

York Region

Office Space Financial/Market Analysis and Marketing Plan Study

March 24, 2015



Plaza Three, 101-2000 Argenta Rd.
Mississauga, ON Canada L5N 1V9
Tel (905) 272-3600 • Fax (905) 272-3602
email: info@watson-econ.ca



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List of Acronyms and Abbreviations

A.C.C.	Airport Corporate Centre
B.R.T.A.	Brownfield Remediation Tax Assistance
C.B.D.	Central Business District
C.B.D.I.F.	Central Business District Improvement Fund
C.I.P.	Community Improvement Plan
C.U.I.	Canadian Urban Institute
D.C.	Development Charge
D.C.I.P.	Development Charge Incentive Program
B.R.T.	Brampton Rapid Transit
E.D.I.F.	Economic Development Investment Fund
F.A.R.	Floor Area Ratio
F.S.I.	Floor Space Index
G.D.P.	Gross Domestic Product
G.F.A.	Gross Floor Area
G.G.H.	Greater Golden Horseshoe
G.T.A.	Greater Toronto Area
G.T.H.A.	Greater Toronto and Hamilton Area
Ha	Hectares
I.M.I.T.	Imagination, Manufacturing, Innovation and Technology
L.R.T.	Light Rapid Transit
N.A.I.O.P.	Commercial Real Estate Development Association
O.P.	Official Plan
O.T.A.P.	Office Tenancy Assistance Program
P.S.T.S.	Professional, Scientific and Technical Services
Q.E.W.	Queen Elizabeth Way
R.T.	Rapid Transit
S.I.O.R.	Society of Industrial Office Realtors
S.W.O.C.	Strengths, Weaknesses, Opportunities, Challenges
sq.ft.	Square Feet or Square Foot
T.I.E.G.	Tax Increment Equivalent Grant
T.I.G.P.	Tax Increment Grant Program
T.T.C.	Toronto Transit Commission
U.G.C.	Urban Growth Centre
V.M.C.	Vaughan Metropolitan Centre

Executive Summary

Introduction

York Region retained Watson & Associates Economists Ltd. (Watson), in association with Millier Dickinson Blais (MDB) and DTZ Canada Inc. (DTZ), in the fall of 2013 to evaluate the competitiveness of the Region's office development market and the potential to develop and facilitate a greater amount of office commercial development within its Centres and Corridors. The study assesses York Region's competitive position in the office market within the context of the Greater Toronto Area (G.T.A) through a review of five (out of nine) of the Region's larger urban lower tier municipalities – Aurora, Markham, Newmarket, Richmond Hill and Vaughan.

York Region's Regional Centres and Corridors include four Regional Centres (Markham Centre, Newmarket Centre, Richmond Hill/Langstaff Gateway and Vaughan Metropolitan Centre) and seven Corridors (Highway 7 West, Highway 7 East, Yonge (Thornhill), Yonge (Richmond Hill), Yonge North, Davis Drive and Green Lane East).¹ The Regional Centres are categorized as emerging downtowns but they vary in terms of their current baseline conditions. The Regional Corridors are largely oriented along Highway 7 and Yonge Street and are intended to be urban mixed-use corridors linking the Regional Centres.

Historically, York Region has been relatively successful at attracting and accommodating office development. The majority has been accommodated in employment areas along the Highway 400, 404 and 407 Corridors within Markham, Richmond Hill and Vaughan. Though it is considered important that the Region maintain its competitive position in the suburban office market for the foreseeable future, the Region has identified that it is a key priority to promote office development within its Regional Centres and Corridors from both an economic and planning perspective.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a significant share of this is expected to be in the form of major office employment. At the same time, provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region. The Region recognizes major office employment growth should be focused along its Centres and Corridors to better leverage infrastructure investment and promote transit use. Further, though there is generally a sufficient supply of greenfield employment lands to accommodate office growth, Richmond Hill and Newmarket are approaching buildout and there is a lack of strategically located vacant employment land along the Highway 400 Corridor. There are also challenges related to servicing some remaining greenfield lands. As such, there will be an increasing need over the longer term to expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

¹ This study examines all Regional Centres and Corridors for office development potential, with the exception of Green Lane, which is largely a greenfield area and is considered to have relatively low potential for urban type office development.

Though there are opportunities for office development within the Region's Centres and Corridors and a desire from a policy perspective to attract an increasing share of office development to these areas to meet planning, economic and fiscal objectives, there are also feasibility challenges. The Region has seen some success in residential development in its Centres and Corridors, while office development has been more limited.

The market potential for office development within the Region's Centres and Corridors will be determined by a number of factors including:

- Macro economic trends affecting the G.T.A. office market;
- York Region's office market competitiveness;
- Cost of development;
- Character of the urban area (e.g. community amenities, access to public transit);
- Site availability/suitability;
- Land use policies/regulatory framework; and
- Financial viability and potential incentives.

This study explores factors related to demand, including macro economic trends and regional drivers of office demand and the competitiveness of York Region in the office market. The opportunities/challenges for office development within the Region's Centres and Corridors are also assessed along with potential planning and financial incentives/tools and marketing initiatives that can potentially facilitate office development within these areas.

Overview of Greater Toronto Area Office Market

The G.T.A. has Canada's largest concentration of office development and is among the five largest in North America, with an office space inventory of 171.8 million sq.ft. Of this, 70% is located within the City of Toronto with the majority located in the downtown core. Outside the City of Toronto, major office clusters are located in the 905 area including York Region (Highways 404/407 in Markham and Richmond Hill and the Highway 400 Corridor in Vaughan), Peel Region (Mississauga Airport Corporate Centre, City Centre and Meadowvale), and Halton Region (Q.E.W. Corridor in Burlington and Oakville). York Region's office space inventory totals approximately 16.2 million sq.ft., representing 9% of the G.T.A. total.

Over the past 15 years, the G.T.A. office space inventory has expanded by 2.0 million sq.ft. annually. Over the period, York Region has accounted for approximately 20% of total new office space developed in the G.T.A.

Office development patterns in the G.T.A. have shifted significantly over the past 15 years. The City of Toronto's share of new office development has steadily increased from 12% over the 1999-2003 period to 57% over the 2009-2013 period. Over the same period, all 905 upper tier municipalities have seen a decline in their share of new office development activity. The most significant has been in

York Region, which has seen its share of new office market development decline from 29% in 1999-2003 to 7% in 2009-2013. This is reflected also in absolute terms, where development activity over the 2009-2013 period was approximately one-fifth of the level achieved over the 1999-2003 period.

Historically, a significant share of office development within the G.T.A. has been accommodated in the 905 area within suburban greenfield employment areas. Over the past decade, however, there has been a notable shift in activity from suburban-type office development in 905 employment areas to urban-type office development in downtown Toronto. Office development activity in downtown Toronto jumped significantly in 2009-2013 compared to the previous 10-year period. While downtown Toronto has experienced significant success in office development, office development activity in other areas in the City of Toronto has been relatively limited. Based on the geographic location of office space currently under construction or pre-leasing in the G.T.A., the continued dominance of the City of Toronto in attracting office development in the downtown core will continue, at least over the short to medium term.

Key suburban office nodes/corridors within employment areas in the G.T.A. (outside of York Region) profiled in this study include the Q.E.W. Corridor in Burlington and Oakville, Meadowvale and Airport Corporate Centre in Mississauga, Don Mills, Highways 401/404, the Highway 404/Steeles area in the City of Toronto, the Highway 407 Corridor in Brampton, and Pickering. Key urban office nodes profiled include North York Centre, Brampton Centre, Mississauga City Centre and Scarborough Centre.

The office nodes/corridors profiled in the G.T.A. range in size between approximately 1.0 million and 7.0 million sq.ft of office G.F.A. The largest include North York Centre, Meadowvale, Airport Corporate Centre and North York 401/404 which exceed 5.0 million sq.ft. each. The strongest office development activity over the past decade has been in the Oakville Q.E.W. Corridor and Meadowvale, while suburban office nodes in the City of Toronto (Don Mills, 401/404 and 404/Steeles) have seen minimal development activity over the period.

York Region Office Market

York Region's employment areas have historically accommodated the majority of the Region's office development. Both Richmond Hill and Markham have traditionally been successful in attracting a steady absorption of office development; however, Vaughan has also recently experienced an increasing share of office development on its employment lands. Key employment areas within the Region with notable office space concentration and profiled in this study include Commerce Valley, Allstate/Cachet/404 and the Denison Steeles Area in Markham, Beaver Creek-Barker Area in Richmond Hill, the Highway 400 North Corridor in Vaughan, the Wellington/404 Area in Aurora and the Highway 404 Corridor in Newmarket. The largest office nodes/corridors in York Region include Markham Denison/Steeles, Markham Allstate/Cachet/400 North, Markham Commerce Valley and the Richmond Hill Beaver Creek-Barker Area and contain between 2.3 million and 4.3 million sq.ft. of office space.

The largest concentration of office development in the Region's Centres and Corridors is in Markham Centre (1.2 million sq.ft.) comprised of a mix of newer urban and suburban type office development. The remaining Centres and Corridors have relatively small office space inventories (260,000 sq.ft. or less) comprised largely of older small-scale suburban type office buildings.

The strong office development activity within York Region over the past decade has occurred in Markham Allstate/Cachett/400 North, Vaughan 400 North and Markham Commerce Valley. Relative to other office nodes/corridors surveyed, Markham Centre has experienced moderate office development activity over the period. Office development in the Region's other Centres and Corridors has been more limited, however, two recent developments are worth noting. This includes the KPMG tower (a 15-storey, 300,000 sq.ft. building) currently under construction in the Vaughan Metropolitan Centre and the World on Yonge development (10-storey, urban mixed-use development with 126,000 sq.ft. of office space) along the Yonge Street Corridor in Thornhill built in 2013.

Over the 2009-2013 period, nearly one-third of new office-based employment within York Region has been in the professional, scientific and technical services (P.S.T.S.) sector, followed by 20% in health care and social services, and 11% for finance and insurance. York Region has been relatively successful at attracting the P.S.T.S. sector. Though York Region has historically been relatively strong in the management of companies and information and cultural industries sectors, new business employment growth in these sectors has been relatively limited since 2009.

Macro Economic Drivers of Office Development in the Greater Toronto Area

Similar to the provincial economy as a whole, the nature of the G.T.A. economy is changing. Over the past 20+ years, the composition of the G.T.A. economy has gradually shifted from the goods-producing sector to the service sector. G.T.A. employed labour force growth over the past decade has been strongest in service-producing sectors including office-related sectors such as professional, scientific and technical services, finance, insurance and real estate. Currently, one-third of all jobs within the G.T.A. are accommodated within an office environment.¹

Over the next 30 years, considerable new employment growth is anticipated in the G.T.A. of which a significant share is expected to be office based. Key industry sectors to be accommodated within office development include finance and insurance, professional, scientific and technical services, head office/management and information technology.

York Region Competitiveness of Office Development within the Greater Toronto Area Context

Within the G.T.A. market, there are a number of municipalities with which York Region competes directly for office development. York Region's most immediate competition within the office market includes Mississauga, Brampton, Burlington, Oakville, Toronto and

¹ The New Geography of Office Location and the Consequences of Business as Usual in the G.T.A., Canadian Urban Institute, March 2011.

Pickering. All of these municipalities generally offer regional attributes which appeal to prospective international and local firms. To better understand the context of office development in York Region, a roundtable consultation with the development community was held and facilitated by the Consultant Team, during which commercial office experts were led through an examination of the current position of York Region in the commercial office market, and a detailed discussion of where potential growth and investment attraction opportunities may lie. The results of these discussions are incorporated into the study findings.

A significant factor influencing business decisions on where to locate is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. On a local level, cost competitiveness varies based on a number of factors, including:

- Lands prices;
- Development charges (D.C.s);
- Property tax rates; and
- Development approval/process timing.

Office development and the employment sectors they typically accommodate have certain site-specific requirements which include:

- Access to skilled labour;
- Proximity to related industry clusters (companies and public institutions such as universities);
- Prestige setting;
- Access to high order public transit;¹
- Access and exposure to 400 series/limited access highways;
- Ease of access/egress;
- Access to on-site amenities/services and proximity to off-site services; and
- Potential for live/work opportunities.

These factors can strongly influence business location decisions, both for new development and expansions. Within the G.T.A. context, the relative importance of these attributes is changing which is impacting office development patterns. These factors were explored in understanding the recent shifts in office development patterns in the G.T.A.

¹ High order public transit includes all forms of transit service separated partially or completely from general vehicular traffic.

Drivers of Shift in G.T.A. Office Development Activity

As previously highlighted, the G.T.A. has seen a significant shift in office development activity from the 905 area to downtown Toronto. There are a number of economic and demographic factors which are driving this shift in office development. These are ultimately being driven by preferences/requirements of office tenants.

It is evident from the analysis contained herein that office tenants across all sectors are increasingly looking for access/proximity to high-order transit and services/amenities, attributes which urban centres such as downtown Toronto offer more readily than suburban employment locations in the 905 area. An increasing number of office tenants are looking for environments that feature mixed-use development and offer opportunities for live/work. The quality and location of new office space are considered very important tools to attract and retain talent.¹

Proximity to a growing labour force pool comprised largely of the growing Millennial generation (Generation Y) in downtown Toronto has also been a notable contributor to increased demand for office space by select sectors, namely information and cultural industries, and professional, scientific and technical services, and impacted office development activity in the area.

The impact of development costs on location decisions for office development is less evident. The cost of development in downtown Toronto remains significantly higher than in the 905 area, which is reflected in the significantly higher market rents. While the cost of development in the City of Toronto has become marginally more competitive over the 2008-2013 period, it has not translated into a notable increase in office development in areas of Toronto outside the downtown core. This suggests that the role of financial factors in driving the shift in office development is likely more limited, though certain financial tools/incentives may be having a positive impact on redevelopment/infill projects in certain geographic areas of Toronto.

Changing demands of office tenants and demographic trends are strong factors why downtown Toronto is becoming increasingly competitive for office development despite relatively high tax rates and land costs compared to the 905 area. This suggests that 905 municipalities need to make a greater effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and quality of life in their respective communities, to attract a “knowledge-based” skilled labour force to reside in their communities and attract “knowledge-based” employers to their communities.

¹ Emerging Trends in Real Estate, Canada and United States 2015, PricewaterhouseCoopers and Urban Land Institute.

Cost Competitiveness and Financial Feasibility Analysis

Overview of Analysis

A major factor influencing business decisions on where to locate office development is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. Further, it is critical that the revenue generation potential of a development be assessed with corresponding capital and operating costs through a cost benefit analysis, using a cost-based approach to evaluate the economic attractiveness of the development.

The cost competitiveness of development, economic viability and investment potential of office development within York Region was examined through a series of pro-forma financial analyses. This is presented through the assessment of the feasibility of constructing and operating various prototypical industrial and office developments within each of the Region's Centres and Corridors, in comparison to the profiled office nodes in York Region and the rest of the G.T.A.

The cost competitiveness of development and financial feasibility analyses of select prototypical office development were completed through the following means:

- Total Development Cost/Annualized Cost – Comprises the total cost of development across municipalities and shows the impact of annualized cost components (including development charges) on total costs; and
- Residual Land Value Analysis – Reflects both revenue potential and development costs under two revenue scenarios – rental revenue stream and sale of project.

For the purposes of the exercise, the G.T.A. office market is assessed through two distinct sub-markets:

- Suburban – office development with surface parking located in employment areas. Analysis includes York Region's key office nodes located within employment areas and key office nodes within employment areas in other G.T.A. locations; and
- Urban – office development with underground parking located in downtown Centres and more urban Corridors. Analysis includes York Region's Regional Centres and Corridors and other key urban/downtown centres within the G.T.A.

For the purposes of this exercise, five prototypical Class A office developments were analyzed. This includes three suburban office buildings with surface parking with G.F.A.s of 50,000, 150,000 and 300,000 sq.ft. (reflected in the suburban office market analysis) and two urban office buildings with underground parking with G.F.A.s of 100,000 and 300,000 sq.ft. (reflected in the urban office market analysis).

In the generation of the total development annualized cost, the analysis considered land costs, construction costs, development charges, parkland dedication costs, building permit fees and a provision for developer project profit.

Comparison of Development Costs in the G.T.A.

A comparison of development charges, property taxes and land prices was undertaken with the following findings:

Development Charges

- Commercial development charges in Markham and Richmond Hill are, next to Mississauga, the highest of the municipalities surveyed;
- In comparison, rates in Aurora, Vaughan and Newmarket are similar to the G.T.A. survey average of \$20.51 per sq.ft.; and
- The lowest development charges within the surveyed municipalities are in Toronto, Burlington and Pickering.

Property Taxes

- Commercial property tax rates in the select York Region municipalities are among the lowest of the municipalities surveyed;
- The commercial property tax rates in Markham, Richmond Hill and Vaughan are significantly lower than in the other G.T.A. surveyed municipalities;
- Rates in Aurora and Newmarket are comparable to those in Burlington and Oakville; and
- In comparison, rates in Mississauga and Brampton are marginally higher, while those in Pickering and Toronto are significantly higher.

Land Prices

- Generally, land prices tend to be higher in urban locations than in geographically comparable suburban employment areas;
- With the exception of Don Mills, suburban office market employment land prices are the highest in Markham, Richmond Hill and Mississauga, ranging between \$1.2 million and \$1.5 million per acre;
- In comparison, employment land prices in Halton Region (Burlington and Oakville) are moderately lower (\$712,000 and \$895,000 per acre, respectively);
- Land prices in Newmarket and Aurora employment areas are relatively low at \$600,000 and \$650,000 per acre, respectively;
- The least expensive land within the surveyed municipalities is in Pickering where land costs average \$310,000 per acre;
- In the G.T.A. urban office market, the highest land price of the surveyed locations is in North York Centre (\$13,535,000 per acre);
- Land costs in York Region's Centres and Corridors range between \$1,100,000 and \$3,900,000 per acre, with Richmond Hill Centre, Markham Langstaff Gateway and Vaughan Metropolitan Centre being the most expensive (\$3,300,000 to \$3,900,000 per acre); and

- In comparison, land prices in Mississauga City Centre and Brampton Centre average \$1,375,000 and \$950,000 per acre, respectively. The Corridors in Newmarket and Aurora (Yonge Street North and Davis Drive) have the least expensive vacant commercial office land, ranging between \$350,000 and \$500,000 per acre.

Annualized Cost Comparative Assessment

Based on the cost comparative analysis, the following conclusions can be drawn on the costs of office development in the G.T.A.:

- Cost of development (on a sq.ft. basis) for office development generally declines as building size increases, due to higher land utilization (higher F.S.I.);
- Of the office nodes surveyed, Toronto Don Mills has the highest annualized cost of development, largely due to the high cost of land;
- The next most expensive suburban office nodes surveyed from an annualized cost of development perspective are Meadowvale and the Airport Corporate Centre in Mississauga;
- The cost of suburban office development in Markham, Richmond Hill and Vaughan is slightly lower than in Mississauga but marginally higher than in other suburban office nodes in Brampton and the Oakville/Burlington Q.E.W. Corridor and Pickering;
- The cost of urban office development is significantly higher than for suburban office development, due largely to higher construction costs (provision for underground parking) and higher land costs which are only partially offset by higher land utilization;
- Of the urban office nodes/corridors surveyed, North York Centre has the highest annualized cost of development, largely due to the high cost of land;
- The costs of development in Vaughan Metropolitan Centre and the Centres/Corridors in Markham and Richmond Hill are the highest in York Region, but comparable to Mississauga City Centre and Scarborough Town Centre;
- Newmarket Centre, Vaughan Highway 7 West and Corridors in Newmarket and Aurora have the lowest cost of urban office development of the areas surveyed, similar to Brampton Centre; and
- Overall, York Region municipalities have a competitive annualized cost for both suburban and urban type office development.

Development Charges as a Share of Total Development Cost – York Context

Development charges currently account for approximately 8% of the total annualized development cost of a typical 150,000 sq.ft. suburban office development in York Region. Construction costs on average account for 55% of total development cost, while land costs account for 14%, developer profit 4% and property taxes 19%. Parkland dedication costs (cash in-lieu) and building permit fees are a relatively small charge of the total cost, comprising 0.3% and 0.4% of the total, respectively. In comparison, for a 300,000 sq.ft. urban office building, development charges account for 6% of total annualized development costs, while construction costs account for

70%, land 3%, property taxes 17% and developer profit 4%. Parkland dedication costs (cash-in-lieu) and building permit fees comprise 0.1% and 0.3% of the total, respectively.

Financial Feasibility of Office Development

Based on the residual land value analysis undertaken, the following summarizes the financial feasibility of office development in York Region and the broader G.T.A.:

- The financial viability of a project increases as the size of the office building increases. This is largely attributed to lower development costs associated with higher utilization of land. This is particularly relevant in areas with high land costs, such as Markham and Vaughan, where only the larger office buildings (i.e. 300,000 sq.ft.) are likely financially viable. It is important to note, however, that in outer G.T.A. locations such as Newmarket, Aurora and Pickering, the market demand may limit the upward size potential of an office development despite the pro forma suggesting otherwise;
- The analysis suggests the economic viability of a stand-alone office development within the surveyed urban office nodes, including the Region's Centres/Corridors, is unfavourable. This is largely attributed to relatively higher development costs (attributed to high land prices and the requirement for structured parking) and net market rents that are generally no higher than in the suburban office market;
- In relative terms, suburban office development is more financially viable than urban office development in both York Region and other parts of the G.T.A. This is attributed to higher costs of development and market rents/sale prices that are only marginally higher than suburban office locations;
- Market conditions and the corresponding financial viability for suburban office development are favourable in most York Region locations, though high land prices limited the potential for smaller office buildings (150,000 sq.ft. or less) in Markham, Richmond Hill and Vaughan. Competitive land prices in Newmarket and Aurora along the Highway 404 corridor is attractive for small-to medium sized office buildings (i.e. 50,000 – 150,000 sq.ft.); and
- The financial viability of stand-alone urban office development in the G.T.A. is generally relatively weak without other financial incentives to offset development costs. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets.

Development Potential of the Region's Centres and Corridors

Based on the baseline conditions identified, office market profiles, market drivers of office development and the cost competitiveness/ financial viability of office development, a S.W.O.C. (strengths, weaknesses, opportunities, challenges) of York Region's Centres and Corridors was undertaken. Based on the findings of the work completed, the following provides an overall assessment of the Region's Centres and Corridors in terms of office development competitiveness and potential.

The G.T.A. office market is in a period of transition and structural change with an increasing demand for locations which offer access to high-order transit, a mixed-use environment potential for live/work opportunities, and access/proximity to amenities and services. Urban mixed-use environments are becoming increasingly desirable locations for office-related businesses, as reflected in the relatively high market rents and low vacancy rates for office space in these locations. This, combined with diminishing greenfield opportunities for office development within employment areas in York Region, and provincial and regional policy initiatives to locate major office development increasingly within the built boundary, offers strong opportunities for this type of office development within the Region's Centres and Corridors. However, the Region's Centres and Corridors are not a uniform entity, with wide variation in terms of their baseline conditions, geographic location and market demand for office space which impacts the short-, medium- and longer-term prospects for urban office development, as summarized in Figure E-1. Further, the market for new office development within the G.T.A. is competitive, and York Region's Centres and Corridors will compete directly with other locations for future office development.

The strongest short- to medium-term opportunities for urban office development within the Region's Centres and Corridors are in Markham Centre and Vaughan Metropolitan Centre. Markham Centre has a strong existing mixed-use community and a track record for urban type office development, as evidenced by recent development activity and pre-leasing activity. Vaughan Metropolitan Centre, though less developed than Markham Centre, will be served by the Yonge-Spadina subway extension in 2017 which is expected to strengthen the office market potential significantly. This is already evident with the construction of the KPMG building and other planned development. Richmond Hill Centre Langstaff/Gateway, though well located geographically, has some challenges and offers moderate office development potential over the short to medium term; however, potential will become much stronger over the longer term which will likely be strengthened greatly with the planned subway extension. In comparison, Newmarket Centre is anticipated to have more limited market potential for urban office development in the short and medium term, though this will strengthen over the longer term.

Yonge Street Thornhill and Highway 7 East (West of Markham Centre) offer moderate potential for urban office development over the short and medium term and are expected to become stronger over the longer term. Both Corridors have elements of urban character to build on and are geographically well positioned. In contrast, Highway 7 East (East of Markham Centre), Highway 7 West and Yonge Street Richmond Hill are comparatively more suburban and though well located geographically, will require a longer term outlook to become urban Corridors and hold potential for urban office development. In the meantime, these locations will continue to offer moderate potential for low-rise suburban type office development. Yonge Street Newmarket/Aurora and Davis Drive have the most limited potential for urban office development which is expected to remain low for the foreseeable future. The Corridors will offer opportunities for low-rise suburban office development, particularly in proximity to the health cluster along Davis Drive.

**Figure E-1
York Region Centres and Corridors
Market Potential for Urban Office Development**

Location	Urban Office Market Potential (Short to Medium Term – 1-10 Years)	Urban Office Market Potential (Longer Term – 10+ Years)
Regional Centres		
Markham Centre	Strong	Strong
Vaughan Metropolitan Centre	Strong	Strong
Richmond Hill Centre/Langstaff Gateway	Moderate	Strong
Newmarket Centre	Low	Moderate
Regional Corridors		
Highway 7 East (West of Markham Centre)	Moderate	Strong
Yonge Street Thornhill	Moderate	Strong
Yonge Street Richmond Hill	Low	Moderate
Highway 7 East (East of Markham Centre)	Low	Moderate
Highway 7 West	Low	Moderate
Yonge Street Newmarket/Aurora	Low	Low
Davis Drive	Low	Low

Despite the increasing demand for urban type office development, the financial analysis presented indicates that the financial viability of this type of office development tends to be less favourable than for suburban office development. The following section explores development incentives and marketing initiatives that could be implemented to better capitalize on the market potential of the Region's Centres and Corridors for office development.

Development Incentives Scan

There are a range of financial and policy tools available to local and regional municipalities in Ontario, which have the ability to support and encourage specific types of development. A scan of policies and programs currently offered in municipalities across the G.T.A., and in other parts of Ontario and Canada was undertaken to identify potential incentives that have been designed (in whole or in part) to promote or attract office uses.

Incentives encouraging development or redevelopment have been developed by most communities across the G.T.A., including those in York Region, though very few are focused exclusively on supporting office development. The primary policy tool used to deliver

incentives across the surveyed communities is the Community Improvement Plan (C.I.P.), with a range of communities providing programs and incentives in support of more general land use development objectives (e.g. mixed-use development, transit-oriented development at higher order transit nodes), or more site-specific policies and programs to support community redevelopment objectives (e.g. façade improvement). Generally speaking, C.I.P.s are used as the framework to create and provide specific incentives and, in most communities surveyed, represented the first step in the process.

Many of the C.I.P.s currently under study across the G.T.A. are contemplating the introduction of more office-specific incentives as they are developed, while many of those currently in place are considering amendments to introduce office-oriented policies. Through C.I.P.s, municipalities often provide incentives in the form of grants equivalent to tax increases, as well as development charge and fee rebates. Outside of C.I.P.s, several municipalities in Ontario and across Canada offer incentives to allow for density and height above prescribed levels in exchange for community amenities.

Overall, most of the G.T.A. locations surveyed saw a need for incentives to encourage office development, particularly office development that accomplishes specific economic development objectives. This includes development in areas of lower market demand, but also development that accomplishes community-specific objectives like more headquarter operations, such as in Toronto's financial district. However, as with all types of incentives, surveyed communities have attempted to address a number of common problems related to program balance to ensure sustainability, as well as transparency in how potential incentives are evaluated or approved.

Potential Policy Initiatives

Building on the findings of the background review and incentives scan, a range of potential policy initiatives were identified for the consideration of York Region, with the overall intent of improving the marketability of the Region's Centres and Corridors for commercial office investment. However, implementation of any specific policies was intended to be positioned within the broader context of regional and local planning and budgetary discussions, to ensure approaches are fiscally sustainable, while achieving both local and regional objectives in the Centres and Corridors.

Planning tools and mechanisms offer the Region the potential to create environments more conducive to office development. For example, provision of conditional or approved zoning was highlighted as a potential priority in areas where the Region could see greenfield development (e.g. Vaughan Metropolitan Centre, Highway 7 East) as a means of providing more certainty to the development community. Further, opportunities for the Region to provide guidance on height and density flexibility, promote mixed-use development, and develop or participate in C.I.P.s were noted as high priority planning tools and mechanisms to consider.

Given the relative cost of office development in the Region's Centres and Corridors (compared to projects in the Region's employment areas), financial incentives were examined to facilitate and encourage standalone and mixed-use office development in the Centres and Corridors. Tax Increment Equivalent Grants (T.I.E.G.s), largely as a result of development community interest and comparatively more

limited cost to implement, emerged as higher priority financial incentives to investigate, where C.I.P. frameworks permit. T.I.E.G.s can be a driver of development in geographic areas where the market has been slow to respond, or in market sectors where developments do not match municipal objectives. As such, T.I.E.G.s were highlighted as a comparative priority, particularly in the Centres and Corridors that offer greenfield opportunities. Development charge incentives and building fee rebates were also highlighted as potential strategies, but given their potential financial impacts on the municipality, were noted as best deployed only in strategic areas where urban office-type development is most viable, or if the Region and local municipalities can develop strategies to mitigate potential fiscal impacts.

Several conclusions were generated through the process, with recommendations for the Region and its local municipalities including:

- Development of an office-oriented C.I.P. framework at either the local or regional level;
- Discussion of associated financial incentives to introduce in a C.I.P., particularly T.I.E.G. programs; and
- Continued efforts to align land use policies and regulations in Centres and Corridors, including consideration for pre-zoning of strategic lands or introduction of flexible approaches to height and density.

Outline of Strategy to Promote/Facilitate Office Development in the Region’s Centres and Corridors

At present, much of the marketing and promotion of the Region’s Centres and Corridors is done by private sector developers who own land or buildings in the area. In order to further encourage development of office uses in the Centres and Corridors, a strategy was developed for the Region and its local municipalities to take a more proactive role in supporting office-oriented development in strategic areas. The strategy was based on principles of rapid response and customer service, collaborative approaches with the private sector, and coordination of resources and efforts into a “one team” approach.

The recommended strategy notes a number of potential target markets, with priority targets including existing developers in York Region, existing businesses in York Region, investment influencers (e.g. real estate professionals, site selection consultants, provincial/federal government investment advisors), and corporate decision makers connected to the Region’s existing global networks. These targets were followed by a secondary targeting of corporate location decision makers more broadly. Three key initiatives are recommended in the strategy, to build the profile of York Region and ultimately attract office-oriented investment:

- Action 1 – Improve Investment Readiness through Enhanced Online Presence and Incentive Tools, including the creation of a sector profile and associated web-based materials, streamlining of existing web presence, adoption of customer service standards, development of a “one team” approach, collection of testimonials, development of digital video investment and marketing content, and web optimization techniques;
- Action 2 – Increase Profile and Build Relationships with Influencers, including inventorying of key contacts, preparation of fact sheets, media interaction and public relations, organization of events, attendance at major events, targeted social media, and staging of familiarization tours; and

- Action 3 – Undertake Business-to-Business Level Engagement with Corporate Decision Makers, including engaging with existing business networks to understand and leverage global business networks, and attending strategic trade show events paired with undertaking targeted pre-show lead generation and post-show follow-up activities.

Future Outlook for the Greater Toronto Area and York Region Office Markets

Based on a review of the employment forecast for the Greater Toronto Area as presented in the Growth Plan, a review of office buildings under construction and pre-leasing, and a market assessment of growth prospects by sector and area, an office development forecast for the G.T.A. was developed. It is forecast that office space in the G.T.A. is expected to increase by 24 million sq.ft. of G.F.A. over the 2014-2034 period. Of this, 55% is expected to be captured within the City of Toronto and 45% in the 905 area. Over the period, York Region's share of new office development within the G.T.A. is anticipated to be approximately 15%, equating to approximately 3.6 million sq.ft. York Region's forecast share of new G.T.A. office development is expected to be nearly double that experienced over the past five years, but will remain below levels achieved over the 1999-2009 period.

Over the next decade, finance and insurance, and professional, scientific and technical services are expected to experience strong employment growth and are expected to occupy a significant share of office space that is to be constructed. Moderate growth opportunities also exist in information and cultural industries, and real estate and leasing and rentals.

It is anticipated that downtown Toronto will remain an attractive location for office development over the next decade. This will be driven largely by office space demands by the finance and insurance sector, information and cultural industries and professional, scientific and technical services. Office space in downtown Toronto is expected to be strongest for front-office and higher-paid occupations.

Available sites to accommodate new office development in the downtown core are becoming more limited, which is requiring developers to look further in the periphery for new office development. With limited development sites and low vacancy rates, net market rents are expected to remain at a premium. From a demographic perspective, there are a number of factors which suggest that the share of new G.T.A. office development in downtown Toronto will gradually decline. With respect to population growth by age, limited growth is forecast in the 20-34 age group over the next decade across the G.T.A. and the Toronto core. Furthermore, an exodus of Millennials is anticipated from the downtown core to more suburban locations. These factors are expected to have a negative impact on the labour force pool in downtown Toronto.

Looking forward over the next 10 years, York Region's attractiveness in the office market is expected to improve. It is expected that York Region, along with other 905 communities which have significantly lower development costs than downtown Toronto, will remain very cost competitive in terms of market rents. Cost control and efficiency is considered one of the key factors influencing a decision to relocate and firms are expected to remain cost conscious into the future which is expected to hinder downtown Toronto's competitive position in the office market.

Office tenants are going to continue to look for location opportunities which provide access to high-order transit and more urban-type environments. The competitiveness of the 905 area in offering these types of locations is expected to improve with time. York Region's Viva Transitway has strengthened the competitiveness of the Highway 7 Corridor for office development in the Markham and Richmond Hill area by providing needed high-order public transit access. This will strengthen the competitiveness of key office employment areas in the area. Further, a number of York Region's Centres and Corridors, including Markham Centre, Vaughan Metropolitan Centre (with the new Spadina subway extension) and the Highway 7 East Corridor, are becoming increasingly competitive and are expected to capture a greater share of G.T.A. office development over the coming decade.

In the coming decade, York Region is expected to be most competitive in the office market in accommodating the professional, scientific and technical services and finance and insurance sectors, and catering to smaller scale tenants and back-office functions. Though the Region will still attract a certain share of larger-scale head office tenants, the demand will be largely oriented to single-occupant, multi-function facilities (e.g. distribution/training centres) as opposed to solely a corporate office presence. As office tenants continue to be cost conscious, York Region's competitive office market rents will remain a strong advantage moving forward, but will be more challenged in competing with downtown Toronto for premium office space demand by large-scale tenants.

Conclusions

Office commercial development is critical to the development of York Region's economy and long term future. Though the G.T.A. office market continues to expand at a strong rate, York Region competes directly for suburban and urban type office development with other locations in the G.T.A. Historically, York Region has been relatively successful at attracting and accommodating office development largely in suburban employment areas.

The comprehensive assessment of office development cost and financial feasibility determined that market conditions and the corresponding financial viability for suburban office development are favourable in most York Region locations, though high land prices limited the potential for smaller office buildings in Markham, Richmond Hill and Vaughan.

Despite York Region's relative competitiveness in the suburban office market, office development patterns in the G.T.A. have shifted significantly over the past 15 years, with an increasing share of development occurring within Toronto's downtown core and York Region's relative share of office development has diminished over the period.

This shift appears to be driven by an increasing interest in the G.T.A. for more pedestrian-oriented office environments that feature mixed-use development and offer opportunities for live/work and greater access to high-order transit. This suggests that 905 municipalities, including York Region, need to make an improved effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and live/work opportunities in their respective communities, to attract and retain "knowledge-based" labour and employers to their communities. As such, there will be an increasing need over the longer term to

expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a large share of this will be in the form of major office employment. Provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region and major office employment growth should be focused within Centres and Corridors to optimize infrastructure investment and promote transit use. The demand for office space in the G.T.A. is expected to continue and York Region is well positioned geographically to take advantage of this regional growth potential.

Though there is a desire from a policy perspective to attract an increasing share of office development to the Region's Centres and Corridors to meet planning, economic and fiscal objectives and an apparent growing market demand for more urban office development, recent development trends suggest that office development activity in York Region remains largely focused on suburban office development within employment areas. The Region has experienced some success in residential development in its Centres and Corridors, however, office development has been more limited.

The analysis contained herein suggests that market conditions for urban office development as standalone projects are largely unfavourable in York Region's Centres and Corridors and other surveyed locations of the G.T.A. This is due in part to high costs of development (driven by high land costs and the provision for structured parking) which are only partially offset by higher land utilization and market rents/sale prices which have marginal premium compared to office space in suburban office markets. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets. Though there are a handful of recent or planned office developments within the Region's Centres and Corridors, they represent a relatively small share of overall office development activity in the Region.

The policy tools/financial incentives presented herein suggest a number of initiatives could be implemented in York Region to improve the financial viability and attractiveness of office development within the Region's Centres and Corridors. Achieving an increasing amount of office development in the Region's Centres and Corridors poses a challenge for the Region. Optimizing the market potential for office development in the Region's Centres and Corridors will largely be determined on a regional and local level, requiring a "Made in York Region" approach.

Given the extent and diversity of the office and mixed-use development opportunities identified within the Region's Centres and Corridors and the economic challenges of urban office development in these areas, York Region needs to prioritize its efforts to encourage and promote this office development where the potential is highest. This includes ensuring that planning policies and regulations are supportive of intensification initiatives and the office objectives of the Region. This includes implementing pre-zoning, allowing for flexibility and height of developments, promoting mixed-use developments (which include office component) within the Regional Centres and Corridors and generally increasing expediency of development approvals.

Further, a range of financial incentive tools/programs could be used as a means to facilitate and encourage office and mixed-use development within the Region's Centres and Corridors, such as development charge exemptions, redevelopment or rehabilitation grant programs, redevelopment loan programs, and/or the rebate of planning and building application fees. However, the Region should be strategic in their use, in terms of where these are applied and where fiscally sustainable. Based on the analysis presented herein, the relative strength of office market in the Region's Centres and Corridors varies widely. It is anticipated that demand for office space within the Centres and Corridors will continue to increase over the coming decades and the market conditions for urban office development in these areas will become more favourable with time. Considering baseline conditions and future prospects, the office markets in Markham Centre and Vaughan Metropolitan Centre are likely strong enough to be successful without the need for financial incentives. Financial incentives may be options in Richmond Hill Centre, Yonge Street Thornhill and Highway 7 East (west of Markham Centre) to advance urban office development over the short to medium term, though over the longer term, the market should be sufficiently strong to not require such measures. Over the short to medium term, prospects for urban office development along Highway 7 West, Yonge Street Richmond Hill and Highway 7 East (East of Markham Centre), Yonge Street in Newmarket and Davis Drive are limited and these areas will continue to be more attractive for low-rise office buildings with surface parking, consistent with their existing character. It is unlikely that financial incentives will have much impact on prospects for urban office development along these Corridors, but they could be useful in facilitating further suburban office development. Over the longer term, as the Region matures and begins to buildout, the prospects for urban office development in these Corridors will likely improve and incentives applicable for urban office development may be more appropriate at that point.

To take full advantage of the potential for office development in its Centres and Corridors, York Region will need to focus on activities that build awareness and support local growth while also continuing to enhance the basic offering in York Region through an Action Plan. The Action Plan reflects York Region's continued efforts to grow the commercial office cluster alongside its local municipal partners and the local development community.

1. Introduction

1.1 Terms of Reference

York Region retained Watson & Associates Economists Ltd. (Watson), in association with Millier Dickinson Blais (MDB) and DTZ Canada Inc. (DTZ), in the fall of 2013 to evaluate the competitiveness of the Region's office development market and the potential to develop and facilitate a greater amount of office commercial development within its Centres and Corridors. The study assesses York Region's competitive position in the office market within the context of the Greater Toronto Area (G.T.A) through a review of five (out of nine) of the Region's larger urban lower tier municipalities – Aurora, Markham, Newmarket, Richmond Hill and Vaughan.

The York Region Office Space Financial/Market Analysis and Marketing Plan was developed in two phases.

Phase 1 involved a detailed examination of York Region's cost competitiveness position regarding office development in comparison to major office nodes in the G.T.A. through a series of pro forma analyses, building on and updating the work completed in 2002 as part of the Region's "Making it Happen!" report.¹ Further, a comparative analysis of incentive programs currently offered by municipalities in the G.T.A. to promote office development was undertaken.

Phase 2 encompassed a detailed analysis of existing market conditions and recent trends regarding office commercial development in York Region and the G.T.A. and profiles York Region's key office clusters/nodes and major G.T.A. office nodes. In addition, a comprehensive analysis of the competitiveness of the Region's Centres and Corridors, in comparison to the Region's key employment areas that contain significant office development and major G.T.A. office nodes was undertaken. Further, potential policy initiatives/financial tools to promote office development within the Region's Centres and Corridors were identified and an outline of a targeted marketing strategy was prepared.

The findings of both phases of work are presented herein.

1.2 Importance of Office Development

Office commercial development is critical to the development of York Region's "export-based" economy. Continued growth in the office market is vital to building and maintaining balanced, fiscally sustainable communities. Office commercial development generates relatively strong economic multipliers that benefit the Region directly and indirectly. In addition, office development typically generates high quality employment opportunities and adds to a community's assessment base, which can help support lower residential taxes or higher service levels.

¹ Making it Happen! – The York Region Centres + Corridors Study, November 2002.

Other key benefits include reduced commuting dependency and traffic congestion, improved socio-economic conditions and local quality of life.

1.3 The Need to Rethink Office Development Patterns in York Region

Historically, York Region has been relatively successful at attracting and accommodating office development. The majority has been accommodated in employment areas along the Highway 400, 404 and 407 corridors within Markham, Richmond Hill and Vaughan. Though it is considered important that the Region maintain its competitive position in the suburban office market for the foreseeable future, the Region has identified that it is a key priority to promote office development within its Regional Centres and Corridors from both an economic and planning perspective.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a significant share of this is expected to be in the form of major office employment. At the same time, provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region. The Region recognizes major office employment growth should be focused along its Centres and Corridors to better leverage infrastructure investment and promote transit use. Further, though there is generally a sufficient supply of greenfield employment lands to accommodate growth, Richmond Hill and Newmarket are approaching buildout and there is a lack of strategically located vacant employment land along the Highway 400 corridor and there are also challenges related to servicing some remaining greenfield lands. As such, there will be an increasing need over the longer term to expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

Though there are opportunities for office development within the Region's Centres and Corridors and a desire from a policy perspective to attract an increasing share of office development to these areas to meet planning, economic and fiscal objectives, there are also feasibility challenges. The Region has seen some success in residential development in its Centres and Corridors, while office development has been more limited.

The market potential for office development within the Region's Centres and Corridors will be determined by a number of factors including:

- Macro economic trends affecting the G.T.A. office market;
- York Region's office market competitiveness;
- Cost of development;
- Character of the urban area (e.g. community amenities, access to public transit);
- Site availability/suitability;
- Land use policies/regulatory framework; and

- Financial viability and potential incentives.

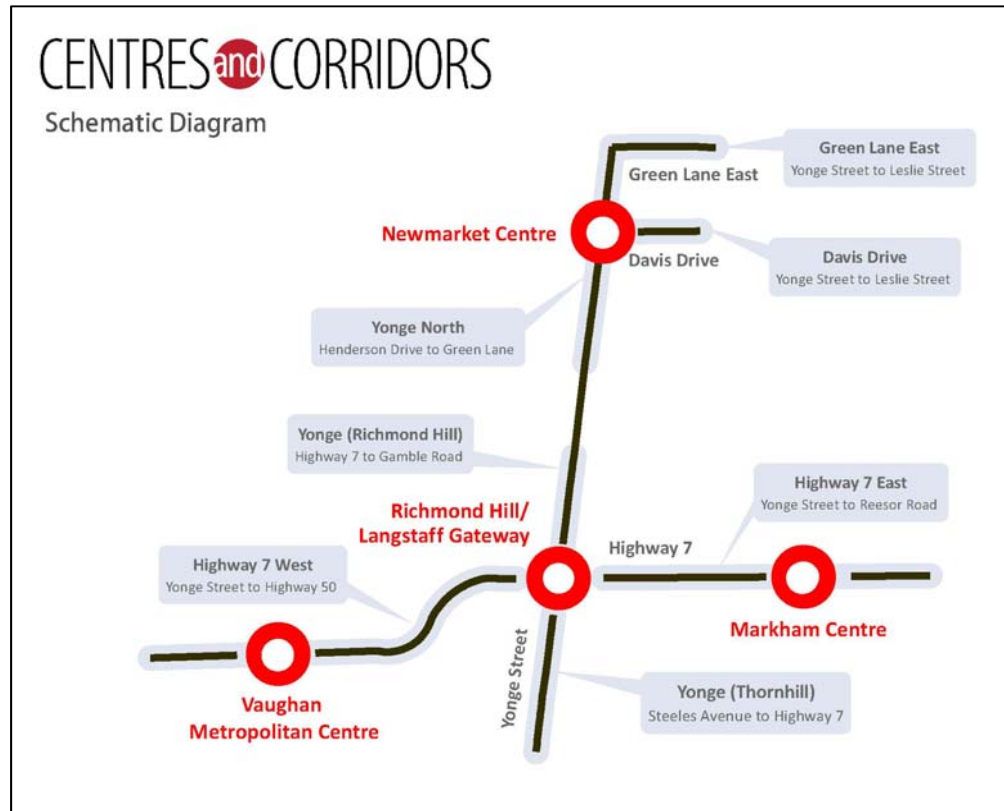
Factors related to demand, including macroeconomic trends, regional drivers of office demand and the competitiveness of York Region in the office market, are explored in Chapters 3, 4 and 5 while the opportunities/challenges for office development within the Region's Centres and Corridors are assessed in Chapter 6. Potential planning and financial incentives/tools that can potentially facilitate office development within the Region's Centres and Corridors are explored in Chapters 7, 8 and 9. An outline of a targeted office marketing strategy is also provided in Chapter 9.

2. York Region's Centres and Corridors – Background and Context

2.1 Overview

York Region's Regional Centres and Corridors are illustrated in Figure 2-1. This includes four Regional Centres (Markham Centre, Newmarket Centre, Richmond Hill/Langstaff Gateway and Vaughan Metropolitan Centre) and seven Corridors (Highway 7 West, Highway 7 East, Yonge (Thornhill), Yonge (Richmond Hill), Yonge North, Davis Drive and Green Lane East).

Figure 2-1
York Region Regional Centres and Corridors



Source: York Region

A high-level overview of the Region’s Centres and Corridors is presented below, which identifies the key attributes and characteristics within the context of this study.¹

¹ This study examines all Regional Centres and Corridors for office development potential, with the exception of Green Lane, which is largely a greenfield area and is considered to have relatively low potential for urban type office development.

2.1.1 Regional Centres

The Regional Centres are categorized as emerging downtowns but they vary in terms of their current baseline conditions. The Regional Centres are expected to accommodate a significant amount of employment growth, as summarized in Figure 2-2. A summary of baseline conditions of the four Regional Centres is provided below.

Markham Centre

Markham Centre is intended to accommodate mixed-use development and has seen extensive high-density residential and commercial development over the past number of years with significant additional development planned. Located along Highway 7 between Roddick Road and Kennedy Road, Markham Centre has a gross area of 410 Ha. Markham Centre is a mid-rise, mixed-use area which is projected to ultimately be home to 41,000 residents and 39,000 employees.¹ The area is home to a number of major landmarks, including City of Markham Civic Centre, Markham Theatre for the Performing Arts, Unionville High School for the Arts, a major hotel and a number of major employers including Honeywell Canada and IBM. The area has seen a significant amount of residential development over the past five years. Markham Centre has been the most active intensification area in the Region.²

The area has excellent access/visibility to Highway 407 and it is served by Viva, York Region's bus rapid transit service and GO Transit regional train service. The area has an employment base of 8,000 and a population base of 7,700.³ It has the largest concentration of office development of the Region's Centres and is home to a number of major office buildings housing large tenants, including IBM and Honeywell. The area west of Warden Avenue is largely built, with a few vacant parcels remaining. The area east of Warden is largely greenfield, with significant vacant land. Overall, this area has the strongest existing base of employment and residential development of the four Regional Centres and is a vibrant mixed-use community.

Newmarket Centre

Newmarket Centre is the smallest geographically and least urban of the Region's Centres. Located in Newmarket, along Yonge Street between Davis Drive and Eagle Street, the area covers an area of 45 gross Ha. The area currently has an employment base of 2,900 accommodated primarily on large deep parcels. The area is largely comprised of auto-oriented suburban type retail development including large format retail, stand-alone commercial (including hotels and restaurants) and strip mall development oriented along Yonge Street with a large share of the land area utilized for surface parking. Office-type development in Newmarket Centre is limited to York Region's Headquarters, the largest employer in the area. The area is served by Viva, York Region's bus rapid transit service,

¹ Markham Centre Fast Facts, City of Markham.

² Best Practices for Centres and Corridors, York Region, 2013.

³ Employment and population estimates derived from 2011 Census and 2012 York Region Employment Survey by Watson & Associates Economists Ltd., based on delineated Regional Centre Boundary.

along Yonge Street. The area's employment base is expected to increase to 4,500 by 2031. The area has limited vacant land supply and accommodating future growth will need to be achieved primarily through redevelopment of existing sites.

Richmond Hill/Langstaff Gateway

Richmond Hill/Langstaff Gateway is located along the Highway 7/Highway 407 corridor, bound by Yonge Street to the west and Bayview Avenue to the east, covering an area of 117 Ha. The area has excellent access/visibility to Highway 407 and access to major arterials (Yonge Street and Highway 7). The area is split into two sub-areas by Highway 407. The area to the north is within Richmond Hill, while the area to the south is located in Markham. The area to the north is largely utilized for large format retail (i.e. Home Depot) and other population-related commercial (e.g. restaurants, movie theatre) and government buildings – York Region South Services Centre and Human Resources Canada. The southern part contains general industrial and is home to a number of small- to medium-sized firms.

The Centre has an employment base of 2,200 which is expected to expand to 31,000. The northern part is expected to be largely mixed-use development (including office) while the southern part will be designated for office along the 407 corridor and residential to the south. The area has limited vacant land opportunities and forecast growth will largely be accommodated through redevelopment. The Centre is served by GO train and a major Viva bus rapid transit junction and is planned to have a T.T.C. subway station as part of a planned extension of the Yonge North subway line.

Vaughan Metropolitan Centre

The Vaughan Metropolitan Centre (V.M.C.) is located at the northeast corner of the junction of Highway 400 and Highway 407 covering an area of 117 gross Ha. The area has excellent 400 series highway access/visibility and is well served by a number of major roadways – Highway 7 and Jane Street. The area is served by Viva, York Region's bus rapid transit service, and will be serviced by a T.T.C. subway station (as part of the Spadina subway line extension) in 2017. The area has an existing employment base of 5,000, which is forecast to more than double to 11,500. The subway extension has generated strong development interest in the Centre, with over 7,000 residential units and approximately 800,000 square feet of office use currently approved or proposed.¹ The area is home to a number of industrial businesses (e.g. Toromont CAT), large-format retailers (IKEA, Walmart) and other population-related commercial development (hotels, restaurants). The V.M.C. has some vacant land supply opportunities which are well suited to accommodate major office development.

¹ Best Practices for Planning Centres and Corridors, York Region, September 26, 2013.

**Figure 2-2
York Region Centres
Existing and Forecast Employment**

	2012	Target (2031 or beyond)	Forecast Growth
Markham Centre	8,000	39,000	31,000
Newmarket Centre	2,900	4,500	1,600
Richmond Hill/Langstaff Gateway	2,200	31,000	28,800
Vaughan Metropolitan Centre	5,000	11,500	6,500
Total	18,100	86,000	67,900

Source: 2012 employment data derived from York Region 2012 employment survey by Watson & Associates Economists Ltd. 2031 employment derived from York Region State of Centres and Corridors 2012, except Markham, which is from City of Markham.

2.1.2 Regional Corridors

The Regional Corridors are largely oriented along Highway 7 and Yonge Street and are intended to be urban mixed-use corridors linking the Regional Centres and serviced by Viva, York Region's bus rapid transit service. The Regional Corridors are discussed below:

Davis Drive

The Davis Drive Corridor extends three km from Newmarket Centre to the 404 employment area at Leslie Street, along Davis Drive, anchored by South Lake Regional Health Centre. East of Alexander Road, the Corridor is largely residential, comprised of low-density residential on the north side of the roadway. West of Alexander Road, the Corridor is dominated by the South Lake Regional Health Centre and related health-oriented services (including a number of medical office buildings) and some retail commercial and high-density residential. West of the hospital, the area is dominated by suburban-type commercial strip malls and some high-density residential development. The Corridor is served by GO train (Newmarket station) and Viva, York Region's bus rapid transit service. Outside of the health cluster, the Corridor has seen limited development in recent years. The area has a relatively limited supply of vacant land and accommodating future office development would come largely through redevelopment.

Highway 7 East

Highway 7 East extends 24 km east of Yonge Street through Richmond Hill and Markham to Reesor Road. The Corridor is anchored by Richmond Hill Centre to the west, Cornell in the east and Markham Centre in the middle. It is served by Viva, York Region's bus

rapid transit service, which is currently being upgraded with the construction of the Highway 7 Viva rapidway which will offer bus rapid transit with dedicated bus lanes. The Highway 7 East Corridor, which is the most developed of the Region's corridors, comprises a mix of residential and non-residential development west of Markham Centre. The Corridor west of Markham Centre is largely commercial, with extensive retail and high-density residential development and some office development. The Corridor has seen significant mid-rise and high-rise condominium development over the past number of years, many of which have ground floor retail, which has strengthened its mixed-use urban built form. The area west of Markham Centre is largely developed, with the exception of vacant lands on the south side of Highway 7 east of Bayview Avenue. East of Markham Centre, the Corridor is relatively undeveloped, with some commercial strip development centred around Markham Road at Kennedy Road and Markville Shopping Centre; otherwise, the area is comprised largely of low-density residential and vacant land.

Highway 7 West

The Highway 7 West Corridor extends 18 km west along Highway 7 from Yonge Street in Richmond Hill through Vaughan to Highway 50. Between Richmond Hill Centre and Dufferin Street, the Corridor has limited right-of-way with Highway 407 immediately to the south and residential development backing onto the roadway on the north side. The area is predominantly industrial west of Dufferin Street, passing through employment areas in Vaughan with minimal office development and limited residential development. The Corridor is suburban in nature and has no existing mixed-use urban base.

Yonge Street North – Newmarket/Aurora

The Yonge Street North Corridor extends six km along Yonge Street through Newmarket and Aurora from Henderson Drive to Green Lane. The area is predominately suburban outside of the Aurora downtown core which is centred at Wellington Street. With the exception of a few medical office buildings, the Corridor has limited office development and is largely comprised of strip commercial development and large-format retail. The area is largely developed and accommodating office development would need to come through redevelopment.

Yonge Street Richmond Hill

The Yonge Street Richmond Hill Corridor extends five km along Yonge Street from Richmond Hill Centre to Gamble Road and has a diverse character. The Corridor is predominantly suburban in character north of Crosby Avenue, dominated by strip commercial development (retail/services, food and accommodation) with limited high-density residential development and limited office development. The area south of Crosby Avenue to Major Mackenzie Drive includes downtown Richmond Hill and has a "main street" character, with on-street retail, some low-rise office development, high-density residential and the Richmond Hill Performing Arts Centre. South of Major Mackenzie Drive, the Corridor is dominated by large-format retail, including Hillcrest Mall and high-density residential development with minimal on-street presence. The Corridor has some vacant land parcels which could accommodate office development, but the majority would be accommodated through redevelopment.

Yonge Street Thornhill

The Yonge Street Thornhill Corridor stretches three km from Richmond Hill Centre/Langstaff Gateway to Steeles Avenue along Yonge Street. The area north of Centre Street is predominantly suburban in character, comprised of strip commercial development and high-density residential development. The corridor has an increasing urban character to the south of Centre Street with an emerging urban node centred at Clark Avenue.

2.2 Policy Context

This section briefly explores recent provincial and regional policy direction in regards to office development potential within the context of the Region's Centres and Corridors.

2.2.1 Provincial Context

A key direction from the Growth Plan is the identification of 25 Urban Growth Centres (U.G.C.s) within the Greater Golden Horseshoe (G.G.H.). This includes four located within York Region – Newmarket Centre, Markham Centre, Richmond Hill Centre Langstaff/Gateway and Vaughan Metropolitan Centre – which roughly align with the delineated boundaries of the Region's Centres. The Growth Plan directs a significant share of future development to the Region's U.G.C.s. This includes major office development which is directed to the U.G.C.s and other nodes and areas with higher-order transit service. In accordance with the Growth Plan, the U.G.C.s in York Region are required to achieve a minimum density of 200 persons and jobs per gross Ha by 2031. The Growth Plan also calls for Intensification Corridors, which are planned to achieve greater employment and residential densities within a mixed-use environment which is supportive of transit.

2.2.2 Regional Context

The policy guidance for the planning of the Region's Centres and Corridors was first established through the 1994 York Region Official Plan and the 2002 Centres and Corridors "Making it Happen!" study. The current Regional Official Plan (2010) provides policies to guide the development of the Regional Centres and Corridors in the Region to 2031. The Region's Official Plan identifies that Regional Centres and Corridors are planned to become the economic hubs of the Region and have the highest concentration of major office, mixed-use commercial and high-density residential development.¹ One of the key objectives identified in the Region's Official Plan is "to achieve an urban, integrated and connected system of Regional Centres and Corridors." In part, it is the policy of Council that the Regional Centres and Corridors serve a critical role as the primary locations for the most intensive and greatest mix of development

¹ York Region Official Plan 2010.

within the Region, and that development within Regional Centres and Corridors be of an urban form and design that is compact, mixed-use, oriented to the street, pedestrian and cyclist friendly, and transit supportive.¹

The planning and development of the Region's Centres and Corridors are supported by Vision 2051, a 2011 document prepared by the Region which looks forward to 2051. Vision 2051 envisions that the Region's economy will continue to shift to a knowledge-based economy. It also identifies that growing traffic congestion and cost of servicing new development means that more innovation and creative approaches to accommodating growth will need to be taken. To reach its vision for York Region for 2051, the document identifies the development of a vibrant City-Region which will focus intensification in a system of active vibrant Regional City Centres and Corridors through mixed-use development.² The document also highlights maintaining economic competitiveness by encouraging major office development to locate within Regional Centres and Corridors with a goal to achieve a balance of employment and residential opportunities within these areas.

The important role of the Region's Centres and Corridors in accommodating major office development is quantified in the Region's latest land budget. The York Region 2010 Land Budget identifies that of 2006-2031 major office employment growth, 88% is expected to occur within the built boundary, with a large share directed to Regional Centres as well as a portion to Regional Corridors and employment lands within the built-up area.³

3. Greater Toronto Area Office Market

3.1 Market Overview

York Region is part of the G.T.A. which is one of the fastest growing City/Regions in North America. The diverse and highly competitive G.T.A. economy has fuelled an impressive level of population and employment growth over the past decade.

The G.T.A. has Canada's largest concentration of office development and is among the five largest in North America, with an office space inventory of 171.8 million sq.ft.⁴ Of this, 70% (119.6 million sq.ft.) is located within the City of Toronto followed by 16% (28.2 million sq.ft.) in Peel Region, 9% (16.2 million sq.ft.) in York Region, 4% (6.9 million sq.ft.) in Halton Region and 1% (0.9 million sq.ft.) in Durham Region, as shown in Figure 3-1.

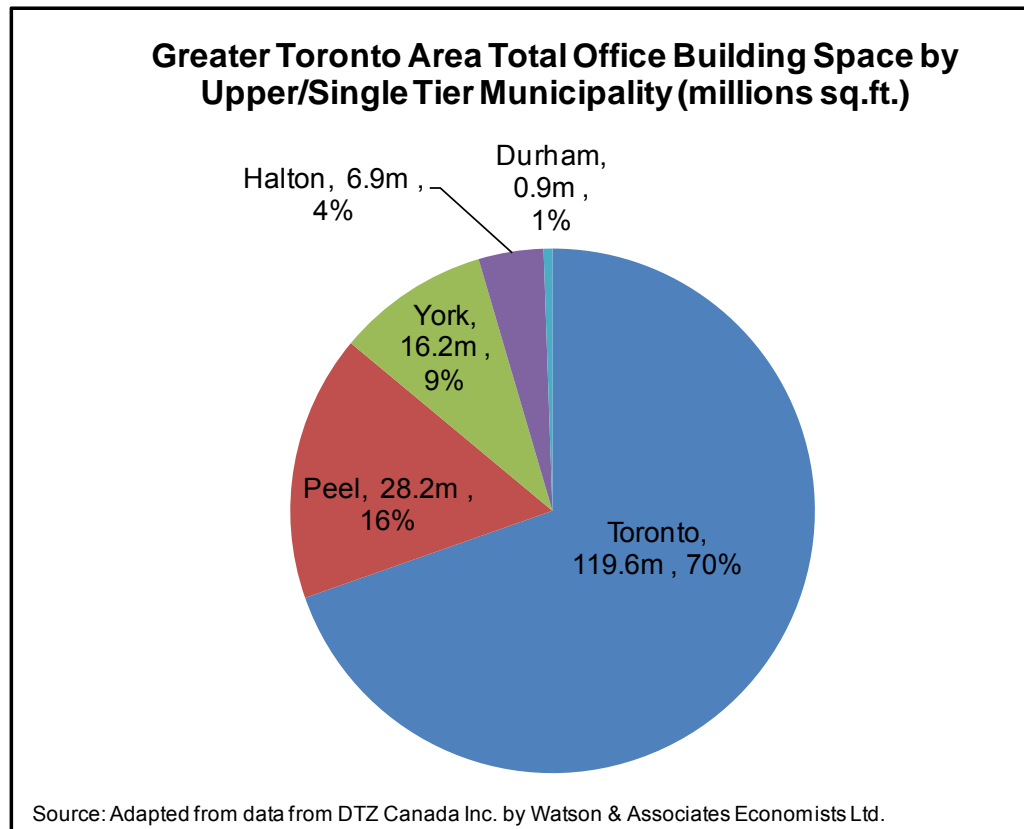
¹ Ibid.

² Vision 2051, York Region, 2011.

³ York Region 2031 Land Budget, March 2010. Major office employment defined as that accommodated in office buildings greater than 20,000 sq.ft.

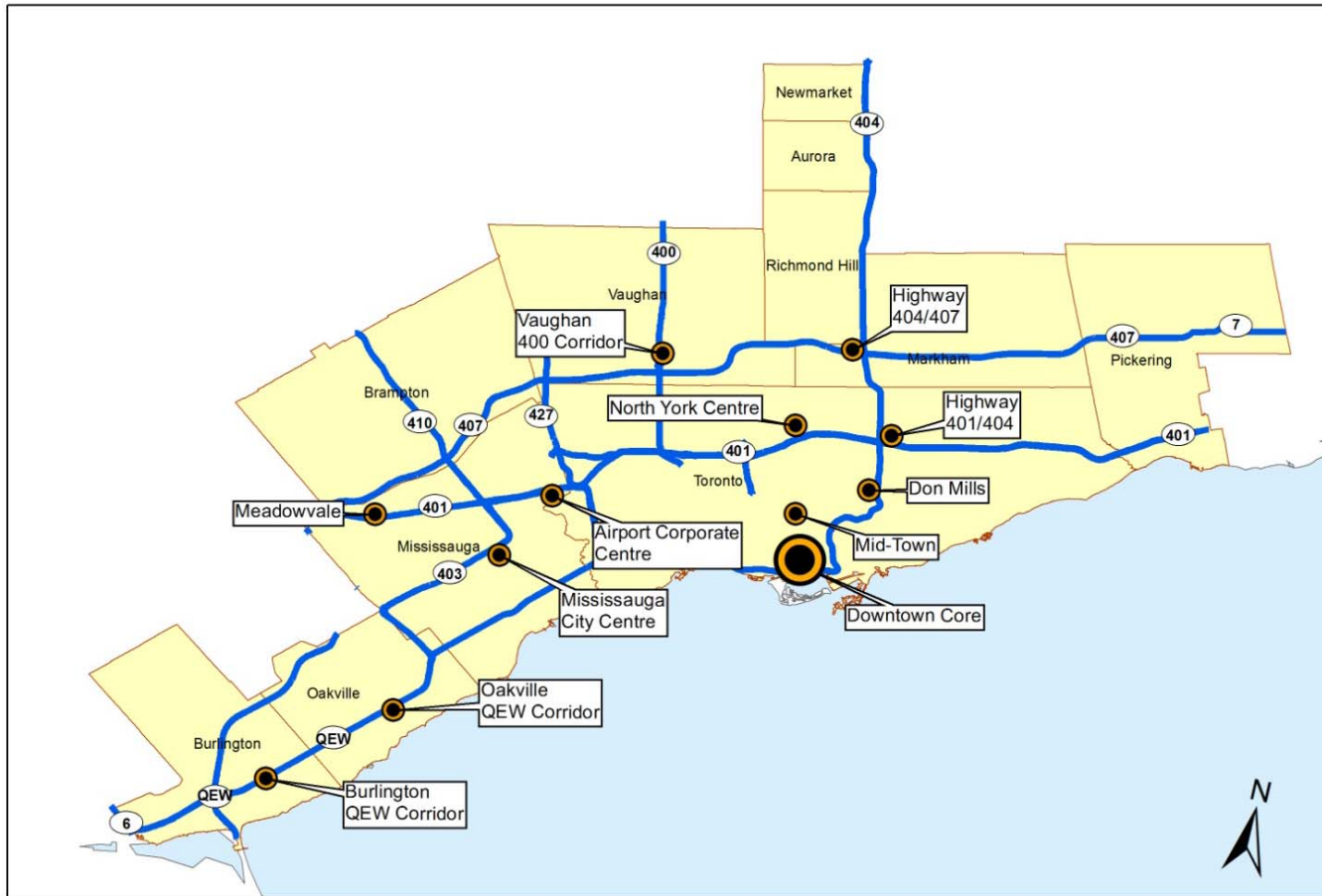
⁴ Q3 2013, DTZ Canada Inc.

Figure 3-1



Of the office space within the City of Toronto, nearly 60% (70 million sq.ft.) is located within the downtown core. The remaining office space in the City of Toronto is situated in a number of urban nodes including North York Centre and Yonge/Eglinton and in a number of suburban employment areas including Don Mills, Highway 401/404 and Highway 404/Steeles, as illustrated in Figure 3-2. Outside of the City of Toronto, major office clusters are located in the “905” area including York Region (Highways 404/407 in Markham and Richmond Hill and the Highway 400 Corridor in Vaughan), Peel Region (Mississauga Airport Corporate Centre, City Centre and Meadowvale), and Halton Region (Q.E.W. Corridor in Burlington and Oakville) , as shown in Figure 3-2.

**Figure 3-2
Greater Toronto Area Major Office Nodes**



Source: Watson & Associates Economists Ltd.

The office market data presented herein, including office inventory data, vacancy rates and absorption rates, is derived from Altus InSite and DTZ Canada Inc. The analysis generally includes market data on office buildings 20,000 sq.ft. and greater in size. The information contained within is from sources believed to be reliable and the market data is estimated to be accurate within 4 percentage points. Time series data may be affected by changes in the sample set (number of participating buildings and gross floor area) quarter over quarter which may make comparison challenging in some instances. Further, the market profiles do not reflect some smaller urban markets (due to data unavailability), including Aurora, Newmarket, Milton, Halton Hills and local municipalities in Durham Region, with the exception of Pickering.

3.2 Trends in Office Development Activity in the G.T.A.

This section provides a review of recent development trends in the office market in the G.T.A. This includes historical trends in annual office construction (G.F.A.), absorption and average vacancy rates in each upper/single tier municipality over the 1999-2013 period.

3.2.1 Annual Office Construction

Over the past 15 years, the G.T.A. office space inventory has expanded by approximately 30 million sq.ft. Figure 3-3 illustrates new annual office building completions (expressed in G.F.A.) in the G.T.A. over the 1999-2013 period. As shown, office development has averaged approximately 2.0 million sq.ft. annually over the period and has been relatively stable over the period except for 2009. The significant amount of office development in 2009 (compared to other years) is largely attributed to two large-scale office towers (over 1 million sq.ft. each) developed in the Toronto downtown core. Over the period, the majority of office space construction has been Class A.¹

¹ Class A office space defined by Building Owners and Managers Association (B.O.M.A.) as the most prestigious buildings competing for premier office users along with high-quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

Figure 3-3

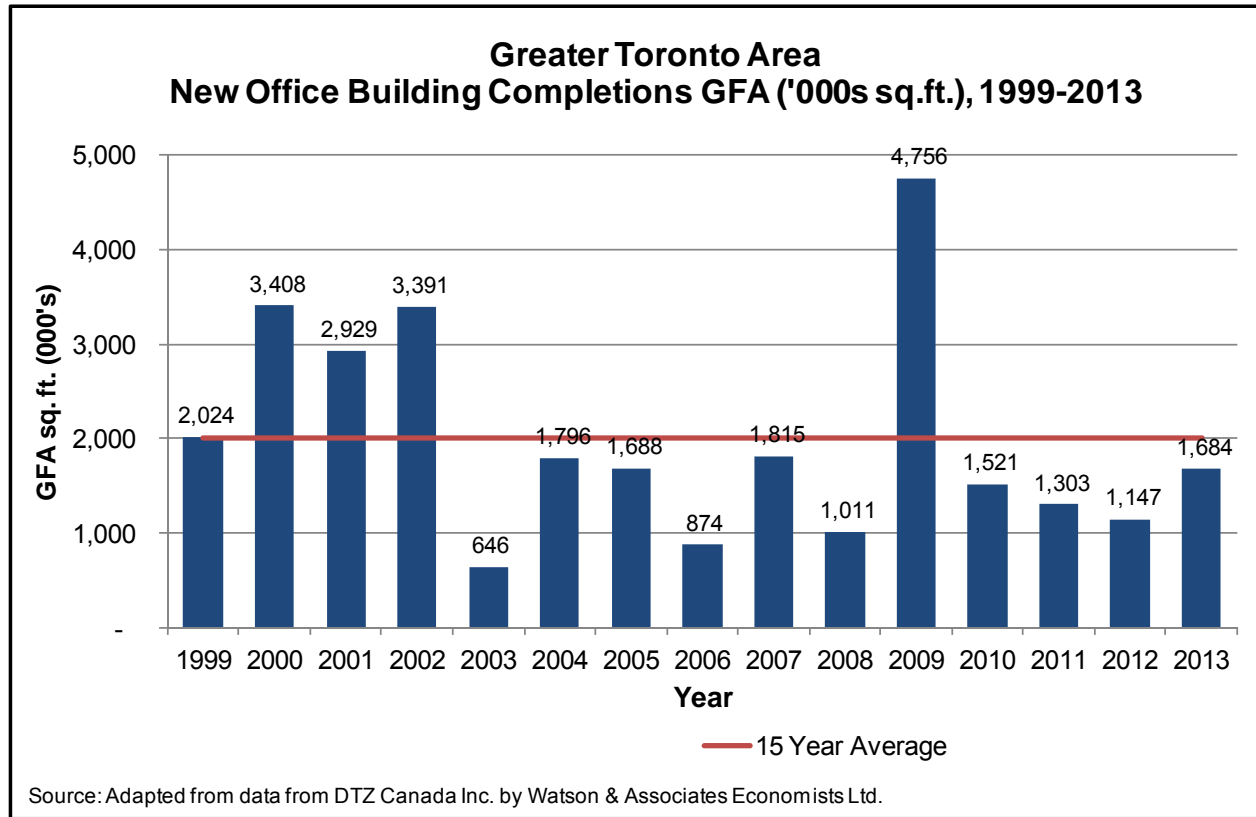


Figure 3-4 summarizes total annual office completions (express in thousands of sq.ft. of G.F.A.) by G.T.A. upper/single tier municipality over the 1999-2013 period. As shown, Peel has had the strongest office growth, with an average of 741,000 sq.ft. annually over the period. This is compared to the City of Toronto with 597,000 sq.ft., York Region with 394,000 sq.ft., Halton Region with 230,000 sq.ft. and Durham Region with 38,000 sq.ft. Over the period, York Region’s office inventory has increased by 5.9 million sq.ft., representing approximately 20% of total new office development in the G.T.A. over the period.

