



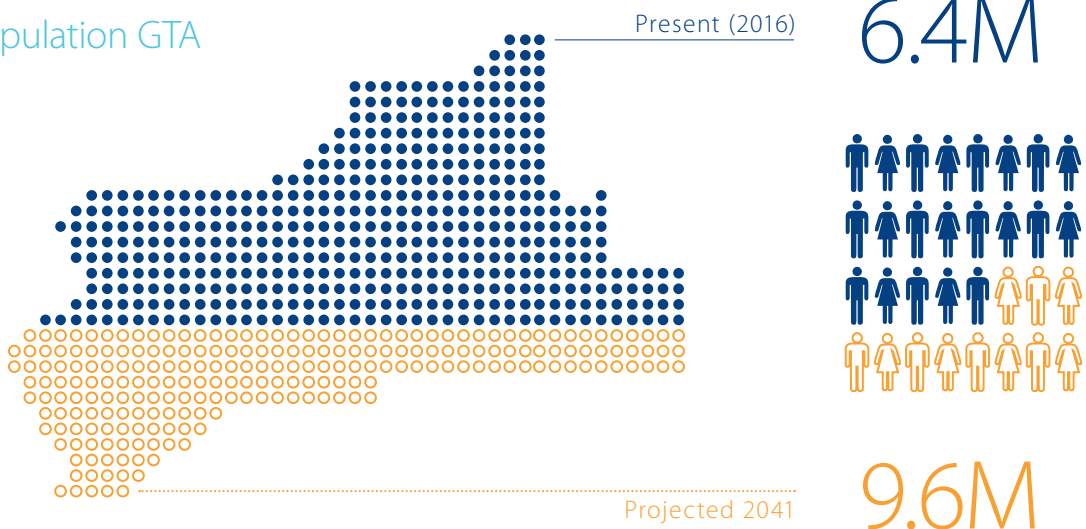
## Transit Nodes of Tomorrow: Development Opportunities in the Greater Toronto Area

### Introduction

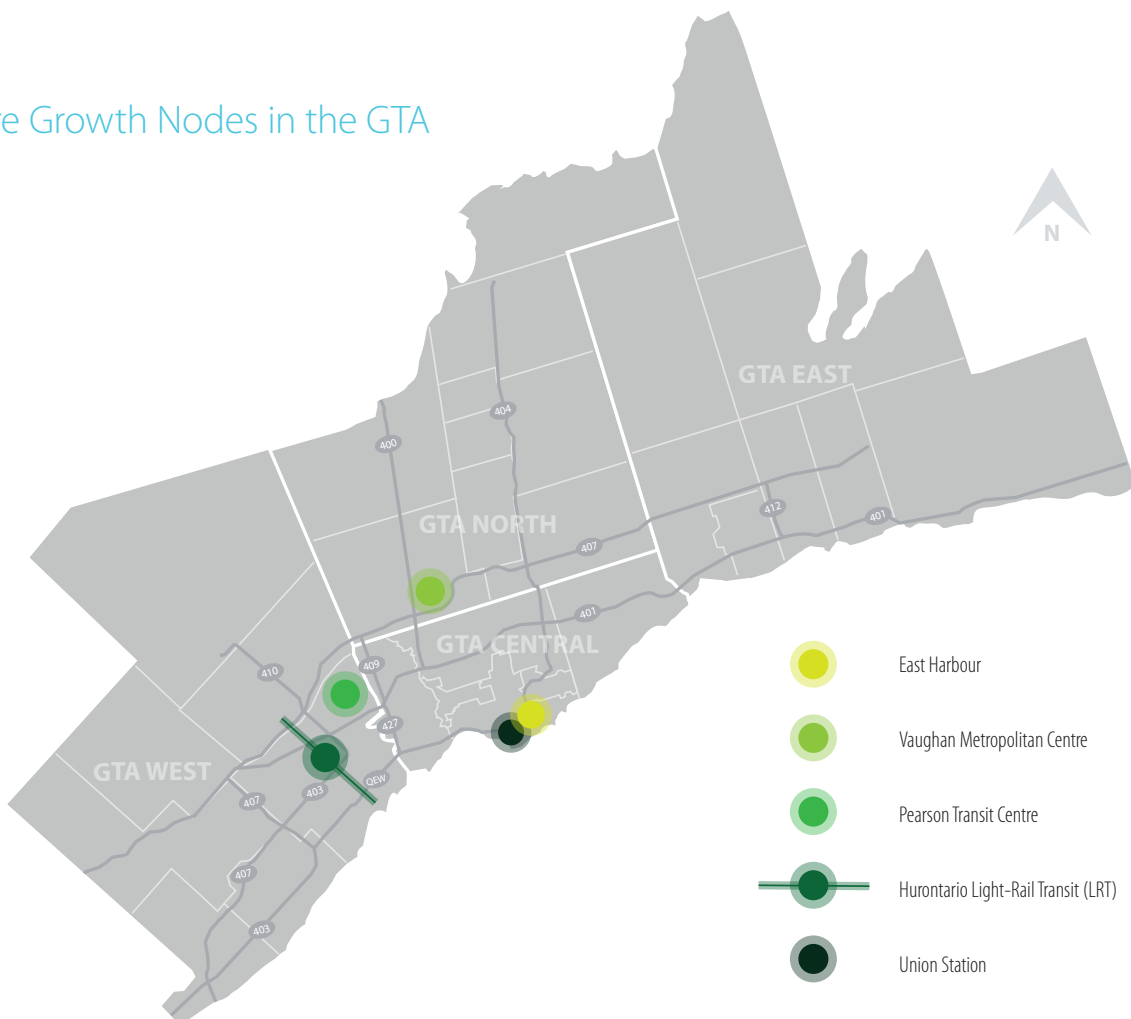
The Greater Toronto Area (GTA) is projected to be Ontario's fastest-growing region over the next 25 years, with its population increasing by 42.3% to reach 9.6 million by 2041.<sup>1</sup> Supporting these projections, the provincial Ministry of Infrastructure made the largest infrastructure investment in Ontario's history: more than \$160 billion over 12 years starting in 2014. Of these funds, 51% will go toward improving roads and transit. Developers are also making significant investments in all types of residential and commercial real estate in locations connected with the expansion of public infrastructure that will be required to accommodate the future population growth. Key commercial growth areas in the GTA will emerge at a number of transit-oriented development hubs where there is a confluence of residential and commercial demand, creating significant opportunities for development and investment.

