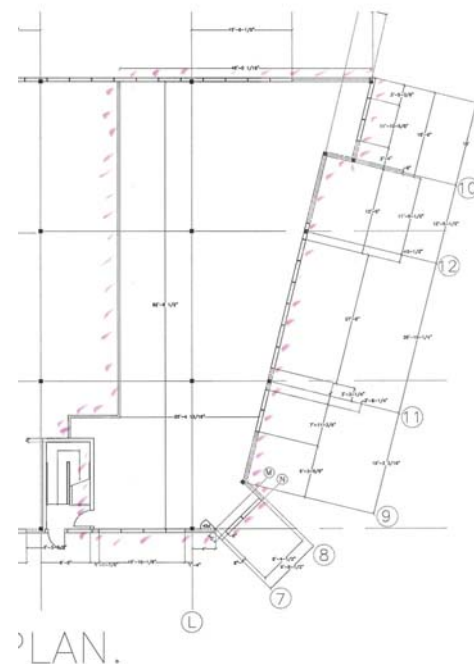
### Quick Stats - Office

MARKET PROFILE		Change from 4Q11
Inventory	39,729,522 SF	↑
Available Space (Direct & Sublet)	5,415,607 SF	↓
Availability Rate	13.6 %	↓
Vacant Space	4,021,112 SF	↑
Vacancy Rate	10.1%	↓
Absorption 1 <sup>st</sup> Quarter 2012	117,241 SF	↓
New Supply 1 <sup>st</sup> Quarter 2012	70,384 SF	↓
Under Construction	553,397 SF	↑
Avg. Lease Rate (\$/SF/YR)	\$3.91	↓
Avg. Taxes & Op. Cost (\$/SF/YR)	\$2.52	↑

# OFFICE AVAILABILITIES



633 Colborne Street | ASKING PRICE: \$14.00 PSF NET + \$10.95 PSF ADDITIONAL



## Fringe-Core Office Space

- 2,938 SF available on ground floor
- Well suited for professional office or medical/dental use
- Well located within minutes of Victoria
- Park and Richmond Row
- Ample on-site parking available
- Exterior pylon signage available
- Close to major bus routes

## 553-557 Southdale Road

ASKING PRICE: \$10.00 PSF NET



## Quality Suburban Office Space

- 2 storey office space with shared boardroom
- Units ranging from 953 to 2,144 SF available
- Excellent exposure and accessibility along Southdale
- Ample free on-site parking
- Easy access to Hwy 401 & 402, as well as downtown via Wellington Road
- Professionally managed and maintained building
- Modern heating, ventilation and air conditioning

## 150 Kent Street



ASKING PRICE: \$10.00 PSF NET

## Premier Suburban Office Space

- Up To 3,700 SF available
- Renovated Office space with quality finishes
- Located downtown on the north side of Kent street between Talbot and Richmond Street
- Zoning RC3(1)  
Permitted uses include: offices, studio, and day care
- Attractive, well-maintained building
- 7 free on-site parking spaces with additional metered street parking and adjacent lot.

# INDUSTRIAL AVAILABILITIES



## 1420 Global Drive | ASKING PRICE: \$4.85 PSF NET + \$3.30 PSF ADDITIONAL

**READY FOR OCCUPANCY**



### Brand New Multi-Tenant Industrial

- Brand new multi-tenant industrial building built by Dancor Construction in Forest City Industrial Park
- 2,600-6,700 SF with grade loading
- 5,100 SF with dock level loading
- **Over 77% leased**

## 27 Charterhouse Crescent



- SOLD**
- Bright, clean building with lots of natural light, for sale or lease
  - Area: 31,260 SF
  - Zoned LI-1, 3, 7
  - Sale: \$1,225,000 or Lease: \$4.75 psf Net (\$2.40 psf additional)

## 15 Cuddy Boulevard



- 6,300 SF on 0.62 acres in N.E. London
- Office space with some lab/storage space
- Zoned LI2
- Sale: \$489,000 or Lease: \$7.00 psf Net (\$2.95 psf additional)