Figure 3-4
Greater Toronto Area Upper/Single Tier
Annual Office Building Completions
GFA ('000s sq.ft.), 1999-2013

Year	G.T.A.	Toronto	Peel	York	Halton	Durham
1999	2,024	170	1,154	286	414	-
2000	3,408	499	1,703	767	364	74
2001	2,929	-	785	1,803	241	100
2002	3,391	639	1,625	664	426	37
2003	646	130	476	20	20	-
2004	1,796	793	487	126	212	177
2005	1,688	213	750	539	127	60
2006	874	495	315	63	-	-
2007	1,815	49	1,045	546	175	-
2008	1,011	80	90	350	491	-
2009	4,756	3,486	1,044	225	-	-
2010	1,521	699	607	-	215	-
2011	1,303	694	281	72	141	116
2012	1,147	174	375	188	410	-
2013	1,684	830	371	268	214	-
1999-2013 Total	29,990	8,951	11,109	5,917	3,449	564
1999-2013 Average	1,999	597	741	394	230	38

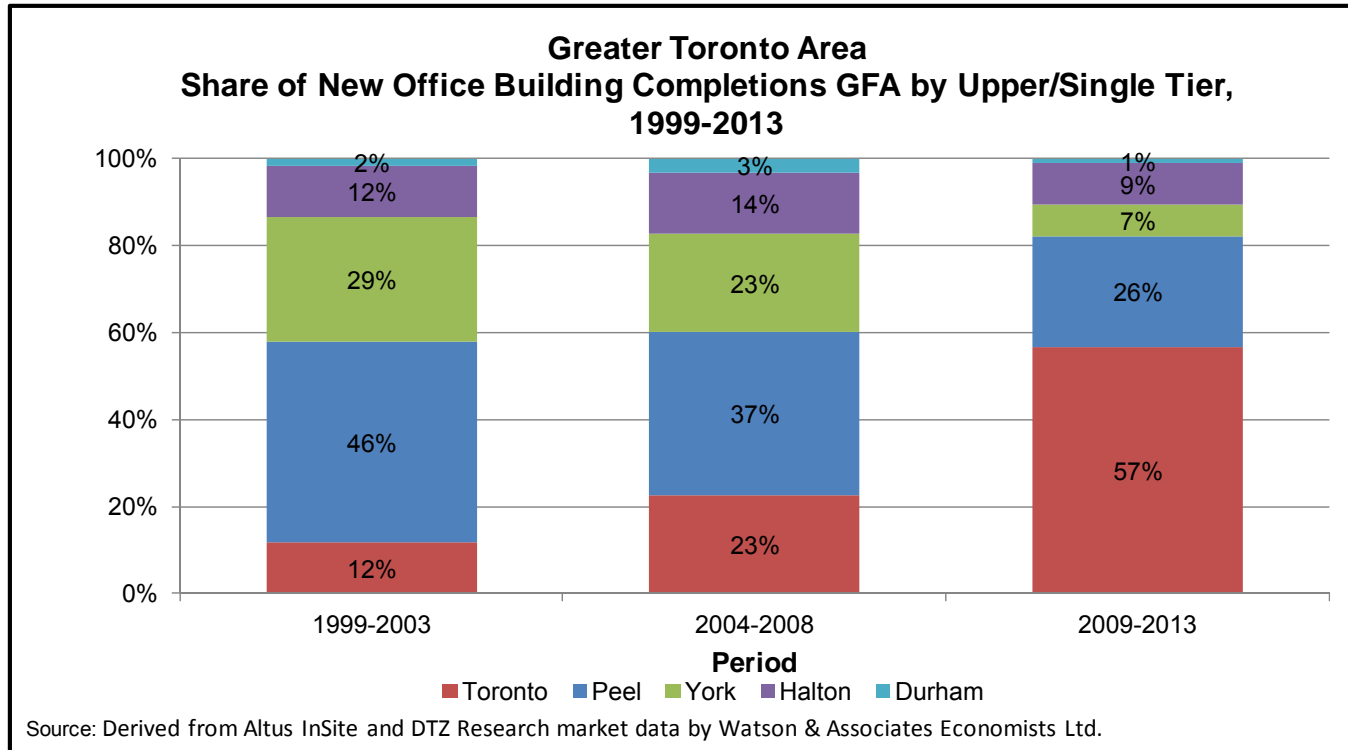
Source: Adapted from data from DTZ Canada Inc. by Watson & Associates Economists Ltd

Office development patterns in the G.T.A. have shifted significantly over the past 15 years. This is illustrated in Figure 3-5 which shows the proportionate share of new office G.F.A. by upper/single tier municipality in five-year increments over the 1999-2013 period. As shown, the City of Toronto's share of new office development has steadily increased from 12% over the 1999-2003 period to 57% over the 2009-2013 period. Of the 5.9 million sq.ft. of development within the City of Toronto over the 2009-2013 period, 88% (5.1 million sq.ft.) was in the downtown core, comprised of eight office towers.

Over the same period, all "905" Upper Tier municipalities have seen a decline in their share of new office development activity. The most significant has been in York Region, which has seen its share of new office market development activity decline from 29% in 1999-2003 to 7% in 2009-2013. This is reflected also in absolute terms, where development activity over the 2009-2013 period was

approximately one-fifth of the level achieved over the 1999-2003 period. The shift in G.T.A. office development patterns is discussed in further detail in Section 3.2.5 while the factors that have driven this shift are explored in Section 4.3.

Figure 3-5



The City of Toronto accommodated 12 office projects over the 2009-2013 period, with two-thirds greater than 400,000 sq.ft. G.F.A. (including two which exceeded 1 million sq.ft. G.F.A. each). Office development in the “905” area over the period included 51 buildings, ranging in size between 25,000 and 350,000 sq.ft. with approximately 75% between 50,000 and 150,000 sq.ft. Approximately 98% of G.F.A. constructed in the “905” area over the period has been Class A office space. Of the building G.F.A. constructed over the 2009-2013 period in the “905” area, 95% has been located on employment lands, largely in greenfield areas. Office development in non-employment lands locations has been exclusively in York Region’s Centres and Corridors; however, access to major highways appears to be highly important for recent “905” area office building projects with 97% within proximity of 400 series highways.

Office development has become increasingly risk averse, requiring a significant share of pre-leasing or a lead tenant to facilitate construction of a project. Of the G.T.A. office development completed over the 2001-2010 period, only 4% proceeded with less than 60% of space pre-leased.¹ This has resulted in a shift to smaller office buildings in the “905” area. The time frame of planning approvals is highly important. Research by the Canadian Urban Institute (C.U.I.) indicates that tenants require office space to be available within a period of three years in order to commit to a developer.²

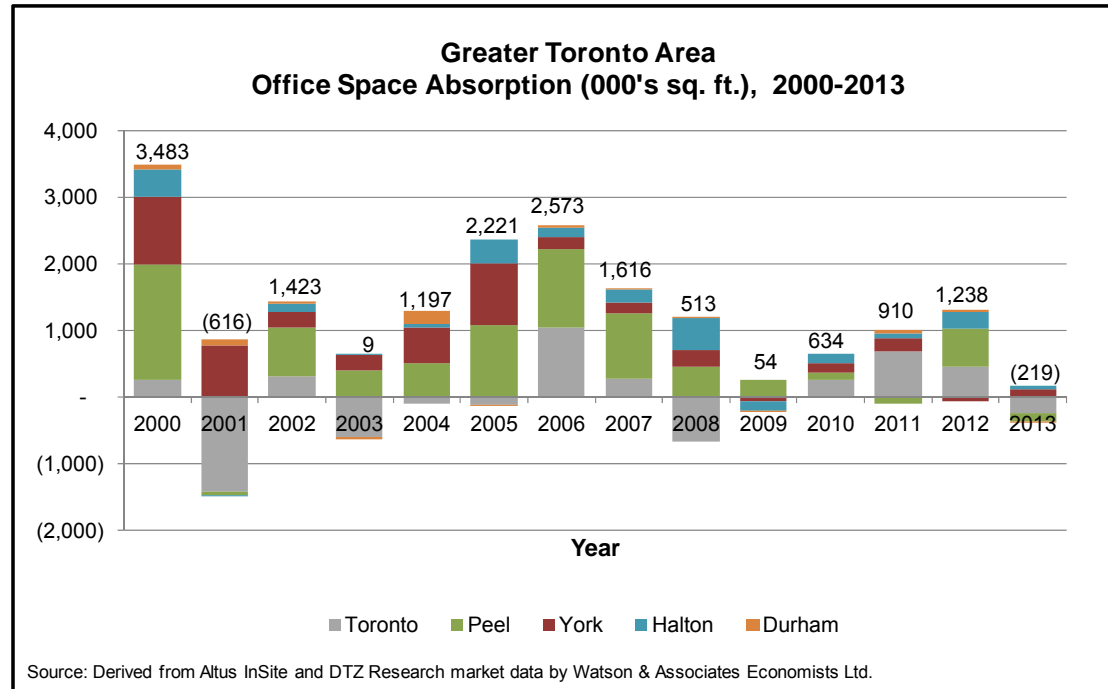
3.2.2 Annual Office Absorption

Annual absorption in the G.T.A. by upper/single tier municipality over the 2000-2013 period is presented in Figure 3-6. As shown, G.T.A. office space absorption has varied widely by year, averaging approximately 1 million sq.ft. per year. During the first half of the 2000s, York Region was achieving relatively high absorption levels, accounting for a significant share of the G.T.A. total. This changed significantly post 2005 where, between 2005-2013, absorption rates in York Region have been relatively modest. In comparison, Peel and the City of Toronto have seen relatively strong absorption levels over the 2005-2013 period.

¹ The New Geography of Office Location and the Consequences of Business as Usual in the G.T.A., Canadian Urban Institute, March 2011.

² Ibid.

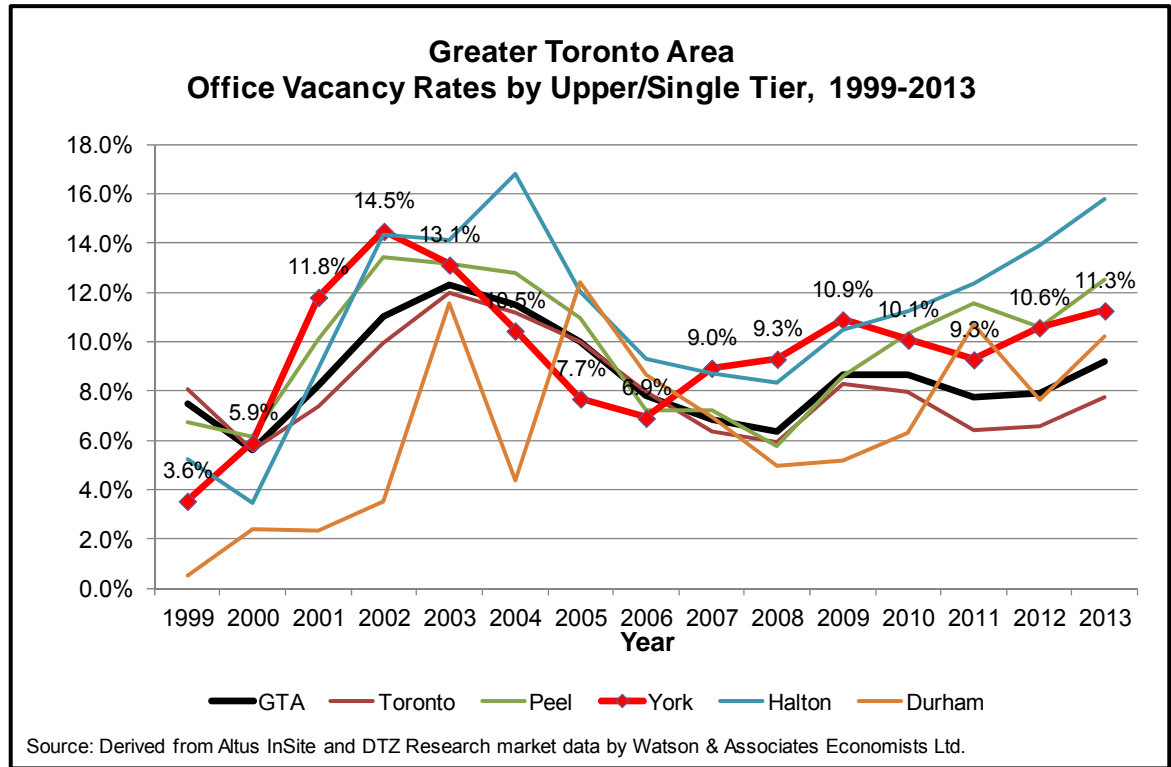
Figure 3-6



3.2.3 Average Vacancy Rates

Figure 3-7 illustrates office vacancy rates in the G.T.A. over the 1999-2013 period by upper/single tier municipality. The G.T.A. average office vacancy rate during the period was lowest in 2000, when it was 5.6%, at which point vacancy rates across the upper tier municipalities, including York Region, were close to the G.T.A. average. During the recession of the early 2000s, office vacancy rates in the G.T.A. rose to a peak of 12.3% in 2003, and thereafter began to decline and hit a low of 6.8% in 2008. These trends were observed in both the City of Toronto and the “905” upper tier municipalities. With the onset of the economic recession in 2008/2009, average vacancy rates rose moderately and have remained between 8 and 9% since then, averaging 9.2% in 2013. However, the vacancy rate trends since the 2008/2009 recession have been quite different between the City of Toronto and the “905” area. Since 2009, vacancy rates in the City of Toronto declined from 8.3% in 2009 to 7.7% in 2013. In contrast, vacancy rates since 2009 in the “905” area have continued to increase with average vacancy rates in 2013 the highest recorded in the past 15 years. As of 2013, the average vacancy rate in York Region is 11.3%, Peel Region 12.5%, 15.8% in Halton Region and 10.2% in Durham. The most significant increase in vacancy rates in the suburban markets was in Class A office space, whereas vacancy rates in Class B and Class C increased only marginally.

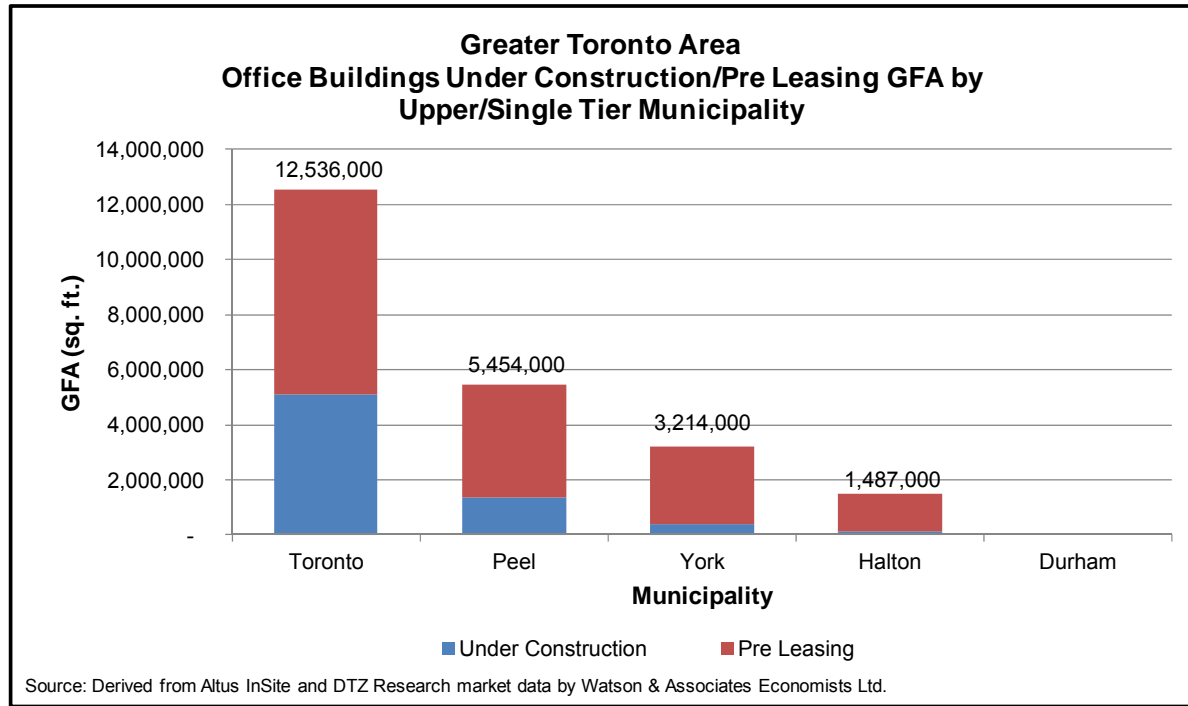
Figure 3-7



3.2.4 Office Projects under Construction/Pre-leasing

There is approximately 22.7 million sq. ft. of office space currently under construction or pre-leasing in the G.T.A. As illustrated in Figure 3-8, 12.5 million sq.ft. of office G.F.A. is under construction or pre-leasing in the City of Toronto, representing 55% of the G.T.A. total. This is largely comprised of new office towers in downtown Toronto. In comparison, Peel Region has 5.4 million sq.ft. of office space in the construction/pre-leasing phase (largely in Mississauga) followed by 3.2 million sq.ft. in York Region and 1.5 million sq.ft. in Halton Region. No projects are under construction or in pre-leasing in Durham Region. Overall, the G.F.A. under construction or pre-leasing split between the City of Toronto and the rest of the G.T.A. (905) is roughly the same as the construction activity experienced over the 2009-2013 period discussed in Section 3.2.1, which suggests that the continued dominance of the City of Toronto in attracting office development in the downtown core will continue at least over the short to medium term.

Figure 3-8

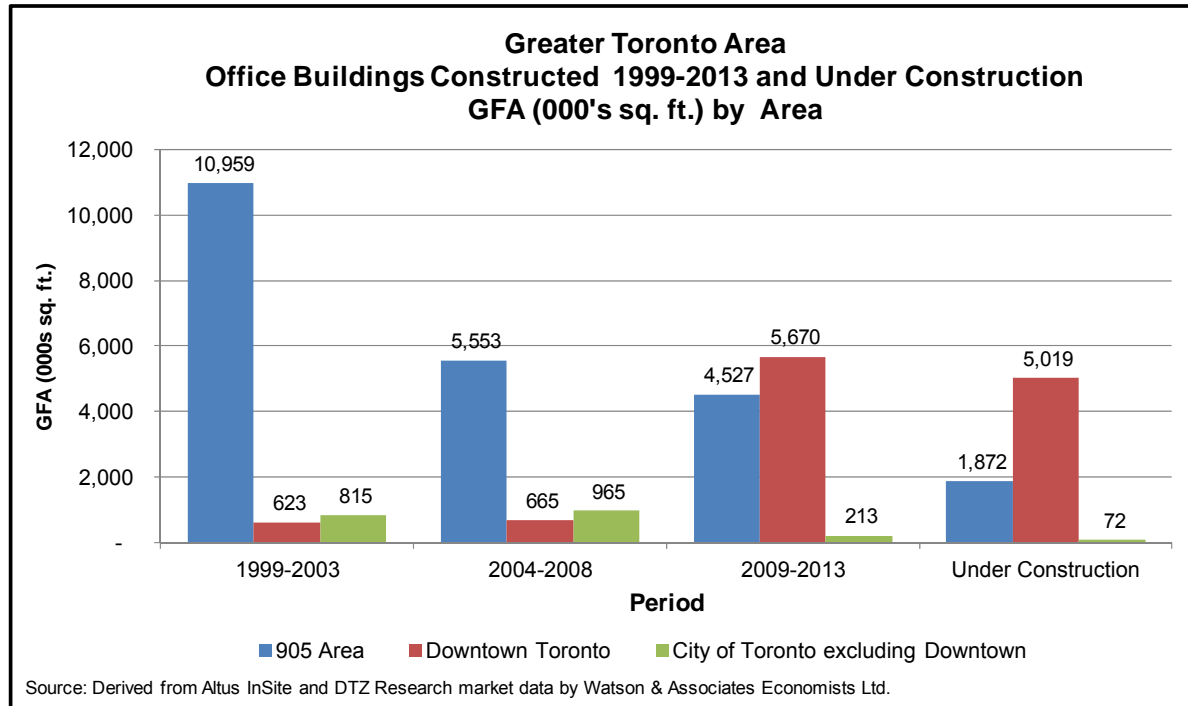


3.2.5 Shift in Office Development Patterns in the G.T.A.

Historically, a significant share of office development within the G.T.A. has been accommodated in the “905 area” within suburban greenfield employment areas. Over the past decade, however, there has been a notable shift in activity from suburban-type office development in 905 employment areas to urban-type office development in downtown Toronto.

The shift in office development patterns in the G.T.A. is illustrated in Figure 3-9. Prior to 2009, the 905 area dominated the G.T.A. office development market, whereas post 2009, the majority of office development has been accommodated in downtown Toronto. Office development activity in downtown Toronto jumped significantly in 2009-2013 compared to the previous 10-year period, with 5.7 million sq.ft. of office space constructed. In contrast, the 905 area has seen a gradual decline in new office development market over the past 15 years, with development activity declining by more than half from 10.9 million sq.ft. in 1999-2003 compared to 4.5 million sq.ft. in 2009-2013. This trend is expected to continue in the near term, with another 5.0 million sq.ft. under construction in downtown Toronto compared to 1.9 million sq.ft. in the 905 area. While downtown Toronto has experienced significant success in office development, office development activity in other areas in the City of Toronto has been relatively limited.

Figure 3-9



This observed shift in office development is not unique to the G.T.A. Over the past decade, an increasing share of office development has shifted from suburban greenfield areas to downtown urban centres in major centres across North America.

With increasing emphasis on the “knowledge-based” or “creative class” economy, office-based employment is expected to continue to expand and broaden demands for new office space. The office market is evolving, reflecting the needs and preferences of office tenants.

Office Space Employment Growth and Demand by Sector

The strong office development activity in downtown Toronto has been driven by a significant increase in office-based employers moving to the area. Between 2008 and 2013, office-based employment in downtown Toronto grew by 34,000 jobs, as shown in Figure 3-10, an increase of 13% over the period. Office employment growth in downtown Toronto accounted for more than 80% of new employment in

the area.¹ In comparison, office employment in the rest of the G.T.A. was more moderate. Office employment within the City of Toronto, excluding the downtown, increased by 7,000 over the period, an increase of 2%, while within the 905 area, office employment grew by 15,300 jobs, an increase of 7%.

Figure 3-10

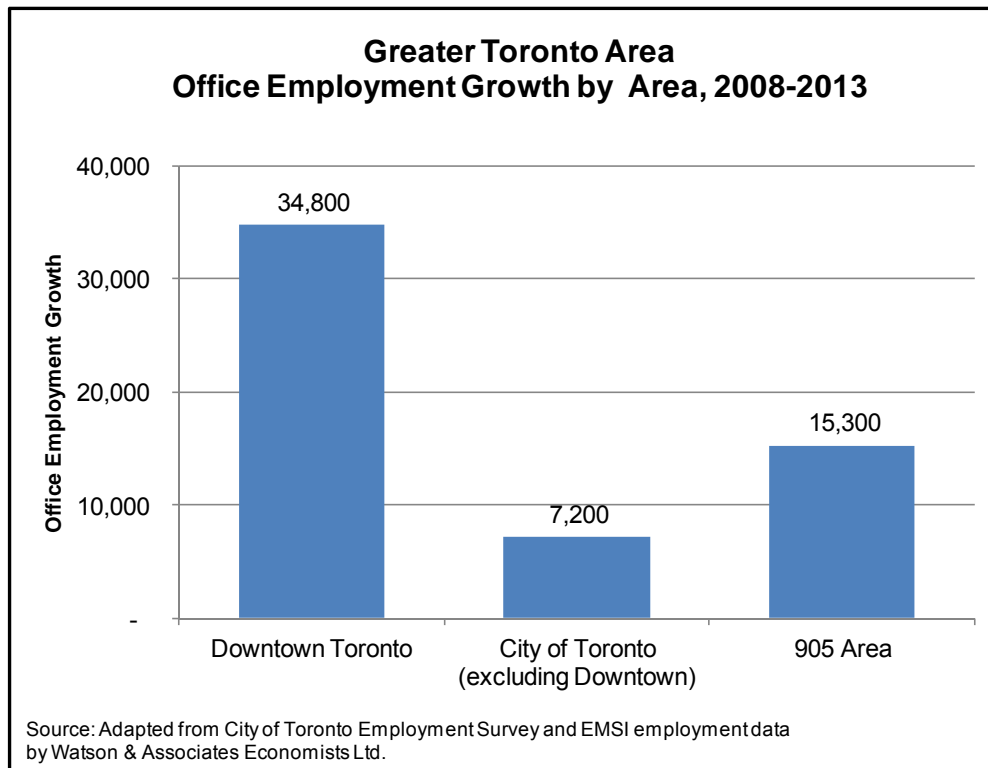


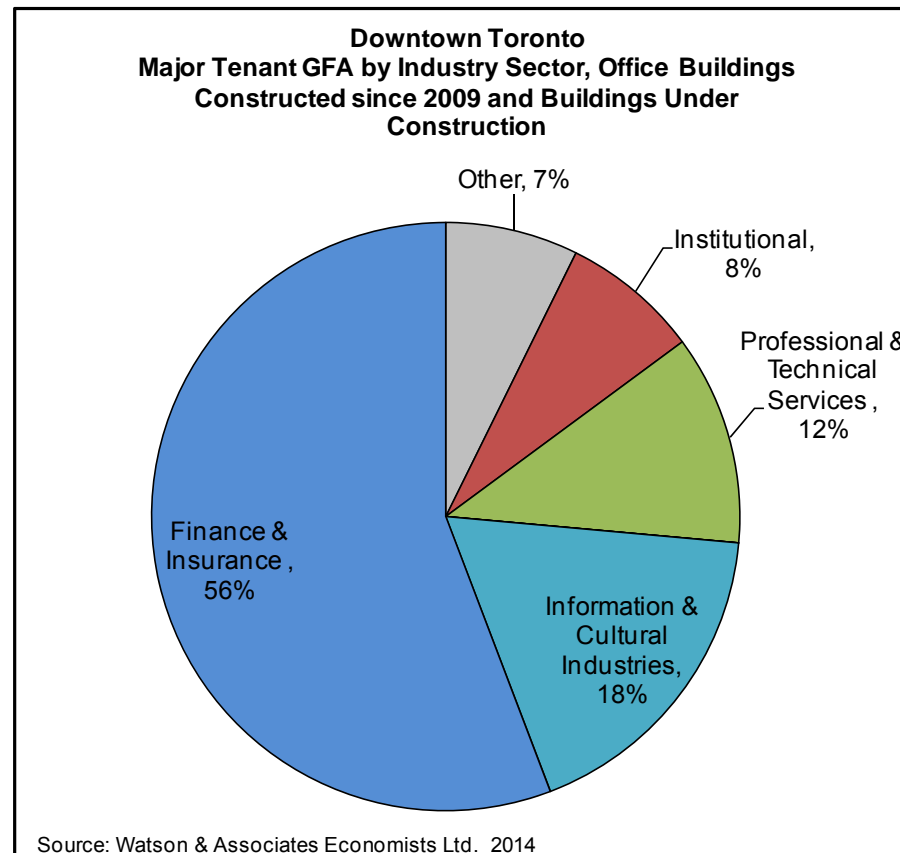
Figure 3-11 summarizes office space leased by major tenants within recently constructed office buildings and buildings under construction within downtown Toronto. As shown, the finance and insurance sector has dominated new office space demand in downtown Toronto, accounting for 56% of the major tenants (as expressed in G.F.A.), while information and cultural industries (largely information technology-related firms) have accounted for 18%, followed by 12% for professional, scientific and technical services. Within the finance and insurance sector, major tenants include the banking sector (RBC, CI Financial), insurance (Sun Life Financial) and accounting firms (Deloitte, KPMG). Major technology firms that have located to the area include Telus, Cisco, Apple and Google.

¹ Based on 2008 and 2013 Toronto Employment Survey data derived by Watson & Associates Economists Ltd.

The finance and insurance sector has experienced strong growth in the broader G.T.A. and downtown core and has continued to capture a strong share of this market growth. While growth in the information and cultural industries sector in the G.T.A. has been limited over the past five years, downtown Toronto has outperformed the G.T.A. in this sector with respect to new construction.

The tenants demanding office space typically require large-scale suites, exceeding 20,000 sq.ft. In recent years, approximately 31% of new office tenant G.F.A. in downtown Toronto is from tenants who are new to the G.T.A. and did not have a presence in the Region prior to locating in the downtown core, with approximately one-third being in the information and communication sectors.¹ The remaining 69% of new tenant G.F.A. is from businesses that have relocated from other parts of the G.T.A.

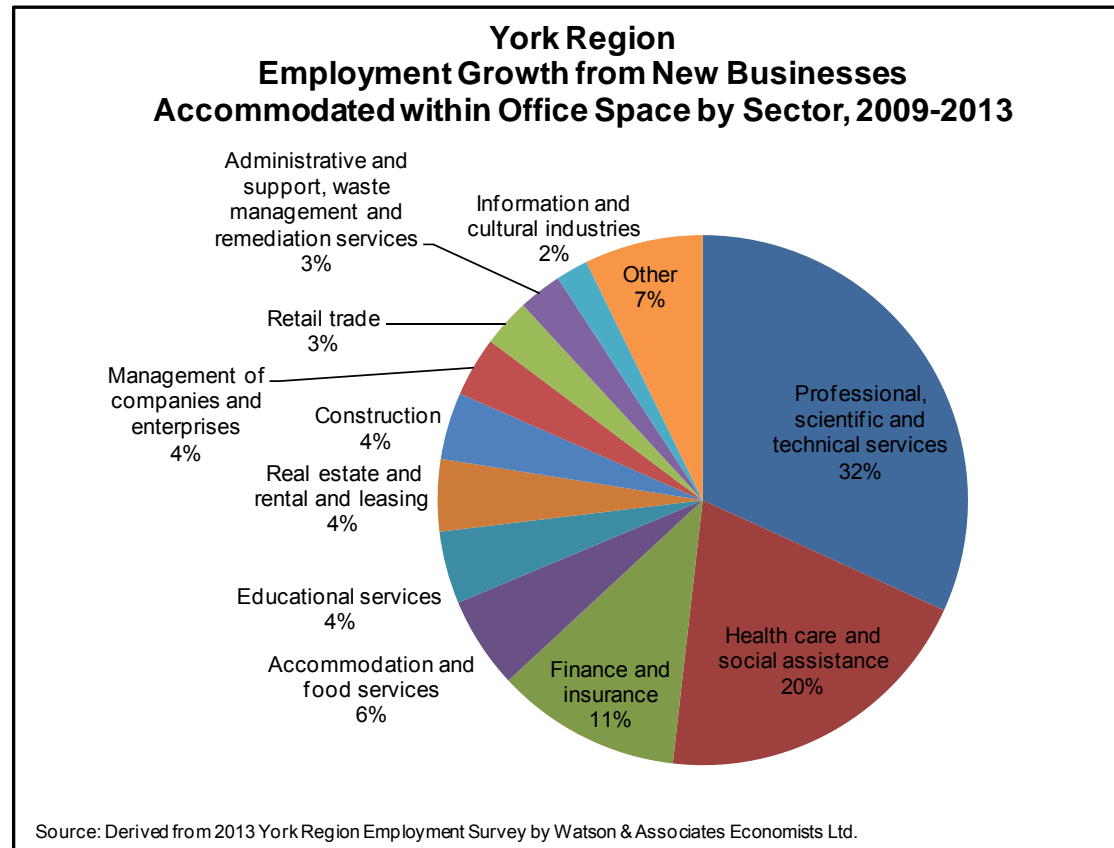
Figure 3-11



¹ 2013 Annual Market Outlook, Cushman & Wakefield.

The tenants who are typically accommodated within York Region’s major office buildings are significantly different than those identified within downtown Toronto both in terms of the sectors they accommodate and the size of office space. Figure 3-12 summarizes proportionate share of employment by sector, based on businesses which have located within the Region’s major office buildings between 2009 and 2013. As shown, over the 2009-2013 period, nearly one-third of new office-based employment within York Region has been in the professional, scientific and technical services sector, followed by 20% in health care and social services, and 11% for finance and insurance. On a share basis, York Region has been relatively more successful at attracting the P.S.T.S. sector than downtown Toronto, whereas the financial and insurance sector has seen significantly stronger demand in downtown Toronto than in York Region. Though York Region has historically been relatively strong in management of companies and information and cultural industries sectors, new business employment growth in these sectors has been relatively limited since 2009.

Figure 3-12

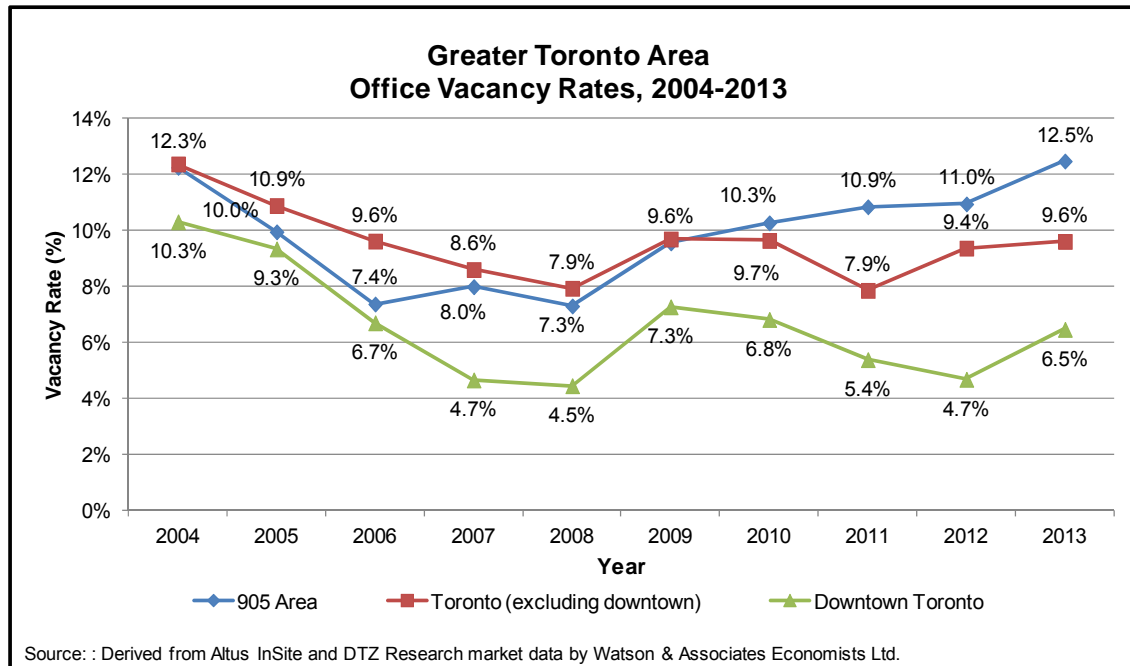


Office tenants accommodated within York Region are also much smaller than those in downtown Toronto. Of the new office tenants accommodated in office buildings since 2009, 68% have leased less than 2,000 sq.ft. and only 4% have leased more than 10,000 sq.ft. of office space.¹ York Region has had limited success at attracting major office tenants since 2009, particularly within multi-tenant, standalone office buildings.

Office Space Vacancy Rate Trends

With the significant employment growth in business activity in the downtown core, vacancy rates in downtown Toronto have declined over the past decade, from a high of 10.3% in 2004 to 6.5% in 2013, as shown in Figure 3-13. In comparison, 905 area vacancy rates are nearly double that of downtown Toronto, at 12.5%, and the discrepancy has widened over the past decade. Vacancy rates in the City of Toronto outside of the downtown core are also notably higher than in the downtown, averaging 9.6%.

Figure 3-13



¹ Derived from 2013 York Region Employment Survey by Watson & Associates Economists Ltd.

3.3 Profile of York Region's Office Market

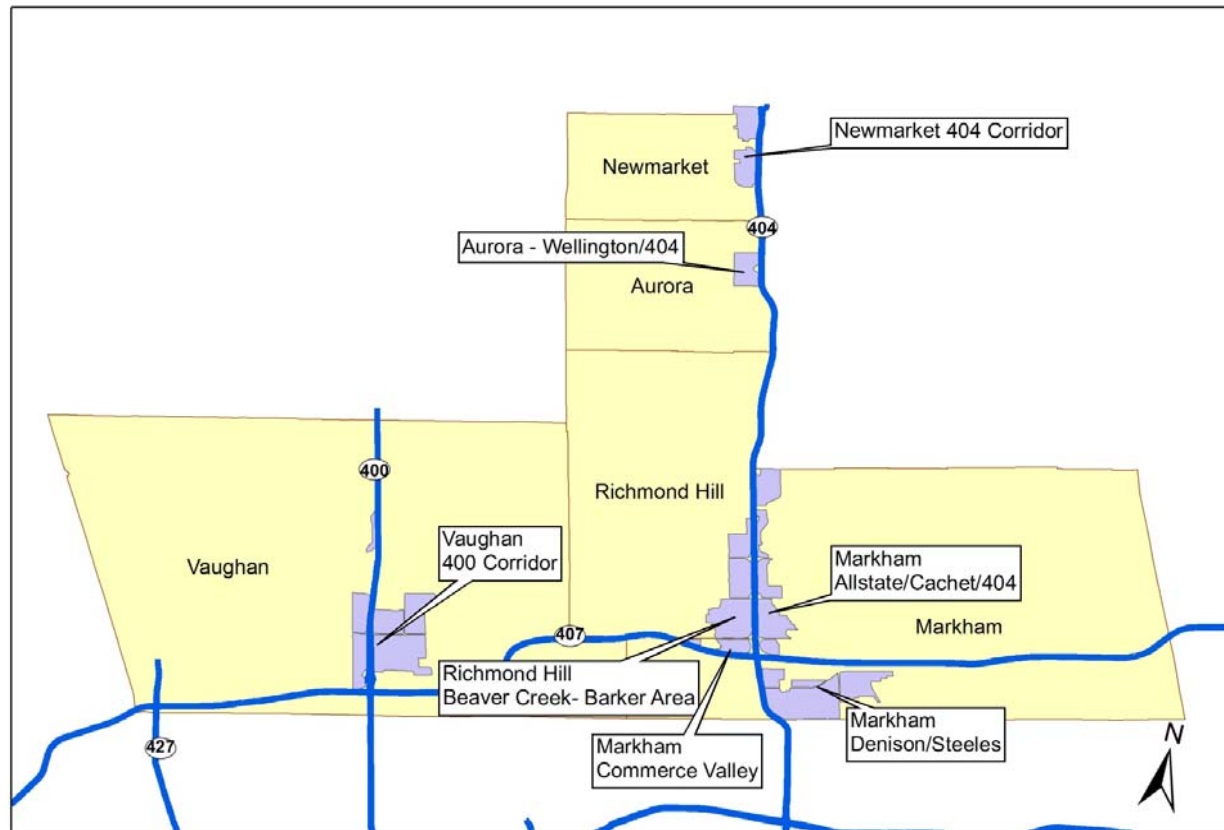
As discussed in Chapter 1, York Region's office market is largely concentrated in key employment areas located throughout the Region. Some commercial office development also exists in the Region's Centres and Corridors. Current inventory and recent trends in the office market within key employment areas and the Region's Centres and Corridors are explored below with more detailed tables provided in Appendix A.

3.3.1 York Region Employment Areas

York Region's employment areas have historically accommodated the majority of the Region's office development. Employment areas within Richmond Hill and Markham have traditionally been successful in attracting a steady absorption of office development. Recently, Vaughan has also seen an increasing share of office development on its employment lands.

Key employment areas within the Region with notable office development and profiled in this study include Commerce Valley, Allstate/Cachet/404 North and the Dension Steeles Area in Markham, Beaver Creek-Barker Area in Richmond Hill, Highway 400 North Corridor in Vaughan, Wellington/404 Area in Aurora and the Highway 404 Corridor in Newmarket. These areas are illustrated in Figure 3-14 and detailed below.

Figure 3-14
York Region
Key Employment Areas



Source: Watson & Associates Economists Ltd.

Aurora 404-Wellington

The 404-Wellington employment area of Aurora is one of the Town's key employment areas and contains a large share of the Town's remaining vacant employment land. The park is of prestige character, located on Wellington Street (Highway 15) on the west side of Highway 404. The park has excellent access/visibility to Highway 404. The area is home to one newer office building (Class A office space which houses State Farm) with G.F.A. of 331,000 sq.ft. The building is single tenant occupied and as such, there is no vacancy, absorption or market rent data for the area.

Markham-Allstate/Cachett/404 North

The Markham-Allstate/Cachett/404 North area straddles the east side of Highway 404 between Highway 7 and 19th Avenue and covers an area of 590 gross Ha. The area houses 42 office buildings totalling 3,433,000 sq.ft., the second largest inventory of office G.F.A. within York Region. Office development is largely adjacent to Highway 404, Highway 407, Woodbine Avenue and Highway 7 with high order industrial development located in the interior areas. The employment area has excellent visibility/access to Highway 404. The area is home to Honda's Canadian head office, and a number of business services and consulting firms, including Allstate Insurance, HSBC Bank Canada, Ceridian, Genivar and Stantec. The southern part of the employment area is largely built out but vacant greenfield areas remain in the northern portion. The northern part has seen some significant development in the past few years, including the development of Honda's head office.

The area is predominately comprised of Class A office space (79% of total G.F.A.), compared to 17% Class B and 4% Class C. Office buildings in the employment area are largely small to medium sized with 93% less than 150,000 sq.ft. in size and 74% less than 6 storeys in height. The ages of the buildings vary considerably with 40% dating from the 1980s, 24% from the 1990s and 34% since 2000. The older building stock is located in the southern part while the newer stock is in the northern half. Over the past decade, the area has seen moderate construction activity. The most significant development project was Honda's head office (400,000 sq.ft.) which was constructed in 2010. Over the past decade, vacancy rates and market rents have remained relatively stable, averaging 15.8% and \$13.83 per sq.ft., respectively, in 2013.

Markham-Commerce Valley

Markham-Commerce Valley contains one of the largest concentrations of office development in York Region, containing 2,404,000 sq.ft. of office development, representing about one-fifth of Markham inventory. Bound by Highway 7 to the north and located at the northwest corner of Highway 404/407, the park has excellent highway access/exposure. The park covers an area of 95 gross Ha and is largely utilized by major office development giving it a uniform and prestige character. The park is highly prestige with 97% of the office space Class A. The park is about 80% built out. Of the 21 office buildings in Commerce Valley, 24% are less than 50,000 sq.ft. in size, 38% 50,000 to 150,000 sq.ft. and 38% 150,000 to 300,000 sq.ft. They represent a range of building heights, ranging between one and nine storeys. The buildings were largely built in the early 2000s and there has been no development activity since 2008. Though market rents are relatively high (\$18.00 per sq.ft.), they have remained relatively unchanged in the past decade and vacancy rates have climbed steadily since 2007, rising from 5% to 18.9% in 2013. The area has a significant presence of IT companies including AMD, CGI, Telus, Qualcomm and AT&T. The area is also home to a number of business services and consulting firms, including MMM Group, AECOM and Ernst and Young.

Markham-Dension/Steeles

Covering an area of approximately 750 gross Ha, the Dension/Steeles employment area is located south of Highway 407, between Highway 404 and Warden Avenue, and is approaching buildout. The office development, which totals 4,290,000 sq.ft., the largest in York Region, is concentrated along Woodbine Avenue and Warden Avenue. Most of the employment area is comprised of industrial buildings. The age of the building stock and the high presence of industrial buildings results in an area with a less prestige feel than other office employment areas in Markham. Despite this, the area has a high percentage of Class A office space. Most of the office building G.F.A. was constructed in the 1980s and 1990s. The buildings are of a typical suburban design, with 90% less than 150,000 sq.ft. G.F.A. and 84% less than six storeys in height. The area has relatively low office rents, (\$11.52 per sq.ft. in 2013) and vacancy rates are 11.8%, lower than the York Region average. The area has seen limited office development activity in the past decade. Major tenants include American Express, IBM and Mitsubishi Electric.

Newmarket 404 Corridor

The Newmarket 404 Corridor is located on employment land in the Davis-Leslie area on the west side of Highway 404. The area has a strong industrial base with a high concentration of manufacturing employment, largely in the auto parts sector, but is designated prestige employment. Existing office space in the Corridor is limited, with two buildings totalling 113,000 sq.ft. Both buildings are three to five storeys in height. One building was constructed in 2013 and is Class A office space. Further data on the other building is unavailable. Given the limited office market in the area, no information on vacancy rates, market rents or absorption is available.

Richmond Hill-Beaver Creek-Barker Area

The Richmond Hill-Beaver Creek-Barker Area comprises a relatively large area, including the Beaver Creek, Hereford and Barker Employment Areas. The area is home to 32 office buildings with a total G.F.A. of 2,347,000 sq.ft. Of the total G.F.A., 64% is Class A, 6% Class B and 26% Class C. The area has a significant number of smaller office buildings, with 88% less than 150,000 sq.ft. and 72% five storeys or less in height. Average vacancy rates have been relatively stable over the past decade, averaging 9.9% in 2013, while net market rents are relatively low (\$14.11 per sq.ft.). The area has seen some office development over the past decade (largely in the northern Barker Area), largely single tenant buildings. Major tenants include Staples, Levis Strauss and BMW Group.

Vaughan Highway 400 North Corridor

The Vaughan Highway 400 North Corridor straddles the east and west sides of Highway 400, extending from Highway 7 to Rutherford Road to the north. The area is home to 23 office buildings with a combined G.F.A. of 1,433,000 sq.ft. Though the area is relatively small in terms of existing G.F.A. compared to office nodes in Markham and Richmond Hill, the area has been the most active in York Region in terms of development over the past decade. The area has seen a significant amount of office development over the past decade, with many single tenant buildings (e.g. Powerstream, Miele Canada, Smart Centres). Of the office G.F.A., 64% has been

constructed since 2000. The office buildings are suburban in type with surface parking. In terms of building size and built form, 96% are less than 150,000 sq.ft. in size and 96% are less than six storeys in height.

3.3.2 Regional Centres

Markham Centre

Markham Centre has the largest office inventory of the Region's Centres and Corridors, totalling 1,204,000 sq.ft. within six office buildings. All office space is Class A and is relatively new, built within the 2000s. Two-thirds of the office buildings are greater than 150,000 sq.ft. in size and all are three storeys or greater in height (including 35% which are six storeys or greater). The office buildings have a mix of parking typologies including surface, structured and underground. Vacancy rates are relatively low (4.6%) and market rents have steadily appreciated over the past decade, rising from \$9.50 per sq.ft. in 2004 to \$17.68 per sq.ft. in 2013. Markham Centres is home to a number of major tenants including IBM, Worleyparsons, Hydro One and Honeywell. Liberty Developments is currently pre-leasing a large 14-storey, 370,000 sq.ft. office development called Offices at Uptown Markham, which will continue to expand the urban and mixed-use character of the centre. There are also two low-rise office buildings (24,000 sq.ft. and 60,000 sq.ft.) that are pre-leasing.

Newmarket Centre

Newmarket Centre has no major office inventory and no office projects under construction or in pre-leasing. The area is, however, home to York Region's administration building.

Richmond Hill/Langstaff Gateway

Richmond Hill/Langstaff Gateway Centre has limited office space, comprised of one building containing 36,000 sq.ft. of G.F.A. The office building was built in 2006, is four storeys in height with surface parking and is single tenant occupied. Given the absence of leasing activity in the area, no market rent data, vacancy rate data and absorption data is available. The Centre has no office buildings under construction or pre-leasing activity.

Vaughan Metropolitan Centre

The Vaughan Metropolitan Centre (V.M.C.) has limited office inventory comprised of three buildings with a total of 261,000 sq.ft. of G.F.A. The office G.F.A. is entirely Class A constructed in the 1990s and 2000s and is suburban type with surface parking with buildings 50,000-150,000 sq.ft. in size. Vacancy rates have historically been relatively low but in 2013 they increased to 27%. Net market rents are relatively high at \$17.75 per sq.ft. The most notable office project in York Region currently under construction is the

300,000 sq.ft. KPMG tower located in the V.M.C., a 15-storey building which features underground parking. The building is part of a broader urban mixed-use development planned for the V.M.C. by Calloway REIT/Smart Centres on a 53-acre site.

3.3.3 Regional Corridors

Davis Drive

The Davis Drive Corridor has no existing major office inventory or office buildings under construction or pre-leasing activity. The Corridor has a few medical office buildings located in proximity to the South Lake Health Centre.

Highway 7 East

Highway 7 East has some office development, located largely on the edge of Beaver Creek Employment Area in Richmond Hill. The Corridor has four office buildings with a combined G.F.A. of 156,000 sq.ft. Nearly two-thirds of the office space is Class B and roughly two-thirds was constructed since 1990. The office buildings are relatively small, with three-quarters under 50,000 sq.ft. and all buildings are low to mid rise (less than six storeys in height). Vacancy rates are relatively low (5% in 2013) and market rents have gradually appreciated over the past decade and are currently \$16.00 per sq.ft. There is currently one office project that is pre-leasing in the Corridor known as the Galleria Centre, a suburban type 60,000 sq.ft. 4-storey building with surface parking.

Highway 7 West

Highway 7 West has limited office space, totalling 154,000 sq.ft. in three buildings. The buildings are located in the Dufferin/Keele area of Vaughan. The buildings are relatively small, less than 65,000 sq.ft., and built in the 1980s. Vacancy rates have been relatively low but spiked to 37% in 2013. Rental rates are relatively low, at \$14.33 per sq.ft. The Corridor has no office buildings under construction or pre-leasing activity.

Yonge Street North-Newmarket/Aurora

Yonge Street North in Newmarket/Aurora contains one office building measuring 35,000 sq.ft. No further information on year of construction or class is available. The Corridor has no office buildings under construction or pre-leasing activity.

Yonge Street North-Richmond Hill

Yonge Street in Richmond Hill contains three office buildings totalling 150,000 sq.ft. of G.F.A. The office buildings were constructed in the 1980s and 1990s and three-quarters of office space is Class A. Two of the three buildings are relatively small at less than 50,000 sq.ft. with the third 90,000 sq.ft. Vacancy rates are currently 9% and market rents relatively low (\$13.00 per sq.ft. in 2013). The Corridor has no major office development under construction or pre-leasing.

Yonge Street Thornhill

The Yonge Street Corridor in Thornhill has a limited amount of office space, comprised of three buildings with a combined 195,000 sq.ft. of G.F.A. Roughly two-thirds of the space is Class A and was built in the 1990s and 2000s. In 2013, the World on Yonge development by Liberty was completed, which is an urban mixed-use development consisting of a 10-storey office tower with 126,000 sq.ft. of G.F.A. Vacancy rates are very low (0.8% in 2013) and average market rents relatively high (\$18.00 per sq.ft. in 2013). There are no office projects under construction or pre-leasing in the Corridor.

3.4 Profile of Key G.T.A. Office Nodes/Corridors

Key office nodes/corridors in the G.T.A. (outside of York Region) with the exception of the City of Toronto downtown core were also profiled.¹ Key attributes and trends related to office space inventory, vacancy, absorption, market rents and major tenants were identified. The following provides a high level summary of each survey office node/corridor by Upper/Single Tier municipality. Further details are provided in Appendix B.

3.4.1 Durham Region

Durham Region's office market is relatively small compared to the rest of the G.T.A. and is concentrated in the City of Pickering.

Pickering

Pickering's office space inventory totals 944,000 sq.ft. of G.F.A. which is concentrated in the City Centre in proximity to the Highway 401 Corridor. Of the total office space, 56% is Class A, 16% Class B and 28% Class C. Approximately 60% of the City's office space has been constructed since 2000, representing one of the newest inventories within the G.T.A. The City's inventory consists of 13 office buildings which are largely less than 150,000 sq.ft. G.F.A. in size, with 69% less than six storeys in height. Net market rents are currently \$11.55 per sq.ft. and have declined significantly since 2004 while vacancy rates over the period have increased from 4% to 10%.

¹ The City of Toronto downtown represents the dominant office node in the G.T.A. and due to its unique attributes is not considered a direct comparator to York Region's office nodes/corridors and was for this reason excluded from the profile and pro forma analysis presented in this study.

3.4.2 Halton Region

Burlington Q.E.W. Corridor

The Burlington Q.E.W. Corridor is home to a large share of Halton's office space. The office development is concentrated in the northeast part of the employment area, on the north of the Q.E.W. highway between Appleby Line and Burloak Drive and also west of Walkers Line and south of the Q.E.W. Highway. The Burlington Q.E.W. Corridor office inventory is comprised of 51 buildings totalling 3,150,000 sq.ft. of G.F.A. Approximately one-quarter of the G.F.A. has been constructed since 2000, although there has been limited development activity since 2010. The area is also made up of a significant amount of older office space, with 18% built prior to 1980. Of the total G.F.A., 56% is Class A, 17% Class B and 25% Class C. The vast majority of office buildings (98%) are less than 150,000 sq.ft. with 84% five storeys or less in height. Net market rents have gradually increased over the past decade from \$11.72 per sq.ft. in 2004 to \$15.15 per sq.ft. in 2013, though vacancy rates have remained relatively high over the period (17.3% in 2013). Burlington's office buildings are home to a number of large tenants including L-3 Communications, EMC2 and Manulife.

Oakville Q.E.W. Corridor

The Oakville Q.E.W. Corridor contains Halton Region's largest share of office development, totalling 3,487,000 sq.ft. of G.F.A. within 48 buildings. Office buildings are located along the Q.E.W. Highway Corridor from the Winston Park Employment District in the east to 3rd Line in the west within a broader employment area. Oakville's office inventory is relatively new, with 58% of G.F.A. constructed since 2000. Office space in Oakville is highly prestige with 77% Class A. Approximately 88% of office buildings are less than 150,000 sq.ft. in size, 73% are less than six storeys in height. The area has seen strong office construction activity over the past decade, averaging 153,000 sq.ft. of G.F.A. per year. Over the period, net market rents have gradually increased from \$14.54 per sq.ft. to \$17.92 per sq.ft., though vacancy rates have risen to 17.6% in 2013 with the increase in supply. The area's office buildings house a number of large tenant corporate head offices, including TDL Group (Tim Hortons), Canadian Tire Financial Services and consulting firms (AMEC, HATCH, SNC Lavalin).

3.4.3 Peel Region

Brampton – Centre

Brampton City Centre is located in downtown Brampton, centred at the intersection of Queen Street and Main Street. The area has been identified as an Urban Growth Centre by the Province. The Brampton City Centre's office inventory is relatively small, totalling 305,000 sq.ft. G.F.A. and seven buildings. The office space inventory in Brampton City Centre is relatively old with half of the G.F.A. built prior to 1980 and the area has seen no new development since 2000. Approximately 54% of the office G.F.A. is Class A, 30% Class B and 16% Class C and the buildings are relatively small, with 57% having less than 50,000 sq.ft. of G.F.A. The buildings tend to have smaller floorplates and a greater number of floors than comparable sized buildings in suburban locations.

The vacancy rate in this area is currently 10.7%, having remained relatively unchanged over the past decade, and net market rents average \$15.33 per sq.ft. having appreciated moderately over the period.

Brampton – 407 Corridor

The Brampton 407 Office Corridor is located on employment lands within the vicinity of Highway 407 within the City of Brampton. The area contains 23 office buildings with a combined 2,658,000 sq.ft. of office G.F.A. The office space is distributed over a relatively wide geographic area, mixed in with industrial and other commercial uses, with concentrations of office development along Airport Road and Hurontario Road. Unlike most office nodes in the G.T.A., the majority of office space is Class B (61%), compared to 30% Class A and 9% Class C. Relative to other suburban office nodes, the office inventory is relatively old, with 52% constructed prior to 1980. Having said that, the area has seen moderate construction activity since 2000, most notably the Loblaws corporate head office building. The office buildings in the area represent a broad range of sizes, though the majority (83%) are less than 150,000 sq.ft. and 91% are less than six storeys in height.

Vacancy rates have fluctuated significantly over the past decade and are currently averaging 13.2%. Net market rents are relatively low, averaging \$13.92 per sq.ft. in 2013, having only marginal appreciation over the past decade.

Mississauga-Airport Corporate Centre

Mississauga Airport Corporate Centre (A.C.C.) represents one of the most prestige office business parks in the suburban G.T.A., with a high concentration of office development in a relatively small geographic area. Located along the south side of Highway 401, immediately south of Pearson Airport, between Creebank Road and Renforth Drive, the area contains 65 office buildings with a total of 5,718,000 sq.ft. of G.F.A. The office space is relatively prestige, with 64% Class A, though the majority of G.F.A. (77%) was constructed in the 1980s and 1990s. The majority of buildings (86%) are less than 150,000 sq.ft. G.F.A. and 85% are less than six storeys in height. The area is largely built out and has seen relatively limited development in the past decade. Net market rents have remained relatively unchanged over the past decade, averaging \$15.16 per sq.ft. in 2013 and vacancy rates remain relatively high at 18.2% as of 2013. The A.C.C. is home to numerous large corporate tenants, including General Mills, Pitney Bowes, Accenture, FedEx and Pepsi.

Mississauga-City Centre

Mississauga City Centre represents the downtown core of Mississauga and is one of the Province's Urban Growth Centres. The area, which is centred around the Square One Shopping Centre, has a broad mix of uses including retail, entertainment, high-density residential and office development. The City Centre contains 3,456,000 sq.ft. of office G.F.A. within 21 buildings. The office space is relatively prestige, with 63% Class A. The office building stock is relatively large with 57% larger than 150,000 sq.ft. and 71% more than five storeys in height with structured parking. The office building stock is relatively old with 83% constructed prior to 1990 and the

area has seen no new office development since 2000. This is in contrast to residential development which has seen considerable activity in the area over the past decade. Net market rents have appreciated only marginally over the past decade and stand at \$16.44 per sq.ft. in 2013 and vacancy rates are relatively high (16.8%). The City Centre is home to a number of large tenants including Baxter, Edward Jones, Symcor and PwC.

Mississauga-Meadowvale

The Mississauga Meadowvale employment area is situated north and south of Highway 401 between Mississauga Road and Winston Churchill Blvd. and contains 5,953,000 sq.ft. of office G.F.A., the largest concentration in Peel Region, and is one of the most successful office nodes in the suburban G.T.A. The park has a prestigious image and 67% of office space is Class A. The southern half of the park began developing in the 1970s and the office inventory reflects a broad range of ages of the buildings. Over the past decade, the park has continued to see significant office building development, averaging 140,000 sq.ft. per year over the period. Absorption has been relatively strong over the 2004-2013 period and the vacancy rate is relatively low at 11.1%. Net market rents have increased only marginally over the period, rising from \$13.44 per sq.ft. in 2004 to \$15.95 per sq.ft. in 2013. Meadowvale is home to a significant number of multinational and national corporations, including RBC, DuPont, Biovail, Maple Leaf Foods and Microsoft.

3.4.4 City of Toronto

Don Mills

Don Mills represents one of the oldest suburban office nodes in the G.T.A., with two-thirds of office G.F.A. constructed prior to 1980. Don Mills is home to 23 office buildings with a G.F.A. totalling 2,910,000 sq.ft., with 56% Class B. The majority (52%) of office buildings are 50,000-150,000 sq.ft. in size. With relatively small floorplates, the buildings are relatively tall, with more than half greater than five storeys in height. Vacancy rates have been declining in the past decade and are currently just above 10%, though net market rents are relatively low at \$12.27 per sq.ft. The area is home to a number of large multinational companies including ESRI, Home Depot, Bell Canada and Celestica.

North York Centre

North York Centre is a highly desirable major commercial centre within the G.T.A., containing 26 office buildings with 6,840,000 sq.ft. of G.F.A. The area, which is a designated U.G.C., is located on Yonge Street, just north of Highway 401 and is well connected to high-order transit (T.T.C. subway) and has good access to Highway 401. The office space is highly prestige with 77% Class A. The office buildings tend to be larger than in more suburban locations and have relatively small floorplates with 54% having more than 10 storeys and most contain underground/structured parking. Three-quarters of the buildings were constructed in the 1980s and 1990s and development activity since 2000 has been limited. Over the past decade, vacancy rates have been declining and are now 8.3%, one of the lowest in the G.T.A., while net market rents are one of the highest of the areas surveyed at \$18.30 per sq.ft. The Centre is home to

a significant number of large multinational and national tenants, including Nestle, Proctor & Gamble, CIBC, BMO, Deloitte and Touche and Manulife.

North York - Highway 401/404

The Highway 401/404 office node is centred around employment lands at the junction of Highways 401 and 404 in North York, along Consumers Road and Duncan Mill Road. The area contains 5,233,000 sq.ft. of office space within 50 office buildings. The office buildings were largely construction in the 1970s and 61% of the office space is Class B, while only 28% is Class A. The office inventory is represented by a broad range of office building sizes and heights. Roughly two-thirds of the buildings are less than 150,000 sq.ft. in size but 44% are six storeys or higher in height. Net market rents in the area are relatively low at \$11.58 per sq.ft. and vacancy rates are relatively high at 19.3%. The area is home to numerous large tenants, including Shoppers Drug Mart, Rogers Communications and Sun Life.

North York - Highway 404/Steeles

The North York Highway 404/Steeles area is located just east of Highway 404, south of Steeles Avenue centred along Victoria Park Avenue. The employment area accommodates a broad range of industrial and commercial uses including office development. Office development in the area consists of 17 buildings with a total of 1,794,000 sq.ft. of G.F.A. The office development dates largely from the 1980s and early 2000s and 65% of office space is Class A. The office stock is relatively diverse in terms of size, class and height, including a number of larger buildings (30% are larger than 150,000 sq.ft. and more than five storeys in height). Vacancy rates have remained relatively consistent over the past decade, averaging 13.1% in 2013, though market rents have been declining and are quite low at \$11.70 per sq.ft. Large tenants include Dell, ING Direct, HSBC and Sony Canada.

Scarborough Centre

Scarborough Centre is a designated U.G.C., located just south of Highway 401 along McCowan Avenue. The area is centred around the Scarborough Town Centre and is served by the Scarborough R.T. (L.R.T.). The office inventory in Scarborough Centre is relatively small, with seven buildings totalling 1,559,000 sq.ft. of G.F.A. The office space is predominately Class A (accounting for 98% of total G.F.A.) and the buildings are relatively large (43% are 300,000 sq.ft. or larger and more than 10 storeys in height). The office space was largely built in the 1980s and 1990s and the area has seen no new development in the 2000s. Vacancy rates and market rents have remained relatively stable over the past decade, averaging 12.7% and \$10.41, respectively, in 2013.

3.5 Comparative Analysis – York Region and G.T.A.

This section summarizes current office space inventory, net market rents, office market vacancies and average construction activity over the past decade by G.T.A. major office node/corridor profiled in sections 3.3 and 3.4 and are presented in Figures 3-15 through 3-18, respectively. Key observations include:

- The major office nodes/corridors profiled in the G.T.A. range in size between approximately 1.0 million and 7.0 million sq.ft of office G.F.A. The largest include North York Centre, Meadowvale, Airport Corporate Centre and North York 401/404 which exceed 5.0 million sq. ft. each;
- The largest office nodes/corridors in York Region include the employment areas Markham Denison/Steeles, Markham Allstate/Cachet/400 North, Markham Commerce Valley and Richmond Hill Beaver Creek Barker Area which range in size between 2.3 million and 4.3 million sq.ft. In comparison, the largest concentration of office development in the Region's Centres and Corridors is in Markham Centre (1.2 million sq.ft.) while the remaining Centres and Corridors have relatively small office space inventories (260,000 sq. ft. or less);
- Net market rent survey average is \$14.73 per sq.ft.;
- The net market rents in a number of urban office nodes/corridors are significantly higher than the survey average. This includes North York Centre (\$18.20 per sq.ft.), Yonge Street Thornhill (\$18.00), Vaughan Metropolitan Centre (\$17.75), Markham Centre (\$17.68), Mississauga City Centre (\$16.44) and Highway 7 East (\$16.00). Suburban office parks Markham Commerce Valley, Oakville Q.E.W. Corridor and Meadowvale also have net market rents higher than the survey average;
- The highest vacancy rates are in the York Region Highway West Corridor and Vaughan Metropolitan Centre which are significantly higher than the survey average. Vacancy rates are also relatively high in a number of suburban office parks including Toronto 401/404, Markham Commerce Valley, Airport Corporate Centre, Oakville Q.E.W. Corridor, Burlington Q.E.W. Corridor, Mississauga City Centre and Markham Allstate/Cachett/400 North;
- In contrast, Markham Centre, Yonge Street Thornhill and Highway 7 East and Yonge Street Richmond Hill have very low office vacancy rates suggesting that demand for office space in these locations is relatively strong;
- The strongest office development activity over the past decade in the G.T.A. has been in Oakville Q.E.W. Corridor and Mississauga Meadowvale;
- Within York Region, the strong office development activity over the past decade has occurred in Markham Allstate/Cachett/400 North, Vaughan 400 North and Markham Commerce Valley;
- Relative to other office nodes/corridors surveyed, Markham Centre has experienced moderate office development activity over the past decade. Office development in the Region's other Centres and Corridors has been limited; and
- The suburban office nodes in the City of Toronto (Don Mills, 401/404 and 404/Steeles) have seen minimal development activity in the past decade.