With so much planned development on the drawing board and funding in place, this is a time of opportunity for forward-looking stakeholders, including commercial property owners and occupiers. The recent news that Toronto is vying for selection as the location of Amazon's proposed \$5-billion second headquarters in North America, and Google sister company Sidewalk Labs' plan to build a high-tech neighbourhood called Sidewalk Toronto on the city's waterfront, emphasize the importance of making forward-looking investments in the city. This topical report profiles four of the transit-oriented commercial growth areas: East Harbour, Vaughan Metropolitan Centre, the Pearson Transit Centre and the Hurontario LRT corridor.

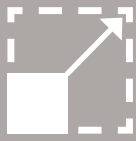
Projected Population GTA



Future Growth Nodes in the GTA



Scale



**12 million sf**

Targeted Completion



**10 - 20 years**

Status



**Pre-construction**

Transit Connectivity



**GO Train, TTC Subway,  
TTC Streetcar**

## East Harbour

Toronto's downtown core has experienced significant infill development in the past 10 years, depleting the supply of available sites. Thanks to the younger demographics' shift toward living and working downtown, burgeoning demand for both commercial and residential space has driven the expansion of the core beyond its traditional boundaries – first into Downtown South (commonly known as the south core) and now eastward to satisfy the need for new development sites. Downtown South's rapid boom in commercial and residential development has brought the node to the point where few potential sites remain.

The next logical area for expansion of the downtown core is eastward into the adjacent underutilized lands along the shore of Lake Ontario. Development is already underway on projects along Queens Quay east of Yonge Street with additional projects in the planning stages extending all the way to the Don River. What were once industrial areas, including the East Bayfront district, Port Lands and First Gulf's East Harbour site, are poised to experience massive mixed-use development in the coming decades.

The East Harbour site, located north of Lake Shore Boulevard on the east side of the river, is positioned to be the next phase of this development trend. First Gulf's proposal for the 60-acre site aims to transform it into a viable alternative to the downtown core, offering the advantages of a downtown location without the congestion that is sure to become a growing problem as the core's density increases. The proposal, currently under review by the City of Toronto, calls for 10 million square feet (msf) of office premises and 2 msf of shops, restaurants and institutional space, parks and public spaces, along with a major new transit hub connecting existing and proposed GO (heavy-rail commuter trains), subway and streetcar lines to provide transit connections for the estimated 50,000 workers who could be employed there.<sup>2</sup> The project is still at the planning stage and no detailed budget or completion schedule has been made public. Construction will likely occur in phases and be subject to a 10- to 20-year timeline.

East Harbour is designed to provide a commercial centre linking the surrounding areas, increasing the city's stock of office space to

accommodate some of the millions of new residents expected to move to the GTA in the coming decades. Development of this site and the adjacent former industrial lands will create new neighbourhoods and communities, bringing life to a previously uninhabited zone on the waterfront.