## 441 Industrial Road



- Up to 32,345 SF available with 4,000 SF of office
- 15.5' - 23' clear height
- Clear span
- Zoned GI 1
- Lease: \$4.75 psf Net (\$2.40 psf additional)

## 189 Adelaide Street South



- 1,854 SF, 2,121 SF contiguous
- 1,000 SF studio space
- Free parking with signage
- Zoned LI1, LI3
- Lease: \$7.00 psf Net (\$6.00 psf additional)

## 15700 Robin's Hill Road



- Brand new multi-tenant industrial
- 24' clear height
- 2 dock & 1 grade loading doors
- 5,980 SF available
- Energy efficient T5 lighting
- Lease: \$5.95 psf Net (\$3.30 psf additional)



CBRE LIMITED

# MarketView London, Ontario Office

Global Research and Consulting

www.cbre.ca/research

First Quarter 2012

## Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	14.3%	↑	↓
Lease Rates	\$10.81 psf	↑	↑
Net Absorption*	19,115 SF	↑	↑
Construction	77,465 SF	↑	↔

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

## Hot Topics

- New supply of office space was added to the market for the first time since 2007.
- Construction of new space in the suburban market will continue to attract more tenants.
- Suburban markets continue to outperform downtown.

The London office market experienced a 40 basis points (bps) decrease in overall vacancy to 14.3% from 14.7% last quarter. Downtown office leasing activity has been primarily dominated by law firms shifting from owned buildings to leased space in Class A core office towers. Notable transactions include Foster Townsend Graham moving into approximately 29,000 SF at 150 Dufferin Avenue and McKenzie Lake taking approximately 25,000 SF in Talbot Centre, which will be occupied by 2013. Additional law firms in London will continue to monitor the market through 2012. Other positive news is that following the completion of 431 Richmond Street in the fourth quarter of 2011, Robertson Hall Insurance Ltd. has taken 10,143 SF on the third floor, leaving only 7,500 SF available in the 20,000 SF building.

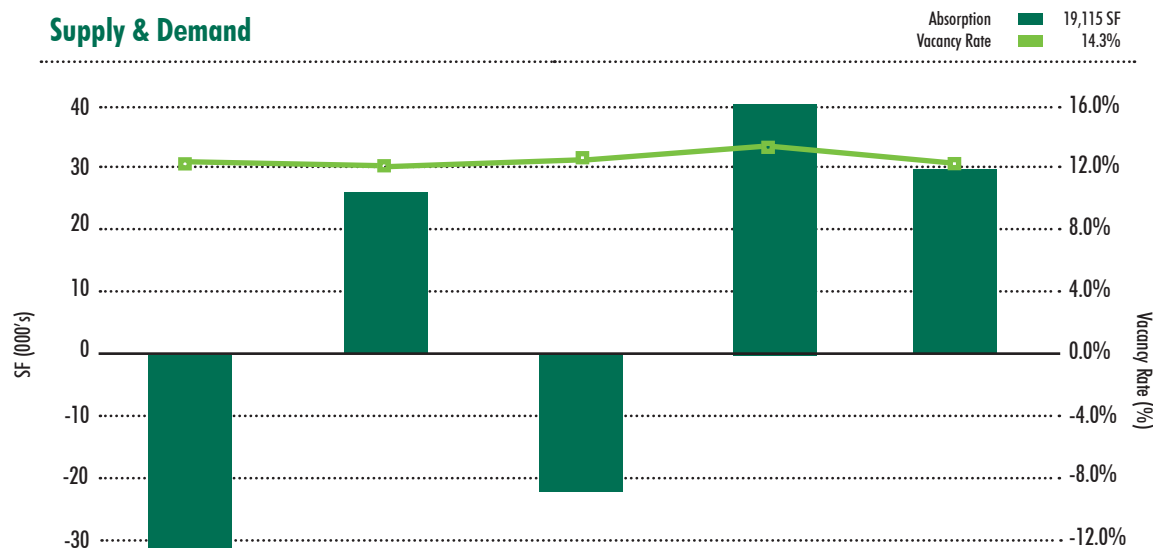
Other large users took advantage of new mixed-use retail and office redevelopment opportunities in suburban settings that offer on-site amenities and attractive surroundings. This trend follows the growing enthusiasm toward lifestyle-based work environments that are typical of larger metropolitan areas, which increase employee satisfaction and staff retention. The suburban market continues to outshine the downtown market as tenants affirm their desire for abundant free parking and access to

major highways. As a result, the vacancy rate in the suburban market continues to decrease and record positive absorption. Suburban office vacancy fell 80 bps to 10.9% and there was positive 8,086 SF of absorption.