Figure 3-15

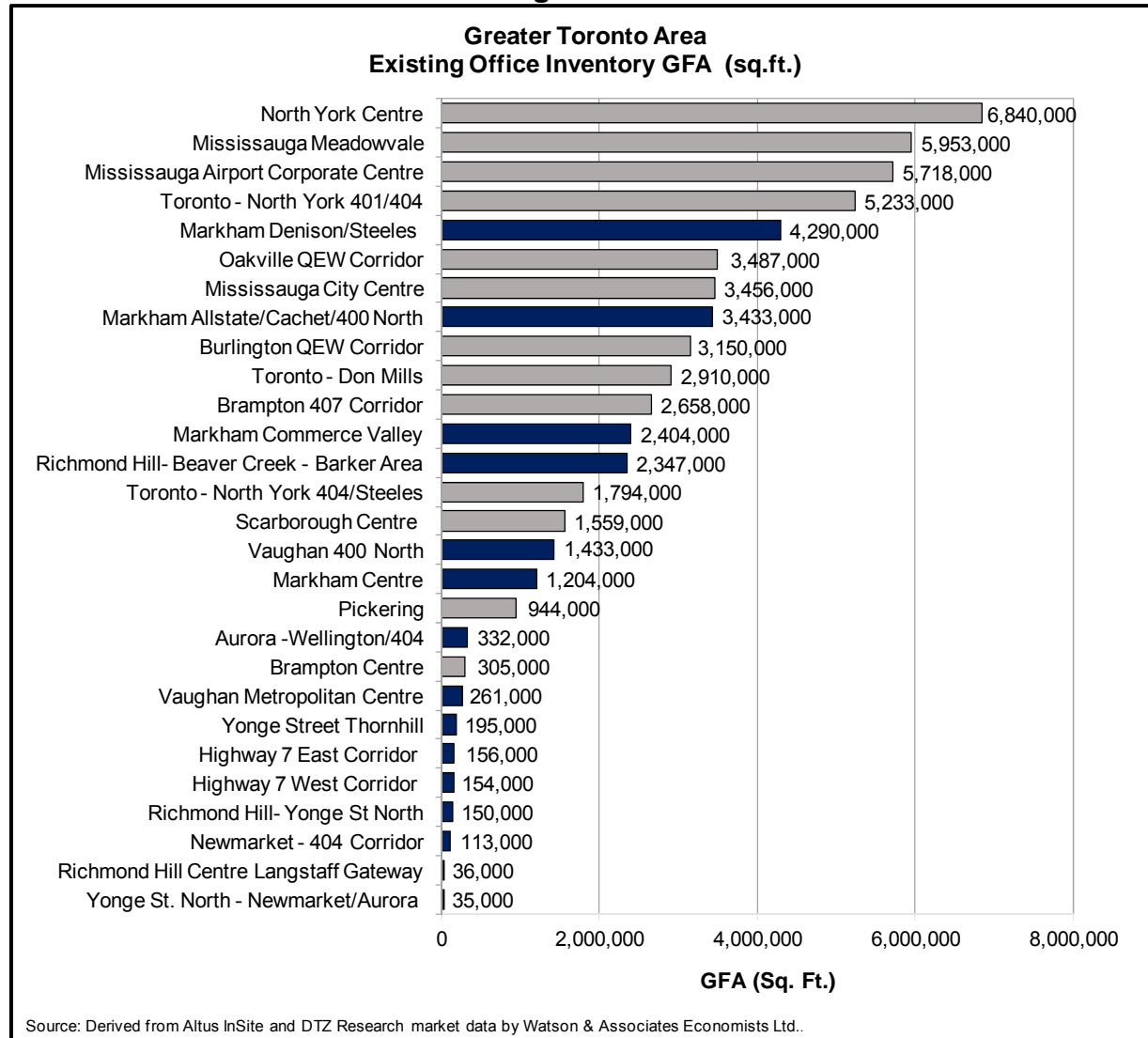


Figure 3-16

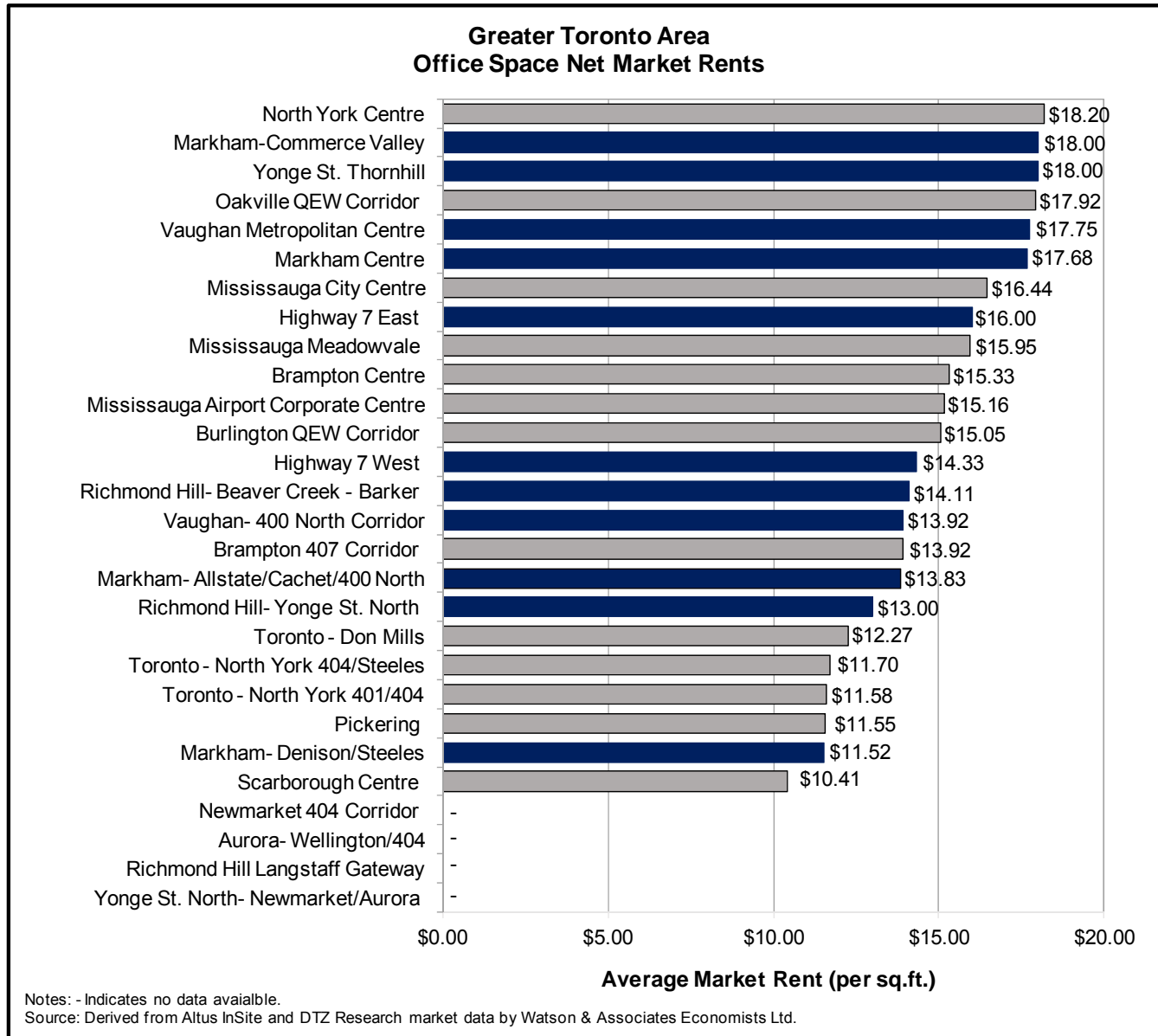


Figure 3-17

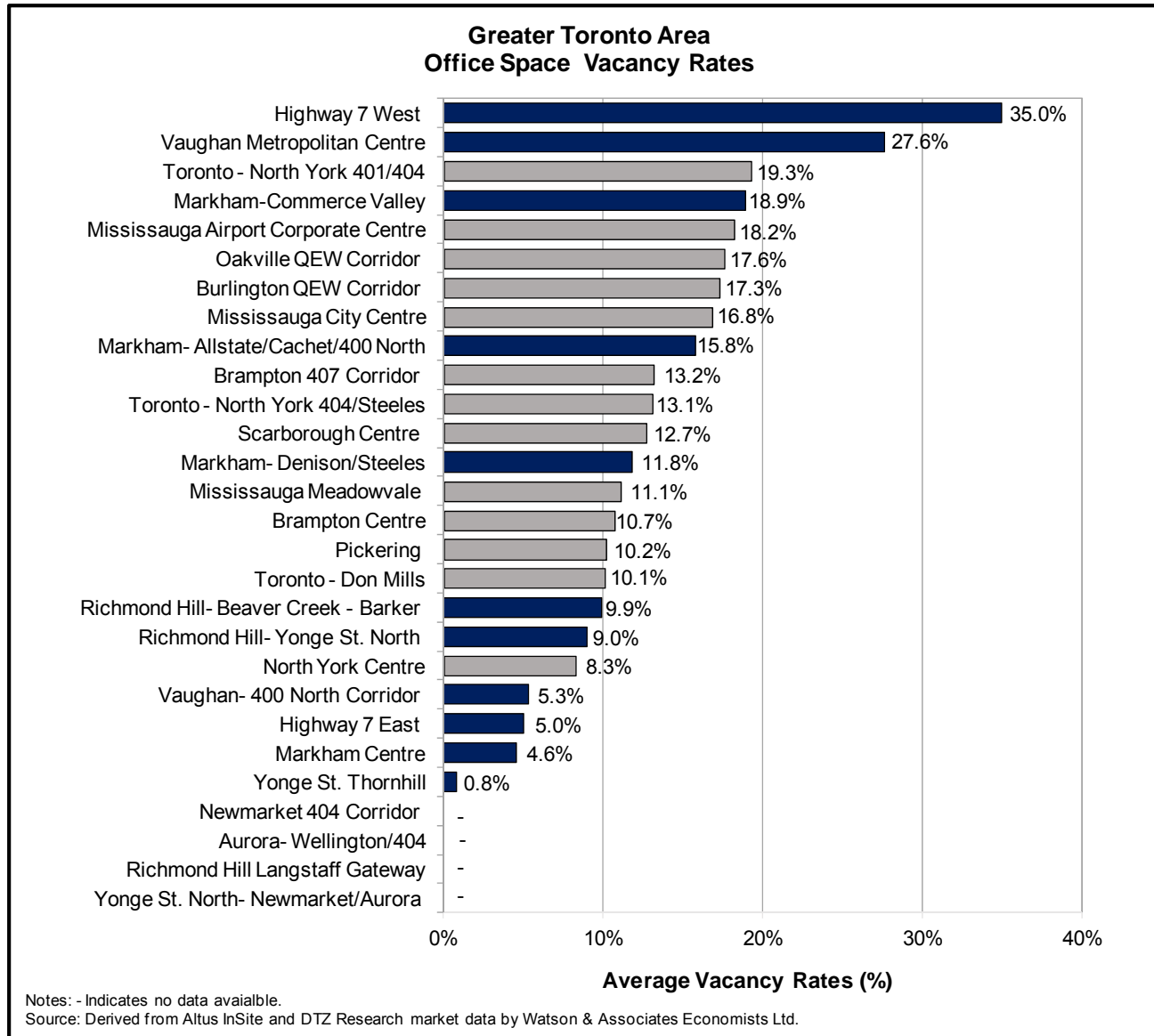
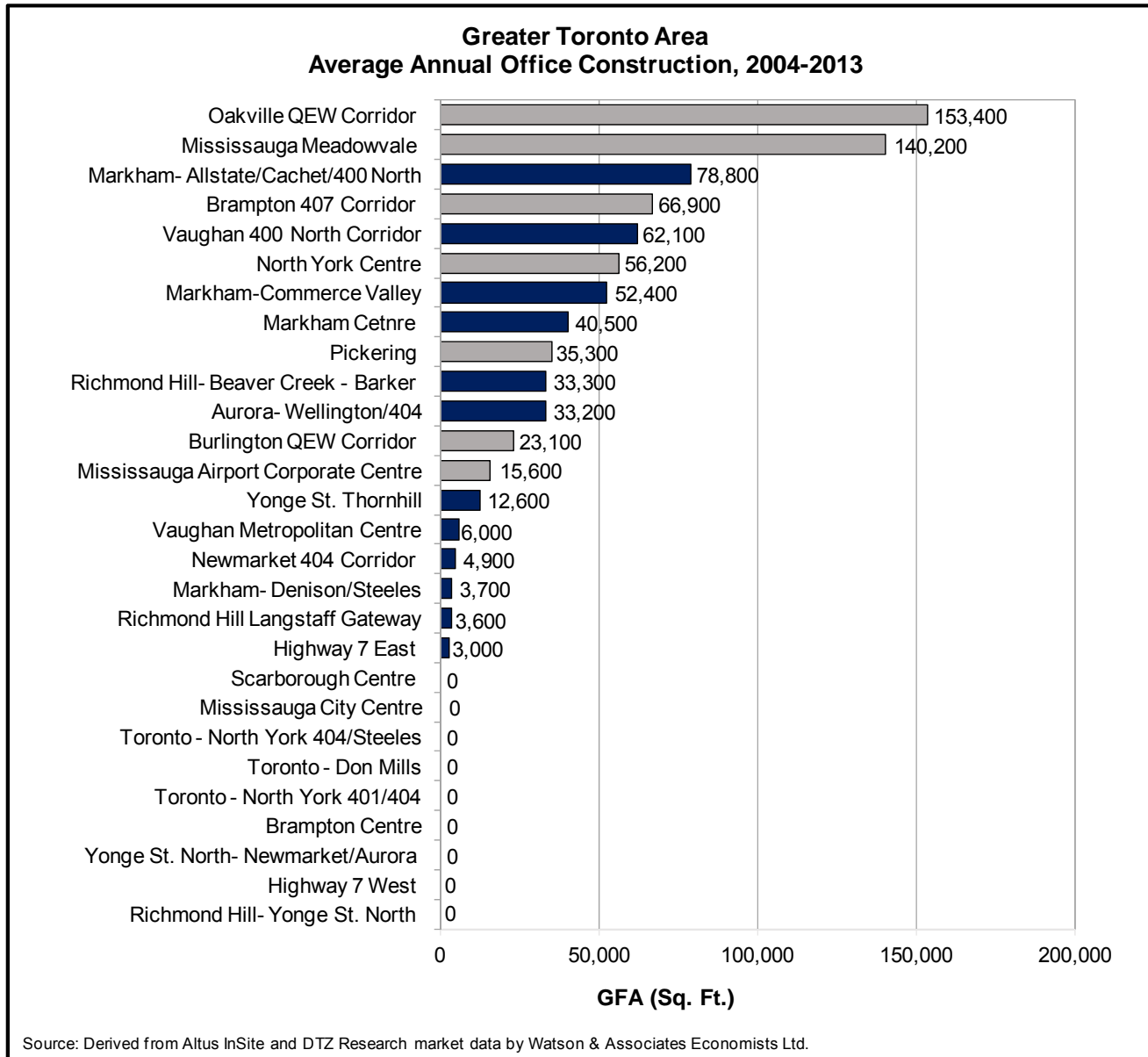


Figure 3-18

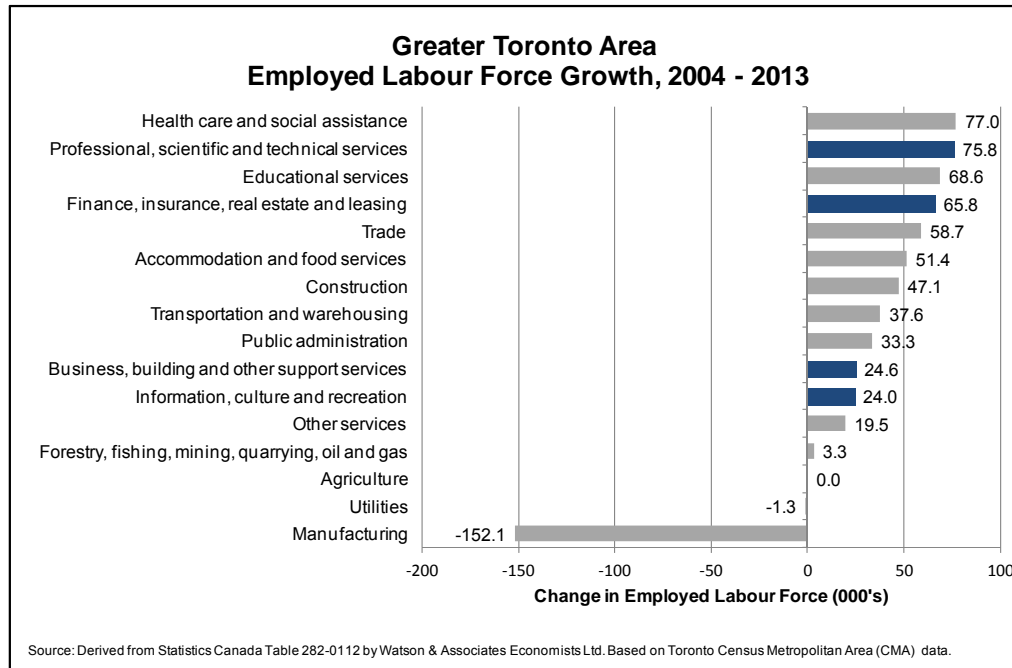


4. Understanding Market Drivers for Office Development and Shifts in the Greater Toronto Area Office Market

4.1 Macro Economic Trends and Impacts on Office Market

Similar to the provincial economy as a whole, the nature of the G.T.A. economy is changing. Over the past 20+ years, the composition of the G.T.A. economy has gradually shifted from the goods-producing sector to the service sector. G.T.A. employed labour force growth over the past decade has been strongest in service producing sectors including office-related sectors such as professional, scientific and technical services, finance, insurance and real estate as shown in Figure 4-1. Currently, one-third of all jobs within the G.T.A. are accommodated within an office environment.¹

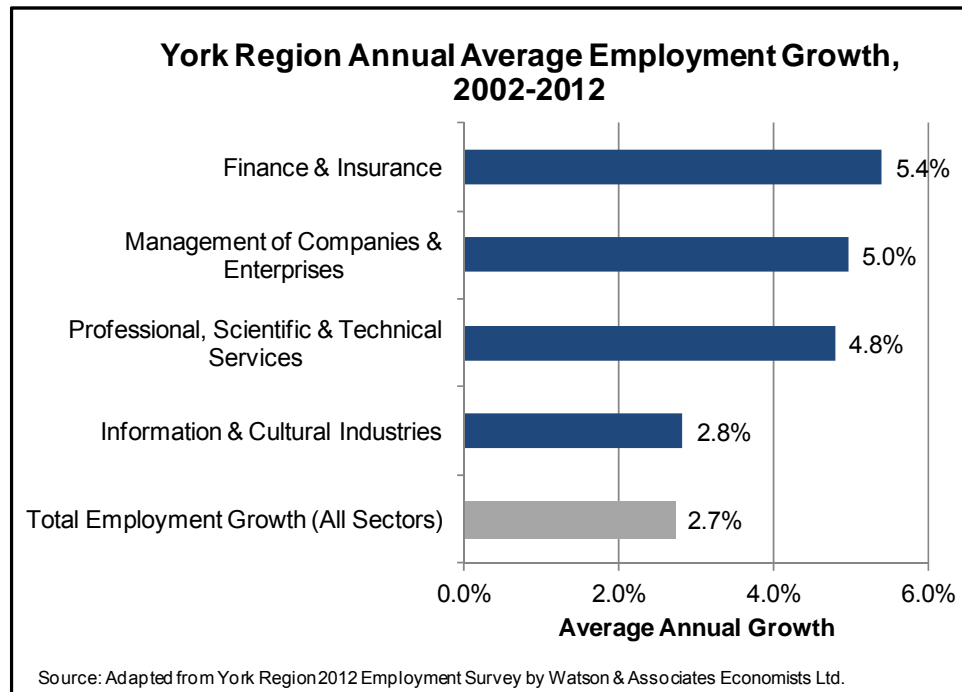
Figure 4-1



¹ The New Geography of Office Location and the Consequences of Business as Usual in the G.T.A., Canadian Urban Institute, March 2011.

York Region has experienced significant employment growth over the past decade in sectors largely accommodated within office development, as shown in Figure 4-2. As shown, over the 2002-2012 period, the Region experienced an average annual increase of 5.4% in Finance and Insurance, a 5.0% increase in Management of Companies and Enterprises, a 4.8% increase in Professional, Scientific and Technical Services and a 2.8% increase in Information & Cultural Industries. This is compared to an annual average increase of 2.7% in total employment in the Region over the period.

Figure 4-2

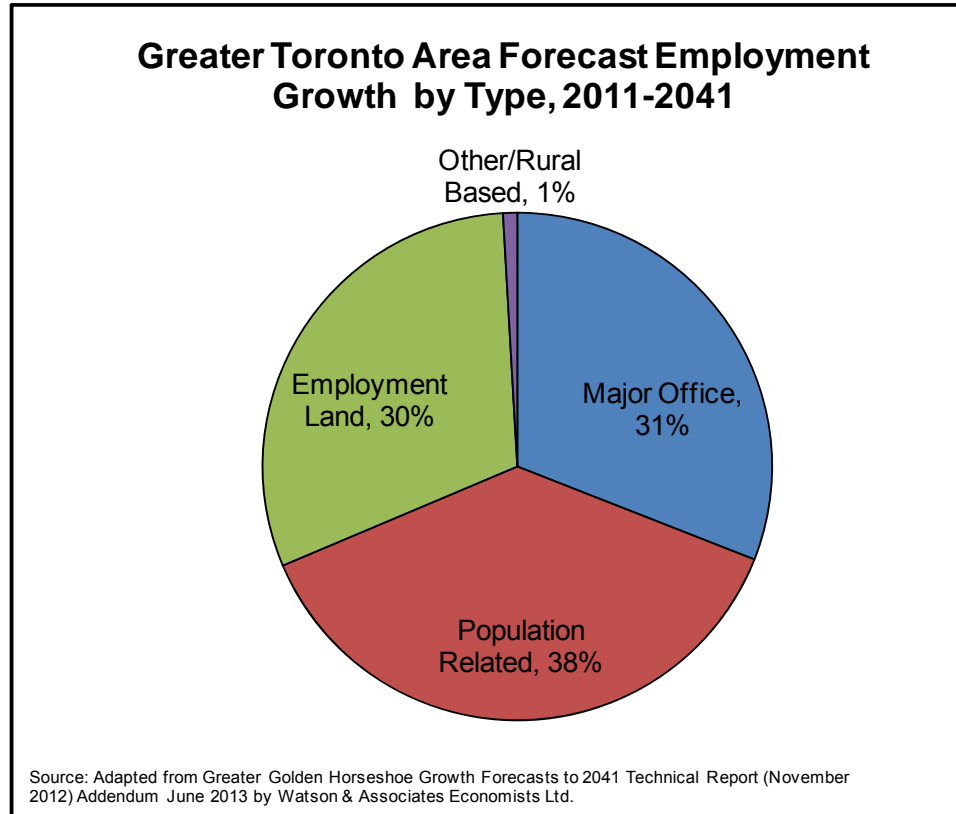


Over the next 30 years (2011-2041), significant non-residential growth is anticipated in the G.T.A. In accordance with Schedule 3 of Places to Grow, G.T.A. employment is forecast to increase from 3.2 million in 2011 to 4.5 million in 2041, an increase of 1.2 million over the period. Over the next 20 years, considerable new employment growth is anticipated in the G.T.A. of which a significant share is expected to be office development.¹ Key industry sectors accommodated within office development in the G.T.A. include finance and insurance, professional, scientific and technical services, head office/management and information technology.

¹ Growth Plan for the Greater Golden Horseshoe.

Employment in the major office sector is expected to be a significant driver of employment growth in the G.T.A., with 31% of growth (387,000 jobs) expected to be in the form of major office employment,¹ as summarized in Figure 4-3.

Figure 4-3



¹ Major office employment refers to office type employment contained within free standing buildings of more than 20,000 net square feet (1,858 m), based on the threshold where most data collection of office building information occurs.

4.2 York Region Competitiveness of Office Development within the Greater Toronto Area Context

On a G.T.A. level, cost competitiveness for businesses is largely associated with macro-economic factors such as wage rates, corporate income taxes and the dollar exchange rate. In a recent competitiveness study by KPMG, Toronto (which encompassed the Greater Toronto Area including York Region), ranked favourably in terms of cost competitiveness relative to other major metropolitan areas in the northeastern U.S./eastern Canada.¹

Within the G.T.A. market, there are a number of municipalities with which York Region competes directly for office development. York Region's most immediate competition within the office market includes Mississauga, Brampton, Burlington, Oakville, Toronto and Pickering. All of these municipalities generally offer regional attributes which appeal to prospective international and local firms. To better understand the context of office development in York Region, a roundtable consultation with the development community was held and facilitated by the Consultant Team, during which commercial office experts were led through an examination of the current position of York Region in the commercial office market, and a detailed discussion of where potential growth and investment attraction opportunities may lie. The session included 15 participants. The results of these discussions are presented in Appendix C with findings reflected herein.

A significant factor influencing business decisions on where to locate is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. On a local level, cost competitiveness varies based on a number of factors, including:

- Lands prices;
- Development charges (D.C.s);
- Property tax rates; and
- Development approval/process timing.

Office development and the employment sectors they typically accommodate have certain site-specific requirements which includes:

- Access to skilled labour;
- Proximity to related industry clusters (companies and public institutions such as universities);
- Prestige setting;
- Access to high order public transit;²
- Access and exposure to 400 series/limited access highways;

¹ KPMG Cost Competitiveness Study, 2010.

² High order public transit includes all forms of transit service separated partially or completely from general vehicular traffic.

- Ease of access/egress;
- Access to on-site amenities/services and proximity to off-site services; and
- Potential for live/work opportunities.

These factors can strongly influence business location decisions, both for new development and expansions. Within the G.T.A. context, the relative importance of these attributes is changing which is impacting office development patterns. These factors are discussed further in Section 4.3 in understanding the recent shifts in office development patterns in the G.T.A.

4.3 Drivers of Shift in G.T.A. Office Development Activity

As discussed in Section 3.2.5, the G.T.A. has seen a significant shift in office development activity from the “905” area to downtown Toronto. There are a number of economic and demographic factors which are driving this shift in office development. These are ultimately being driven by preferences/requirements of office tenants. These factors are explored below.

4.3.1 Access to Transportation

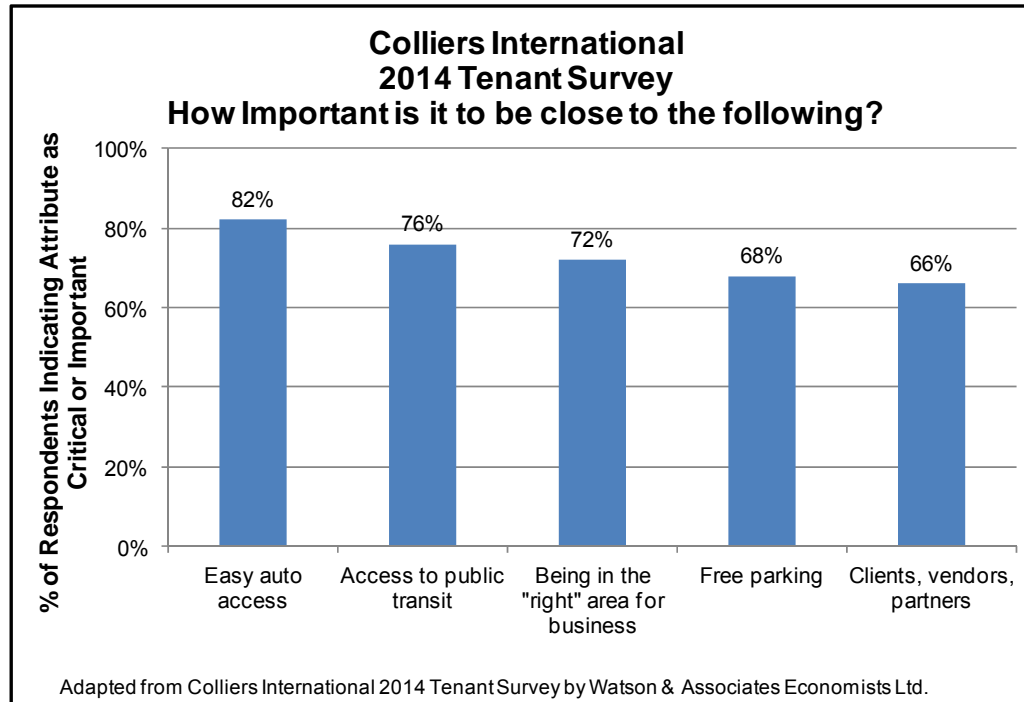
Access to transportation networks has long been considered a high priority for office-based sectors. According to the Colliers International 2014 survey of office tenants in Canada, transportation access is the most important attribute. As shown in Figure 4-4, 82% and 76% identified easy auto access and access to public transit, respectively, as either critical or important to have. The survey also determined that 71% of tenants indicated the need to be located within a 10-minute walk of public transit and 54% identified a need to be within a 15-minute walk of regional transit (e.g. GO Transit, T.T.C. subway).¹

The increased demand for greater access to high-order transit by office tenants has been partly driven by increasing traffic congestion and commuting times across the G.T.A. The C.U.I. has identified that traffic congestion is becoming the most significant threat to competitiveness and companies are starting to consider road congestion in their location decision-making which includes choosing locations with high-order transit or locating in proximity to their workforce.²

¹ Colliers International 2014 Tenant Survey.

² The New Geography of Office Location and the Consequences of Business as Usual in the G.T.A.

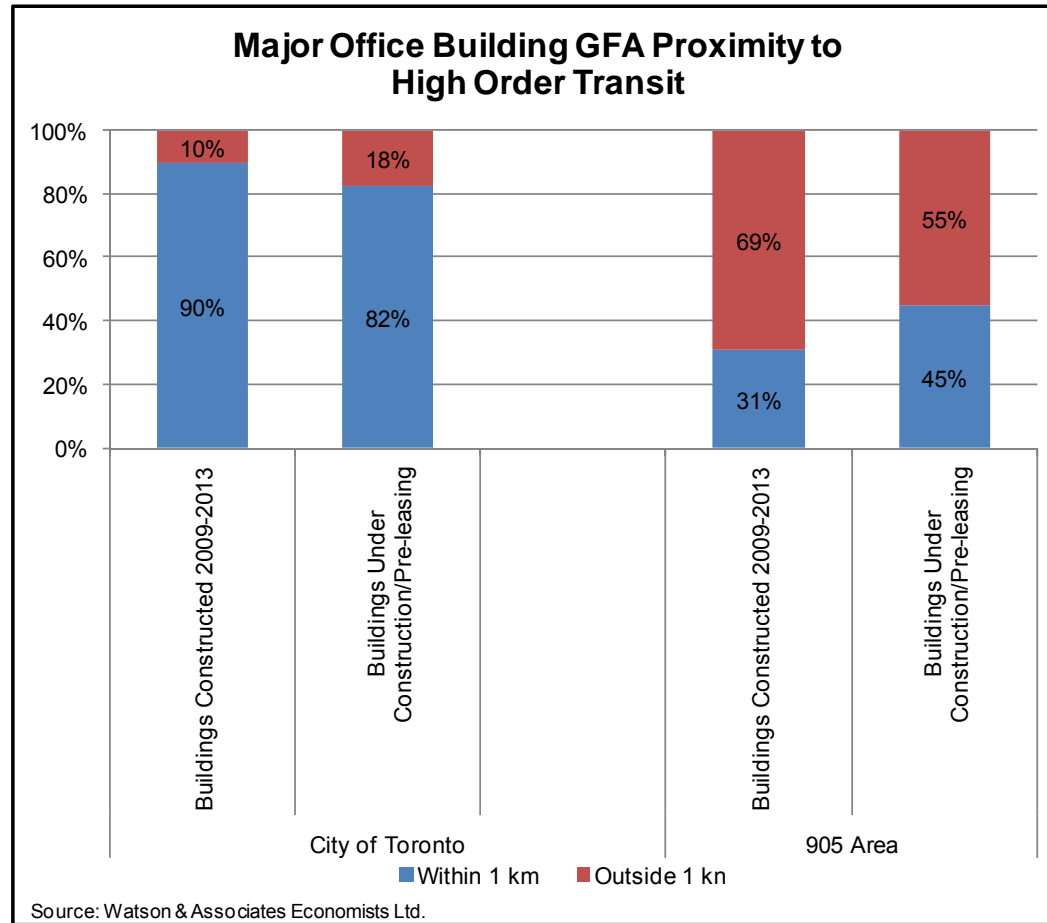
Figure 4-4



The proximity/access to high-order public transit appears to be an increasingly important requirement of new office development. Within the City of Toronto, the vast majority of new office development is within proximity to high-order public transit. Of office G.F.A. constructed over the 2009-2013 period and G.F.A. under construction or pre-leasing within the City of Toronto, 90% and 82% are within 1 km of a high-order public transit station (i.e. GO Transit, T.T.C. Subway), respectively, as shown in Figure 4-5.

In comparison, of office G.F.A. constructed in the 905 area over the 2009-2013 period, 31% is within 1 km of high-order public transit. However, more recently, within the 905 area there has also been increased interest in office development which is in proximity to high-order public transit, which includes proximity to GO Transit and regional bus rapid systems such as Viva or Mississauga Transitway. Of office development in the 905 area which is under construction or pre-leasing, 45% is located within 1 km of high-order transit.

Figure 4-5



As previously discussed, the vast majority of office development in the City of Toronto has been located in downtown Toronto, which offers excellent high-order transit access including the T.T.C. subway and GO Transit system. This allows employees a viable option to commute to work via public transit.

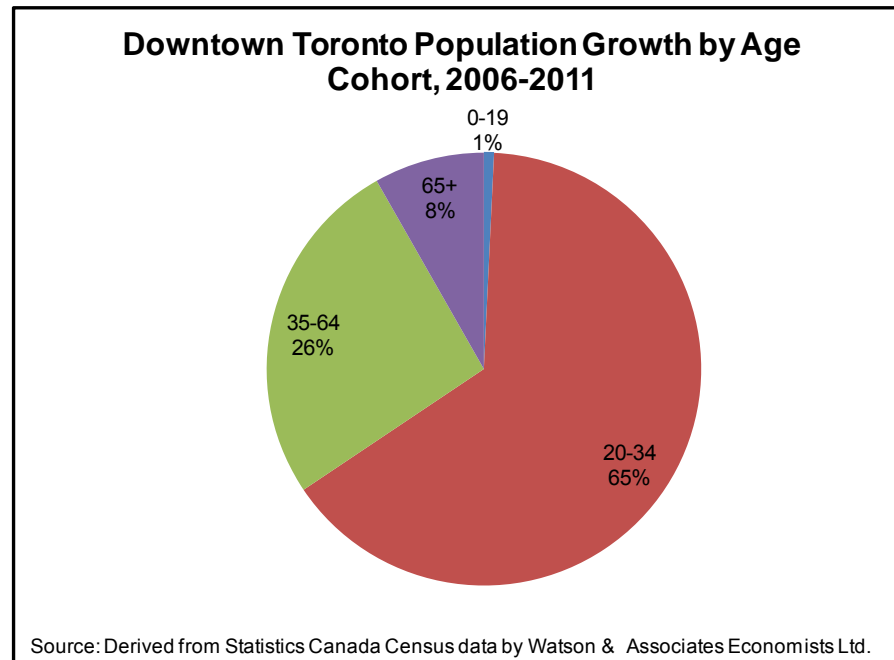
In contrast, increasing traffic congestion in the 905 area is making suburban office nodes less competitive from an accessibility perspective. According to SRRA survey findings, transportation access to established office nodes in York Region, including the Beaver Creek area in Richmond Hill and the Commerce Valley/Denison area of Markham, is increasingly challenging. The SRRA study found that traffic congestion in the Highway 401 corridor is also creating challenges for office nodes in Mississauga.

Municipalities in the 905 area are responding to these commuting challenges by providing increasing higher-order public transit options to allow for suburb to suburb commuting. In York Region, the Viva bus rapid transit system along the Highway 7 corridor has improved transit access to a number of major office nodes, while future subway extensions to the Vaughan Metropolitan Centre and Richmond Hill/Langstaff will improve public transit connectivity to these Regional Centres.

4.3.2 Labour Force Growth in Downtown Toronto and the “Millennial” Effect

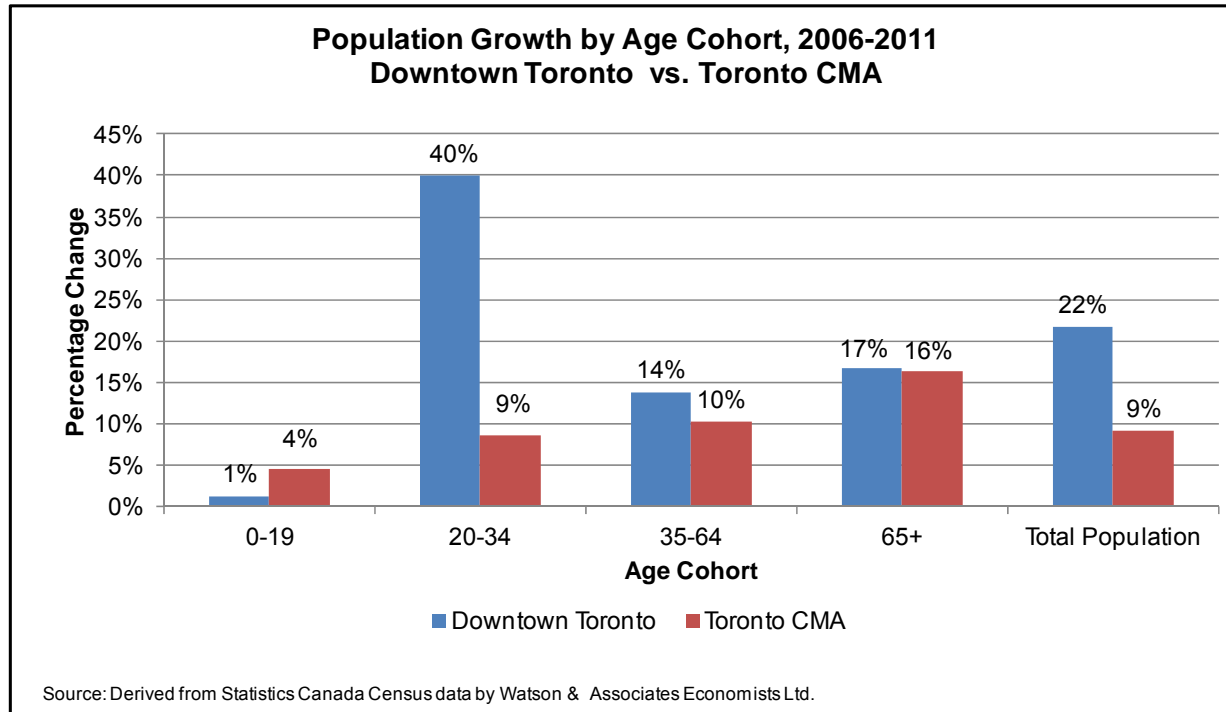
The downtown Toronto population has grown significantly in the past number of years. Over the 2006-2011 period, the downtown Toronto population increased by more than 37,000, an increase of 22%.¹ In comparison, the Toronto C.M.A. grew by 9% over the same period. A notable observation of the recent population growth within downtown Toronto is its composition by age cohort. The Millennial population (those aged 20-34) accounted for 65% of population growth in downtown Toronto over the 2006-2011 period, as shown in Figure 4-6. The population base of those aged 20-34 grew by 40% in downtown Toronto over this period compared to 9% in the Toronto C.M.A., as shown in Figure 4-7.

Figure 4-6



¹ Based on Statistics Canada Census 2006 and 2011 data derived by Watson & Associates Economists Ltd.

Figure 4-7



The strong population growth in downtown Toronto, and more specifically the growth in the Millennial population, is attributed to a number of factors including the size of this age cohort, lifestyle preferences and the current point in their life cycle.

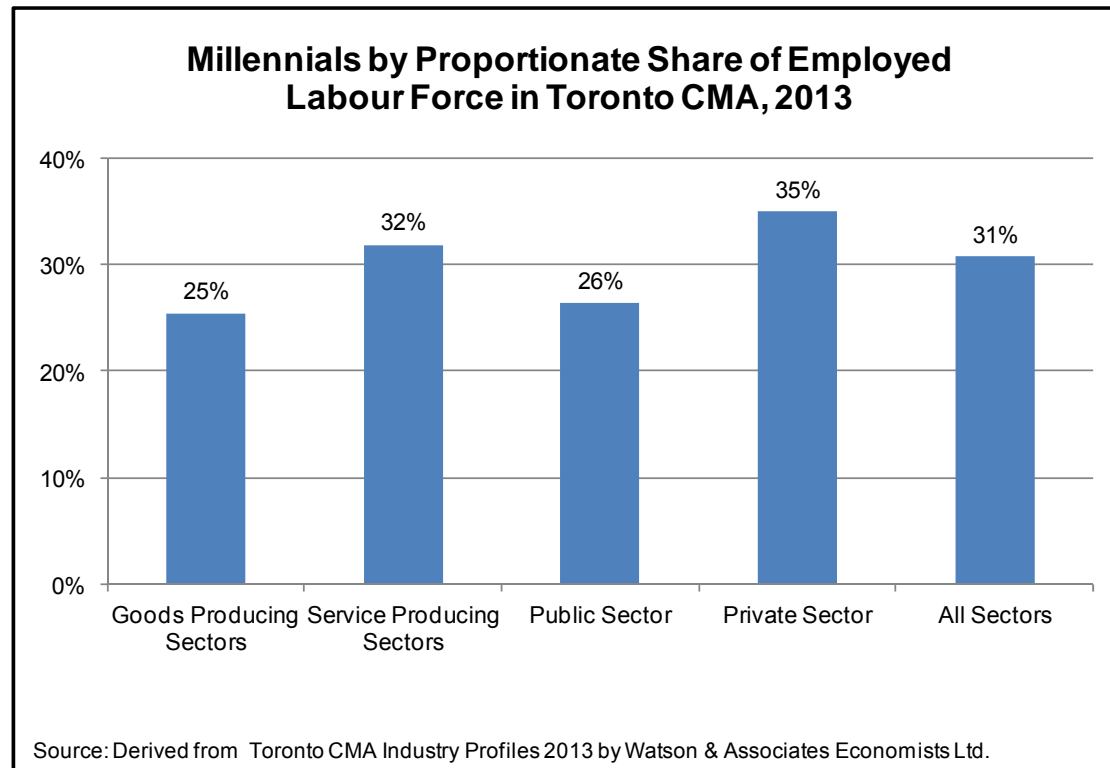
The Millennials are a large age cohort, rivalling the Babyboomer generation in terms of size and their preferences and life choices are proving to have a significant impact. Based on recent survey data, 62% of Millennials prefer to live in the mixed-use environment that urban centres offer which includes proximity to amenities and employment.¹ They tend to have a much higher preference for a compact environment which offers short distance to work compared to other age cohorts, and place a higher preference for walkability and access to public transit than other age cohorts including Generation X and Babyboomers.² Downtown Toronto, due to its attributes, is the preferred location of residency for a significant number of Millennials.

¹ Millennials – Breaking the Myths, Nielsen, 2014.

² Emerging Trends in Real Estate, Canadian Edition, PwC and ULI, 2014.

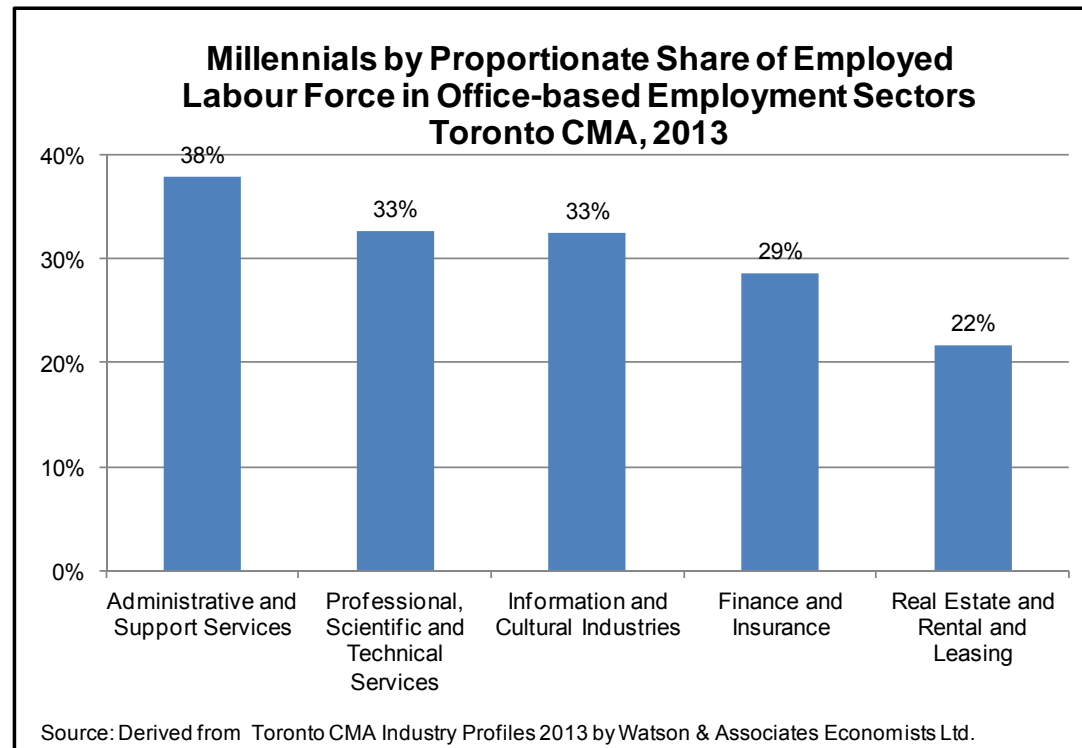
The growing residential population in downtown Toronto, and in particular the Millennials, offers an attractive labour force pool for many office-based organizations. As previously mentioned, Millennials have relatively strong preferences to live in proximity to employment areas. For employers to effectively attract them requires locating in proximity to where they reside. Millennials, however, are not equally attractive from a labour pool perspective across all industry sectors. As shown in Figure 4-8, Millennials represent 31% of the total employment labour force in the Toronto C.M.A. but are more concentrated in service producing sectors than goods producing sectors (32% vs. 25%) and in the private sector than in the public sector (35% vs. 26%).

Figure 4-8



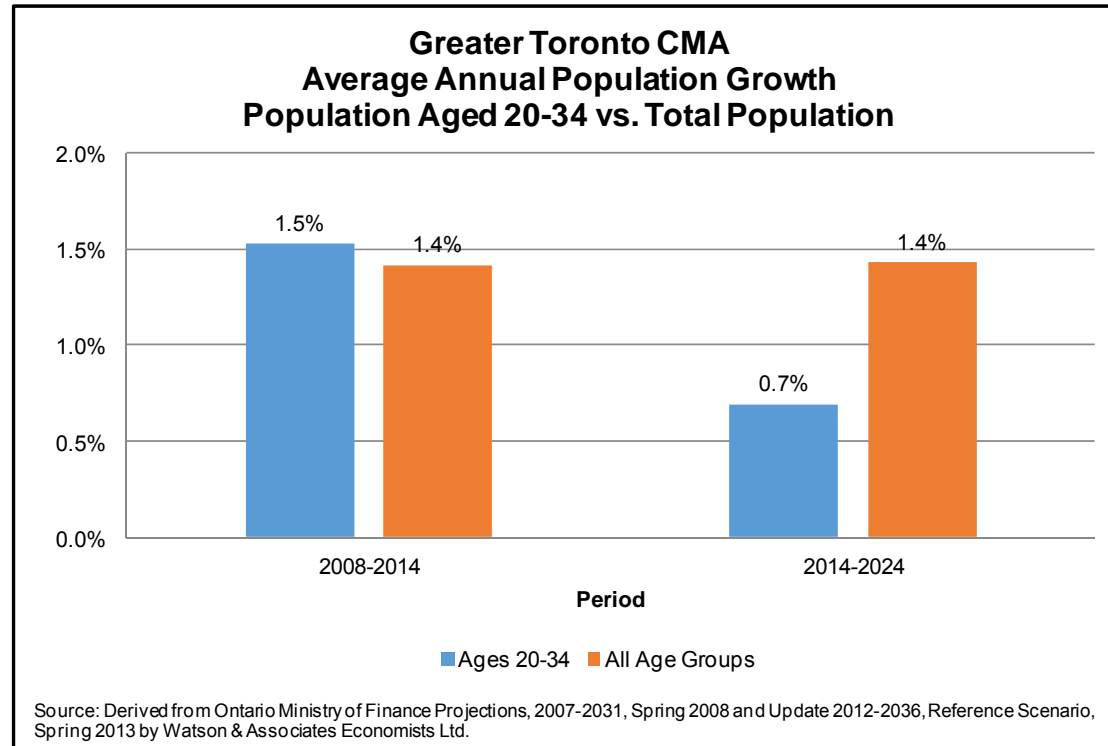
Within office-based sectors, the representation of Millennials in the employed labour force also varies widely with stronger than average concentrations in administrative and support services, professional, scientific and technical services, information and cultural industries and lower concentrations in finance and insurance, and real estate and rental and leasing, as shown in Figure 4-9.

Figure 4-9



The trends in population growth in the 20-34 age group observed over the past decade are not expected to continue in the next decade. Generation Z, the age cohort born after the Millennials, is a relatively small group and over the next decade the growth of those aged 20-34 will slow considerably compared to that achieved over the 2008-2014 period. As shown in Figure 4-10, while the Millennials population in the G.T.A. grew at an average annual rate of 1.5% over the 2008-2014 period, slightly faster than the total population, over the next decade the growth rate of those aged 20-34 will be less than half at 0.7% annually, and will be significantly lower than the overall population growth.

Figure 4-10



While Millennials currently have a strong preference for living in urban centres such as downtown Toronto, as they age, their preferences are expected to change not unlike previous generations. A survey of Millennials identified that a large share plan to get married and have children in the next five years. Of Millennials surveyed, 64% plan to move in the next five years, largely to accommodate growing space needs.¹ Of those who plan to move in the next five years, 60% plan to move into a single-family home.² Though they are more inclined to remain in a more urban compact environment than previous generations, a significant share of them are expected to move to more suburban locations as they age. Due to general lack of affordable ground-oriented housing supply in the urban core of Toronto, it is likely that a large share of them will seek housing opportunities in the 905 area including York Region.

¹ Emerging Trends in Real Estate 2014, Canadian Edition, PwC and ULI

² Ibid.

This analysis suggests that the significant population growth rate of those aged 20-34 in the downtown core is expected to diminish in the next decade and will not be as pronounced as in the recent past. Further, as the Millennials age, they will increasingly look for housing opportunities outside of downtown Toronto. These anticipated trends are expected to diminish the labour force pool growth prospects in downtown Toronto and reduce its competitiveness in attracting office development from a labour force pool perspective.

4.3.3 Financial Considerations

The following explores changes in the cost of development within the City of Toronto, including downtown Toronto and 905 area major office markets over the 2008-2013 period, including changes in land prices, development charges and office property taxes. Financial tools/incentives introduced by area municipalities to promote office development during the period are also identified. A discussion of office market rents is also provided. These are explored to assess how financial considerations are linked to the shift in office development activity from the 905 area to downtown Toronto.

Price of Prestige Office Employment Land

Figure 4-11 summarizes the average price increase per acre for prestige office employment land in the G.T.A. between 2008 and 2013. Key observations include:

- The average price of prestige office employment land increased by an average of 30% in the G.T.A. over the 2008-2013 period;
- Among the comparators studied, south York Region municipalities had the highest average price per acre increase during that period (increase of 44%), while south Halton had the lowest increase (16%); and
- In comparison, land prices in downtown Toronto increased by 27% over the period, at a rate slightly lower than the G.T.A. average. However, land prices remain significantly higher in downtown Toronto than in G.T.A. locations.

Figure 4-11

Price Per Acre for Prestige Office Employment Land

By Area	2008	2013	Change, 2008-2013	Change, 2008-2013
South York ¹⁾	\$ 906,667	\$ 1,302,500	\$ 395,833	44%
South Peel ²⁾	\$ 780,000	\$ 1,087,500	\$ 307,500	39%
Downtown Toronto	\$ 22,790,000	\$ 28,980,000	\$ 6,190,000	27%
South Halton ³⁾	\$ 695,000	\$ 803,500	\$ 108,500	16%

Source: Watson & Associates Economists Ltd., 2014.

Notes:

- 1) Includes the City of Vaughan, Town of Richmond Hill and City of Markham.
- 2) Includes the City of Mississauga and City of Brampton.
- 3) Includes the City of Burlington and Town of Oakville.

Property Tax Rates for Office Use

Figure 4-12 summarizes the average changes on office property tax rates in the G.T.A. over the 2008-2013 period. Key highlights include:

- Since 2008, there has been a decrease in property tax rates for office uses across the G.T.A.;
- The City of Toronto had the greatest decrease in property tax rates for office buildings among the comparators studied, followed by the south York Region municipalities; and
- Despite the decrease in the property tax rate in the City of Toronto over the period, the tax rate on office buildings in the City remains significantly higher than in the “905” area municipalities surveyed.

Figure 4-12

Average Tax Rates for Office Uses by Area

Area	2008	2013	Change, 2008-2013
South Peel ¹⁾	2.74%	2.26%	-0.48%
South Halton ²⁾	2.56%	2.01%	-0.55%
South York ³⁾	2.44%	1.85%	-0.60%
City of Toronto	4.12%	3.06%	-1.06%

Source: Watson & Associates Economists Ltd., 2014.

Notes:

1) Includes the City of Mississauga and City of Brampton.

2) Includes the City of Burlington and Town of Oakville.

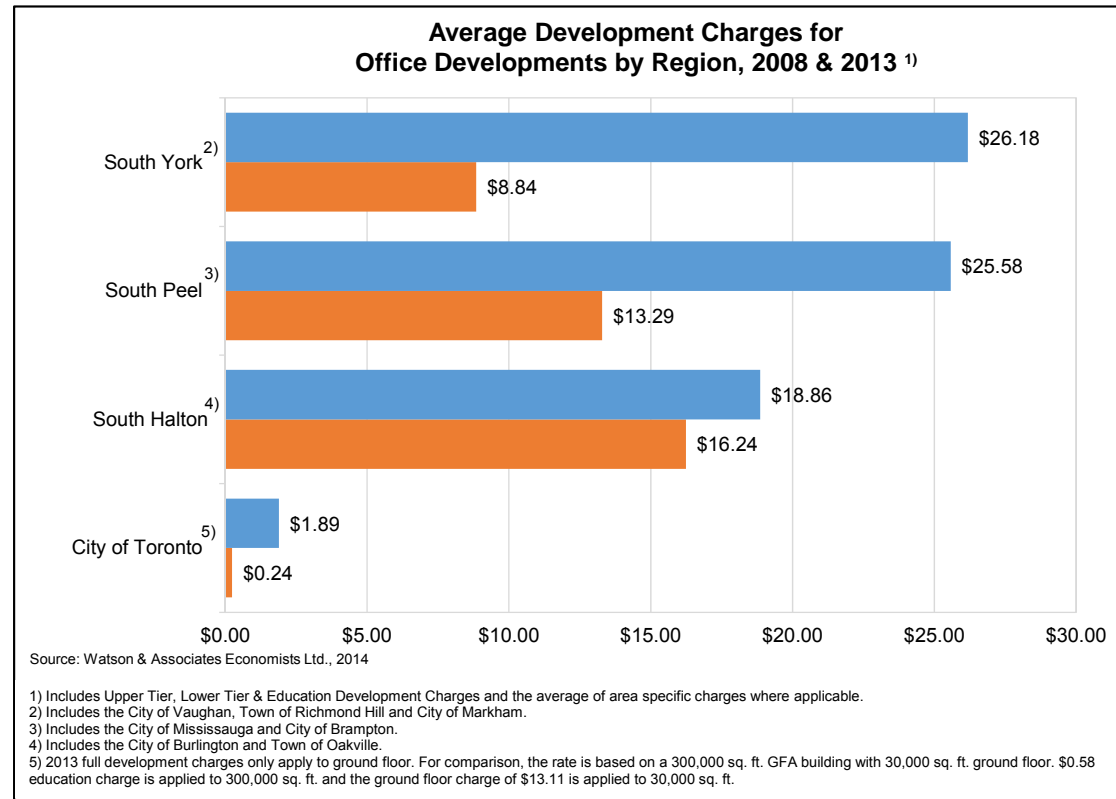
3) Includes the City of Vaughan, Town of Richmond Hill and City of Markham.

Development Charges Rate for New Office Developments

Figure 4-13 summarizes office development charge rates in the comparator municipalities in 2008 and 2013. Key observations include:

- Over the 2008-2013 period, all municipalities surveyed had increases in development charges for office development;
- The south York Region municipalities averaged the largest increase in office development charges over the 2008-2013 period, on a per sq.ft. basis, an increase of \$17.84 per sq.ft., followed by south Peel at \$12.23 per sq.ft. and south Halton at \$2.12 per sq.ft.;
- In 2008, the south York Region development charges rate for new office development was among the lowest of the comparators studied while in 2013 it was the highest; and
- While development charges in the City of Toronto increased significantly between 2008 and 2013, the absolute increase (\$1.65 per sq.ft.) was the smallest of the surveyed municipalities.

Figure 4-13



Financial Incentives Offered

Figure 4-14 summarizes a scan of G.T.A.-wide office incentives which have been introduced since 2008. Key observations are as follows:

- Based on the review, it has been identified that there are relatively few financial tools within the surveyed 905 municipalities that are used to promote/facilitate office development; and

In comparison, the City of Toronto has implemented a wide assortment of financial tools to encourage office development.

Figure 4-14 – Greater Toronto Area, Office Financial Incentives

Municipality	Financial/Program Incentive Type	Year Implemented	Description	Geography/Employment Sector Targeted
York Region	None			
City of Markham	Development Charge	1999	<ul style="list-style-type: none"> Development charges are calculated on a land area basis for hard services rather than on a G.F.A. basis. 	<ul style="list-style-type: none"> City-wide non-residential. Promotes higher density development, including multi-storey office.
City of Vaughan	None			
Town of Richmond Hill	None			
Peel Region	None			
City of Mississauga	None			
City of Brampton	Development Charge Incentive Program	2007	<ul style="list-style-type: none"> D.C. rebate program based on a scoring system evaluating location, quality of building, community benefit and sustainability. Up to 100% rebate applied to the City's share of development charges. 	<ul style="list-style-type: none"> Central area non-residential development, including office.
	Development Charge Discounted Rate	2008-2011	<ul style="list-style-type: none"> Discounted D.C. rate was in place for office and industrial development. 	<ul style="list-style-type: none"> City-wide office and industrial development.
Halton Region	None			
City of Burlington	None			
Town of Oakville	None			

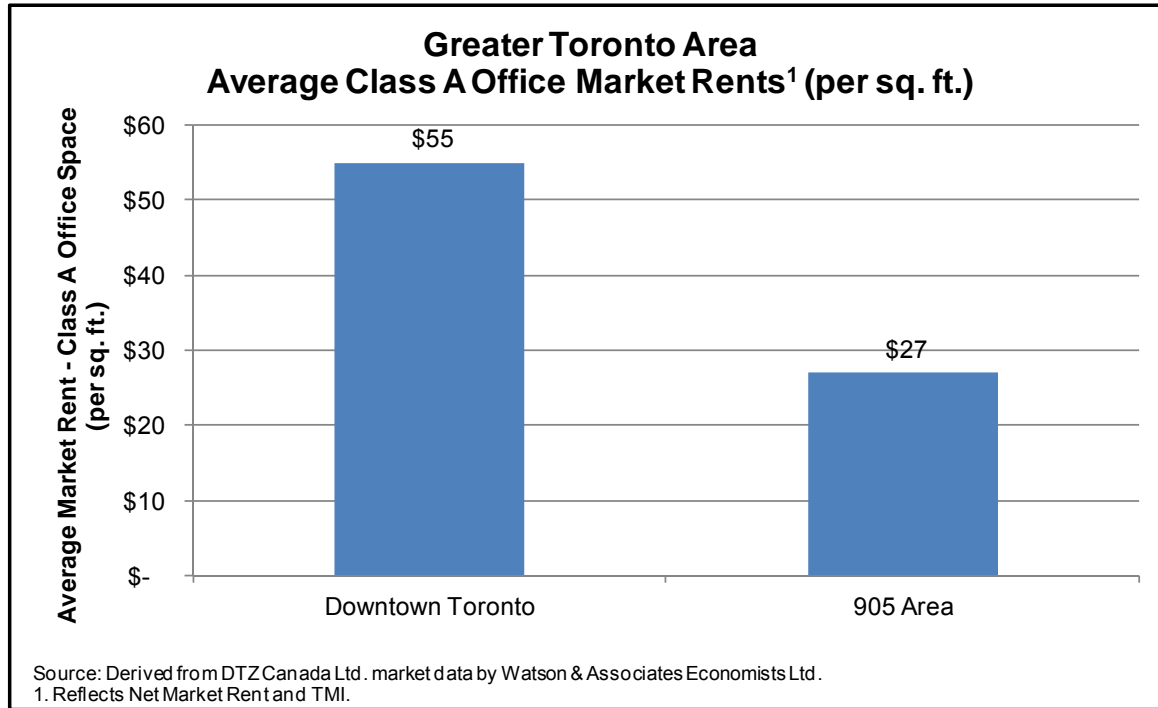
Municipality	Financial/Program Incentive Type	Year Implemented	Description	Geography/Employment Sector Targeted
City of Toronto	T.I.E.G.S. - Tax Increment Equivalent Grants - Imagination, Manufacturing, Innovation and Technology (I.M.I.T.) Incentive Program - Re-use/ Redevelopment Component	May 2008- July 2012	<ul style="list-style-type: none"> • 60% grant equivalent to the increase in the property's municipal taxes attributed to the subject development for a period of 10 years. • Developments in Employment Areas receive an additional 10% grant. 	<ul style="list-style-type: none"> • City-wide. • Development for re-use, intensification and redevelopment of lands. • All office buildings outside the Financial District that are over 5,000 sq. metres are eligible. • Corporate Headquarters in the Financial District must occupy a minimum of 10,000 sq. m of office space. • Targets creative, innovation, technology and manufacturing sectors and global/national head offices.
	T.I.E.G.S. - Tax Increment Equivalent Grants - Imagination, Manufacturing, Innovation and Technology (I.M.I.T.) Incentive Program - Expanded to include both re-use/ redevelopment and greenfield projects	July 2012	<ul style="list-style-type: none"> • Similar to above, except program expanded to include City-wide greenfield sites and financial services sector (except those in the Financial District). • Grant increased to 70%. 	<ul style="list-style-type: none"> • Similar to above, with the addition of financial services (except in the Financial District) as an eligible use and expanded to include greenfield sites.

Municipality	Financial/Program Incentive Type	Year Implemented	Description	Geography/Employment Sector Targeted
	Brownfield Remediation Tax Assistance (B.R.T.A.) (component of I.M.I.T.)	2008	<ul style="list-style-type: none"> • Provides up to three years of municipal property tax cancellation, to support the remediation of contaminated property for non-retail employment uses, including office. 	<ul style="list-style-type: none"> • City-wide. • Encourages the redevelopment of brownfields for the use of non-retail employment.
	Development Charge	2004-April 30, 2009	<ul style="list-style-type: none"> • Non-residential development - only an education development charge was applied during this time frame. 	<ul style="list-style-type: none"> • City-wide non-residential development, including office. • Promotes non-residential development.
	Development Charge	May 1, 2009	<ul style="list-style-type: none"> • City's share of development charge applied to ground floor GFA only. • Education development charge applied to total GFA. 	<ul style="list-style-type: none"> • City-wide non-residential, including office. • Promotes higher density development.
	Toronto Green Standard - Development Charge Refund	2009	<ul style="list-style-type: none"> • Eligible developments can receive up to 20% development charge rebate based on a scoring system which considers sustainability. 	<ul style="list-style-type: none"> • City-wide, all development, including office. • Encourages sustainable development.

Market Rents

As shown in Figure 4-15, average market rents for Class A office space in downtown Toronto are double that of the 905 area (\$55 per sq.ft. vs. \$27 per sq.ft.). Average market rents for Class A office space in York Region are close to the 905 area average. The significant difference in market rents between downtown Toronto and the 905 area is largely related to the significantly higher costs of development and the premium placed on the central location.

Figure 4-15



4.3.4 Conclusions on Drivers of Shift

The shift in office development trends from the 905 area to downtown Toronto has been driven by a number of factors, some universal and some more specific to key employment sectors.

It is evident from the analysis contained herein that office tenants across all sectors are increasingly looking for access/proximity to high-order transit and services/amenities, attributes which urban centres such as downtown Toronto offer more readily than suburban employment locations in the 905 area. An increasing number of office tenants are looking for environments that feature mixed-use development and offer opportunities for live/work. The quality and location of new office space is considered as a very important tool to attract and retain talent.¹

Proximity to a growing labour force pool, comprised largely of the growing Millennial generation (Generation Y) in downtown Toronto has also been a notable contributor to increased demand for office space by select sectors, namely information and cultural industries, and professional, scientific and technical services, and impacted office development activity in the area.

For the finance and insurance sector, the key driver of office space demand in downtown Toronto in recent years, the draw to the Millennial labour force pool has been more limited. Instead, the financial services sector draw to downtown Toronto has been for its central location and excellent transportation access, largely drawing employees from the inner suburbs in the City of Toronto and from the 905 area, in part via the subway and GO Transit service. For the past decade, the finance and insurance sector has seen strong growth in the G.T.A., and a strong industry cluster located in downtown Toronto, combined with the increased need for stronger public transit access, have been the key drivers of growth in this sector in downtown Toronto.

The impact of development costs on the location decisions for office development is less evident. The cost of development in downtown Toronto remains significantly higher than in the 905 area, which is reflected in the significantly higher market rents. While the cost of development in the City of Toronto has become marginally more competitive over the 2008-2013 period, it has not translated into a notable increase in office development in areas of Toronto outside of the downtown core. This suggests that the role of financial factors in driving the shift in office development is likely more limited, though certain financial tools/incentives may be having a positive impact on redevelopment/infill projects in certain geographic areas of Toronto.

Changing demands of office tenants are strong factors why downtown Toronto is becoming increasingly competitive for office development despite relatively high tax rates and land costs compared to the “905” area. This suggests that “905” municipalities need to make a greater effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and quality of life in their respective communities, to attract a “knowledge-based” skilled labour force to reside in their communities and attract “knowledge-based” employers to their communities.

4.4 Future Outlook for the Greater Toronto Area and York Region Office Markets

Based on a review of the employment forecast for the Greater Toronto Area as presented in the Growth Plan, a review of office buildings under construction and pre-leasing, and a market assessment of growth prospects by sector and area, an office development

¹ Emerging Trends in Real Estate, Canada and United States 2015, PricewaterhouseCoopers and Urban Land Institute.

forecast for the G.T.A. was developed and is presented in Figure 4-16. As shown, it is forecast that office space in the G.T.A. will expand by approximately 24 million sq.ft. over the 2014-2034 period. Of this, 55% is expected to be captured within the City of Toronto and 45% in the 905 area. Over the period, York Region's share of new office development within the G.T.A. is anticipated to be approximately 15%, equating to approximately 3.6 million sq.ft. York Region's share of new G.T.A. office development is expected to be nearly double that experienced over the past five years, but will remain below levels achieved over the 1999-2009 period.

Figure 4-16
Greater Toronto Area
Forecast Office GFA Growth (sq. ft.), 2014-2024

Municipality	Office GFA Growth (sq. ft.)	Share %
City Toronto	13,200,000	55%
York Region	3,600,000	15%
Rest of 905	7,200,000	30%
Total GTA	24,000,000	100%

Source: Watson & Associates Economists Ltd.

Over the next decade, finance and insurance, and professional, scientific and technical services are expected to experience strong employment growth and are expected to occupy a significant share of office space that is to be constructed. Moderate growth opportunities also exist in information and cultural industries, and real estate and leasing and rentals.

It is anticipated that downtown Toronto will remain an attractive location for office development over the next decade. This will be driven largely by office space demands by the finance and insurance sector, information and cultural industries and professional, scientific and technical services. Further, according to the survey research conducted by S.R.R.A., it is challenging for businesses located in downtown Toronto to access a low-wage labour pool and entry-level workers. This is likely because housing costs in central Toronto are the highest in the G.T.A. and lower-wage workers tend not to reside in the area. As such, office space in downtown Toronto is expected to be strongest for front-office and higher-paid occupations.

Available sites to accommodate new office development in the downtown core are also becoming more limited, which is requiring developers to look further in the periphery for new office development. With limited development sites and low vacancy rates, net market rents are expected to remain at a premium. From a demographic perspective, there are a number of factors which suggest that the share of new G.T.A. office development in downtown Toronto will gradually decline. With respect to population growth by age, relatively limited population growth is forecast in the 20-34 age group over the next decade across the G.T.A. and the Toronto

downtown core. Furthermore, an exodus of Millennials from the downtown core to more suburban locations is anticipated. These factors are expected to have a negative impact on the labour force pool in downtown Toronto.

Over the next decade, York Region's attractiveness in the office market is expected to improve. It is expected that York Region, along with other 905 communities which have significantly lower development costs than downtown Toronto, will remain very cost competitive in terms of market rents. According to the Colliers 2014 Tenant Survey, cost control and efficiency is considered one of the key factors influencing a decision to relocate. Firms are expected to remain cost conscious into the future which is expected to hinder downtown Toronto's competitive position in the office market.

Office tenants are going to continue to look for location opportunities which provide access to high-order transit and more urban-type environments. The competitiveness of the 905 area in offering these types of locations is expected to improve with time. York Region's Viva Transitway has strengthened the competitiveness of the Highway 7 corridor for office development in the Markham and Richmond Hill area by providing needed high-order public transit access. This will strengthen the competitiveness of key office employment areas in the area. Further, a number of York Region's Centres and Corridors, including Markham Centre, Vaughan Metropolitan Centre (with the new Spadina subway extension) and the Highway 7 East corridor, are becoming increasingly competitive and are expected to capture a greater share of G.T.A. office development over the coming decade.

Looking forward over the next 10 years, York Region is expected to be most competitive in the office market in accommodating the professional, scientific and technical services and finance and insurance sectors, and catering to smaller scale tenants and back-office functions. Though the Region will still attract a certain share of larger-scale head office tenants, the demand will be largely oriented to single-occupant, multi-function facilities (e.g. distribution/training centres) as opposed to solely a corporate office presence. As office tenants continue to be cost conscious, York Region's competitive office market rents will remain a strong advantage moving forward but will be more challenged in competing with downtown Toronto for premium office space demand by large-scale tenants.

5. Detailed Cost Competitiveness and Financial Feasibility Analysis

5.1 Cost Competitiveness and Financial Feasibility Analysis Overview

A major factor influencing business decisions on where to locate office development is the cost competitiveness (both capital investment and operating costs) of the development in relation to the market demand and potential return on investment. Further, it is critical that the revenue generation potential of a development be assessed with corresponding capital and operating costs through a cost benefit analysis, using a cost-based approach, to evaluate the economic attractiveness of the development.

The cost competitiveness of development, economic viability and investment potential of office development within York Region was examined through a series of pro-forma financial analyses. This is presented through the assessment of the feasibility of constructing

and operating various prototypical industrial and office developments within each of the Region's Centres and Corridors in comparison to the profiled office nodes in York Region and the rest of the G.T.A. presented in Chapter 3.

The cost competitiveness of development and financial feasibility analyses of select prototypical office development were completed through the following means:

Total Development Cost/Annualized Cost – Comprises the total cost of development across municipalities and shows the impact of annualized cost components (including development charges) on total costs.

Residual Land Value Analysis – Reflects both revenue potential and development costs under two revenue scenarios:

- Rental revenue stream – evaluates the financial viability of a development project subject to rental income over a 25-year time period;
- Sale of project – evaluates the financial viability of a development project if sold immediately after completion.