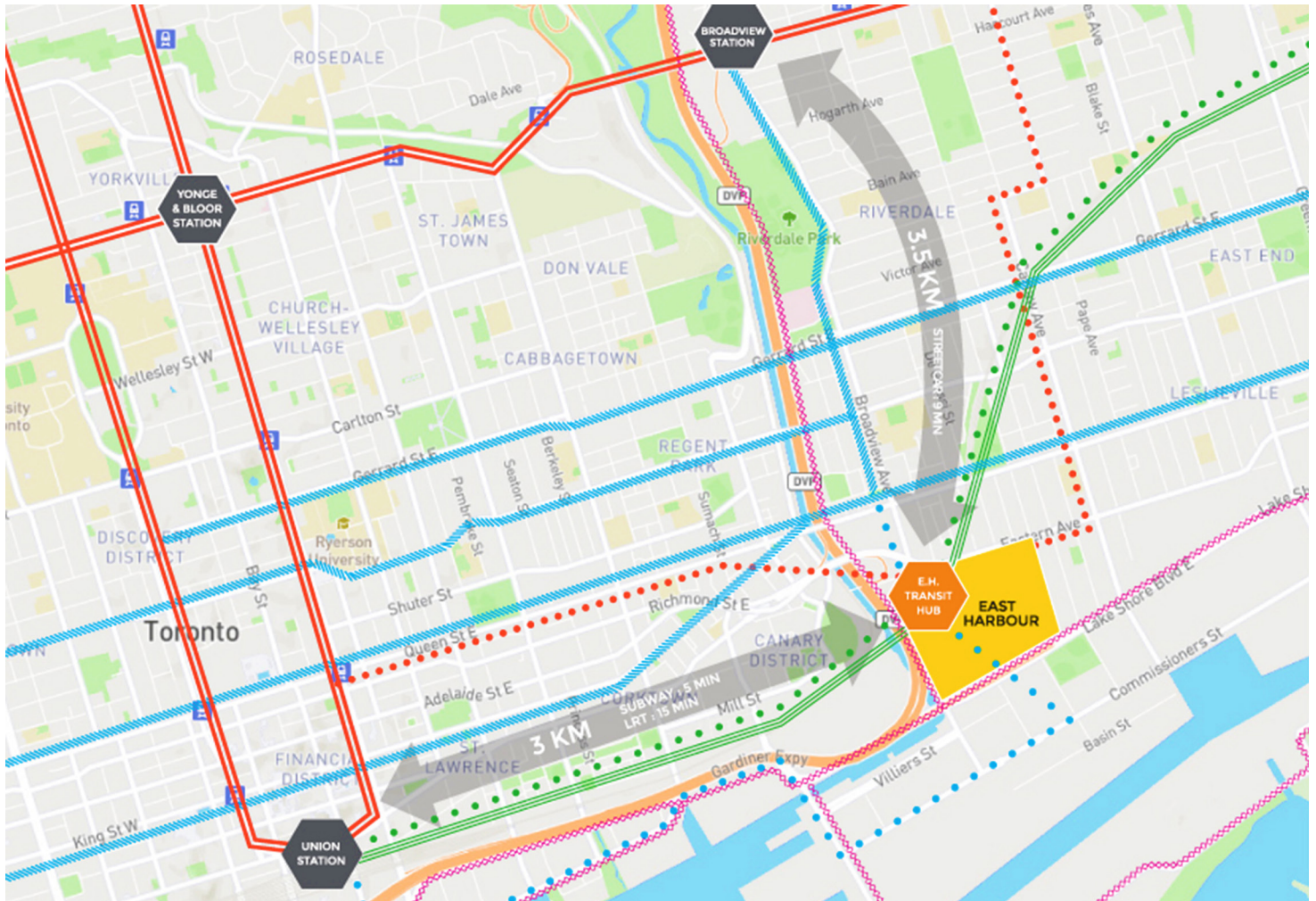
Cohesive planning and a mixed-use approach mean that the East Harbour development will fit into a complete and well-rounded community, integrating with the nearby East Bayfront and Port Lands areas also slated for residential and commercial development. The proposed transit hub would integrate existing GO and streetcar lines with the proposed Downtown Relief Line subway and SmartTrack regional rail connections, reducing the flow of commuters through Union Station and providing versatile options for commuters and area residents alike. In addition, adjacent pedestrian, bicycle and automobile routes will connect East Harbour with surrounding new and existing communities.



Rendering of proposed East Harbour development and transit hub  
Source: First Gulf

Similar to those of other development nodes profiled in this report, East Harbour's benefits for businesses include access to transit and amenities, as well as a local talent pool likely to consist of young workers. Businesses will benefit from proximity to, and rapid connections with, the downtown – but may also reap some cost savings from the off-core location and space-planning and utility-cost efficiencies of newly built office product. Given that office space demand is projected to increase significantly with Toronto's changing

demographics and emerging reputation as a destination for tech companies, this development will offer tenants a greater supply of options for commercial space near downtown, providing relief to what is already a tight leasing marketplace. Meanwhile, investors and owners in surrounding areas stand to gain from enormous value-adds as a result of the development of these underused lands near the core and the creation of additional public-transit links.