The suburban market has also recorded the first major amount of new supply since 2005 with the completion of a 40,408 SF medical building at 460 Springbank Drive. This property garnered very strong interest and was totally leased by the time construction was completed. An additional 77,465 SF of new space will come to the market during 2012. The most notable project under construction is a new medical building located behind The Athletic Club and Angelo's at 755 Wonderland Road North off Beaverbrook Avenue which is fully pre-leased.

Investor demand for quality office product was confirmed with Dundee REIT's purchase of Whiterock REIT, which included a 539,472 SF office complex in Downtown London. There was also the recent investment sale of 460 Springbank Avenue, the aforementioned fully leased medical building, by a local developer to Northwest Healthcare Properties REIT. We anticipate there will be increased momentum in the development and investment sectors following a period of relative quiet.

## Supply & Demand



# OFFICE MARKET INFORMATION

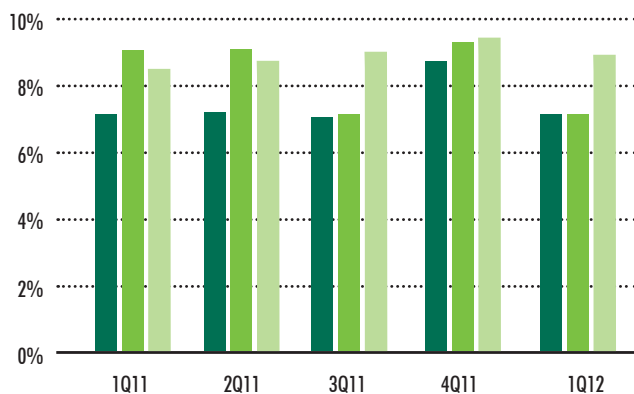


## Market Statistics

Market	Class	Rentable Area (SF)	Vacancy Rate (%)	Net Absorption (SF)	Average Asking Lease Rate \$/SF/YR	Average Asking TMI \$/SF/YR	Sublease Space (% of vacant space)
<b>CORE TOTAL</b>		4,384,314	15.2%	11,029	\$10.38	\$11.13	2.4%
	A	1,780,062	8.7%	12,825	\$12.96	\$13.92	10.1%
	B	2,220,903	20.8%	-3,026	\$9.82	\$10.49	0.0%
	C	383,349	12.8%	1,230	\$8.27	\$9.18	0.0%
<b>SUBURBAN TOTAL</b>		1,080,854	10.9%	8,086	\$13.18	\$11.21	0.2%
	B	716,846	10.1%	7,686	\$14.40	\$10.70	0.4%
	C	364,008	12.5%	400	\$11.24	\$12.02	0.0%
<b>London Total</b>		<b>5,465,168</b>	<b>14.3%</b>	<b>19,115</b>	<b>\$10.81</b>	<b>\$11.14</b>	<b>2.0%</b>