For the purposes of the exercise, the G.T.A. office market was assessed through two distinct sub-markets, as identified by the Consultant Team in consultation with York Region:

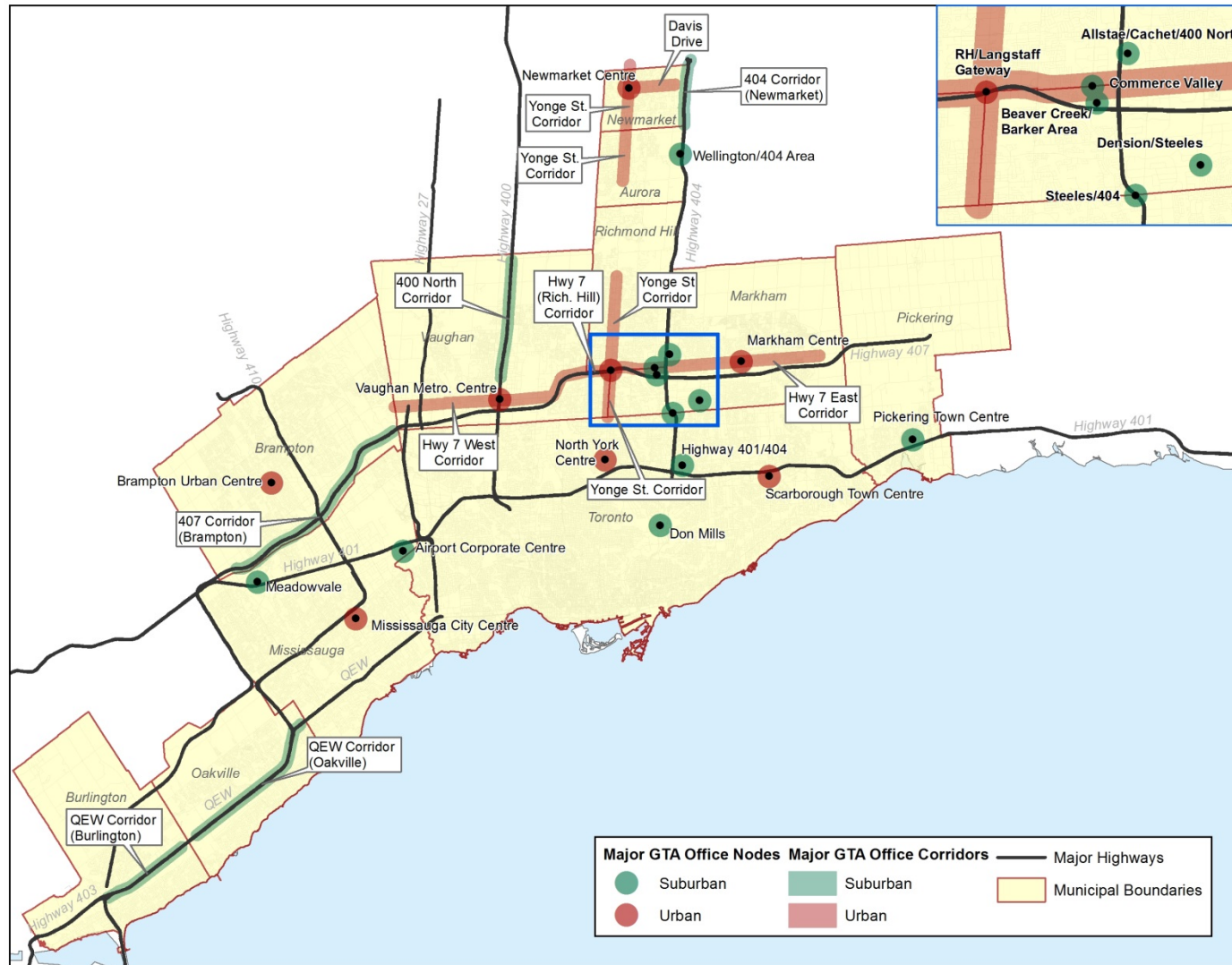
- Suburban – office development with surface parking located in employment areas. Analysis includes York Region's key office nodes located within employment areas and key office nodes within employment areas in other G.T.A. locations;
- Urban – office development with underground parking located in downtown centres and more urban corridors characterized by relatively high utilization of land. Analysis includes York Region's Regional Centres and Corridors and other key urban/downtown centres within the G.T.A.

The geographic areas included in the suburban and urban office market analysis are summarized in Figure 5-1 and illustrated in Figure 5-2.

Figure 5-1

Suburban Market Analysis	Urban Market Analysis
<p>York Region</p> <ul style="list-style-type: none"> • Aurora - Wellington-404 Area • Markham - Commerce Valley • Markham - Denison/Steeles/Risebrough • Markham - Allstate/Cachet/400 North • Newmarket - Highway 404 Corridor • Richmond Hill - Beaver Creek/Barker Area • Vaughan - Highway 400 North Corridor <p>Other G.T.A.</p> <ul style="list-style-type: none"> • Oakville - Q.E.W. Corridor • Burlington - Q.E.W. Corridor • Brampton - 407 Corridor • Mississauga - Airport Corporate Centre • Mississauga - Meadowvale • Pickering • Toronto - Don Mills • Toronto - North York 401/404 • Toronto - North York Steeles/404 	<p>York Region Centres</p> <ul style="list-style-type: none"> • Markham - Centre • Markham - Langstaff/Gateway • Newmarket Centre • Richmond Hill Centre/Gateway • Vaughan - Metropolitan Centre <p>York Region Corridors</p> <ul style="list-style-type: none"> • Aurora - Yonge Street North • Markham - Highway 7 East • Markham - Yonge Street Thornhill • Newmarket - Yonge Street North • Newmarket - Davis Drive • Richmond Hill - Yonge Street. North • Richmond Hill - Highway 7 • Vaughan - Highway 7 West • Vaughan - Yonge Street Thornhill <p>Other G.T.A.</p> <ul style="list-style-type: none"> • Brampton Urban Centre • Mississauga - City Centre • Toronto - Scarborough Town Centre • Toronto - North York Centre

Figure 5-2
G.T.A. Suburban and Urban Office Nodes/Corridors Included in Pro Forma Analysis



Source: Watson & Associates Economists Ltd.

5.2 Prototypical Office Development

For the purposes of this exercise, five prototypical Class A office developments were analyzed. This includes three suburban office buildings with surface parking with a G.F.A. of 50,000, 150,000 and 300,000 sq.ft. (reflected in the suburban office market analysis) and two urban office buildings with underground parking with a G.F.A. of 100,000 and 300,000 sq.ft. (reflected in the urban office market analysis), as summarized in Figure 5-3.

**Figure 5-3
Select Prototypical Suburban Office Buildings**

Gross Floor Area (sq. ft.)	Parcel Size (acres)	Floor Space Index (F.S.I.)	Parking Type
Suburban			
50,000	2.9	40%	Surface
150,000	6.3	55%	Surface
300,000	6.9	100%	Surface
Urban			
100,000	1.1	200%	Underground
300,000	1.7	400%	Underground

Source Watson & Associates Economists Ltd.

The suburban office buildings are assumed to have surface parking. Based on an F.S.I. of 40%, the 50,000 sq.ft. office building would require a site size of 2.9 acres (1.2 Ha), while the 150,000 sq.ft. building was assumed to have an F.S.I. of 55% and 100%, requiring a site size of 6.3 acres (2.5 Ha) of 6.9 acres (2.8 Ha), respectively. Examples of similar office buildings in the G.T.A. are illustrated in Figure 5-4. In contrast, the urban office buildings are assumed to have underground parking and a higher utilization of land. The 100,000 sq.ft. and 300,000 sq.ft. urban office buildings are assumed to have an F.S.I. of 200% and 400%, requiring a site of 1.1 acres (0.4 Ha) and 1.7 acres (0.7 acres), respectively. Examples of similar types of urban office buildings in the G.T.A. are illustrated in Figure 5-5.

Figure 5-4
Prototypical Suburban Office Buildings



Source: Watson & Associates Economists Ltd.

**Figure 5-5
Prototypical Urban Office Buildings**



Source: Watson & Associates Economists Ltd.

5.3 Annualized Cost Comparative Analysis

This section summarizes the total development annualized cost comparative assessment of select prototypical Class A office developments across York Region and select G.T.A. office nodes.

5.3.1 Total Development Annualized Cost Framework

In the generation of the total development annualized cost of a prototypical industrial/office development (expressed in dollars per sq.ft.), the following input costs were included, as illustrated in the example in Figure 5-6:

- (A) Land Cost – average price of high quality serviced vacant commercial/employment land per acre based on current market data provided by DTZ Canada Inc., multiplied by the acreage requirement based on an assumed F.S.I., e.g. 40%, divided by the G.F.A. for the building size being considered (e.g. 50,000 sq.ft.), as reflected in (B);
- (C) Construction Costs¹ – reflects hard construction costs (e.g. materials, labour) and soft costs (e.g. engineering, consulting services) – based on G.T.A. average which assumes full tenant fit-out. Construction costs per sq.ft. vary between suburban and urban office buildings² but are held constant by office building size and geographic area;
- (D) Development Charges – on a sq.ft. basis, as per the various municipal D.C. schedules;
- (E) Parkland Dedication – “cash-in-lieu of parkland” dedication on a sq.ft. basis as per various municipal by-laws and calculated at market price of land;
- (F) Building Permit Fees – on a sq.ft. basis as per various municipal by-laws;
- (G) Developer Project Profit – a flat percentage of the total cost (land + construction + development charges per sq.ft. + Parkland Dedication + building permit fees) at 5%; and
- The sum of (B) to (G) yields total development cost (H).

Figure 5-6

Development Cost - 50,000 sq.ft. Suburban Office Building in Vaughan

Land Cost (per acre)	(A)	\$1,120,000	
Land Cost (per sq. ft. of building)	(B)	\$64.29	(A) x 2.87 / 50,000
Construction cost (per sq. ft.)	(C)	\$174.75	
Development Charges (per sq. ft.)	(D)	\$22.46	
Parkland Dedication	(E)	\$1.29	
Building Permit Fees	(F)	\$1.02	
Developer Profit	(G)	\$13.19	5% of (B+C+D+E+F)
Total Development Cost (per sq. ft.)	(H)	\$276.99	B+C+D+E+F+G
Annualized Development Cost (per sq. ft.)	(I)	\$18.00	H x 6.5%
Property Tax Rate (%)	(J)	1.86	
Assessment (per sq. ft.)	(K)	\$195.30	
Taxes (per sq. ft.)	(L)	\$3.63	J x K / 100
Total Annualized Costs (per sq. ft.)	(M)	\$21.64	I + L

Source: Watson & Associates Economists Ltd.

¹ Hard construction costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc.

² Urban office buildings include additional costs associated with underground parking.

Generating an annualized cost (M) from the total development cost determines the average annual cost of developing and operating a building over a defined time period (i.e. 25 years). The total annualized cost per sq.ft. reflects the annualized development cost per sq.ft. (H), determined by applying an annualization factor¹ of 6.5%, plus the annual property taxes per sq.ft. (L). Property taxes are based on local tax rates² with annual property taxes estimated based on average assessment value. The property assessment values were derived from a survey of comparable office developments across York Region and the surveyed municipalities to derive approximate municipal-specific assessment values which formed the basis for calculating property tax estimates.

5.3.2 Key Cost of Development Components

Key cost parameters of office development which vary by municipality/office node include land costs, development charges and property taxes. These are discussed in further detail below:

Development Charges

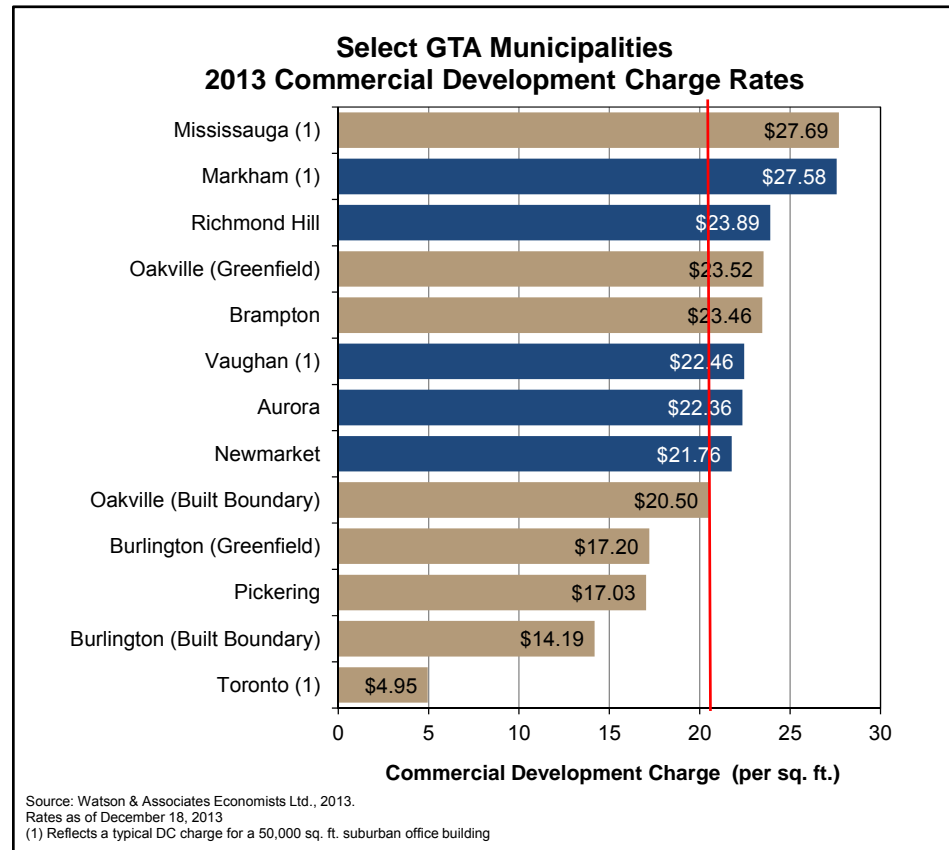
Development charges are a component of total development cost. Figure 5-7 illustrates the commercial development charges within the select York Region municipalities included in this analysis in comparison to other surveyed municipalities in the G.T.A.³ As shown, commercial development charges in Markham and Richmond Hill are, next to Mississauga, the highest of the municipalities surveyed. In comparison, rates in Aurora, Vaughan and Newmarket are similar to the survey average of \$20.51 per sq.ft. The lowest development charges within the surveyed municipalities are in Toronto, Burlington and Pickering.

¹ Annualization factor of 6.5% based on a 25-year period and discount rate of 4.1% which is representative of industry trends.

² Reflects lower/single-tier, upper-tier (where applicable) and education property taxes.

³ Reflects local and upper-tier as well as education development charges.

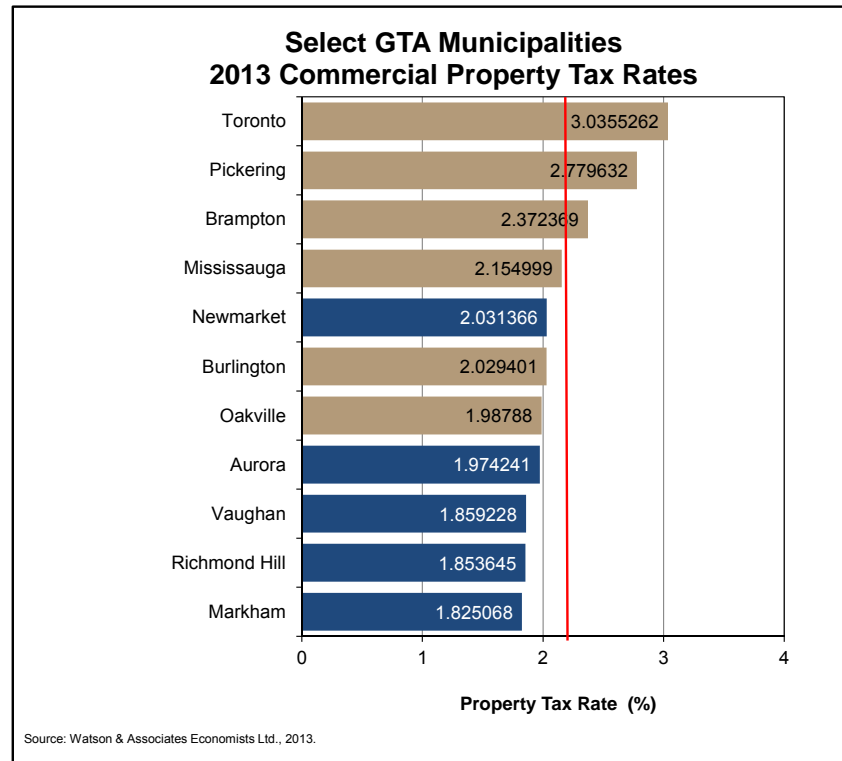
Figure 5-7



Property Taxes

Property tax rates represent a significant consideration for business location decisions since taxes impact operating profit after taxes annually. Figure 5-8 illustrates the industrial and commercial property tax rates within York Region municipalities in comparison to select municipalities within the G.T.A. As shown, commercial property tax rates in the select York Region municipalities are among the lowest of the municipalities surveyed. The commercial property tax rates in Markham, Richmond Hill and Vaughan are significantly lower than in the other G.T.A. surveyed municipalities. Rates in Aurora and Newmarket are comparable to those in Burlington and Oakville. In comparison, rates in Mississauga and Brampton are marginally higher, while those in Pickering and Toronto are significantly higher.

Figure 5-8



Vacant Commercial Office Land Prices

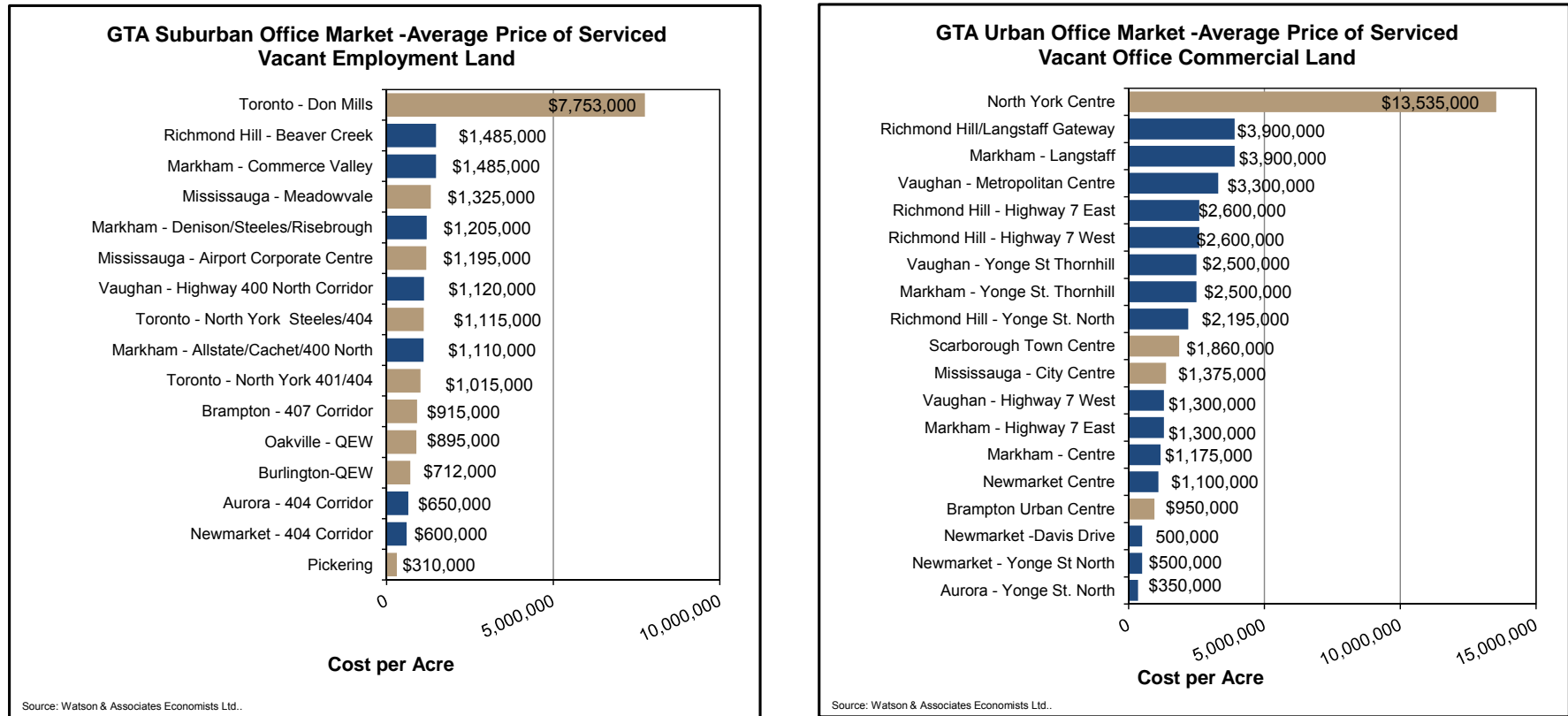
From a competitiveness perspective, land prices can provide a key advantage, especially for land extensive uses, but is less of an issue for land intensive uses such as office development. Though competitive land costs provide an economic advantage in terms of the cost of development, very low land prices may be indicative of low demand.

Figure 5-9 summarizes serviced vacant employment land/commercial office land prices (\$/acre) for York Region and G.T.A. surveyed suburban and urban office markets, based on recent market survey data. Key observations include:

- Suburban office market employment land prices are the highest in Toronto Don Mills (\$7,753,000 per acre). In comparison, prices in survey locations in Peel and York Region and other suburban locations in Toronto range between \$1,015,000 and \$1,485,000 per acre, with the most expensive being Richmond Hill Beaver Creek and Markham Commerce Valley;

- In comparison, employment land prices in Halton Region (Burlington and Oakville) are moderately lower (\$712,000 and \$895,000 per acre, respectively);
- Land prices in Newmarket and Aurora employment areas are relatively low at \$600,000 and \$650,000 per acre, respectively;
- The least expensive land within the surveyed municipalities is in Pickering where land costs average \$310,000 per acre.
- In the G.T.A. urban office market, the highest land price of the surveyed locations is in North York Centre (\$13,535,000 per acre);
- Land costs in York Region's Centres and Corridors range between \$1,100,000 and \$3,900,000 per acre, with Richmond Hill Centre, Markham Langstaff Gateway and Vaughan Metropolitan Centre being the most expensive (\$3,300,000 to \$3,900,000 per acre); and
- In comparison, land prices in Mississauga City Centre and Brampton Centre average \$1,375,000 and \$950,000 per acre, respectively. The corridors in Newmarket and Aurora (Yonge Street North and Davis Drive) have the least expensive vacant commercial office land, ranging between \$350,000 and \$500,000 per acre.

Figure 5-9



5.3.3 Development Charges as a Share of Total Development Cost – York Context

As discussed in Section 3.3, development charges are a component of the total annualized development cost.

Figures 5-10 and 5-11 summarize the share that development charges account for, of the annualized development cost of a 150,000 sq.ft. suburban office building and a 300,000 sq.ft. urban office building in York Region, respectively. As shown, development charges currently account for approximately 8% of the total annualized development cost of a typical 150,000 sq.ft. suburban office development in York Region. Construction costs on average account for 55% of total development cost, while land costs account for 14%, developer profit 4% and property taxes 19%. Parkland dedication costs (cash in-lieu) and building permit fees are a relatively small charge of the total cost, comprising 0.3% and 0.4% of the total, respectively. In comparison, for a 300,000 sq.ft. urban office building, development charges account for 6% of total annualized development costs, while construction costs account for 70%, land 3%, property taxes, 17%

and developer profit 4%. Parkland dedication costs (cash-in-lieu) and building permit fees comprise 0.1% and 0.3% of the total, respectively.

Figure 5-10

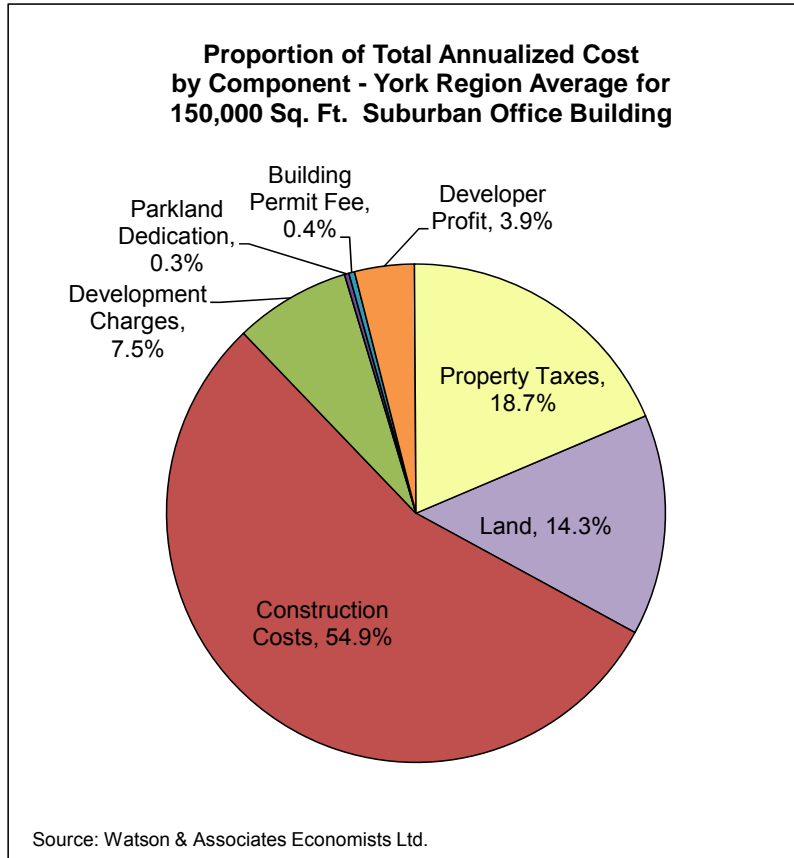
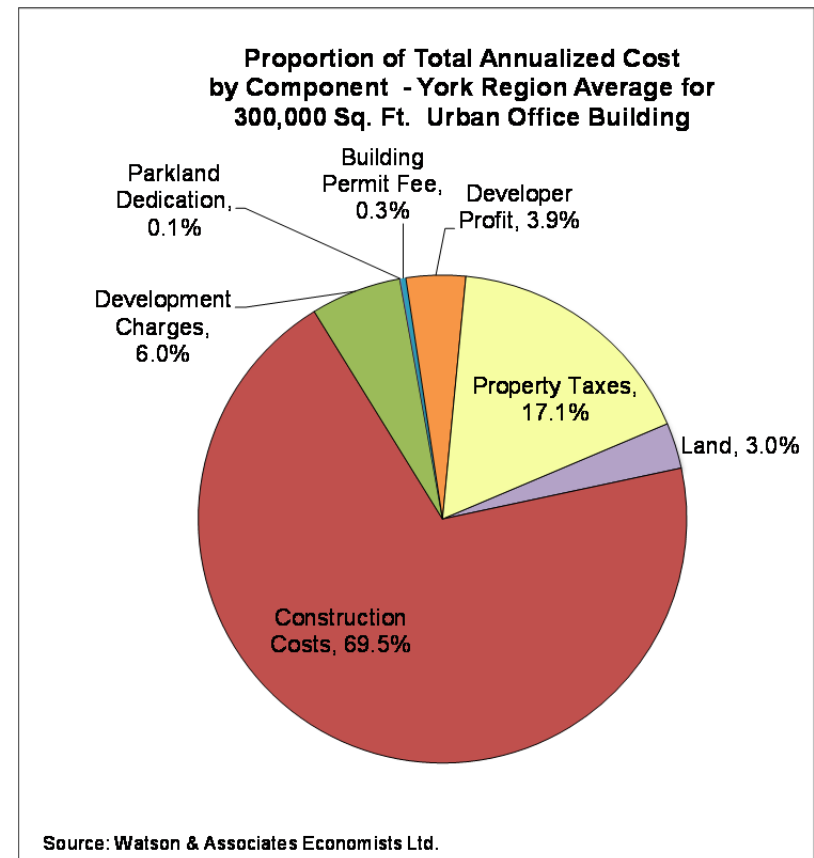


Figure 5-11



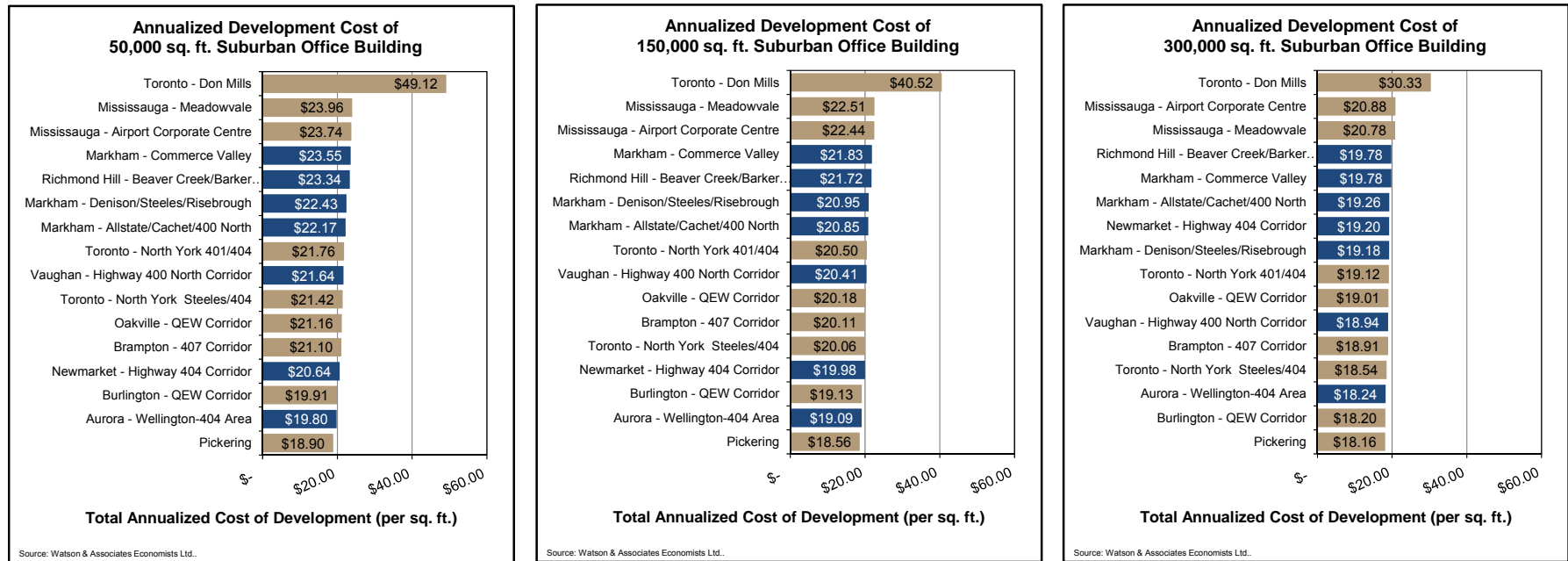
5.3.4 Annualized Cost Comparative Assessment

Suburban Office Development

Figure 5-12 summarizes the annualized cost (expressed in dollars per sq.ft.) for a 50,000 sq.ft., 150,000 sq.ft. and 300,000 sq.ft. suburban office building, respectively, within the suburban office nodes surveyed. Detailed results are presented in Appendix D. Key observations include:

- Annualized cost of office development (expressed in dollars per sq.ft.) for a 50,000 sq.ft. building, ranges between \$18.90 and \$49.12 per sq.ft. (survey average of \$23.41 per sq.ft.) while for a 150,000 sq.ft. building, the cost ranges between \$18.56 and \$40.52 per sq.ft. (survey average of \$21.80 per sq.ft.);
- For a 300,000 sq.ft. building, the total annualized cost ranges between \$18.16 and \$30.33 per sq.ft. (survey average of \$21.80 per sq.ft.);
- Cost of development (on a sq.ft. basis) for office development generally declines as building size increases, due to higher land utilization (higher F.S.I.);
- Of the office nodes surveyed, Toronto Don Mills has the highest annualized cost of development, largely due to the high cost of land;
- The next most expensive office nodes surveyed from an annualized cost of development perspective are Mississauga Meadowvale and Mississauga Airport Corporate Centre;
- The cost of development in Markham, Richmond Hill and Vaughan is comparable to other suburban office nodes in the City of Toronto but marginally higher than in other suburban office nodes in Brampton and Oakville Q.E.W. Corridor; and
- Newmarket (with the exception of 300,000 sq.ft. buildings), Aurora, Burlington and Pickering have the lowest annualized cost for office development of the municipalities surveyed. Their competitiveness in terms of annualized cost of office development is largely attributed to competitive land prices.

Figure 5-12
Suburban Office Development - Annualized Development Cost



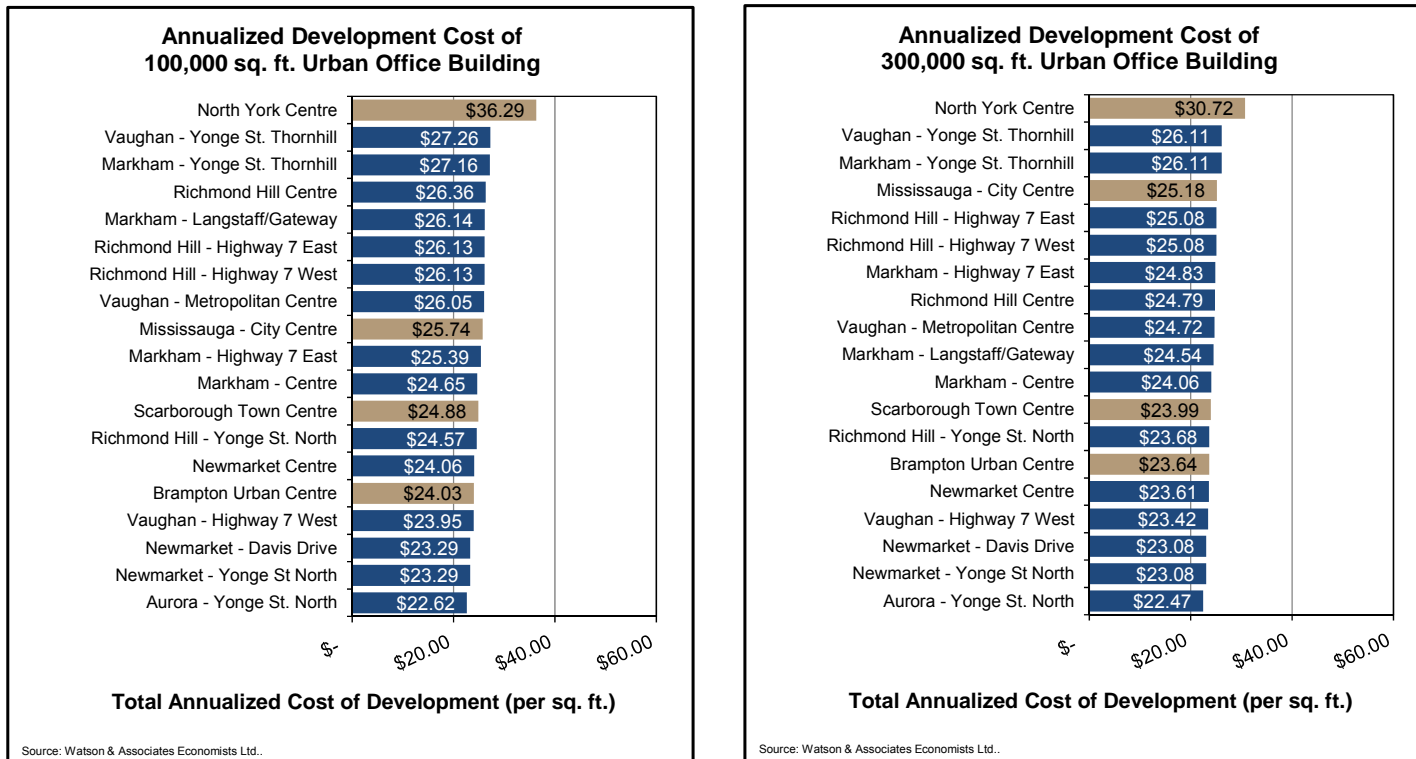
Urban Office Development

Figure 5-13 summarizes the annualized cost (expressed in dollars per sq.ft.) for a 100,000 sq.ft. and 300,000 sq.ft. urban office building, respectively, within the office Centres/Corridors surveyed. Detailed results are presented in Appendix A. Key observations include:

- Generally, urban office development costs are significantly higher than for comparable suburban office development, as illustrated by a prototypical 300,000 office building, which has an average annualized development cost 24% higher than for a suburban one. This is attributed largely to higher construction costs and higher land prices in urban Centres/Corridors. The higher land costs are, however, partially offset by a higher utilization of land;
- Annualized cost of urban office development (expressed in dollars per sq.ft.) for a 150,000 sq.ft. building, ranges between \$22.62 and \$36.29 per sq.ft. (survey average of \$25.68 per sq.ft.), while for a 300,000 sq.ft. building, the cost ranges between \$22.47 and \$30.72 per sq.ft. (survey average of \$24.64 per sq.ft.);

- Similar to suburban office market, the cost (on a sq.ft. basis) for office development generally declines as building size increases, due to higher land utilization (higher F.S.I.);
- Of the office nodes surveyed, North York Centre has the highest annualized cost of development, largely due to the high cost of land;
- The cost of development in Vaughan Metropolitan Centre and the Centres/Corridors in Markham and Richmond Hill are the highest in York Region, comparable to Mississauga City Centre and Scarborough Town Centre.
- Newmarket Centre, Vaughan Highway 7 West and Corridors in Newmarket and Aurora have the lowest cost of development of the areas surveyed, similar to Brampton Centre.

Figure 5-13
Urban Office Development - Annualized Development Cost



5.4 Residual Land Value Analysis – Rental Revenue Stream Scenario

This section summarizes the financial feasibility of the select office developments across York Region and the surrounding G.T.A. office markets through a residual land value analysis from a rental revenue stream perspective. Full details are provided in Appendix E.

5.4.1 Residual Land Value Analysis Framework

Utilizing the capital and operating costs identified in Section 5.3, along with potential revenue streams determined by current average net market rents (per sq.ft.) for Class A office space, a residual land value analysis was prepared.

As illustrated through the example calculation in Figure 5-14, the residual land value analysis capitalizes the rental revenue stream per sq.ft. (A) (applying an annualization factor of 6.5%) to generate a present value of future cash flows (B). This is compared to the sum of the profit provision per sq.ft (C) and development costs, which is comprised of the building construction cost¹ (D), cost of financing construction (E), development charges (F), parkland dedication costs (G) and building permit fees (H), to derive the residual land value (I). The residual (when multiplied by the floor area of the building and expressed on a per acre basis) is the value associated with the investment in the land, as presented in (J). This is expressed as a percentage of the land value (Residual Land Value to Market Land Price Ratio). The greater the residual land value to market land price ratio, the greater the financial feasibility of the project. A negative value suggests that the project is uneconomic even if land cost is zero. A positive value that is less than 1 indicates that the residual land value is less than the market price of land, which suggests that the project would not be feasible at current market land prices.² A ratio of 1 or greater indicates that the project would likely be financially feasible.

¹ Construction cost reflects partial tenant fit-out.

² Project development may not be subject to current market prices for land (i.e. developer purchased land at lower than current market price), and thus, the project may be financially feasible even if residual land value ratio is less than 1.

Table 5-14
Suburban Office Building - 50,000 sq. ft. in Vaughan

Annual Rent (per sq. ft.)	(A)	\$16.72	
Present Value of Future Cash Flow	(B)	\$257.30	(A) / 6.5%
Profit	(C)	\$25.73	(B) x 10%
Development Costs			
Construction (hard and soft) cost (per sq. ft.)	(D)	\$159.75	
Financing Cost	(E)	\$16.61	
Development Charges (per sq. ft.)	(F)	\$22.46	
Parkland Dedication (per sq. ft.)	(G)	\$1.29	
Building Permit Fees (per sq. ft.)	(H)	\$0.81	
Residual Land Value (per sq. ft.)	(I)	\$30.65	B - (C+D+E+F+G+H)
Residual Land Value (per acre)	(J)	\$534,000	(I) x 50,000 / 2.87
Market Price of Land (per acre)	(K)	\$1,120,000	
Residual Land Value to Market Land Price Ratio	(L)	0.5	J / K

Source: Watson & Associates Economists Ltd.

5.4.2 Office Space Market Rents

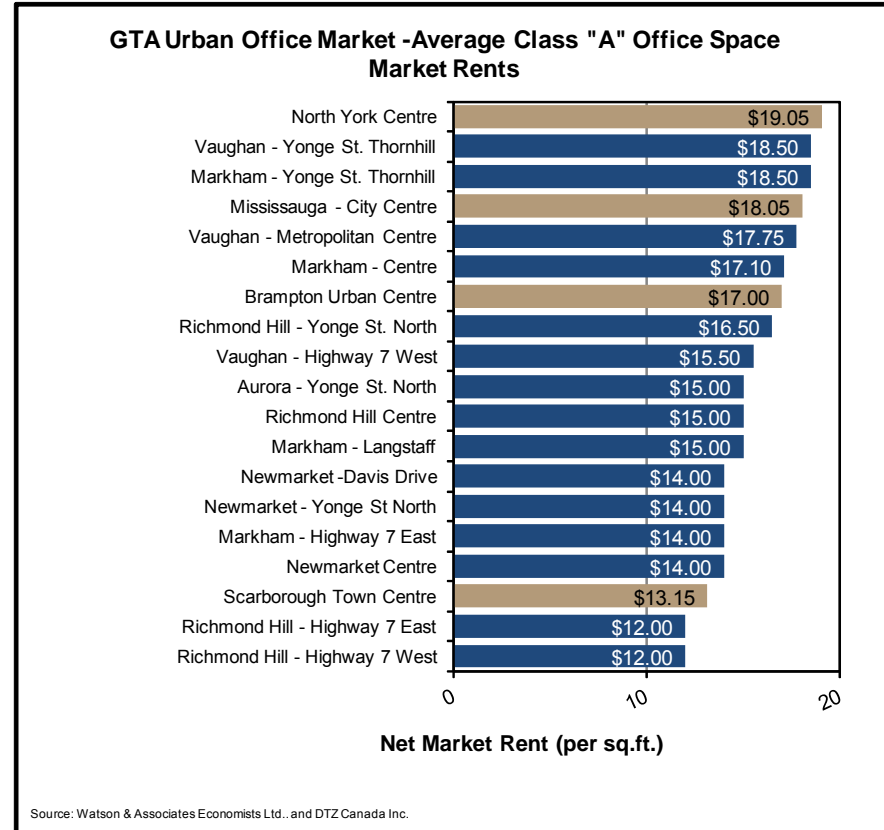
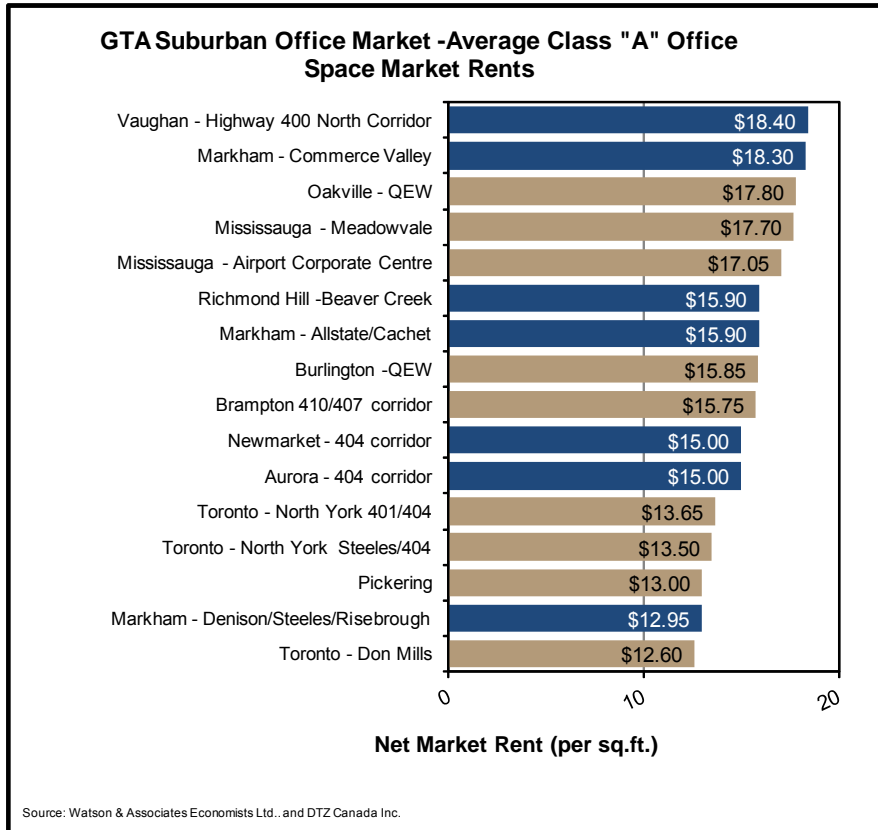
A key variable in understanding the relative strength of the office market and the economic viability of an office development project is the net market rents for office space, typically expressed on a per square foot of gross lease area on an annual lease basis, and referred to as “net market rent.” Net market rent is exclusive of additional charges to the property (e.g. taxes, insurance, utilities and maintenance).

Figure 5-15 summarizes average net market rents for Class A office space within the surveyed G.T.A. suburban and urban office markets.¹ As illustrated, in the suburban office market, net market rents range between \$12.60 and \$18.40 per sq.ft. (survey average of \$15.52 per sq.ft.). The highest average net market rent is found in Vaughan Highway 400 North Corridor, Markham Commerce Valley, and Aurora Wellington-404 Area. Rents are also relatively high in Oakville and Mississauga. The least expensive office space is within Toronto’s suburban employment areas (Don Mills, Steeles/404 and 401/404).

¹ Class A office market rents based on market data from DTZ Canada Inc. and discussions with DTZ personnel.

In the urban office market, net market rents range between \$12.00 and \$19.05 per sq.ft. (survey average of \$15.60 per sq.ft.). The highest market rents are found in North York Centre followed by Yonge Street Thornhill in Vaughan/Markham. Market rents in Markham Centre and Vaughan Metropolitan Centre are relatively high (comparable to Mississauga City Centre and Brampton Urban Centre) but rents in Richmond Hill Centre, Markham Langstaff Gateway and the Region's other Corridors are relatively low.

Figure 5-15



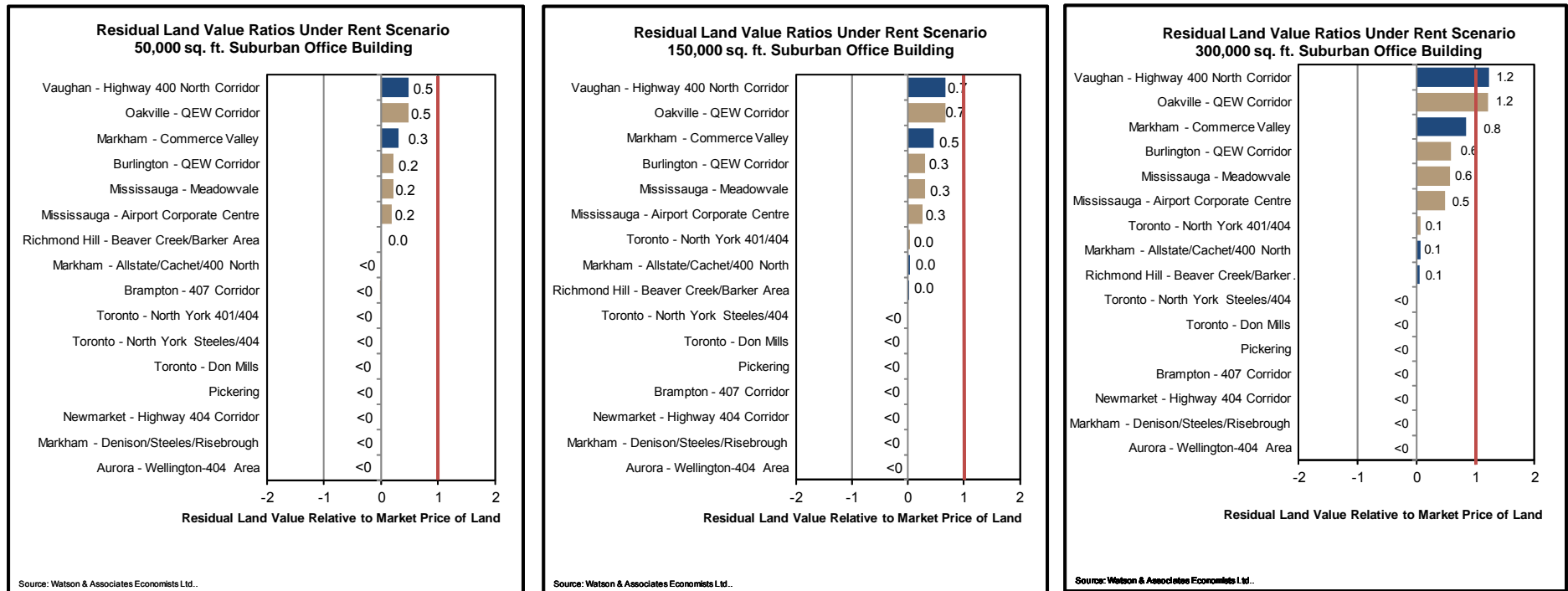
5.4.3 Residual Land Value Analysis Comparative Assessment

Suburban Office Development

Figure 5-16 summarizes the residual land value ratio for 50,000 sq.ft., 150,000 sq.ft. and 300,000 sq.ft. suburban office buildings, respectively, for the municipalities/communities surveyed, under a rental revenue stream scenario. Key observations include:

- The financial viability of a suburban office development varies significantly by surveyed office node and is highly sensitive to assumptions related to market rents (revenue potential) and cost of development assumptions;
- The analysis suggests that office nodes with the strongest financial viability for new office development include Vaughan Highway 400 North Corridor, Oakville-Q.E.W. Corridor and Markham Commerce Valley. With the exception of Markham Commerce Valley, these office nodes tend to have competitive land prices and relatively high market rents;
- Office development potential in Mississauga Meadowvale and Mississauga Airport Corporate Centre is marginal only with larger building sizes (i.e. 300,000 sq.ft) due largely to high cost of land;
- Office development viability in Markham Allstate/Cachet/404 North and Richmond Hill Beaver Creek/Barker Area is relatively poor due in part to high land prices and net market rents which are lower than the survey average;
- Suburban office developments are least financially viable in the City of Toronto (i.e. Highway 401/404, 404/Steeles and Don Mills) due to high land costs and net market rents which are lower than in most “905” area locations;
- The financial viability of a project increases as the size of the office building increases. This is largely attributed to lower development costs associated with higher utilization of land. This is particularly relevant in areas with high land costs, such as Markham and Vaughan, where only the larger office buildings (i.e. 300,000 sq.ft.) are likely financially viable.

Figure 5-16
Residual Land Value Ratios under Rental Revenue Stream of Suburban Office Buildings

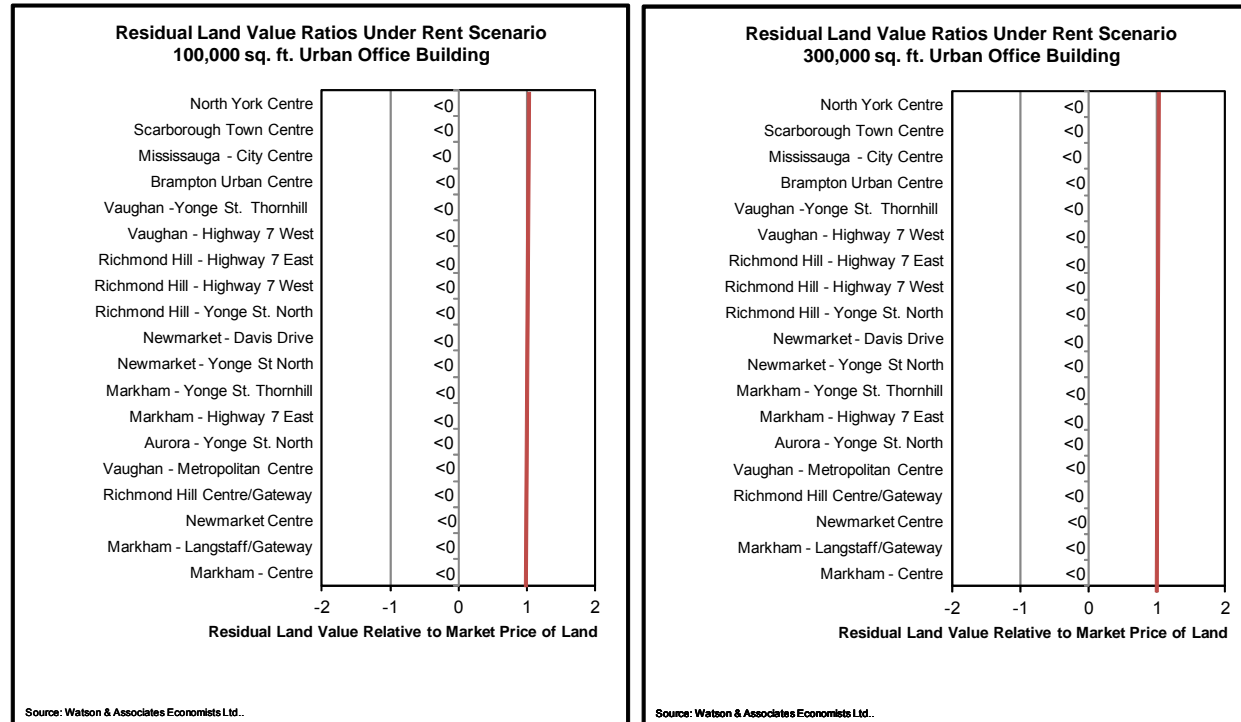


Urban Office Development

Figure 5-17 summarizes the residual land value ratio for 100,000 sq.ft. and 300,000 sq.ft. urban office buildings. Key findings include:

- The current financial viability of urban office development in the surveyed G.T.A. Centres and Corridors is relatively weak compared to the viability of suburban office development; and
- The analysis suggests that under a rental revenue stream, the economic viability of a stand-alone office development within the surveyed urban Centres/Corridors is unfavourable. This is largely attributed to relatively higher development costs (attributed to high land prices and the requirement for structured parking) and net market rents that are generally no higher than in the suburban office market.

Figure 5-17
Residual Land Value Ratios under Rental Revenue Stream of Urban Office Building



5.5 Residual Land Value Analysis – Project Sale Scenario

This section summarizes the financial feasibility of the select prototypical office developments in York Region and surrounding G.T.A. communities through a residual land value analysis from a project sale perspective. In other words, the main difference between this scenario and the rental revenue stream scenario discussed in Section 5.4 is that the development would be sold at completion. The complete analyses are found in Appendix F.

5.5.1 Residual Land Value Analysis Framework

Utilizing the capital and operating costs identified in Section 5.3, along with potential revenue determined by average sale prices (per sq.ft.), identified for Class A office space in the surveyed markets, a residual land value analysis was completed.

As illustrated in the example in Figure 5-18, the residual land value (on a per sq.ft. basis) (H) reflects the average asking price (A) (per sq.ft.) less the profit provision per sq.ft (B) and cost of development (building construction cost (C), financing cost (D), development charges (E), parkland dedication (cash in-lieu) (F) and building permit fees (G). The residual (when multiplied by the floor area of the building and expressed on a per acre basis) is the value associated with the investment in the land (I). This is expressed as a percentage of the land value (J) (Residual Land Value to Market Land Price Ratio). The greater the residual land value to market land price ratio, the greater the financial feasibility of the project, as discussed in Section 5.4.

Figure 5-18

Suburban Office Building - 50,000 sq. ft. in Vaughan

Average Sale Price (per sq.ft.)	(A)	\$233.00	
Less Profit	(B)	\$23.30	A x 10%
Construction cost (per sq. ft.)	(C)	\$159.75	
Financing Cost (per sq.ft.)	(D)	\$3.41	
Development Charges (per sq. ft.)	(E)	\$22.46	
Parkland Dedication (per sq. ft.)	(F)	\$1.29	
Building Permit Fees (per sq. ft.)	(G)	\$0.81	
Residual Land Value (per sq. ft.)	(H)	\$21.99	A - (B+C+D+E+F+G)
Residual Land Value (per acre)	(I)	\$383,000	H x 50000 / 2.87
Land Market Price	(J)	\$1,120,000	
Residual Land Value to Market Land Price Ratio	(K)	0.3	I / J

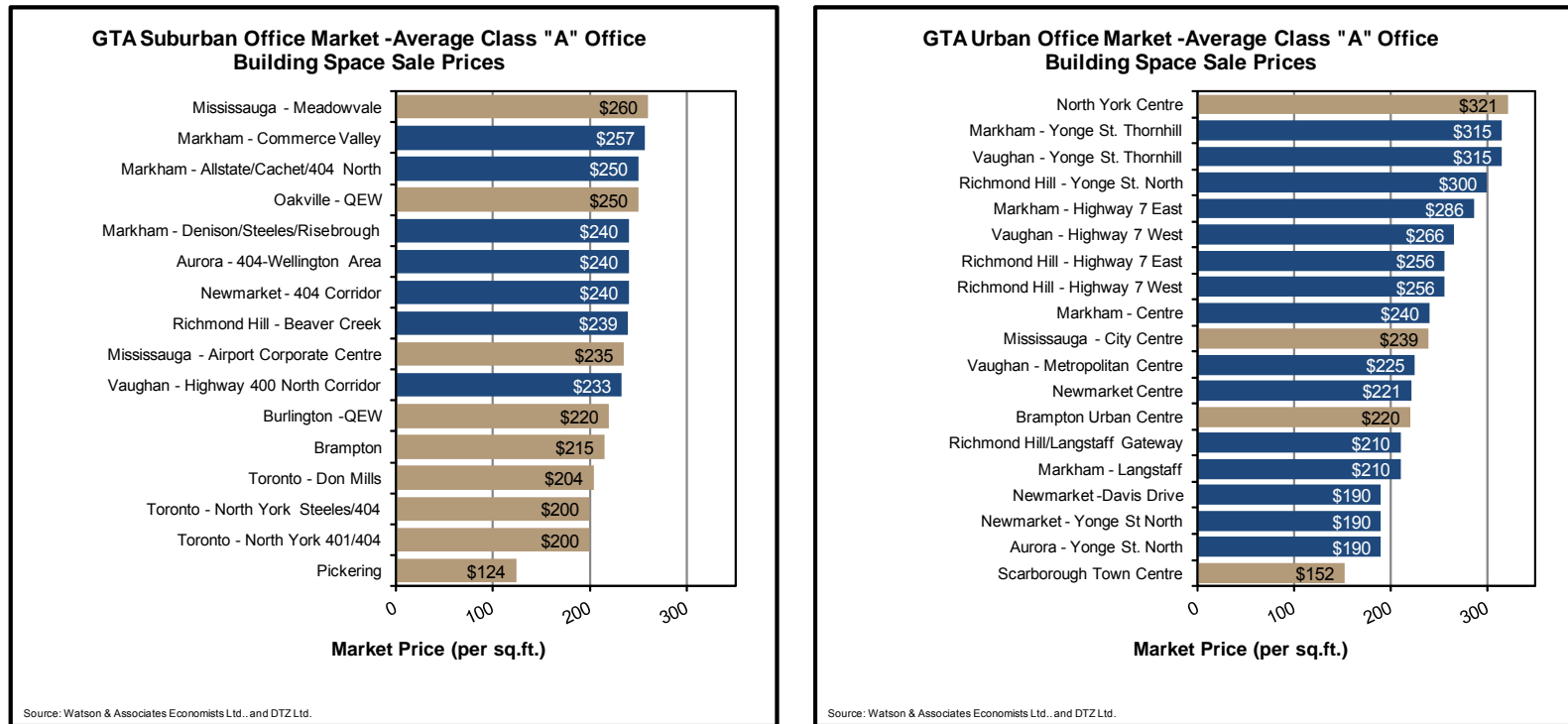
Source: Watson & Associates Economists Ltd.

5.5.2 Office Building Space Sale Prices

The market value of existing office space, expressed in terms of asking price per sq.ft., is a good indicator of market demand. The current market prices of Class A office space (based on recent sales activity) in the G.T.A. suburban and urban office markets is presented in Figure 5-19. In the suburban office market, building sale prices range between \$124 and \$260 per sq.ft. (survey average of \$226 per sq.ft.). Sale prices are highest in Mississauga-Meadowvale, Markham-Commerce Valley, Markham-Allstate/Cachet/404 North and Oakville-Q.E.W. Corridor. Average office building prices in other suburban office employment areas surveyed in York Region are close to the survey average. In comparison, office building prices in Brampton, Toronto (i.e. Don Mills, North York Steeles/404, North York 401/404) and Pickering are among the lowest. In the urban office market, building sale prices range between \$152 and \$321 per sq.ft. (survey average of \$238 per sq.ft.). Building sale prices are relatively high in North York Centre, Markham/Vaughan Yonge Street Thornhill, Richmond Hill Yonge Street North and along the Highway 7 Corridor in Vaughan, Richmond Hill and Markham. Average building sale prices in the Region's Centres are close to the survey average, comparable to prices in Mississauga City Centre

and Brampton Urban Centre. In contrast, prices are relatively low on Yonge Street North in Newmarket and Aurora, Davis Drive and Scarborough Town Centre.

Figure 5-19



5.5.3 Residual Land Value Analysis Comparative Assessment

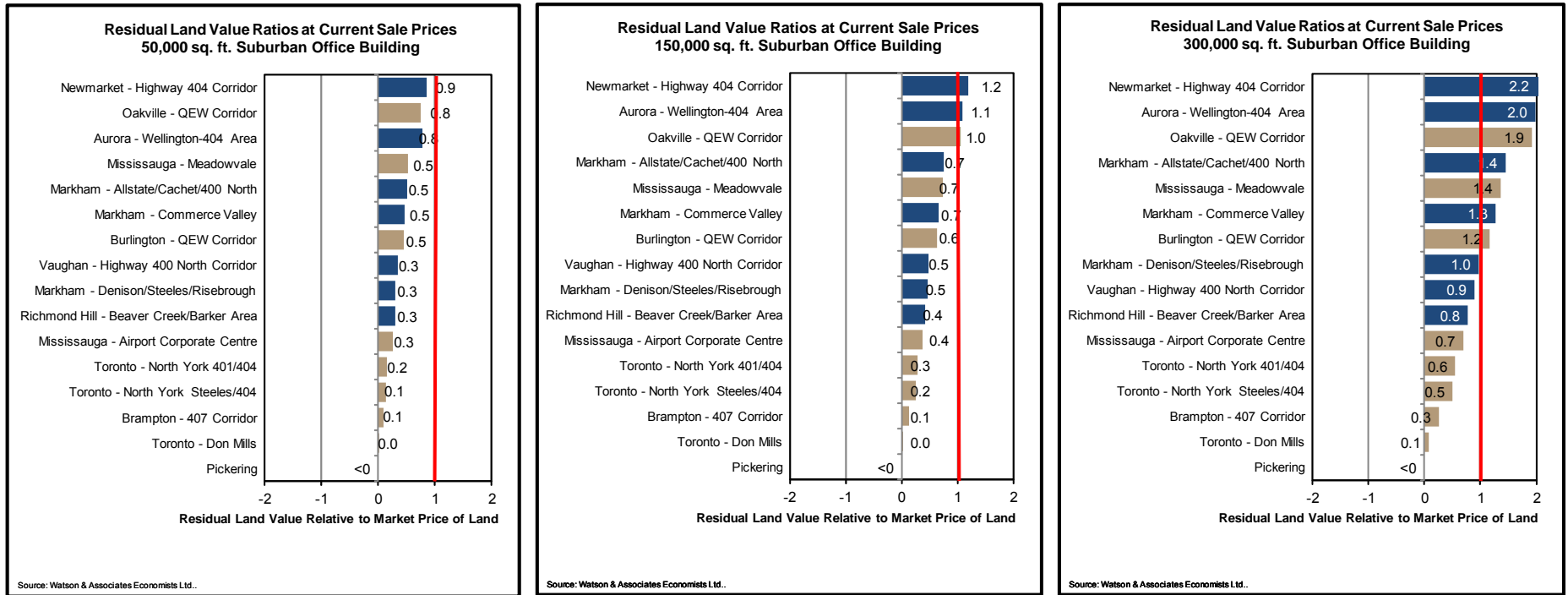
Suburban Office Development

Figure 5-20 summarizes the residual land value ratio for 50,000 sq.ft., 150,000 sq.ft. and 300,000 sq.ft. suburban office buildings, respectively, within the G.T.A. office nodes surveyed under a project sale revenue scenario. Key observations include:

- Suburban office developments under a project sale revenue scenario are generally more favourable from a financial viability perspective than under a rental revenue scenario (as discussed in Section 5.5.1);

- Similar to the rental revenue scenario, the financial viability of a project increases as the size of the office building increases. This is largely attributed to lower development costs attributed with higher utilization of land. This is particularly relevant in areas with high land costs such as Markham and Vaughan, where only the larger office buildings (i.e. 300,000 sq.ft.) are likely financially viable. It is important to note, however, that in the outer G.T.A. locations such as Newmarket and Aurora, the market demand for larger office buildings (i.e. 300,000 sq.ft.) is likely limited;
- Suburban office developments under a project sale revenue scenario are strongest in Newmarket-404 Corridor, Oakville Q.E.W. Corridor, Aurora Wellington-404 Area, Markham Allstate/Cachet/404 North, Mississauga Meadowvale, Markham Commerce Valley, Burlington Q.E.W. Corridor and Markham Denison/Steeles/Risebrough, Richmond Hill Beaver Creek/Barker Area and Mississauga Airport Corporate Centre. Due to the relatively high price of land in Markham, Richmond Hill, Vaughan and Mississauga, only larger buildings (i.e. 300,000 sq.ft. or larger) are likely financially viable in these locations; and
- Based on this analysis, the project sale revenue scenario for suburban office development appears financially unviable in Brampton-407 Corridor, Toronto Don Mills, Toronto North York 401/404, Toronto North York Steeles/404 and in Pickering.

Figure 5-20
Residual Land Value Ratios under Project Sale Scenario of Suburban Office Buildings



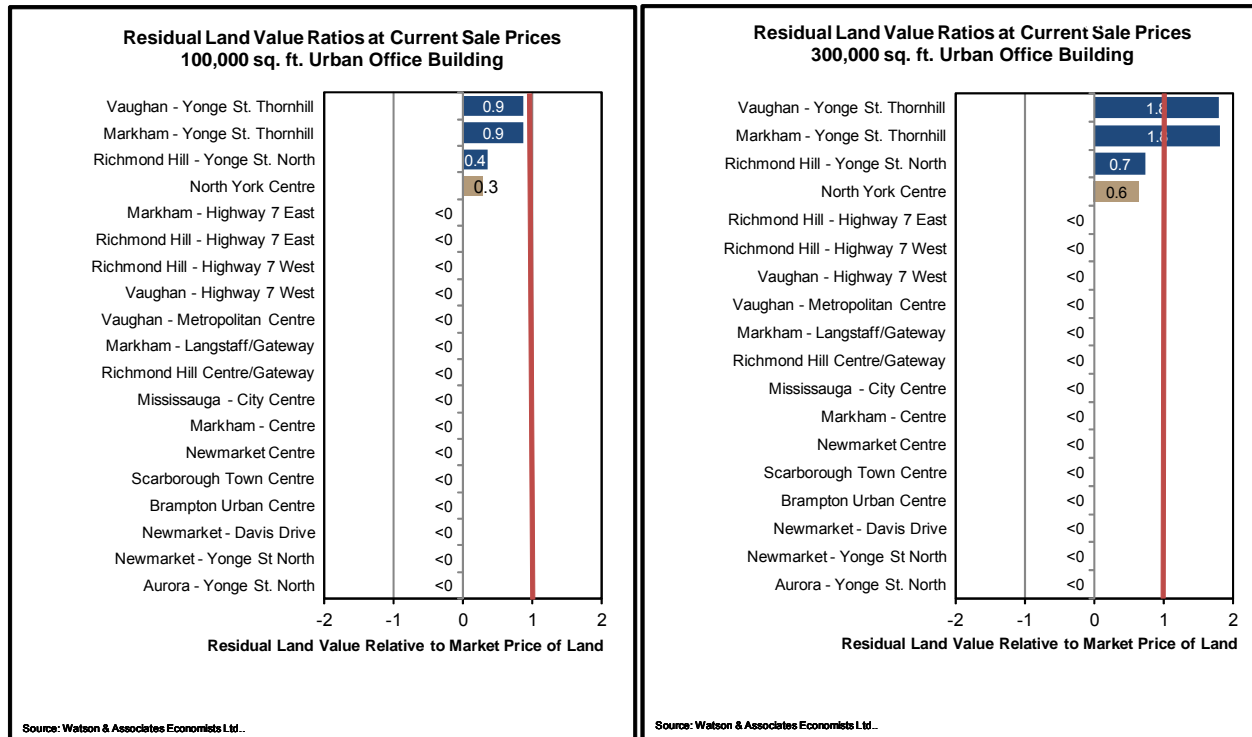
Urban Office

Figure 5-21 summarizes the residual land value ratio for 100,000 sq.ft. and 300,000 sq.ft. urban office buildings, respectively, within the urban Centres/Corridors surveyed under a project sale revenue scenario. Key highlights include:

- Yonge Street Thornhill in Markham and Vaughan and Richmond Hill-Yonge Street North offer the strongest financial prospect for office development under a project sale revenue scenario of the Centres/Corridors surveyed. This is attributed to relatively high potential sale prices;
- In comparison, all other Centres/Corridors surveyed, including York Region’s Centres and other Corridors, have an unfavourable financial viability under a project sale revenue scenario. This is attributed largely to high land prices in the locations surveyed; and

- In comparison to suburban office development, urban office development financially viable under a project sale revenue scenario is relatively weak. This is attributed in part to higher construction costs and higher land prices. Though in some cases potential project sale prices of urban office development are higher than suburban development, the difference is not significant enough to offset the higher costs of development associated with urban office development.

Figure 5-21
Residual Land Value Ratios under Project Sale Scenario of Urban Office Building



5.6 Conclusions

Based on the cost comparative analysis and financial feasibility analysis completed for York Region suburban and urban office market nodes, Centres and Corridors and comparable locations throughout the G.T.A., the following conclusions can be drawn:

- York Region municipalities have a competitive annualized cost for office development, lower than in Toronto or Mississauga, but higher than in Oakville, Burlington and Pickering;
- The cost of urban office development is significantly higher than for suburban office development, due largely to higher construction costs (provision for underground parking) and higher land costs which are only partially offset by higher land utilization;
- In relative terms, suburban office development is more financially viable than urban office development in both York Region and other parts of the G.T.A. This is attributed to higher costs of development and market rents/sale prices that are only marginally higher than suburban office locations;
- Market conditions and the corresponding financial viability for suburban office development are favourable in most York Region locations, though high land prices limited the potential for smaller office buildings (150,000 sq.ft. or less) in Markham, Richmond Hill and Vaughan. Competitive land prices in Newmarket and Aurora along the Highway 404 corridor is attractive for small-to medium sized office buildings (i.e. 50,000 – 150,000 sq.ft.); and
- The financial viability of stand-alone urban office development in the G.T.A. is generally relatively weak without other financial incentives to offset development costs. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets.

6. Development Potential of Region's Centres and Corridors

The potential for office development within the Region's Centres and Corridors is explored in this Section.

6.1 S.W.O.C. Analysis

Based on the baseline conditions identified (Chapter 2), office market profiles (Chapter 3), market drivers of office development (Chapter 4) and the cost competitiveness/financial viability of office development (Chapter 5), a S.W.O.C. (strengths, weaknesses, opportunities, challenges) of York Region's Centres and Corridors was undertaken. The results of this is presented in Figure 6-1.