**EAST HARBOUR TRANSIT HUB**

- EXISTING SUBWAY LINE
- ... FUTURE SUBWAY LINE
- EXISTING LRT/STREETCAR
- ... FUTURE LRT/STREETCAR
- EXISTING GO TRAIN
- ... FUTURE GO TRAIN/SMARTTRACK
- ... BIKE TRAILS
- MAJOR TRANSIT HUB / STATION
- FUTURE EAST HARBOUR TRANSIT HUB



Scale



**40 million sf**

Targeted Completion



**2031**

Status



**Under Construction**

Transit Connectivity



**TTC Subway, VIVAnext BRT, YRT Bus**

## Vaughan Metropolitan Centre

In the suburb of Vaughan, located north of Toronto, approximately 160 hectares (400 acres) have been set aside for the city's new downtown – Vaughan Metropolitan Centre (VMC). The site currently features a mix of existing office and retail properties, light industrial and undeveloped land. Plans call for 40 msf of mixed-use development within the area.<sup>3</sup> 100 acres in the VMC are being transformed into a master-planned live-work-play development by SmartCentres, which includes the first newly completed building within the VMC – the 365,000-square-foot (sf), 15-storey KPMG Tower, a LEED Gold-certified class A building. SmartCentres has also commenced construction on a second 220,000-sf mixed-use tower with professional services firm PwC as the lead office tenant. This building will also be home to a new 100,000-sf flagship YMCA with childcare, fitness and aquatic facilities, plus a 20,000-sf City of Vaughan library and studio space, to serve the growing population.

The VMC area is surrounded by employment lands and major regional transportation networks bounded by Highway 407 to the south and Highway 400 to the west. Although the City of Vaughan does not own any lands within the VMC, the municipal government is encouraging development with its adoption of a Secondary Plan for the area (the Vaughan Metropolitan Centre Secondary Plan), which includes flexible, developer-friendly zoning rules. Various infrastructure projects, mainly related to transportation, are under construction. The most notable infrastructure project is the Toronto-York Spadina subway expansion, which is being developed by the Toronto Transit Commission (TTC) and will open in December 2017. The extension will provide Vaughan residents with a 45-minute commute to Toronto's Union Station, Canada's busiest transit hub.

As Vaughan continues to grow, and roadways become more congested, a transit-oriented core area is needed to shorten commute times – and facilitate further employment and amenities within the region. Innovation within Vaughan is essential to maintain the city's growth and attract outside interest, investment and talent. The future vision for the VMC is the creation of that transit-oriented central zone – a high-quality urban environment in a suburban area. Residents and visitors alike will be able to walk and take transit to meet their daily needs with transit-system linkages that offer inter-regional connectivity.

The VMC is an evolving project with multiple stakeholders and infrastructure partners. The majority of the land within the VMC is privately owned by major commercial and residential players, including SmartCentres, ZZen Group of Companies, The Gupta Group, Cortel Group and Liberty Developments. Office and residential buildings to accommodate 12,000 employees and 25,000 residents are expected to be complete by 2031.<sup>4</sup>

The City of Vaughan has committed to make yearly capital allowances to facilitate development, but does not have a dedicated reserve to fund future infrastructure projects. Significant public funding thus far has been related to three key transit initiatives, all set to open in December 2017:

- VIVAnext's Highway 7 rapidway, the first phase of which will open in December, and which includes three stations located within the VMC. The rapidway consists of dedicated centre lanes for transit vehicles, creating a bus rapid-transit (BRT) link between Markham and Vaughan and eventually to Brampton. These BRT lanes can be converted to LRT when required. All three levels of government have dedicated a combined \$2 billion for BRT projects within York Region.<sup>5</sup>

- TTC's Toronto-York-Spadina subway extension, which includes a station in the VMC. The project's estimated cost is \$3.18 billion – jointly funded by the Government of Canada (\$697 million), the Government of Ontario (\$974 million), the City of Toronto (\$907 million) and the Regional Municipality of York (\$606 million).<sup>6</sup>
- York Region Transit's SmartCentres Place Bus Terminal, located on Millway Avenue north of Highway 7 with an underground link to the new subway station. Total budget: \$32.1 million.<sup>7</sup>

Amenities are the major benefits to VMC residents and visitors. The area will be a true live-work-play node, complete with employment, entertainment, residences, and community programs (YMCA and library), public and event spaces, recreational trails and green spaces/parks. SmartCentres' Master Plan contemplates a nine-acre central park spanning the entire site as an amenity for residents, tenants and visitors to the VMC. Transit allows for connectivity to the rest of the GTA and more connected and affordable housing options for the millennial talent pool, as well as a linkage to the labour pool across the GTA, including downtown Toronto.