## Unemployment Rate

Canada 7.2%  
 Ontario 7.4%  
 London 8.8%

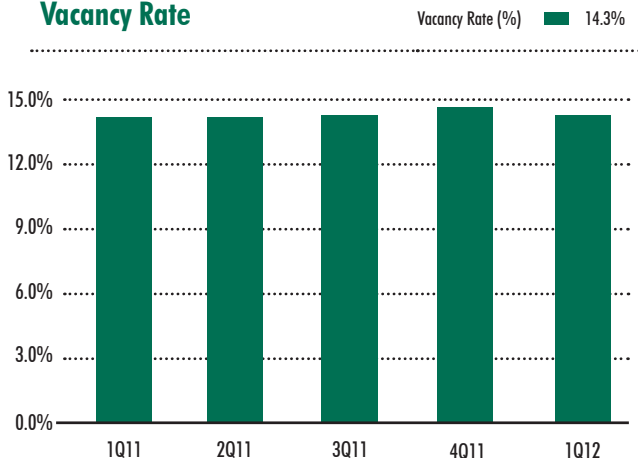


London's unemployment rate decreased by 20 bps and ended the first quarter of 2012 at 8.8%. The unemployment rate is higher than both the national unemployment rate of 7.2%, and the provincial unemployment rate of 7.4%. As the London economy is centered on the automotive and manufacturing sectors, plant closings and large layoffs have driven the unemployment rate up; however, there appears to be a large number of openings that are going unfilled due to a lack of skilled labour and tradespeople. Office employment in the London market has been fairly consistent in recent years.

# OFFICE MARKET INFORMATION



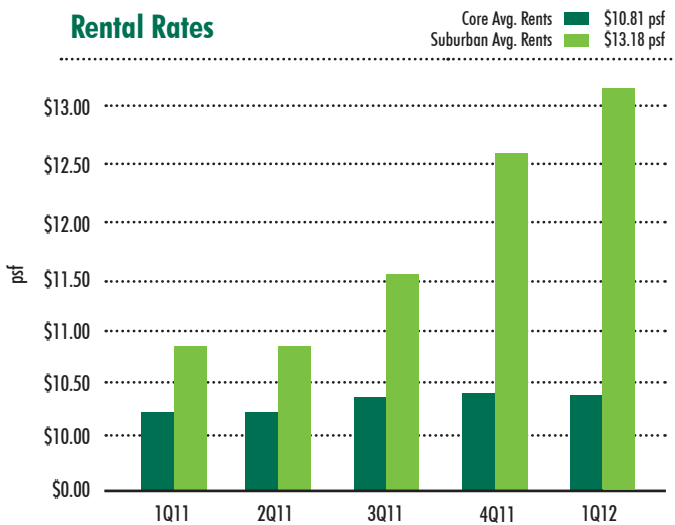
## Vacancy Rate



In the first quarter of 2012, the office vacancy rate in London decreased by 40 bps to 14.3% from 14.7% in the fourth quarter of 2011. Decreases occurred across most markets and building classes in the city, with the exception of Class B space in the core market. Vacancy in the core has decreased 20 bps to 15.2%. Within the core, Class A vacancy decreased 70 bps to 8.7%, Class B vacancy increased 10 bps to 20.8% and Class C vacancy decreased 30 bps to 12.8%.

The suburban office vacancy rate decreased of 80 bps to 10.9% since last quarter. Within the suburban market, Class B vacancy decreased 110 bps to 11.2% and the Class C vacancy rate decreased 20 bps to 12.5%.

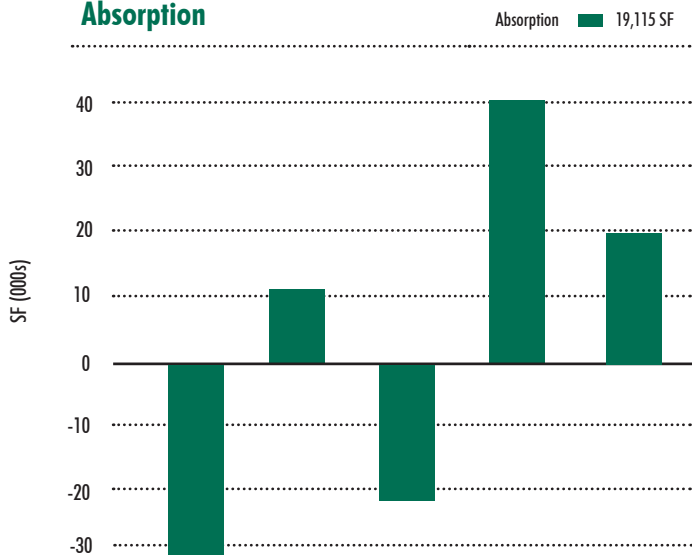
## Rental Rates



The average asking lease rate for office space in London increased from \$10.75 psf last quarter to \$10.81 psf. The average lease rate for Class A space in the core decreased from \$13.08 psf in the fourth quarter of 2011 to \$12.96 psf. Lease rates for Class B space in the core increased to \$9.82 psf. The average overall asking lease rate in the core is \$10.38 psf, which is down from \$10.41 psf last quarter. Average additional rents are \$11.13 psf in the core.

