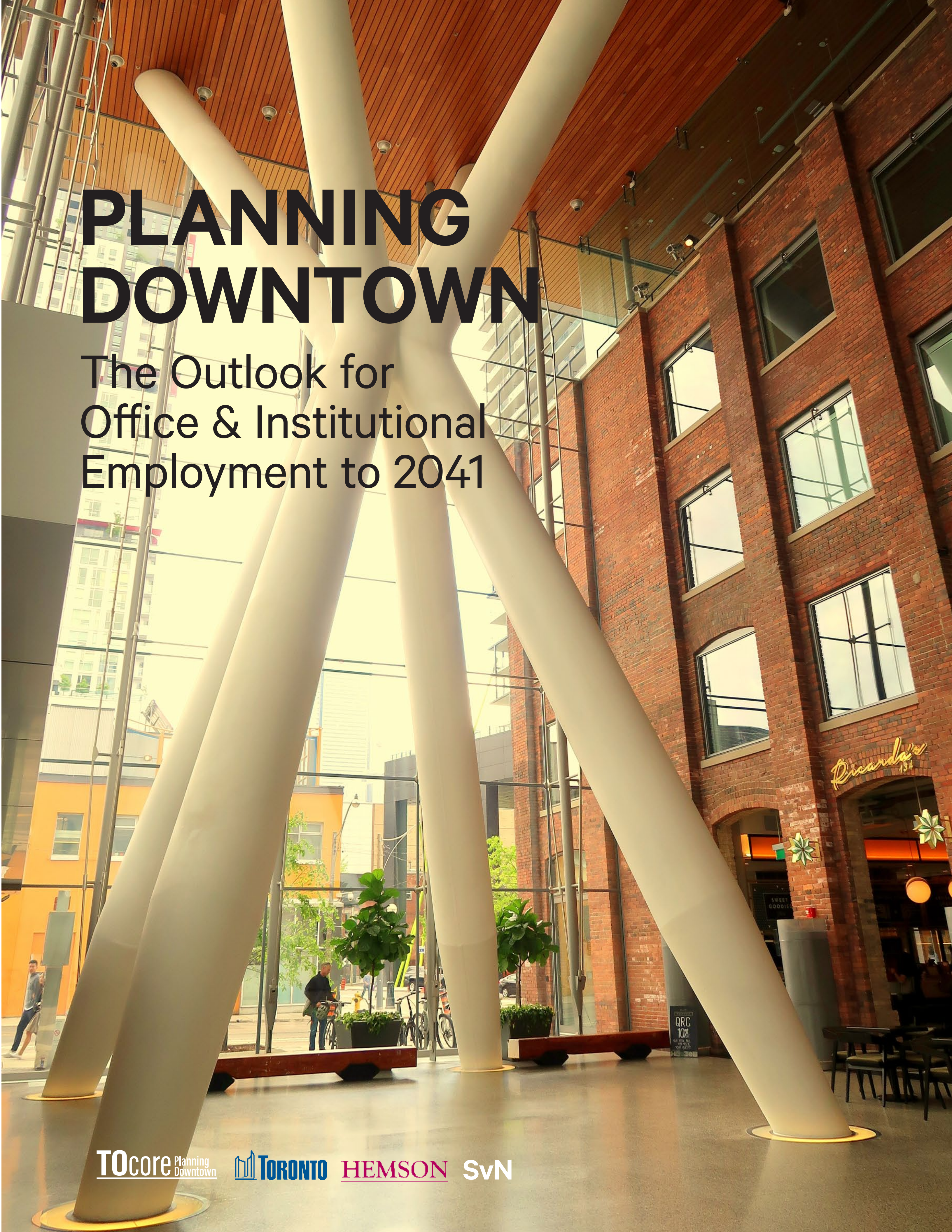

PLANNING DOWNTOWN

The Outlook for Office & Institutional Employment to 2041

TOcore Planning Downtown | TORONTO | HEMSON | SvN

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Executive Summary

Planning Downtown: The Outlook for Office and Institutional Employment, prepared by Hemson and SvN as part of the TOcore initiative, looks at the long-term prospects for employment growth in Toronto's Downtown. It examines office and institutional employment, the space requirements to accommodate this type of employment growth, and the resulting land use policy implications. It contains recommendations designed to ensure that future development Downtown protects and encourages ongoing economic growth.

Downtown Toronto is the economic hub of Canada's global urban region. Head offices for major national and international firms are found here, and the largest stock exchange in Canada is the focal point for investment. Business activities that take place in Downtown Toronto have ripple effects throughout the economy and across the nation. The Financial District and nearby areas represent the third-largest concentration of downtown commercial office space in North America, after New York and Chicago. While in recent years a number of large office buildings have been completed within Downtown, opportunities to expand the supply of office space are increasingly constrained as residential development competes for prime sites.

Key economic sectors concentrated Downtown include:

- The financial services and business services, which represent 90% of all jobs in the Financial District, with a secondary cluster for both sectors focused at Bloor and Bay.
- The health sciences jobs, which are found in and around the hospital complex centered on University Avenue, as well as around St. Michael's Hospital and Toronto Western Hospital.
- Media, publishing and other creative economy firms, which are clustered west and east of the Financial District in the King-Spadina and King-Parliament areas (The Kings), which are also desirable locations for technology companies.
- Provincial and municipal legislative, administrative and judicial functions, centred on Queen's Park, City Hall and the courts, respectively.

With approximately 600,000 people working in the study area today[1] and a density of almost 24,000 jobs per km2, Downtown is the largest, most transit-accessible employment and institutional

[1] Footnote: The study area includes the employment areas of South of Eastern, to the east of Downtown, and Liberty Village, to the west. These employment areas could play a role serving elements of the Downtown market.

cluster in the Greater Toronto and Hamilton Area (GTHA). Total employment Downtown grew by almost 162,000 jobs between 1986 and 2016, with over 118,000 of these jobs located in large office buildings. The pace of job growth increased markedly between 2011 and 2016, when over 16,000 jobs were added per year. As a result, the supply of major office space Downtown has grown considerably in the past few years to accommodate the job growth. This growth in economic activity was facilitated by the decision 20 years ago to open up the King-Spadina and King-Parliament areas to an infusion of investment. These former industrial areas have transformed into dynamic mixed-use communities that have proven to be an attractive location for new and established businesses.

While the resurgence in business interests in key Downtown locations is a positive trend, it now risks being curtailed by a significant increase in residential development throughout Downtown. Residential development has taken up some signature sites in the vicinity of the Financial District, notably in The Kings, raising concerns that continued residential development will limit growth prospects for commercial office uses. Office and institutional development outside of the Financial District are increasingly competing with residential development interests. The economic health of the city could be compromised if residential development interests continue to outbid commercial development in the core of the city. It is critically important, therefore, to support the growth in commercial office space over the long term. This involves protecting land uses to accommodate job growth in the financial services and business services sectors, as well as preserving non-residential development space for the healthcare, post-secondary campuses and government sectors.

These trends have given rise to the challenge of ensuring that there remains capacity to expand the office and institutional employment sectors in Downtown; a challenge that was unforeseen during past Official Plan reviews. The TOcore initiative presents an opportunity to document the successes of past policies and to consider adjustments to ensure that residential and commercial development is balanced in a way that provides for continued economic growth. Moreover, this current review of land use policy is taking place in a new context of provincial policy leadership as expressed through the *Growth Plan for the Greater Golden Horseshoe, 2017* (Growth Plan). Growth Plan policy 2.2.5.2 calls for the location of major office and major institutional development to be directed to urban growth centres (UGCs), including Downtown Toronto, as well as ensuring that employment is concentrated in locations well-served by transit. Additionally, provincial and municipal transit plans are focused on bringing more workers into the core of the city in a more efficient manner.

The sheer size of the employment base in Downtown provides a benefit to the wider region as the high degree of transit accessibility broadens employment choices for the regional labour force. Furthermore, the clustering of specific employment sectors such as finance, business services, computer services, healthcare and creative sectors within Downtown can lead to agglomeration economies, where a high density of workers within these sectors in close proximity facilitates the exchange of new ideas, which then fosters innovation and economic growth. This creative synergy results in the development and enhancement of goods and services, providing benefits across the national economy.

Thus it makes sense to encourage job growth in the Downtown core, now and for the foreseeable future. Union Station anchors the GO rail and bus network as well as the subway system's Line 1. Moreover, future transit priorities such as the Relief Line, SmartTrack, and GO Regional Express Rail are also intended to move more people into the core and will significantly enhance accessibility for the regional labour force.

This study examined the long-term prospects for employment growth in Downtown, the space requirements to accommodate this growth, and presents land-use policy implications and recommendations to ensure the city's future prosperity[2]. Notable findings through the study determined that having a central location with easy access to Union Station and the PATH system continues to be of importance to firms in financial services and business services. The study also found that there are growing concerns about the ability of major institutions to continue to expand to service the growing population of the Downtown and rest of the city.

The preparation of employment forecasts for Downtown Toronto recognize the Growth Plan forecast for the GTHA as a starting point, but also reflect and incorporate recent trends. While total GTHA employment is generally on track to meet the total forecast of 4.8 million jobs by 2041, the pattern of growth within the GTHA is turning out to be more centralized than expected. The rapid employment growth in Major Office in Toronto and the stabilization of Employment Land Employment is reflected in Toronto's recent employment survey results (2016) putting Toronto ahead of its 2031 official plan employment target, and nearly reaching its Growth Plan 2041 forecast. It is likely that the city will reach this 2041 forecast figure within the next few years. Forecasts for Downtown in the TOcore process are being prepared in a significantly different environment than the one that existed at the start of the economic recovery following the 2009 recession. It is expected that these changed conditions will be reflected when the Growth Plan forecasts are updated.

The outlook for employment growth in Downtown Toronto is robust. This study presents three alternative scenarios that forecast job growth out to 2041. The resulting outlook for growth ranges from a low of 193,000 to a high of 316,000 jobs to be added Downtown from 2016 to 2041. The mid-range scenario is suggested as the basis for preparing the Downtown Plan. This scenario anticipates 254,000 new jobs requiring 31.6 million ft2 (2.9 million m2) of additional office space by 2041[3].

There is still a significant market for the traditional office tower, notably in and near the Financial District, where there are a number of new office buildings recently completed, under construction and in the development pipeline. From an economic perspective, a key goal of planning policy is to protect employment lands. While such protection is essential as it maintains economic activity throughout the city, the activity that takes place in commercial offices is increasingly driving job growth, especially as more traditional industrial activity becomes less labour intensive. The office replacement and enhancement policy (part of OPA 231) applies throughout Downtown to ensure that the current supply of office space is not diminished as redevelopment occurs. This policy is necessary to protect the cluster of employment activity around Yonge and Bloor, for example. However, it does not provide sufficient direction to ensure that there is capacity to expand the office market to accommodate the employment forecast for areas south of Queen Street where considerable demand is anticipated. Throughout Downtown and notably in King-Spadina and King-Parliament, some commercial space is being created together with residential development in mixed-use settings on a single site. To make a serious contribution to the commercial office market, however, the non-residential component needs to be more significant. Currently, the majority of mixed-use projects in the development pipeline offer relatively small, but increasing amounts of office space.

[2] Footnote: The institutional sector examined includes the broader healthcare sector, the seats of government and related administrative jobs, and post-secondary education. Policies focused on broader arts and cultural activities have been the focus of a separate background study that is also part of the TOcore initiative. "King-Spadina Cultural Spaces Retention Study" by R. E. Millward and Associates, Ltd. January 2017.

/ Recommendations

To sustain the competitive edge of Downtown Toronto, the study recommends that:

1. The Downtown Plan include an Urban Structure Map delineating the Financial District, a new Health Sciences District, a Courts and Civic Precinct and a Capital Precinct.
2. The boundaries of the Financial District be expanded and official plan policy be amended to indicate a preference for non-residential development;
3. A new Health Sciences District be designated centred on University Avenue north of Dundas Street
4. The policy framework in the King-Spadina Secondary Plan area be adjusted to ensure that anticipated demand for new office space can be met.
5. The policy framework in the King-Parliament Secondary Plan area be adjusted to ensure that anticipated demand for new office space can be met.

1. Support Economic Growth with a Downtown Urban Structure Map

The Financial District and the Central Waterfront are currently the only structural elements designated in the Toronto Official Plan within Downtown. Mapping clusters of activity, as well as considering insights into locational preferences on the part of key employment sectors, reveals an urban structure that can be an organizing principle for policies addressing long-term economic growth. Given current development trends and future opportunities, this study concludes that it is important to designate an urban structure, as illustrated in Map A, to bring an economic lens to land use policy as the city grows.

In addition to delineating an expanded Financial District, the urban structure should include the institutional core of the city by defining a Health Sciences District with a similar policy framework to that of the Financial District. This structure should also recognize the Queen's Park complex and the cluster of functions related to the courts and civic administration, as well as key business corridors with high transit accessibility.

Recommendation to designate Urban Structure Elements:

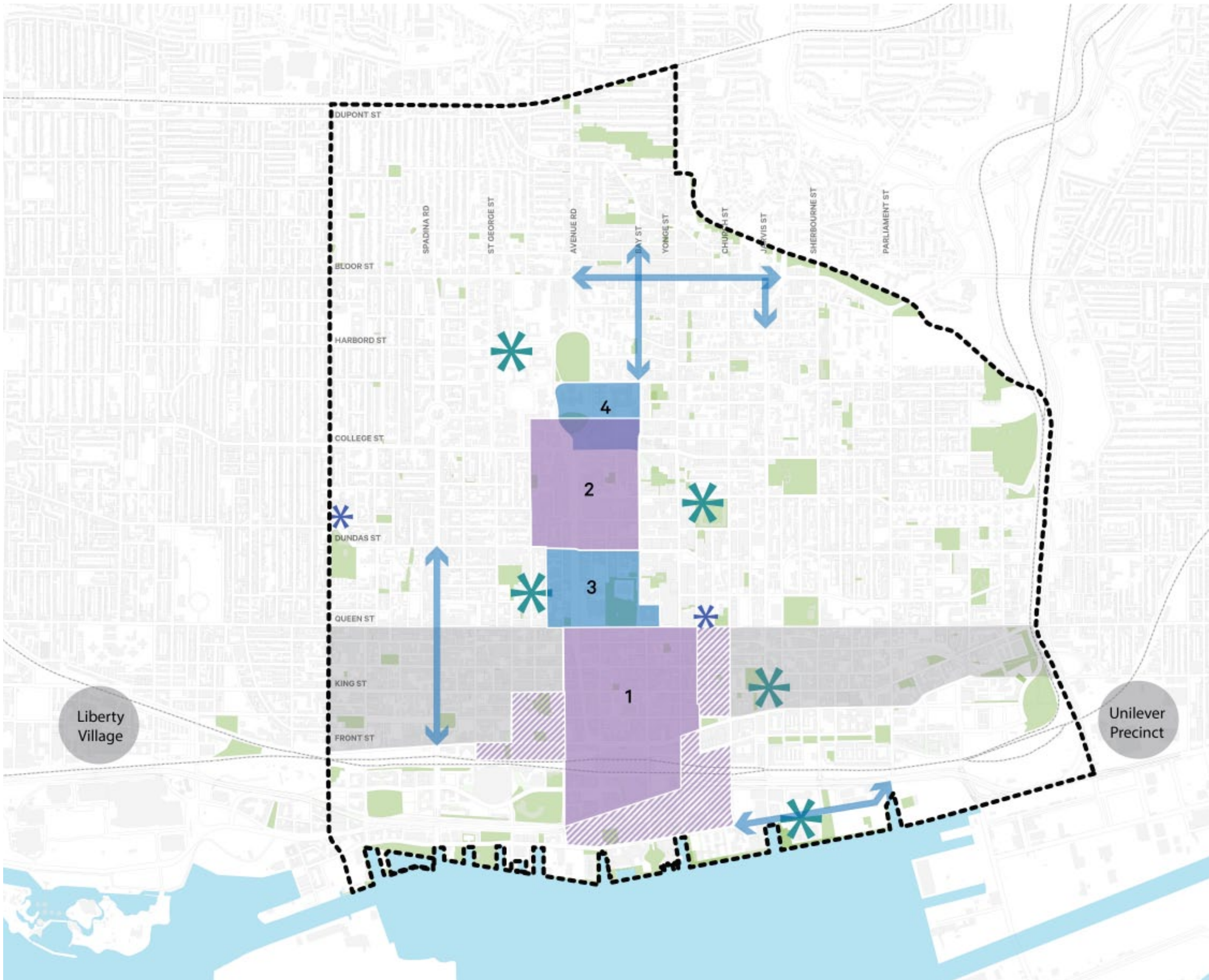
Map A should be included in the planning framework for Downtown to provide a structure for employment growth and economic development planning. These structural elements reflect concentrations of firms and institutions as well as their associated agglomeration effects in a large dynamic Downtown. Incorporating these structural elements in the Official Plan will support economic growth and will ensure that development supports key employment sectors in these areas.

2. Ensure the Financial District Continues to Grow.

Toronto's commercial activity is most intense in the Financial District, Canada's premier business centre. We anticipate that the Financial Services sector will to continue to grow Downtown, and the Financial District will continue to be its epicentre. The demand for new commercial office space is driven by the Financial Services and Business Services sectors, and the new towers both south and north of Union Station reflect this demand. Within the Downtown, these two employment sectors are highly concentrated in the Financial District where, combined, they represent 90% of all jobs; although the locus of this activity stretches far beyond the current boundaries of the Financial District, particularly for business services.

[3] Footnote: The forecasts and policy recommendations for the commercial office and institutional sectors in Downtown are being crafted in the context of a 25-year outlook to 2041. However, the policies that emerge from the new planning framework for Downtown may ultimately apply over a far longer lifespan and will certainly affect the employment structure of Downtown well beyond 2041. Employment forecasts in this study should not be narrowly interpreted as the precise quantity of development that needs to be planned for within a fixed timeframe.

Map A
Proposed Downtown Urban Structure Elements



1 Financial District

2 Proposed Health Sciences District

3 Proposed Courts and Civic Precinct

4 Proposed Capital Precinct

Proposed Financial District Expansion

King Street Mixed-Use Areas

Employment Corridors

Post-Secondary Institutions

Hospitals Outside Health Sciences District

TOcore Study Area

/ Recommendations

Perhaps the most significant direction to emerge from this study and analysis is the need to enlarge the geographic extent of the Financial District, and to restrict future development there to non-residential activity supporting economic growth. This is not an indictment of the mixed-use policy which has prevailed throughout the Downtown for the past 40 years. Indeed, one might argue that the robust employment situation Downtown is a result of the successful pursuit of the broad objective of promoting mixed use. Rather, this study's conclusion is based on a recognition of the influence that the economic activity in the Financial District has on the daily lives of Canadians and the importance of allowing that activity to continue to grow.

With extensions to the PATH system expanding the climate-controlled reach of pedestrian access to Union Station, further expanding the boundaries to the south and west bring more potential development sites within the Financial District. Extending the eastern boundary to Church Street incorporates additional potential, but retains a fairly compact Financial District where business locations are within walking distance of Union Station and subway stations. These boundary adjustments increase the competitiveness of the Financial District to national and international players in financial services as well as in the business services sectors such as law, accounting and computer services.

While OPA 231 (currently under appeal), which requires that office space be replaced when a site is redeveloped, can be helpful throughout the rest of the Downtown, there are relatively few opportunities to develop new office complexes to accommodate significant employment growth within the Financial District over the long term. The economy will continue to grow after 2041. It is important to provide for office growth opportunities beyond the 25-year planning horizon and preserving opportunities for non-residential growth allows this.

Official Plan policies should recognize non-residential development as a priority within the expanded Financial District, and therefore should limit residential permissions to currently approved projects and those permitted as-of-right. The precious and diminishing resource of development sites near the regional transportation hub at Union Station should be conserved for concentrated employment uses.

Recommendations to ensure economic growth in the expanded Financial District:

- Priority be given to the development of prestige commercial office buildings.
- Residential permissions be limited to those already approved or permitted as-of-right.
- All additional density approved above the existing as-of-right should be non-residential uses, which includes commercial office and hotels.

Facilitate Growth in the Health Sciences District

There is a clear concentration of healthcare treatment, education, research and related commercial functions in the vicinity of University Avenue, between Dundas Street West and Queen's Park. In addition to providing primary healthcare for the growing Downtown residential population, the teaching hospitals and research facilities concentrated in this area provide critical health services to the regional population. They are also engaging in leading-edge research that will shape the future of healthcare and create economic activity through the commercialization of new discoveries. As well, much of the space in commercial office buildings in this area is occupied by offices of the institutions themselves and related services and businesses.

There is a need for increased patient-care space to accommodate the growth of the Downtown population and fulfill the broader region's growing

/ Recommendations

service needs in areas such as specialized surgery and treatment. There is also a growing need for space to accommodate new research and administrative activities. Opportunity sites within close proximity to the major hospitals are limited, and competition from residential development interests constrains the major institutions when they plan for expansion.

This study recommends designating a Health Sciences District, as shown on Map A, as an overlay in the Official Plan and giving it the same status as the Financial District to recognize the primary importance of medical science, treatment and related uses in this area.

Recommendations to ensure growth in the Health Sciences District:

- Priority be given to the development of non-residential uses that contribute to the ability of these institutions to grow in their service function as well as create important space for research and related support.
- Residential permissions be limited to those already approved or permitted as-of-right.
- All additional density approved above the existing as-of-right should be non-residential uses, which include commercial offices, hospitals, education, research facilities and hotels.

4. Ensure Employment Growth Balances Residential Growth in King-Spadina

King-Spadina will continue to play an important role in accommodating economic activity that is oriented toward Downtown, in a mixed-use setting. Spadina Avenue from Front Street to Queen Street West is an important corridor of economic activity. The King-Spadina Secondary Plan is currently under review. However, it is important that the secondary plan, as revised, include policies designed to retain a high ratio of non-residential floor space to residential floor space.

Maintaining a significant proportion of non-residential space can be addressed, in part, by recognizing the central Spadina corridor as an area for employment focus; one that can take advantage of the high degree of transit accessibility. In the central Spadina corridor, as in the Financial and Health Sciences Districts, the City should limit development that exceeds the as-of-right permission to non-residential uses. Throughout the remainder of King-Spadina, the balance of residential and non-residential space should be addressed by ensuring that new development adds significant non-residential floor space along with new residential units. Within a project configuration based on height limits, the effective as-of-right potential should allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 30% of the total project mix.

Recommendations to ensure that King-Spadina continues to attract employment growth:

- Development in the central Spadina precinct should be exclusively for non-residential purposes with residential permissions limited to those already approved or permitted as-of-right.
- Elsewhere in King-Spadina, new development should contribute to retaining or increasing the amount of non-residential space in the area to accommodate economic growth and growth in the creative and cultural industries, by including the greater of either:
  - the full replacement of the non-residential space that is currently on site, or
  - ensuring 50% of the total proposed floor space above that currently permitted is dedicated for

non-residential purposes.

- Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Spadina, provided the non-residential requirement is developed prior to the residential component.