Occupiers will benefit from new quality urban-style options that have previously been unavailable in suburban markets. SmartCentres has committed to construct class A office buildings to satisfy corporate tenant needs. The new subway and VIVA bus lines will enable quick and effective commutes for employees, while residential projects will allow a new talent pool to move into the area. Flexible zoning guidelines allow developers to cater to their clients' needs with build-to-suit projects.

The VMC is a master-planned development with long-term holding potential and growth. The ability to commute by mass transit allows for the creation of high-density commercial and residential properties. Increased property values will likely result along the transit lines and in the surrounding areas. A location on the subway line commands top rents and increased building valuations, both commercial and residential.



<p>Scale</p>  <p><b>\$500 million</b></p>	<p>Targeted Completion</p>  <p><b>2027</b></p>	<p>Status</p>  <p><b>Pre-construction</b></p>	<p>Transit Connectivity</p>  <p><b>TTC Bus, UP Train, GO Train, TTC LRT, HSR, VIVA Bus, SmartTrack, MiWay Bus, Brampton Transit</b></p>
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## Pearson Transit Centre

Southwest of the VMC, the area around Toronto Pearson International Airport is the second-largest employment zone in Canada after downtown Toronto.<sup>8</sup> More than 300,000 people work in this zone, which includes parts of the cities of Brampton, Mississauga and Toronto. Due to its current lack of transit connectivity, the area generates more than 1 million car trips daily<sup>9</sup> – even more than the number of car trips to and from downtown Toronto. The office market around the airport currently consists of 135 buildings comprising approximately 12 msf. The Greater Toronto Airports Authority (GTAA) recently purchased the Airway Centre, a collection of five buildings totalling 680,000 sf, for \$155 million from Dream Office REIT. This was a strategic purchase in preparation for the planned Pearson Transit Centre, proposed by the GTAA as a means of meeting anticipated growth during the next 15 to 20 years.

The GTA is growing at a rapid pace and that growth will put significant pressure on Pearson Airport, which is already Canada’s largest and busiest airport, according to the GTAA.<sup>10</sup> The airport is expected to reach capacity by 2030,<sup>11</sup> even taking planned expansions into account. By 2043, it is projected that 110 million passengers annually will need to travel by air; however, the capacity across Southern Ontario airports is estimated to be around 90 million passengers per year as of 2017.<sup>12</sup> Pearson Airport is a hub for international and domestic travel and a key attraction and retention factor for global firms within the GTA. The correct decisions need to be made today in order for the region to be prepared for the future and to further economic growth.

Infrastructure improvements and the creation of interconnected transit systems will be essential to the smooth flow of people in and out of the airport and surrounding employment zone. Accordingly, the GTAA has proposed the creation of the Pearson Transit Centre, a \$500-million hub that would connect numerous existing and planned local and regional modes of transportation. The GTAA estimates that the total project cost will be at least \$11.2 billion. This cost would include a large surrounding mixed-use business park featuring office, retail, hotel and other commercial spaces.

This development would bring Pearson Airport up to a level of public-transit connectivity similar to other major global airports. For example, 36% of passengers use transit at London’s Heathrow, while 60% use it in Hong Kong and 50% access it in Shanghai.<sup>13</sup> GTA residents and visitors will benefit from having numerous alternative modes of transportation available when commuting to the airport – in some cases, significantly reducing travel times. Business travelers will benefit from the efficiency of quicker commute times to and from the airport.

Pending regulatory approval, the Pearson Transit Centre, unofficially dubbed “Union Station West,” will increase the airport area’s ability to attract and retain tenants and offer occupiers access to a larger labour pool. Tenants will enjoy the benefits of urban-style transit infrastructure in the suburbs with the added bonus of having a direct international airport connection.

Stakeholders with real estate assets close to the proposed Pearson Transit Centre will be better able to attract and retain top-quality tenants and, by constructing modern class A office buildings, could command higher rents. Commercial development in surrounding areas could also spark the construction of low- and mid-rise residential projects. Developments surrounding the airport are subject to height restrictions; however, current facilities offer more than adequate height and presence to appeal to quality tenants.