Suburban asking lease rates increased in the first quarter of 2012, rising \$0.62 psf from \$12.56 psf at the end of 2011 to \$13.18 psf currently. Average additional rents for suburban space are \$11.21 psf, an increase of \$0.22 psf from the fourth quarter of 2011.

## Absorption



London experienced a decrease in vacant space during the first quarter of 2012 as a result of positive 19,115 SF of net absorption. The core Class A market experienced 12,825 SF of positive absorption, while the core Class B market recorded negative 3,026 SF of absorption, and Core Class C had positive 1,230 SF of absorption. There was positive 8,086 SF of absorption in the suburban market, with Class B space recording positive 7,686 SF of absorption and Class C space with positive 400 SF of absorption.

# LONDON, ONTARIO | SCHNURR HARRIS HEIZER GROUP

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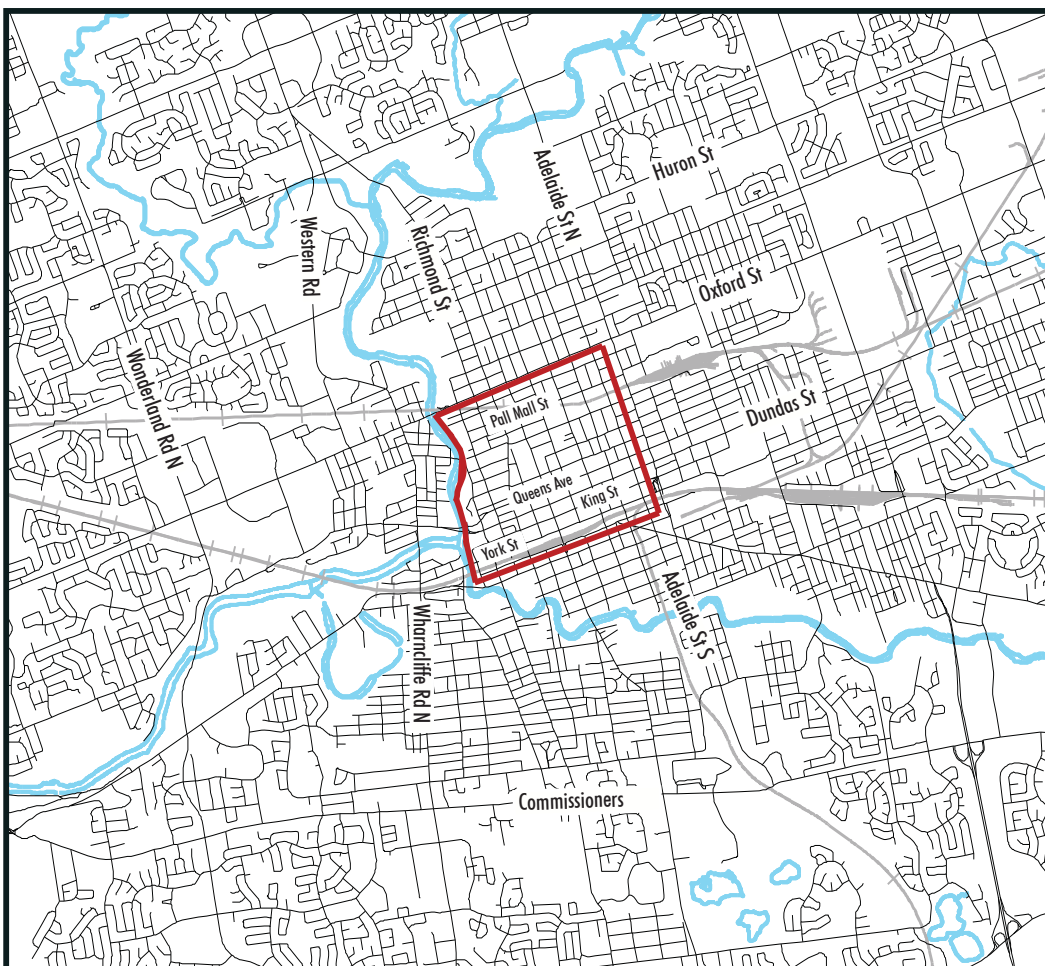