5. Review the King-Parliament Secondary Plan to Ensure Employment Growth Balances Residential Growth

The King-Parliament area offers opportunities for significant non-residential development to accommodate employment growth over the long term, particularly for creative and cultural industries, as well as institutional expansion. The King-Parliament Secondary Plan was originally adopted in 1996 and is due for a review in the same manner as King-Spadina. It is time to revisit important economic and cultural functions within the mixed-use vision. The review should also examine the relevancy of the existing secondary plan boundaries. In particular, this study recommends that the western boundary of King-Parliament be expanded to abut the new Financial District boundary.

In advance of a comprehensive review, the King-Parliament Secondary Plan should be amended to incorporate a non-residential share requirement that mirrors that recommended for the King-Spadina area. Within a project configuration based on height limits, the effective as-of-right potential should allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 25% of the total project mix.

Recommendations to ensure King-Parliament continue to attract employment growth:

- A review of the King-Parliament Secondary Plan and long-term vision for King-Parliament.
- An expansion of the boundary of the secondary plan area westwards to abut the new eastern boundary of the Financial District at Church Street.
- A requirement that new development contribute to retaining, or increasing, the amount of non-residential space in the area to accommodate economic growth and growth in the creative and cultural industries, by including the greater of either:
  - the full replacement of the non-residential space that is currently on the site, or
  - ensuring 50% of the total proposed floor space above that currently permitted is dedicated for non-residential purposes.
- Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Parliament, provided the commercial requirement is developed prior to the residential component.
- Consideration of the important role played by George Brown College and protection of opportunities for the college to grow.
- Support of niche opportunities for growing the creative economy.

6. Other Recommendations:

Additional recommendations arising from this study point to the need to recognize the provincial and municipal centres of government as important locations for civic functions as well as locations of employment. This study also recognizes the importance of the post-secondary campuses Downtown. Additionally, the nearby employment areas of Liberty Village and South of Eastern could play roles in addressing the demand for office space as growth continues beyond the 2041 planning horizon, or sooner, should the economy grow at a faster pace.

Government functions and civic spaces

As indicated on Map A, to the north of College Street is the Capital Precinct. This includes the legislature buildings of Queen's Park and the nearby provincially owned buildings, including the Frost Building, Whitney Block and the Macdonald Block complex. While this area should be recognized as an important urban structure element, it is identified as a precinct, not a district, since no specific additional policy provisions are proposed.

This study also recommends that a Courts and Civic Precinct be delineated. This includes the York County Court House, the courts in Old City Hall, the Federal Court at Simcoe and Queen, Osgoode Hall and the new courthouse under construction on Armoury Street. These legal institutions have important links to the many law firms and other related legal services located in offices in the Financial District and elsewhere in Downtown. Government functions in this precinct include City Hall's administrative and public functions and a number of consulates, while Nathan Phillips Square is the focal point for public celebrations and festivals. This area is also identified as a precinct, and no specific additional policy provisions are proposed.

Post-Secondary Campuses

In recognition of their importance, the post-secondary campuses are indicated as nodes on the proposed urban structure map, Map A.

The University of Toronto, Ryerson University, OCAD University and George Brown College have managed to expand in distinct ways to accommodate their growth. The expansions have taken different forms depending on the institution, its physical requirements and its financial capability. Delivering additional space within close proximity to existing facilities will become increasingly difficult as suitable affordable sites become scarcer. However, no additional policy direction is proposed here, so long as the primary land holdings are designated "Institutional" in the official plan and that designation allows for these facilities to expand to fulfill their important role in Downtown and the metropolitan area.

South of Eastern and Liberty Village

Beyond the Downtown boundaries there are significant opportunities for office growth in two shoulder areas. To the west, the Liberty Village area, designated as an Employment Area in the official plan, has potential to house additional economic activity in new and renovated spaces. This area is attractive to some of the same creative business types that currently favour King-Spadina.

To the east, across the Don River, the South of Eastern Employment Area is beginning to transform from traditional manufacturing and related uses to an area that holds significant potential to attract office development and jobs. An example of this is the recent proposal for the East Harbour office and retail development on the Unilever site on the east side of the Don River. Significant infrastructure investment is required for this site to become a major hub for office development and employment growth, as envisioned by the developer. Evaluating long-term office supply potential against the employment forecast scenarios results in a residual unmet demand that East Harbour could serve without undermining the Financial District and the rest of Downtown. The City will consider plans for the area through the ongoing Planning Study for the South of Eastern Development Portal.

It is important to note that future office development in the Liberty Village and South of Eastern Employment Areas is anticipated to complement, but not replace demand for office space Downtown.

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Accommodating Continued Employment Growth in the Core Requires a Rethink of Planning Policies

Forty years ago, Toronto City Council adopted a set of landmark Official Plan amendments known as the "*Central Area Plan*". The Plan's principal aim was to breathe new life into downtown Toronto by encouraging residential development through a controversial strategy to reverse inner-city population decline. A parallel objective was to limit growth in commercial office development to levels that could be supported by the existing transportation network, in an effort to stave off demands for the construction of expressways into the heart of the city. Further, by imposing limits on office development in the Core, the City hoped that the demand for office space would be deflected to a number of high-density mixed-use centres throughout Metropolitan Toronto.

Within 20 years, these policies had proven quite successful. Downtown had become a dynamic 24-hour space where people could live, work and play. By the early 1990s, the limits on Central Area office development were close to being met, but the transportation network had not been excessively burdened. While there had been some improvement in public transit access to the Central Area, research in 1991 revealed that each housing unit built Downtown had, on average, offset inbound travel demand by 1.2 trips in the morning peak period[1]. By the time the current Official Plan was drafted, that offset had increased to between 1.4 and 1.6.[2]

The policy of residential intensification was effectively creating capacity for employment growth. In 1993, a review of the Official Plan removed the limits on commercial office development. The effects of the lengthy recession of the early and mid-1990s were especially marked in commercial real estate. For the next 15 years no major office towers were built. However, in 1996 a new policy initiative to bring life to the former industrial areas of King-Spadina and King-Parliament was a timely signal to both the residential and commercial office markets. Old industrial and warehouse buildings were converted, respecting their built-form and creating a new sub-market for business space. The brick and beam option provided the supply required to satisfy the relatively low demand for office space during this period. Combined with significant residential development both areas have emerged as dynamic mixed-use communities and have proven attractive to firms in the creative and technology sectors as well as communications, arts and entertainment. Meanwhile, the pace of residential intensification in Downtown increased, and the city's skyline has come to be defined as much by residential towers as by bank towers and the CN Tower. From 2006 to 2016 the residential population in Downtown grew by 57%.

The recent growth in the demand for Downtown office space has spurred office-building construction and employment growth in the Financial District and adjacent areas. The nearby presence of a large,

[1] Footnote: Nowlan, D. M., & Stewart, G. (1991). Downtown Population Growth and Commuting Trips: Recent Experience in Toronto. Journal of The American Planning Association, 57(2), 165-182.

[2] Footnote: Nowlan, D. M. (2000). Technical Report for: Future of Downtown Toronto: Toronto: Publications and Resource Centre, City Hall. As background to Toronto Plan, 2000.

young, highly educated and expanding local workforce has played no small part in sustaining this increase in office development. Today 247,000 people call Downtown Toronto home, while almost 600,000 people work here.

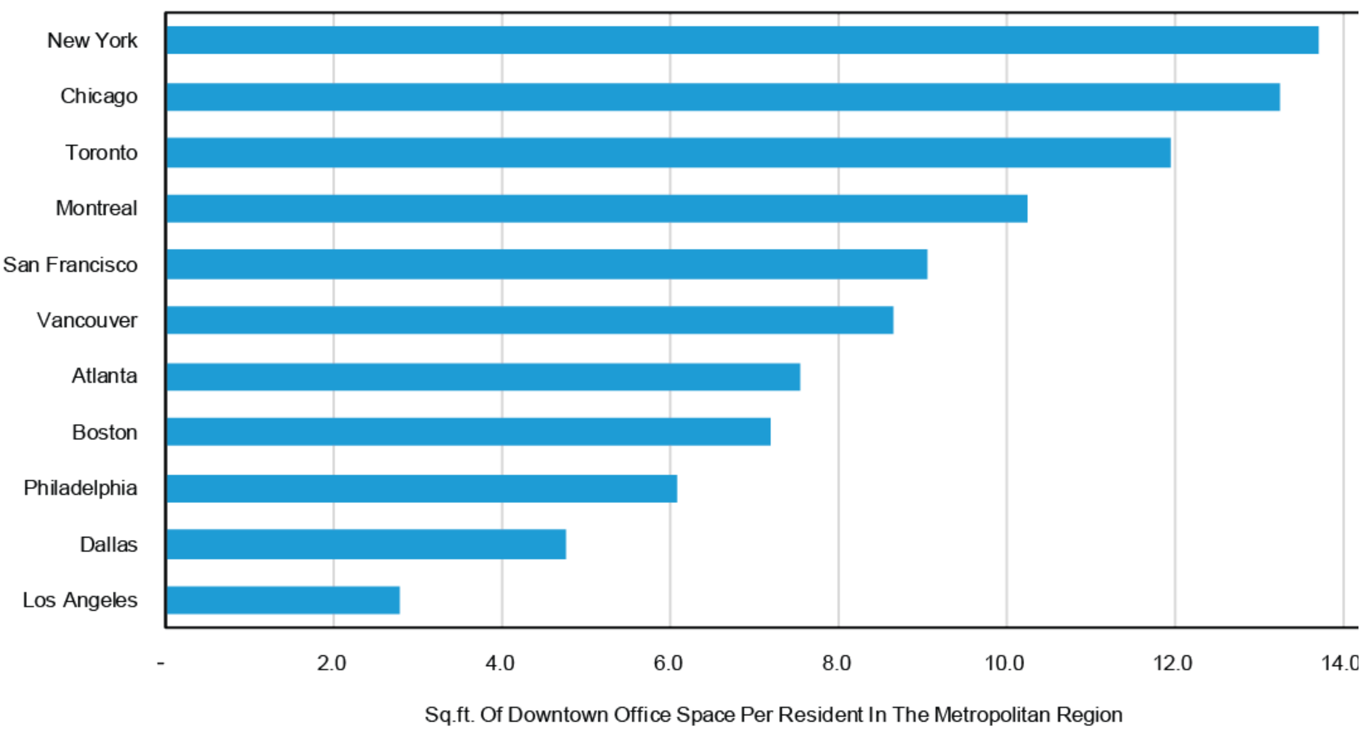
The pace of residential intensification has increased considerably since 2006, and the sustained demand for residential development sites has raised concerns about the city's ability to continue adding significant office space to accommodate employment growth over the long term.

To help understand the scale and importance of Downtown, a comparison to other North American cities is instructive. Toronto is third to New York and Chicago in terms of the size of the commercial downtown office market both in absolute terms and as a relative measure adjusting for the size of the metropolitan region, as shown in Figure 1[3]. While a similar comparison of residential concentration is more difficult to calculate, Toronto and New York also have much more concentrated downtown residential populations than most other North American cities.[4]

The scale of economic activity that takes place every day throughout Downtown makes it central to the economic health of the broader region and, indeed, the province and country. The importance of

Figure 1

Comparing the Scale of Downtown Office Markets



Source: Hemson Consuting Ltd.

[3] Footnote: Washington, DC also has a very significant amount of office space, but is excluded from this comparison because, as a national capital, it is fundamentally different from the commercial office centres represented by other downtowns.

[4] Footnote: Downtown Toronto residents are about 3.5% of the GTHA population, about the same share as Manhattan (below 86th Street) residents are of the population of the New York metropolitan region.

maintaining and fostering this economic activity is important from a range of perspectives, including land-use policy.

From an employment perspective, land-use policy in Toronto has largely aimed to protect existing employment lands for economic development. While this is a necessary policy approach for certain segments of the local economy, the locus of activity focused in and near the Financial District is a key driver of regional prosperity and, so, requires a different approach. We must understand the space needs and growth prospects of the Financial Services and Business Services sectors, as well as Hospitals and Healthcare, and post-secondary institutions, to ensure that a range of options for dealing with growth is available over the long term.

A new provincial policy context frames the TOcore project. *The Growth Plan, 2017* (*Growth Plan*) identifies Downtown Toronto as an Urban Growth Centre (UGC), to be planned as a regional focal point for accommodating significant population and employment growth, prescribing a minimum overall density of residents and jobs per hectare to be achieved by 2041. *Growth Plan* policies also call for major office and appropriate major institutional development to be directed to UGCs. Toronto's *Official Plan* has long recognized the economic importance of Downtown to the city and region, and to the country as a whole.

A. This Study is Part of the Broader TOcore Initiative

Council launched the TOcore Downtown Planning Study in 2014 to consider the policy changes and associated strategies that would be ncessary to ensure the availability and provision of physical and social infrastructure to accommodate projected growth in both population and employment and to ensure Downtown remains a great place to live, work, play, learn and invest. City staff will be preparing a new planning framework for Downtown to guide development within the study area and identify the necessary infrastructure required to support growth. Council also requires that the studies supporting this work consider the future growth of office and institutional employment in Downtown, and the capacity to accommodate that growth.

As the Downtown office market and the major institutions have grown and changed over the decades, the City has undertaken major reviews of office and institutional growth and the role of Downtown Toronto in the region. At roughly 15-year intervals, market and related policies have been addressed by:

- the *Central Area Plan* in the mid-1970s;
- the *Downtown Employment Study* in the mid-1980s;
- the *Future of Downtown* following amalgamation; and now
- the current work as part of TOcore.

This study provides a forecast of employment for Downtown to 2041 in the commercial office and institutional employment sectors (see Appendix A). In examining the requirements central to the continuing health of Downtown Toronto as a workplace, the study will address key questions for planning policy, including:

- Is there sufficient land capacity in the Financial District, King-Spadina and King-Parliament to accommodate growth?

- To what degree will changing needs for office space, i.e., declining floor space per worker, affect space demand as employment grows?
- Are new policies, such as safeguarding the precincts of the highly constrained hospital area and the university campuses, required to ensure that these institutions can continue to grow in Downtown?
- How can linkages among institutions and the commercial and technical service providers be accommodated in the space market to enhance growth potential in the knowledge-based economy?
- What role could areas such as Liberty Village or South of Eastern play in accommodating long-term office employment growth?

Hemson Consulting Ltd. was retained by the City to undertake the TOcore: Office and Institutional Study. SvN Architects + Planners assisted Hemson in preparing the study. This study also relies, in part, on data and market insights provided by CBRE Limited.

As a starting point, this section looks at the current conditions in the TOcore area, in particular the current trends in employment and space. While trends in various commercial office sectors and institutional sectors are presented separately, we recognize that the two sector groups are not independent of each other. Each section provides a general overview of employment and floor space trends across the study area followed by a more detailed examination of key sub-areas. The boundaries of the sub-areas are defined in Map 1.

For the purposes of the preparation of a Downtown Plan and other related studies, the TOcore study area stretches from the lakefront north to the CP main line between the Don River on the east and Bathurst Street on the west. For this current work on the commercial office and institutional employment sectors, the study area also includes Liberty Village, Exhibition–Fort York and South of Eastern. These areas have been added to the TOcore study area because they represent employment areas closely tied to Downtown and have significant potential to accommodate Downtown-related office growth. In particular, the proposed Unilever Precinct (East Harbour) office development (on the former Unilever site on the east side of the Don River) would be an extension of the Downtown office market.

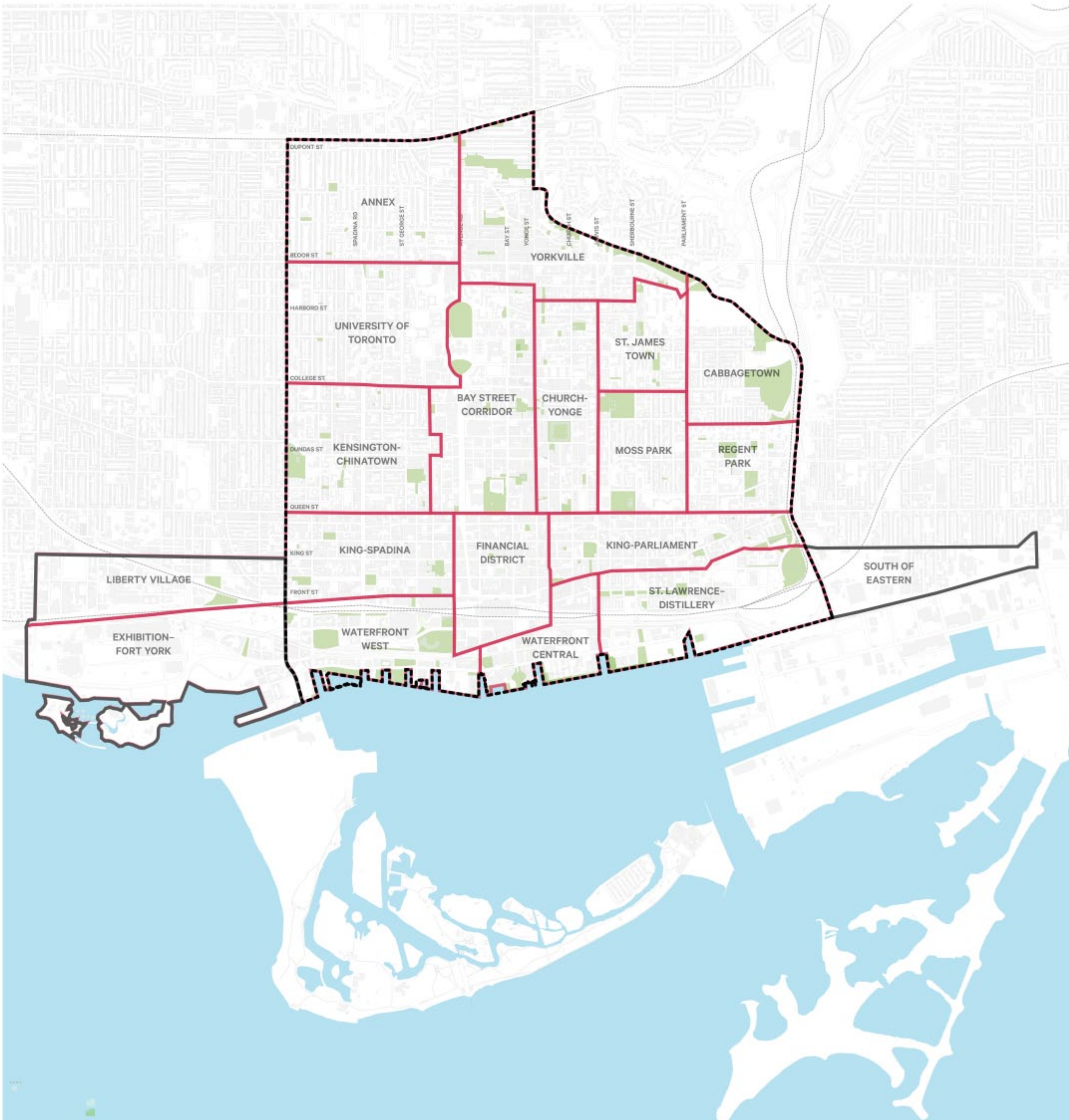
The review reflects the TOcore study area and adjacent areas shown in Map 1. Sub-area boundaries have been drawn to align with the Downtown Toronto commercial office sub-markets. Some of these sub-area boundaries differ from those used for the broader TOcore study; the differences align the trends analysis for the office and institutional study with major Downtown sub-markets.

Table 1

Commercial Office and Institutional Sectors - Activity Groupings

Commercial Office	Institutional
Industrial, Utilities and Transport	Government Services
Finance and Real Estate	Associations
Business Services	Public Education
Technical Services	Private Education
Media and Publishing	Hospitals and Healthcare
Retail and hospitality	Places of Worship
Heathcare Related	Other Institutional

Map 1
TOcore Study Area



Downtown Boundary

Adjacent Areas Boundary

Sub-Area Boundary

Source: Hemson Consulting Ltd.

B. Residential Development May Now Be Limiting Non-Residential Growth

Downtown is the densest employment cluster in Canada with more than 23,000 jobs per km^2, and is home to to major corporations of national and international importance. The *de facto* head offices of most of Canada's large financial institutions, brokerage houses and professional service firms are located here. These large employers have a highly visible presence in Downtown. Thousands of smaller firms also operate within Downtown offices, including concentrations in media, cultural and creative industries and in activities associated with the large institutional clusters.

In addition, the major university and college campuses are more than focal points for education and the jobs directly related to that function. Post-secondary institutions have also emerged as important incubators for new commercial enterprises. The Downtown hospital network not only provides important health services to the growing local population as well as the broader region, but also supports a critical mass of researchers generating leading-edge developments in diagnosis and treatment. These hospitals and their research activities are closely tied to the universities. This cluster is supported by related businesses that locate in close proximity to "Hospital Row." Downtown is also home to the Legislative Assembly of Ontario, which accommodates thousands of Provincial and Federal government jobs, in addition to those employed by the City's own administration..
Of the Toronto Employment Survey's estimate of 500,000 total jobs in Downtown in 2015, 80% were in offices and institutions.

- 275,000 jobs were in the commercial office sectors, representing 55% of all jobs. Within this group:
  - 45% were in the Financial Services sector, also known as Finance, Insurance and Real Estate;
  - 30% were in the Business Services sector.
- 123,000 jobs (many of which also occupy office space) were in the institutional sectors, representing 24% of all jobs. Within this group:
  - 30% were in the Government Services sector.

Table 1 provides a breakdown of the various activities that make up the commercial office and institutional sectors as defined for the purposes of establishing the historic and existing base, explored further in Section II.

The pace of residential development in Downtown has generated concerns that there may be a shortage of potential commercial development sites to support economic growth. Since the 2008–09 recession, the majority of new office development across the GTHA has located in Downtown, notably in the Financial District and adjacent areas. As well, the universities and colleges in Downtown have been expanding, as have institutions and businesses in the healthcare sector. The continued provision for these important elements of the local economy and the fabric of Downtown should be central to planning for Downtown.

2 / Office and Institutional Employment Sectors are Very Large and Growing in the Core

The analysis of the office and institutional sectors starts with an overview of the historical employment and space trends across Downtown.[5] This sets the context for examining employment sector dynamics before looking at historical trends for key sub-areas.

Downtown Toronto has for many decades been the pre-eminent location for commercial offices in the region, especially since the 1960s and 1970s, when all five major Canadian banks built a landmark office building at or close to the intersection of King and Bay Streets. Since then, the commercial real estate market has gone through several up-and-down cycles, including an extended period when most new office space was built in suburban locations. This suburban development came to dominate office-space growth in the 1990s and 2000s.

The Bay-Adelaide Centre is emblematic of the decline and recent resurgence of Downtown office development. Construction of this major commercial development began in 1990 at the tail end of the 1980s office boom. The market became very soft during the early 1990s recession; in 1993, the project was put on hold. Until construction restarted in 2006, the six-storey unfinished stump of Bay-Adelaide stood as a conspicuous symbol of the diminished appeal of its Downtown location. However, by the time the tower was completed in 2009, there was a resurgence of demand as the recovery from the most recent recession accelerated.