## Pearson Transit Centre Connections



Source: Greater Toronto Airports Authority

## Scale

**\$1.4 billion**

## Targeted Completion

**2022**

## Status

**Pre-construction**

## Transit Connectivity

**MiWay Bus, Hurontario LRT,  
GO Train, MiWay BRT**

## Hurontario Light-Rail Transit (LRT)

West of the Pearson Transit Centre lies Hurontario Street (Highway 10), the primary north-south artery in the Region of Peel. This major thoroughfare passes through several commercial office nodes (Brampton, Heartland, Mississauga City Centre and Cooksville – which comprise 119 office buildings and more than 12 msf). The street connects with all east-west 400-series highways (QEW, 401, 403 and 407) serving the cities of Brampton and Mississauga. Transit service is currently provided by both Mississauga's MiWay and Brampton's Züm service, while both local and limited-stop express services operate along the length of the street and connect with the Mississauga Bus Rapid Transit (BRT) route operating east-west through Mississauga along Highway 403. Regional transit is provided by GO train and bus services at Port Credit, Cooksville and Square One stations and the Hurontario-407 Park & Ride. (Square One is also a first-tier regional mall.)

Population and employment figures in the cities of Mississauga and Brampton are expected to continue growing through 2041.<sup>14</sup> The Hurontario corridor links several mobility hubs identified by Metrolinx (the regional transportation authority) as areas with significant levels of transit service and high development potential. Transit in the Hurontario corridor carried 11 million passengers a year in 2010-2011 and is forecasted to carry more than 22 million by 2031.<sup>15</sup> The proposed Hurontario light-rail transit (LRT) line will increase capacity and improve commute times along the Hurontario corridor as the populations of Mississauga and Brampton continue to grow.

Funded through a \$1.4-billion commitment from the Province of Ontario,<sup>16</sup> the proposed LRT system would carry greater numbers of passengers at a greater speed than current bus routes serving the area. Future riders will benefit from reduced travel times along the corridor compared with current driving and transit trip times, and improved connections with other transit services, including GO train service to downtown Toronto.

With anticipated completion in 2022,<sup>17</sup> the addition of high-quality transit service is expected to increase ridership – less reliance on private cars allows for more efficient use of roads along the corridor. Implementing LRT would accommodate more riders more efficiently than an increase in bus service, increase land values in proximity to the transit line, and provide potential financial benefits

to municipalities if transit subsidies are reduced and property tax revenue increases.

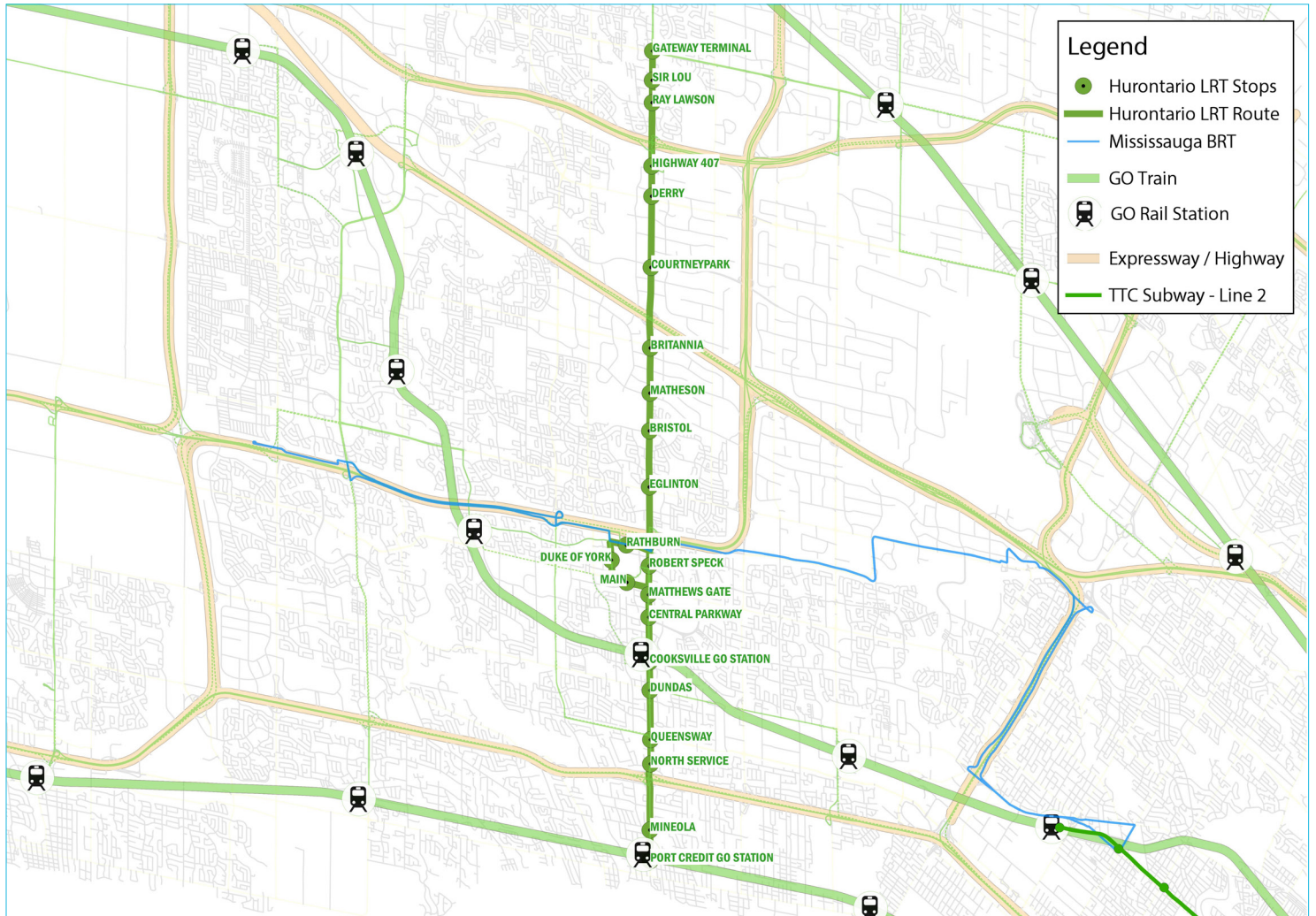
As residents, visitors, employees and customers would move more efficiently through the corridor, businesses stand to benefit from a larger trade area and labour pool. Opportunities for denser, mixed-use developments may encourage the development of new commercial spaces that require lower parking-space ratios. Future new office space along the Hurontario corridor will compete with existing inventory in traditional suburban nodes. Furthermore, improved accessibility could increase demand for office space, encouraging new development or the redevelopment of existing buildings.