**Figure 6-1
York Region Centres and Corridors S.W.O.C. Analysis**

Area	Strengths	Weaknesses	Opportunities	Challenges
Regional Centres				
Markham Centre	<ul style="list-style-type: none"> • Strong existing office base, represented by a number of recent developments • A true mixed-use community with a significant population and employment base characterized by a pedestrian friendly community • Excellent access/visibility to Highway 407 and access to Highway 7 • Served by Viva bus rapidway service and GO Train (Unionville Station) • Prestige setting 	<ul style="list-style-type: none"> • No connection (existing or planned) to T.T.C. subway 	<ul style="list-style-type: none"> • Large amount of vacant greenfield land opportunities • Relatively strong office market, characterized by strong market rents and low vacancy rates • Significant office development base and pre-leasing activity to build on 	<ul style="list-style-type: none"> • Not as centrally located in the G.T.A. context as Richmond Hill Centre or Vaughan Metropolitan Centre
Newmarket Centre	<ul style="list-style-type: none"> • Existing employment base anchored by York Region headquarters complex • Served by Viva bus rapid transit service • Located along major arterial (Yonge 	<ul style="list-style-type: none"> • Located on the fringe of the G.T.A. • No existing office development • Built form primarily auto-oriented suburban type commercial development 	<ul style="list-style-type: none"> • A number of major anchors in the area including Upper Canada Mall and York Region headquarters • New secondary plan for Newmarket Centre • Viva bus rapidway 	<ul style="list-style-type: none"> • Growth needs to be accommodated primarily through redevelopment of existing sites • Relatively low market rents and demand for office space • Existing built form will

Area	Strengths	Weaknesses	Opportunities	Challenges
	Street)	<ul style="list-style-type: none"> • Disconnected street network • Limited residential base • Not in proximity to 400 series highways and issues with access 	along Davis Drive to be completed in late 2015	<p>pose challenges to creating a mixed-use pedestrian friendly environment</p> <ul style="list-style-type: none"> • No precedence for urban type mixed-use development and urban office development in the Newmarket/Aurora area
Richmond Hill/Langstaff Gateway	<ul style="list-style-type: none"> • Excellent exposure and access to Highway 407 and major arterials (Highway 7 and Yonge Street) • Strong public transit with existing GO train and Viva bus rapid transit service 	<ul style="list-style-type: none"> • Limited office base • Office development to be accommodated largely through redevelopment • Current public transit centred in north part of area; access from south part, which will be focus of office development, more limited • No approved secondary plan 	<ul style="list-style-type: none"> • Geographically well positioned, in the heart of York Region with great potential for development as urban node • Planned T.T.C. subway service • Future Langstaff/ Longbridge T.T.C. subway station will provide access to employment in the south 	<ul style="list-style-type: none"> • Area is split in two by Highway 407; highway acts as a barrier • Lack of prestige character of south side which limits redevelopment potential for office • Uncertainty on timing of subway extension
Vaughan Metropolitan Centre	<ul style="list-style-type: none"> • Central location in the G.T.A. • Excellent access/ visibility to Highways 407 and 400 	<ul style="list-style-type: none"> • Limited office base and limited residential development • No presence of an existing mixed-use urban community • High office vacancy 	<ul style="list-style-type: none"> • Spadina-York subway extension to Centre in 2017 will bring high-order transit connection • KPMG office development could 	<ul style="list-style-type: none"> • Strong competition for office development from neighbouring employment areas in Vaughan

Area	Strengths	Weaknesses	Opportunities	Challenges
		rates in the area	act as major catalyst for development <ul style="list-style-type: none"> • Vacant land supply opportunities 	
Regional Corridors				
Davis Drive	<ul style="list-style-type: none"> • Access to GO train • Area anchored by hospital and emerging health cluster 	<ul style="list-style-type: none"> • Low market rents and limited market demand for office space 	<ul style="list-style-type: none"> • Opportunity for office development to accommodate health-related sectors in proximity to hospital • Existing commercial and high density residential base • New Viva bus rapidway along Davis Drive to be completed in late 2015 	<ul style="list-style-type: none"> • Corridor is located in a community which historically has been suburban; challenge to create urban type office development • No redevelopment opportunities along south side of Davis Drive east of Alexander Street
Highway 7 East	<ul style="list-style-type: none"> • Most highly urbanized Corridor in Region • Well anchored by Richmond Hill Centre, Markham Centre and Cornell • Pedestrian oriented – including dedicated bike lanes • Relatively strong office market in surrounding area 	<ul style="list-style-type: none"> • Width of Highway 7 roadway limits urban mixed-use character potential of Corridor 	<ul style="list-style-type: none"> • Potential to build on existing office base in area (i.e. Beaver Creek, Markham Centre) • Strongest opportunities for office development in area west of Markham Centre • Completion of Viva bus rapidway will significantly improve higher-order transit in Corridor 	<ul style="list-style-type: none"> • East of Markham Centre, Corridor is largely suburban with lower potential for urban office development

Area	Strengths	Weaknesses	Opportunities	Challenges
Highway 7 West	<ul style="list-style-type: none"> Central location between V.M.C. and Richmond Hill Centre/Langstaff Gateway 	<ul style="list-style-type: none"> Limited opportunities to accommodate office development east of Dufferin West of Dufferin, Corridor largely industrial with no existing mixed-use character 	<ul style="list-style-type: none"> Viva bus rapid transit should improve public transit access in the corridor Emerging office nodes on employment lands in the surrounding area 	<ul style="list-style-type: none"> Soft market rents and limited market demand for office space Environment will be challenging to attract residential development to create true mixed-use Corridor
Yonge Street Newmarket/Aurora	<ul style="list-style-type: none"> Located on major arterial served by Viva bus rapid transit service 	<ul style="list-style-type: none"> Suburban character of corridor Limited existing office inventory and limited market demand for office space 	<ul style="list-style-type: none"> Potential to build on downtown area of Aurora 	<ul style="list-style-type: none"> No precedence for urban office development along Corridor
Yonge Street Richmond Hill	<ul style="list-style-type: none"> Elements of mixed-use urban environment in vicinity of downtown Richmond Hill 	<ul style="list-style-type: none"> Limited office market base Soft market rents for office space 	<ul style="list-style-type: none"> Potential to build on mixed-use nature of downtown Richmond Hill area 	<ul style="list-style-type: none"> Challenges in creating mixed-use urban character north and south of downtown Richmond Hill No precedence of urban office development within Corridor
Yonge Street Thornhill	<ul style="list-style-type: none"> Southern part has an emerging mixed-use urban character with residential and non-residential uses Strong office market rents and low vacancy rate 	<ul style="list-style-type: none"> Limited existing office inventory 	<ul style="list-style-type: none"> Existing urban character within southern half to build on; located immediately north of North York Centre World on Yonge development could be 	<ul style="list-style-type: none"> Unknown timing of subway extension

Area	Strengths	Weaknesses	Opportunities	Challenges
			catalyst for further development; evidence that urban office development can be economically viable in mixed-use project <ul style="list-style-type: none"> • Planned extension of subway will help long-term potential of Corridor 	

6.2 Centres and Corridors Urban Office Development Potential Assessment

Based on the findings of the work completed in Chapters 1 through 5 and Section 6.1, the following provides an overall assessment of the Region's Centres and Corridors in terms of office development competitiveness and potential.

The G.T.A. office market is in a period of transition and structural change with an increasing demand for locations which offer access to high-order transit, a mixed-use environment potential for live/work opportunities, and access/proximity to amenities and services. Urban mixed-use environments are becoming increasingly desirable locations for office-related businesses, as reflected in the relatively high market rents and low vacancy rates for office space in these locations. This, combined with diminishing greenfield opportunities for office development within employment areas in York Region, and provincial and regional policy initiatives to locate major office development increasingly within the built boundary, offers strong opportunities for this type of office development within the Region's Centres and Corridors. However, the Region's Centres and Corridors are not a uniform entity with wide variation in terms of their baseline conditions, geographic location and market demand for office space which impacts the short-, medium- and longer-term prospects for urban office development, as summarized in Figure 6-2. Further, the market for new office development within the G.T.A. is competitive, and York Region's Centres and Corridors will compete directly with other locations for future office development.

The strongest short- to medium-term opportunities for urban office development within the Region's Centres and Corridors are in Markham Centre and Vaughan Metropolitan Centre. Markham Centre has a strong existing mixed-use community and a track record for urban type office development, as evidenced by recent development activity and pre-leasing activity. Vaughan Metropolitan Centre, though less developed than Markham Centre, will be served by the Yonge-Spadina subway extension in 2017 which is expected to strengthen the office market potential significantly. This is already evident with the construction of the KPMG building and other planned development. Richmond Hill Centre Langstaff/Gateway, though well located geographically, has some challenges and offers

moderate office development potential over the short to medium term. However, potential will become much stronger over the longer term which will likely be strengthened greatly with the planned subway extension. In comparison, Newmarket Centre is anticipated to have more limited market potential for urban office development in the short and medium term, though this will strengthen over the longer term.

Yonge Street Thornhill and Highway 7 East (West of Markham Centre) offer moderate potential for urban office development over the short and medium term and are expected to become stronger over the longer term. Both Corridors have elements of urban character to build on and are geographically well positioned. In contrast, Highway 7 East (East of Markham Centre), Highway 7 West and Yonge Street Richmond Hill are comparatively more suburban and though well located geographically, will require a longer term outlook to become urban Corridors and hold potential for urban office development. In the meantime, these locations will continue to offer moderate potential for low-rise suburban type office development. Yonge Street Newmarket/Aurora and Davis Drive have the most limited potential for urban office development which is expected to remain low for the foreseeable future. The Corridors will offer opportunities for low-rise suburban office development, particularly in proximity to the health cluster along Davis Drive.

Figure 6-2
York Region Centres and Corridors
Market Potential for Urban Office Development

Location	Urban Office Market Potential (Short to Medium Term – 1-10 Years)	Urban Office Market Potential (Longer Term – 10+ Years)
Regional Centres		
Markham Centre	Strong	Strong
Vaughan Metropolitan Centre	Strong	Strong
Richmond Hill Centre/Langstaff Gateway	Moderate	Strong
Newmarket Centre	Low	Moderate
Regional Corridors		
Highway 7 East (West of Markham Centre)	Moderate	Strong
Yonge Street Thornhill	Moderate	Strong
Yonge Street Richmond Hill	Low	Moderate
Highway 7 East (East of Markham Centre)	Low	Moderate
Highway 7 West	Low	Moderate
Yonge Street Newmarket/Aurora	Low	Low
Davis Drive	Low	Low

Despite the increasing demand for urban type office development, the financial analysis presented in Chapter 5 indicates that the financial viability of this type of office development tends to be less favourable than for suburban office development. Chapters 7 and 8 explore development incentives that could be implemented to better capitalize on the market potential of the Region's Centres and Corridors for office development.

7. Development Incentives Scan

Despite policy and legislative limitations, there are a range of financial and policy tools available to local and regional municipalities in Ontario which may have the ability to support and encourage specific types of development in specific areas of a community.

The following section presents a scan of the policies and programs currently offered by municipalities across the Greater Toronto Area that have a potential influence on the development of office uses in those jurisdictions, as well as policies and programs that could support office development in other parts of Ontario and Canada. The emphasis of this process was the identification of financial incentive programs and enabling policies that are designed (in whole or in part) to promote or attract office uses in a municipality.

It should be noted that some local and regional municipalities in the G.T.A. have been pursuing modifications to property tax policies to support non-residential and office development. For example:

- The City of Toronto is currently in the process of implementing a long-term strategy to reduce the ratio between municipal commercial and industrial and residential property tax rates. Though expected to be fully implemented by 2020, the program is already perceived as a success in lowering the long-term cost of office development in Toronto; and
- York Region has reduced the relative property tax burden on commercial and industrial classes over the last several years in its Region-wide approach to taxation. This has placed commercial tax ratios in all local communities in a competitive position relative to the Cities of Mississauga and Toronto, and Halton and Durham Regions, and in part acts as an incentive to commercial office development.

Though these tax-related strategies play a role in the attraction of office uses to a municipality, they are often considered a longer-term operational benefit in the location decision process. Tax or fee rebates/exemptions and other financial incentives play a role in shorter-term development decisions, while also offering the flexibility to support community objectives (e.g. transit-oriented or mixed-use development) or specific geographic considerations (e.g. downtown, employment areas) in the provision of incentives. As a result, initiatives concerned with broader property tax policy modification have not been comprehensively examined as part of this process, outside of the use of financial tools to off-set tax increases (e.g. tax increment equivalent grants).

Figure 7-1 below offers a brief visual overview of the financial incentive policies currently offered in comparator communities across the Greater Toronto Area, as well as across York Region. Consideration has been given to policies and programs that are approved, as well as policies and programs that are currently being developed or reviewed.

**Figure 7-1
Summary of Office-Oriented or Supportive Programs and Incentives, Select G.T.A. Communities**

Incentives Scan	Markham	Newmarket	Aurora	Richmond Hill	Vaughan	York Region	Burlington	Oakville	Halton Region	Brampton	Mississauga	Peel Region	Toronto	Ajax	Pickering	Durham Region
Community Improvement Plans																
Development Fees and Development Charges																
Other Financial Incentives																

Policies and Programs currently in effect
 Policies and programs under study or review

The programs and policies highlighted in the preceding table are outlined in the sections below.

7.1 York Region

7.1.1 Community Improvement Plans

Though many of the communities in the Region are currently examining their use or have Community Improvement Plans (C.I.P.s) in place for certain areas (e.g. historic villages), there are currently no approved C.I.P.s focused on providing incentives to support larger-scale office uses appropriate for the Region’s Centres and Corridors. However, both Markham and Richmond Hill continue to work towards the development of a C.I.P. framework that has the potential to support larger-scale office development.

Markham Centre has been identified by the Province as an Urban Growth Centre (U.G.C.) and has approximately 300 hectares of developable land. The Markham Centre area is generally bounded by Rodick Road on the west, Kennedy Road on the east, Highway 407 on the south, and the Highway 7 corridor on the north. The long-term vision of the centre is creating a new urban downtown with a forecast population of 41,000 residents and 39,000 jobs. The current land costs and development charges have made this area relatively expensive for development compared to other sites in Markham and the G.T.A. In part, the high demand in the residential

market has been sufficient to absorb these high costs into development, but growth of office uses in Markham Centre has lagged behind. In order to achieve Markham Centre's planned building densities and build out, the municipality is considering the adoption of a C.I.P. which will allow the City to offer financial incentives to encourage office development. Some of the incentives under consideration are tax relief, grant and/or loan programs, and a Tax Increment Equivalent Grant (T.I.E.G.) program.

The Town of Richmond Hill is currently undertaking a C.I.P. study that will create a policy framework to provide numerous financial incentives to potential users (particularly office users), such as grants, loans and/or rebates, and T.I.E.G.s. The study will also determine whether the C.I.P. will be implemented on a Town-wide or area-specific basis, such that it may encourage office or higher density development along key corridors in the Town (e.g. Highway 7). The Town of Aurora is also currently undertaking an O.P. Study but, at present, the sector focus and associated programs of the plan are unknown.

7.1.2 Development Charges and Fees

Many municipalities in York Region use development charges (D.C.s) as an incentive to encourage office development. The Town of Newmarket has a deferral program for D.C.s and planning fees focused on encouraging higher density development. As such, the program only applies to projects of five storeys or higher. The program provides for an 18-month deferral of 100% of the Town's D.C.s, as well as 50% of planning application fees for office developments.

The Town of Richmond Hill is currently studying the feasibility of a D.C. deferral program for office development which would work in a similar manner to the deferral program in Newmarket. The program would allow the developer to delay a portion of D.C.s owed to the Town for a set period of time.

The City of Vaughan utilizes development charge policy in a different manner to encourage high density office development. The City has lower D.C.s for mid- to high-rise non-retail development compared to the D.C.s it applies to low-rise non-retail developments.

Unlike the other municipalities in York Region, the City of Markham has adopted City-wide development charges for hard services that are land based, in order to encourage high-density office development. Instead of charging on a per ground floor area (G.F.A.) basis for the entire development, the City charges on a per hectare basis for the amount of land the development sits on. The City also has area-specific charges, which are levied in areas where infrastructure and services benefit a specific area; however, these charges are also land based. By basing charges on the amount of land consumed through the development, higher density development is encouraged, as the charges remain the same as the height of the buildings increase.

7.1.3 Other Incentives (e.g. Tax Increment Grants)

The Markham Centre Parking Strategy has reduced the parking requirement for office uses and introduced parking maximums; however, this strategy requires that a significant portion of the parking be eventually provided within structures. The structured parking

requirement will increase costs for office development which may act as a deterrent towards the growth of the office market in Markham Centre. In order to reduce costs for parking structures, Markham is considering the provision of municipal parking structures which will be built from the financial incentives that are currently under consideration by the City.

7.2 Comparator Communities

7.2.1 Community Improvement Plans

As with York Region, communities across the G.T.A. have developed C.I.P.s to encourage development in their respective municipality. However, there are only a limited number of examples that have a potential notable impact on encouraging and promoting office uses.

The City of Toronto's Imagination, Manufacturing, Innovation, and Technology (I.M.I.T.) business incentive program represents one of the more sophisticated programs in the region focused on supporting office development ranging from major office uses to mixed-use developments. This program is delivered through three Community Improvement Plans in the City (City-wide, South of Eastern, and Waterfront), and covers all development within the City of Toronto. The primary incentive provided through the program is a tax increment equivalent grant, though a Brownfield Remediation Tax Assistance (B.R.T.A.) program is also available to contaminated properties.

The City of Brampton has adopted a C.I.P. for the Brampton Central Area, of which a significant portion of the area has been designated as a U.G.C. by the Province. Brampton's Central Area is composed of three distinct districts: the Historic Downtown, Queen Street Corridor and Bramalea Centre, each with their unique characteristics. The long-term vision of the Central Area is to become the business, entertainment and cultural core of Brampton. Though the C.I.P. is primarily focused on supporting residential development in the downtown, there are positive implications of the program on office development as well.

The Town of Ajax has adopted a Downtown C.I.P. to support the vision of the downtown becoming an intensive, mixed-use, and transit-supportive district functioning as the cultural and administrative centre of the Town. The downtown area is generally centered on two main arterial roads: Harwood Avenue which is the Town's main north-south corridor, and Bayly Street, the main east-west corridor. In order to support this vision, the Town has implemented a Planning and Development Fees Grant Program under the C.I.P. to attract office development to the downtown area.

7.2.2 Development Charges and Fees

As with York Region's local municipalities, a number of other municipalities throughout the Greater Toronto Area have used development charge policies and development application fee programs as a tool to attract office investment to the municipality. This includes enabling financial incentives through the use of a C.I.P., or the modification of D.C. policies to support higher density or larger scale developments in the urban area.

In order to encourage development in the Central Area, the City of Brampton has implemented the Development Charge Incentive Program (D.C.I.P.) as part of the Central Area C.I.P. Under the D.C.I.P., the City will pay part, or all, of the municipal portion of D.C.s for projects located in areas that have been designated as Central Area Mixed Use. The program is primarily targeted at residential and mixed-use projects, but has had a small impact on office development as well (supporting small stand-alone office development in the Central Area). The amount of development charge incentives provided depends on how the project scores, based on a number of evaluation criteria that reflect the City's Vision of the Central Area (e.g. located at major intermodal transit nodes, transit-supportiveness, high physical quality and design, innovative in concept). While not specifically focused on office development now, the City is currently in discussions about potential programs that may be offered in the next phase, with a more significant focus on office development possible through the program.

Further to the D.C.I.P., the City has passed a Roads D.C. by-law that provides a discounted rate for office development across the rest of the City. Under this by-law, the City provides a 13.5% discount to office developments when compared to the non-discounted rate.

The City of Toronto has adopted a unique approach to the application of development charges to office projects, which has generated considerable interest in the City. For any proposed office development in the City, any non-residential floor area located above or below the ground floor is exempt from municipal development charges. Only the ground floor of the project is charged at the full rate. This offsets considerable cost for office developments in the City, and is perceived as a major incentive for developers looking to construct high-density and high-quality office space in the downtown area.

The Town of Ajax has implemented the Planning and Development Fees Grant Program under the Downtown C.I.P., to attract office development to the downtown area. The program provides a full grant for planning fees and 80% grant for building permit fees for new office buildings. The Town has also implemented the Development Charge Exemption/Grant Program to encourage more intensive development in the downtown area under the C.I.P. The program offers exemptions to D.C.s for office development projects in the downtown area, including full exemptions to the D.C.s for office projects of two or more storeys. The program has supported a number of projects in the downtown:

- The \$300 million Vision at Pat Bayly Square project by Medallion Corporation, consisting of two mixed-use towers with approximately 30,600 square feet of office space, among residential units and ground floor retail; and
- The \$118.7 million Grand Harwood Place project by Windcorp Grand Harwood Place Ltd., which will include a minimum of 25,000 square feet of office space among retail and residential uses.

To enhance D.C.-related approaches at the local level, some Regional Municipalities have modified D.C. policies to encourage office and non-residential development as well. The Region of Durham charges a reduced rate of \$4.73 per square foot for office buildings greater than 25,000 square feet while the standard D.C. for commercial projects is \$12.96 per square foot. Halton Region has also adopted policies to encourage office development, particularly in the built areas of the Region. Office development in the urban and

built boundary (\$9.56 per square foot) is charged a lower rate than development within greenfield areas and rural areas (\$12.56 per square foot).

7.2.3 Other Incentives (e.g. Tax Increment Grants)

As noted previously, the Imagination, Manufacturing, Innovation and Technology (I.M.I.T.) business incentive program was enabled through the development of three Community Improvement Plans in 2008. The program provides eligible projects 60% (all eligible projects) to 70% (for projects in Employment Districts and Employment Areas) of the increase in the municipal taxes attributable to the project over a 10-year period.

In order to meet the eligibility requirements, the development must be in one of the targeted export-oriented sectors specified by the program, including all manufacturing industries, food and beverage wholesaling, and a range of office-oriented and knowledge-based sectors, as well as a minimum construction value of \$1 million, and a minimum floor area of 500 square metres. Office developments have more variable eligibility requirements depending on location and other characteristics (e.g. size, corporate office status). For example, most new office uses in the financial district must have corporate headquarter characteristics (suggesting the need for an anchor tenant), while eligibility criteria in the South of Eastern and Waterfront C.I.P.s and for some other centres and employment areas in the City are more liberal with the intent of supporting new speculative office development (e.g. no requirements for corporate office functions, limited need for major office development). The City also made notable changes to support transit-oriented projects in late 2012, adding eligibility criteria for office projects with a minimum G.F.A. of 5,000 square metres within 800 metres of a subway or light rail transit station.

Since the approval of the program in 2008, the City has approved 25 applications under I.M.I.T., including eight applications for office development representing approximately five million square feet in office space. In terms of awareness, the program is widely known across the City, and continues to be regarded as a significant incentive to office development in Toronto.

Toronto also offers height and density incentives in exchange for community amenities under Section 37 of the Planning Act. For projects with a minimum of 10,000 square metres of G.F.A., a developer may approach the City requesting a density over and above what is permitted by the existing by-law. Once planners determine a Section 37 application is warranted, the Appraisals Section of the City's Real Estate services estimates a range of land values per unit (square metres) of density, which are used by the planning department to calculate the value of the additional density (or uplift) proposed for the project. Potential benefits are included in the Official Plan (Section 5.1.1), with the final agreement on amenities to be provided largely determined through negotiations between ward Councillors and the developer. Though primarily used for mixed-use residential development projects (almost 90% of residential applications make use of Section 37), roughly 18% of office developments in the City made use of Section 37 agreements to achieve higher densities from 2007 to 2011.

The City of Burlington is considering several incentives to encourage office development within their downtown core, as outlined in the City's Commercial Strategy Study. Burlington may identify parts of the downtown as a Primary Office/Institutional Core Area and provide incentives for new office projects such as reduced parking standards and parkland dedication requirements to reduce project costs for developers. The City is also considering a linkage requirement where approval for residential developments is tied to the additions of non-residential development within the project site. However, policy proposals are still under review at this point.

7.3 Incentives in Other Jurisdictions

In addition to financial and policy-based incentives currently being used in the G.T.A., there are financial and policy incentives currently being employed in other areas of Canada that may be of note to York Region. Though not an exhaustive list, several key examples are outlined below.

7.3.1 Calgary

The Centre City Plan places Downtown Calgary as the City's commercial office core, and it is expected that higher-density development will accommodate a notable share of expected demand. However, the City continues to advocate for the development of a more complete and mixed-use downtown, suggesting that investment in other amenities is required as well.

One of the key tools used to encourage higher-density development in the core and investment in community amenities is through the use of density incentives, which the City has further enhanced through an amendment to the City by-law in late 2013. Prior to the amendment, much of the City Centre area was zoned CM-2 Downtown Business District which provided for a base development with a floor area ratio (F.A.R.) of 3.0, but up to an F.A.R. of 20.0,¹ provided the developer contributes to a predetermined combination of public amenities as F.A.R. rises. The new policies align with this in terms of increased density, but also offer additional clarity around office uses in the area and the requirements of a developer to obtain higher F.A.R. in their projects.

In general, increased density up to a floor area ratio of 8.0 for office and mixed-use developments can be achieved through the following public amenity contributions:

- On-site pedestrian amenities (e.g. at-grade or +15 Skywalk pedestrian circulation); and

¹ Subject to the parcel area requirements in the Land Use By-law.

- Contributions to the Central Business District Improvement Fund (C.B.D.I.F.) used to support off-site public realm improvements in the Central Business District (C.B.D.) at a predetermined incentive rate.¹

To achieve density beyond a floor area ratio of 8.0 up to a maximum F.A.R. of 20.0, combined contributions can be made to a range of different public amenities, such as:

- Public open spaces, urban groves, or indoor parks;
- On-site public art installations and/or contributions to the public art fund;
- Green building features;
- Bicycle stations;
- Transit enhancements;
- Active arts spaces and cultural support spaces;
- Community support facilities;
- Density transfers for heritage resources, historic resources, sunlight preservation, adaptive reuse;
- Adaptive reuse;
- Universal accessibility features;
- Dwelling unit mix (units containing three or more bedrooms);
- Innovative public amenities;
- Exceptional design features;
- Indoor public hotel spaces;
- +15 Skywalk system bridges, feature accesses, or walkways;
- Affordable housing funds; and
- Central Business District Improvement Fund (at lower rates than to achieve an increase to 8.0 F.A.R.).

Though not specifically focused on offering incentives for office uses, the resulting land use policies are intended to encourage higher density office uses that will meet the City's projected demand for office space, while achieving mixed-use developments and public amenity investments that will contribute to the Centre City and broader community (through off-site contributions). Further, the policies put in place an element of certainty around the density incentives, outlining the exact nature of public amenities that can be exchanged for increased density and the processes that will be used to calculate them, while ensuring that incentive rates and ratios will stay in place for a five-year period.

¹ As part of the policy update, the City determined new incentive rates to calculate the additional floor area where the value of the public amenity contribution is not reflected in the floor area it occupies (e.g. public art), or where no physical amenity is being provided on site (e.g. contributions to a fund for the provision of off-site amenities). These four resulting rates are reviewed on a five-year cycle.

Similar approaches are used in other areas of Canada as well. For example, Vancouver (i.e. Community Amenity Contributions) leverages rezoning applications to fund community improvements in the downtown area. Other areas of British Columbia (e.g. New Westminister, Burnaby) have developed similar policies that leverage development. In Ontario, Ottawa takes a project-by-project approach to support downtown residential development based on enabling legislation in the Planning Act (Section 37) and the City's Official Plan, while Toronto's use of density and height incentives were outlined previously. However, Calgary's new policies around the practice of height and density incentives add more clarity and transparency to the process than in other jurisdictions, particularly around defining community amenity contributions and processes used to determine contributions required.

7.3.2 Regina

The City of Regina offers height and density incentives to developers in exchange for public amenity payments and contributions. Section 17 of the City's Zoning By-law outlines the "bonusable" amenities of the program, their purpose, the incentive ratios, and amenity performance standards used to evaluate the proposal.

Unlike other Cities, Regina has specific policies geared to office development in its height and density incentive program. The Office Contribution Gradient amenity in the policy allows office uses with unlimited height and floor area ratio in the area defined as the City's Central Business District. By allowing increased densities and heights in exchange for public amenity contributions, the City intends to increase the amount and profile of office development within downtown Regina while supporting community development objectives like downtown residential opportunities and community service enhancements. Under the Zoning By-law, permitted office and other developments in the Central Business District are restricted to heights of less than 30 to 55 metres.

Under the policy, office developments are charged a rate of \$4.00 per square foot (or in-kind contributions of public amenities from the amenity contribution list) for areas that exceed the prescribed podium height of two to three storeys for most of the Central Business District (under which developers are charged \$0.00 per square foot). Should payments be made instead of in-kind contributions, the payments are used to improve public amenities in the downtown area based on the amenity list. The program is subject to performance standards where 25% of the gross floor area of the development must be devoted to office uses, with that share of the development preserved as office use in perpetuity.

7.3.3 Hamilton

Through the Downtown and Community Renewal and Community Improvement Plan, the City of Hamilton has developed two programs with implications on the development and improvement of office uses in areas across the City. The C.I.P. covers Downtown Hamilton, Community Downtowns (i.e. core areas in the former local communities), and Business Improvement Areas (e.g. commercial corridors). The Hamilton Tax Increment Grant Program (T.I.G.P.) authorizes a five-year grant in an amount not exceeding the increase in municipal realty taxes (City portion) for each year based on development, redevelopment, or renovation of residential and commercial lands and buildings in the community improvement plan area. The grant is distributed on a descending scale each year, with the intent

of reducing the effects of increased taxes based on the differential of pre-renovation assessment and post-renovation assessment. The grant is distributed as follows:

- Year One: to a maximum of 100% of the increase to municipal realty taxes;
- Year Two: to a maximum of 80% of the increase to municipal realty taxes;
- Year Three: to a maximum of 60% of the increase to municipal realty taxes;
- Year Four: to a maximum of 40% of the increase to municipal realty taxes; and
- Year Five: to an maximum of 20% of the increase to municipal realty taxes.

Though not focused on supporting new office development, the Office Tenancy Assistance Program (O.T.A.P.) provides financial assistance to owners or tenants for eligible leasehold improvements to office buildings in the Community Improvement Plan area (i.e. downtowns and commercial corridors). The intent of the program is to facilitate the increased attractiveness and marketability of the existing office stock in those areas to support the attraction of new office tenants. The assistance comes in the form of a low interest loan to a maximum of \$450,000 per application. The loan amount is the lesser of:

- 90% of invoiced eligible leasehold improvement costs; or
- The square foot area multiplied by a predetermined dollar amount based on the term of the lease (if a lease is involved) or the square foot area multiplied by \$25 for owner-occupied spaces.

Both programs offer potential to support larger-scale office development projects, both from the perspective of developing new office spaces and improving older office stock that may no longer be marketable. The City also offers an exemption of 90% of development charges otherwise payable if within the Downtown Hamilton Community Improvement Plan area, as well as exemptions of all development charges for the first 5,000 square feet of non-industrial, non-residential expansion if developed within the same site.

7.3.4 Kitchener

The City of Kitchener offers a number of financial incentives to developments in the downtown area through the Downtown Community Improvement Plan. Programs with relevance to office development include:

- Three-year tax exemptions, including a 50% exemption to the tax increase associated with a development project that increases property taxes;
- Planning application and building permit fee rebates, including rebates on development fees associated with a range of applications for all projects within the downtown area;
- Exemptions from parkland dedication fees;

- Exemptions from development charges, including full exemptions from local and regional development charges for projects in the downtown area.

In part, the funding for most of these programs comes from the capital budget and capital reserves, though funding for the development charge exemption program comes from Kitchener's Economic Development Investment Fund (E.D.I.F.), a 10-year funding program created through a dedicated levy on the tax base to support projects in the downtown core. Under these programs, the City estimates that a developer engaged in new office development or office loft conversion in the downtown core could receive incentives ranging from \$3,319 per 1,000 square feet (for conversions) and \$4,251 per 1,000 square feet (new construction).

Understanding that these programs have an impact on the operating expenditures and tax levy of the City, Kitchener initiated a review of the financial incentives currently offered in the downtown area in 2013, with the intent of examining whether or not the incentive policies were still required to support residential and commercial office development. Under the development scenario for office uses, the City estimated that lease rates for buildings with high quality urban design and architectural features would have construction costs of \$220 to \$242 per square foot, requiring lease rates well above regional averages to support financial viability (\$28 to \$30 per square foot compared to average rates of \$6 to \$22 in Downtown Kitchener, and lower throughout the Region). These realities are in part reflected in the lack of new office development in Waterloo Region, unless it is purpose-built for a single client or surrounded by surface parking. For office buildings being constructed for the sole purpose of being sold to a holding company (such as a Real Estate Investment Trust), required lease rates could likely be set lower and still achieve the required capitalization rate for the project, but they would still be slightly above market rates. As a result, financial incentives are still a preferred strategy for Downtown Kitchener.

In addition to modifications to development charge, parkland dedication, and building and development permit rebate programs, the City has proposed an additional financial incentive to address a specific challenge and opportunity in the City related to accommodating new technology start-ups as they graduate from programs in the Region's innovation ecosystem (e.g. Communitech). The proposed Landing Pad Grant Program targets second and third floor space in the downtown core for conversion to office uses, with matching grants of up to 50% of the total cost for conversion provided that the owner agrees to reserve space for start-up companies for a predetermined amount of time. The program is intended to leverage existing spaces in the downtown core to create the necessary high quality, innovative and flexible spaces that many start-ups are currently leaving the Region to find. If approved, the program would be enabled through the existing C.I.P. and funded through a re-orientation of resources from an existing upper storey grant and loan program focused on residential uses.

7.4 Observations

Based on a scan of financial and development incentive programs within and beyond the Greater Toronto Area, a number of observations can be made to guide York Region and its local communities in the consideration of office-oriented policies and incentive programs:

- Though there are a number of local communities in the G.T.A. that have developed Community Improvement Plans to support development in a more general nature, a limited number of programs within approved plans are focused specifically on supporting office development. Many programs are focused instead on encouraging residential and mixed-use development in specific nodes and corridors of their respective communities, or supporting community redevelopment objectives (e.g. Façade Improvement);
- Some local communities in York Region (e.g. Markham, Richmond Hill) are considering adoption of C.I.P.s to create the policy framework that would allow them to facilitate more office-oriented approaches, while some communities outside of the Region are considering the need to add additional programs to support office through existing C.I.P.s (e.g. Brampton);
- Support for development at higher-order transit nodes exists in a number of incentive programs across the G.T.A., the rest of Ontario, and in Canada, as a means of jump-starting higher-density development in areas of emerging or planned higher-order transit investment (e.g. light rail transit);
- Most jurisdictions appear to see a need for incentives to support office development, though a balanced approach is key to ensuring sustainability of the program. Programs like I.M.I.T. have introduced a mixture of liberal eligibility policies to encourage development based on community objectives (e.g. transit-oriented development) or in areas of lower market demand, with more restrictive eligibility requirements that leverage success in high-demand areas to achieve specific goals (e.g. more headquarter operations in the financial district).
- Regional Municipalities have focused on offering support for office development primarily through development charge policies, as they are limited in their ability to develop, administer and implement Community Improvement Plans (though they may advocate for or support local C.I.P.s); and
- Communities in Ontario have opportunities to offer height and density incentives to developers in exchange for community amenity contributions – in specific areas or across the entire City – which may leverage or encourage higher density office development. However, communities must be sensitive of the need for openness and transparency in granting these incentives – particularly the need to create connections between the proposed development and the benefits contributed, and the need to clearly outline the processes for obtaining these incentives.

8. Potential Policy Initiatives

Based in part on the scan of development incentives from Phase 1, and the findings of Tasks 1 through 5 in Phase 2, potential policy initiatives (e.g. financial incentives, regulatory improvements, or infrastructure investments) that could improve the marketability of the Region's Centres and Corridors for commercial office development are discussed herein.

For each potential initiative, the following is described:

- The rationale for undertaking the initiative as it relates to the economic and office development objectives for the Region;

- The priority of the initiative relative to other tactics and actions including geographic considerations; and
- Measures and indicators to assess the success of the initiative.

Given the extent and diversity of the office and mixed-use development opportunities identified within the Region's Centres and Corridors and the economic challenges of urban office development in these areas, York Region needs to prioritize its efforts to encourage and promote office development where the potential is highest. This includes ensuring that planning policies and regulations are supportive of intensification initiatives and the office objectives of the Region, and possibly utilizing financial tools/incentives to facilitate development where fiscally sustainable. Such tools and incentives are explored below.

8.1 Planning Tools/Mechanisms

Opportunities exist to utilize planning related tools/mechanisms to create an environment which is more conducive for office development within the Region's Centres and Corridors. Most importantly, the Region's planning policies need to be supportive of office development opportunities which reduce/minimize risk and create certainty for the development community. The following potential planning tools and mechanisms could assist the Region in making the Centres and Corridors more investment-ready for office development.

Provision for Pre-Zoning

From the development community's perspective, the provision of conditional or approved zoning often enhances the attractiveness of potential areas for development projects. This includes ensuring that all necessary planning approvals are in place for the subject lands, with only site plan approvals and building permits required for potential developments (though there may be additional requirements to remove holding policies).

There are several potential risks and issues associated with pre-zoning of areas that must be considered as well. The initiative would require comprehensive zoning amendments at the local level covering applicable properties in the Centres and Corridors in place of privately initiated policy amendments, which is potentially a time consuming process for each local municipality. Further, comprehensive zoning by-law amendments may not necessarily have the flexibility to respond to site-specific issues (e.g. compatibility, traffic, servicing constraints) normally resolved through studies required in the development process (though Site Plan Control offers opportunities to resolve some of these issues). Lastly, pre-zoning may limit the ability to properly implement conditional or criteria-based policies in an Official Plan normally studied through the policy review process. For example, pre-zoning lands may limit development application review for permitted uses, which could potentially make it more difficult to assess the progress being made on official plan objectives through office development.

Rationale

Sites within the built boundary are considerably more constrained and complex than those in greenfield sites and generally sites within built-up areas have longer approval times than those in greenfield areas. The most significant benefit to the pre-zoning of lands in the Centres and Corridors is that it may help to encourage development to occur more quickly, by potentially removing the requirement for a developer to undertake an amendment to the O.P. or Zoning By-law (which is often viewed as costly and time consuming). Further, it offers the development community a clear understanding of the intent and expectations for the property or area at the regional and local level, and certainty in the land use regulations and decision making process. These would be the key reasons for employing pre-zoning in the Region's Centres and Corridors.

Priority

The pre-zoning of areas in the Centres and Corridors is potentially a high priority in areas where the Region can expect greenfield urban office and mixed-use development (e.g. Vaughan Metropolitan Centre, Markham Centre, Highway 7 East) or redevelopment of existing uses (e.g. Richmond Hill Langstaff, Yonge Street Thornhill).

Measures to Assess Progress

- Number of private O.P. and Zoning By-law amendment applications processed within Centres and Corridors (with the intent of decreasing the need).

Flexibility in Height and Density

Flexibility in planning and zoning approvals is considered highly desirable for the development community. The facilitation of higher density office and mixed-use development within the built boundary relies on permitting appropriate building densities and heights that provide sufficient revenue to support land development costs. As such, flexibility in the Official Plan and Zoning By-law can allow for the provision of policies that facilitate greater revenues from projects.

Section 37 of the Planning Act permits communities to pass by-laws to increase the height and density of development in exchange for the provision of facilities, services, or matters set out in the community's by-law (provided their Official Plan contains provisions authorizing increases to height and density). Any increase in density or height must be balanced with the potential compatibility of new development, including the scale and massing, with the character of the existing neighbourhood and the overall intent of both local and regional Official Plans.

The Regional Official Plan sets out the policy framework requiring local municipalities to adopt Official Plan Policies and Zoning-By-Law provisions to provide for flexibility in height and density in exchange for community benefits (Policy 5.4.15). As a result, the Region can

look to continue advocating for the adoption of these approaches at the local level to improve the feasibility of office developments where appropriate.

Rationale

By increasing the permitted height and density of a proposed project in strategic Centres and Corridors, a municipality may be able to improve the feasibility of the area for urban office development (as well as appropriate types of mixed-use development) or leverage office development to achieve community objectives. For example, the higher land utilization rates permitted through a more flexible approach may in part offset some of the costs of land or the provision of underground parking (for more urban office developments). Further, the Region and local municipalities can advocate for the development of certain community facilities in exchange for these height and density increases, such as transit station improvements, cycling facilities to achieve community objectives. In some ways, this approach to height and density flexibility can play a key role in encouraging and facilitating pedestrian and higher-order transit improvements that encourage more mixed-use development in an area as well.

Priority

The Regional Official Plan requires local municipalities to adopt Official Plan and Zoning By-law policies that allow for flexibility in height and density in exchange for community benefits. As such, the initiative is a slightly higher priority one, suggesting a role for the Region in further defining the locations where this approach is appropriate (e.g. Vaughan Metropolitan Centre, Markham Centre), any policies regarding the types of projects which should be permitted, as well as further direction on the types of community benefits that should be sought out.

Measures to Assess Progress

- Number of office-oriented projects applying for height/density increases; and
- Amount of private sector investment in community benefits.

Mixed-use Developments and Office Uses

Regardless of height and density, more urban types of stand-alone office development may not be feasible or competitive in some Centres or Corridors. For these markets, urban office developments are best integrated into mixed-use projects composed of office and retail/residential components that increase the feasibility of the development or leverage more competitive types of development to achieve office development objectives.

The scan of incentives across the G.T.A. outlined approaches several communities use to encourage office uses in mixed-use developments, particularly through the use of office as a requirement for the disbursement of financial incentives. For example, the City

of Regina introduced performance standards to ensure a portion of projects granted increased height and density in the downtown core have a minimum share of 25% of total space devoted to office uses, with that share preserved as office in perpetuity.

Rationale

As noted earlier, the feasibility of stand-alone urban office development in some parts of the G.T.A. is relatively weak without the application of development incentives to offset costs. However, more cost-competitive types of development (e.g. retail, residential) can be leveraged to create new office development in these areas. For example, while some areas of the Centres and Corridors might not be as competitive for office developments, land use policies requiring mixed-use development or incentives that require office uses in retail and residential applications can become a source of new investment to achieve office development objectives.

Priority

Given the need for the integration of office development into more cost-competitive land uses, initiatives to improve and encourage mixed-use developments are a relatively high priority for the Region and local municipalities to consider. In some Centres and Corridors – particularly Vaughan Metropolitan Centre and Yonge Street Thornhill – the integration of office uses into other types of developments may be the most successful way of introducing more urban types of office development in the area.

Measures to Assess Progress

- New office space in mixed-use developments in Centres and Corridors; and
- Number of mixed-use projects with an office component in Centres and Corridors.

Streamlined Processing of Development Applications

In an effort to improve investment readiness, municipalities often take a closer look at their development and planning review processes, to ensure that development applications move through the process in the most efficient and effective way. Policy 5.4.10 of the Regional Official Plan outlines the policy context for a streamlined approach to application processing, requiring local municipalities to consider innovative implementation strategies for Regional Centres and Corridors, including things like streamlined development approvals and development permits. From that perspective, several initiatives could be pursued:

- Introduction of a more streamlined process for approving regional development applications and local development applications at the regional level (e.g. exemptions of Regional approval for local Official Plan amendments where no Regional interest is adversely affected);
- Introduction of fast-tracked processes for moving some types of office development through the development process at the local level; and

- Introduction of development permit system and by-laws at the local level in strategic Centres and Corridors.

Rationale

As with pre-zoning of lands in the Centres and Corridors, the introduction of measures to streamline the development application approval process would be focused on decreasing the amount of time required to approve a development application at the local or regional level. Though the development community has not outlined major challenges related to development approvals timing, the implementation of these types of initiatives is usually positively received by the regional development community, and can assist with the promotion of a community as investment-ready, or the promotion of an area as shovel-ready.

Priority

Though the promotion and improvement of investment readiness in the Centres and Corridors should remain a priority for the Region and local communities, the introduction of a streamlined development approvals process seems a slightly lower priority than other potential initiatives, given that initiatives like pre-zoning would presumably introduce more certainty and flexibility in the land use policies for office development in the Centres and Corridors (both of which were highlighted as issues by the development community). Nevertheless, development approval timelines for office and mixed-use development should continue to be monitored within the Centres and Corridors, as part of ongoing monitoring at the local and regional levels.

Measures to Assess Progress

- Average timeline for land use policy amendment application decisions (O.P., Zoning By-law, minor variance) in Centres and Corridors; and
- Average timeline for site plan control approvals in Centres and Corridors.

Regional Community Improvement Plans and Frameworks

Community Improvement Plans provide a coordinated and strategic framework for municipalities to deal with lands and buildings, addressing physical, social, economic, or environmental issues on a community-wide or strategic property/area basis. They set the policy framework under which municipalities can undertake municipally-driven programs (e.g. property acquisition, land assembly, infrastructure works, municipal facilities construction) or incentive-based programs (e.g. grants, loans, property tax assistance). C.I.P.s are generally developed by single or lower-tier municipalities, though upper-tier municipalities have the ability to participate in lower-tier C.I.P.s, as well as develop C.I.P.s related to three specific areas:

- Infrastructure that is within the upper-tier municipality's jurisdiction;

- Land or buildings within and adjacent to existing or planned transportation corridors that have the potential to provide a focus for higher density, mixed-use development/redevelopment; and
- Affordable housing.

The Regional Official Plan contains the policy framework to allow it to undertake any of these potential approaches, leaving several potential options to promote office development in the Centres and Corridors through community investments or financial incentives:

- Advocate for the creation of new or expanded C.I.P.s at the local level to support high-density office and mixed-use development in strategic Centres and Corridors;
- Work with local municipalities to develop new (or expanded) C.I.P.s to support office and mixed-use development in Centres and Corridors, and participate in the implementation of the plans through financial or other support; and
- Prepare a Region-wide C.I.P. focused on supporting office and mixed-use development in strategic Centres and Corridors along higher-order transit routes and at transit hubs to be adopted by local municipalities and implemented either independently (by either of the Region or respective local municipality) or jointly by the Region and local municipalities.

Rationale

A number of communities across York Region are currently in the process of drafting C.I.P.s with office development objectives, while other communities have drafted and approved C.I.P.s related to community development objectives (e.g. façade improvements). However, there are presently no approved C.I.P.s with a major influence on office development in the Centres and Corridors. The approval of either local or regionally-driven C.I.P.s would allow for the Region and local communities to undertake activities related to higher-density office and mixed-use development objectives (e.g. property acquisition) and distribute financial incentives to improve project feasibility, particularly in strategic areas connected to higher-order transit (e.g. York Subway extension, B.R.T. corridors).

Priority

Other areas of the G.T.A. have developed C.I.P.s with particular office development objectives in mind. Given that no financial or other incentives can be delivered without a C.I.P. in place, the approval of a C.I.P. at the local or regional level is likely a high priority to ensure that the Region and its local municipalities have the correct policy framework in place to allow them to explore, and possibly deliver, financial incentives in support of office and mixed-use development. Though policies could be developed with all Centres and Corridors in mind, the development of financial incentives to support office development is likely a higher priority in areas like the Vaughan Metropolitan Centre, Yonge Street Thornhill, Highway 7 East, and with longer-term objectives, Richmond Hill Langstaff.

Measures to Assess Progress

- Number of office-related applications approved under C.I.P. policies and programs; and

- Number of local communities with active office-oriented C.I.P. policies and programs.

8.2 Financial Incentives

As demonstrated in Section 5, office projects in the Regional Centres and Corridors are more costly than projects within the Region's employment areas and without much of a difference in market revenue potential. Under the current legislative framework for the Region and Province, a range of financial incentive tools/programs could be used as a means to facilitate and encourage office and mixed-use development within the Region's Centres and Corridors, such as development charge exemptions, redevelopment or rehabilitation grant programs, redevelopment loan programs, and/or the rebate of planning and building application fees.

The following presents a range of financial incentive tools/programs which are potentially available to York Region, which could be used as a means to facilitate and encourage standalone and mixed-use office development. Most of the programs outlined below are permitted only through Community Improvement Programs (C.I.P.) (and decided upon through C.I.P. study processes), suggesting that the C.I.P. policy option outlined above is a logical first step in the investigation of financial incentives.

Development Charge Incentives

Development charges (D.C.s) add to the cost of both residential and non-residential development. Though the impact of development charges can be minor in absolute terms, development charges could make the difference between a project being financially viable or not viable for projects that are only marginally viable.

Potential means to alleviate development charges are usually focused on either full or partial exemptions, which could be applied for office developments located within the Regional Centres and Corridors (as Kitchener has done in the downtown area). Another approach includes the potential to stage the D.C. exemption level based on the degree to which the development meets location and/or density criteria, which has been conducted in some G.G.H. communities as well. Further, some municipalities provide grants equivalent to all or part of development charge costs for eligible developments under their C.I.P. programs (such as in Brampton, in the Central Area).

Rationale

As noted in Chapter 5, some areas of York Region – particularly Markham and Richmond Hill – have the highest commercial development charges of all municipalities surveyed through the process. Though these charges do not necessarily translate into a higher annualized cost of development, the creation of a development charge deferral or exemption programs may improve the perceptions of investment readiness in the Region's Centres and Corridors, in addition to increasing the financial viability of urban office development in the Region's Centres and Corridors.

Priority

Some communities in York Region have attempted to introduce development charge policies that mitigate the effects of their relatively higher development charges, while other communities have development charge rates roughly on par with competitors across the G.T.A. As a result, the priority for development charge-related incentives relative to other policy initiatives or financial incentives is likely lower. That said, development charge incentives could be explored further in strategic Centres and Corridors where urban office type development is most likely to be viable, but could benefit from slightly lower or deferred development charge rates.

Measures to Assess Progress

- Comparative annualized cost of development charges for urban office projects in Centres and Corridors; and
- Number of office-related development applications processed for development charge incentives in Centres and Corridors.

Tax Increment Equivalent Grants

Tax Increment Equivalent Grant programs encourage private sector investment in development and redevelopment by providing funds equivalent to (or a portion thereof) the incremental tax revenues derived from the development or redevelopment of a site or building. From a financial perspective, the principal benefit to the municipality is the gain in tax revenues from the investment and development activity, though non-financial factors often play a role in the development of programs as well (e.g. employment generation, corporate office development, quality of place improvement). Moreover, the development and redevelopment activity is funded through incremental taxes arising from the activity and not from existing revenues.

The timing of the grant occurs once the property has been completed or redeveloped, reassessed, and taxes are paid, thus requiring the financing of the redevelopment by the private sector initially. The financial cost to the municipality is the opportunity cost related to the reduction in tax revenues during the grant term. The grant is typically set at a proportion of the incremental taxes associated with the redevelopment and the grant term is generally 10 years (as is the case with the programs in the surveyed communities). Like development charge incentives, these are programs which are also typically utilized through Community Improvement Programs. They are also typically deployed at the local level (and thus applicable only to local tax rates), though regional participation in a T.I.E.G. may allow for a greater range of financial assistance to be provided.

Rationale

Tax increment equivalent grant programs often encourage private sector investors to undertake developments or redevelopments that they would not otherwise consider, particularly in areas where there may be additional costs associated with those developments (e.g. remediation). As a result, they can be a driver of development in geographic areas where the market has been slow to respond, or in market sectors where developments do not match municipal objectives. In the case of the I.M.I.T. program in Toronto, they are also

used as a means of encouraging development in particular sectors that offer the City notable economic development benefits (e.g. corporate offices). As such, York Region and its local municipalities may be able to use a similar approach to attract office development to strategic Centres and Corridors, with a particular opportunity to attract sector-based developments that will improve the live-work balance in these areas (e.g. Markham Centre, Vaughan Metropolitan Centre, and Richmond Hill Langstaff).

Priority

The regional development community made note of T.I.E.G. programs in other municipalities outside of the Region as major incentives for office development. As noted in Chapter 6, the I.M.I.T. program has resulted in several office developments in the City of Toronto, and the City continues to modify the program to better encourage specific types of office uses.

Given the comparatively limited cost of T.I.E.G. programs from a municipal perspective (relative to other incentives and exclusive of the opportunity costs), the investigation of T.I.E.G. programs may be a slightly higher priority financial incentive to be investigated by York Region to support office and mixed-use developments in the Centres and Corridors. However, the introduction of T.I.E.G. programs may also act as an incentive to encourage development that matches some key municipal objectives (e.g. knowledge-based sector development in Centres and Corridors).

Measures to Assess Progress

- Number of office-related (i.e. office or mixed-use with office uses) T.I.E.G. applications processed;
- Number of office-related applications approved under T.I.E.G. programs; and
- Sector-based (or other criteria) employment/development in Centres and Corridors.

Redevelopment and Assistance Loan and Grant Programs

Loan programs provided by municipalities are usually targeted at development or redevelopment within designated areas, particularly brownfield or underutilized areas. Under these programs, the municipality provides no or low (i.e. below market rate) interest loans to applicants based on the costs of the redevelopment or value per square foot of habitable floor area. The primary benefits provided through these programs are increased tax revenues.

However, there are several potential limiting factors: the loan is provided from existing revenues (if not used in conjunction with other programs), has to be administered annually by the municipality (or a financial sector partner through an agreement), and precedes the completion of the project and reassessment of the property. Moreover, these programs are less attractive to applicants when compared with similar grant programs because the funds are ultimately repaid to the municipality. Overall, loan programs provided through C.I.P.s in Ontario have been limited in number.

Other potentially smaller-scale and niche loan and grant programs exist to support office development as well. For example, the City of Hamilton's O.T.A.P. program provides loans aimed at supporting reinvestment in aging office stock, to improve marketability of older employment areas. Further, Kitchener's proposed Landing Pad Grant Program provides grants aimed at developing high quality, innovative, and flexible office spaces in the downtown to support small technology company development. For the Region, these types of redevelopment programs may provide office owners or potential tenants with the support needed to rehabilitate older office spaces in key Centres and Corridors, to make them more marketable for modern office uses.

Rationale

Like all other financial incentives, the intent of loan programs is to assist with the short-term costs of development or redevelopment in a municipality. For York Region, loan programs focused on redevelopment or reinvestment may be particularly useful in older areas of the Centres and Corridors, where there may be opportunities to improve office markets in existing built-up areas.

Priority

Given the potentially higher cost to the municipality of providing loans for redevelopment or investment, large-scale loan programs are likely a lower priority than other financial incentives.

However, as other municipalities have done, there may be opportunities to introduce small scale loans or grants in largely built-up areas of the Region's Centres and Corridors (e.g. Newmarket Centre, Richmond Hill Langstaff, or Yonge Street North) where need is established or opportunity identified through a C.I.P. study.

Measures to Assess Progress

- Number of office-related (i.e. office or mixed-use with office uses) loan or grant applications processed; and
- Capital investment in existing office space through loan or grant programs.

Planning and Building Fee Rebates

Municipalities are unable to waive planning and development fees; however, they are permitted to provide rebates on these fees in the form of grants through a C.I.P. Since planning and development fees are typically applied on a cost-recovery basis, the reduction of fees collected has the potential to affect municipal and planning/regulatory services budgets, suggesting that some consideration is needed on the part of the municipality to examine the fiscal issues and impacts associated with these programs prior to implementation.

Rationale

Like all fees associated with development, the application of rebates for planning and development fees may act as an incentive to support office development, particularly if a project requires amendments to existing planning policies. Developing these programs within a C.I.P. composed of other incentives may contribute to the development of a competitive package of incentives to promote a municipality as well (similar to the Town of Ajax, which combines development charge grants/exemptions with planning and building fee rebates).

Priority

Building permit fees would theoretically make up between 0.3% and 0.4% of the total annualized cost of development in the pro forma examples noted previously, and though they were not examined, planning fees would likely make up a similar portion of overall annualized costs. Further, the implementation of the program has the potential to directly affect the budgetary resources of the municipality, particularly the planning and development departments that are in part funded by these fees. As a result, planning and building fee rebate programs are likely a lower priority for implementation in the Centres and Corridors relative to other programs, unless the Region and local municipalities can mitigate fiscal impacts of implementation, or package appropriately with other benefits to improve their impacts for the development community.

Measures to Assess Progress

- Number of office-related (i.e. office or mixed-use with office uses) fee rebate applications approved.

8.3 Financial Incentive Evaluation Considerations

York Region has a challenge in generating significantly more office development within its Regional Centres and Corridors. The benefits to the resident labour force in terms of job proximity are of the greatest importance. Based on the potential financial benefits that these developments can generate for a community, including increased taxation revenue, the development of financial incentives to support and encourage high-density office development can be viable; however, high office employment densities serve to limit the net fiscal benefit of offices to the municipality. The costs related to potential financial incentives can be sizeable, in the form of long-term investments or financial commitments to ensure the sustainability and availability of the program to potential investors. As a result, the potential benefits of financial incentives (in terms of actually encouraging development that otherwise would not have occurred) must be carefully weighed against the potential impacts on municipal revenues, which may in turn affect things like development charge revenues, municipal tax levies, development fees and/or user rates.

As with any government subsidy or program which is designed to influence private sector investment decisions, it is important to ensure that the public expenditure or foregone revenue produces a community benefit of a greater magnitude. Ideally, such funding would be

"gap funding," which serves to move an opportunity which is at the margin or just below it, from an investor's perspective, into an acceptable business case. The difficulty with some financial incentives (e.g. development charge exemptions) is that it would normally apply to all projects of a given type, or all projects within a defined area. As a result, this may mean that projects which would have gone ahead without the incentive, receive a windfall.

Though it is understood that the aim of financial incentives (e.g. development charge exemption, Tax Increment Equivalent Grants) is to encourage office development within the Region towards Centres and Corridors, the actual impact that financial incentives have on the total office development market needs to be evaluated as well. For example, does a financial incentives program result in a shift in the location of development to built up areas which would otherwise have occurred in the greenfield areas (or in the case of York Region, the employment areas)? Or is the development which is attracted a true net add-on for the Region? If the effect of the incentive is to redistribute development within a municipality, moving it into a more central, intensified form, what investment is the municipality prepared to make in order to achieve this end? Developments in greenfield and built up areas compete directly for finite municipal resources. For example, D.C. growth-related revenues generated from greenfield developments are not intended to subsidize development within the built up area, and any funding required for intensification, would need to be raised through general taxation revenues, user rates or other sources.

Finally, when a municipality offers to exempt, reduce or waive development fees or taxes in order to attract development, it may create a culture of expectation which is maintained over time and is difficult to alter. As a result, a municipality should be careful in how it initially engages the development community in the process, as well as how incentives are positioned at the outset of the program.

Furthermore, municipalities need to monitor the impact of proposed financial incentives over time against market trends and ultimate planning goals to determine what incentives are effective vs. others which may actually be impeding development objectives. Based on the results of such monitoring efforts municipalities need to effectively communicate with the development community to ensure transparent planning process which minimizes uncertainty, given the lengthy lead time for significant projects. Municipalities also need to determine when to terminate incentive programs and communicate this effectively to the development community.

Municipalities are often required to service many areas at one time, which can create challenges to fund growth and non-growth related costs. Meeting intensification targets may require significant investment in municipal infrastructure and services for the Region. As a result, large scale intensification projects can come at a high cost related to infrastructure, particularly for hard services. For example, in certain cases, intensification may require replacement of water and sewer mains in existing urban settlement areas where existing capacity thresholds are breached. Again, these costs need to be considered jointly by York Region and its local municipalities, given the shared responsibility for sewer, water and roads, to ensure investments can be made to accommodate growth that is encouraged in the Centres and Corridors.

Given the potential capital expenditures required by the Region to accommodate new office/mixed-use development and intensification, any potential financial incentives need to be assessed within the context of broader municipal financial obligations to ensure that new office/mixed-use development and intensification efforts are affordable and fiscally sustainable.

8.4 Conclusions

The preceding section outlines a number of policy-based initiatives or financial incentives that can be pursued by York Region and its local municipalities to encourage office development in the Regional Centres and Corridors. However, the implementation of any of these initiatives or incentives will likely need to be positioned within the broader context of regional and local planning and budgetary discussions, to ensure that any approaches adopted are fiscally sustainable, and achieve both regional and municipal objectives for land development (and redevelopment) in Regional Centres and Corridors. Based on the list of potential policy initiatives and financial incentives, several conclusions can be made to guide discussions at the Regional and local levels:

- The Region and its local municipalities should engage in discussions about the development of an office-oriented C.I.P. framework, to be developed at either the Regional or local level to implement policy and financial programs;
- Discussion of potential financial incentives should be placed within the context of the C.I.P. processes at the Regional and local levels, to determine the most applicable approaches to supporting office development in each of the Centres and Corridors;
- Tax Increment Equivalent Grant programs are viewed positively across the Regional development community, and may offer the Region and local municipalities opportunities to encourage office development of a certain typology or in support of a specific employment sector; and
- The Region should continue to work with local municipalities to ensure alignment of land use policies with the Regional Centres and Corridors framework (O.P., Secondary Plans, Zoning By-law), including considerations for the pre-zoning of strategic lands/areas and the introduction of height or density incentives to support community development objectives and project profitability.

9. Outline of Strategy to Promote/Facilitate Office Development in the Region's Centres and Corridors

Currently within York Region most of the marketing activity around the Centres and Corridors is being done by the private sector developers who own land and buildings in the areas. There is little promotion being done by regional or local economic development representatives. The exception to this is the City of Markham and its Markham Centre initiative which has been broadly supported by both public and private sectors. In other cases, the investment opportunities are more recent so the initiatives have not matured.

In all Centres and Corridors there is a growing opportunity and, for Markham Centre and Vaughan Metropolitan Centre in particular, the opportunities are nascent. Keeping in mind that it must work closely with local municipalities and the private sector, the following section offers recommendations for York Region to consider when planning its approach to attracting new office use investment.

9.1 A Couple of Guiding Principles

9.1.1 Moment of Truth Performance

“Moment of truth performance” is critical in investment attraction. A company’s final site selection decision is not always made on the basis of numbers alone. The dominant decision factor can be attitude and results. A winning community provides the necessary information, but also demonstrates a willingness and ability to overcome less than desirable circumstances.

In other words, for an organization to succeed in investment attraction marketing, it must be competitive on both site selection factors (the product) and organizational performance (the people). One can lose as quickly from poor organizational performance as from lack of competitive product. In a process of elimination, like site selection, there is little time to gather and organize when engaged in the process with a prospect.

As the key point of contact and normally the first point of contact, the Region’s Economic Strategy department should aim to consistently meet the “Gold Standard” of acceptable service. The following figure shows how technology has accelerated the Gold Standard over the last decade.

**Figure 9-1
Evolution of Economic Development Services**

Year	The Gold Standard Response Time	The Gold Standard of Economic Development Service
1998	48 hours	<ul style="list-style-type: none"> • 48 hours is generally required • Courier a package that contains Community Profile, Available Properties Guide, Lure Brochure, etc. • Post-It Notes to highlight the pages that will be of most interest
2001	Same day	<ul style="list-style-type: none"> • Same day or 24 hours maximum is generally required • Send an email that has several attachments including key excerpts from our Community Profile and hyperlinks to online listings of available property that closely meets your criteria
2008	Immediate	<ul style="list-style-type: none"> • Action during the call with the investment prospect is generally required • Go online and tour the website to download relevant files • Go through available properties directory and look at maps, photos and details of available properties which meet the prospect's criteria
2011		<ul style="list-style-type: none"> • Action while mobile • Investors and Influencers are using mobile devices to download information on community's available properties, labour force, etc.

Source: Millier Dickinson Blais Inc. (2012)

The advancement of technology and the internet means that overnight responses are seldom good enough. Communities must become more sophisticated in gathering/ organizing community data and responding immediately to specific questions.

This is easy to measure, but it takes an honest self-assessment. Simply, how did we do? Did we meet the Gold Standard of Service for that client? Tracking this will provide, at the end of each quarter, the number of times the gold standard was met. Over the course of several quarters, one will see a trend and be able to proactively identify ways to improve.

9.1.2 Financial Involvement of Private Sector

The private sector can be pivotal in the attraction of business investment and, as mentioned above with respect to developers, has a vested interest in seeing development occur. The marketing strategy encourages York Region to involve the private sector in its marketing initiatives. Examples of events would be investment missions, trade shows, or the Region's efforts to retain commercial office employers within the region.

York Region has shown that this effort is within reach as it has constructed a solid relationship with developers in the region. Even so, getting the private sector to invest time and money into marketing efforts will take a concerted effort.

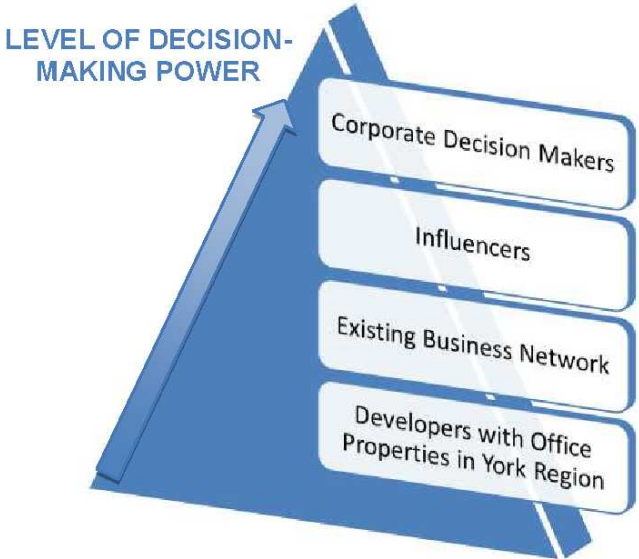
9.1.3 Working in a Two-Tier Government Environment

Best in class municipalities ensure that there is a formalized process and senior management support for handling major new investment attraction and retention opportunities in a prompt and confidential manner between municipalities. York Region is well positioned to be established as the lead on a "One Team" approach that provides direction in responding to major new investment inquiries and issues related to commercial office developments. A close working relationship with the local municipalities is essential to attracting and retaining business investment. Accordingly, the York Region Economic Strategy department will act as this liaison.

9.2 York's Target Markets

Broadly speaking, there are four main targets in investment attraction marketing that need to be considered in the investment attraction plan as described in the following two figures.

Figure 9-2
York Region's Target Markets



**Figure 9-3
Market Position Within the Target Markets**

Target Market	Benefits of Relationship	Detriments of Relationship	Ideal Scenario
Corporate Decision Makers	<ul style="list-style-type: none"> Relationship is made with the ultimate decision maker The message is controlled so communication is direct and unfiltered 	<ul style="list-style-type: none"> One-shot opportunity Expensive and/or time consuming to identify leads 	<ul style="list-style-type: none"> Consistent sources of expansion opportunities are identified and utilized
Influencers	<ul style="list-style-type: none"> Can prove to be a constant stream of leads Easy to identify the top 80% of deal makers Degree of influence varies, but some can have a significant say which means long-term relationships are valuable 	<ul style="list-style-type: none"> Communication to the decision maker is filtered York has less control over quality of leads that are generated 	<ul style="list-style-type: none"> York Region's value proposition is well known and top of mind York Region is respected as a group that will provide timely and accurate responses to inquiries
Existing Business Network	<ul style="list-style-type: none"> Testimonials from this group are trusted within their peer network of business owners Connection to suppliers and customers who may benefit from co-location 	<ul style="list-style-type: none"> Motivation to help York Region may be difficult to discern 	<ul style="list-style-type: none"> Local companies are ambassadors for York and speaking highly of the Region in all business situations Confidence in York Region to treat their colleagues with the highest degree of respect
Developers with Office Properties in York Region	<p>It is not important to distinguish between advantages and disadvantages as a positive relationship with this target is a must for effective collaboration on prospects and efficient deal flow.</p>		<p>York Region and its local developers:</p> <ul style="list-style-type: none"> appreciate the value that each can bring to identifying opportunities and closing deals collaborate and co-fund investment attraction initiatives

9.3 Primary and Secondary Investment Targets

9.3.1 Primary Target – Connecting With Influencers

One of York Region's primary targets is Influencers who are engaged by companies to help them identify potential investment locations and perhaps even help them make a decision. Influencers include industrial/commercial real estate professionals, site selection consultants, investment representatives of the provincial and federal government, representatives of Greater Toronto Marketing Alliance, and specialized consultants. It is important for York Region to be well connected with these individuals because they are in constant communication with potential investors – over the course of a year they may deal with dozens or even hundreds of clients. Influencers can also have a lot of say in the final decision.

The disadvantage of this relationship is that communication is going through a broker and contact with the corporate decision maker will be difficult and may be impossible. In fact, trying to by-pass the Influencer can lead to mistrust from both the Influencer and his/her client, which can be disastrous.

Influencers are hired because they are experts that can either get the investor a short list of options very quickly or can conduct a more comprehensive inventory of site options. In both cases, Influencers will be ruthless in trying to narrow down the possible locations very quickly. As such, their initial work is a process of elimination – looking for anything negative that a community possesses to be eliminated.

The implication of these facts is that York Region must employ a combination of direct and indirect tactics to reach these important contacts but then also be ready to provide positive and accurate information in a very timely manner in order to stay off the cut list.

Commercial office focused realtors are often given the responsibility to find site locations for business owners contemplating a relocation or expansion. As a result they are able to make a connection between York Region and a prospective business investor. These realtors are well-versed in business requirements and costs and appreciate prompt responses to information requests. They can be serviced effectively by having property information available online (and increasingly on websites that are mobile friendly). A large part of the real estate business is based on professional relationship building. These relationships can be established with realtors through participating in their organizations and through their events (e.g. Society of Industrial Office Realtors, Commercial Development Real Estate Association (N.A.I.O.P.)).

Investment attraction representatives at Ontario's Ministry of Economic Development, Trade, and Employment are often the first point of contact for site selection professionals or companies interested in relocating or expanding into Ontario. As a result their representatives are in a position to provide referrals to potential sites. Other site selection professionals do their own research and inform themselves of properties that are suitable for their clients. Investment attraction representatives are accessible and should be informed periodically of office property that is available for development.

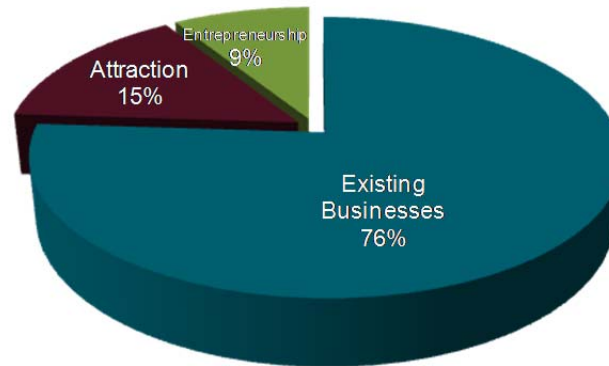
Ontario's Ministry of Research and Innovation does not have investment representatives per se, but their representatives are extremely well-networked in industry sectors that are closely aligned with the office sector including information technology, cleantech, and life sciences.