### MarketView London, Ontario Office

#### Top Lease Transactions

Size	Tenant	Address
32,405	Digital Extremes Ltd	250 York Street
32,360	London Health Sciences Centre	775-785 Wonderland Road South
25,111	Economical Mutual Insurance Company	140-148 Fullarton Street
10,143	Robertson Hall Insurance Company	431 Richmond Street

#### Submarket Map



#### Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

#### Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

#### Market Coverage

Includes all competitive office buildings 10,000 square feet and greater in size.

#### Net Absorption

The change in occupied square feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

#### Occupied Area (Square Feet)

Building area not considered vacant.

#### Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

#### Available Area (Square Feet)

Available Building Area which is either physically vacant or occupied.

#### Availability Rate

Available Square Feet divided by the Net Rentable Area.

#### Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available.

#### Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

#### Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base.



## London Industrial Trends

Global Research and Consulting

www.cbre.ca/research

First Quarter 2012

### London Industrial Market Statistics

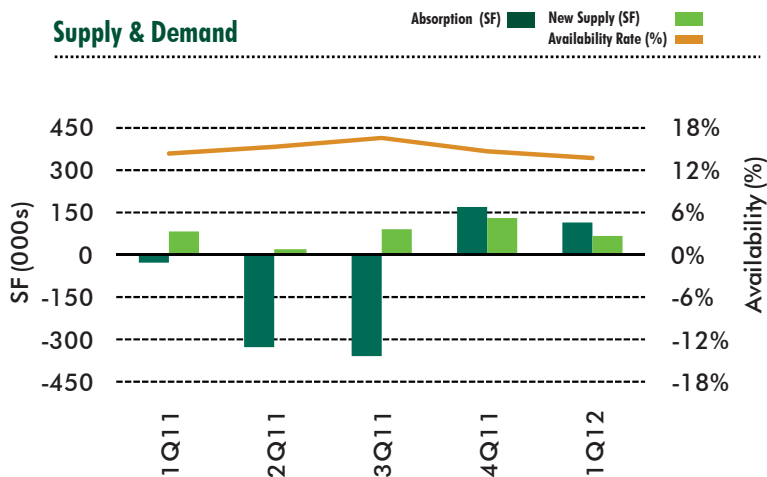
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- 1803299 Ontario Inc. purchased 146,848 SF at 5 Cuddy Boulevard and 142,700 SF at 2290 Scanlan Street.
- APL Logistics Properties Inc. renewed their lease at 847 Highbury Avenue.
- Watson Building Supplies Inc. renewed 17,180 SF at 481 Newbold Street.
- Steven's Exhibit Design Group leased 12,500 SF at 575 Industrial Road.
- Couriers Plus London Inc. leased 10,951 SF at 300 Exeter Road.

### Market Trends

The availability rate in London decreased from 14.7% in the fourth quarter of 2011 to 13.6% in the first quarter of 2012. This resulted in net absorption of positive 117,241 SF. Asking lease rates decreased from \$4.06 psf last quarter to \$3.91 psf. Taxes and operating costs increased to \$2.52 psf. London had 70,394 SF of new supply delivered this quarter including 1991 Oxford Street East (3,724 SF), 607 Industrial Road (21,008 SF), 15875 Robin's Hill Road (17,000 SF) and 3851 Commerce Road (28,652 SF). There are multiple projects under construction that will be completed by mid-year 2012. These projects include 725 Third Street (34,552 SF), 3100 Nova Court (235,869 SF), 2330 Discovery Drive (127,939 SF), 1420 Global Drive (54,961 SF), 2400 Innovation Drive (48,659 SF) and 45 Artisans Crescent (25,446 SF).

### Supply & Demand



### Average Occupancy Costs