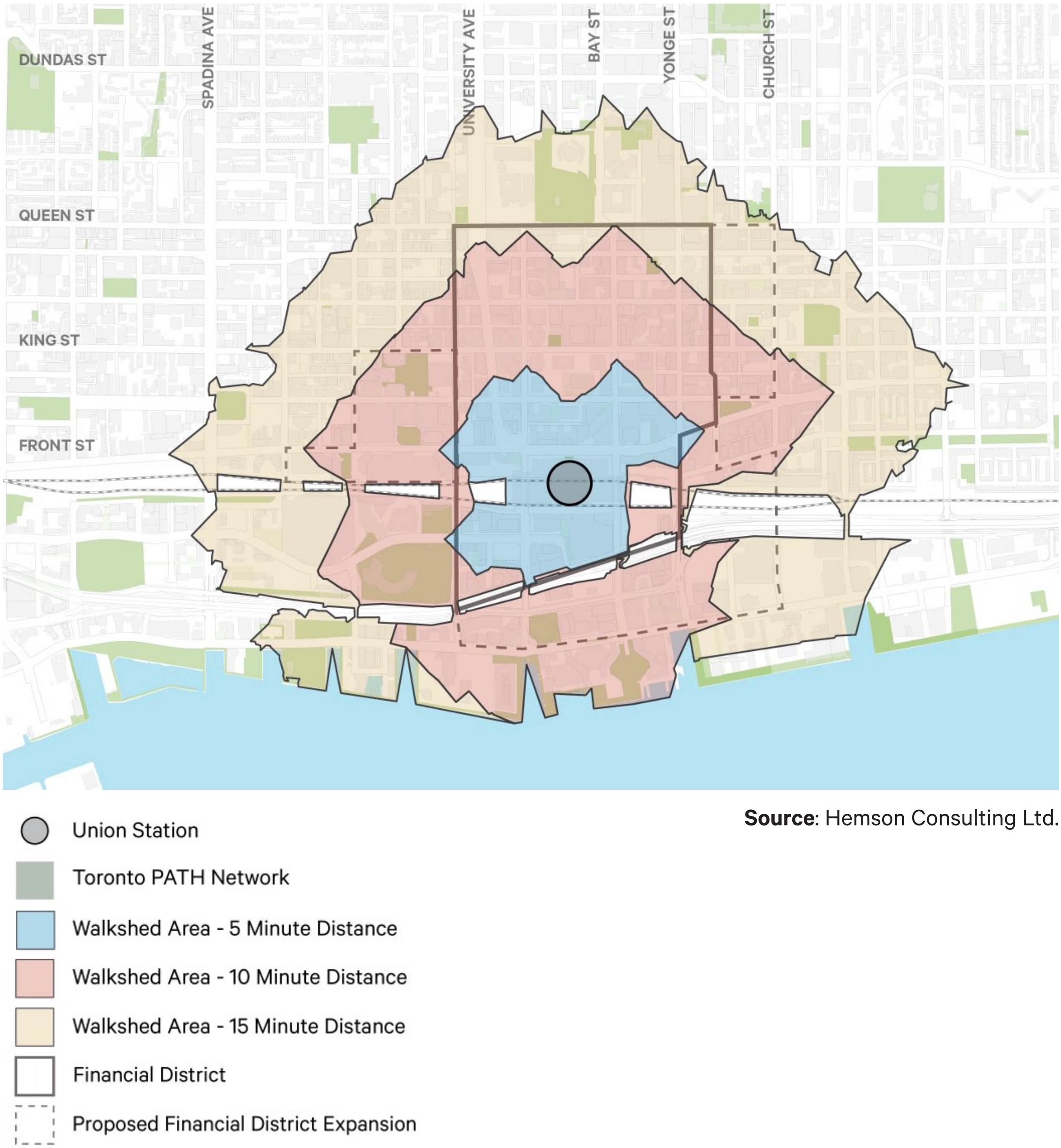
Since then, Downtown Toronto has once again become the focal point of metropolitan office growth. Between 2006 and 2015, the number of employees (office and institutional) in Downtown grew by 70,000, an increase of 22%. Notably, the office vacancy rate has continued to decline to a 20-year low even as 9 million sq. ft. (840,000 m^2) of new commercial office space have been added in the area south of Union Station and in other locations just outside the Financial District's traditional boundaries. The renewed primacy of Downtown as a preferred location shows how important it has become for firms to locate near the hub of regional transit lines and within walking distance of where the young, highly educated workforce is increasingly choosing to live (Map 2).

The Downtown workforce comes from across the region, as Map 3 illustrates. Union Station is the hub of the GO Transit rail and bus networks and is an important node on the subway network. Moreover, priority future transit projects (including the Relief Line, SmartTrack, GO Regional Express Rail) are all geared to improving accessibility to the core of the city for workers from across the region.

[5] Footnote: The employment data in this section is based on the City's based on the City's Toronto Employment Survey, which annually surveys establishments (businesses and other places of work) in the City. It does not include work-at-home employment and does not capture most individuals with no fixed place of employment. The Census-based definition of employment is self-reported by individuals so does include work at home and those with no fixed place of employment. Both are excellent data resources (notwithstanding the limitations of the National Household Survey in 2011) but are not directly comparable. As a result, the reader needs to be cautious when comparing employment figures elsewhere (including the forecasts later in this report).

Map 2

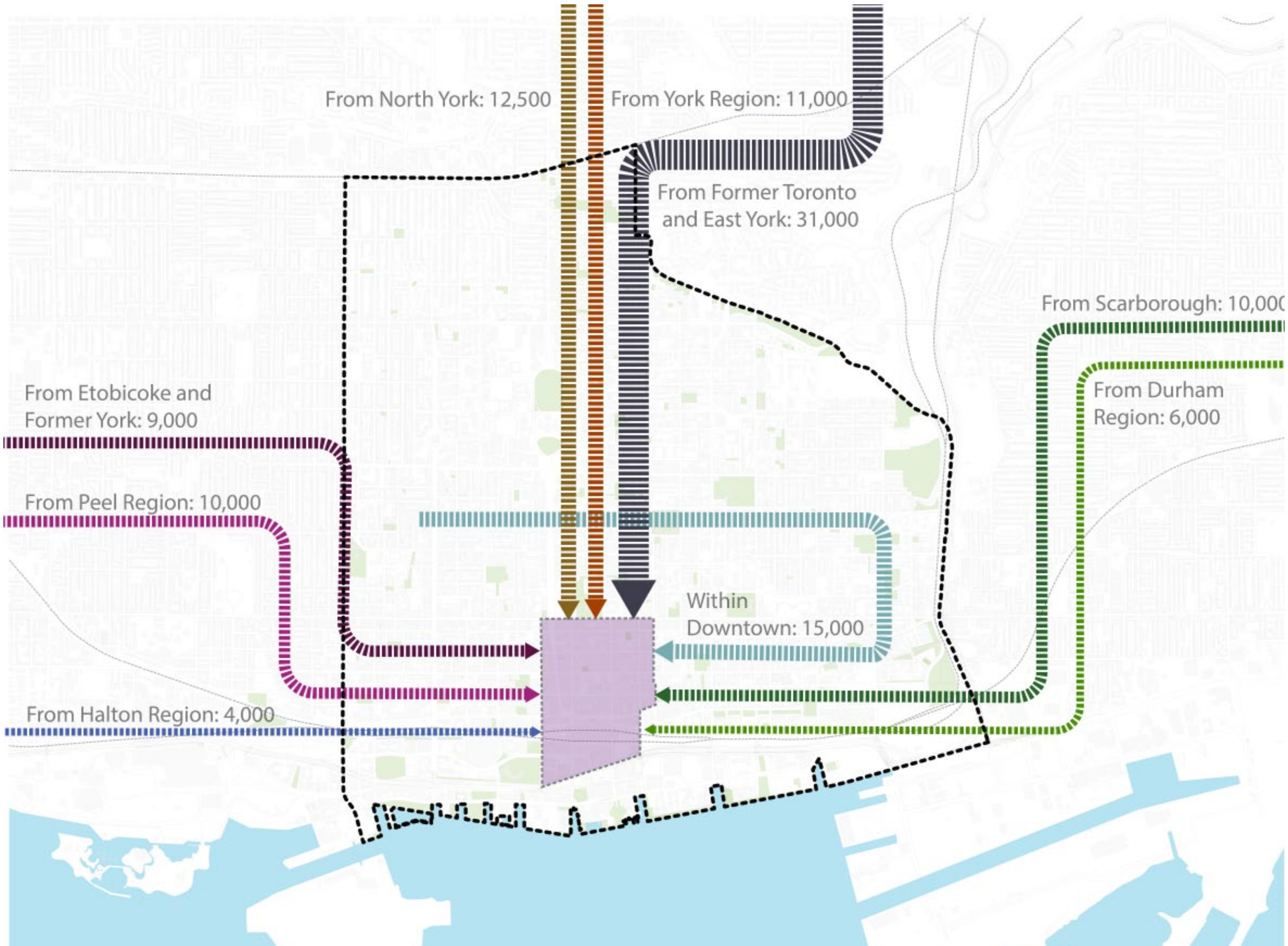
Union Station Walkshed



Source: Hemson Consulting Ltd.

Map 3

Financial District Inbound Commutes, 2011



Source: Hemson Consulting Ltd. using data from the National Household Survey, 2011

The analysis in sections A through C, below, explores employment trends in key employment sectors across the Downtown submarkets. As listed in Table 1, a total of 14 employment sectors are represented in Downtown, and they are grouped here as either commercial office or institutional employment sectors. These 14 sectors are made up of a larger number of subsectors, listed in detail in Appendix A. For clarification, jobs in the Industrial, Utilities and Transport sector within the Downtown office context are mainly jobs in the head offices of firms working in industrial activities, utility services and transportation services. The same applies to jobs in the Retail and Hospitality sector within the commercial office sector group (distinct from the retail and hospitality workers in retail stores, restaurants and hotels). Technology-related firms are categorized in a variety of sectors depending on their exact business activities. Larger technology firms, such as Google and Autodesk, are listed as computer services under the Business Services sector.

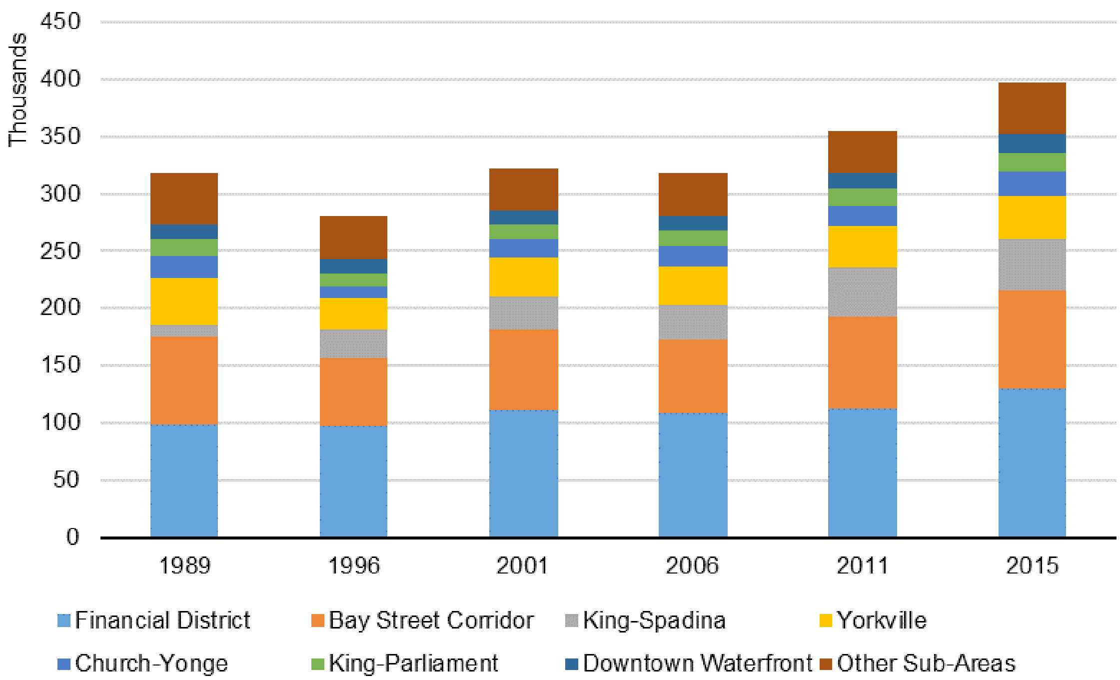
The analysis in Parts A through C below explores employment trends in key sectors across the Downtown submarkets.

A. Financial District Remains the Area with the Largest Concentration of Downtown Employment

Employment in Downtown has increased by 5.4% between 2014 and 2015 and by 17.5% between 2010 and 2015.[6] Figure 2 shows the total office employment in the study area including key

Figure 2

Downtown Office and Institutional Employment by Sub-Area, 1989-2015



Source: Hemson Consulting with data from the City of Toronto

[6] Footnote: "Profile Toronto: Toronto Employment Survey 2015," Toronto City Planning, December 2015.

[7] Footnote: The Downtown Waterfront as used in this report combines the Waterfront West and Waterfront Central sub-areas shown in Map 1.

sub-areas such as the Financial District, King-Spadina and King-Parliament, the Bay Street Corridor (which includes University Avenue), the Downtown Waterfront[7] and Yorkville (including the office cluster on Bloor Street East). The Financial District is the largest concentration of major office employment not only in Downtown but also in the country.

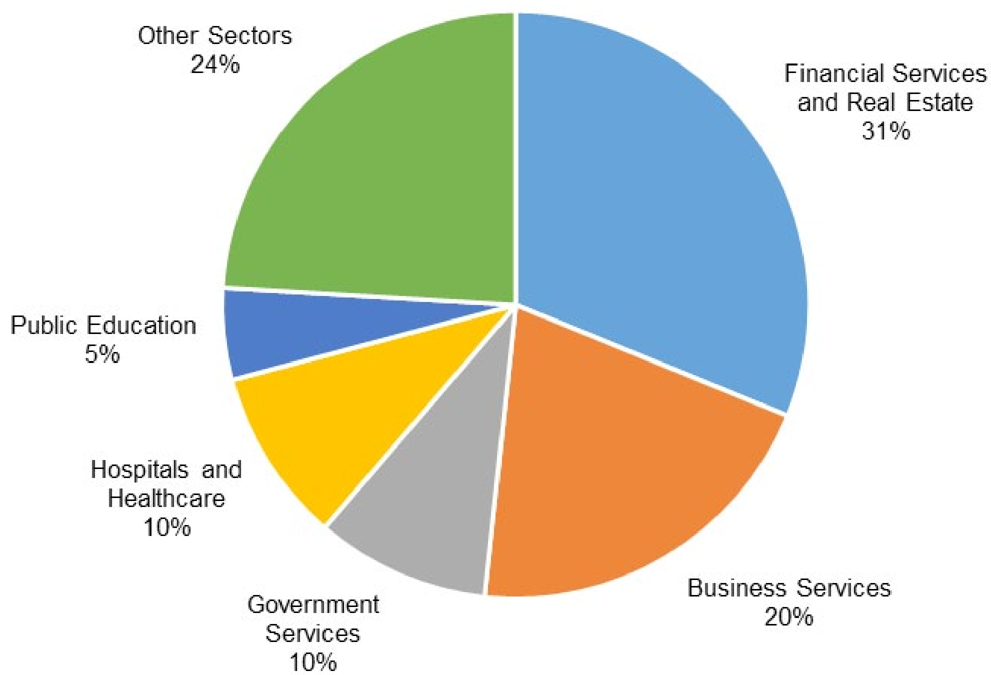
Unsurprisingly, according to the Toronto Employment Survey (TES), the two largest categories of employment in Downtown were financial services (finance, insurance and real estate, or FIRE) and business services. The next three largest categories are all institutional – government services, hospitals and healthcare, and public education – which speaks to the importance of the institutional employment sectors to Downtown Toronto (Figure 3).

The size characteristics of each occupier skews strongly toward small and medium-sized enterprises (SMEs).[8] According to the TES, 93% of organizations in Downtown have fewer than 100 employees. These organizations, however, collectively account for only 28% of employees in Downtown. In contrast, the largest organizations (greater than 500 employees) account for only 2% of organizations but 45% of employment.

Institutions in Downtown are an increasingly important component of the City's economic, social and cultural composition. Institutional employment here comprises three main sectors: Hospitals and Healthcare, Public Education (especially post-secondary) and Government Services. The increase in institutional jobs clearly indicates that these employment sectors have been growing at a rapid rate. From 2005 to 2015, jobs in institutional

Figure 3

Major Employment Sectors in Downtown, 2015



Source: Hemson Consulting with data from the City of Toronto

[8] Footnote: Statistics Canada defines small enterprises as those organizations with under 100 employees worldwide and medium-sized enterprises as those organizations with 100–500 employees worldwide. The Toronto Employment Survey only reports employment at each location, rather than worldwide employment for each establishment. This study uses the TES results with Statistic Canada's metrics to classify enterprise size at each location.

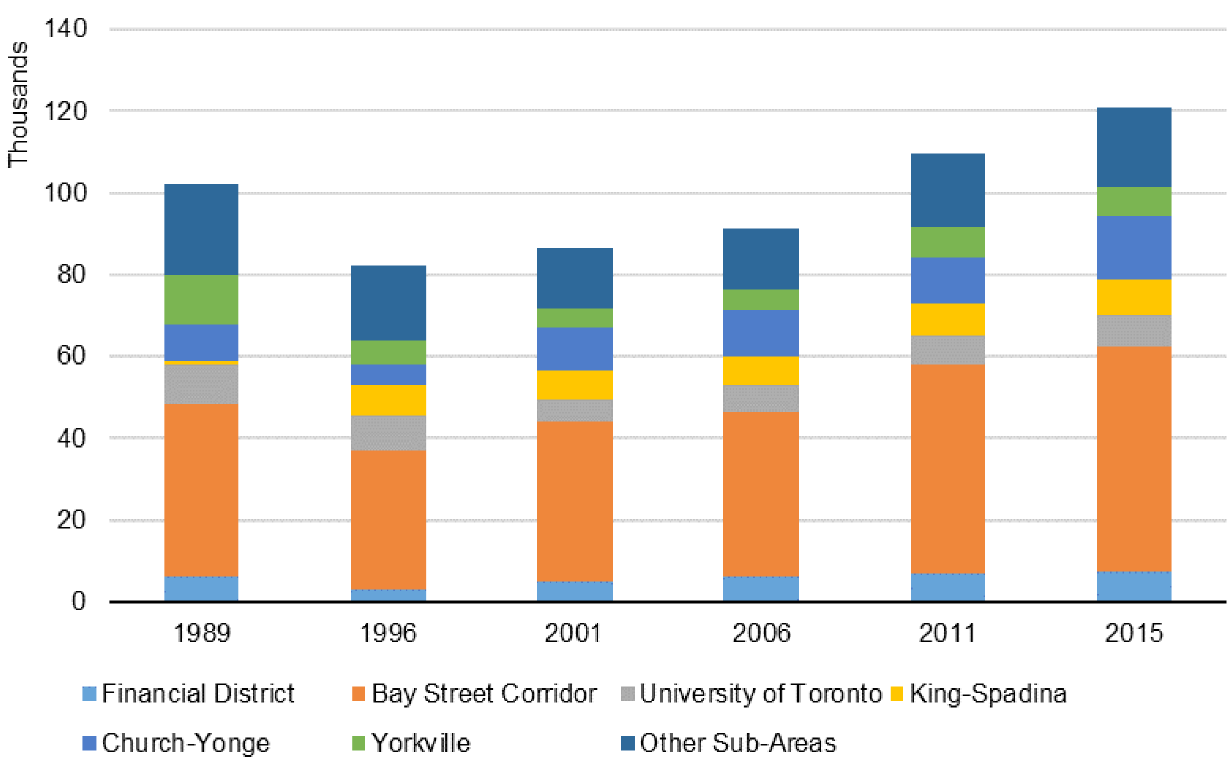
employment sectors in the City of Toronto as a whole increased by 34,800, or 18%; 85% of those jobs are located in Downtown.

B. Institutional Employment is Concentrated in Bay Street Corridor and is Dominated by Government Services and Healthcare

In the TES, the institutional employment category is roughly defined as the jobs in a number of public-sector activity groups that are located in non-commercial space. However, this categorization understates the size of the institutional employment sectors since 45% of jobs in public-sector employment categories, in particular those within Provincial and Municipal governments, are located in office buildings and are categorized by TES as office employment. The analysis of institutional employment trends combines the jobs in institutional buildings as well as those non-commercial office buildings to provide a comprehensive picture of institutional employment in Downtown (Figure 4).
The following analyses (in Parts C and D) of office space as a land-use and built form do include the portion of institutional jobs shown here that are in offices. Although combined institutional employment in Downtown Toronto has varied since 1989, the split of employment between office and institutional land-use categories (per the TES) has largely remained constant (Figure 5). The land-use categories refer to the generalized land use of different employment activities; government services are listed as office, whereas education and healthcare are listed as institutional.

Figure 4

Downtown Total Institutional Employment, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

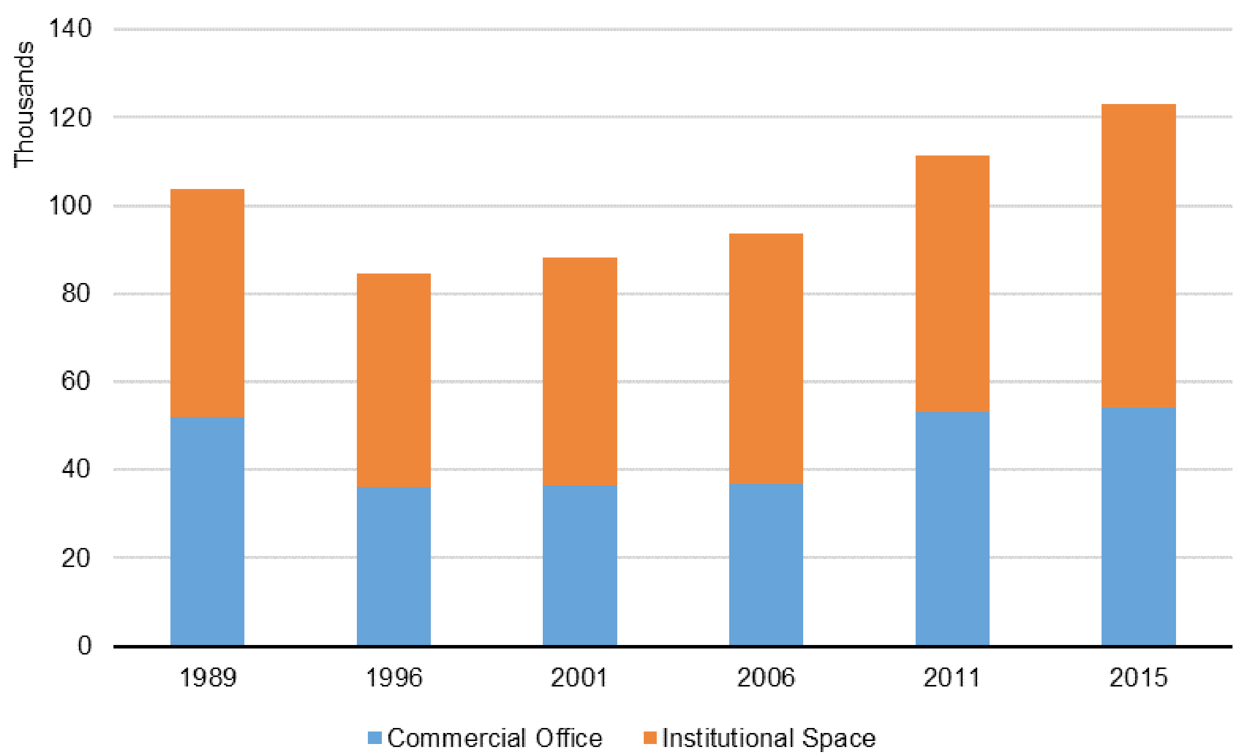
Seven distinct sectors make up the institutional sector group (Figure 6). Together, the three largest sectors – Government Services, Hospitals and Healthcare, and Public Education – represent 82% of institutional employment, with 40% of these jobs in 2015 located in commercial office space.