Influencers that have an international scope. The most prominent of these are representatives of Canada's embassies and consulates, consultancy firms that focus on investment site selection and incentive negotiations, technical advisors that are focused on specific industries and also the location advisory practices of multinational real estate firms such as Colliers, Newmark Grubb Knight Frank, Cushman & Wakefield, and DTZ. To maximize the effectiveness of York Region's economic development budget, connecting with these individuals is imperative.

9.3.2 Primary Target – Expansion of Existing Businesses

Existing local businesses are primary targets for expansion into the Centres and Corridors. Research studies have clearly shown that existing businesses create the majority of employment growth in both growing and stagnant economies. The figure below is from research completed by Blane Canada Ltd. which indicates that 76% of new jobs come from existing businesses, 15% from new businesses that have recently entered the community and 9% from new business start-ups. This is backed up by numerous other studies on the subject.

**Figure 9-4
How Jobs are Created**



Source: Blane Canada Ltd.

Consider these ideas when thinking about how it is common sense for the Region to ensure local businesses are happy and want to expand in York.

- Existing businesses already have a stake in the community and are demonstrably contributing to the economic vitality and social fabric of the community.
- Business owners know that it is easier and less expensive to retain existing customers. The same thing is true for communities that focus on retaining existing businesses.
- Keeping what you have is good for the development and growth of smaller firms. Businesses that export goods and services generate the revenue that funds smaller, local, service businesses.
- Finding and fixing problems for existing businesses may identify businesses for targeted recruitment efforts.
- Satisfied existing businesses can be a community's best ambassadors when recruiting new firms to the area as well as serving as a source of leads when seeking new firms to recruit.
- If an existing business is a thriving and growing concern, or is viewed as having growth potential, it may be the target of recruitment activities by another community. Thus it is in the best interests of local communities to make every effort to retain them.
- Existing businesses are also ambassadors for industry recruitment.

Retention efforts in York have largely been the domain of economic development offices in the Region's local municipalities. Since local businesses will want to understand the plans for the Centres and Corridors including the status and timing of availability and options for leasing, it is critical that intelligence flows back and forth between economic development officials at both levels. York's focus should be on:

- Continuing to inform local economic development officials of developments in all Centres and Corridors
- Offering to participate in retention-oriented meetings with local economic development officials
- Being prepared react to expansion and contraction related questions as posed by existing businesses.

9.3.3 Primary Target – Corporate Decision Makers by Leveraging Global Networks of Existing Businesses

Another reason that communication between those responsible for retention efforts and Regional officials is important is the increasing prospect that the global networks of existing businesses are the shortest route to uncovering new investment potential. In fact, this opportunity speaks to a need for York Region to not merely be a by-stander in the local municipalities' retention efforts but to become a driver at leveraging these networks.

Emerging communications technologies, increasingly agile transportation networks, and the free flow of investment capital in the international arena have ushered in an unprecedented era of business internationalization and globalization. This far-reaching process

of change has opened doors to significant new opportunities for communities that can effectively position themselves at the centre of the new globally-networked economy.

The strongly multicultural and multilingual nature of York Region is seen in this context as a foundation for creating new or enhanced international linkages and relationships, utilizing the area's own human resources to open doors to international economic opportunities. The City of Markham has been successfully leveraging this potential for many years, primarily centred on its Chinese, Israeli, and Indian communities.¹

Underlying this global hometown concept is that a community's national and cultural communities maintain links and contacts with other members of those same communities in other countries. In a globalized environment, such links are immensely valuable and there is an opportunity for York to leverage those existing relationships in a manner that can promote and enhance additional investment attraction and trade partnerships for the community's benefit. Such activity is well-positioned for success, as the benefits of the relationship can apply equally to both ends of the newly-created international relationship.

9.3.4 Secondary Target – Corporate Decision Makers

Against this strategic background, York Region should further embrace a plan of activity aimed at site location decision makers within commercial office sectors of the economy. While a detailed look at business subsectors was not a part of this study, recent successes in York suggest that the professional, scientific and technical services sector and the business, finance and administrative sector have strong upsides. Add to this the sectors that have been growing within the region such as public administration, natural and applied sciences, and information and cultural services, and there is plenty of potential for growth.

The ideal scenario is that York Region can make contact directly with the person(s) responsible in the company for making a site selection decision. The advantage is obvious – that you have the ear of the person who will decide and feedback/ questions are coming direct without 'noise' from an Influencer. Even better is that the Region is first out of the gate and provides such a compelling case that the investor does not investigate any other options.

A disadvantage of this relationship is that it is almost always a one-shot opportunity. The time and money invested in providing that compelling case is lost after the decision is made. Another disadvantage is that companies that are in an expansion or relocation frame-of-mind are extremely difficult to find – a needle in a haystack, so to speak. To put it into context, the World Bank estimates that the generation of 1 investment requires contacting 1,000 potential investors. The implication of this reality is that this target market cannot be the sole focus of York Region's approach. With limited financial and human resources this cannot be afforded.

¹ "Global Hometown" was a recommendation in Markham's 2008 Economic Development Strategy that was completed by Millier Dickinson Blais Inc.

9.3.5 A Must Target: Developers of Office Space in York Region

Developers who own office-zoned land (or for that matter, any land that could support office uses in a mixed-use development) in the Centres and Corridors are York Region's ally and, ideally, partner in investment attraction as both have a vested interest in attracting new development. Given this scenario, it is essential that a positive relationship exist between the organizations. Both need to appreciate each other's position. If most or all of the following indications of trust exist then the relationship between government and developers will be seen as positive:

- Free exchange and introduction of leads/prospects (i.e. the developer trusts York to not spread the opportunity to developers in the Region's other Centres or Corridors and York trusts the developer not to share opportunities outside of York until mutually agreed upon by both parties)
- Developers contribute time and money to York Region's investment attraction efforts
- Developers request information/research or in-person sales support from York Region for client proposals

9.4 Marketing Initiatives

York Region's geospatial capabilities and assets provide a strong foundation to capture future economic benefits through the attraction and growth of the cluster in the Region.

To take full advantage of these capabilities, York Region will need to focus on activities that build awareness and support local growth while also continuing to enhance the basic offering in York Region. The Action Plan reflects York Region's continued efforts to grow the commercial office cluster alongside its local municipal partners and the local development community. In order to build the profile of York Region and ultimately attract investment it is recommended that there be a focus on the activities illustrated in the following image.

**Figure 9-5
Recommended Marketing Initiatives**



The action plan has been designed to be executed over a period of three years. During the first year it is recommended that York Region concentrate its efforts on Actions 1 and 2 before fully engaging corporate decision makers. Before aggressively going to market, York Region can take some initiatives to enhance its investment readiness. In this instance, investment ready means enhancing promotional items (website, brochures, testimonials, business assistance tools, etc.) and placing considerable resources on establishing local partnerships and translating the competitive advantages identified in this report to marketing messages. While 50-60% of York Region's focus may be on investment readiness related tactics, the first 12 months should also be used to sow the seeds of North America's community of commercial office Influencers. Engaging with Influencers early will help York Region to further validate its competitive position and to more accurately respond to the market.

Once York Region feels that it is investment ready and has improved its profile amongst the industry (the lead generation program offers some excellent baseline data on perceptions of York Region), it will be able to move with its now established strategic partners to aggressively engage corporate decision makers nationally and internationally over a 12-24 month period. To do so, York Region and its partners will need to be prepared to travel more extensively to industry events and to host B2B meetings. These efforts should be highly organized and focused on generating new leads and winning investments.

**Figure 9-6
Implementation Timeline**

	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Improve Investment Readiness Through Enhanced Online Presence and Marketing Tools												
Influencers: Increase Profile and Build Relationships												
Corporate Decision Makers: B2B Engagement					Engage Priority Leaders and Attend Regional Office Commercial Events							

9.4.1 Action 1 – Improve Investment Readiness Through Enhanced Online Presence and Marketing Tools

Being prepared to respond quickly to inquiries with a full suite of professional communications resources requires smart preparation before activities begin. A basic set of communications materials, including a strong website, fact sheets, social media network, and photography should be in place, and local experts should be coached and prepared to share key messages with the media and potential investors as needed. After the initial development of these resources, communications tools should be revised on a regular basis; at least annually. Updates and additions will also take place continually as projects progress and new information becomes available.

**Figure 9-7
Investment Readiness Tactics**

Recommended Initiative	Priority/ Timeline
Create a sector profile for the website that can also stand alone as an office commercial brochure that highlights the key advantages of operating in York Region, with particular emphasis on identifying the characteristics of each Centre and Corridor.	High Q2 2015
Improve linkages from york.ca to investinyork.ca so that potential investors or their agents can quickly locate the investment oriented website.	High Q2 2015
<p>Achieve the Gold Standard of service delivery:</p> <ul style="list-style-type: none"> • All future promotional materials and tools must be available online (mobile applications as well) and readily available either as the user is browsing alone or on the phone with a development officer. Materials should be available in multiple formats including excel files where appropriate. The end user should have the ability to easily scrape data from York’s promotional materials and tools for use in their presentations and project work. • Enhance the ability to provide immediate proposal formatted responses that include relevant industry and community data, available properties, mapping and market analyses. • Track communication and project work with investors, stakeholders and the business community through a customer relationship management (C.R.M.) system. • Encourage other departments to have land use planning information available electronically in user friendly formats. 	High Q2 2015
Develop a “One Team” York approach to investment attraction efforts. This will include Response Team Agreements that ensure confidentiality and a commitment to top-notch service between the Region and its local municipal and development community partners.	High Q2-Q3 2015
Identify key business and community leaders to provide testimonials. Testimonials can be either a spoken or written statement extolling various virtues of York Region, as they relate to the office commercial industry.	High Q2-Q3 2015
Produce a dynamic video that is concise and highlights the current growth and future potential of the Centres and Corridors. The footage in the video should capture different elements of the office commercial sector in York Region. The video should include small segments of testimonials from existing companies.	Medium Q4 2015 - Q1 2016
Assign a staff member or hire an external S.E.O. company to periodically review and adjust how the site has been S.E.O.-optimized. Search engines are constantly adjusting their algorithms so what worked in the past may not work in the future	Medium Q4 2015 - Q1 2016

9.4.2 Action 2 – Influencers: Increase Profile and Build Relationships

There are tried and true steps to public relations that can be used to increase York Region’s profile with key influencers in target geographies (G.T.A., Canada, United States). However, the methods of communication used in public relations have changed with the rise of the internet, and the mainstream adoption of social media calls for new tactics. The essence of raising York Region’s profile is to consistently share strategic messages with industry influencers.

Engagement with York Region staff and interviews with local stakeholders all highlighted the growing desire for working together to create a take-charge culture of the community. This culture provides a solid grounding for York Region to be able to tell the story about why York is the right location for commercial office firms. Over the next 12-21 months, York Region needs to build and nurture relationships with key influencers including those in government, associations, traditional media, and social media.

**Figure 9-8
Examples of Influencers in the Commercial Office Industry**

Government	Associations	Advisors
<ul style="list-style-type: none"> • Ontario Ministry of Research and Innovation • Ontario Ministry of Economic Development, Trade and Employment • Department of Foreign Affairs and International Trade 	<ul style="list-style-type: none"> • Society of Industrial Office Realtors (S.I.O.R.) • Commercial Development Real Estate Association (N.A.I.O.P.) • Site Selectors Guild • various industry specific associations 	<ul style="list-style-type: none"> • lawyers • venture capitalists • accountants • real estate brokers • site selectors • consultants

Figure 9-9
Tactics to Raise Profile Amongst Industry Influencers

Recommended Initiative	Priority/ Timeline
Conduct research to develop a comprehensive inventory of key media and industry contacts. Contacts will be from the following groups: industry specific media publications, commercial office professionals in York Region, regional and provincial businesses, associations and government supporters.	High Q2-Q3 2015
Prepare fact sheets and information that business and community leaders can utilize when reaching out to people in their network to generate leads.	High Q3-Q4 2015
Encouraging local companies, politicians and government representatives to interact with media regularly during special events and trade shows to generate stories or feature profiles.	High Ongoing
Writing articles that can be submitted to office-specific and relevant industry-oriented publications as well as mass media in the G.T.A.	High Q3-Q4 2015
Issue regular press releases to document major events, news and accomplishments related to the office commercial community. Releases should be targeted at big news wire services. In addition, releases can be emailed to industry associations with a request that the article be referenced in upcoming newsletters.	High Q4 2015- Q2 2016
Organize office commercial events, seminars and conferences in York Region targeted at the local and regional office commercial Influencers. Where possible, facilities in the Centres and Corridors (e.g. Remington Centre) should be the event location. Work with organizers of key conferences to bring events to York Region.	High/ Q4 2015
Attend major office commercial events throughout the G.T.A. including the Toronto Chapter of S.I.O.R. The events are a means to network with and meet with key people and businesses shaping the industry in the Province.	High Q2 2015
Staging familiarization tours for writers from various publications who will then be able to write their own stories.	Medium Q2-Q3 2016
Define targets for social media activities. The social media tools selected will determine the metrics. For example, a possible LinkedIn metric may be the number of connections or number of new leads.	Medium Q2-Q4 2016

9.4.3 Action 3 – Corporate Decision Makers: B2B Engagement

In order for York Region to generate leads on an ongoing basis and to begin to convert those into wins, it must engage businesses and people in the industry to begin to build its reputation. One of the best ways to do so is by attending industry events and trade shows. Working in tandem with industry, local municipalities, local developers and other government partners can decrease the costs and time needed to organize.

Setting up one-on-one meetings in advance to take place during the shows is very worthwhile activity to increase return on time and money. An attractive booth offering a variety of services creates a strong first impression on visitors, and maximizes the impact of attending the trade show. York Region can explore building a virtual presentation (the video identified in Action 1, for instance) where media and potential clients who are visiting York Region's booth can experience life in the Centres and Corridors.

The trade show objectives for York Region centre on:

- Attracting potential investors – lead generation;
- Contribute to an awareness of York Region’s office commercial cluster and highlighting specific Centres and Corridors.

**Figure 9-10
Tactics for B2B Engagement**

Recommended Initiative – Leveraging Global Networks of Existing Businesses
Undertake outreach and intelligence gathering with companies in York Region’s office commercial sector for investment attraction to better understand their international business networks. Investment retention visits are undertaken extensively by the local municipalities now, and York Region should not attempt to duplicate those efforts. The proposed outreach to York companies, to be undertaken by York Region will be coordinated with the local municipalities.
Through visits with local companies and engagement with local cultural business organizations (e.g. Richmond Hill and Markham Chinese Business Association) map global supply chains by understanding where international connections lie. Identify what unknown international linkages that local businesses are working with every day. The knowledge gained will speak to specific and emerging investment attraction opportunities, while simultaneously enhancing the full understanding of York’s international ties.

Recommended Initiative – Trade Show Oriented

Pre-show lead generation and outreach – Typically, exhibit lists are available on the show website. Show evaluation work will contribute to list building and can be fine-tuned to identify potential target companies, and applicable phone and email contact information for pre-show outreach. Where possible, this should be supplemented by the attendee list. These lists are occasionally available on the event website. Also, shows are increasingly providing virtual networking facilities to enable participants make pre-show connections. Failing that, show organizers are sometimes willing to provide attendee information. Outreach activities can be supplemented by special events with invitations to prime prospects.

Show organizers can be helpful in facilitating media relations activities by way of features in the show magazines and in their own pre-show outreach. Opportunities for show program advertising and sponsorships to reinforce the message can be investigated. Any advertising should ideally be accompanied by editorial to reinforce key messages and deliver better return on investment. Other initiatives might include features in applicable publications that align with the show audience.

Generating interest and buzz at the event or show

Lead Capture: Shows provide booth visitor badge scanning services that are written to a spreadsheet for post-show activities. Business cards should also be collected as backup because the scanners do not always capture all the information.

Brochures: Collateral materials should always be up to date. More substantial items such as directories etc. should be kept only for serious inquiries.

Promotional Items: While promotional items contribute to booth traffic, they are not necessarily a precursor to generating quality leads. Smaller promotional gifts (key chain, pen, etc.) can balance value for money and significant items can be given to more serious prospects.

Presentations: Dynamic multi-media presentations can run continuously to attract the attention of passers-by to stop and check the booth out.

Activities: A busy booth draws visitors. The key is to increase their length of stay through activities that engage visitors and to keep the booth looking busy.

Follow-up calls–Badge scanners generate a spreadsheet of booth visitors for follow up. These devices normally capture the nature of interest in various categories. Additional business cards gathered should also be added to this list. It is important that follow-up to serious inquiries is carried out as soon as possible, and if possible within 10 days, after the trade show is complete. More general inquiries can be followed up with a general email ‘thank you for visiting our booth’ leaving the door open for future opportunities should they arise.

10. Conclusions

Office commercial development is critical to the development of York Region's economy and long term future. Though the G.T.A. office market continues to expand at a strong rate, York Region competes directly for suburban and urban type office development with other locations in the G.T.A. Historically, York Region has been relatively successful at attracting and accommodating office development largely in suburban employment areas.

The comprehensive assessment of office development cost and financial feasibility determined that market conditions and the corresponding financial viability for suburban office development are favourable in most York Region locations though high land prices limited the potential for smaller office buildings in Markham, Richmond Hill and Vaughan.

Despite York Region's relative competitiveness in the suburban office market, office development patterns in the G.T.A. have shifted significantly over the past 15 years, with an increasing share of development occurring within Toronto's downtown core and York Region's relative share of office development has diminished over the period.

This shift appears to be driven by an increasing interest in the G.T.A. for more pedestrian-oriented office environments that feature mixed-use development and offer opportunities for live/work and greater access to high-order transit. This suggests that 905 municipalities, including York Region, need to make an increased effort to increase opportunities to accommodate office development in mixed-use settings that offer access to high-order transit and live/work opportunities in their respective communities to attract and retain "knowledge-based" labour and employers to their communities. As such, there will be an increasing need over the longer term to expand market choice for office development beyond greenfield lands in employment areas to include opportunities within the Region's Centres and Corridors.

York Region is anticipated to experience significant employment growth between 2011 and 2041 and a large share of this will be in the form of major office employment. Provincial and regional policy planning direction has identified the need to intensify development within key nodes and corridors in the Region and major office employment growth should be focused within Centres and Corridors to optimize infrastructure investment and promote transit use. The demand for office space in the G.T.A. is expected to continue and York Region is well positioned geographically to take advantage of this regional growth potential.

Though there is a desire from a policy perspective to attract an increasing share of office development to the Region's Centres and Corridors to meet planning, economic and fiscal objectives and an apparent growing market demand for more urban office development, recent development trends suggest that office development activity in York Region remains largely focused on suburban office development within employment areas. The Region has experienced some success in residential development in its Centres and Corridors, however, office development has been more limited.

The analysis contained herein suggests that market conditions for urban office development as standalone projects are largely unfavourable in York Region's Centres and Corridors and other surveyed locations of the G.T.A. This is due in part to high costs of development (driven by high land costs and the provision for structured parking) which are only partially offset by higher land utilization and market rents/sale prices which have marginal premium compared to office space in suburban office markets. The analysis suggests that an urban office development project needs to be part of a mixed-use development (i.e. combined with a retail/residential component) in order to be economically viable in these markets. Though there are a handful of recent or planned office developments within the Region's Centres and Corridors, they represent a relatively small share of overall office development activity in the Region.

The policy tools/financial incentives presented herein suggest a number of initiatives could be implemented in York Region to improve the financial viability and attractiveness of office development within the Region's Centres and Corridors. Achieving an increasing amount of office development in the Region's Centres and Corridors poses a challenge for the Region. Optimizing the market potential for office development in the Region's Centres and Corridors will largely be determined on a regional and local level, requiring a "Made in York Region" approach.

Given the extent and diversity of the office and mixed-use development opportunities identified within the Region's Centres and Corridors and the economic challenges of urban office development in these areas, York Region needs to prioritize its efforts to encourage and promote this office development where the potential is highest. This includes ensuring that planning policies and regulations are supportive of intensification initiatives and the office objectives of the region. This includes implementing pre-zoning, allowing for flexibility and height of developments, promoting mixed-use developments (which include office component) within the Regional Centres and Corridors and generally increasing expediency of development approvals.

Further, a range of financial incentive tools/programs could be used as a means to facilitate and encourage office and mixed-use development within the Region's Centres and Corridors, such as development charge exemptions, redevelopment or rehabilitation grant programs, redevelopment loan programs, and or the rebate of planning and building application fees. However, the Region should be strategic in their use, in terms of where these are applied and where fiscally sustainable. Based on the analysis presented herein, the relative strength of office market in the Region's Centres and Corridors varies widely. It is anticipated that demand for office space within the Centres and Corridors will continue to increase over the coming decades and the market conditions for urban office development in these areas will become more favourable with time. Considering baseline conditions and future prospects, the office market in Markham Centre and Vaughan Metropolitan Centre are likely strong enough to be successful without the need for financial incentives. Financial incentives may be options in Richmond Hill Centre, Yonge Street Thornhill and Highway 7 East (west of Markham Centre) to advance urban office development over the short to medium term, though over the longer term, the market should be sufficiently strong to not require such measures. Over the short to medium term, prospects for urban office development along Highway 7 West, Yonge Street Richmond Hill and Highway 7 East (East of Markham Centre), Yonge Street in Newmarket) and Davis Drive are limited and these areas will continue to be more attractive for low-rise office buildings with surface parking, consistent with their existing character. It is unlikely that financial incentives will have much impact on prospects for urban office development along these corridors but could be useful in facilitating further suburban office development. Over the longer term, as the Region matures and

begins to buildout, the prospects for urban office development in these corridors will likely improve, and incentives applicable for urban office development may be more appropriate at that point.

To take full advantage of the potential for office development in its Centres and Corridors, York Region will need to focus on activities that build awareness and support local growth while also continuing to enhance the basic offering in York Region through an Action Plan. The Action Plan reflects York Region's continued efforts to grow the commercial office cluster alongside its local municipal partners and the local development community.

Appendix A – York Region Office Nodes/Corridors

Appendix A – York Region Office Nodes/Corridors

Figure A-1

Figure A-1 Office Market Profiles, York Region

	Markham Allstate/Cachet/400 North	Markham Commerce Valley	Markham Denison/Steeles	Markham Centre	Thornhill Yonge Street	Richmond Hill- Beaver Creek - Barker Area	Vaughan 400 North	Aurora - Wellington/404	Newmarket - 404 Corridor	Richmond Hill- Yonge St North	Highway 7 East Corridor	Highway 7 West Corridor	Vaughan Metropolitan Centre	Newmarket/Aurora - Yonge St. North	Richmond Hill Centre Gateway/Langstaff
Office Market:															
Total GFA (sq. ft.):	3,432,710	2,404,372	4,290,123	1,203,865	194,900	2,347,194	1,433,445	331,742	112,504	149,887	156,000	154,000	260,669	35,000	36,153
Total Buildings:	42	21	43	6	3	32	23	1	2	3	4	3	3	1	1
Period of Construction (GFA)															
<1980	46,527	0	67,709	0	0	25,000	0	0	0	0	0	0	0	0	0
1980-1989	1,374,375	0	2,443,427	0	0	908,100	361,085	0	0	58,887	26,000	120,000	0	0	0
1990-1999	826,113	619,662	1,558,064	0	68,900	756,449	120,530	0	0	91,000	75,000	0	139,500	0	0
2000-2009	836,964	1,784,710	0	1,173,865	0	533,956	739,834	331,742	0	0	0	0	121,169	0	36,153
2010-2013	306,679	0	36,720	30,000	126,000	64,933	176,996	0	49,397	0	30,000	0	0	0	0
Unknown	42,052	0	184,203	0	0	58,756	35,000	0	63,107	0	25,000	34,000	0	35,000	0
Building GFA by Class (GFA)															
Class A	2,714,103	2,338,372	3,014,687	1,203,865	126,000	1,505,412	946,830	331,742	49,397	111,000	30,000	120,000	260,669	0	0
Class B	590,028	66,000	1,085,436	0	30,300	135,000	357,615	0	0	38,887	101,000	34,000	0	0	0
Class C	128,579	0	190,000	0	38,600	607,849	129,000	0	0	0	25,000	0	0	0	0
Unknown	0	0	0	0	0	98,933	0	0	63,107	0	0	0	0	35,000	36,153
Buildings by Size Class (by #)															
<50,000 sq. ft.	17	5	13	1	2	15	10	0	1	2	3	1	0	1	36153
50,000 - 150,000 sq. ft.	22	8	26	1	1	13	12	0	1	1	1	2	3	0	0
150,000 - 300,000 sq. ft.	2	8	2	3	0	4	1	0	0	0	0	0	0	0	0
300,000 or greater	1	0	2	1	0	0	0	1	0	0	0	0	0	0	0
Buildings by Height (# storeys)															
2 storeys or less	18	4	18	0	1	12	6	0	0	0	1	0	2	0	0
3-5	13	8	18	4	1	11	12	1	2	3	3	2	0	0	1
6-10	10	9	6	1	1	6	2	0	0	0	0	1	1	0	0
More than 10 storeys	0	0	1	1	0	0	2	0	0	0	0	0	0	0	0
Unknown	1	0	0	0	0	3	1	0	0	0	0	0	0	1	0
Single vs. Multi Tenant (by # buildings)															
Number of single tenant buildings	3	3	2	1	2	4	5	1	0	0	0	1	0	1	1
Number of multi tenant buildings	39	18	41	5	1	28	18	0	2	3	4	3	3	0	0
Single Tenant	7.1%	14.3%	4.7%	16.7%	66.7%	12.5%	21.7%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Multi Tenant	92.9%	85.7%	95.3%	83.3%	33.3%	87.5%	78.3%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%
Large Tenants (50,000 sq. ft. or greater)															
Alstate Insurance		AECOM	IBM	IBM Canada	NI	Staples Head Office	Miele Canada	State Farm	NI	NI	NI	NI	NI	NI	NI
Caridian		AMD Technologies Inc.	Mitsubishi Electric	WorleyParsons		Levi Strauss & Co. Inc.	Powerstream								
Genivex		CAA Toronto Auto Club	American Express	Hydro One Networks Inc.		BMW Group Canada	SmartCentres								
Honda Canada		CIG Information Systems		Hydrowell ACS		Johnson Inc.	Kumon Canada								
HSBC Bank Canada		CMN Global Inc.				Hydro One- Cornerstone	Cara Foods								
Oracle		MMM Group													
Stanlec Consulting		Qualcomm													
Direct Energy Essential Home Services		Terago Networks Inc.													

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure A-2

Figure A-2 Office Construction, GFA by Year, 2004-2013

Office Market	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Markham - Allstate/Cachet	-	32,185	-	-	449,886	-	-	165,679	-	141,000
Markham - Commerce Valley	215,000	-	211,600	-	97,200	-	-	-	-	-
Markham - Denison/Steeles	-	-	-	-	-	-	-	-	-	36,720
Markham Town Centre	-	-	-	223,096	151,769	-	-	-	30,000	-
Yonge st Thornhill	-	-	-	-	-	-	-	-	-	126,000
Richmond Hill - Beaver Creek	36,000	128,819	-	-	-	103,488	25,000	39,933	-	-
Highway 7 East	-	-	-	-	-	-	-	-	30,000	-
Richmond Hill - Yonge Street North	-	-	-	-	-	-	-	-	-	-
Richmond Hill Centre	-	-	36,153	-	-	-	-	-	-	-
Vaughan - 400 Corridor	90,000	63,861	-	92,000	198,000	-	-	72,000	-	104,996
Highway 7 West	-	-	-	-	-	-	-	-	-	-
Vaughan Metropolitan Centre	-	60,000	-	-	-	-	-	-	-	-
Aurora	331,742	-	-	-	-	-	-	-	-	-
Newmarket	-	-	-	-	-	-	-	-	-	49,397
Yonge St. Newmarket	-	-	-	-	-	-	-	-	-	-
Total	672,742	284,865	247,753	315,096	896,855	103,488	25,000	277,612	60,000	458,113

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure A-3

Figure A-3 Asking Net Market Rents

Net Market Rents	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Markham - Allstate/Cachet	\$ 13.84	\$ 13.53	\$ 12.68	\$ 13.45	\$ 13.70	\$ 13.92	\$ 13.53	\$ 13.84	\$ 13.93	\$ 13.83
Markham - Commerce Valley	\$ 17.61	\$ 18.20	\$ 18.10	\$ 18.57	\$ 19.13	\$ 19.81	\$ 19.18	\$ 18.37	\$ 18.67	\$ 18.00
Markham - Denison/Steeles	\$ 10.72	\$ 11.06	\$ 11.40	\$ 11.62	\$ 11.87	\$ 12.11	\$ 12.29	\$ 11.22	\$ 11.87	\$ 11.52
Markham Town Centre	\$ 9.50	\$ 9.50	\$ 13.73	\$ 15.17	\$ 15.17	\$ 13.83	\$ 16.00	\$ 17.83	\$ 18.88	\$ 17.68
Yonge st Thornhill									\$ 18.00	\$ 18.00
Richmond Hill - Beaver Creek	\$ 12.95	\$ 13.30	\$ 13.85	\$ 13.45	\$ 13.78	\$ 14.29	\$ 13.64	\$ 14.30	\$ 13.90	\$ 14.11
Highway 7 East	\$ 12.00	\$ 12.50		\$ 12.50	\$ 12.00			\$ 21.50	\$ 17.00	\$ 16.00
Richmond Hill - Yonge Street North	\$ 13.50	\$ 13.50	\$ 16.00	\$ 13.00	\$ 13.00		\$ 14.00	\$ 15.50	\$ 12.25	\$ 13.00
Richmond Hill Centre										
Vaughan - 400 Corridor	\$ 13.32	\$ 12.30	\$ 14.00	\$ 12.65	\$ 13.63	\$ 14.98	\$ 13.30	\$ 15.06	\$ 14.43	\$ 13.92
Highway 7 West	\$ 11.50	\$ 12.17	\$ 12.75	\$ 13.48	\$ 13.48	\$ 12.73	\$ 14.25	\$ 13.25	\$ 13.36	\$ 14.33
Vaughan Metropolitan Centre								\$ 17.00	\$ 19.00	\$ 17.75

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure A-3 Vacancy Rates and Annual Absorption

Vacancy Rates (%)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Markham - Allstate/Cachet	16.7%	14.7%	17.2%	13.1%	15.5%	18.4%	14.2%	15.6%	14.9%	15.8%
Markham - Commerce Valley	19.3%	15.5%	12.8%	5.1%	11.7%	13.4%	17.0%	13.5%	16.7%	18.9%
Markham - Denison/Steeles	7.1%	6.0%	4.8%	7.3%	8.8%	7.8%	8.2%	8.8%	11.3%	11.8%
Markham Town Centre	7.7%	29.5%	17.0%	13.9%	5.7%	3.1%	7.0%	7.9%	8.0%	4.6%
Yonge st Thornhill	4.8%	0.0%	0.0%	0.0%	3.6%	0.0%	4.6%	5.4%	4.2%	0.8%
Richmond Hill - Beaver Creek	9.1%	9.2%	10.2%	13.4%	11.1%	11.8%	7.9%	9.8%	6.5%	9.9%
Highway 7 East	0.0%	1.6%	1.6%	1.6%	1.6%	0.0%	0.0%	23.5%	6.4%	5.0%
Richmond Hill - Yonge Street North	3.9%	3.6%	10.0%	7.6%	9.1%	15.8%	14.7%	5.0%	7.6%	9.0%
Richmond Hill Centre	No data									
Vaughan - 400 Corridor	14.9%	5.0%	4.6%	6.1%	3.6%	9.1%	10.7%	23.1%	15.5%	5.3%
Highway 7 West	5.1%	1.8%	4.2%	5.6%	5.6%	5.9%	15.1%	1.4%	13.7%	35.0%
Vaughan Metropolitan Centre	3.8%	14.2%	0.0%	0.7%	4.4%	5.7%	0.0%	7.5%	7.1%	27.6%

Annual Absorption (sq. ft.)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Markham - Allstate/Cachet	177,046	118,835	(68,195)	66,153	18,537	(87,570)	68,779	80,274	(148,137)	50,165
Markham - Commerce Valley	(26,786)	117,639	46,564	162,097	(21,312)	(134,936)	(116,628)	149,218	(40,514)	19,417
Markham - Denison/Steeles	(17,017)	45,376	101,831	(146,207)	(55,703)	39,980	(22,857)	5,925	(33,562)	(74,142)
Markham Town Centre	0	(16,438)	127,419	85,684	96,337	31,278	(46,485)	(10,313)	(502)	39,303
Yonge st Thornhill	0	3,300	0	0	(2,500)	2,500	(3,135)	(556)	(453)	128,654
Richmond Hill - Beaver Creek	39,679	(76)	(5,189)	(30,677)	(7,207)	(6,634)	83,067	(22,695)	64,209	(37,039)
Highway 7 East	5,171	(1,572)	0	0	0	1,572	0	(755)	22,412	1,823
Richmond Hill - Yonge Street North	4,960	(4,260)	(1,074)	244	(2,460)	(11,128)	(4,030)	18,489	(6,703)	(2,322)
Richmond Hill Centre	0	0	0	0	0	0	0	0	0	0
Vaughan - 400 Corridor	9,308	42,547	2,076	(7,427)	12,363	(27,796)	(8,220)	(30,608)	57,214	41,334
Highway 7 West	(3,126)	6,599	(5,167)	(2,232)	107	(508)	(13,335)	20,217	(18,878)	(32,872)
Vaughan Metropolitan Centre	(6,685)	(27,010)	36,960	(1,724)	(9,771)	(3,336)	14,831	(19,500)	930	(53,417)

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure A-4

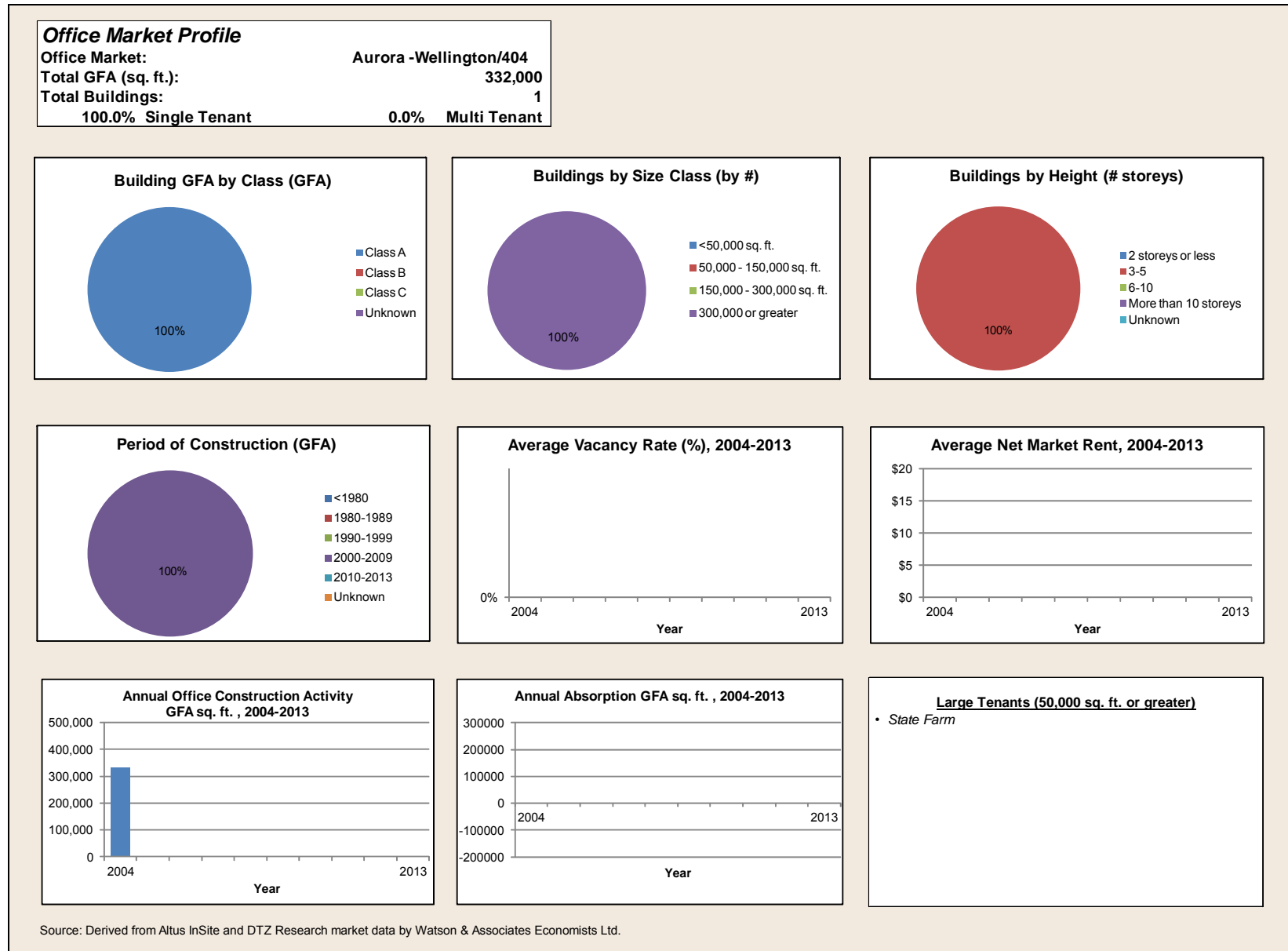


Figure A-5

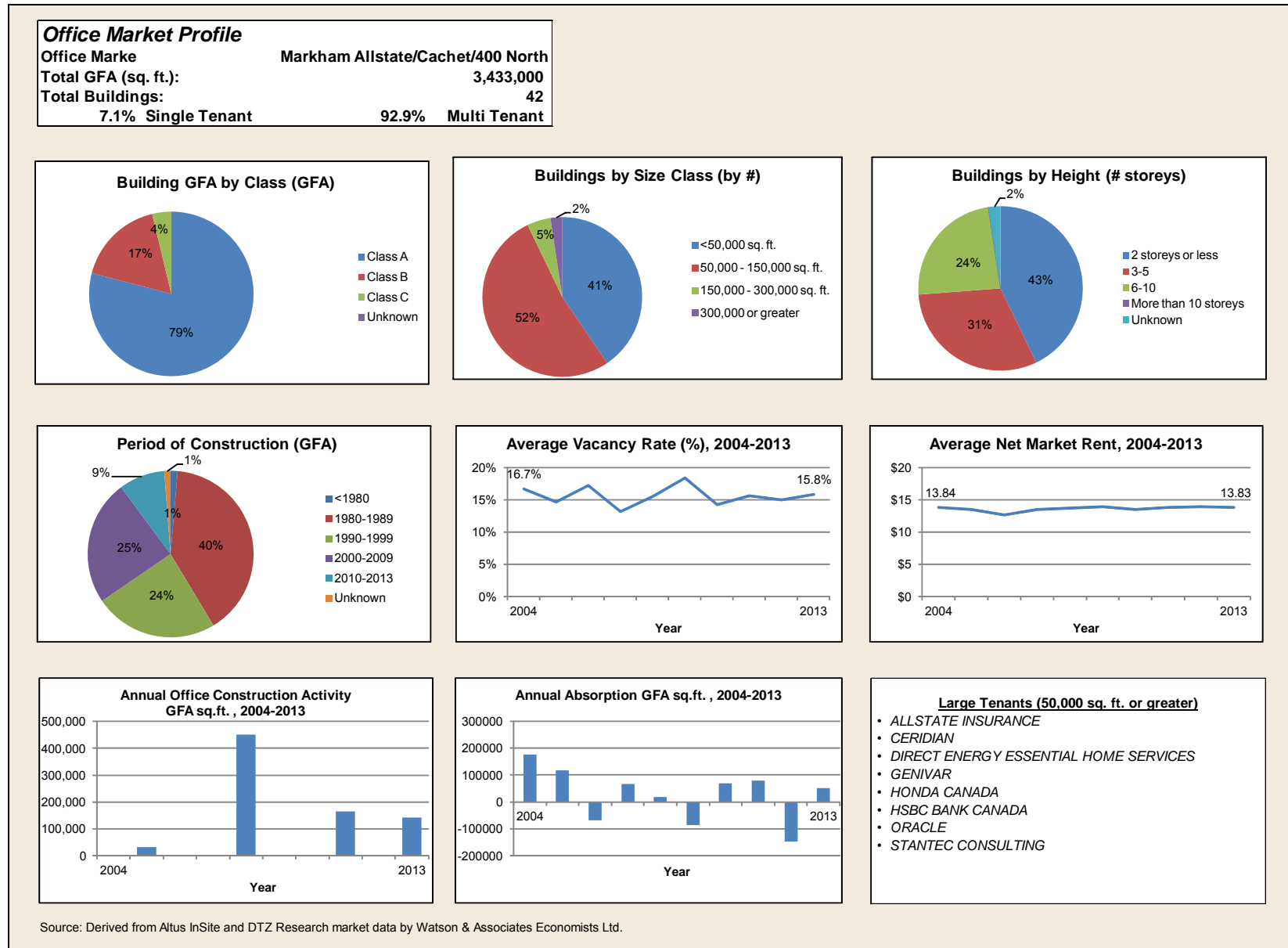


Figure A-6

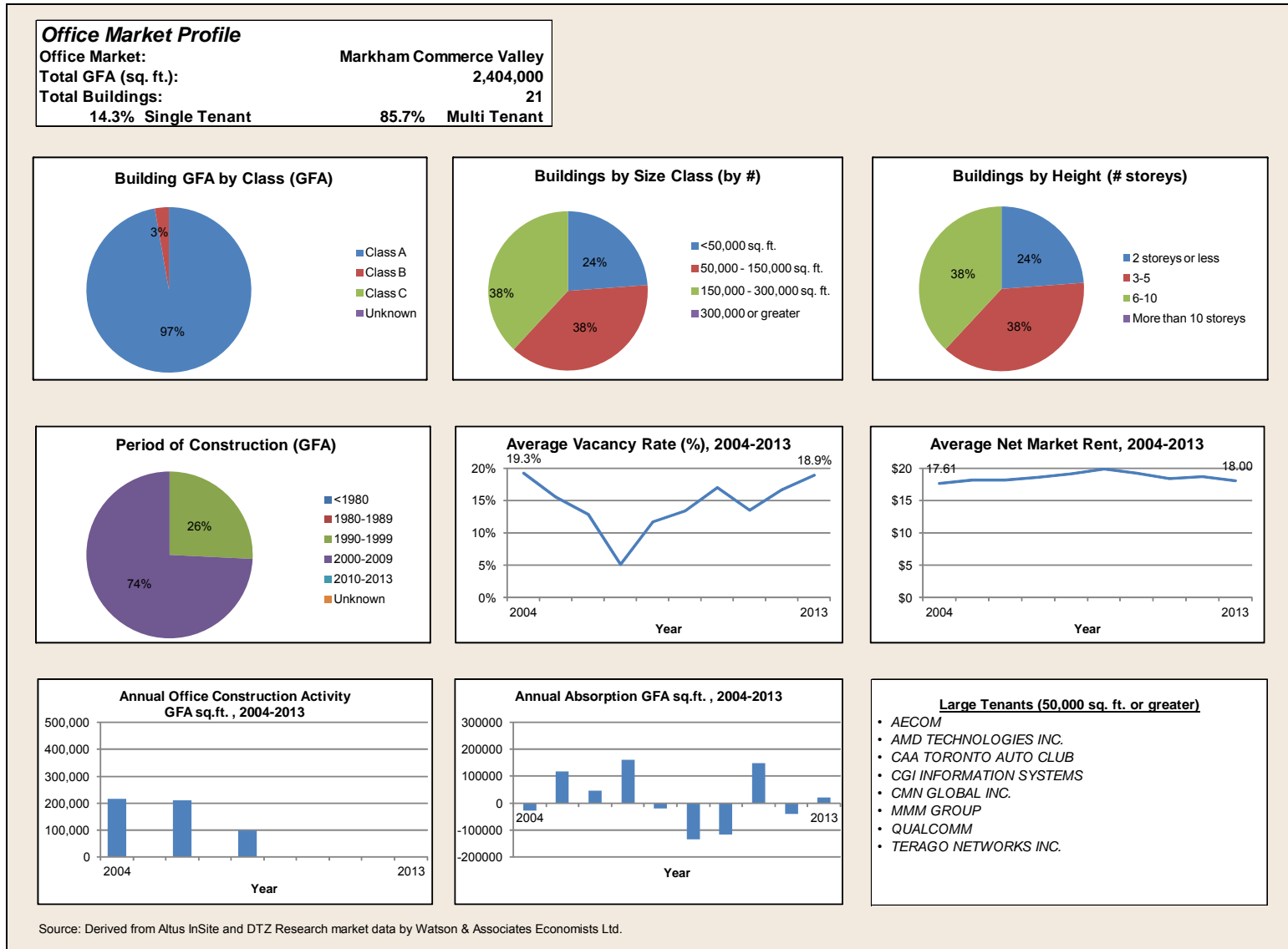


Figure A-7

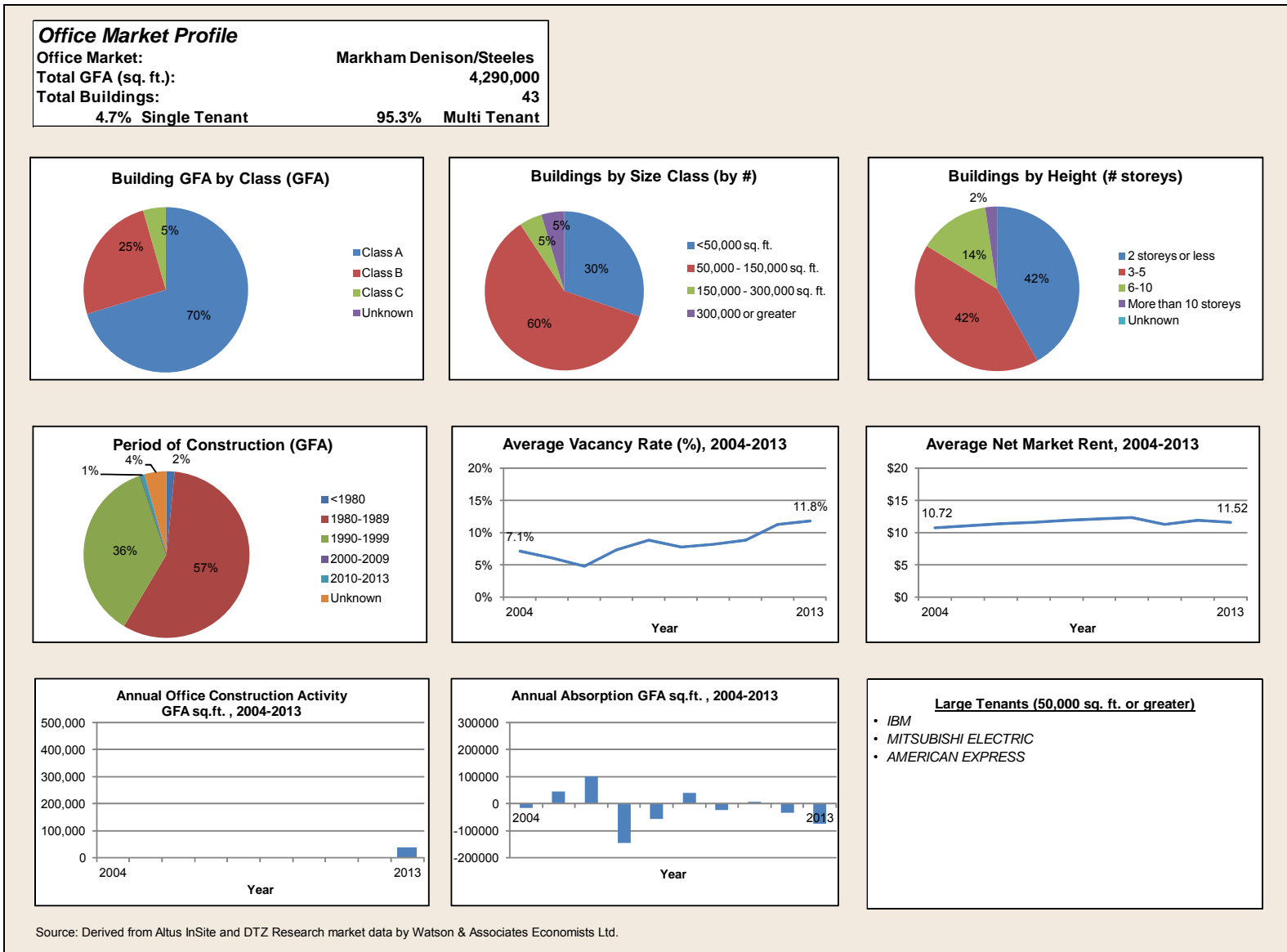


Figure A-8



Figure A-9



Figure A-10

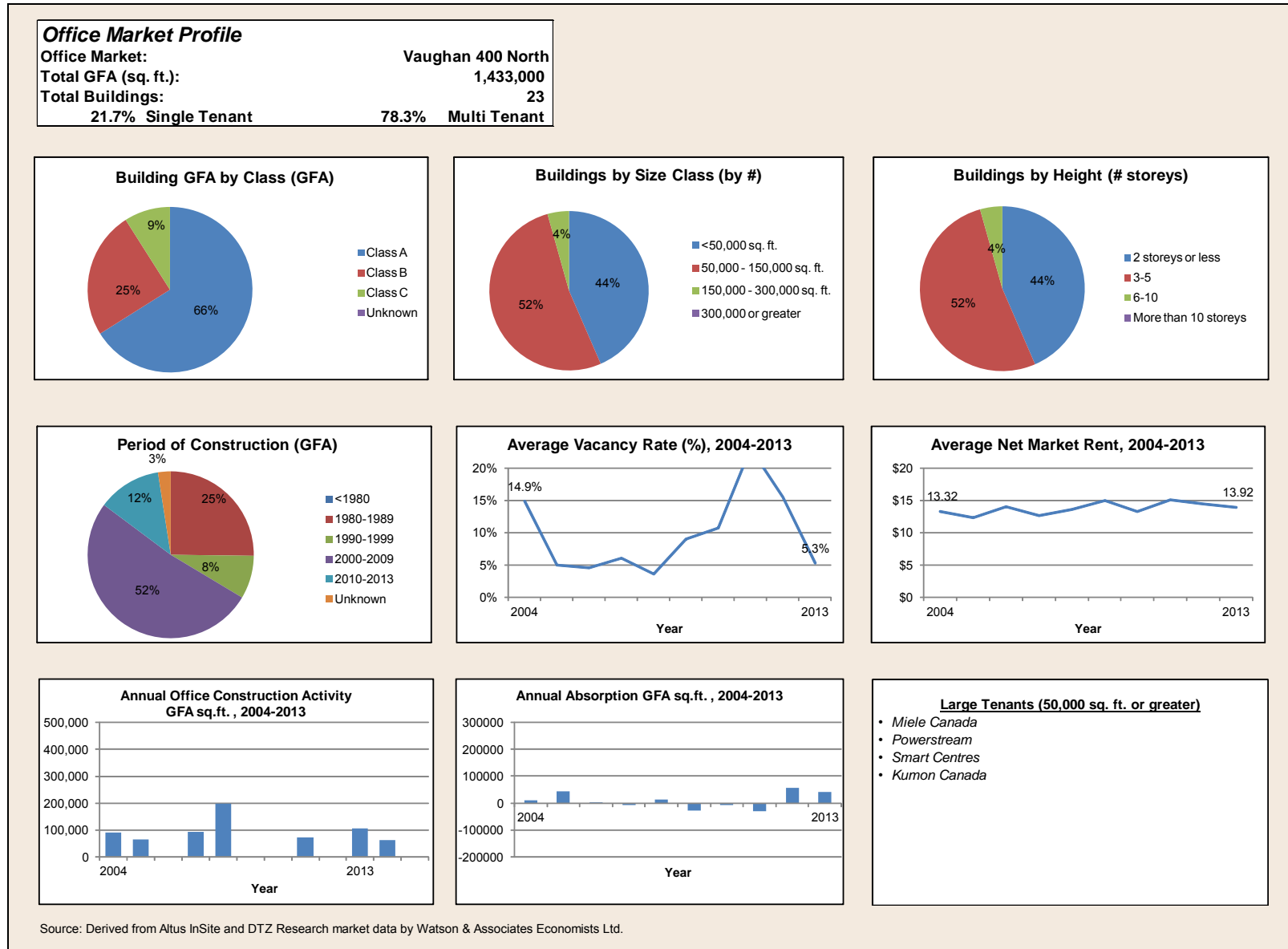


Figure A-11



Figure A-12

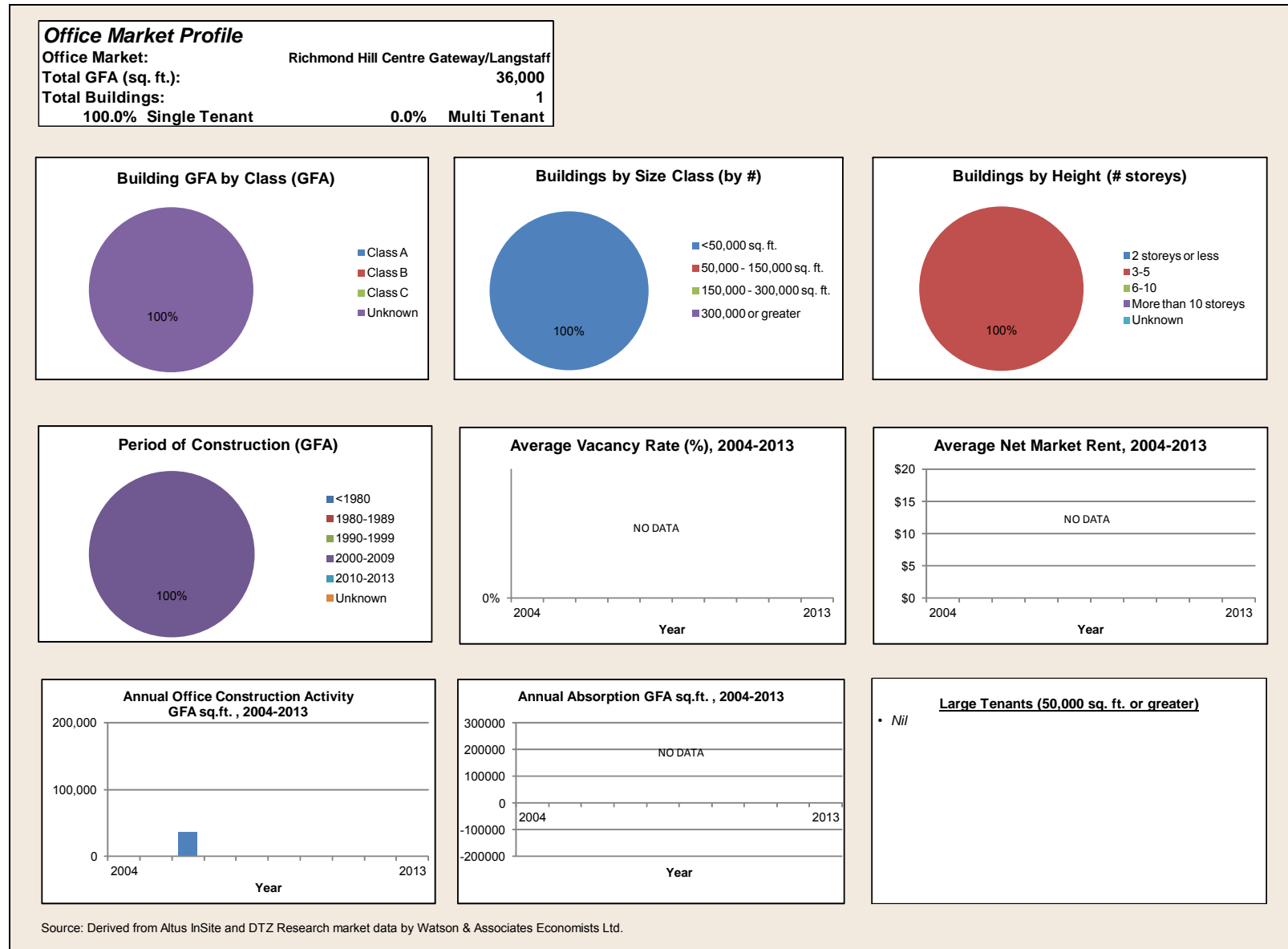


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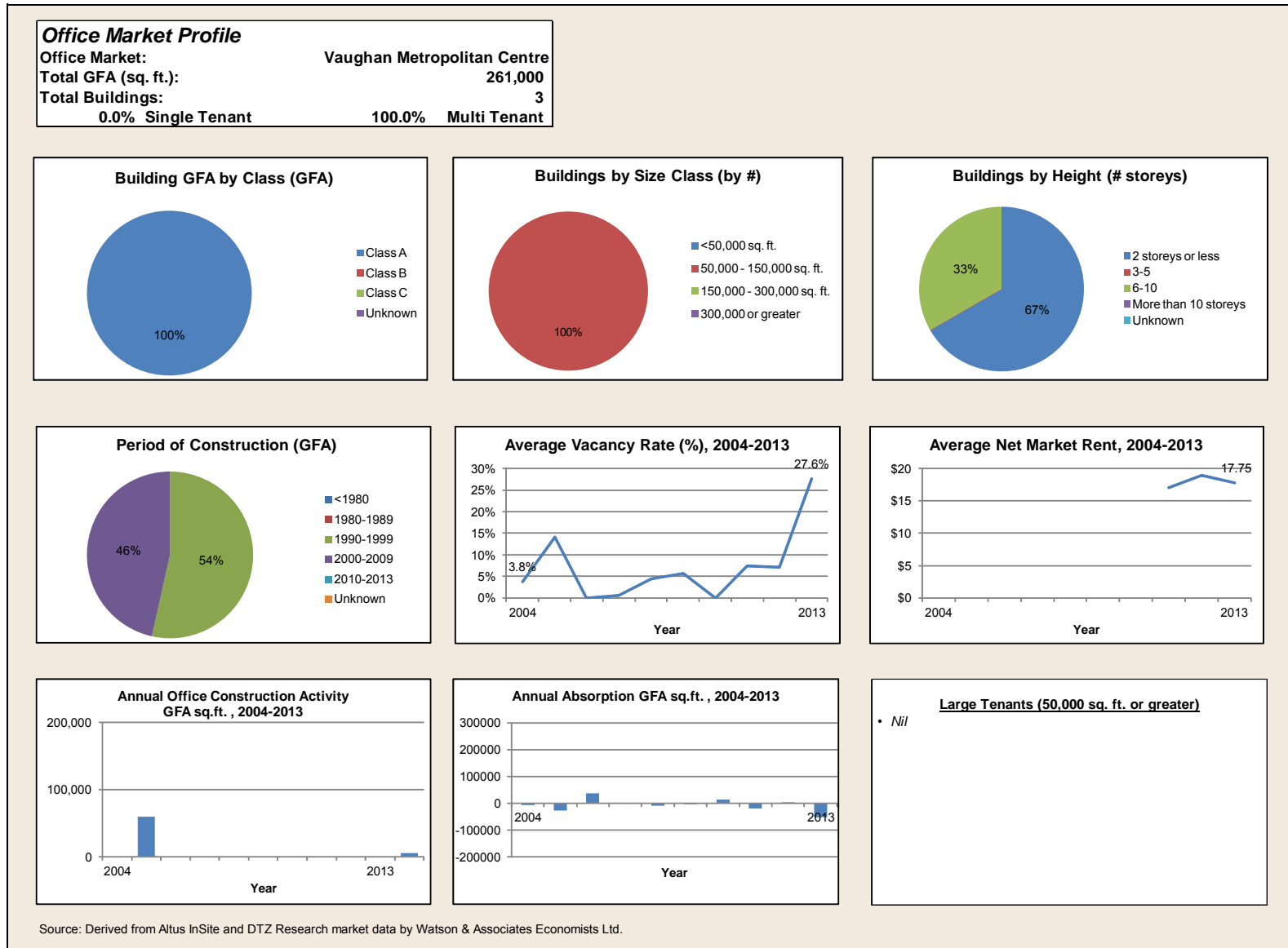


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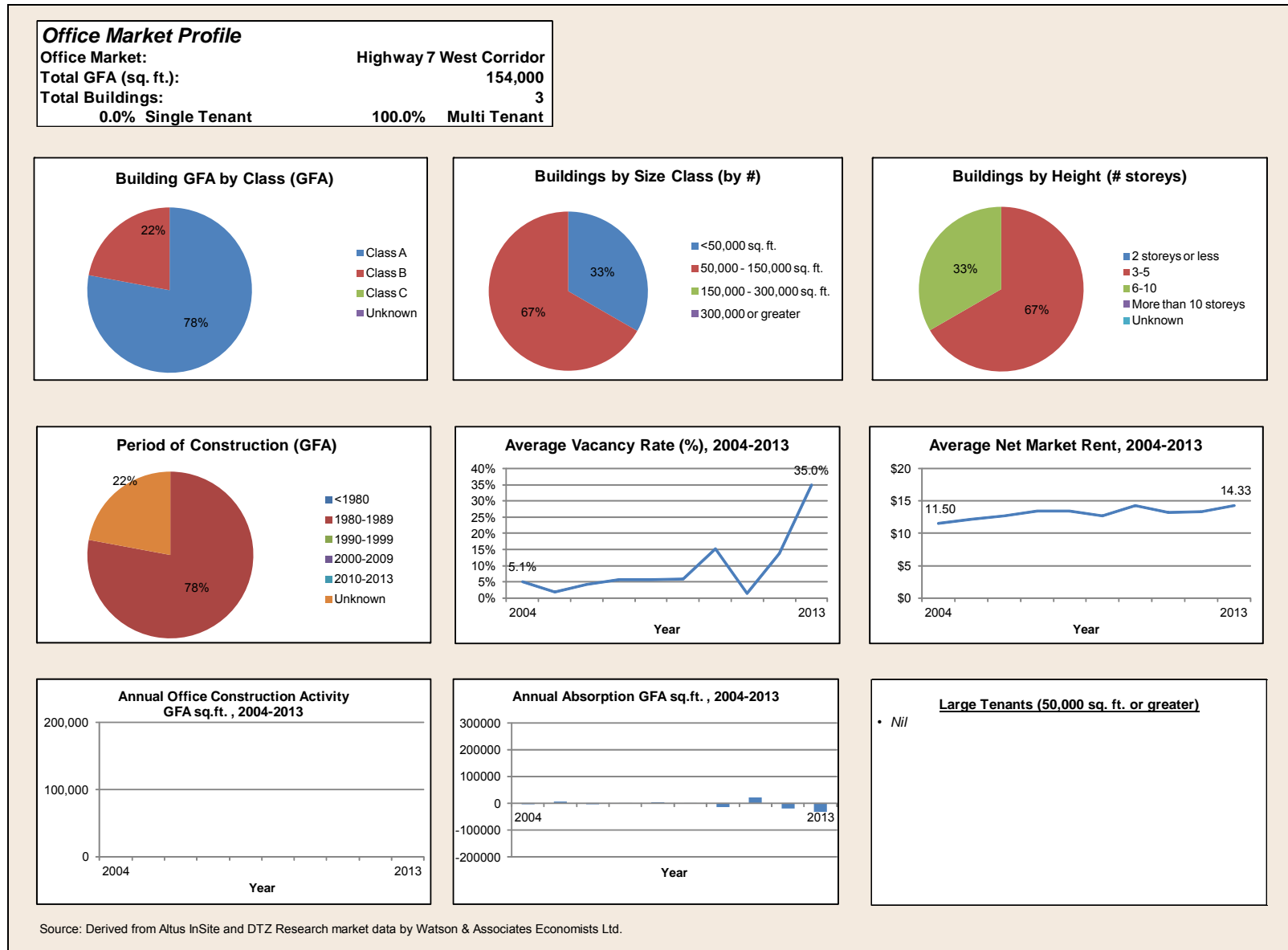


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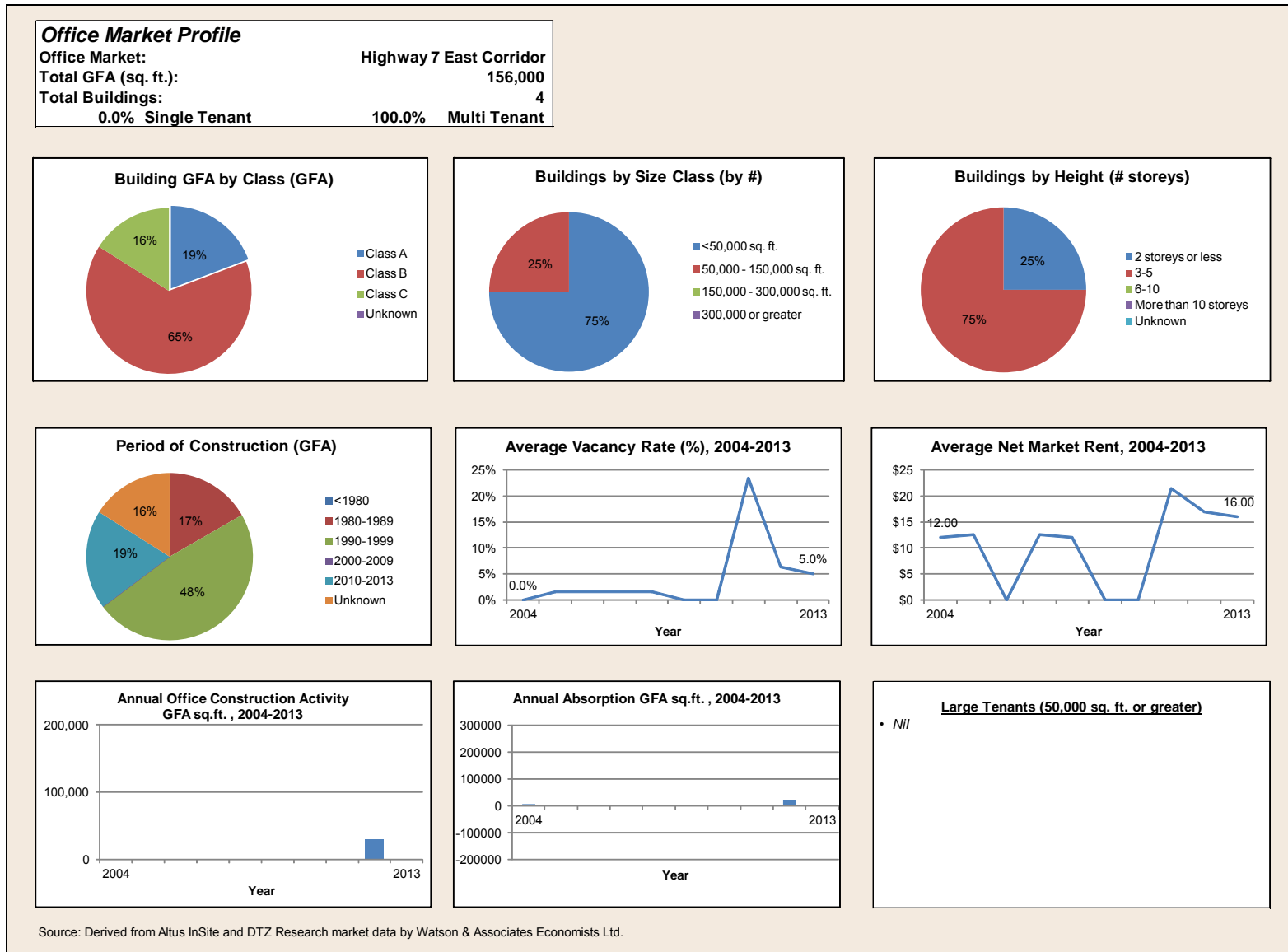


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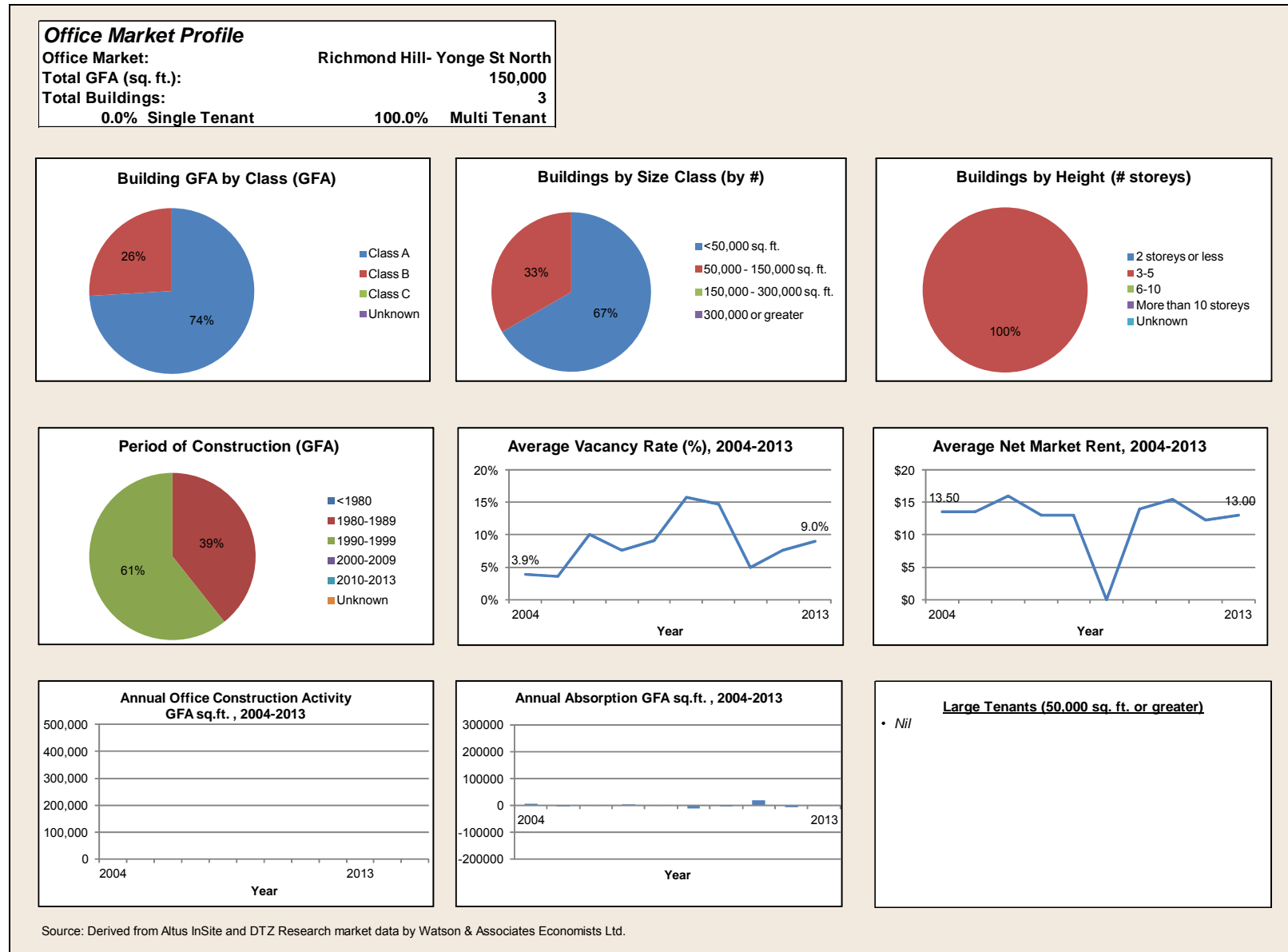