With access to a larger labour pool (including young talent living in downtown Toronto), tenants may consider locating, or remaining, along the corridor rather than occupying surrounding nodes. Landlords may find opportunities to redevelop underperforming properties based on reduced parking requirements and increased employee density, or to accommodate a new mix of uses. There are also potential indirect benefits – reduced dependence on personal vehicles can improve walkability, and support occupiers' workplace wellness and environmental-protection goals.

Shifting transportation demand away from private vehicles in this market has the potential to unlock land previously required for parking for higher and better uses. Furthermore, if the improved transit connection is successful in attracting new talent and employers to Mississauga and Brampton, landlords may experience increased demand for space, resulting in higher rental rates and valuations for real estate assets. Tenants may be willing to absorb these higher rents if they can accommodate additional employees in their premises without exceeding their parking capacity.

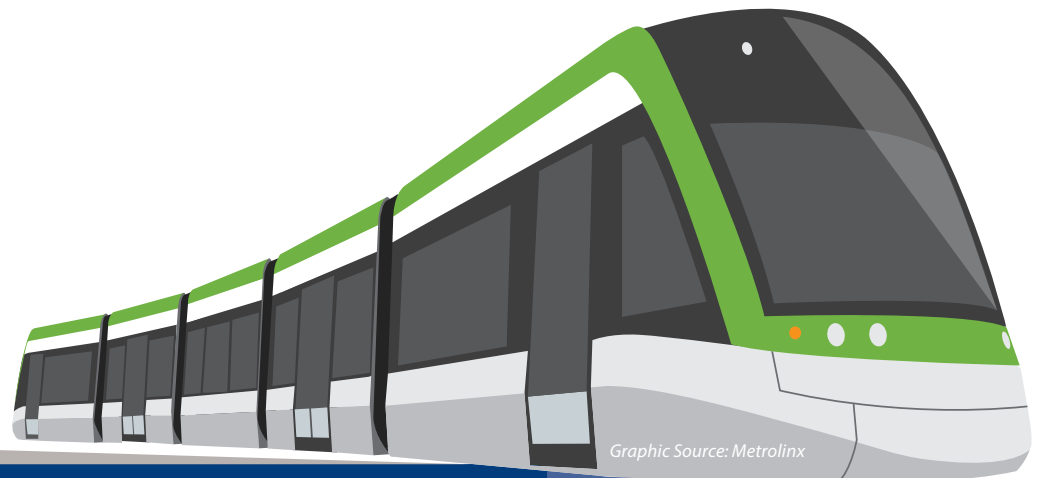
Plans for new residential highrise development currently underway will support population growth along the Hurontario corridor. Improved transit infrastructure may be the catalyst for the next phase of rapid commercial growth. With higher rental rates and less demand for parking (a significant cost in office building construction), new buildings may become economically viable.

## Hurontario LRT and Transit Context



Map showing route of Hurontario LRT relative to other connecting transit routes.