The need to accommodate workers is only one driver of demand for space in institutional sectors. This is particularly true in the Public Education and Hospitals and Healthcare sectors. In post-secondary education, although the office-space component is directly tied to the number of faculty and staff, floor-space needs derive mainly from the size of student enrolment. Similarly, the space needs in the Hospitals and Healthcare sector are tied in part to the number of patients. With this in mind, for the purposes of the forecast exercise, institutional space needs will be determined based on the long-range plans of the universities and the hospitals.

Institutional employment in Downtown Toronto is concentrated in only a few sub-areas: the Bay Street Corridor (including the Municipal and Provincial government buildings and hospitals along University Avenue), the University of Toronto sub-area and Church-Yonge (where Ryerson University is located). Each of the University of Toronto and Church-Yonge sub-area is dominated by a single institution (University of Toronto and Ryerson University, respectively), which provides the majority of total employment there. The Bay Street Corridor, on the other hand, is a dynamic mix of interlinked sectors and institutions occupying both commercial office buildings and institutional space.

Figure 5

Downtown Institutional Employment in Office and Institutional Land-Use Categories, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

C. A Financial District Concentration: the Largest Group of Tenants are in Financial Services but Over One-Third of Tenancies are Small

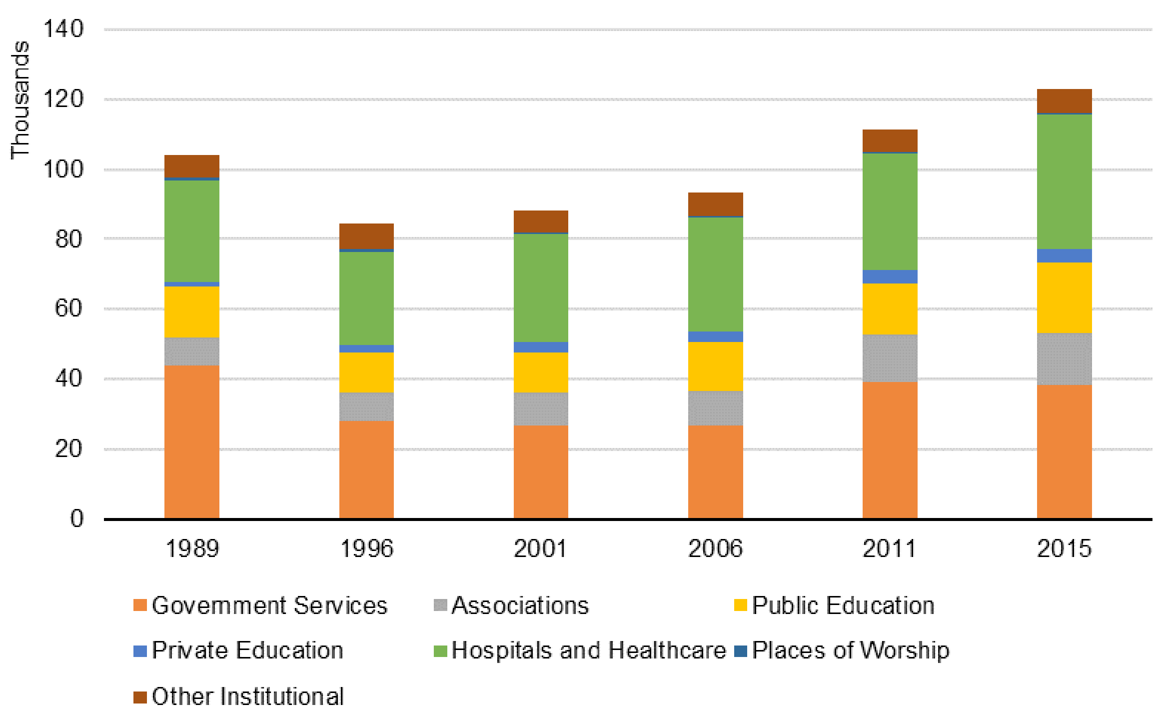
The current trends in office floor space are based on data from multiple sources, including office data tracked by Hemson Consulting, CBRE and the City of Toronto. Downtown and the shoulder areas of Liberty Village and South of Eastern contain approximately 515 buildings with a total of approximately 94.5 million sq. ft. (8.8 million m²) of office space.[9] As shown by Figure 7, most of that office space is concentrated within six of the 18 sub-areas.

Two sub-areas in particular, the Financial District and the Bay Street Corridor, account for nearly two-thirds of office space in Downtown, with 35.1 and 19.5 million sq. ft. (3.3 and 1.8 million m²) respectively. Of the next four largest areas, King-Spadina contains 13.4 million sq. ft. (1.3 million m²), Yorkville has 8.3 million sq. ft. (0.8 million m²), Waterfront Central and Waterfront West, as shown on Map 1, are combined here with a total of 5.1 million sq. ft. (0.5 million m²) and King-Parliament has 4.6 million sq. ft. (0.4 million m²) of office space. The remaining sub-areas together contain just under 10% of the total space with 8.7 million sq. ft. (0.8 million m²).

Figure 8 shows the distribution of space by size of tenancy across the study area. The office leasing inventory maintained by CBRE shows more than 90% of tenants occupy spaces under 20,000 sq. ft. (1,860 m²) in size, although the combined area covered by these tenants is just over one-third the total leasable office space in Downtown. The largest occupiers in the study area, users with more than 100,000 sq. ft. (9,300 m²), account for more than 40% of total leasable space and only 2% of all occupiers.

Figure 6

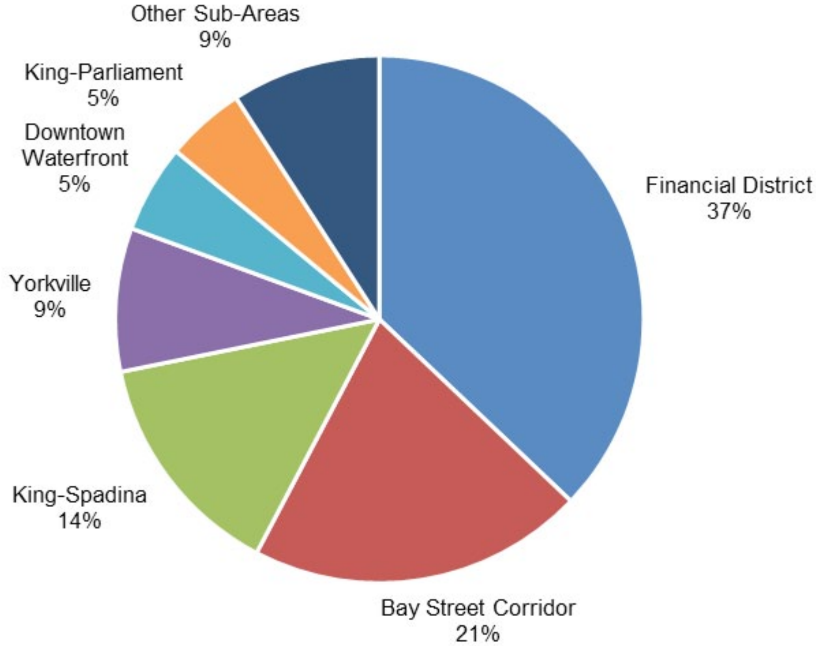
Downtown Institutional Employment by Sector, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

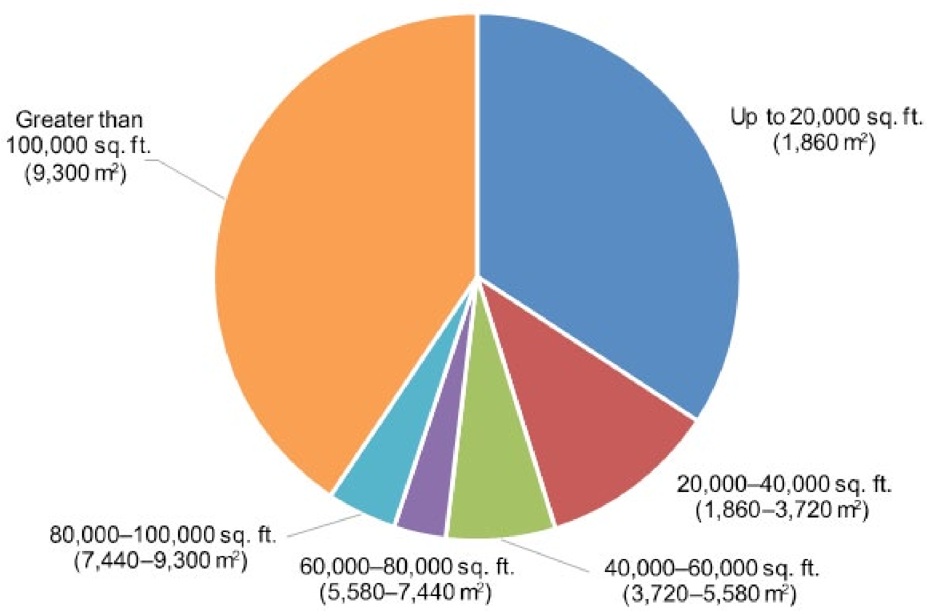
[9] Footnote: Although the standard system of measurement in Canada is metric, the real estate and construction industries use imperial measurements. Data referring to floor space is sourced in sq. ft. and converted to m².

Figure 7
Office Space by Sub-Area, 2015



Source: Hemson Consulting with data from CBRE and the City of Toronto

Figure 8
Downtown Office Space by Occupant Size, 2016



Source: Hemson Consulting with data from CBRE

The data analyzed by CBRE also provides an overview of office uses by employment sector as shown in Figure 9.

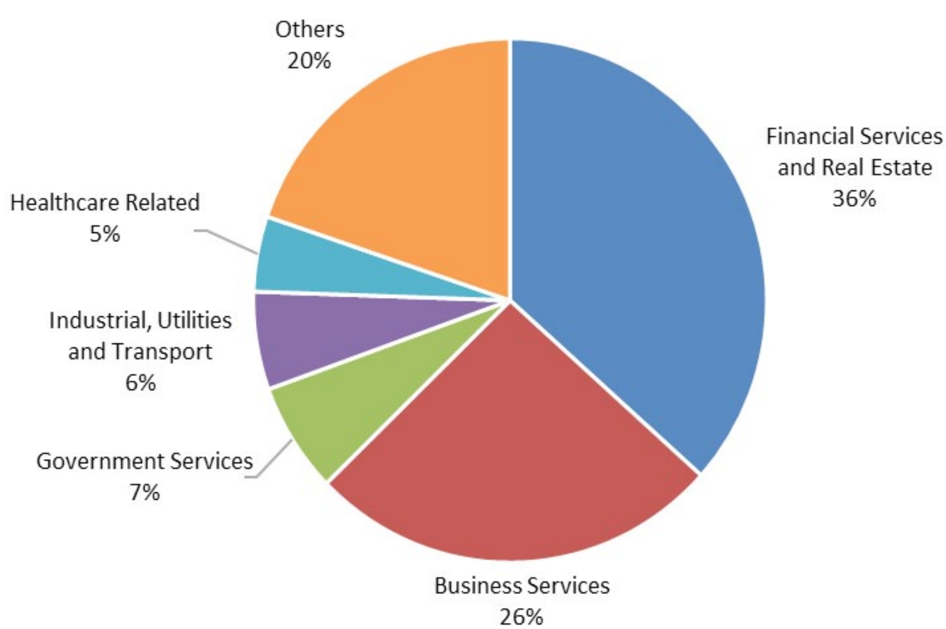
The TES employment data only goes back to 1983, not far enough to use in examining the historical perspective of the office market in the study area. The first office buildings in Downtown date from the mid-1800s. Notwithstanding recent new construction, the majority of the standing stock of office space in the study area was built between 1965 and 1990 (Figure 10).

The development cycles over the past 65 years are evident from the varying amounts of development in the five-year periods from 1950 to present day. The spike in office space added from 1990 to 1995 mostly consists of construction that started before the onset of the economic recession in 1991. Although office space and employment in Downtown has fluctuated since 1989, the Financial District remained fairly stable until 2005, when the surge in Downtown Toronto major office construction added employment. The lower figure for 2010–15 is partly a result of the dates used, since much of the space completed between 2015 and early 2017 (about 3.8 million sq. ft. or 358,000 m^2) started construction in the 2010–15 period. Another 5.3 million sq. ft. (490,000 m^2) are currently under construction; the 2015–20 column includes projects completed by 2017 and those with estimated completion dates in this period.[10]

Figure 11 shows that the commercial office vacancy rate across Downtown Toronto, as tracked by CBRE, has declined from 10% in 1996 to under 5% in 2015. More recent data indicate a further decline in the vacancy rate. The low vacancy rate indicates the continued high demand for office space in the Downtown and the general health of the commercial real estate market, even as significant amounts of new space come on stream.

Figure 9

Downtown Office Occupants by Employment Sector, 2016

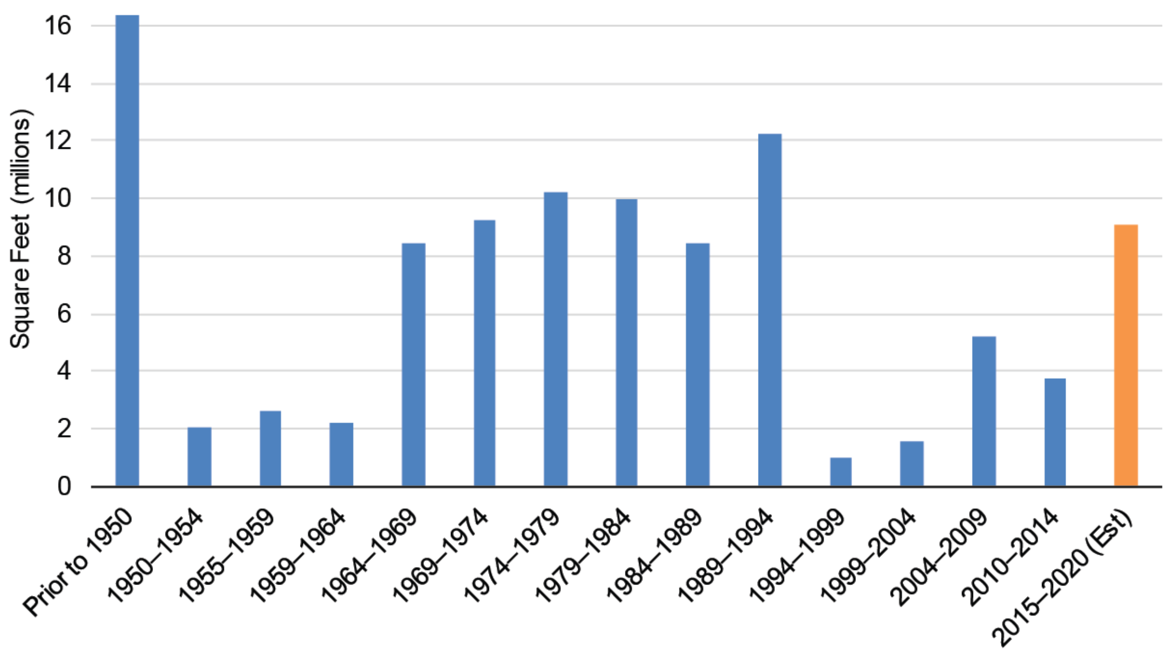


Source: Hemson Consulting with data from CBRE

[10] Footnote: The 2015–20 figure includes buildings that have been completed during 2016 and early 2017, all buildings under construction, plus the Bay Park Centre (new CIBC offices at 45 Bay Street), which is expected to be completed in mid-2020.

Figure 10

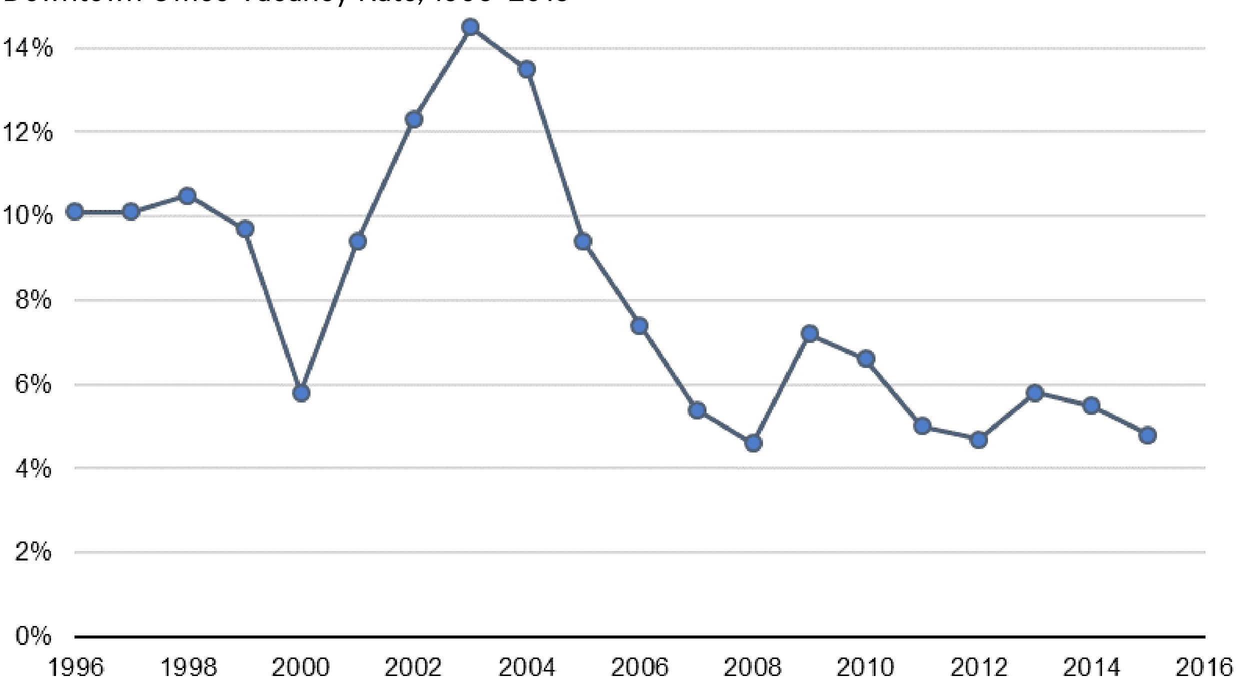
Office Space Development in Downtown Toronto by Year of Construction



Source: Hemson Consulting

Figure 11

Downtown Office Vacancy Rate, 1995–2015



Source: Hemson Consulting with data from CBRE and the City of Toronto

D. Recent and Proposed Development is Focused on South End of Financial District and King-Spadina

The pace of non-residential development has increased substantially in the past decade, particularly in the period since the 2009 recession. Eight major office buildings have been built, three of which are larger than 1.0 million sq. ft. (93,000 m²). A significant amount of the new development is concentrated in areas designated as "mixed use" or "regeneration," both permitting a wide range of uses. The result is that both freestanding office towers and residential towers with some commercial space are permitted throughout much of Downtown. To make a serious contribution to the commercial office market, office space incorporated into a mixed-use project needs to offer a significant amount of non-residential space.

According to City building permit and development application data, 6.7 million sq. ft. (620,000 m²) gross floor area (GFA) of new office space was built in the study area between 2011 and 2016. There is an additional 19 million sq. ft. (1.8 million m²) in the development pipeline[11], either under construction or under review for approval. While 13 of the projects recently completed were exclusively office in character, bringing 3.2 million sq. ft. (300,000 m²) to market, a large amount of non-residential space was added with the completion of mixed-use projects, where five projects added 1.3 million sq. ft. (120,000 m²) to the commercial office supply.

As illustrated in Map 4, the vast majority of this new space, both completed and in-pipeline, is located within or adjacent to the Financial District.

Table 2 illustrates the range of mixed-use and office projects currently in the development pipeline. Of the 259 total projects listed as either in application or under construction, 96 projects have an office component, totalling over 19.2 million sq. ft. (1.8 million m²) in additional office supply anticipated to come online in the near future.

Most of these are not primarily office developments; only 26 have more than 70% of their total GFA dedicated to office use. These 26 projects represent an estimated 11.3 million sq. ft. (1.0 million m²) of future supply.

The other 70 projects with an office component contain a more varied mix of uses. While these projects will cumulatively add an estimated 7.9 million sq. ft. (734,000 m²) of additional supply, the majority – 38 projects – provide 15% or less of their total GFA for office use. Together, these projects only account for 1.8 million sq. ft. (168,000 m²) of future office supply.