Figure A-17

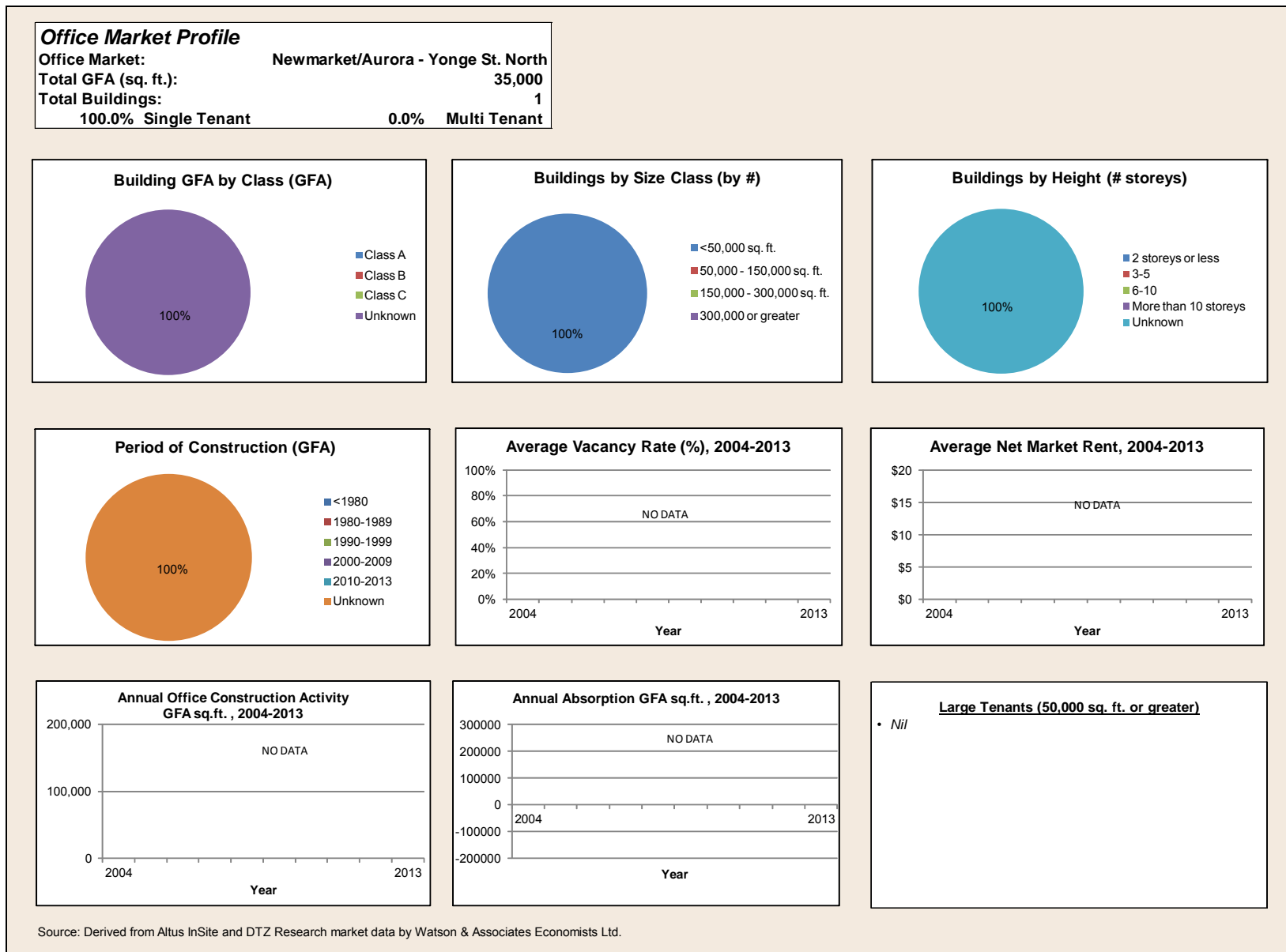
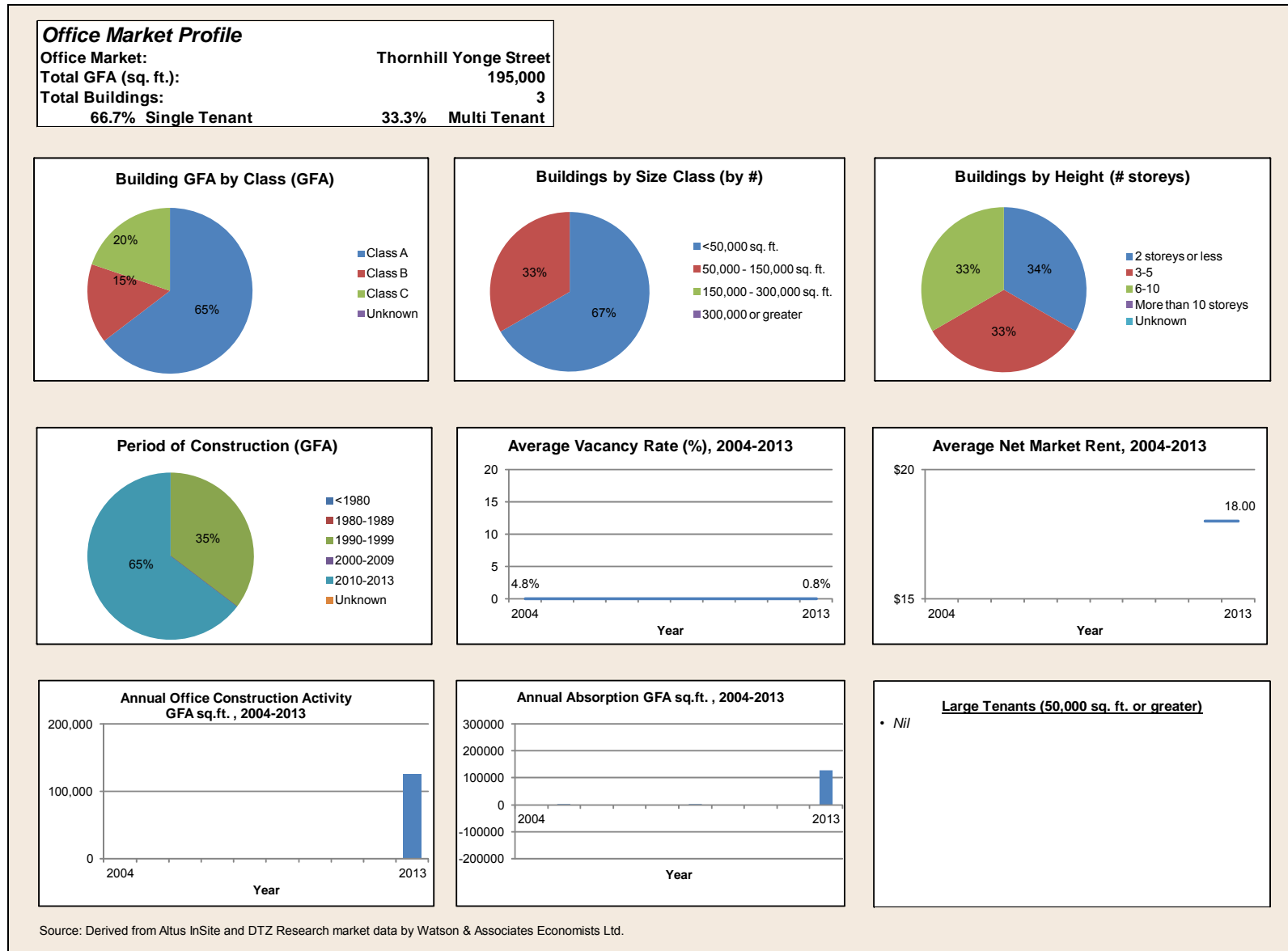


Figure A -18



Appendix B – G.T.A. Office Nodes/Corridors

Appendix B – G.T.A. Office Nodes/Corridors

Figure B-1

Figure B-1 Office Market Profiles, Greater Toronto Area

Office Market:	Burlington OEW Corridor	Oakville OEW Corridor	Mississauga Meadowdale	Mississauga Airport Corp. Centre	Brampton 407 Corridor	North York- 401/404	North York- 404 & Steeles	Don Mills	Mississauga City Centre	Brampton Downtown	North York Centre	Scarborough Centre	Pickering
Total GFA (sq. ft.):	3,149,848	3,486,676	5,952,734	5,718,077	2,657,824	5,232,550	1,794,450	2,910,303	3,456,969	304,685	6,840,317	1,559,195	944,064
Total Buildings:	51	48	61	65	23	60	17	23	21	7	28	7	13
Period of Construction (GFA)													
<1980	580,358	34,800	888,667	0	1,372,843	2,864,111	103,186	1,939,065	950,092	151,000	1,296,370	231,506	80,000
1980-1989	669,195	505,489	1,649,500	1,848,198	502,781	2,368,439	835,386	561,788	1,905,616	58,665	3,151,579	915,526	209,212
1990-1999	991,458	518,560	953,174	2,549,834	113,000	0	147,598	389,450	600,261	67,000	1,830,368	412,163	90,439
2000-2009	763,607	1,246,120	1,515,621	746,298	485,000	0	564,965	0	0	0	562,000	0	448,867
2010-2015	63,500	764,292	470,861	49,449	164,200	0	0	0	0	0	0	0	115,546
Unknown	81,730	417,415	474,910	524,296	0	0	143,315	0	0	28,000	0	0	0
Building GFA by Class (GFA)													
Class A	1,764,492	2,693,401	4,025,310	3,666,786	790,994	1,597,817	1,174,445	971,238	2,183,979	163,648	5,278,264	1,535,195	527,010
Class B	552,546	570,675	1,354,690	1,080,006	1,635,830	3,503,398	495,819	1,617,957	883,948	93,037	1,562,053	0	147,403
Class C	774,810	122,600	348,350	42,808	231,000	620,165	124,186	321,108	25,384	48,000	0	24,000	269,651
Unknown	58,000	100,000	224,384	896,477	0	0	0	0	363,668	0	0	0	0
Buildings by Size Class (by #)													
<50,000 sq. ft.	23	21	20	21	11	15	6	5	4	4	2	1	5
50,000 - 150,000 sq. ft.	27	21	31	35	8	18	6	12	5	3	3	1	7
150,000 - 300,000 sq. ft.	1	6	8	8	2	15	4	4	11	0	5	2	1
300,000 or greater	0	0	2	0	0	2	1	2	1	0	10	3	0
Buildings by Height (if storeys)													
2 storeys or less	26	23	33	30	7	8	5	2	1	0	0	1	5
3-5	17	12	21	25	14	20	7	9	5	4	2	1	4
6-10	6	11	7	10	2	12	4	8	5	3	10	2	4
More than 10 storeys	1	0	0	0	0	10	1	4	10	0	14	3	0
Unknown	1	2	0	0	0	0	0	0	0	0	0	0	0
Large Tenants (50,000 sq. ft. or greater)													
L-3 Communications Wescom Inc. The Centre for Skills and Development Training West 49 Sennum Corporation SMCZ Corporation of Canada Manulife Securities Incorporated	AMEC Canadian Tire Financial Services iMTECH Ipsite Health Sciences Inc. RBC General Insurance Company McConnell Canada Co. TDL Group The Dominion of Canada General Insurance The Weather Network	Vigour Limited Partnership Victorian Order of Nurses For Canada Hoffman-La Roche Limited RBC General Insurance Company McConnell Canada Co. Nordion Inc. RBC Life Insurance Company Iron Data Canada Corporation E.I. du Pont Canada Company General Electric Capital Canada Genetec Detection - Toronto Ltd. Whitpool Canada LP Bayer & Associates Limited Bell Canada Maple Leaf Foods Inc. NCP Canada Ltd	Government of Canada Oligroup Global Markets Canada Inc. Hewlett-Packard (Canada) Co. TLC Vision Corporation Federal Express Canada Ltd Nordion Inc. Accenture Inc. iStock Technologies Canada Corp Emergis Inc. Carbon Marketing Canada Ltd Ornge Pepsi Bottling Group (Canada), Co. Barnes Group Canada Corp Nordion Inc. Eriocan Canada Inc. General Mills Canada Corporation Vantage Canada Corp	Loblaw Inc. Zellers Inc. MacDonald, Detwiler And Associates Inc. Loblaw Supermarkets Limited Community Care Access Centre Of Peel Hudson's Bay Company	Shoppers Drug Mart Inc. SAS Secure Solutions (Canada) Ltd Sun Life Assurance Company Of Canada Enbridge Gas Distribution Inc. Carnival Media Sales Ltd Carnival Global Communications Corp The National Post Company IBM Canada Ltd Rogers Communications MBS-Shared Services Bureau Comcast (Canada) Limited Direct Energy Marketing Limited Ipsos-Reid Limited Partnership Greenwin Property Management Inc CDM Hill TSB Credit Recovery Limited Reliance Limited Partnership Piney Bowes of Canada Ltd Vantage Canada Corp	Del Computer Corporation ING Direct HSBC Sony of Canada Ltd TD Insurance Home & Auto Premium Insur	ESRI Canada Limited Home Depot Canada Bell Canada Celestica International Inc. The Governing Council of the Salvation Army Sport Alliance of Ontario International Order of Foresters	Jones, Edward Corporation of the City of Mississauga J&S Sales Ltd Baxter Corporation Symyx Inc. Personal Insurance Company of Canada Pramer Canada Inc. Resolve Corporation Economic Mutual Insurance Company Ceres Direct Insurance Company Government of Canada Pricewaterhousecoopers LLP Woodbridge Foam Corporation	NI	Government of Canada Nestle Canada Transcontinental Media Ministry of Health iStock Pricewaterhousecoopers Procter & Gamble ACN Health BMO Financial Bank of Montreal Warner Brothers Canada Transmedia Life Franklin Templeton Investments RBC Financial Plesco Capital One Debitel & Touche CMIC Ont. Teacher's Pension Plan Bd Manulife Ipsos Canada Alcohol & Gaming Comm. of Ont. CMIC Tricon Financial Serv. Comm. of Ont. Toronto Transit Commission Government of Ontario	Telus Communications Inc. Government of Canada SAP Treasury	MPAC	

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure B-2

Figure B-2 Office Construction, GFA (sq. ft.) by Year, 2004-2013

Office Market	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brampton Centre	-	-	-	-	-	-	-	-	-	-
Brampton 407 Corridor	-	400,000	-	-	-	85,000	-	50,600	-	133,600
Burlington QEW Corridor	-	66,612	-	101,019	-	-	63,500	-	-	-
Toronto 401/404	-	-	-	-	-	-	-	-	-	-
Don Mills	-	-	-	-	-	-	-	-	-	-
Toronto 404/Steeles	-	-	-	-	-	-	-	-	-	-
Mississauga Meadowvale	100,000	-	-	188,956	250,000	391,855	86,910	242,305	-	141,646
Mississauga Airport Corporate Centre	-	-	-	106,866	-	-	-	-	-	49,449
Mississauga City Centre	-	-	-	-	-	-	-	-	-	-
North York Centre	562,000	-	-	-	-	-	-	-	-	-
Oakville QEW Corridor	50,561	59,947	304,041	26,478	264,264	64,829	151,824	75,700	322,683	214,085
Pickering	177,000	60,000	-	-	-	-	-	115,546	-	-
Scarborough Centre	-	-	-	-	-	-	-	-	-	-
Total	889,561	586,559	304,041	423,319	514,264	541,684	302,234	484,151	322,683	538,780

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure B-3

Figure B-3 Asking Net Market Rents

Net Market Rents	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brampton Centre	\$ 11.25	\$ 11.75	\$ 11.88	\$ 12.25	\$ 11.33	\$ 11.33	\$ 20.33	\$ 15.33	\$ 15.33	\$ 15.33
Brampton 407 Corridor	\$ 12.14	\$ 13.39	\$ 13.75	\$ 14.20	\$ 13.94	\$ 13.78	\$ 14.04	\$ 14.21	\$ 14.79	\$ 13.92
Burlington QEW Corridor	\$ 11.72	\$ 11.56	\$ 12.28	\$ 13.09	\$ 13.63	\$ 13.59	\$ 14.62	\$ 14.73	\$ 14.99	\$ 15.05
Toronto 401/404	\$ 10.76	\$ 9.34	\$ 9.66	\$ 10.22	\$ 11.17	\$ 11.17	\$ 11.44	\$ 11.09	\$ 11.43	\$ 11.58
Don Mills	\$ 10.34	\$ 9.25	\$ 10.15	\$ 9.64	\$ 10.04	\$ 11.19	\$ 10.30	\$ 11.25	\$ 11.93	\$ 12.27
Toronto 404/Steeles	\$ 12.34	\$ 12.09	\$ 12.35	\$ 13.18	\$ 13.49	\$ 11.87	\$ 12.13	\$ 11.55	\$ 11.85	\$ 11.70
Mississauga - Meadowvale	\$ 13.44	\$ 13.27	\$ 14.06	\$ 14.96	\$ 16.59	\$ 15.69	\$ 16.43	\$ 16.00	\$ 16.37	\$ 15.95
Mississauga Airport Corporate Centre	\$ 15.50	\$ 14.66	\$ 14.64	\$ 15.75	\$ 16.13	\$ 15.69	\$ 15.76	\$ 13.90	\$ 14.82	\$ 15.16
Mississauga City Centre	\$ 15.06	\$ 14.82	\$ 15.67	\$ 15.58	\$ 16.65	\$ 16.75	\$ 16.56	\$ 15.80	\$ 16.40	\$ 16.44
North York Centre	\$ 16.31	\$ 15.23	\$ 16.44	\$ 16.67	\$ 17.91	\$ 17.72	\$ 17.52	\$ 16.80	\$ 18.36	\$ 18.20
Oakville QEW Corridor	\$ 14.54	\$ 14.61	\$ 14.14	\$ 15.85	\$ 16.83	\$ 16.38	\$ 17.54	\$ 16.81	\$ 17.90	\$ 17.92
Pickering	\$ 16.00	\$ 16.00	\$ 14.24	\$ 12.48	\$ 13.48	\$ 14.74	\$ 16.00	\$ 13.14	\$ 12.28	\$ 11.55
Scarborough Centre	\$ 10.52	\$ 10.30	\$ 10.83	\$ 11.42	\$ 12.05	\$ 12.79	\$ 12.35	\$ 10.23	\$ 10.07	\$ 10.41

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure B-3 Availability Rates and Annual Absorption

Availability Rates (%)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brampton Centre	9.7	10.6	4.7	6.7	9.0	5.6	6.4	4.2	8.7	10.7
Brampton 407 Corridor	17.6	25.6	4.1	4.1	6.3	4.6	4.4	13.1	17.2	13.2
Burlington QEW Corridor	16.9	10.9	10.9	10.7	11.4	13	14.4	14.1	14	17.3
Toronto 401/404	15.4	14	18.3	12.2	11.1	11.5	13.4	14.9	14.3	19.3
Don Mills	18.5	17.3	16.4	8.8	10.8	17.1	10.2	8.8	8.3	10.1
Toronto 404/Steeles	11.4	7.2	8.3	11	12.1	11.3	11.2	10.6	12.4	13.1
Mississauga - Meadowvale	7.7	6.8	3.9	6.7	5.3	13.1	12.2	17	13.5	11.1
Mississauga Airport Corporate Centre	10.4	9	10.9	12.4	12.4	18	21.6	16	12.7	18.2
Mississauga City Centre	20.9	17.8	13.7	11.9	7.4	7.4	13	13.5	13.9	16.8
North York Centre	16.5	11.6	9.1	9.3	7	10.2	8.3	4.7	5.4	8.3
Oakville QEW Corridor	18.9	15	7.7	6.5	7.7	11.7	12.2	12.8	16	17.6
Pickering	4.4	12.4	8.6	6.9	5	11.6	13.1	10.7	7.7	10.2
Scarborough Centre	13.3	18.4	15.9	15.9	13	15.3	13.4	12.9	15.6	12.7

Annual Absorption (sq. ft.)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brampton Centre	75	(2,733)	16,843	(5,592)	(6,611)	9,713	(2,372)	6,235	(12,800)	(5,588)
Brampton 407 Corridor	4,326	(122,525)	538,055	718	(60,667)	43,831	4,423	(231,211)	3,123	111,512
Burlington QEW Corridor	77,950	213,416	7,447	30,233	106,595	(81,484)	47,738	(41,953)	56,576	(117,880)
Toronto 401/404	(93,239)	68,149	45,825	61,636	65,744	(72,674)	(1,637)	3,053	(102,676)	(87,020)
Don Mills	143,881	(83,811)	51,547	284,010	(91,155)	(245,287)	288,185	(180,413)	(24,991)	(374,930)
Toronto 404/Steeles	112,457	208,676	120,430	(286,127)	(100,655)	38,682	78,053	42,441	(117,348)	(81,410)
Mississauga - Meadowvale	103,569	92,174	269,907	132,359	131,378	125,761	259,606	119,870	282,453	171,070
Mississauga Airport Corporate Centre	157,400	124,039	87,207	(9,873)	30,785	(252,830)	(32,841)	121,926	240,894	(232,853)
Mississauga City Centre	(90,696)	72,556	157,357	81,997	149,589	64,284	(165,260)	(61,390)	(50,516)	(90,580)
North York Centre	462,684	271,802	353,087	(57,059)	304,586	(334,342)	178,670	211,507	(122,413)	(197,378)
Oakville QEW Corridor	(33,100)	139,086	135,406	159,638	366,212	(45,189)	98,592	96,579	201,114	171,056
Pickering	211,405	(8,946)	31,184	14,196	16,040	(1,595)	(9,272)	66,802	28,688	(23,868)
Scarborough Centre	(169,273)	123,278	(226,905)	31,925	87,880	(50,032)	47,593	117,191	(170,746)	118,237

Source: Derived from Altus InSite and DTZ Research market data by Watson & Associates Economists Ltd.

Figure B-4



Figure B-5

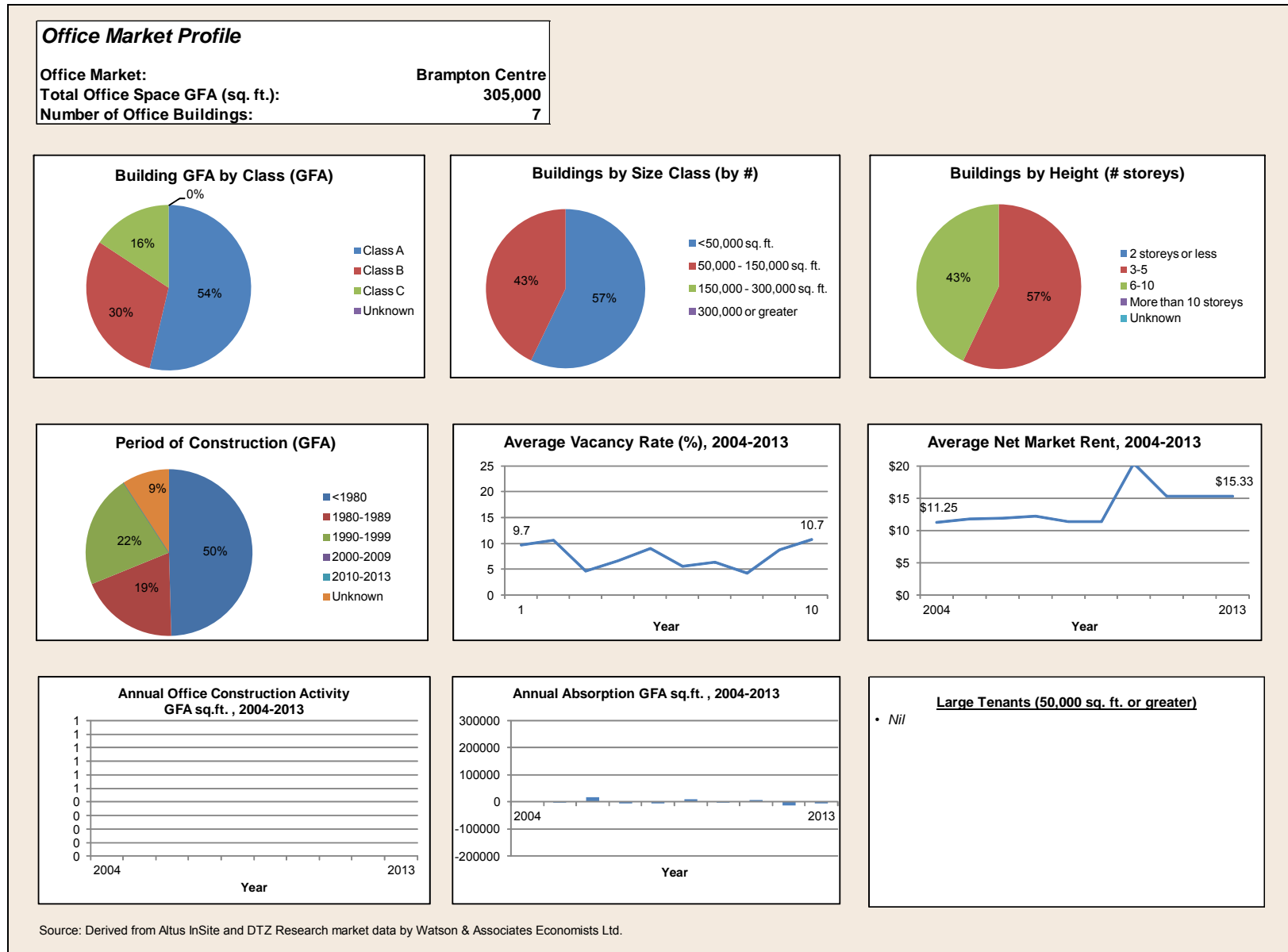


Figure B-6



Figure B-7

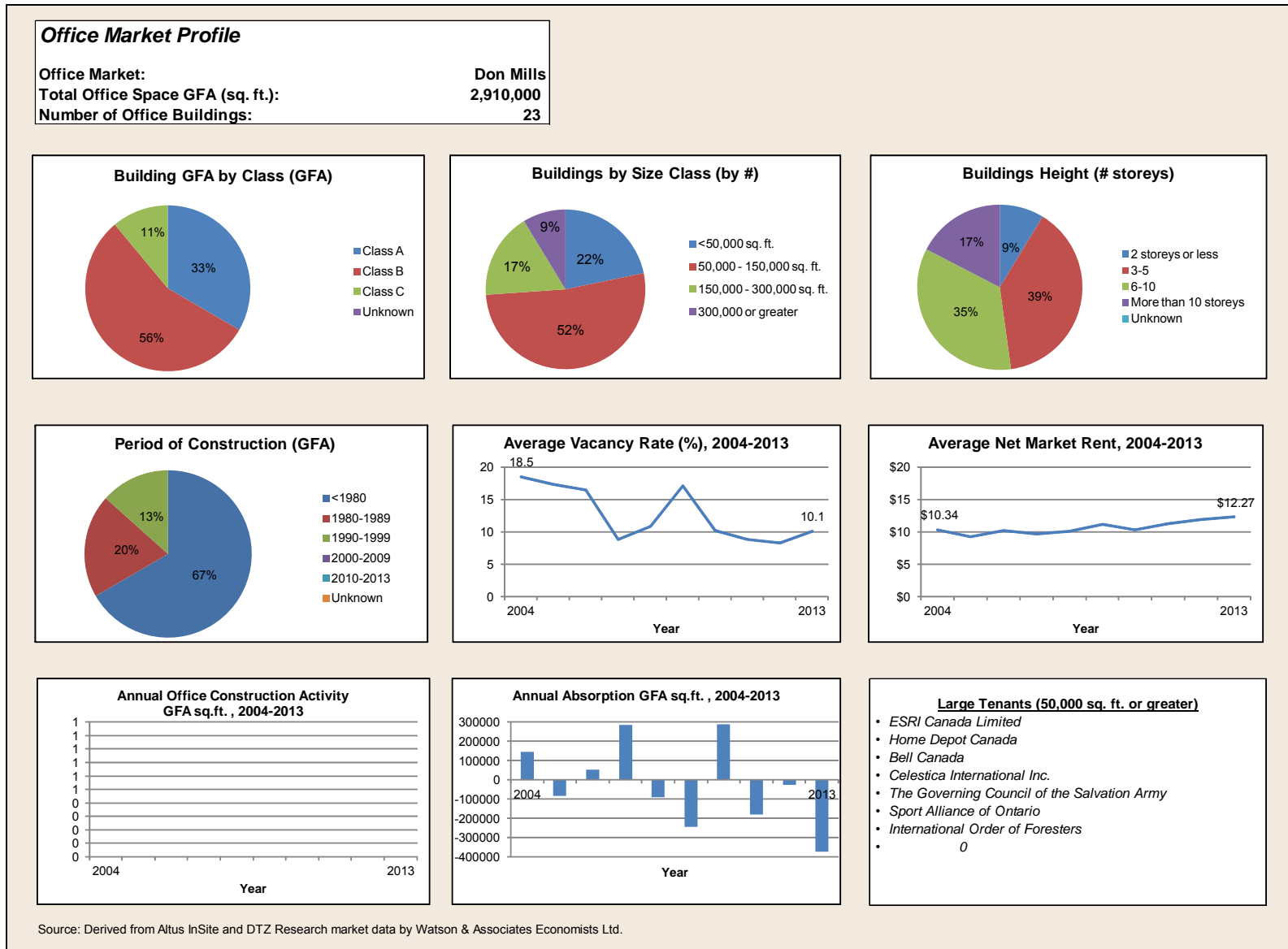


Figure B-8

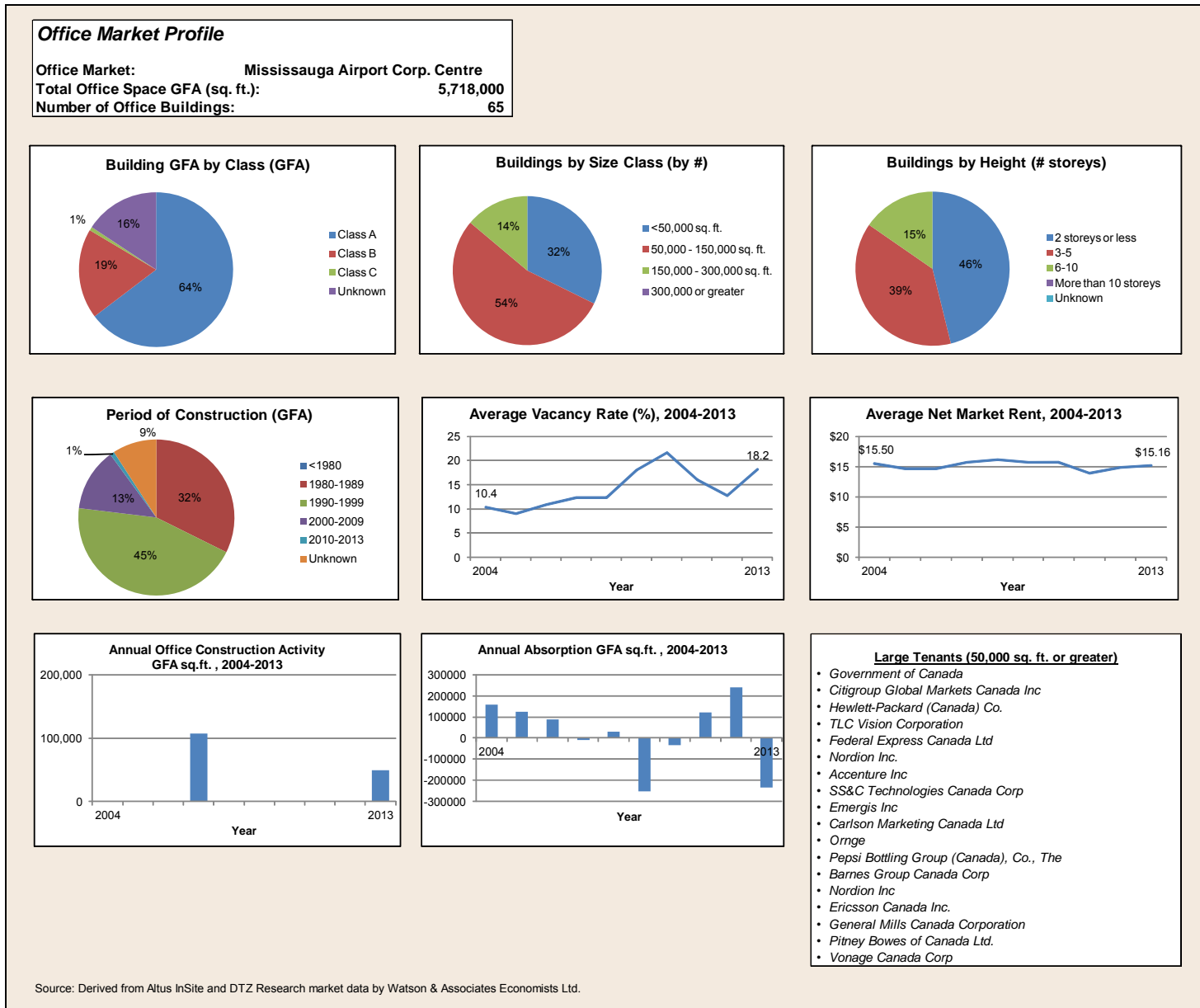


Figure B-9

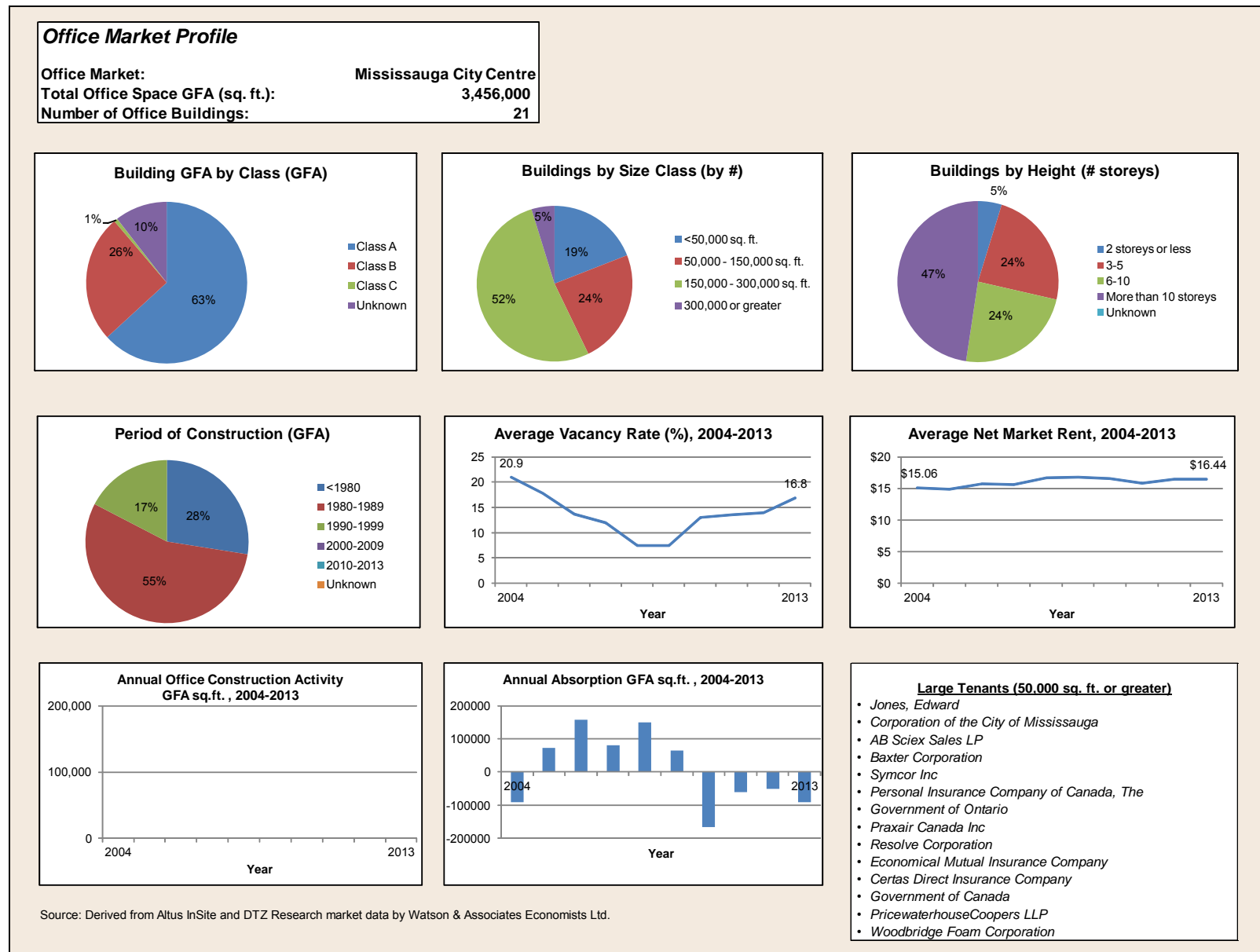


Figure B-10

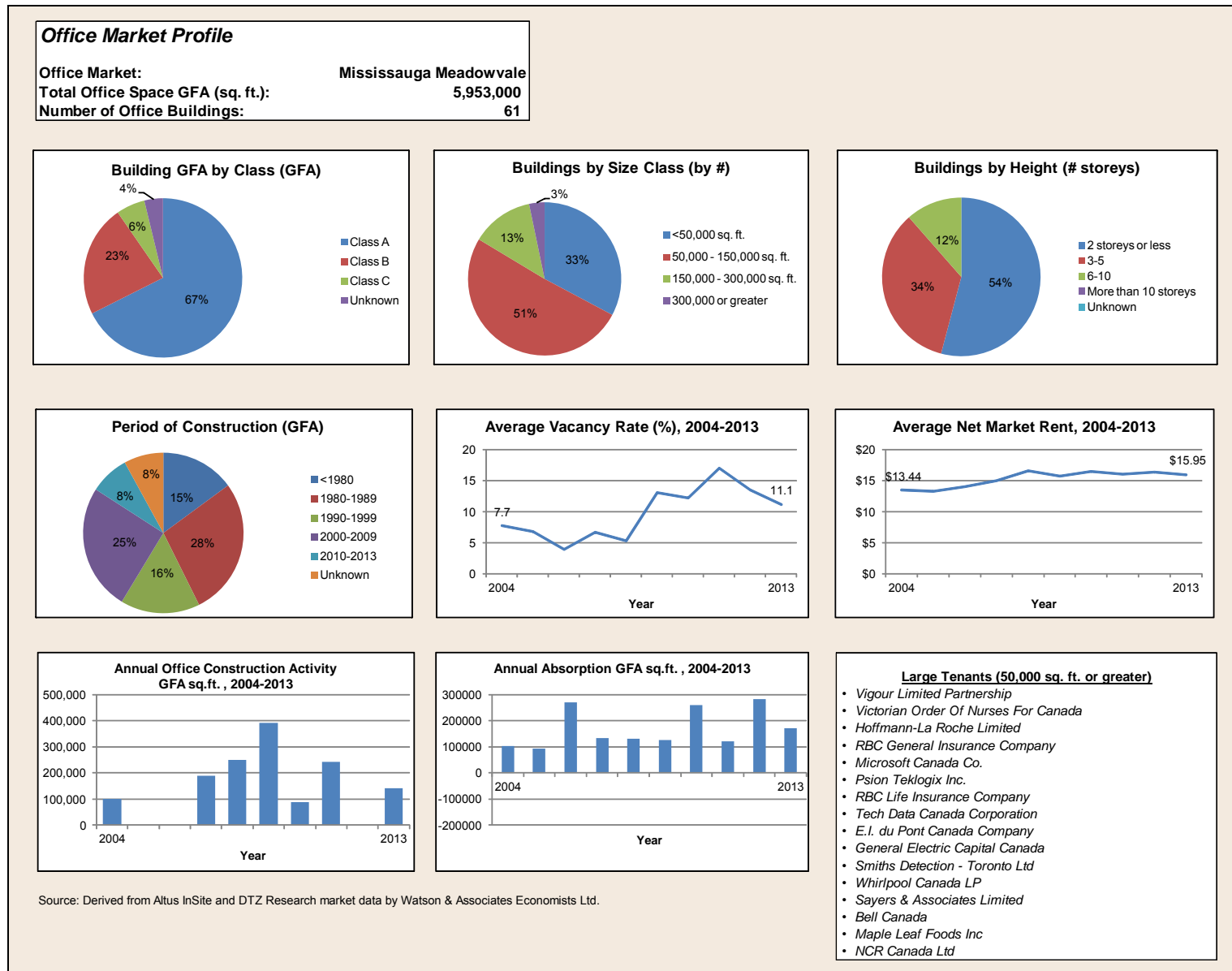


Figure B-11

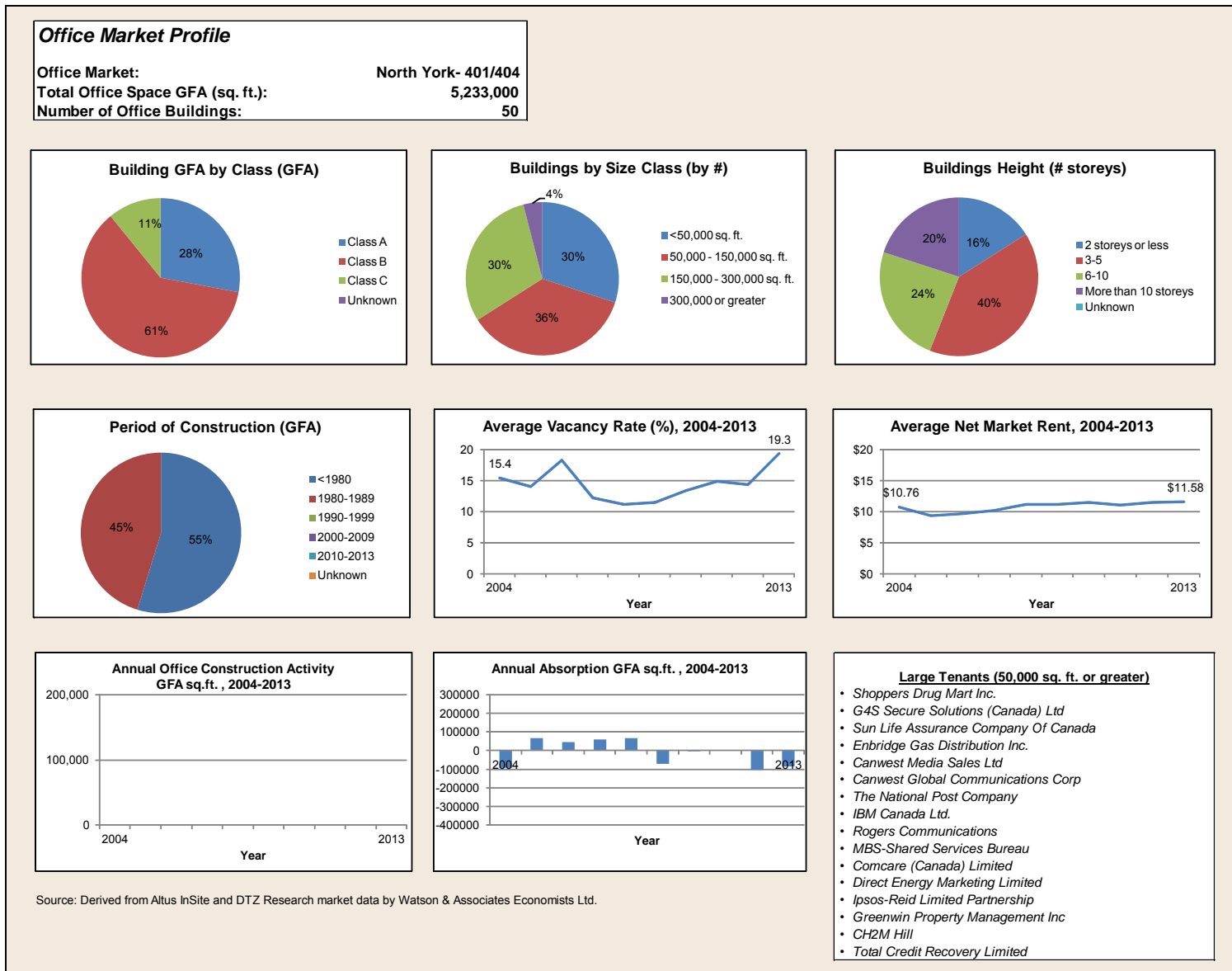


Figure B-12

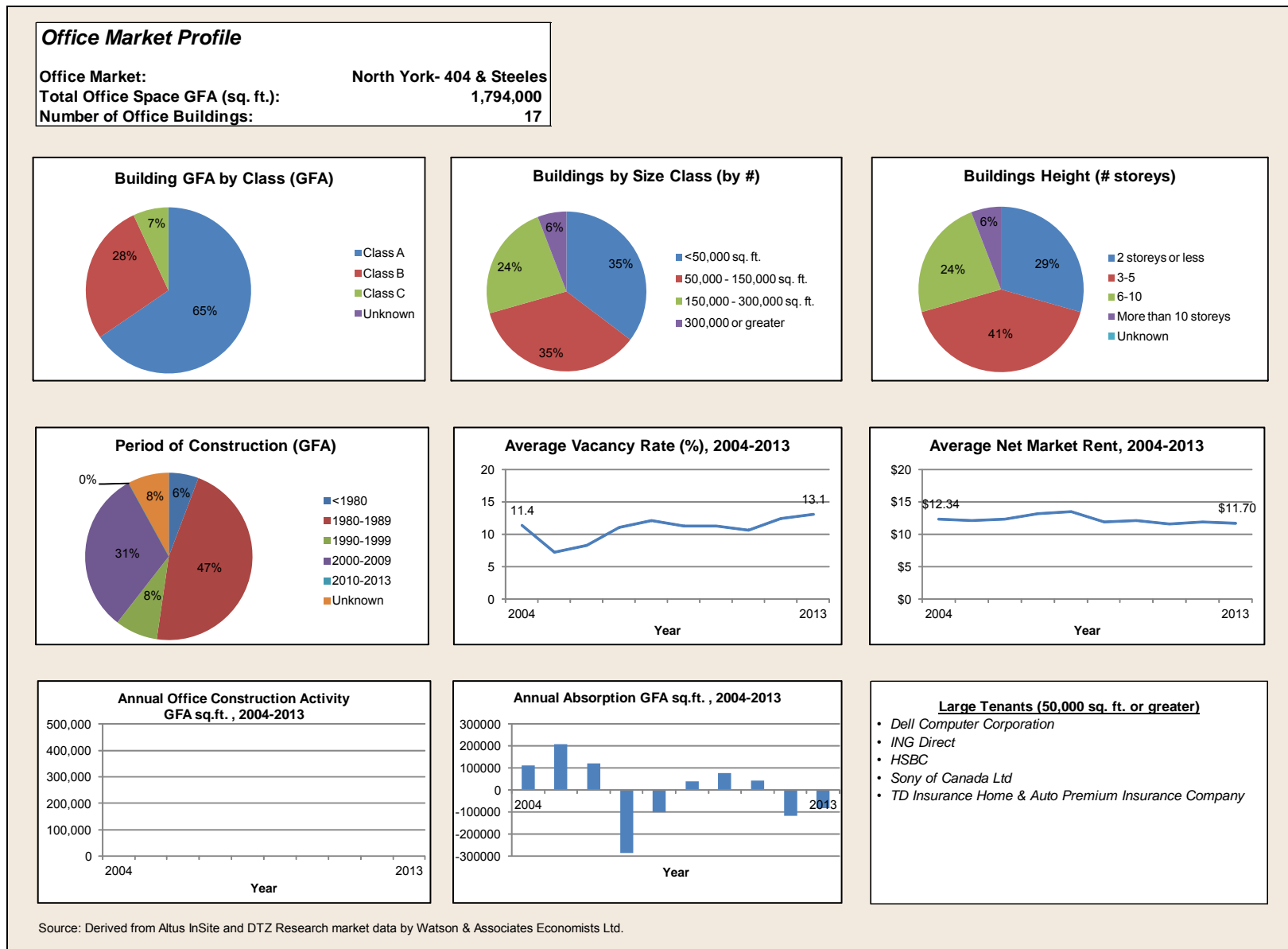


Figure B-13

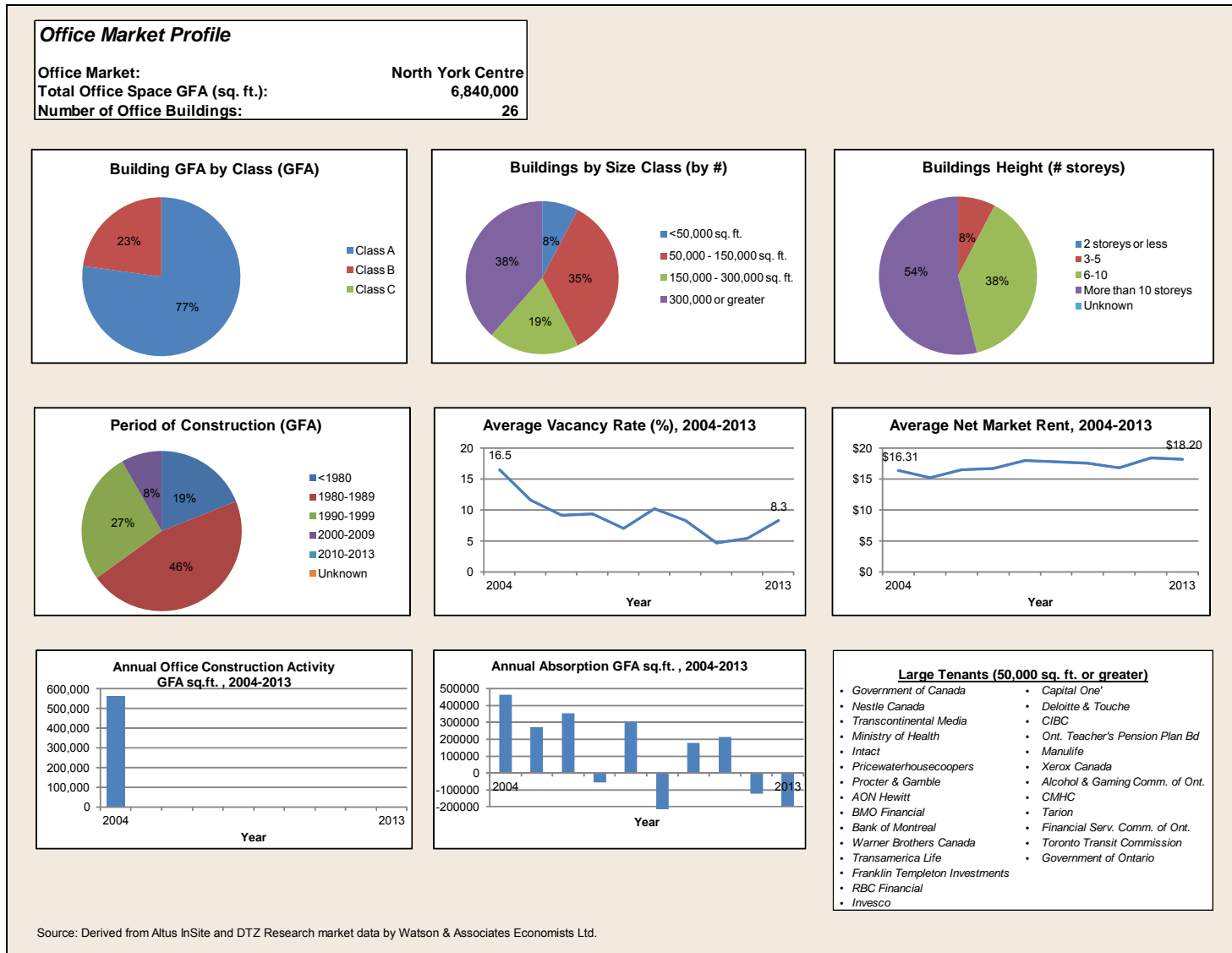


Figure B-14

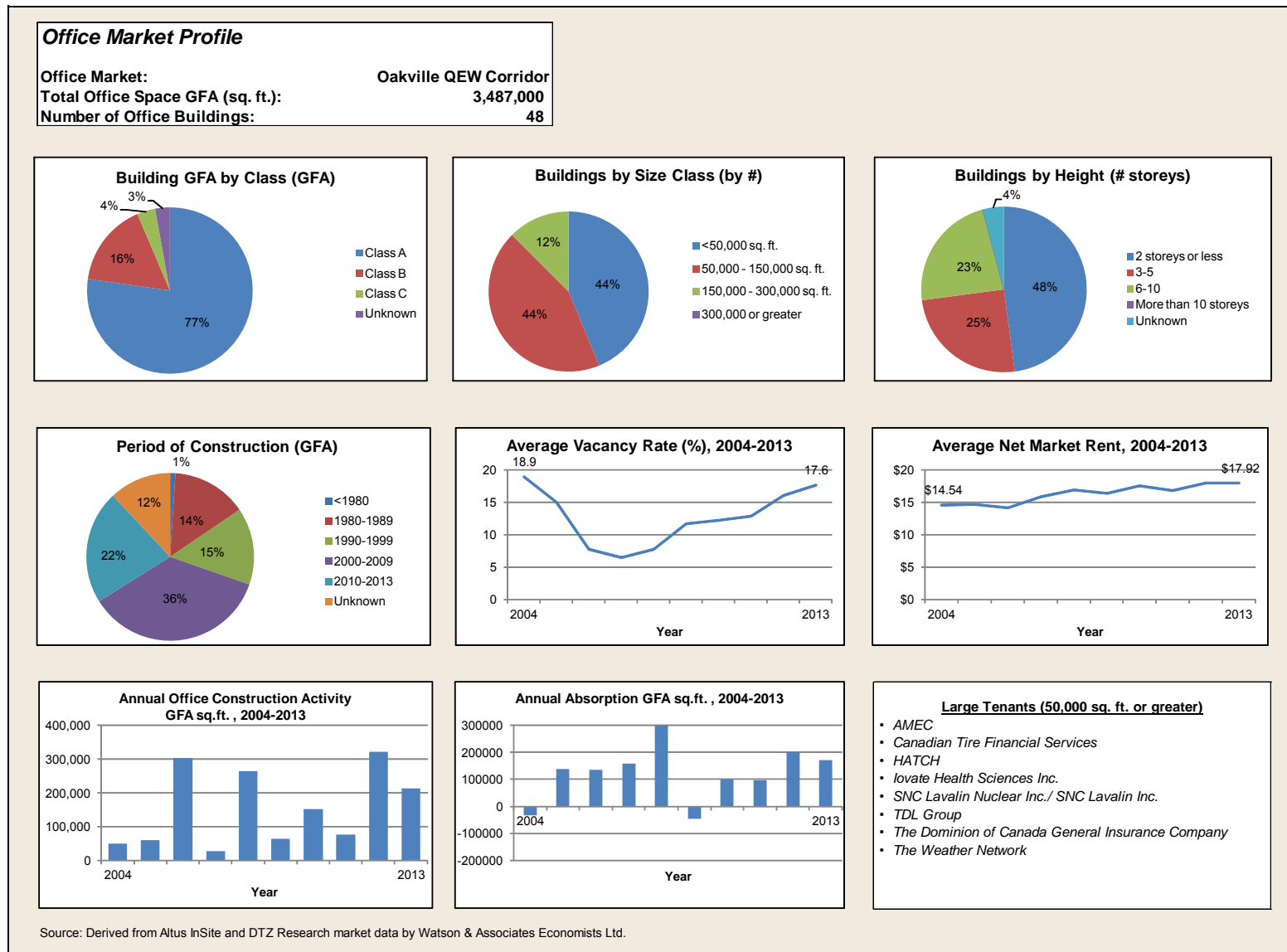


Figure B-15

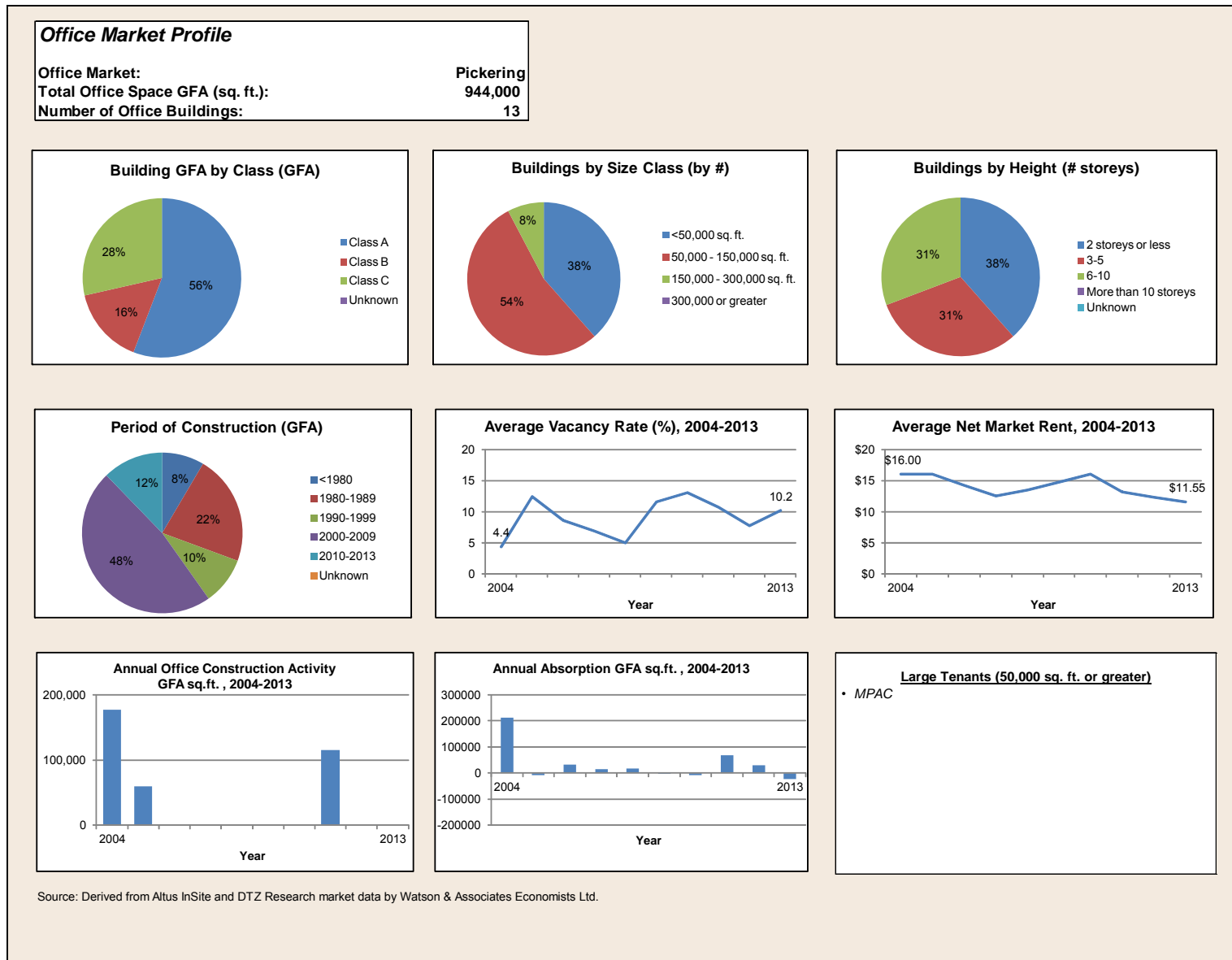
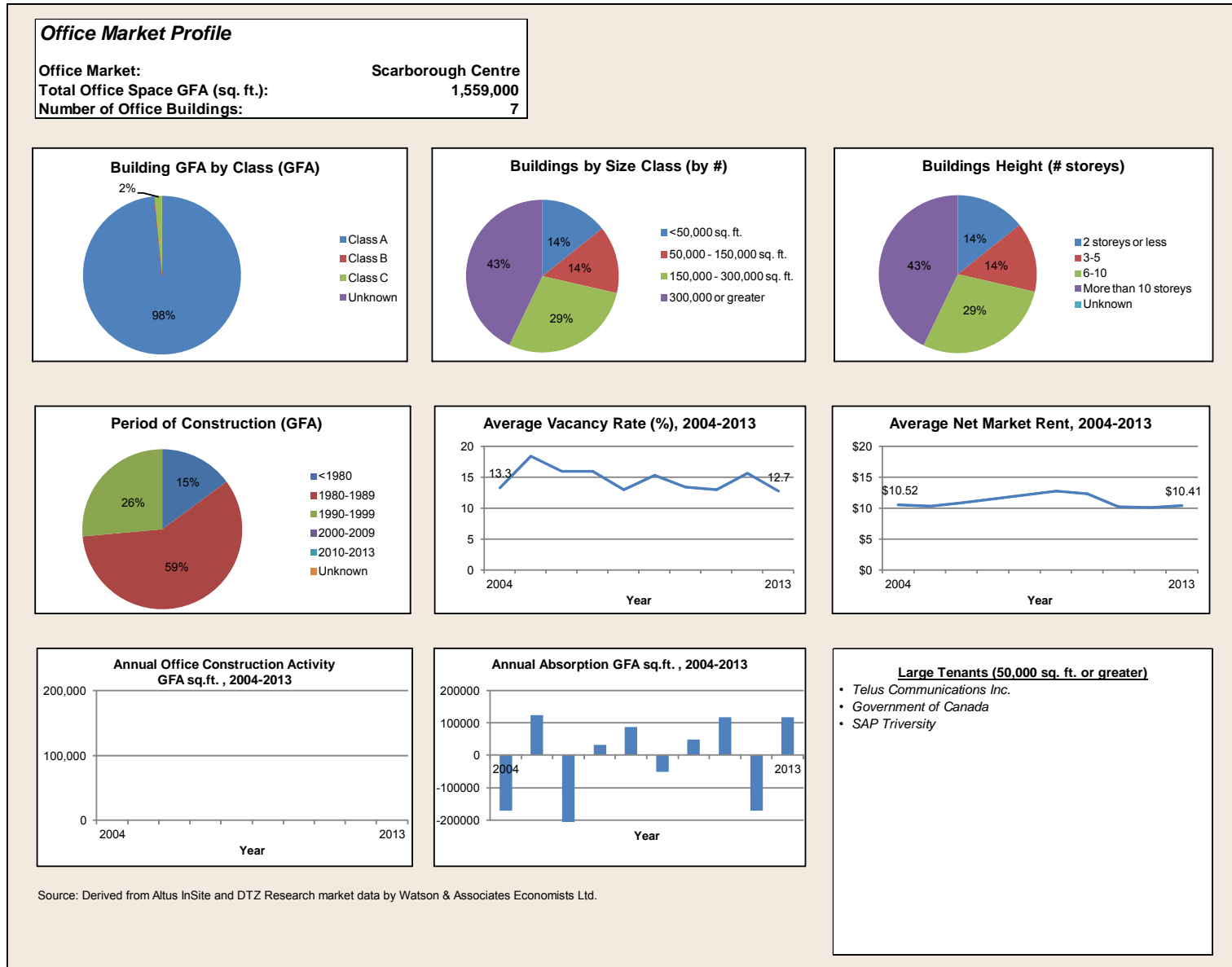


Figure B-16



Appendix C – Development Community Consultation Feedback

Appendix C – Development Community Consultation Feedback

York Region Office Market Study Stakeholders' Workshop Group Session Summary Notes

Key Themes/Issues Raised by the Development Community

1. Office Sector Trends and Potential

- Market is slow right now.
- Leasing market is tough.
- There is vacancy that needs to be filled.
- Stiff competition from other areas (G.T.A. competitiveness rising, competition from outside the G.T.A., e.g. Buffalo).
- Financially it is very challenging in office sector. Retail and residential is profitable.
- Newer developments need an anchor tenant, e.g. KPMG.
- In short-term – office with surface parking in demand – incentives might need to be put in place to develop otherwise.
- Demand is for Class “B” office space. Market not there to pay for premium to have underground parking.
- V.M.C. is the most central of the Centres and Corridors – the only one that has true rapid transit coming to it.
- Subway has an advantage – access to downtown workforce – over B.R.T. in Corridors.
- Trends to smaller, flexible spaces – open concept office, hoteling, accommodating telework.

2. Transportation

- Loss of tenants in creative industries such as marketing and scientific services, because people want to be in downtown Toronto.
- Right now we're selling the 20-year vision of what transit will look like and not the tangible reality of doing work today.
- Subways to Vaughan and Richmond Hill will help – allow a “reverse” commute.
- Transportation a key issue in traditional office parks because it's getting more congested.

3. Mixed Use

- Amenities are scarce in employment areas. Young professionals looking for more work/live balance. Need more concentration of amenities.
- Residential can help drive the office market.
- Flexibility to create that full living environment is important.
- Incentives in Toronto for mixed-use development.

4. Development Process

- The time it takes.
- Small modifications (e.g. to allow for a daycare) can even be a challenge; it forces a large number of requirements.
- Zoning by-laws/green regulations. Need re-working. Too restrictive.
- Could it be more consistent across local municipalities?

5. Cost of Development

- D.C.s are too high and prohibiting new office and industrial development.
- D.C.s and how they are calculated.
- Significant increase in development costs over the past five years, yet market rents have remained stagnated.

6. Opportunities

- Talent (labour force) is here in York Region.
- Internet connectivity and related infrastructure is world class in York Region.
- Existing industry clusters – is there room for more incubator type development?

Appendix D – Assessment of Development Cost/Annualized Cost

TABLE D-1: ASSESSMENT OF TOTAL DEVELOPMENT COST/ANNUALIZED COST

Suburban Office Building - 50,000 sq. ft.

Building 50,000 square feet
 Land 2.87 acres (40% FSI)
 Building Cost \$174.75 per square foot (includes both hard and soft costs)
 Developer Profit 5%
 Annualization Factor 6.5%

	Land Cost Per Acre ¹	Land Cost Per Sq. Ft. of Building	Construction Cost Per Sq.Ft. ²	Development Charges Per Sq.Ft. ³	Parkland Dedication ⁴	Building Permit Fee Per Sq.Ft. ⁵	Developer Profit (5%) Per Sq.Ft.	Total Dev't Cost Per Sq.Ft.	Annualized Dev't Cost (6.5%) Per Sq.Ft.	Tax Rate ⁶	Assesment ⁷ Per Sq. Ft.	Taxes Per Sq. Ft.	Total Annualized Costs
	A	B	C	D	E	F	G	H	I	J	K	L	M
		A x 2.87 / 50000					5% of (B+C+D+E+F)	B+C+D+E+F+G	H x 6.5%			J x K / 100	I + L
YORK REGION													
Aurora - Wellington-404 Area	\$650,000	\$37.31	\$174.75	\$22.36	\$0.75	\$0.84	\$11.80	\$247.80	\$16.11	1.9742	\$186.90	\$3.69	\$19.80
Markham - Commerce Valley	\$1,485,000	\$85.24	\$174.75	\$26.08	\$1.70	\$1.32	\$14.46	\$303.56	\$19.73	1.8251	\$209.20	\$3.82	\$23.55
Markham - Denison/Steeles/Risebrough	\$1,205,000	\$69.17	\$174.75	\$29.57	\$1.38	\$1.32	\$13.81	\$290.01	\$18.85	1.8251	\$195.88	\$3.57	\$22.43
Markham - Allstate/Cachet/400 North	\$1,110,000	\$63.71	\$174.75	\$27.07	\$1.27	\$1.32	\$13.41	\$281.54	\$18.30	1.8251	\$212.10	\$3.87	\$22.17
Newmarket - Highway 404 Corridor	\$600,000	\$34.44	\$174.75	\$21.76	\$0.69	\$0.80	\$11.62	\$244.07	\$15.86	2.0314	\$235.05	\$4.77	\$20.64
Richmond Hill - Beaver Creek/Barker Area	\$1,485,000	\$85.24	\$174.75	\$23.89	\$1.70	\$1.70	\$14.36	\$301.65	\$19.61	1.8536	\$201.42	\$3.73	\$23.34
Vaughan - Highway 400 North Corridor	\$1,120,000	\$64.29	\$174.75	\$22.46	\$1.29	\$1.02	\$13.19	\$276.99	\$18.00	1.8592	\$195.30	\$3.63	\$21.64
OTHER GTA													
Oakville - QEW Corridor	\$895,000	\$51.37	\$174.75	\$20.50	\$1.03	\$1.96	\$12.48	\$262.09	\$17.04	1.9879	\$207.43	\$4.12	\$21.16
Burlington - QEW Corridor	\$712,000	\$40.87	\$174.75	\$14.19	\$0.82	\$1.65	\$11.61	\$243.89	\$15.85	2.0294	\$199.82	\$4.06	\$19.91
Brampton - 407 Corridor	\$915,000	\$52.52	\$174.75	\$23.46	\$1.05	\$1.41	\$12.66	\$265.85	\$17.28	2.3724	\$161.15	\$3.82	\$21.10
Mississauga - Airport Corporate Centre	\$1,195,000	\$68.59	\$174.75	\$27.69	\$1.37	\$1.42	\$13.69	\$287.51	\$18.69	2.1550	\$234.53	\$5.05	\$23.74
Mississauga - Meadowdale	\$1,325,000	\$76.06	\$174.75	\$27.69	\$1.52	\$1.42	\$14.07	\$295.51	\$19.21	2.1550	\$220.52	\$4.75	\$23.96
Pickering	\$310,000	\$17.79	\$174.75	\$17.03	\$0.36	\$1.02	\$10.55	\$221.50	\$14.40	2.7796	\$161.93	\$4.50	\$18.90
Toronto - Don Mills	\$7,753,000	\$445.02	\$174.75	\$4.95	\$8.90	\$1.97	\$31.78	\$667.37	\$43.38	3.0355	\$189.19	\$5.74	\$49.12
Toronto - North York 401/404	\$1,015,000	\$58.26	\$174.75	\$4.95	\$1.17	\$1.97	\$12.05	\$253.15	\$16.45	3.0355	\$174.68	\$5.30	\$21.76
Toronto - North York Steeles/404	\$1,115,000	\$64.00	\$174.75	\$4.95	\$1.28	\$1.97	\$12.35	\$259.30	\$16.85	3.0355	\$150.44	\$4.57	\$21.42

Source: Watson & Associates Economists Ltd.