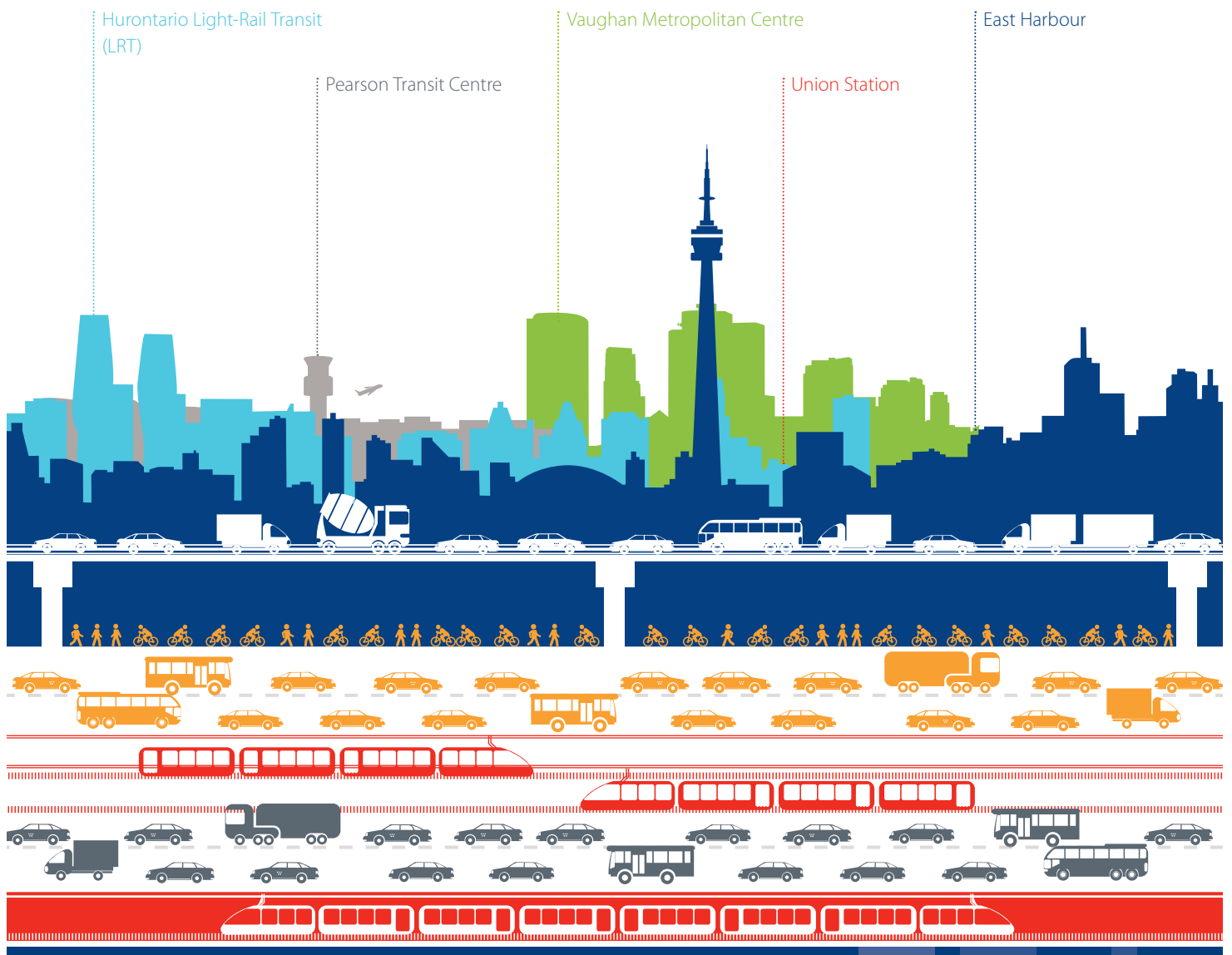
Sources: City of Mississauga, City of Toronto Open Data, Metrolinx, Government of Canada



## Conclusion

Both rapid population growth and demand for commercial space will challenge government and private developers' ability to deliver necessary infrastructure. Strategic investment from both investor groups will create new areas of opportunity for commercial real estate industry stakeholders, as growth will be focused on key transit-oriented development hubs coinciding with residential

and commercial demand. In the not-too-distant future, the developments in progress and proposed at East Harbour, Vaughan Metropolitan Centre, Pearson Transit Centre and the Hurontario LRT corridor will provide significant opportunities for forward-looking commercial property owners and occupiers to benefit from and capitalize on the GTA's growth.



## Endnotes

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- 7 Mackenzie, Robert. "Bus terminal at Vaughan Metropolitan Centre gets underway." *Urban Toronto*. January 12, 2017.
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- 14 Region of Peel, Hemson Growth Forecast Assumptions Table 22Dec16 <http://bit.ly/2xXW2gY>
- 15 Metrolinx, Hurontario LRT Benefits Case Analysis Report March 2016 <http://bit.ly/2zaM7ZF>
- 16 Metrolinx, Hurontario Light Rail Transit (LRT) Website. Accessed: September 25, 2017. Retrieved from: <http://bit.ly/1TEAa1C>
- 17 Ibid.



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