The 51 mixed-use projects where less than 30% of total project GFA is devoted to office space are

Table 2

Downtown Toronto Projects in the Development Pipeline
Projects by Office Share of Total Site GFA, 2011-2016

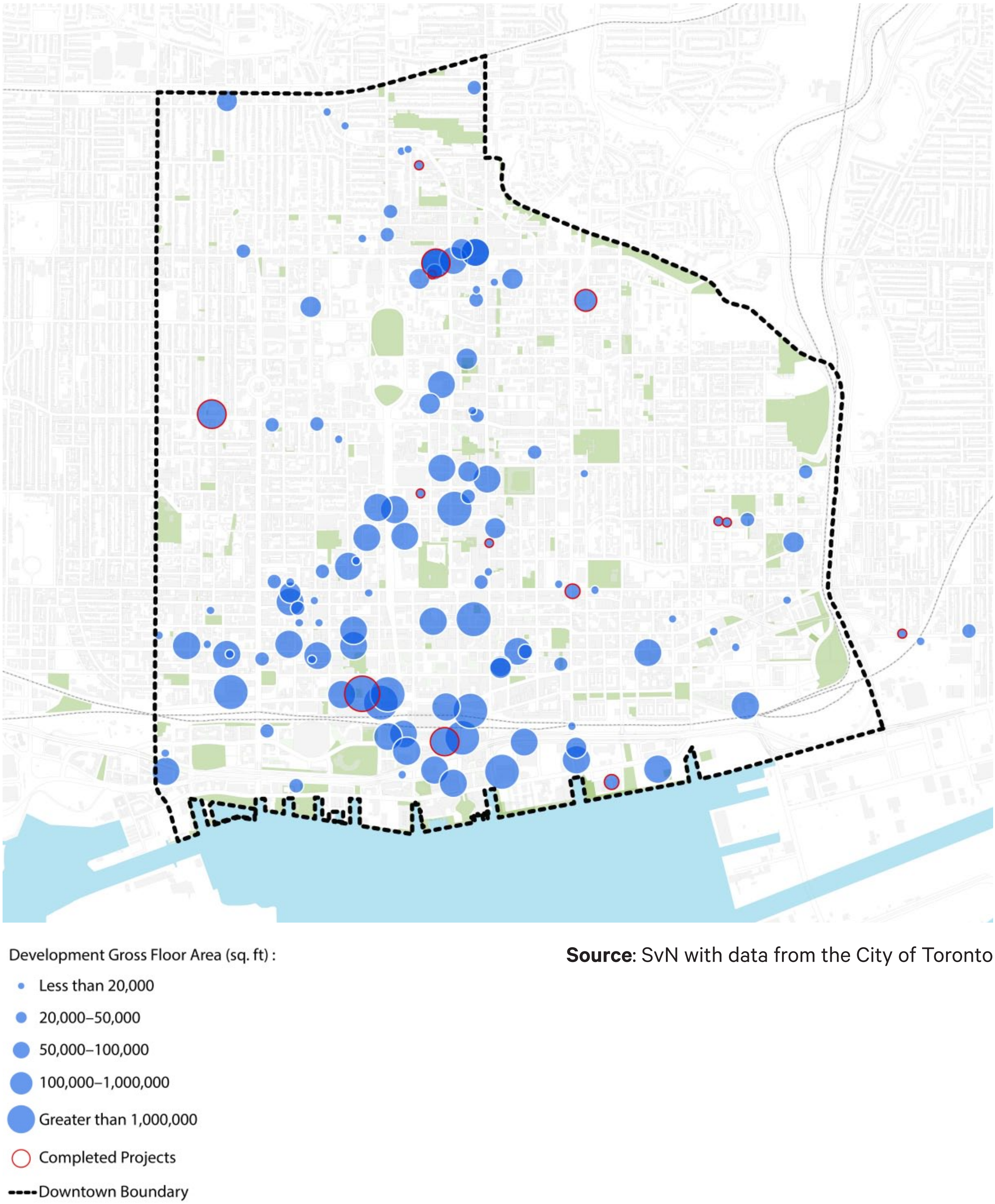
Office Share of GFA (%)	0	1–15	16–30	31–50	51–70	71–99	100	Total
Number of Projects	163	38	13	15	4	21	5	259
Share of Total (%)	63	15	5	6	2	8	2	100
New Office Supply (000s of sq. ft.)	-	1,813	998	3,892	1,194	9,973	1,297	19,167

Source: Hemson Consulting with data from the City of Toronto

[11] Footnote: Projects represented by development applications submitted but not yet approved, those which are approved and projects under construction.

Map 4

Downtown Toronto Office Development: Recent Completions and Projects in Pipeline, 2016



Source: SvN with data from the City of Toronto contributing 2.8 million sq. ft. (260,000 m^2) to the market, or just over 55,000 sq. ft. (5,100 m^2) per project. In contrast, the 19 developments that include between 30% and 70% of GFA as office space are contributing 5.0 million sq. ft. (460,000 m^2) to the market, or almost 268,000 sq. ft. (26,000 m^2) per development.

As with recently completed projects, the bulk of this new space will be added within the Financial District, though a number of sizeable projects are also developing near the Downtown Waterfront, along the Bay Street Corridor, and in the King-Spadina and King-Parliament areas. A key goal of the City's planning has been to ensure that some mixed-use projects, particularly those outside the Financial District, make a significant contribution to the supply of commercial office space. Based on the distribution of office space in mixed-use developments currently in the pipeline, a contribution could be considered significant once the non-residential share of space exceeds 30% of total project GFA.

In addition, there has been an increase in new space for Institutional use in recent years, with an additional 4.5 million sq. ft. (420,000 m^2) GFA of supply completed between 2011 and 2016. This new supply is distributed more widely across the study area compared to major office developments. The largest Institutional developments occurred through the expansion of hospital facilities located in the Bay Street Corridor, with other hospital and university expansions accounting for the bulk of new Institutional floor space across the study area, as shown in Map 5.

This demand for institutional services in Downtown will continue to grow as major hospitals serve more patients locally and from across the region and as post-secondary campuses serve more students. Downtown hospitals also face increased pressures to deliver basic health services to the growing local residential population. However, only an additional 3.2 million sq. ft. (300,000 m^2) GFA of institutional space is in the approvals stream or under construction. In order to maintain and enhance current levels of service we anticipate that additional space will be required. Expansion for organizations in the institutional sectors will be both challenging and expensive as residential and mixed-use development projects continue to compete for sites.

Figures 12 and 13 illustrate the share of applications that include office and institutional floor space by Downtown sub-area, including the five areas with the highest share of new space in the development pipeline.

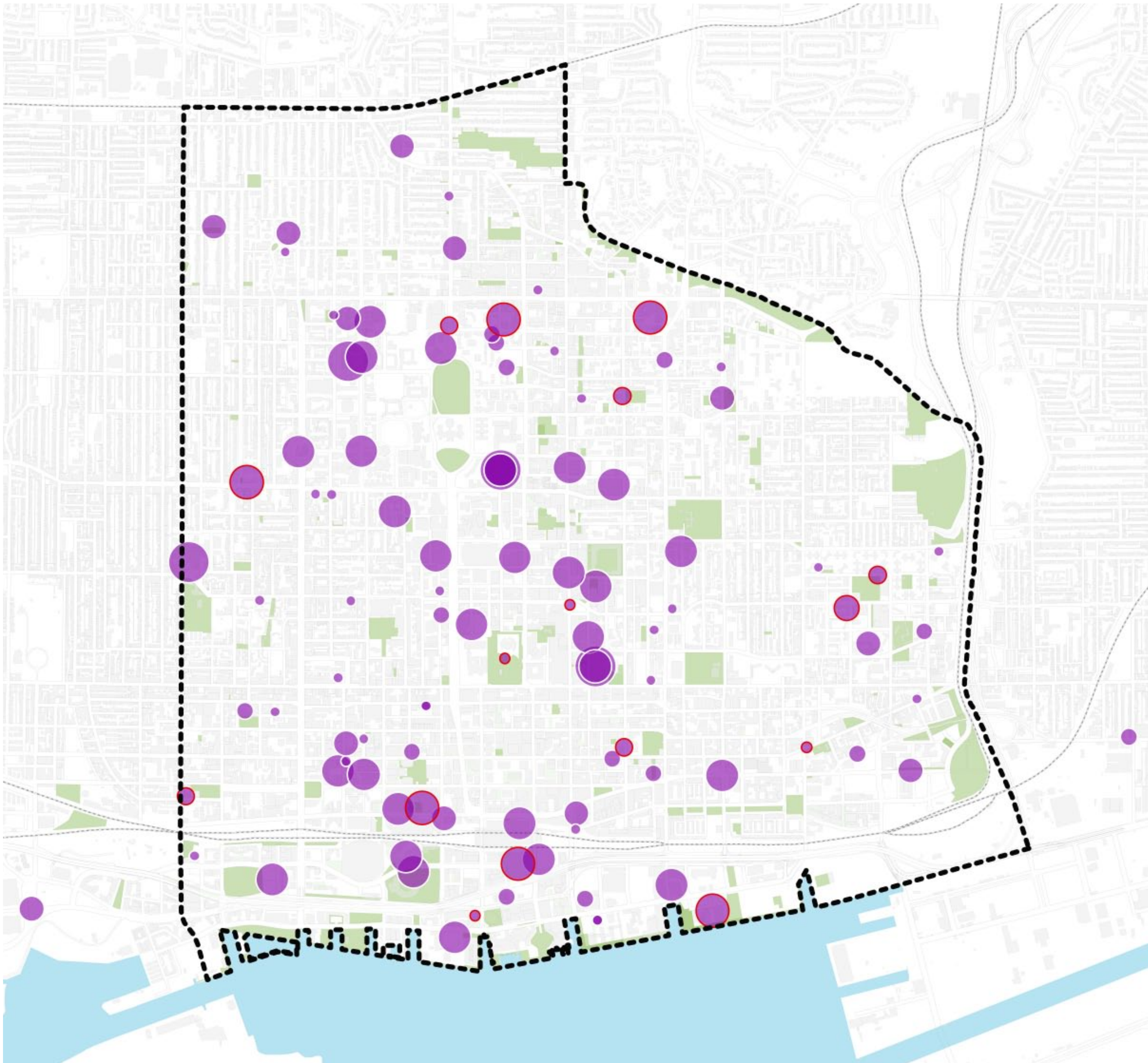
The distribution of recent office and institutional completions and applications shows the continued dominance of the Financial District. Just over 50% of all new office and institutional space constructed from 2011 to 2015 and 45% of upcoming projects approved or under review are in the Financial District.

Overall, our analysis of historical trends in major commercial office and institutional employment and development shows that Downtown Toronto has and will likely continue to see significant demand for commercial office and institutional space in the coming years. The challenge in preparing a new planning framework for the study area will be to ensure that hospitals and post-secondary campuses can continue to expand, and that the supply of commercial office space continues to grow, both in major office buildings and, in significant amounts, in mixed-use projects.

The following section looks at factors influencing the demand for new employment space in Downtown, including insights from real estate research reports and interviews conducted by the study team.

Map 5

Downtown Toronto Institutional Development: Recent Completions and Projects in Pipeline, 2011-2016



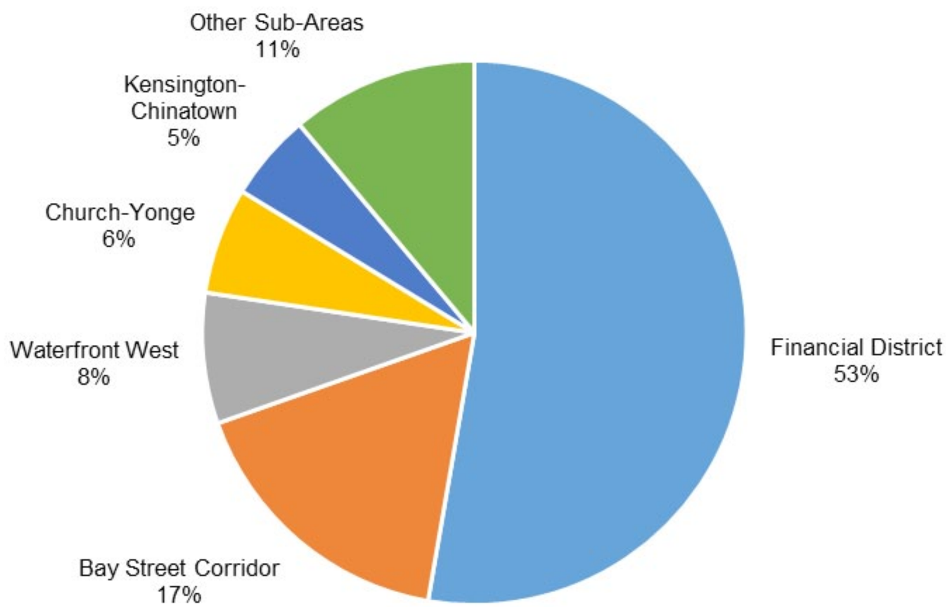
Development Gross Floor Area (sq. ft) :

- Less than 20,000
- 20,000–50,000
- 50,000–100,000
- 100,000–1,000,000
- Greater than 1,000,000
- Completed Projects
- Downtown Boundary

Source: SvN with data from the City of Toronto

Figure 12

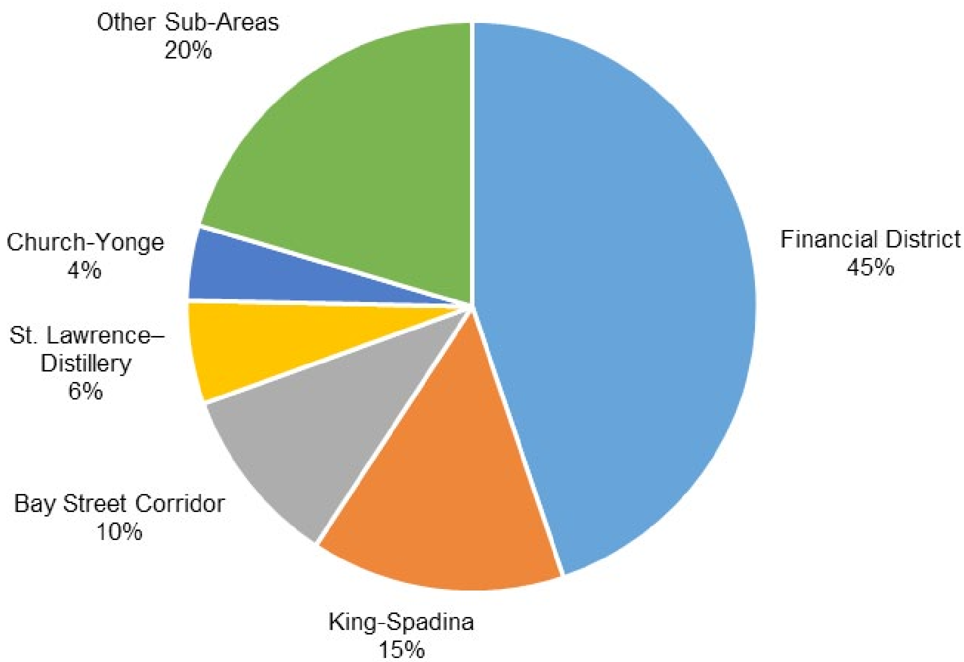
Downtown Office and Institutional Development: Recent Completions by Sub-Area, 2011-2016



Source: Hemson Consulting with data from CBRE and the City of Toronto

Figure 13

Downtown Office and Institutional Development: Applications Approved / Under Review by Sub-Area, 2016



Source: Hemson Consulting with data from CBRE and the City of Toronto

3 / Future Development will be Driven by the Growing Employment Sectors and How Office Space is Used

The outlook for employment and space growth is based in part on historical trends in employment and floor-space data, as well as research on current drivers of the office market. To better understand some of the qualitative factors that affect the office market, 25 interviews were conducted with representatives of businesses and organizations from the major employment sectors. Discussions were also held with leasing executives and architects who have a wide knowledge of demand and space-utilization trends. The interviews were supplemented with documentation on sectoral trends.

In order to understand how the relationship between employment and floor space is likely to develop over the forecast period, research into occupancy trends typically considers floor-space-per-worker (FSW), a measure documented by the real estate industry and used to match firm needs with space requirements. FSW is a critical determinant of office space need. This research included an analysis of industry literature and a study of office densities in Downtown using a sample of the largest occupiers in the study area. Finally, a series of workshops with community planners explored near-term development trends to help determine how future employment and floor space may be distributed within Downtown.

A. Employment and Space is Influenced by Technology, Location Preferences and How Firms Use Space

Section IV of this report provides the forecast of employment and office space growth to 2041. We approached the forecast mainly from the regional economic and demographic perspective, while incorporating the sectoral outlook presented in this section. It is essential to keep in mind that the physical growth in office space is driven by the need to accommodate people who work in Downtown. It is crucial, therefore, to understand how the various employment sectors and organizations that dominate Downtown expect to provide space for their employees in coming years.

First, this section discusses broad trends affecting the economy, specific key sectors that dominate Downtown, labour force access, and trends in the design and utilization of office space. The sectoral review that follows addresses the particular factors for key sectors which affect not only how much space will be needed, but also what it may look like, how it might be occupied and locational preferences within Downtown.

1. Digital Economy Continues to Increase in Importance

The digital economy is becoming ever more important to how organizations operate and in turn use their space. Virtually every sector is affected, including firms that typically occupy commercial office space:

- Digital record keeping has allowed greater mobility of both work and workers, affecting location decisions and the potential for knowledge workers to be mobile.
- Process automation has shifted the nature of employment and the skills required in many sectors. For example, accounting services focus less on transaction processing and more on business intelligence and analytics.
- Outsourcing and offshoring to reduce labour costs has changed how companies work and where they locate, affecting the types of operations and skills that will remain in Downtown Toronto.
- Back-office consolidation reflects extensive automation and is often associated with outsourcing and offshoring, again affecting which operations locate Downtown.
- Many sectors are using e-commerce more extensively and are reconsidering how much space they need.

From both the interviews that were conducted and other research there is a clear sense that technological change is having a major effect not only on the way people work but also on the design of the workplace. It is also contributing to the increasing importance of the computer services subsector, which is growing in presence in Downtown. Many of the largest organizations in this subsector are adding space in Downtown, including Google, Facebook and Microsoft.

2. Ability to Attract Talent Drives Location Choice

A North American study of 229 corporate real estate occupiers, completed by the CBRE Institute in 2016[12], identified managing talent as the top concern of corporate real estate (CRE) executives, followed by managing costs. The study's primary finding was that for 1 in 2 companies, talent determines the market; cost pinpoints the location. In service industries, labour is typically an organization's largest cost, so while real estate may be an important cost consideration, for some occupiers access to the right talent comes first.

Location decisions are multi-faceted. The CBRE Institute study showed the major decision drivers at the city, country or region level are:

- talent availability (50%);
- access to new markets or customers (40%);
- quality of location, infrastructure and amenities (36%); and

Office Space as a Branding Tool

Major companies have long used prestigious office buildings to showcase their brands (putting the company's name on the building, for example). That tradition is continuing with recent office towers such as EY Tower on Adelaide and the PWC and Telus Buildings in the South Core (the area south of Union Station between Lower Simcoe and Lower Jarvis Streets). In the war for talent, employers are now using their interior office space and amenities in recruiting (Google, Twitter, etc. having game rooms, cafeterias, etc.). These amenities include space that helps to address the need for flexibility and work-life balance, incorporating wellness as a design theme and offering spaces for socialization, relaxation and reflection within the work environment.

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[12] Footnote: "Americas Occupier Survey 2015/16" published by the CBRE Institute. 45% of the respondents represent banking or finance, telecom or tech organizations. 54% are global real estate executives, 34% regional and 12% managing individual market-level portfolios.

- real estate costs (31%).

The CBRE study also found that:

- CRE executives are putting people first – focusing on “delivering environments that serve as a natural and very powerful tool to attract, engage and retain high-performing talent.
- Employers of choice want to deliver a true “workplace experience,” linking corporate real estate, IT and HR missions “to deliver hyper-customized environments emphasizing brand, functionality, freedom of workstyle and community connectivity.”
- Half of the executives choosing to relocate are doing so “in a strategic hunt for targeted skillsets.”

Once a location or neighbourhood is chosen, CBRE’s study indicates that the following factors come into play in selecting a specific site or building:

- Building and floorplate design (51%),
- Real estate costs (46%),
- Lease options (35%), and
- Quality of location and amenities (33%).

While location decisions may differ by sector and organization, many firms choose Downtown Toronto because the regional transit system makes Downtown accessible from all parts of the GTHA. Multi-location occupiers (for example, large banks and accounting firms) may have some space in the core and additional locations spread around the suburban GTHA. Often back-office, processing and support functions are based in the suburbs, where location choice reflects not only cost considerations, but also technical and other considerations as part of business-continuity planning in the event of disruptions to operations.

As the Downtown population has grown, the local labour pool has come to be even more dominated by young people. In 2011 almost half of those living in Downtown were in their twenties and thirties – a large pool of talent. Commonly referred to as millennials, or Generation Y, their propensity to take up residence in Downtown has not gone unnoticed by firms active in computer services, financial services and creative industries. Recognizing a desire by these workers to walk, bike or take transit for a short commute to work, many of these companies have located in Liberty Village, King-Spadina and King-Parliament.

Companies in some employment sectors cluster to be where their competitors are or close to a key site or facility. Many law firms with litigation practices locate within walking distance of the courts on University Avenue. The hospitals along University Avenue are large users of leased space, preferring sites within a few minutes’ walk of the primary hospital site. The advertising industry has a cluster of similar firms in the Wellington and Spadina area, while film and post-production companies prefer the King-Parliament area, which is close to some of the large film studios along Lakeshore Boulevard East.

3. Changes in Office Design Mean New Offices Use Less Space per Worker

Office designs are changing. New technologies, such as improvements in mobile telecommunications, create new opportunities to use space more efficiently. As well, new ways in which tasks are undertaken with more flexible, collaborative teams prompt changes in office design. In the “open office,” individual workspaces are being reduced in size while more space is being assigned to collaboration space in the form of meeting rooms, as well as informal huddle areas and spaces for socialization.

A consistent observation by those interviewed, which is supported by other research, is that the amount of floor space assigned to each employee is being reduced. A major reason for this is that many businesses are seeking reduced real estate costs (through smaller footprints), although often some of the resulting savings are reinvested into workplace and mobile technology to support flexible approaches to work. A second cost-saving approach being followed, at least in organizations where many staff members often work away from the base office, is to plan for fewer desks than there are staff. In this arrangement, the ratio of desks to staff may vary from 1:1.2 to 1:2 – or even higher. In offices at the higher end of the range, staff may often need to work in meeting rooms. Desk sharing is used in a variety of alternative workplace approaches, such as activity-based work settings, where employees select from a variety of work settings based on the activity they are performing. These options may include collaboration space, focus space, work stations, offices, cafes and project-team rooms. Desk sharing typically uses "free address," meaning there are no dedicated spots for specific employees; sometimes this is referred to as "hot-desking" or "hoteling" (a reference to reserving specific spaces).

4. The Pace of Change in the Total Office Stock Is Quite Slow

Current trends in workplace design contribute in different ways to two contrasting drivers of demand for office space:

- In many firms, space assigned to individual employees is being reduced as a result of the way work is carried out and the desire for cost savings.
- To facilitate collaborative work, additional space is needed to accommodate more high-quality common work areas, as well as areas for meetings and socialization.

Firms are most likely to implement these new configurations when they move into new buildings or into spaces where they can undertake a wholesale remodelling. Because these events are very infrequent, they only have a marginal effect on average occupancy rates when trying to understand the demand for office space in a large, complex market like Downtown Toronto. Moreover, it is the largest space users that are most able to make such changes because they tend to have the financial, real estate and organizational capacity to plan and execute such complex moves. In contrast, many of the smaller establishments that make up the bulk of the Downtown space market tend to change more slowly.

While many firms are implementing creative and unique design solutions to the accommodation of staff, on average the influence across the market area will be moderate.

Co-Working Offices Continue to Grow

New players in the office market include co-working spaces, such as Regus, WeWork and the Centre for Social Innovation, which offer flexible offices for smaller office users. Co-working organizations provide office infrastructure, including meeting space, host curated events and educational seminars, and facilitate networking. Though largely associated with the technology sector, the co-working model has also been adopted by non-profit and social enterprises, as well as freelance and self-employed individuals who want to connect with like-minded people. The amount of co-working space worldwide has nearly doubled annually since 2006, according to the findings of the Global Coworking Survey conducted by deskmag, a blog that tracks the co-working sector. As of 2016, Colliers International estimates there are 39 companies offering co-working spaces in 80 locations across Toronto.

B. Expectations for Office and Institutional Sectors, Based on Interviews with Key Space Occupants

While the outlook for employment and space in Downtown will be broadly influenced by the technology, location and space use factors discussed in this section, individual employment sectors will be affected by more specific considerations. The following observations by sector are based on qualitative data from industry publications and personal interviews. Interviews were conducted with 10 representatives from companies and organizations, eight commercial real estate brokers with CBRE, and representatives from each of the seven major hospitals. The interviewees came from all major sectors and included professionals from the Province of Ontario, financial services firms, law firms, management consultancies, real estate developers and architectural firms, as well as the City of Markham (for a perspective on the suburban office market). CBRE's brokers and researchers are experts in the needs of firms in the business services, financial services, healthcare, government, media, technology, telecom and creative services sectors, as well as being real estate brokers with expertise specific to each sub-area in Downtown.