Notes:

1. Land value based on mid-range of typical per acre cost for high quality serviced employment land, source: DTZ Canada Inc.
2. Hard constructions costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc. Assumes full tenant fit out cost of \$40 per square foot.
3. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education development charges.
4. Based on 2% of land area calculated at market price of land.
5. Reflects rate for partitioned/finished office building
6. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education taxes.
7. Based on 2013-2014 assessment survey completed by Watson & Associates Economists Ltd. and DTZ Canda Inc.

TABLE D-2: ASSESSMENT OF TOTAL DEVELOPMENT COST/ANNUALIZED COST

Suburban Office Building - 150,000 sq. ft.

Building 150,000 square feet
 Land 6.26 acres (55% FSI)
 Building Cost \$174.75 per square foot (includes both hard and soft costs)
 Developer Profit 5%
 Annualization Factor 6.5%

	Land Cost Per Acre ¹	Land Cost Per Sq. Ft. of Building	Construction Cost Per Sq.Ft. ²	Development Charges Per Sq.Ft. ³	Parkland Dedication ⁴	Building Permit Fee Per Sq.Ft. ⁵	Developer Profit (5%) Per Sq.Ft.	Total Dev't Cost Per Sq.Ft.	Annualized Dev't Cost (6.5%) Per Sq.Ft.	Tax Rate ⁶	Assesment ⁷ Per Sq. Ft.	Taxes Per Sq. Ft.	Total Annualized Costs
	A	B	C	D	E	F	G	H	I	J	K	L	M
		A x 6.26 / 150000					5% of (B+C+D+E+F)	B+C+D+E+F+G	H x 6.5%			J x K / 100	I + L
YORK REGION													
Aurora - Wellington-404 Area	\$650,000	\$27.13	\$174.75	\$22.36	\$0.54	\$0.84	\$11.28	\$236.90	\$15.40	1.9742	\$186.90	\$3.69	\$19.09
Markham - Commerce Valley	\$1,485,000	\$61.97	\$174.75	\$24.69	\$1.24	\$1.32	\$13.20	\$277.18	\$18.02	1.8251	\$209.20	\$3.82	\$21.83
Markham - Denison/Steeles/Risebrough	\$1,205,000	\$50.29	\$174.75	\$27.22	\$1.01	\$1.32	\$12.73	\$267.32	\$17.38	1.8251	\$195.88	\$3.57	\$20.95
Markham - Allstate/Cachet/400 North	\$1,110,000	\$46.32	\$174.75	\$25.41	\$0.93	\$1.32	\$12.44	\$261.17	\$16.98	1.8251	\$212.10	\$3.87	\$20.85
Newmarket - Highway 404 Corridor	\$600,000	\$25.04	\$174.75	\$21.76	\$0.50	\$0.80	\$11.14	\$234.00	\$15.21	2.0314	\$235.05	\$4.77	\$19.98
Richmond Hill - Beaver Creek/Barker Area	\$1,485,000	\$61.97	\$174.75	\$23.89	\$1.24	\$1.70	\$13.18	\$276.74	\$17.99	1.8536	\$201.42	\$3.73	\$21.72
Vaughan - Highway 400 North Corridor	\$1,120,000	\$46.74	\$174.75	\$22.36	\$0.93	\$1.02	\$12.29	\$258.09	\$16.78	1.8592	\$195.30	\$3.63	\$20.41
OTHER GTA													
Oakville - QEW Corridor	\$895,000	\$37.35	\$174.75	\$20.50	\$0.75	\$1.96	\$11.77	\$247.08	\$16.06	1.9879	\$207.43	\$4.12	\$20.18
Burlington - QEW Corridor	\$712,000	\$29.71	\$174.75	\$14.19	\$0.59	\$1.65	\$11.04	\$231.94	\$15.08	2.0294	\$199.82	\$4.06	\$19.13
Brampton - 407 Corridor	\$915,000	\$38.19	\$174.75	\$23.46	\$0.76	\$1.41	\$11.93	\$250.50	\$16.28	2.3724	\$161.15	\$3.82	\$20.11
Mississauga - Airport Corporate Centre	\$1,195,000	\$49.87	\$174.75	\$27.69	\$1.00	\$1.42	\$12.74	\$267.46	\$17.39	2.1550	\$234.52	\$5.05	\$22.44
Mississauga - Meadowdale	\$1,325,000	\$55.30	\$174.75	\$27.69	\$1.11	\$1.42	\$13.01	\$273.27	\$17.76	2.1550	\$220.52	\$4.75	\$22.51
Pickering	\$310,000	\$12.94	\$174.75	\$17.03	\$0.26	\$1.02	\$10.30	\$216.30	\$14.06	2.7796	\$161.93	\$4.50	\$18.56
Toronto - Don Mills	\$7,753,000	\$323.56	\$174.75	\$2.77	\$6.47	\$1.97	\$25.48	\$534.99	\$34.77	3.0355	\$189.19	\$5.74	\$40.52
Toronto - North York 401/404	\$1,015,000	\$42.36	\$174.75	\$2.77	\$0.85	\$1.97	\$11.13	\$233.82	\$15.20	3.0355	\$174.68	\$5.30	\$20.50
Toronto - North York Steeles/404	\$1,115,000	\$46.53	\$174.75	\$2.77	\$0.93	\$1.97	\$11.35	\$238.29	\$15.49	3.0355	\$150.44	\$4.57	\$20.06

Source: Watson & Associates Economists Ltd.

Notes:

1. Land value based on mid-range of typical per acre cost for high quality serviced employment land, source: DTZ Canada Inc.
2. Hard constructions costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc. Assumes full tenant fit out cost of \$40 per square foot.
3. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education development charges.
4. Based on 2% of land area calculated at market price of land.
5. Reflects rate for partitioned/finished office building
6. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education taxes.
7. Based on 2013-2014 assessment survey completed by Watson & Associates Economists Ltd. and DTZ Canada Inc.

TABLE D-3: ASSESSMENT OF TOTAL DEVELOPMENT COST/ANNUALIZED COST

Suburban Office Building - 300,000 sq. ft.

Building 300,000 square feet
 Land 6.89 acres (100% FSI)
 Building Cost \$174.75 per square foot (includes both hard and soft costs)
 Developer Profit 5%
 Annualization Factor 6.5%

	Land Cost Per Acre ¹	Land Cost Per Sq. Ft. of Building	Construction Cost Per Sq.Ft. ²	Development Charges Per Sq.Ft. ³	Parkland Dedication ⁴	Building Permit Fee Per Sq.Ft. ⁵	Developer Profit (5%) Per Sq.Ft.	Total Dev't Cost Per Sq.Ft.	Annualized Dev't Cost (6.5%) Per Sq.Ft.	Tax Rate ⁶	Assesment ⁷ Per Sq. Ft.	Taxes Per Sq. Ft.	Total Annualized Costs
	A	B	C	D	E	F	G	H	I	J	K	L	M
		A x 6.89 / 300000					5% of (B+C+D+E+F)	B+C+D+E+F+G	H x 6.5%			J x K / 100	I + L
YORK REGION													
Aurora - Wellington-404 Area	\$650,000	\$14.93	\$174.75	\$22.36	\$0.30	\$0.84	\$10.66	\$223.83	\$14.55	1.9742	\$186.90	\$3.69	\$18.24
Markham - Commerce Valley	\$1,485,000	\$34.11	\$174.75	\$23.01	\$0.68	\$1.32	\$11.69	\$245.57	\$15.96	1.8251	\$209.20	\$3.82	\$19.78
Markham - Denison/Steeles/Risebrough	\$1,205,000	\$27.67	\$174.75	\$24.41	\$0.55	\$1.32	\$11.44	\$240.15	\$15.61	1.8251	\$195.88	\$3.57	\$19.18
Markham - Allstate/Cachet/400 North	\$1,110,000	\$25.49	\$174.75	\$23.41	\$0.51	\$1.32	\$11.27	\$236.76	\$15.39	1.8251	\$212.10	\$3.87	\$19.26
Newmarket - Highway 404 Corridor	\$600,000	\$13.78	\$174.75	\$21.76	\$0.28	\$0.80	\$10.57	\$221.94	\$14.43	2.0314	\$235.05	\$4.77	\$19.20
Richmond Hill - Beaver Creek/Barker Area	\$1,485,000	\$34.11	\$174.75	\$23.89	\$0.68	\$1.70	\$11.76	\$246.89	\$16.05	1.8536	\$201.42	\$3.73	\$19.78
Vaughan - Highway 400 North Corridor	\$1,120,000	\$25.72	\$174.75	\$22.23	\$0.51	\$1.02	\$11.21	\$235.45	\$15.30	1.8592	\$195.30	\$3.63	\$18.94
OTHER GTA													
Oakville - QEW Corridor	\$895,000	\$20.56	\$174.75	\$20.50	\$0.41	\$1.96	\$10.91	\$229.09	\$14.89	1.9879	\$207.43	\$4.12	\$19.01
Burlington - QEW Corridor	\$712,000	\$16.35	\$174.75	\$14.19	\$0.33	\$1.65	\$10.36	\$217.63	\$14.15	2.0294	\$199.82	\$4.06	\$18.20
Brampton - 407 Corridor	\$915,000	\$21.01	\$174.75	\$23.46	\$0.42	\$1.41	\$11.05	\$232.11	\$15.09	2.3724	\$161.15	\$3.82	\$18.91
Mississauga - Airport Corporate Centre	\$1,195,000	\$27.45	\$174.75	\$27.69	\$0.55	\$1.42	\$11.59	\$243.44	\$15.82	2.1550	\$234.53	\$5.05	\$20.88
Mississauga - Meadowdale	\$1,325,000	\$30.43	\$174.75	\$27.69	\$0.61	\$1.42	\$11.74	\$246.64	\$16.03	2.1550	\$220.52	\$4.75	\$20.78
Pickering	\$310,000	\$7.12	\$174.75	\$17.03	\$0.14	\$1.02	\$10.00	\$210.07	\$13.65	2.7796	\$161.93	\$4.50	\$18.16
Toronto - Don Mills	\$7,753,000	\$178.06	\$174.75	\$1.89	\$3.56	\$1.97	\$18.01	\$378.24	\$24.59	3.0355	\$189.19	\$5.74	\$30.33
Toronto - North York 401/404	\$1,015,000	\$23.31	\$174.75	\$1.89	\$0.47	\$1.97	\$10.12	\$212.50	\$13.81	3.0355	\$174.68	\$5.30	\$19.12
Toronto - North York Steeles/404	\$1,115,000	\$25.61	\$174.75	\$1.89	\$0.51	\$1.97	\$10.24	\$214.96	\$13.97	3.0355	\$150.44	\$4.57	\$18.54

Source: Watson & Associates Economists Ltd.

Notes:

1. Land value based on mid-range of typical per acre cost for high quality serviced employment land, source: DTZ Canada Inc.
2. Hard constructions costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc. Assumes full tenant fit out cost of \$40 per square foot
3. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education development charges.
4. Based on 2% of land area calculated at market price of land.
5. Reflects rate for partitioned/finished office building
6. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education taxes.
7. Based on 2013-2014 assessment survey completed by Watson & Associates Economists Ltd. and DTZ Canada Inc.

TABLE D-4: ASSESSMENT OF TOTAL DEVELOPMENT COST/ANNUALIZED COST

Urban Office Building - 100,000 sq. ft.

Building 100,000 square feet
 Land 1.15 acres (200 percent FSI)
 Building Cost \$260.22 per square foot (includes both hard and soft costs)
 Developer Profit 5%
 Annualization Factor 6.5%

	Land Cost Per Acre ¹	Land Cost Per Sq. Ft. of Building	Construction Cost Per Sq.Ft. ²	Development Charges Per Sq.Ft. ³	Parkland Dedication ⁴	Building Permit Fee Per Sq.Ft. ⁵	Developer Profit (5%) Per Sq.Ft.	Total Dev't Cost Per Sq.Ft.	Annualized Dev't Cost (6.5%) Per Sq.Ft.	Tax Rate ⁶	Assesment ⁷ Per Sq. Ft.	Taxes Per Sq. Ft.	Total Annualized Costs
	A	B	C	D	E	F	G	H	I	J	K	L	M
		A x 1.15 / 100000					5% of (B+C+D+E+F)	B+C+D+E+F+G	H x 6.5%			J x K / 100	I + L
YORK REGION													
<i>REGIONAL CENTRES</i>													
Markham - Centre	\$1,175,000	\$13.51	\$260.22	\$24.34	\$0.27	\$1.32	\$14.98	\$314.65	\$20.45	1.8251	\$229.80	\$4.19	\$24.65
Markham - Langstaff/Gateway	\$3,900,000	\$44.85	\$260.22	\$21.99	\$0.90	\$1.32	\$16.46	\$345.74	\$22.47	1.8251	\$201.08	\$3.67	\$26.14
Newmarket Centre	\$1,100,000	\$12.65	\$260.22	\$21.76	\$0.25	\$0.80	\$14.78	\$310.47	\$20.18	2.0314	\$190.85	\$3.88	\$24.06
Richmond Hill Centre	\$3,900,000	\$44.85	\$260.22	\$23.89	\$0.90	\$1.70	\$16.58	\$348.14	\$22.63	1.8536	\$201.08	\$3.73	\$26.36
Vaughan - Metropolitan Centre	\$3,300,000	\$37.95	\$260.22	\$22.08	\$0.76	\$1.02	\$16.10	\$338.13	\$21.98	1.8592	\$218.80	\$4.07	\$26.05
<i>REGIONAL CORRIDORS</i>													
Aurora - Yonge St. North	\$350,000	\$4.03	\$260.22	\$22.36	\$0.08	\$1.97	\$14.43	\$303.09	\$19.70	1.9742	\$147.96	\$2.92	\$22.62
Markham - Highway 7 East	\$1,300,000	\$14.95	\$260.22	\$21.99	\$0.30	\$1.32	\$14.94	\$313.72	\$20.39	1.8251	\$273.85	\$5.00	\$25.39
Markham - Yonge St. Thornhill	\$2,500,000	\$28.75	\$260.22	\$21.99	\$0.57	\$1.32	\$15.64	\$328.50	\$21.35	1.8251	\$318.43	\$5.81	\$27.16
Newmarket - Yonge St North	\$500,000	\$5.75	\$260.22	\$21.76	\$0.11	\$0.80	\$14.43	\$303.08	\$19.70	2.0314	\$176.52	\$3.59	\$23.29
Newmarket - Davis Drive	\$500,000	\$5.75	\$260.22	\$21.76	\$0.11	\$0.80	\$14.43	\$303.08	\$19.70	2.0314	\$176.52	\$3.59	\$23.29
Richmond Hill - Yonge St. North	\$2,195,000	\$25.24	\$260.22	\$23.89	\$0.50	\$1.70	\$15.58	\$327.14	\$21.26	1.8536	\$178.17	\$3.30	\$24.57
Richmond Hill - Highway 7 West	\$2,600,000	\$29.90	\$260.22	\$23.89	\$0.60	\$1.70	\$15.82	\$332.13	\$21.59	1.8536	\$245.12	\$4.54	\$26.13
Richmond Hill - Highway 7 East	\$2,600,000	\$29.90	\$260.22	\$23.89	\$0.60	\$1.70	\$15.82	\$332.13	\$21.59	1.8536	\$245.12	\$4.54	\$26.13
Vaughan - Highway 7 West	\$1,300,000	\$14.95	\$260.22	\$22.11	\$0.30	\$1.02	\$14.93	\$313.54	\$20.38	1.8592	\$192.07	\$3.57	\$23.95
Vaughan - Yonge St. Thornhill	\$2,500,000	\$28.75	\$260.22	\$22.08	\$0.57	\$1.02	\$15.63	\$328.28	\$21.34	1.8592	\$318.43	\$5.92	\$27.26
OTHER GTA													
Brampton Urban Centre	\$950,000	\$10.93	\$260.22	\$23.46	\$0.22	\$1.41	\$14.81	\$311.04	\$20.22	2.3724	\$160.50	\$3.81	\$24.03
Mississauga - City Centre	\$1,375,000	\$15.81	\$260.22	\$27.69	\$0.32	\$1.42	\$15.27	\$320.73	\$20.85	2.1550	\$226.98	\$4.89	\$25.74
Scarborough Town Centre	\$1,860,000	\$21.39	\$260.22	\$3.86	\$0.43	\$1.97	\$14.39	\$302.26	\$19.65	3.0355	\$172.38	\$5.23	\$24.88
North York Centre	\$13,535,000	\$155.65	\$260.22	\$3.86	\$3.11	\$1.97	\$21.24	\$446.05	\$28.99	3.0355	\$240.47	\$7.30	\$36.29

Source: Watson & Associates Economists Ltd.

Notes:

1. Land value based on mid-range of typical per acre cost for high quality serviced commercial office, source: DTZ Canada Inc.
2. Hard constructions costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc. Assumes full tenant fit out cost of \$40 per square foot.
3. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education development charges.
4. Based on 2% of land area calculated at market price of land.
5. Reflects rate for partitioned/finished office building
6. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education taxes.
7. Based on 2013-2014 assessment survey completed by Watson & Associates Economists Ltd. and DTZ Canada Inc.

TABLE D-5: ASSESSMENT OF TOTAL DEVELOPMENT COST/ANNUALIZED COST

Urban Office Building - 300,000 sq. ft.

Building 300,000 square feet
 Land 1.72 acres (400 percent FSI)
 Building Cost \$260.22 per square foot (includes both hard and soft costs)
 Developer Profit 5%
 Annualization Factor 6.5%

	Land Cost Per Acre ¹	Land Cost Per Sq. Ft. of Building	Construction Cost Per Sq.Ft. ²	Development Charges Per Sq.Ft. ³	Parkland Dedication ⁴	Building Permit Fee Per Sq.Ft. ⁵	Developer Profit (5%) Per Sq.Ft.	Total Dev't Cost Per Sq.Ft.	Annualized Dev't Cost (6.5%) Per Sq.Ft.	Tax Rate ⁶	Assesment ⁷ Per Sq. Ft.	Taxes Per Sq. Ft.	Total Annualized Costs
	A	B	C	D	E	F	G	H	I	J	K	L	M
		A x 1.72 / 300000					5% of (B+C+D+E+F)	B+C+D+E+F+G	H x 6.5%			J x K / 100	I + L
YORK REGION													
<i>REGIONAL CENTRES</i>													
Markham - Centre	\$1,175,000	\$6.74	\$260.22	\$22.65	\$0.13	\$1.32	\$14.49	\$305.56	\$19.86	1.8251	\$229.80	\$4.19	\$24.06
Markham - Langstaff/Gateway	\$3,900,000	\$22.36	\$260.22	\$21.48	\$0.45	\$1.32	\$15.23	\$321.05	\$20.87	1.8251	\$201.08	\$3.67	\$24.54
Newmarket Centre	\$1,100,000	\$6.31	\$260.22	\$21.76	\$0.13	\$0.80	\$14.42	\$303.64	\$19.74	2.0314	\$190.85	\$3.88	\$23.61
Richmond Hill Centre	\$3,900,000	\$22.36	\$260.22	\$23.89	\$0.45	\$1.70	\$15.35	\$323.97	\$21.06	1.8536	\$201.08	\$3.73	\$24.79
Vaughan - Metropolitan Centre	\$3,300,000	\$18.92	\$260.22	\$22.08	\$0.38	\$1.02	\$15.08	\$317.70	\$20.65	1.8592	\$218.80	\$4.07	\$24.72
<i>REGIONAL CORRIDORS</i>													
Aurora - Yonge St. North	\$350,000	\$2.01	\$260.22	\$22.36	\$0.04	\$1.97	\$14.23	\$300.83	\$19.55	1.9742	\$147.96	\$2.92	\$22.47
Markham - Highway 7 East	\$1,300,000	\$7.45	\$260.22	\$21.48	\$0.15	\$1.32	\$14.46	\$305.09	\$19.83	1.8251	\$273.85	\$5.00	\$24.83
Markham - Yonge St. Thornhill	\$2,500,000	\$14.33	\$260.22	\$21.48	\$0.06	\$1.32	\$14.80	\$312.22	\$20.29	1.8251	\$318.43	\$5.81	\$26.11
Newmarket - Yonge St North	\$500,000	\$2.87	\$260.22	\$21.76	\$0.06	\$0.80	\$14.25	\$299.96	\$19.50	2.0314	\$176.52	\$3.59	\$23.08
Newmarket - Davis Drive	\$500,000	\$2.87	\$260.22	\$21.76	\$0.06	\$0.80	\$14.25	\$299.96	\$19.50	2.0314	\$176.52	\$3.59	\$23.08
Richmond Hill - Yonge St. North	\$2,195,000	\$12.58	\$260.22	\$23.89	\$0.25	\$1.70	\$14.85	\$313.50	\$20.38	1.8536	\$178.17	\$3.30	\$23.68
Richmond Hill - Highway 7 West	\$2,600,000	\$14.91	\$260.22	\$23.89	\$0.30	\$1.70	\$14.97	\$315.98	\$20.54	1.8536	\$245.12	\$4.54	\$25.08
Richmond Hill - Highway 7 East	\$2,600,000	\$14.91	\$260.22	\$23.89	\$0.30	\$1.70	\$14.97	\$315.98	\$20.54	1.8536	\$245.12	\$4.54	\$25.08
Vaughan - Highway 7 West	\$1,300,000	\$7.45	\$260.22	\$22.10	\$0.15	\$1.02	\$14.50	\$305.44	\$19.85	1.8592	\$192.07	\$3.57	\$23.42
Vaughan - Yonge St. Thornhill	\$2,500,000	\$14.33	\$260.22	\$22.08	\$0.29	\$1.02	\$14.85	\$312.79	\$20.33	1.8592	\$318.43	\$5.92	\$26.25
OTHER GTA													
Brampton Urban Centre	\$950,000	\$5.45	\$260.22	\$23.46	\$0.11	\$1.41	\$14.46	\$305.11	\$19.83	2.3724	\$160.50	\$3.81	\$23.64
Mississauga - City Centre	\$1,375,000	\$7.88	\$260.22	\$27.69	\$0.16	\$1.42	\$14.80	\$312.17	\$20.29	2.1550	\$226.98	\$4.89	\$25.18
Scarborough Town Centre	\$1,860,000	\$10.66	\$260.22	\$1.89	\$0.21	\$1.97	\$13.65	\$288.61	\$18.76	3.0355	\$172.38	\$5.23	\$23.99
North York Centre	\$13,535,000	\$77.60	\$260.22	\$1.89	\$1.55	\$1.97	\$17.06	\$360.30	\$23.42	3.0355	\$240.47	\$7.30	\$30.72

Source: Watson & Associates Economists Ltd.

Notes:

1. Land value based on mid-range of typical per acre cost for high quality serviced commercial office, source: DTZ Canada Inc.
2. Hard constructions costs adapted from 2013 Toronto Real Estate Board Rough/Advanced Guide to Construction Costs by Watson & Associates Economists Ltd. and DTZ Canada Inc. Soft construction costs assumed to be 10% of hard construction costs, based on consultation with DTZ Canada Inc. Assumes full tenant fit out cost of \$40 per square foot.
3. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education development charges.
4. Based on 2% of land area calculated at market price of land.
5. Reflects rate for partitioned/finished office building
6. Reflects Lower/Single Tier, Upper Tier (where applicable) and Education taxes.
7. Based on 2013-2014 assessment survey completed by Watson & Associates Economists Ltd. and DTZ Canada Inc.

Appendix E – Residual Land Value Analysis – Rental Revenue Scenario

TABLE E-1: ESTIMATE OF RESIDUAL LAND VALUE FOR 50,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT RENT LEVELS

Building GFA 50,000 square feet
 Building GLA 45,000 square feet
 Property Size (net acres) 2.87 acres
 Construction Cost \$159.75 per square foot (includes both hard and soft costs). Assumes partial tenant fit out
 Developer Profit 10%
 Capitalization Rate 6.5%

	Annual Rent ¹ (\$ per sq.ft.)	Present Value of Future Cash Flow (6.5%) (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Construction Cost (\$ per sq.ft.)	Financing Cost ² (per sq. ft.)	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A / 6.5%	C B x 10%	D	E	F	G	H	I B - (C+D+E+F+G+H)	J I x 50000 / 2.87	K	L J / K
YORK REGION												
Aurora - Wellington-404 Area	\$13.73	\$211.20	\$21.12	\$22.36	\$159.75	\$16.61	\$0.75	\$0.65	-\$10.04	-\$175,000	\$650,000	<0
Markham - Commerce Valley	\$16.71	\$257.10	\$25.71	\$26.08	\$159.75	\$16.61	\$1.70	\$1.03	\$26.21	\$457,000	\$1,485,000	0.3
Markham - Denison/Steeles/Risebrough	\$12.14	\$186.80	\$18.68	\$29.57	\$159.75	\$16.61	\$1.38	\$1.03	-\$40.22	-\$701,000	\$1,205,000	<0
Markham - Allstate/Cachet/400 North	\$14.81	\$227.80	\$22.78	\$27.07	\$159.75	\$16.61	\$1.27	\$1.03	-\$0.72	-\$12,000	\$1,110,000	<0
Newmarket - Highway 404 Corridor	\$13.73	\$211.20	\$21.12	\$21.76	\$159.75	\$16.61	\$0.69	\$0.80	-\$9.54	-\$166,000	\$600,000	<0
Richmond Hill - Beaver Creek/Barker Area	\$14.74	\$226.80	\$22.68	\$23.89	\$159.75	\$16.61	\$1.70	\$1.12	\$1.04	\$18,000	\$1,485,000	0.0
Vaughan - Highway 400 North Corridor	\$16.72	\$257.30	\$25.73	\$22.46	\$159.75	\$16.61	\$1.29	\$0.81	\$30.65	\$534,000	\$1,120,000	0.5
OTHER GTA												
Oakville - QEW Corridor	\$16.20	\$249.20	\$24.92	\$20.50	\$159.75	\$16.61	\$1.03	\$1.96	\$24.43	\$426,000	\$895,000	0.5
Burlington - QEW Corridor	\$14.56	\$224.10	\$22.41	\$14.19	\$159.75	\$16.61	\$0.82	\$1.30	\$9.02	\$157,000	\$712,000	0.2
Brampton - 407 Corridor	\$14.52	\$223.40	\$22.34	\$23.46	\$159.75	\$16.61	\$1.05	\$1.07	-\$0.88	-\$15,000	\$915,000	0.0
Mississauga - Airport Corporate Centre	\$15.81	\$243.20	\$24.32	\$27.69	\$159.75	\$16.61	\$1.37	\$1.11	\$12.34	\$215,000	\$1,195,000	0.2
Mississauga - Meadowdale	\$16.13	\$248.10	\$24.81	\$27.69	\$159.75	\$16.61	\$1.52	\$1.11	\$16.60	\$289,000	\$1,325,000	0.2
Pickering	\$12.18	\$187.40	\$18.74	\$17.03	\$159.75	\$16.61	\$0.36	\$1.02	-\$26.11	-\$455,000	\$310,000	<0
Toronto - Don Mills	\$12.20	\$187.70	\$18.77	\$4.95	\$159.75	\$16.61	\$8.90	\$1.56	-\$22.84	-\$398,000	\$7,753,000	<0
Toronto - North York 401/404	\$13.20	\$203.10	\$20.31	\$4.95	\$159.75	\$16.61	\$1.17	\$1.56	-\$1.25	-\$22,000	\$1,015,000	<0
Toronto - North York Steeles/404	\$12.95	\$199.20	\$19.92	\$4.95	\$159.75	\$16.61	\$1.28	\$1.56	-\$4.88	-\$85,000	\$1,115,000	<0

Source: Watson & Associates Economists Ltd.

- Notes:
1. Rents based on average market data for Class "A" office space (net market rent + administration fee (15% of TMI)) provided by DTZ Canada Inc. expressed on a GFA basis. Adjusted to reflect 5% vacancy (foregone revenue and carrying costs (including taxes, maintenance, insurance). Actual rent levels will depend on a number of factors including type of building and available facilities.
 2. Financing reflects 65% of construction costs at 6% interest over 60 months.
 3. Based on 2% of land area calculated at market price of land.
 4. Reflects rate for shell only office building

TABLE E-2: ESTIMATE OF RESIDUAL LAND VALUE FOR 150,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT RENT LEVELS

Building GFA 150,000 square feet
 Building GLA 135,000 square feet
 Property Size (net acres) 6.26 acres
 Construction Cost \$159.75 per square foot (includes both hard and soft costs). Assumes partial tenant fit out
 Developer Profit 10%
 Capitalization Rate 6.5%

	Annual Rent ¹ (\$ per sq.ft.)	Present Value of Future Cash Flow (6.5%) (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Construction Cost (\$ per sq.ft.)	Financing Cost ² (per sq. ft.)	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A / 6.5%	C B x 10%	D	E	F	G	H	I B - (C+D+E+F+G+H)	J I x 150000 / 6.26	K	L J / K
YORK REGION												
Aurora - Wellington-404 Area	\$13.73	\$211.20	\$21.12	\$22.36	\$159.75	\$16.61	\$0.54	\$0.65	-\$9.83	-\$236,000	\$650,000	<0
Markham - Commerce Valley	\$16.71	\$257.10	\$25.71	\$24.69	\$159.75	\$16.61	\$1.24	\$1.03	\$28.07	\$673,000	\$1,485,000	0.5
Markham - Denison/Steeles/Risebrough	\$12.14	\$186.80	\$18.68	\$27.22	\$159.75	\$16.61	\$1.01	\$1.03	-\$37.50	-\$899,000	\$1,205,000	<0
Markham - Allstate/Cachet/400 North	\$14.81	\$227.80	\$22.78	\$25.41	\$159.75	\$16.61	\$0.93	\$1.03	\$1.30	\$31,000	\$1,110,000	0.0
Newmarket - Highway 404 Corridor	\$13.73	\$211.20	\$21.12	\$21.76	\$159.75	\$16.61	\$0.50	\$0.80	-\$9.35	-\$224,000	\$600,000	<0
Richmond Hill - Beaver Creek/Barker Area	\$14.74	\$226.80	\$22.68	\$23.89	\$159.75	\$16.61	\$1.24	\$1.12	\$1.50	\$36,000	\$1,485,000	0.0
Vaughan - Highway 400 North Corridor	\$16.72	\$257.30	\$25.73	\$22.36	\$159.75	\$16.61	\$0.93	\$0.81	\$31.11	\$745,000	\$1,120,000	0.7
OTHER GTA												
Oakville - QEW Corridor	\$16.20	\$249.20	\$24.92	\$20.50	\$159.75	\$16.61	\$0.75	\$1.96	\$24.71	\$592,000	\$895,000	0.7
Burlington - QEW Corridor	\$14.56	\$224.10	\$22.41	\$14.19	\$159.75	\$16.61	\$0.59	\$1.30	\$9.25	\$222,000	\$712,000	0.3
Brampton - 407 Corridor	\$14.52	\$223.40	\$22.34	\$23.46	\$159.75	\$16.61	\$0.76	\$1.07	-\$0.59	-\$14,000	\$915,000	<0
Mississauga - Airport Corporate Centre	\$15.81	\$243.20	\$24.32	\$27.69	\$159.75	\$16.61	\$1.00	\$1.11	\$12.72	\$305,000	\$1,195,000	0.3
Mississauga - Meadowdale	\$16.13	\$248.10	\$24.81	\$27.69	\$159.75	\$16.61	\$1.11	\$1.11	\$17.02	\$408,000	\$1,325,000	0.3
Pickering	\$12.18	\$187.40	\$18.74	\$17.03	\$159.75	\$16.61	\$0.26	\$1.02	-\$26.01	-\$623,000	\$310,000	<0
Toronto - Don Mills	\$12.20	\$187.70	\$18.77	\$2.77	\$159.75	\$16.61	\$6.47	\$1.56	-\$18.23	-\$437,000	\$7,753,000	<0
Toronto - North York 401/404	\$13.20	\$203.10	\$20.31	\$2.77	\$159.75	\$16.61	\$0.85	\$1.56	\$1.25	\$30,000	\$1,015,000	0.0
Toronto - North York Steeles/404	\$12.95	\$199.20	\$19.92	\$2.77	\$159.75	\$16.61	\$0.93	\$1.56	-\$2.34	-\$56,000	\$1,115,000	<0

Source: Watson & Associates Economists Ltd.

Notes:

(net market rent + administration fee (15% of TMI)) provided by DTZ
 Canada Inc. expressed on a GFA basis. Adjusted to reflect 5%

- Financing reflects 65% of construction costs at 6% interest over 60 months.
- Based on 2% of land area calculated at market price of land.
- Reflects rate for shell only office building

TABLE E-3: ESTIMATE OF RESIDUAL LAND VALUE FOR 300,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT RENT LEVELS

Building GFA 300,000 square feet
 Building GLA 270,000 square feet
 Property Size (net acres) 6.89 acres
 Construction Cost \$159.75 per square foot (includes both hard and soft costs). Assumes partial tenant fit out
 Developer Profit 10%
 Capitalization Rate 6.5%

	Annual Rent ¹ (\$ per sq.ft.)	Present Value of Future Cash Flow (6.5%) (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Construction Cost (\$ per sq.ft.)	Financing Cost ² (per sq. ft.)	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A / 6.5%	C B x 10%	D	E	F	G	H	I B - (C+D+E+F+G+H)	J I x 300000 / 6.89	K	L J / K
YORK REGION												
Aurora - Wellington-404 Area	\$13.73	\$211.20	\$21.12	\$22.36	\$159.75	\$16.61	\$0.30	\$0.65	-\$9.59	-\$418,000	\$650,000	<0
Markham - Commerce Valley	\$16.71	\$257.10	\$25.71	\$24.69	\$159.75	\$16.61	\$0.68	\$1.03	\$28.63	\$1,247,000	\$1,485,000	0.8
Markham - Denison/Steeles/Risebrough	\$12.14	\$186.80	\$18.68	\$27.22	\$159.75	\$16.61	\$0.55	\$1.03	-\$37.05	-\$1,613,000	\$1,205,000	<0
Markham - Alistate/Cache/400 North	\$14.81	\$227.80	\$22.78	\$25.41	\$159.75	\$16.61	\$0.51	\$1.03	\$1.72	\$75,000	\$1,110,000	0.1
Newmarket - Highway 404 Corridor	\$13.73	\$211.20	\$21.12	\$21.76	\$159.75	\$16.61	\$0.28	\$0.80	-\$9.12	-\$397,000	\$600,000	<0
Richmond Hill - Beaver Creek/Barker Area	\$14.74	\$226.80	\$22.68	\$23.89	\$159.75	\$16.61	\$0.68	\$1.12	\$2.06	\$90,000	\$1,485,000	0.1
Vaughan - Highway 400 North Corridor	\$16.72	\$257.30	\$25.73	\$22.36	\$159.75	\$16.61	\$0.51	\$0.81	\$31.53	\$1,373,000	\$1,120,000	1.2
OTHER GTA												
Oakville - QEW Corridor	\$16.20	\$249.20	\$24.92	\$20.50	\$159.75	\$16.61	\$0.41	\$1.96	\$25.05	\$1,091,000	\$895,000	1.2
Burlington - QEW Corridor	\$14.56	\$224.10	\$22.41	\$14.19	\$159.75	\$16.61	\$0.33	\$1.30	\$9.51	\$414,000	\$712,000	0.6
Brampton - 407 Corridor	\$14.52	\$223.40	\$22.34	\$23.46	\$159.75	\$16.61	\$0.42	\$1.07	-\$0.25	-\$11,000	\$915,000	0.0
Mississauga - Airport Corporate Centre	\$15.81	\$243.20	\$24.32	\$27.69	\$159.75	\$16.61	\$0.55	\$1.11	\$13.16	\$573,000	\$1,195,000	0.5
Mississauga - Meadowdale	\$16.13	\$248.10	\$24.81	\$27.69	\$159.75	\$16.61	\$0.61	\$1.11	\$17.52	\$763,000	\$1,325,000	0.6
Pickering	\$12.18	\$187.40	\$18.74	\$17.03	\$159.75	\$16.61	\$0.14	\$1.02	-\$25.89	-\$1,128,000	\$310,000	<0
Toronto - Don Mills	\$12.20	\$187.70	\$18.77	\$2.77	\$159.75	\$16.61	\$3.56	\$1.56	-\$15.32	-\$667,000	\$7,753,000	<0
Toronto - North York 401/404	\$13.20	\$203.10	\$20.31	\$2.77	\$159.75	\$16.61	\$0.47	\$1.56	\$1.63	\$71,000	\$1,015,000	0.1
Toronto - North York Steeles/404	\$12.95	\$199.20	\$19.92	\$2.77	\$159.75	\$16.61	\$0.51	\$1.56	-\$1.92	-\$84,000	\$1,115,000	<0

Source: Watson & Associates Economists Ltd.

Notes:

1. Rents based on average market data for Class "A" office space (net market rent + administration fee (15% of TMI)) provided by DTZ Canada Inc. expressed on a GFA basis. Adjusted to reflect 5% vacancy (foregone revenue and carrying costs (including taxes, maintenance, insurance)). Actual rent levels will depend on a number of factors including type of building and available facilities.
2. Financing reflects 65% of construction costs at 6% interest over 60 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE E-4: ESTIMATE OF RESIDUAL LAND VALUE FOR 100,000 SQUARE FOOT URBAN OFFICE BUILDING AT CURRENT RENT LEVELS

Building GFA 100,000 square feet
 Building GLA 90,000 square feet
 Property Size (net acres) 1.15 acres
 Construction Cost \$245.22 per square foot (includes both hard and soft costs)
 Developer Profit 10%
 Capitalization Rate 6.5%

	Annual Rent ¹ (\$ per sq.ft.)	Present Value of Future Cash Flow (6.5%) (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Construction Cost (\$ per sq.ft.)	Financing Cost ² (per sq. ft.)	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A / 6.5%	C B x 10%	D	E	F	G	H	I B - (C+D+E+F+G+H)	J I x 100000 / 1.15	K	L J / K
YORK REGION												
REGIONAL CENTRES												
Markham - Centre	\$15.70	\$241.50	\$24.15	\$24.34	\$245.22	\$25.50	\$0.27	\$1.03	-\$79.01	-\$6,870,000	\$1,175,000	<0
Markham - Langstaff/Gateway	\$13.82	\$212.50	\$21.25	\$21.99	\$245.22	\$25.50	\$0.90	\$1.03	-\$103.38	-\$8,989,000	\$3,900,000	<0
Newmarket Centre	\$12.88	\$198.20	\$19.82	\$21.76	\$245.22	\$25.50	\$0.25	\$0.80	-\$115.16	-\$10,014,000	\$1,100,000	<0
Richmond Hill Centre/Gateway	\$13.82	\$212.50	\$21.25	\$23.89	\$245.22	\$25.50	\$0.90	\$1.12	-\$105.38	-\$9,164,000	\$3,900,000	<0
Vaughan - Metropolitan Centre	\$16.36	\$251.60	\$25.16	\$22.08	\$245.22	\$25.50	\$0.76	\$0.81	-\$67.93	-\$5,907,000	\$3,300,000	<0
REGIONAL CORRIDORS												
Aurora - Yonge St. North	\$13.59	\$209.10	\$20.91	\$22.36	\$245.22	\$25.50	\$0.08	\$0.65	-\$105.62	-\$9,184,000	\$350,000	<0
Markham - Highway 7 East	\$13.28	\$204.40	\$20.44	\$21.99	\$245.22	\$25.50	\$0.30	\$1.03	-\$110.07	-\$9,571,000	\$1,300,000	<0
Markham - Yonge St. Thornhill	\$16.90	\$260.00	\$26.00	\$21.99	\$245.22	\$25.50	\$0.57	\$1.03	-\$60.31	-\$5,244,000	\$2,500,000	<0
Newmarket - Yonge St North	\$12.92	\$198.70	\$19.87	\$21.76	\$245.22	\$25.50	\$0.11	\$0.80	-\$114.57	-\$9,963,000	\$500,000	<0
Newmarket - Davis Drive	\$12.87	\$198.00	\$19.80	\$21.76	\$245.22	\$25.50	\$0.11	\$0.80	-\$115.20	-\$10,017,000	\$500,000	<0
Richmond Hill - Yonge St. North	\$15.19	\$233.70	\$23.37	\$23.89	\$245.22	\$25.50	\$0.50	\$1.12	-\$85.91	-\$7,470,000	\$2,195,000	<0
Richmond Hill - Highway 7 West	\$11.27	\$173.40	\$17.34	\$23.89	\$245.22	\$25.50	\$0.60	\$1.12	-\$140.27	-\$12,198,000	\$2,600,000	<0
Richmond Hill - Highway 7 East	\$11.27	\$173.40	\$17.34	\$23.89	\$245.22	\$25.50	\$0.60	\$1.12	-\$140.27	-\$12,198,000	\$2,600,000	<0
Vaughan - Highway 7 West	\$14.36	\$220.80	\$22.08	\$22.11	\$245.22	\$25.50	\$0.30	\$0.81	-\$95.22	-\$8,280,000	\$1,300,000	<0
Vaughan -Yonge St. Thornhill	\$16.90	\$260.00	\$26.00	\$22.08	\$245.22	\$25.50	\$0.57	\$0.81	-\$60.19	-\$5,234,000	\$2,500,000	<0
OTHER GTA												
Brampton Urban Centre	\$15.63	\$240.40	\$24.04	\$23.46	\$245.22	\$25.50	\$0.22	\$1.07	-\$79.10	-\$6,879,000	\$950,000	<0
Mississauga - City Centre	\$16.97	\$261.10	\$26.11	\$27.69	\$245.22	\$25.50	\$0.32	\$1.11	-\$64.85	-\$5,639,000	\$1,375,000	<0
Scarborough Town Centre	\$12.63	\$194.40	\$19.44	\$3.86	\$245.22	\$25.50	\$0.43	\$1.56	-\$101.61	-\$8,835,000	\$1,860,000	<0
North York Centre	\$18.00	\$277.00	\$27.70	\$3.86	\$245.22	\$25.50	\$3.11	\$1.56	-\$29.95	-\$2,604,000	\$13,535,000	<0

Source: Watson & Associates Economists Ltd.

Notes:

1. Rents based on average market data for Class "A" office space (net market rent + administration fee (15% of TM)) provided by DTZ Canada Inc. expressed on a GFA basis. Adjusted to reflect 5% vacancy (foregone revenue and carrying costs (including taxes, maintenance, insurance). Actual rent levels will depend on a number of factors including type of building and available facilities.
2. Financing reflects 65% of construction costs at 6% interest over 60 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE E-5: ESTIMATE OF RESIDUAL LAND VALUE FOR 300,000 SQUARE FOOT URBAN OFFICE BUILDING AT CURRENT RENT LEVELS

Building GFA 300,000 square feet
 Building GLA 270,000 square feet
 Property Size (net acres) 1.72 acres
 Construction Cost \$245.22 per square foot (includes both hard and soft costs)
 Developer Profit 10%
 Capitalization Rate 6.5%

	Annual Rent ¹ (\$ per sq.ft.)	Present Value of Future Cash Flow (6.5%) (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Construction Cost (\$ per sq.ft.)	Financing Cost ² (per sq. ft.)	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A / 6.5%	C B x 10%	D	E	F	G	H	I B - (C+D+E+F+G+H)	J I x 300000 / 1.72	K	L J / K
YORK REGION												
<i>REGIONAL CENTRES</i>												
Markham - Centre	\$15.70	\$241.50	\$24.15	\$22.65	\$245.22	\$25.50	\$0.13	\$1.03	-\$77.18	-\$13,462,000	\$1,175,000	<0
Markham - Langstaff/Gateway	\$13.82	\$212.50	\$21.25	\$21.48	\$245.22	\$25.50	\$0.45	\$1.03	-\$102.42	-\$17,864,000	\$3,900,000	<0
Newmarket Centre	\$12.88	\$198.20	\$19.82	\$21.76	\$245.22	\$25.50	\$0.13	\$0.80	-\$115.03	-\$20,064,000	\$1,100,000	<0
Richmond Hill Centre/Gateway	\$13.82	\$212.50	\$21.25	\$23.89	\$245.22	\$25.50	\$0.45	\$1.12	-\$104.93	-\$18,302,000	\$3,900,000	<0
Vaughan - Metropolitan Centre	\$16.36	\$251.60	\$25.16	\$22.08	\$245.22	\$25.50	\$0.38	\$0.81	-\$67.55	-\$11,782,000	\$3,300,000	<0
<i>REGIONAL CORRIDORS</i>												
Aurora - Yonge St. North	\$13.59	\$209.10	\$20.91	\$22.36	\$245.22	\$25.50	\$0.04	\$0.65	-\$105.58	-\$18,415,000	\$350,000	<0
Markham - Highway 7 East	\$13.28	\$204.40	\$20.44	\$21.48	\$245.22	\$25.50	\$0.15	\$1.03	-\$109.41	-\$19,083,000	\$1,300,000	<0
Markham - Yonge St. Thornhill	\$16.90	\$260.00	\$26.00	\$21.48	\$245.22	\$25.50	\$0.29	\$1.03	-\$59.51	-\$10,379,000	\$2,500,000	<0
Newmarket - Yonge St North	\$12.92	\$198.70	\$19.87	\$21.76	\$245.22	\$25.50	\$0.06	\$0.80	-\$114.51	-\$19,973,000	\$500,000	<0
Newmarket - Davis Drive	\$12.87	\$198.00	\$19.80	\$21.76	\$245.22	\$25.50	\$0.06	\$0.80	-\$115.14	-\$20,083,000	\$500,000	<0
Richmond Hill - Yonge St. North	\$15.19	\$233.70	\$23.37	\$23.89	\$245.22	\$25.50	\$0.25	\$1.12	-\$85.66	-\$14,940,000	\$2,195,000	<0
Richmond Hill - Highway 7 West	\$11.27	\$173.40	\$17.34	\$23.89	\$245.22	\$25.50	\$0.30	\$1.12	-\$139.97	-\$24,414,000	\$2,600,000	<0
Richmond Hill - Highway 7 East	\$11.27	\$173.40	\$17.34	\$23.89	\$245.22	\$25.50	\$0.30	\$1.12	-\$139.97	-\$24,414,000	\$2,600,000	<0
Vaughan - Highway 7 West	\$14.36	\$220.80	\$22.08	\$22.10	\$245.22	\$25.50	\$0.15	\$0.81	-\$95.06	-\$16,580,000	\$1,300,000	<0
Vaughan -Yonge St. Thornhill	\$16.90	\$260.00	\$26.00	\$22.08	\$245.22	\$25.50	\$0.29	\$0.81	-\$59.90	-\$10,448,000	\$2,500,000	<0
<i>OTHER GTA</i>												
Brampton Urban Centre	\$15.63	\$240.40	\$24.04	\$23.46	\$245.22	\$25.50	\$0.11	\$1.07	-\$79.00	-\$13,778,000	\$950,000	<0
Mississauga - City Centre	\$16.97	\$261.10	\$26.11	\$27.69	\$245.22	\$25.50	\$0.16	\$1.11	-\$64.69	-\$11,283,000	\$1,375,000	<0
Scarborough Town Centre	\$12.63	\$194.40	\$19.44	\$1.89	\$245.22	\$25.50	\$0.21	\$1.56	-\$99.43	-\$17,342,000	\$1,860,000	<0
North York Centre	\$18.00	\$277.00	\$27.70	\$1.89	\$245.22	\$25.50	\$1.56	\$1.56	-\$26.43	-\$4,609,000	\$13,535,000	<0

Source: Watson & Associates Economists Ltd.

Notes:

1. Rents based on average market data for Class "A" office space (net market rent + administration fee (15% of TMI)) provided by DTZ Canada Inc. expressed on a GFA basis. Adjusted to reflect 5% vacancy (foregone revenue and carrying costs (taxes, maintenance, insurance). Actual rent levels will depend on a number of factors including type of building and available facilities.
2. Financing reflects 65% of construction costs at 6% interest over 60 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

Appendix F – Residual Land Value Analysis – Project Sale Revenue Scenario

TABLE F-1: ESTIMATE OF RESIDUAL LAND VALUE FOR 50,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT ASKING PRICE

Building 50,000 square feet
 Property 2.87 acres
 Building Cost \$159.75 per square foot (includes both hard and soft costs)
 Developer Profit 10%

	Sale Price ¹ (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Financing Cost (per sq. ft.) ²	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Construction Cost (\$ per sq.ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A x 10%	C	D	E	F	G	H A - (B+C+D+E+F+G)	I H x 50000 / 2.87	J	K I / J
YORK REGION											
Aurora - Wellington-404 Area	\$240.00	\$24.00	\$22.36	\$3.41	\$0.75	\$0.65	\$159.75	\$29.09	\$507,000	\$650,000	0.8
Markham - Commerce Valley	\$257.00	\$25.70	\$26.08	\$3.41	\$1.70	\$1.03	\$159.75	\$39.33	\$685,000	\$1,485,000	0.5
Markham - Denison/Steeles/Risebrough	\$240.00	\$24.00	\$29.57	\$3.41	\$1.38	\$1.03	\$159.75	\$20.86	\$363,000	\$1,205,000	0.3
Markham - Allstate/Cachet/400 North	\$250.00	\$25.00	\$27.07	\$3.41	\$1.27	\$1.03	\$159.75	\$32.47	\$566,000	\$1,110,000	0.5
Newmarket - Highway 404 Corridor	\$240.00	\$24.00	\$21.76	\$3.41	\$0.69	\$0.80	\$159.75	\$29.59	\$515,000	\$600,000	0.9
Richmond Hill - Beaver Creek/Barker Area	\$239.25	\$23.93	\$23.89	\$3.41	\$1.70	\$1.12	\$159.75	\$25.45	\$443,000	\$1,485,000	0.3
Vaughan - Highway 400 North Corridor	\$233.00	\$23.30	\$22.46	\$3.41	\$1.29	\$0.81	\$159.75	\$21.99	\$383,000	\$1,120,000	0.3
OTHER GTA											
Oakville - QEW Corridor	\$250.00	\$25.00	\$20.50	\$3.41	\$1.03	\$1.48	\$159.75	\$38.84	\$677,000	\$895,000	0.8
Burlington - QEW Corridor	\$220.00	\$22.00	\$14.19	\$3.41	\$0.82	\$1.30	\$159.75	\$18.54	\$323,000	\$712,000	0.5
Brampton - 407 Corridor	\$215.00	\$21.50	\$23.46	\$3.41	\$1.05	\$1.07	\$159.75	\$4.77	\$83,000	\$915,000	0.1
Mississauga - Airport Corporate Centre	\$235.00	\$23.50	\$27.69	\$3.41	\$1.37	\$1.11	\$159.75	\$18.17	\$316,000	\$1,195,000	0.3
Mississauga - Meadowdale	\$260.00	\$26.00	\$27.69	\$3.41	\$1.52	\$1.11	\$159.75	\$40.52	\$706,000	\$1,325,000	0.5
Pickering	\$123.80	\$12.38	\$17.03	\$3.41	\$0.36	\$1.02	\$159.75	-\$70.14	-\$1,222,000	\$310,000	<0
Toronto - Don Mills	\$204.00	\$20.40	\$4.95	\$3.41	\$8.90	\$1.56	\$159.75	\$5.03	\$88,000	\$7,753,000	0.0
Toronto - North York 401/404	\$200.00	\$20.00	\$4.95	\$3.41	\$1.17	\$1.56	\$159.75	\$9.16	\$160,000	\$1,015,000	0.2
Toronto - North York Steeles/404	\$200.00	\$20.00	\$4.95	\$3.41	\$1.28	\$1.56	\$159.75	\$9.05	\$158,000	\$1,115,000	0.1

Source: Watson & Associates Economists Ltd.

Notes:

1. Sale Prices based on average market data for Class "A" office space provided by DTZ Canada Inc. Actual sales price will depend on a number of factors including type of building and available facilities.
2. Financing reflects of 65% of construction costs at 6% interest over 12 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE F-2: ESTIMATE OF RESIDUAL LAND VALUE FOR 150,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT ASKING PRICE

Building 150,000 square feet
 Property 6.26 acres
 Building Cost \$159.75 per square foot (includes both hard and soft costs)
 Developer Profit 10%

	Sale Price ¹ (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Financing Cost (per sq. ft.) ²	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Construction Cost (\$ per sq.ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Employment Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A x 10%	C	D	E	F	G	H A - (B+C+D+E+F+G)	I H x 150000 / 6.26	J	K I / J
YORK REGION											
Aurora - Wellington-404 Area	\$240.00	\$24.00	\$22.36	\$3.41	\$0.54	\$0.65	\$159.75	\$29.29	\$702,000	\$650,000	1.1
Markham - Commerce Valley	\$257.00	\$25.70	\$24.69	\$3.41	\$1.24	\$1.03	\$159.75	\$41.19	\$987,000	\$1,485,000	0.7
Markham - Denison/Steeles/Risebrough	\$240.00	\$24.00	\$27.22	\$3.41	\$1.01	\$1.03	\$159.75	\$23.59	\$565,000	\$1,205,000	0.5
Markham - Allstate/Cachet/400 North	\$250.00	\$25.00	\$25.41	\$3.41	\$0.93	\$1.03	\$159.75	\$34.48	\$826,000	\$1,110,000	0.7
Newmarket - Highway 404 Corridor	\$240.00	\$24.00	\$21.76	\$3.41	\$0.50	\$0.80	\$159.75	\$29.78	\$713,000	\$600,000	1.2
Richmond Hill - Beaver Creek/Barker Area	\$239.25	\$23.93	\$23.89	\$3.41	\$1.24	\$1.12	\$159.75	\$25.91	\$621,000	\$1,485,000	0.4
Vaughan - Highway 400 North Corridor	\$233.00	\$23.30	\$22.36	\$3.41	\$0.93	\$0.81	\$159.75	\$22.44	\$538,000	\$1,120,000	0.5
OTHER GTA											
Oakville - QEW Corridor	\$250.00	\$25.00	\$20.50	\$3.41	\$0.75	\$1.48	\$159.75	\$39.12	\$937,000	\$895,000	1.0
Burlington - QEW Corridor	\$220.00	\$22.00	\$14.19	\$3.41	\$0.59	\$1.30	\$159.75	\$18.76	\$450,000	\$712,000	0.6
Brampton - 407 Corridor	\$215.00	\$21.50	\$23.46	\$3.41	\$0.76	\$1.07	\$159.75	\$5.05	\$121,000	\$915,000	0.1
Mississauga - Airport Corporate Centre	\$235.00	\$23.50	\$27.69	\$3.41	\$1.00	\$1.11	\$159.75	\$18.54	\$444,000	\$1,195,000	0.4
Mississauga - Meadowdale	\$260.00	\$26.00	\$27.69	\$3.41	\$1.11	\$1.11	\$159.75	\$40.93	\$981,000	\$1,325,000	0.7
Pickering	\$123.80	\$12.38	\$17.03	\$3.41	\$0.26	\$1.02	\$159.75	-\$70.05	-\$1,678,000	\$310,000	<0
Toronto - Don Mills	\$204.00	\$20.40	\$2.77	\$3.41	\$6.47	\$1.56	\$159.75	\$9.64	\$231,000	\$7,753,000	0.0
Toronto - North York 401/404	\$200.00	\$20.00	\$2.77	\$3.41	\$0.85	\$1.56	\$159.75	\$11.67	\$280,000	\$1,015,000	0.3
Toronto - North York Steeles/404	\$200.00	\$20.00	\$2.77	\$3.41	\$0.93	\$1.56	\$159.75	\$11.58	\$278,000	\$1,115,000	0.2

Source: Watson & Associates Economists Ltd.

Notes:

1. Sale Prices based on average market data for Class "A" office space provided by DTZ Canada Inc. Actual sales price will depend on a number of factors including type of building and available facilities.
2. Financing reflects of 65% of construction costs at 6% interest over 12 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE F-3: ESTIMATE OF RESIDUAL LAND VALUE FOR 300,000 SQUARE FOOT SUBURBAN OFFICE BUILDING AT CURRENT ASKING PRICE

Building 300,000 square feet
 Property 6.89 acres
 Building Cost \$159.75 per square foot (includes both hard and soft costs)
 Developer Profit 10%

	Sale Price ¹ (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Financing Cost (per sq. ft.) ²	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Construction Cost (\$ per sq.ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Employment Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A x 10%	C	D	E	F	G	H A - (B+C+D+E+F+G)	I H x 300000 / 6.89	J	K I / J
YORK REGION											
Aurora - Wellington-404 Area	\$240.00	\$24.00	\$22.36	\$3.41	\$0.30	\$0.65	\$159.75	\$29.54	\$1,286,000	\$650,000	2.0
Markham - Commerce Valley	\$257.00	\$25.70	\$23.01	\$3.41	\$0.68	\$1.03	\$159.75	\$43.42	\$1,891,000	\$1,485,000	1.3
Markham - Denison/Steeles/Risebrough	\$240.00	\$24.00	\$24.41	\$3.41	\$0.55	\$1.03	\$159.75	\$26.86	\$1,169,000	\$1,205,000	1.0
Markham - Allstate/Cachet/400 North	\$250.00	\$25.00	\$23.41	\$3.41	\$0.51	\$1.03	\$159.75	\$36.90	\$1,607,000	\$1,110,000	1.4
Newmarket - Highway 404 Corridor	\$240.00	\$24.00	\$21.76	\$3.41	\$0.28	\$0.80	\$159.75	\$30.00	\$1,306,000	\$600,000	2.2
Richmond Hill - Beaver Creek/Barker Area	\$239.25	\$23.93	\$23.89	\$3.41	\$0.68	\$1.12	\$159.75	\$26.47	\$1,153,000	\$1,485,000	0.8
Vaughan - Highway 400 North Corridor	\$233.00	\$23.30	\$22.23	\$3.41	\$0.51	\$0.81	\$159.75	\$22.98	\$1,001,000	\$1,120,000	0.9
OTHER GTA											
Oakville - QEW Corridor	\$250.00	\$25.00	\$20.50	\$3.41	\$0.41	\$1.48	\$159.75	\$39.46	\$1,718,000	\$895,000	1.9
Burlington - QEW Corridor	\$220.00	\$22.00	\$14.19	\$3.41	\$0.33	\$1.30	\$159.75	\$19.03	\$829,000	\$712,000	1.2
Brampton - 407 Corridor	\$215.00	\$21.50	\$23.46	\$3.41	\$0.42	\$1.07	\$159.75	\$5.40	\$235,000	\$915,000	0.3
Mississauga - Airport Corporate Centre	\$235.00	\$23.50	\$27.69	\$3.41	\$0.55	\$1.11	\$159.75	\$18.99	\$827,000	\$1,195,000	0.7
Mississauga - Meadowdale	\$260.00	\$26.00	\$27.69	\$3.41	\$0.61	\$1.11	\$159.75	\$41.43	\$1,804,000	\$1,325,000	1.4
Pickering	\$123.80	\$12.38	\$17.03	\$3.41	\$0.14	\$1.02	\$159.75	-\$69.93	-\$3,045,000	\$310,000	<0
Toronto - Don Mills	\$204.00	\$20.40	\$1.89	\$3.41	\$3.56	\$1.56	\$159.75	\$13.43	\$585,000	\$7,753,000	0.1
Toronto - North York 401/404	\$200.00	\$20.00	\$1.89	\$3.41	\$0.47	\$1.56	\$159.75	\$12.92	\$563,000	\$1,015,000	0.6
Toronto - North York Steeles/404	\$200.00	\$20.00	\$1.89	\$3.41	\$0.51	\$1.56	\$159.75	\$12.88	\$561,000	\$1,115,000	0.5

Source: Watson & Associates Economists Ltd.

Notes:

1. Sale Prices based on average market data for Class "A" office space provided by DTZ Canada Inc. Actual sales price will depend on a number of factors including type of building and available facilities.
2. Financing reflects of 65% of construction costs at 6% interest over 12 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE F-4: ESTIMATE OF RESIDUAL LAND VALUE FOR 100,000 SQUARE FOOT URBAN OFFICE BUILDING AT CURRENT ASKING PRICE

Building 100,000 square feet
 Property 1.15 acres
 Building Cost \$245.22 per square foot (includes both hard and soft costs)
 Developer Profit 5%

	Sale Price ¹ (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Financing Cost (per sq. ft.) ²	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Construction Cost (\$ per sq.ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Employment Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A x 10%	C	D	E	F	G	H A - (B+C+D+E+F+G)	I H x 100000 / 1.15	J	K I / J
YORK REGION											
<i>REGIONAL CENTRES</i>											
Markham - Centre	\$240.00	\$12.00	\$24.34	\$5.23	\$0.27	\$1.03	\$245.22	-\$48.09	-\$4,181,000	\$1,175,000	<0
Markham - Langstaff/Gateway	\$210.00	\$10.50	\$21.99	\$5.23	\$0.90	\$1.03	\$245.22	-\$74.86	-\$6,509,000	\$3,900,000	<0
Newmarket Centre	\$221.00	\$11.05	\$21.76	\$5.23	\$0.25	\$0.80	\$245.22	-\$63.32	-\$5,506,000	\$1,100,000	<0
Richmond Hill Centre/Gateway	\$210.00	\$10.50	\$23.89	\$5.23	\$0.90	\$1.12	\$245.22	-\$76.86	-\$6,684,000	\$3,900,000	<0
Vaughan - Metropolitan Centre	\$225.00	\$11.25	\$22.08	\$5.23	\$0.76	\$0.81	\$245.22	-\$60.35	-\$5,248,000	\$3,300,000	<0
<i>REGIONAL CORRIDORS</i>											
Aurora - Yonge St. North	\$190.00	\$9.50	\$22.36	\$5.23	\$0.08	\$0.65	\$245.22	-\$93.04	-\$8,090,000	\$350,000	<0
Markham - Highway 7 East	\$286.00	\$14.30	\$21.99	\$5.23	\$0.30	\$1.03	\$245.22	-\$2.06	-\$179,000	\$1,300,000	<0
Markham - Yonge St. Thornhill	\$315.00	\$15.75	\$21.99	\$5.23	\$0.57	\$1.03	\$245.22	\$25.21	\$2,192,000	\$2,500,000	0.0
Newmarket - Yonge St North	\$190.00	\$9.50	\$21.76	\$5.23	\$0.11	\$0.80	\$245.22	-\$92.63	-\$8,055,000	\$500,000	<0
Newmarket - Davis Drive	\$190.00	\$9.50	\$21.76	\$5.23	\$0.11	\$0.80	\$245.22	-\$92.63	-\$8,055,000	\$500,000	<0
Richmond Hill - Yonge St. North	\$300.00	\$15.00	\$23.89	\$5.23	\$0.50	\$1.12	\$245.22	\$9.03	\$785,000	\$2,195,000	0.0
Richmond Hill - Highway 7 West	\$256.00	\$12.80	\$23.89	\$5.23	\$0.60	\$1.12	\$245.22	-\$32.86	-\$2,858,000	\$2,600,000	<0
Richmond Hill - Highway 7 East	\$256.00	\$12.80	\$23.89	\$5.23	\$0.60	\$1.12	\$245.22	-\$32.86	-\$2,858,000	\$2,600,000	<0
Vaughan - Highway 7 West	\$266.00	\$13.30	\$22.11	\$5.23	\$0.30	\$0.81	\$245.22	-\$20.97	-\$1,824,000	\$1,300,000	<0
Vaughan - Yonge St. Thornhill	\$315.00	\$15.75	\$22.08	\$5.23	\$0.57	\$0.81	\$245.22	\$25.33	\$2,203,000	\$2,500,000	0.0
OTHER GTA											
Brampton Urban Centre	\$220.00	\$11.00	\$23.46	\$5.23	\$0.22	\$1.07	\$245.22	-\$66.19	-\$5,756,000	\$950,000	<0
Mississauga - City Centre	\$239.00	\$11.95	\$27.69	\$5.23	\$0.32	\$1.11	\$245.22	-\$52.52	-\$4,567,000	\$1,375,000	<0
Scarborough Town Centre	\$152.00	\$7.60	\$3.86	\$5.23	\$0.43	\$1.56	\$245.22	-\$111.90	-\$9,730,000	\$1,860,000	<0
North York Centre	\$321.00	\$16.05	\$3.86	\$5.23	\$3.11	\$1.56	\$245.22	\$45.97	\$3,998,000	\$13,535,000	0.0

Source: Watson & Associates Economists Ltd.

Notes:

1. Sale Prices based on average market data for Class "A" office space provided by DTZ Canada Inc. Actual sales price will depend on a number of factors including type of building and available facilities.
2. Financing reflects of 65% of construction costs at 6% interest over 12 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building

TABLE F-5: ESTIMATE OF RESIDUAL LAND VALUE FOR 300,000 SQUARE FOOT URBAN OFFICE BUILDING AT CURRENT ASKING PRICE

Building 300,000 square feet
 Property 1.72 acres
 Building Cost \$245.22 per square foot (includes both hard and soft costs)
 Developer Profit 5%

	Sale Price ¹ (\$ per sq.ft.)	Less Profit (10%) (\$ per sq.ft.)	Development Charges (\$ per sq.ft.)	Financing Cost (per sq. ft.) ²	Parkland Dedication ³ (per sq. ft.)	Building Permit Fee ⁴ (per sq. ft.)	Construction Cost (\$ per sq.ft.)	Residual Land Value (\$ per sq.ft.)	Residual Land Value Per Acre	Employment Land Market Price Price per Acre	Residual Land Value to Market Land Price Ratio
	A	B A x 10%	C	D	E	F	G	H A - (B+C+D+E+F+G)	I H x 300000 / 1.72	J	K I / J
YORK REGION											
<i>REGIONAL CENTRES</i>											
Markham - Centre	\$240.00	\$12.00	\$22.65	\$5.23	\$0.13	\$1.03	\$245.22	-\$46.26	-\$8,069,000	\$1,175,000	<0
Markham - Langstaff/Gateway	\$210.00	\$10.50	\$21.48	\$5.23	\$0.45	\$1.03	\$245.22	-\$73.90	-\$12,889,000	\$3,900,000	<0
Newmarket Centre	\$221.00	\$11.05	\$21.76	\$5.23	\$0.13	\$0.80	\$245.22	-\$63.19	-\$11,022,000	\$1,100,000	<0
Richmond Hill Centre/Gateway	\$210.00	\$10.50	\$23.89	\$5.23	\$0.45	\$1.12	\$245.22	-\$76.41	-\$13,328,000	\$3,900,000	<0
Vaughan - Metropolitan Centre	\$225.00	\$11.25	\$22.08	\$5.23	\$0.38	\$0.81	\$245.22	-\$59.97	-\$10,460,000	\$3,300,000	<0
<i>REGIONAL CORRIDORS</i>											
Aurora - Yonge St. North	\$190.00	\$9.50	\$22.36	\$5.23	\$0.04	\$0.65	\$245.22	-\$93.00	-\$16,221,000	\$350,000	<0
Markham - Highway 7 East	\$286.00	\$14.30	\$21.48	\$5.23	\$0.15	\$1.03	\$245.22	-\$1.40	-\$244,000	\$1,300,000	<0
Markham - Yonge St. Thornhill	\$315.00	\$15.75	\$21.48	\$5.23	\$0.29	\$1.03	\$245.22	\$26.01	\$4,537,000	\$2,500,000	1.8
Newmarket - Yonge St North	\$190.00	\$9.50	\$21.76	\$5.23	\$0.06	\$0.80	\$245.22	-\$92.57	-\$16,146,000	\$500,000	<0
Newmarket - Davis Drive	\$190.00	\$9.50	\$21.76	\$5.23	\$0.06	\$0.80	\$245.22	-\$92.57	-\$16,146,000	\$500,000	<0
Richmond Hill - Yonge St. North	\$300.00	\$15.00	\$23.89	\$5.23	\$0.25	\$1.12	\$245.22	\$9.28	\$1,619,000	\$2,195,000	0.7
Richmond Hill - Highway 7 West	\$256.00	\$12.80	\$23.89	\$5.23	\$0.30	\$1.12	\$245.22	-\$32.56	-\$5,680,000	\$2,600,000	<0
Richmond Hill - Highway 7 East	\$256.00	\$12.80	\$23.89	\$5.23	\$0.30	\$1.12	\$245.22	-\$32.56	-\$5,680,000	\$2,600,000	<0
Vaughan - Highway 7 West	\$266.00	\$13.30	\$22.10	\$5.23	\$0.15	\$0.81	\$245.22	-\$20.81	-\$3,629,000	\$1,300,000	<0
Vaughan - Yonge St. Thornhill	\$315.00	\$15.75	\$22.08	\$5.23	\$0.29	\$0.81	\$245.22	\$25.62	\$4,469,000	\$2,500,000	1.8
OTHER GTA											
Brampton Urban Centre	\$220.00	\$11.00	\$23.46	\$5.23	\$0.11	\$1.07	\$245.22	-\$66.09	-\$11,527,000	\$950,000	<0
Mississauga - City Centre	\$239.00	\$11.95	\$27.69	\$5.23	\$0.16	\$1.11	\$245.22	-\$52.36	-\$9,133,000	\$1,375,000	<0
Scarborough Town Centre	\$152.00	\$7.60	\$1.89	\$5.23	\$0.21	\$1.56	\$245.22	-\$109.72	-\$19,137,000	\$1,860,000	<0
North York Centre	\$321.00	\$16.05	\$1.89	\$5.23	\$1.55	\$1.56	\$245.22	\$49.49	\$8,633,000	\$13,535,000	0.6

Source: Watson & Associates Economists Ltd.

Notes:

1. Sale Prices based on average market data for Class "A" office space provided by DTZ Canada Inc. Actual sales price will depend on a number of factors including type of building and available facilities.
2. Financing reflects of 65% of construction costs at 6% interest over 12 months.
3. Based on 2% of land area calculated at market price of land.
4. Reflects rate for shell only office building