1. Despite Technological Change, Financial Services Is Expected to Grow, and Downtown Will Remain Its Signature Location

Financial Services is the largest single employment sector in Downtown and is dominated by the major Canadian banks. Insurance companies also represent a significant share as does the investment community (mutual fund companies, REITs, pension fund organizations, etc.). While each of the major Canadian banks has a prominent office building with its name on it, the banks are typically tenants rather than owners. The banks also tend to have administrative and business functions in multiple locations, with both suburban and Downtown locations. Starting in the 1980s, the banks moved significant back-office operations to the suburbs, where costs are lower and where business-continuity requirements can be assured – in the event of a power outage in Downtown, for example.

The Rise of FinTech

Short for "financial technology," FinTech is the intersection of financial services and technology. It was initially associated with start-ups providing low-cost alternatives to traditional financial services. In recent years, with the rise of hedge funds and algorithmic trading as well as mobile banking, traditional financial services providers have been pivoting and blurring the lines between financial services and technology. As part of the "war for talent," banks and other financial services firms have been competing with technology companies to hire software developers in order to develop their own in-house technology capabilities. Recent examples include the "Digital Development Centre" at AVIVA Canada in Toronto, the implementation of IBM's Watson artificial intelligence platform at Fukoku Mutual Life Insurance in Tokyo, and the Contract Intelligence platform developed in New York City by JPMorgan Chase to process time-consuming commercial loan agreements.

In response to changing work practices, most banks have flexible or mobile work programs for some business units and for a portion of their space. This approach is not being implemented across the board, but banks are looking for space savings and improvements in workplace environments through these programs.

Insurance companies, unlike the major banks, tend to own the space they occupy. Canada Life and Manulife, for example, own their head office buildings (on University Avenue and Bloor Street East, respectively), structures that convey images of strength and stability. Like the banks, insurance companies also typically have several locations. Some companies are introducing more flexible work environments.

We anticipate that the Financial Services sector will continue to dominate the core of Downtown for the foreseeable future. While technological change will have an effect on the sector, we do not expect that the current changes will cause a major shift in the Downtown office market – the role of banks is national in scope, and as Canada grows the banks are likely to expand to meet the needs of the growing population and economy.

Notwithstanding the technological shift, the sector is facing a growing challenge from what is referred to as "FinTech." This term describes new businesses that deliver financial services (e.g., mortgage lending and specialized insurance) using sophisticated software and technology. While it is disruptive change, the outcome of this trend is difficult to predict, especially as it pertains to the demand for office space. The traditional banking industry may evolve to embrace the new technologies, or new entrants may become large entities that compete with the traditional banks for space as well as clients. Either way, Downtown Toronto is likely to remain the centre of the Financial Services industry, whatever form it takes.

The insurance industry is also likely to undergo change as a result of technological innovations. But just as banking is adapting, so is the insurance industry.

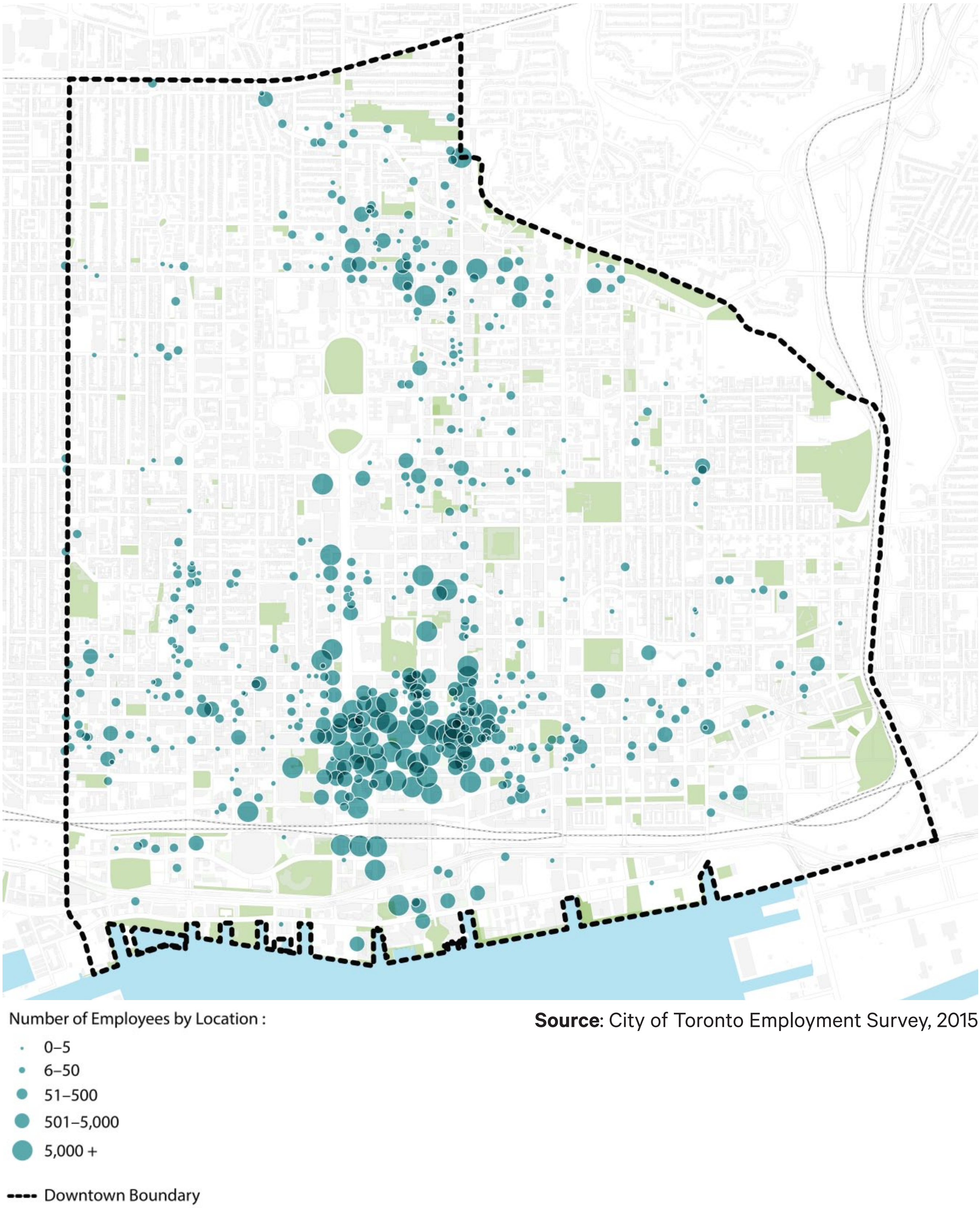
The remainder of the Financial Services employment sector is made up of a wide variety of organizations, including foreign banks, investment managers and stockbrokers. Such companies have long been a presence in Downtown's core and are likely to remain. There are no particular factors that suggest they will grow or contract at a rate disproportionate to other parts of the sector.

The real estate industry is included, for statistical purposes, within Financial Services. Although the real estate industry is a small component of the Financial Services sector, the national and international real estate investment industry is attracted to signature locations in Downtown Toronto. We expect further expansion of the real estate industry.

The footprint of the Financial Services sector today reaches beyond the boundaries of the Financial District as delineated in the Official Plan. The major cluster of activity has grown in two directions: south of the Gardiner Expressway to Queens Quay and west of Simcoe Street, especially south of King Street West (see Map 6). As shown on Map 4, the emerging opportunities for new office development are mostly south and west of the current Financial District boundaries. Just as the Financial District was enlarged when the current official plan was adopted fifteen years ago, it is time to consider further expansion of the district, as well as a policy emphasis on non-residential development. The primary concentration of Business Services employment, as shown on Map 6, supports our recommendation to expand the Financial District boundaries.

Map 6

Distribution of Financial Services and Real Estate Employment In Downtown Toronto, 2015



Source: City of Toronto Employment Survey, 2015

2. Business Services Is a Large, Rapidly Growing Employment Sector and Will Remain Downtown

With over 90,000 employees, Business Services is the second-largest employment sector within Downtown. It is dominated by two professions: law and accounting. While both play key roles in supporting the Financial Services sector and the broader corporate environment, the nature of their services differs substantially. As a result, they have quite different space characteristics. Nevertheless, interviews confirm that both types of firm intend to reduce the amount of space per employee and, in some cases, to outsource work to other locations. They also continue their long-standing practice of occupying some of the most prestigious office space in the Downtown.

Business Services and Financial Services combined represent 90% of all jobs in the Financial District. While Business Services employment is spread far beyond the Financial District, it is largely concentrated south of Queen Street (Map 7). Like companies in the Financial Services sector, business services firms have taken up locations on the edge of the Financial District, and they are also quite prevalent in the King-Spadina and King-Parliament sub-areas. The ongoing health and growth prospects of this sector will be reinforced by expanding the boundaries of the Financial District and giving priority to non-residential development, as recommended in this report. Ensuring the sector's future health also has implications for the King-Spadina and King-Parliament Secondary Plans.

a. Law Firms

The legal profession in Toronto is diverse. It ranges from very large firms occupying multiple floors in major buildings to small boutique firms and sole practitioners. Large firms are reportedly responding to technological changes in a number of ways. Firstly, the ratio of support staff to lawyers is being reduced as new digital-based aids proliferate. With the increased ability to transfer data quickly and access high quality video conferencing facilities, some firms have moved routine legal work to centres where staff and space are less costly (Halifax, for example). As for lawyers, rather than the very large office that partners were provided with in the past, current practice is moving to a more standard cubicle space. At the same time, meeting and conference space is increasing. While the large and medium-sized firms are changing, in part due to their ability to adopt new technology, the many smaller firms are changing much more slowly, especially if their staff complement is relatively stable. These smaller firms may also be slow to adapt because leases tend to run for five to ten years and refurbishing space or relocating is expensive.

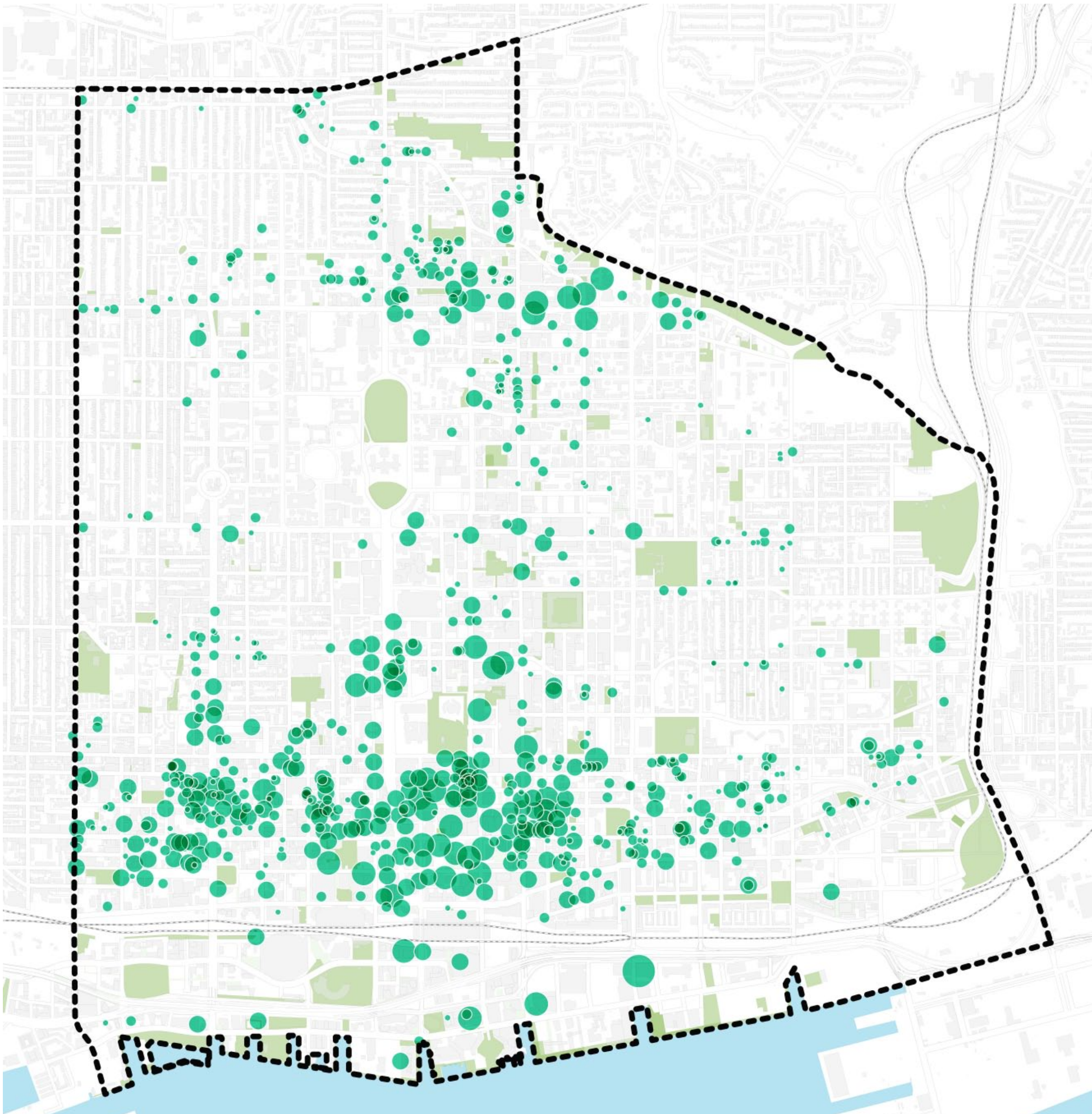
Our broad expectation is that law firms will continue to locate in Downtown in much the same way as they have in the past. Face-to-face contact between lawyers at different firms and between lawyers and clients remains important, as does access to the courts, tribunals and governments. While some of the major firms may expand, their space growth will be at a lower rate than in the past. As such, no major change overall is expected for this subsector.

b. Accounting and Management Consulting

The second-largest component of the Business Services employment sector is the accounting profession, which also takes in management consulting. Unlike law firms, which have remained strictly concentrated on the delivery of legal services, accountants have significantly broadened the scope of their activities to include a wide array of consulting services. Whereas Downtown law firm employment grew by 27% from 1996 to 2015, Downtown accountants and management consultants' employment grew by 50%. Since 2009 Ernst & Young, Deloitte, PriceWaterhouseCoopers and KPMG have all moved into new spaces, in each case with the company's name on the building. Assisting clients with managing technological change is the major reason for the high rate of growth in these firms. Much of the work that these firms undertake is conducted by staff on the client's premises. This, together with the use of new technology, has enabled the large accounting firms to aggressively reduce the amount of space per employee.

Map 7

Distribution of Business Services Employment In Downtown Toronto, 2015



Source: City of Toronto Employment Survey, 2015

Today it is common that employees no longer have a permanent workspace but instead are hoteling or will “touch down” where there is an available desk. The space can be booked electronically for a short time or for the whole day. Meeting space plays a significant role in the current design of offices. A key feature of the new Deloitte space is a large ground floor café and small cafes on each floor of the podium, which reportedly are popular places to hold meetings. Because of the nature of their specific businesses, not all business services firms, including the large law firms, are quite as amenable to the level of workplace change occurring in the accounting and management consulting firms.

As with smaller law firms, in small accounting firms, the design and use of space is changing far more slowly and is unlikely to ever achieve the low space-per-employee ratios of the large firms. We believe there is every reason to anticipate that accounting and management consulting will continue to grow at a robust rate because the IT needs of clients are likely to continue growing.

c. Computer Services

The third-largest segment of Business Services firms are those providing computing services such as software development or mobile app development. With 18,500 employees and a growth rate of 4% per year since 2006, this segment is poised to surpass both accounting (with 18,600 employees) and law (with 21,600 employees). The segment includes several global firms such as Google, Microsoft and Facebook. Computer services has had a long presence Downtown. Although one of the towers in the TD Centre complex carries its name, the company moved its head office to Markham in 1995, reflecting the suburban office trend of the time. But indicative of the swing back to Downtown, IBM’s recent acquisition of Algorithmics, a financial software company, gives them a footprint in the brick-and-beam space of the King-Spadina area. Large, well-established firms tend to locate in modern office space while start-up firms are attracted to the more relaxed atmosphere of buildings in the King-Spadina and Liberty Village areas. These spaces reflect the preferences of the younger cohort of employees on which such firms depend. A prime example of the type of firm locating in this area is Shopify, one of Canada’s most successful new software companies.

For smaller computer services firms, real estate solutions evolve and vary through the life cycle of the company. Early on, start-ups often locate in so-called incubator space. During the “bootstrapping” phase, when start-up firms are operating without external help or capital and growth can be unpredictable, such firms often prefer less expensive options such as co-working space, sub-lease space or short-term leases for the flexibility they offer. As companies mature, and typically when venture-capital funding is available, they choose more permanent, higher quality space solutions, often with an emphasis on space that will help attract and retain talent.

Generally, tenants in this field tend to make a location decision based on:

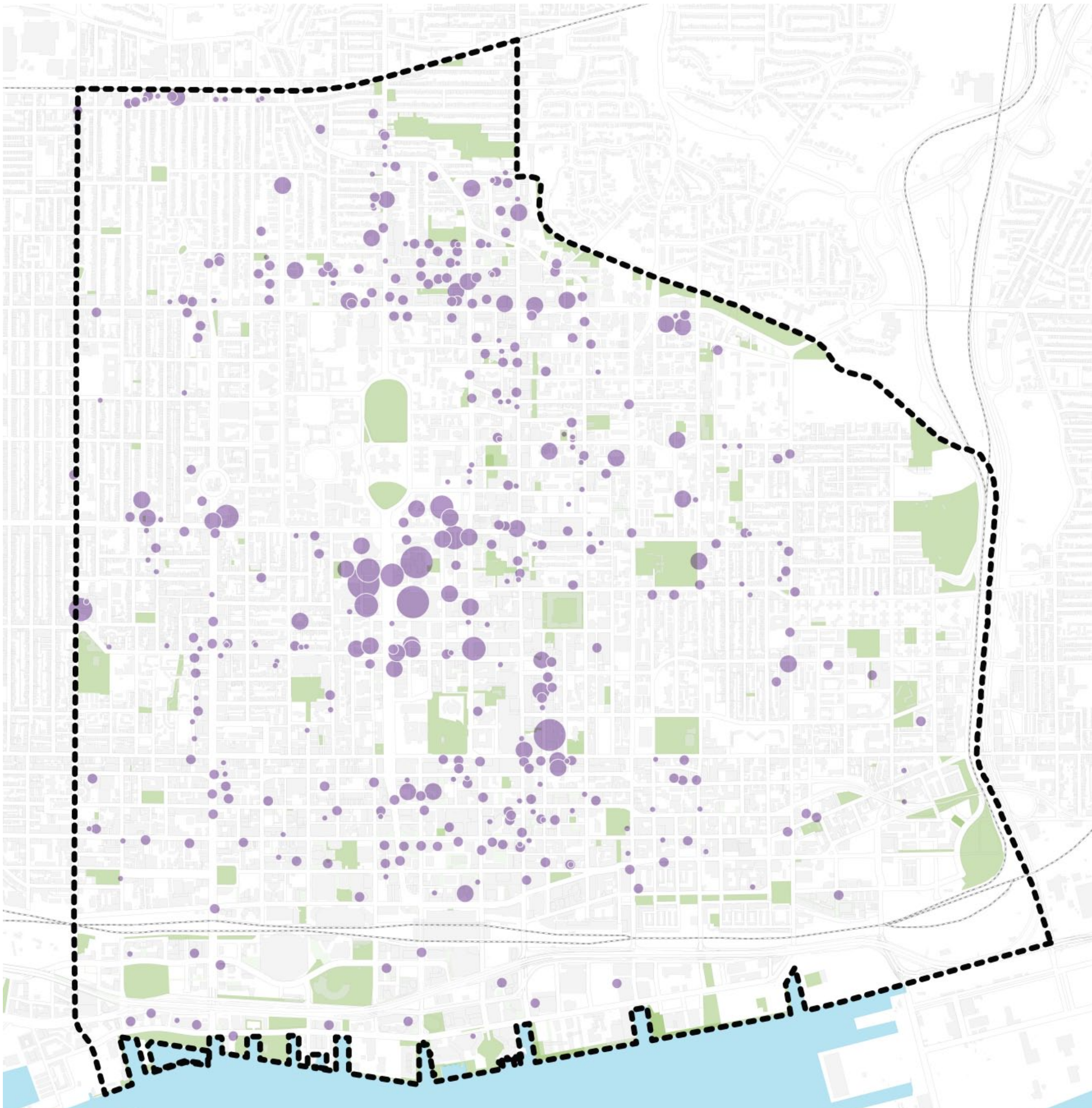
- proximity to similar companies (where the talent pool is, often in live/work/play neighbourhoods),
- quality and quantity of space,
- amenities and services (as staff often work irregular hours), and
- proximity to clients.

Interview subjects working in this sector made several observations about their space decisions:

- Start-up businesses on tight budgets prioritize total rent over the price per square foot of space. Start-ups are not as concerned with office design, preferring to take a sub-lease or “turnkey” space in order to avoid the time and costs involved in hiring contractors to finish space.
- Computer services firms avoid the “corporate” look, often preferring a more flexible floorplans. They usually prefer buildings with access to cycling facilities and provide multiple amenities. Space with high ceilings and lots of natural light is also popular. Overall the objective is to make employees feel comfortable in the environment and encourage longer hours.

Map 8

Distribution of Healthcare Employment In Downtown Toronto, 2015



Number of Employees by Location :

- 0–5
- 6–50
- 51–500
- 501–5,000
- 5,000 +

Downtown Boundary

Source: City of Toronto Employment Survey, 2015

- Where brick-and-beam space is not available, some firms have taken space in traditional office buildings on the perimeter of the Financial District and “de-fixtured” it. This involves removing T-bar ceilings, exposing ductwork, and polishing concrete floors to achieve a quasi-industrial or loft-type aesthetic. Recently, some companies are undertaking this type of remodelling in large relatively new buildings within the Financial District.
- Larger companies in this segment, especially multinationals, often have several locations in the GTA. These tend to be designed based on tight global space standards, and flexible or mobile work environments. Some still maintain a 1:1 ratio of desks to staff and want their people in the office every day. Others will work with a ratio of 1:1.2 or higher, if they expect their consultants to co-locate with external client teams, but the degree of flexibility depends on their specific operations and client base.

d. Other Business Services

In addition to these three large subsectors, there are numerous other business types in the Business Services sector, including advertising agencies and marketing firms, which are concentrated on the Bloor Street corridor between Avenue Road and Mt. Pleasant Road, and in the King-Spadina area.

3. Healthcare Employment Will Be Focused in and near the Hospitals, But Services to Residents Offered Throughout the Area

The Hospitals and Healthcare employment sector in Downtown is made up of ten hospitals and medical institutions together with related research and teaching functions at the University of Toronto and Ryerson University. While the number of employees in this sector and the healthcare related employment sector has grown at relatively stable rates between 1989 and 2015, there has been increasing demand for medical services, leading to pressure to expand. The boom in condominium development and growth in Downtown residential population has put pressure on Downtown hospitals to increase their capacity as local medical centres. The broader function of the major hospitals has also increased in response to the increasing needs from across the country and, in some cases, globally. Many of the hospitals have expanded to meet the growing need by adding medical offices and patient-care areas, as well as spaces for education and research and its attendant functions. St. Michael’s Hospital exemplifies this multiple function. Currently under construction at the corner of Victoria Street and Queen Street East is a 223,000 sq. ft. (20,700 m^2), 17-storey addition, which will provide increased patient care and facilities. On the north side of the hospital is a separate building that contains research and clinical-trial spaces. It is linked to the hospital by an elevated walkway.

The complexity of these hospitals, the linkages between nearby hospitals and the research collaborations with the universities create unique relationships among medical centres and the people who work in them. Proximity is key to the success of many of the programs and services offered by the individual hospitals. It is therefore paramount to continue locating new facilities in the vicinity of the main hospital. In most cases, hospitals have so far been able to accommodate their expansion plans within their immediate areas. However, as sites become more difficult to obtain and as other uses encroach, the capacity to expand will become increasingly difficult in Downtown.

The clear concentration of healthcare employment along University Avenue south of College Street (Map 8) helps to delineate a geographic area that should be recognized in the Official Plan in the same manner as the Financial District. Accompanying policies could support the growth prospects for these major institutions and protect opportunity sites for future facility expansion.

At present, hospitals occupy a combination of owned and leased space. As pressure for more clinical care has increased, some hospitals have expanded their clinical functions on their owned sites and moved their administrative functions into leased space. Ideally, all of a hospital’s facilities would be located within a one-block distance. Given the comparatively developed nature of the area in which the major hospitals are located, there is a shortage of sites adjacent to existing facilities on which to expand. Other challenges are operational; the facilities-planning process is complex because it must account for patient programming, funding, staffing and capital planning. Where real estate is not the issue, as some hospitals hold surplus lands for future uses, funding for new capital facilities is generally the challenge.

Most Downtown hospitals are currently expanding clinical space, or actively planning expansions, in response to demand from the growing Downtown population. In some cases, this has placed added pressure on administrative and research space, leading to relocating these activities in leased space in nearby commercial offices.

Medical staff do more than operate clinical practices; many also conduct research and teach. To be efficient and effective, all three of these functions need to be provided close by. This restriction poses a challenge in leasing commercial office space in the face of demand for space from other businesses. Hospitals seeking additional adjacent space are finding it increasingly hard to meet the asking rents because of competition for the same space from commercial tenants.

4. Media and Publishing Sector Is Growing, Almost Entirely Outside the Financial District

This employment sector is complex; it includes businesses that are performing well and others that are struggling. In both instances, technological change is the underlying factor. Print media, especially newspaper publishers, are under pressure as the transition to digital formats reduced profitability. During the last recession, the Media and Publishing employment sector saw a marked decline in jobs; those numbers have since recovered.

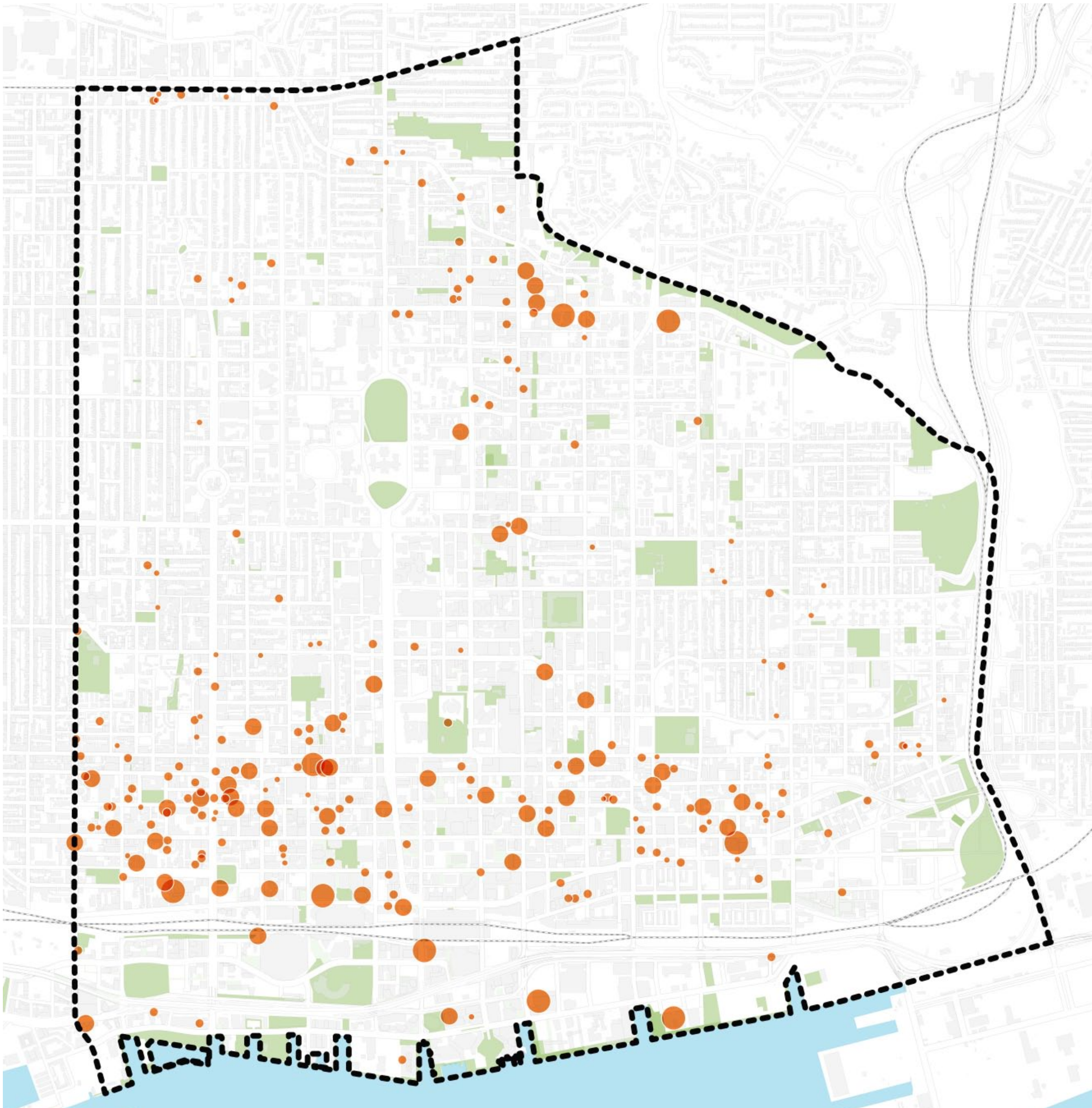
The three largest subsectors of Media and Publishing are TV/radio, film and newspapers. Though employment in print newspapers has been consistently in decline since the 1980s, television- and film-related organizations have been growing as a result of the growth in the screen-based entertainment industry. Areas in the Downtown, west of the core have been the favoured location of many media and publishing sector organizations, though an eastward shift has been occurring in recent years (Map 9). The Globe and Mail recently moved from Front Street West to King Street East, freeing up a large site for a mixed-use development that will bring more jobs to the King-Spadina area. Similarly, the Toronto Star has moved production outside of the city; there is a proposal now to redevelop its site at the foot of Yonge Street.

5. Growth in Post-Secondary Education Driven by Student Numbers, Not Employment, and Focused on Established Campuses

The impact and importance of the post-secondary education institutions in the Downtown goes beyond their teaching role; they are indicators of the maturity of the city and are drivers of economic growth. Similar to the Hospitals and Healthcare sector, the post-secondary portions of the Education sector have been under pressure to expand. With the combined student body of the four major institutions (University of Toronto, Ryerson University, OCAD University and George Brown College) reaching 135,000, administrators within the sector have had to become more creative in order to accommodate expanding enrolment as well as additional research functions.

These expansions have taken different forms depending on the institution, its physical requirements and its financial capability. For example, because of its land holdings, the University of Toronto has been able to expand both within the campus footprint and by locating some faculties in close proximity to the main campus (e.g., the Faculty of Dentistry on Edward Street). Similarly, Ryerson University has located its School of Management outside the main campus in a part of the Eaton Centre. In contrast, George Brown College has expanded by creating a satellite campus on the waterfront. We expect that the need to expand college and university facilities will continue. The

Map 9
Distribution of Media and Publishing Sector Employment In Downtown Toronto, 2015



Number of Employees by Location :

- 0–5
- 6–50
- 51–500
- 501–5,000
- 5,000 +

Downtown Boundary

Source: City of Toronto Employment Survey, 2015

pressure to deliver additional space within close proximity to existing facilities will become increasingly difficult as suitable, affordable sites become ever scarcer.

a. University of Toronto

The largest educational institution in Downtown is the University of Toronto St. George Campus with approximately 60,600 students. The University of Toronto is in a unique position in that it has its own designated campus that encompasses an entire sub-area within Downtown (the University of Toronto sub-area). The University has significant land holdings that enable it to expand as it needs, and the University of Toronto sub-area is also subject to an area-specific Secondary Plan. The latest update to the master plan for the St. George campus was released in 2011, although the Secondary Plan is currently under review. According to the master plan, the University's existing campus has sites available to accommodate growth for the subsequent 15–20 years, which covers most of the time horizon for the study. Beyond this period, however, the University does anticipate a need for additional lands. The University of Toronto also consists of two satellite campuses outside of Downtown Toronto: Mississauga and Scarborough. According to the University's Towards 2030: A Long-Term Planning Framework for the University of Toronto document, the University does not anticipate expanding beyond the capacities of the three existing campuses.

b. Ryerson University

With a total student population of nearly 40,000, Ryerson University is the second-largest educational institution in Downtown. Unlike the University of Toronto, with its distinct campus of contiguous land, Ryerson University's campus is embedded within the urban fabric of the city and makes up a significant portion of the employment and space profile of the Church-Yonge sub-area. Current expansion plans involve the acquisition of properties based on availability of capital funding, access to the subway and proximity to the centre of the Ryerson campus (identified as the intersection of Gould Street and Bond Street). Ryerson has defined this proximity at a maximum walking distance of 10 minutes for academic functions and 20 minutes for student residences. Plans for future construction include both academic and residential facilities.

c. OCAD University

The third university located in Downtown is OCAD University, with approximately 4,500 graduate and undergraduate students. Existing campus holdings include 11 buildings with a total of approximately 230,000 sq. ft. (21,500 m^2). The university has announced plans for an expansion to the waterfront in the Daniels Waterfront project, where it will occupy over 70,000 sq. ft. (6,500 m^2) in two phases. Other future plans for expansion are subject to the availability of capital funding.

d. George Brown College

With a total student body of 32,000 full-time and part-time students (as well as an additional 66,400 continuing-education registrants), George Brown College is the fourth major educational institution located in Downtown. Like Ryerson and OCAD U, George Brown does not have a designated campus. Most of its programs are located at the St. James Campus, consisting of seven buildings along King Street East and Richmond Street East in the King-Parliament sub-area. George Brown also has a facility in the Distillery District and at 51 Dockside Drive on Corus Quay in St. Lawrence–Distillery, with over 100,000 sq. ft. of additional space planned as part of the Daniels Waterfront project.

6. Government Services Employment Unlikely to Grow Rapidly But Will Remain Very Large

The TOcore study area contains a very large number of employees in the three levels of government (Map 10). The Provincial workforce is concentrated around Queen's Park and in the Bay Street corridor. Municipal office employees are mainly housed in City Hall and Metro Hall. The Federal Government also maintains a number of offices in Downtown. Traditionally, the various levels of government have met their spatial needs with facilities built specifically for government functions, as in the future court house to be built on Armoury Street just northwest of City Hall. This practice is becoming less common, however, as both the Provincial and Municipal governments have increasingly rented space in recent years to meet immediate, and in some cases long-term, requirements. This change is reducing the need to commit capital funds and has helped provide greater flexibility.

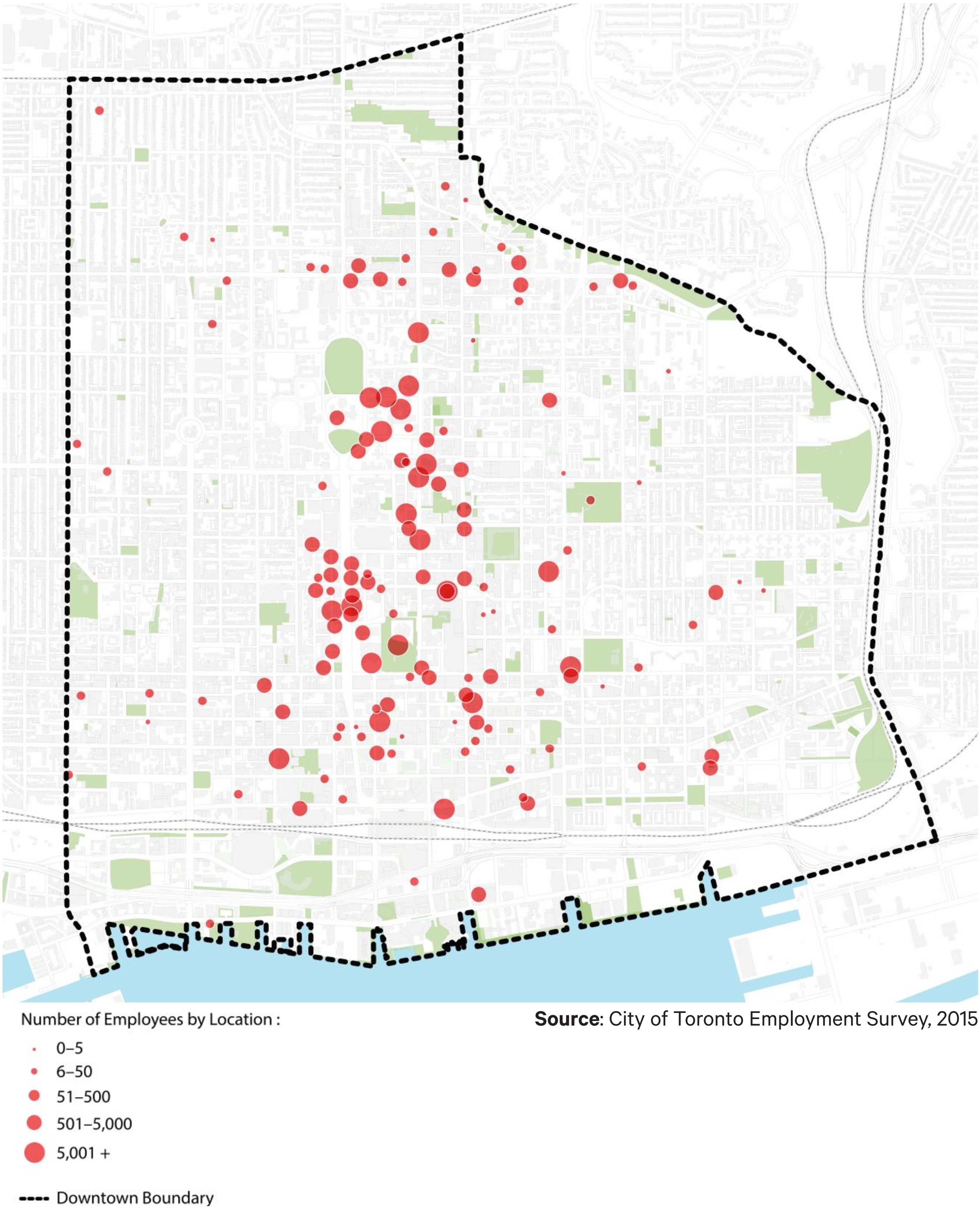
A key Provincial project that will have an influence on the Downtown space market for approximately eight years is the complete renovation of the Macdonald Block and the Whitney Block in Queen's Park, which contain over 2.2 million sq. ft. (200,000 m^2) in total. During the project, employees will be relocated to three temporary locations. When completed the new office design will allow the Province to reduce the amount of leased space by about 323,000 sq. ft. (30,000 m^2). The Province, like other organizations, is reducing its office space needs by adopting new designs that will provide more flexible workspace and require about 10% less space per worker.

The Provincial and Municipal governments provide most of the employment in public administration, with a smaller contribution from the courts and related activities. Spatially these concentrations tend to fill out an institutional corridor from Queen Street at University Avenue north to Queen's Park. This corridor of institutional activities could be recognized as elements of the Downtown urban structure. Allowing for growth in space for government services employment does not warrant a policy intervention in these areas, however recognizing their presence as precincts would be helpful in articulating the identity of Downtown.

Taken as a whole, the outlook for continued growth in office employment and development of office space in the Downtown area is very positive over the forecast period to 2041.

Map 10

Distribution of Government Services Employment In Downtown Toronto



Source: City of Toronto Employment Survey, 2015

C. Changes in the Way that Firms Utilize Office Space Affect Market Demand

A critical factor influencing the demand for office space is the changing nature of how firms design and use their workspaces. As new technologies have emerged and functions within firms have changed, office design has evolved to facilitate working relationships and minimize the cost of space. A key indicator of space utilization is the floor-space-per-worker (FSW) ratio. Typically expressed as the number of square feet, or square metres, per employee, this metric illustrates how densely office tenants utilize their space. Understanding how this ratio has changed over time and looking at emerging trends in the design and utilization of space is critical to forecasting future office space needs resulting from employment growth.

Publications from space designers and the real estate industry indicate a major shift towards lower FSW ratios. Overall, the actual decline in FSW is far smaller than that reported by industry as only some space users choose to adopt the latest design ideas. However, organizations such as Deloitte (which has changed its office design for more aggressive declines in FSW) represent a key segment of the overall market of office users. According to an American academic study that looked at research on trends in office space, FSW has declined on aggregate by approximately 24% since the turn of the millennium, across the entire US market.[13]

New standards and guidelines prepared by the US Federal Government's General Services Administration in Workspace Utilization and Allocation Benchmark, 2011, found a reduction in FSW ratios across the US Federal Government's office portfolio from 250 sq. ft. (23 m^2) per worker in the early 2000s to less than 190 sq. ft. (18 m^2) a decade later, a reduction of more than 24%.

Research identifies a variety of factors behind the decline in FSW over the previous two decades including a shift towards collaborative, open-plan offices with less dedicated office space and greater acceptance of telecommuting or hoteling. However, these factors only apply to a subset of the office market. Major declines in FSW rates are prevalent mainly in large organizations that have a substantial office portfolio and can realize significant reductions in leasing costs from increasing space utilization. They are also more prevalent in firms whose employees regularly work off-site or away from their desks. The shifting occupancy rate also reflects the move towards improvements in office productivity through greater use of new technology. The new workspace designs are also reflective of the workspace model adopted by many technology firms.

A note of caution is warranted in understanding the literature research as well as observations from major players in the office leasing industry. There are different bases from which occupancy rates are measured. Literature describing space reductions, particularly in consulting and technology firms, refers to the actual amount of dedicated workspace given to each employee but does not always specify whether that includes communal space such as conference or breakout rooms, which have been increasing in size and number. The hoteling trend can also skew numbers: there is a tendency to calculate the change in FSW based on the total employment and total space, even though the space per worker is more generous if only the number of employees in the office at any given time are considered.

To explore the FSW ratio in a consistent manner for Downtown Toronto, we identified a sample of 343 office buildings across the study area, where employment and rentable floor area data were available using consistent employment and space measurement standards. Although results for individual buildings are less reliable due to inconsistencies in tenancy and vacancy data, the

[13] Footnote: Figure is based on research by Norm G. Miller at the University of San Diego ("Downsizing and Workplace Trends in the Office Market", Real Estate Issues, 2013).

workspace densities across the sample are consistent with similarly measured figures in industry literature (Table 3).

As noted earlier, the more intensive space utilization rates reported by technology and financial and business services firms are easier to achieve when a firm moves to newly renovated space or a new office building. In older buildings, efforts to implement the new space designs may require significant, and possibly prohibitive, physical changes to meet, for example, current environmental and accessibility standards. Furthermore, there is generally a limit in older buildings on how many people can work in a space because of capacity constraints of elevators, restrooms and mechanical and electrical utilities.

From the literature research, comments from the industry and the results in Table 3, two key conclusions will inform the forecast of office space required to accommodate future employment growth. Firstly, we anticipate that when new buildings currently in the pipeline or under construction are fully occupied, they will have significantly lower FSW ratios than those observed across the existing base. While varying from building to building, a ratio of around 160–180 sq. ft. (15–17 m^2) per employee on a gross floor area basis is a realistic expectation for these new buildings. The existing stock of Downtown buildings currently has an average FSW ratio of 250 sq. ft. (23 m^2). For these buildings, a gradual decline to 225 sq. ft. (21 m^2) on average is a reasonable expectation for the forecast period, taking account of the stability of many of the organizations currently occupying them. Overall, we anticipate a modest decline in FSW through the forecast period.

D. Land-Capacity Workshops Informed the Assessment of Future Supply

As part of the trends analysis, the consultant team met with community planners from each of the sub-areas to discuss recent applications and requests for information regarding office projects in the study area. A series of meetings were held with each of the planning sections in the Toronto and East York District on the following dates:

- Midtown: June 23, 2016;
- Downtown East: July 14, 2016;
- East Waterfront and South of Eastern: July 15, 2016;
- King-Spadina: July 18, 2016; and
- Garrison Commons and Liberty Village: July 26, 2016.

Table 3

Floor Space per Worker (in sq. ft.)

Sub-Area	Mean	Median	Count
Financial District	260	278	105
Bay Street Corridor	272	283	45
King-Spadina	228	229	72
King-Parliament	250	280	31
Yorkville	235	269	35
Rest of Downtown	247	255	55
Total Downtown	**251**	**269**	**343**

Source: Hemson Consulting with data from the City of Toronto

The goal of these land-capacity workshops was to supplement the office and institutional interviews in order to obtain a better sense of the potential for office development in the near future. The workshops helped identify areas with a supply of developable office sites but where the potential for office development is not immediately clear from the employment survey or the development pipeline.

The land-capacity workshops reinforced the prevailing notion of very different office markets north and south of Queen Street. North of Queen Street the office market is largely dominated by institutions and their related activities along University Avenue, around Queen's Park and in the University of Toronto. The only major office node that is not tied to the large public institutions is the Bloor Street office corridor between Mt. Pleasant and Avenue Roads. Though showing comparatively slow growth in terms of new space, the Bloor Street office node is a long-standing cluster of regional head offices for a number of major financial and media firms.

However, the area planners reviewing applications in the area have not seen any significant developer interest for new major office development. Rather, multiple applications for new residential buildings and the conversion of existing office buildings to residential uses have been received. The non-residential space in current applications consists of small-scale office uses that do not qualify as major office (i.e., retail office uses such as dental offices) or is a small component of predominantly residential mixed-use buildings.

The institutions, in particular the hospitals and the universities, are anticipating significant pressure on their land holdings. Population increases Downtown drive more hospital demand and growth in the student body increases space needs for education. To accommodate the growth, both hospitals and educational institutions will be largely forced to intensify on their existing sites. We anticipate that the construction of the new courthouse will prompt a consolidation of law firms nearby.

South of Queen Street has seen a marked increase over the past 10 years in the number of applications from office developers. Most of these applications are for projects near the Financial District and along the waterfront. Outside of the Financial District, major office development has mainly located where there is access to the PATH network. Through the development of the Downtown Toronto's South Core (the area south of Union Station between Lower Simcoe and Lower Jarvis Streets), the pressure for office development has moved south towards the Waterfront and west into King-Spadina. However, as potential redevelopment sites in these sub-areas have advanced, the pressure for new sites is slowly moving east towards King-Parliament, which still has a number of developable sites close to the Financial District and, in particular, Union Station and the PATH network. With some new office space constructed and proposed in recent years, there is a rise in market interest in King-Parliament. The area has also seen recent enquiries to the City about new office development, indicating a growing interest in this area as a focus for employment.

The King-Spadina sub-area is currently undergoing a Secondary Plan review that will incorporate a mixed-use policy to retain the existing office uses and ensure sites are available for future office development. Though historically a non-residential area, the total floor space mix, averaged over the entire planning area, has shifted to about 60:40 non-residential to residential. As developers continue to prioritize residential development, the non-residential uses in the area will continue to be under pressure.

Beyond the areas immediately adjacent to the Financial District, the eastern part of the Downtown Waterfront, South of Eastern and Liberty Village sub-areas are also seeing interest in office development. The Downtown Waterfront is continuing to see applications for new office space as portions of major mixed-use developments to fulfil the Lower-Yonge Precinct Plan's requirement of a minimum of 25% office uses in new mixed-use projects. The Lower-Yonge policies are intended to protect the existing non-residential functions within the precinct. New applications have proposed a number of fairly large mixed-use projects with significant office and institutional space. In South of Eastern, in addition to the proposal in the Unilever Precinct by First Gulf, a number of smaller non-residential projects that include new office space have been proposed. Liberty Village is continuing to see interest for new office development, with a new office building – the area's first in decades – having just started construction. Other applications in Liberty Village may require some negotiation on scale, as some proposals exceed the seven-storey height limit imposed by the City to maintain the mid-rise character of the neighbourhood.

E. Implications for Policy

This section has illustrated key findings regarding:

- fundamental influences on economic activity, such as the digital economy and changing labour force characteristics;
- trends in space utilization and demand for different employment sectors that dominate the Downtown economy; and
- development trends and a canvas of residual capacity to accommodate the physical growth that economic change will require.

The findings of our research suggest that Official Plan policy should more strongly support economic activity and economic growth Downtown. The mapping of clusters of activity, as well as insights into preferences for locations and types of space on the part of different employment sectors, suggest an urban structure that can be an organizing principle for Official Plan policies addressing long-term economic growth. In addition to the Financial District, which is already recognized in the Official Plan, the rest of Downtown south of Queen Street presents unique demand characteristics, as does the area north of Dundas Street West around the hospitals. All three areas face, to some degree, competition for opportunity sites from residential development that may impinge on the ability to sustain economic and institutional growth.

1. Financial District and King-Parliament Secondary Plan Area Expansions

The ability to accommodate new non-residential development becomes limited where new residential development has taken up existing sites. To maintain the mixed-use character of the areas to the east and west of the Financial District, the City must accommodate employment growth (through development) as well as residential population growth.

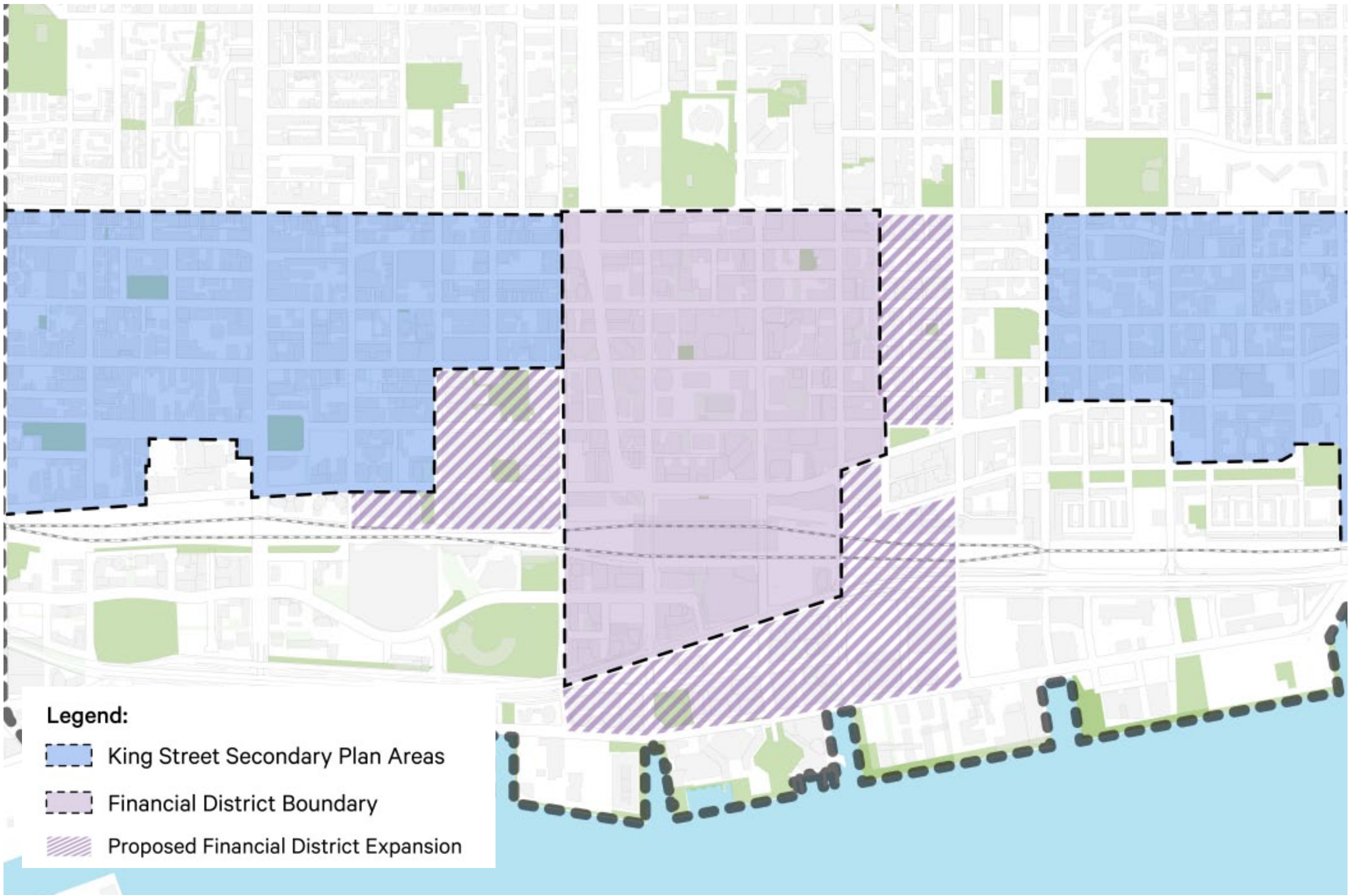
We propose new policies to prioritize non-residential development in the Financial District, the King-Spadina Secondary Plan area and the King-Parliament Secondary Plan area. In addition to the policy recommendation we also propose that the boundaries of the Financial District be expanded to take in new areas of opportunity for office development. Map 11 illustrates the current boundaries of the Financial District and the proposed expansion area, as well as the boundaries of the King-Spadina and King-Parliament Secondary Plans.

As the prime objective is to assure future capacity for office employment growth in the Financial District, a key consideration is the degree to which lands are already occupied by residential uses or have applications for residential development (see Map 12).

Within the current Financial District, therea are only seven residential uses between the railway tracks and Queen Street. In the recently developed South Core portion of the Financial District, the uses are more mixed, and there are nine residential towers in five developments within this area. As is clear from the map, the prevalence of residential development is far greater in the areas to the east and west of the Financial District. Most importantly, we see a need to expand the boundaries of the Financial District to make Downtown Toronto more competitive with international centres by providing the opportunity to expand non-residential uses.

Map 11

Existing Financial District with Proposed Expansion and King Street Secondary Plan Areas



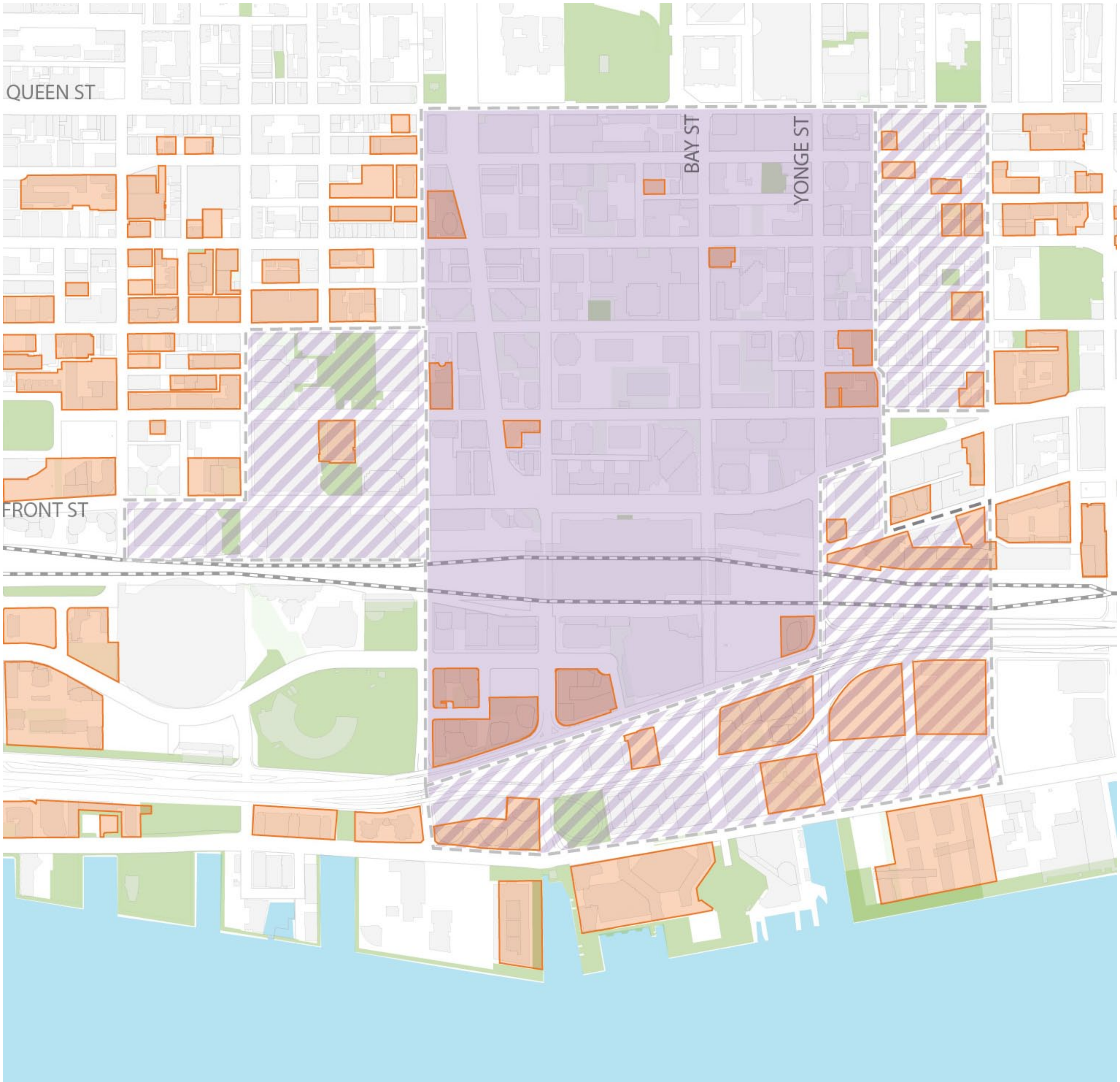
Source: Hemson Consulting Ltd.

We recommend these boundaries for the expanded Financial District:

- The northern boundary should remain at Queen Street.
- The western boundary should remain at Simcoe Street north of King Street.
- To the south of King Street, Roy Thompson Hall, Metro Hall and the RBC and CBC blocks should be added to the Financial District. These blocks are more appropriately associated with the Financial District; they comprise, with the exception of the residential units within the Ritz-Carlton Hotel, entirely non-residential uses, including seven office towers.
- Between Front Street and the rail corridor, the western boundary should be extended from Simcoe Street to Blue Jays Way. This would bring two significant non-residential blocks of the Railway Lands into the Financial District. As with much of the Railway Lands East, which is already included in the Financial District, the planning vision for these blocks is for non-residential uses. Moreover, the Convention Centre function is clearly a key economic asset and logically associated with the Financial District.
- South of the rail corridor, the western boundary should remain at Simcoe Street: Lands to the west are fully developed in uses associated with recreation and tourism and the City would derive no policy benefit from including them in the Financial District.
- The southern Boundary should be extended to Queen's Quay: The extension of the boundary south from the Gardiner Expressway to Queen's Quay captures the entirety of what functions as the South Core, since the expressway itself no longer represents a significant land-use or a physical boundary in the way it once did. In particular, this expansion captures the new RBC building at Waterpark Place and 10 York Street, both of which are clearly Financial District buildings in scale, character and occupancy and are connected by the PATH system to Union Station.
- Most of the Lower Yonge Precinct should be added to Financial District. These new blocks include the Toronto Star lands and the LCBO lands. Both are intended for development similar to the South Core, including significant office development and a connection to the PATH network. It is appropriate to include these lands both because of the uses and for the clarity of the boundary. The proposed policies for the Financial District do not, however, change anything for these lands, as the development permissions are being set through the Lower Yonge Precinct plan.
- The eastern boundary should be moved from Victoria to Church Streets. The land uses, development opportunities and location indicate that setting Church Street as the eastern boundary will, on balance, meet the intentions for an expanded Financial District, while maintaining the Financial District as a compact area with good access to the subway and Union Station. Additionally, we are recommending that north of Front Street the King-Parliament Secondary Plan boundary be expanded westwards from Jarvis Street to Church Street, so that these blocks (particularly those north of Adelaide Street) will be subject to the policies regarding non-residential and mixed-use development recommended for the Secondary Plan area.
- The historic Front Street block should not be within the Financial District.

Map 12

Properties with Residential Uses in and near the Financial District



Properties with Residential Uses

Financial District

Proposed Financial District Expansion

Source: Hemson Consulting Ltd.

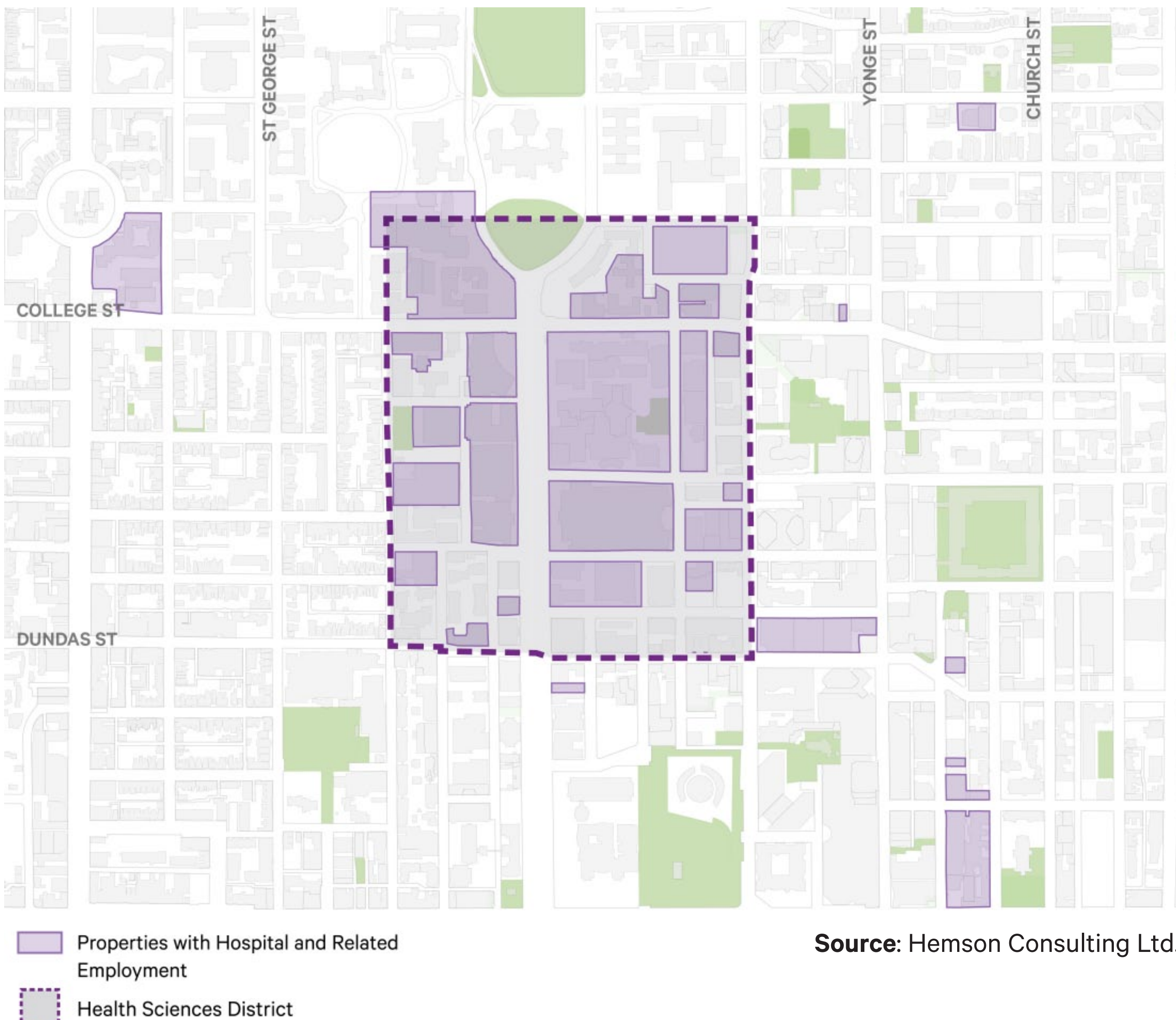
2. Health Sciences District

The Downtown Urban Structure Map should delineate a Health Sciences District and be accompanied by specific policy recommendations concerning future residential and non-residential development. If, as this report recommends, the City policy emphasizes non-residential development for the future, the establishment of boundaries for the Health Sciences District will be particularly important.

The boundaries should be drawn to capture the areas of greatest concentration of healthcare uses; it is neither desirable nor appropriate to capture mixed-use areas that happen to contain a few healthcare-related uses. Although much of the rest of Downtown has health-sciences uses, including the major campuses of St. Michael's Hospital and Toronto Western Hospital, most of the sector is concentrated along University Avenue between Dundas and College Streets. Map 13 shows healthcare-related uses in the proposed Health Sciences District and the surrounding areas.

Map 13

Proposed Health Sciences District and Properties with Healthcare and Related Activities, 2015



Source: Hemson Consulting Ltd.

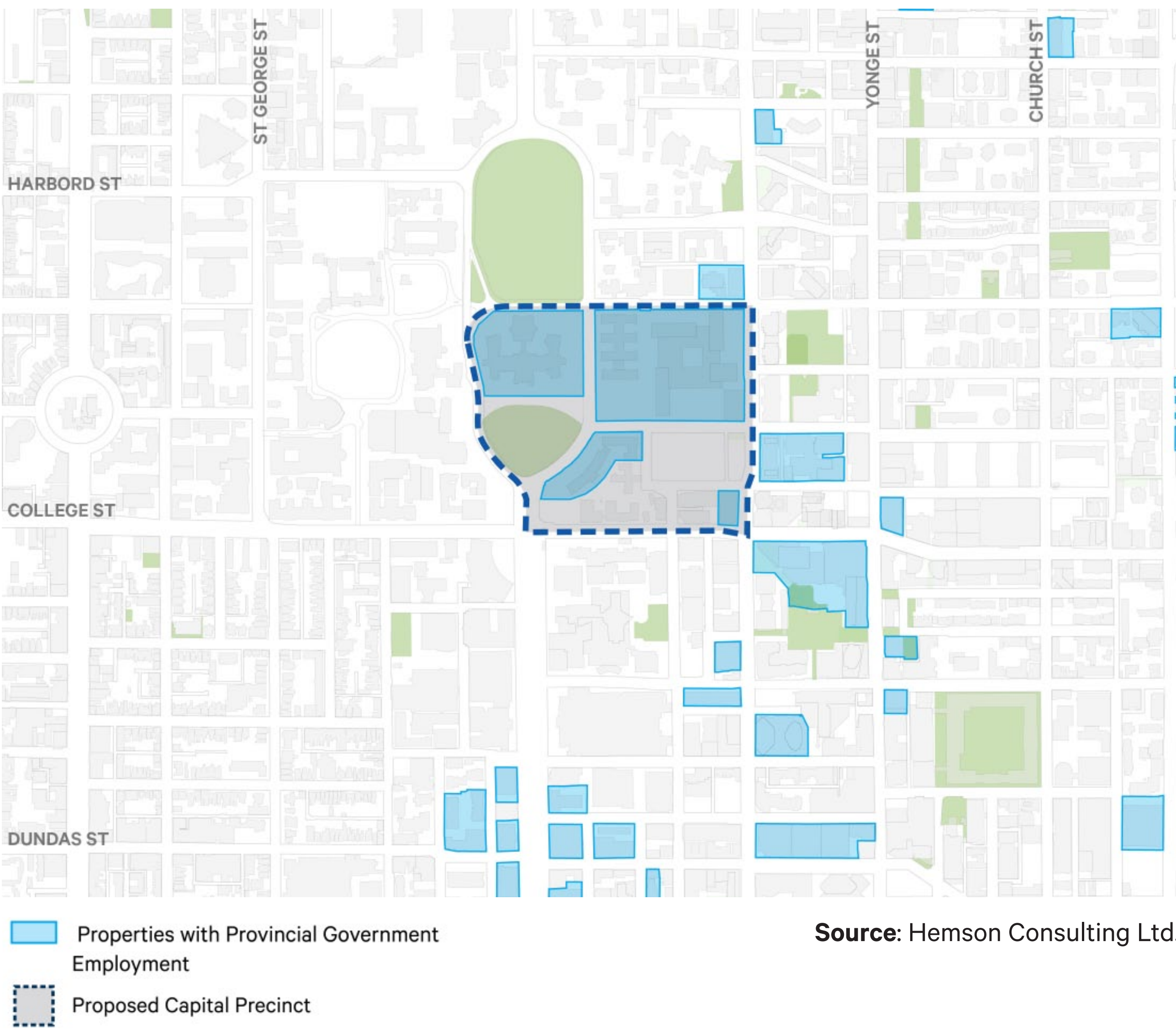
3. Capital Precinct

We are proposing that the Capital Precinct be recognized as an area within the urban structure. Unlike the Financial and Health Sciences Districts, the Capital Precinct does not require a specific land-use policy direction given that it reflects existing and recently expanded gov institutions. This precinct is, however, a distinct landmark Downtown with the legislature the terminus of an important view corridor on University Avenue. Recognizing this precinct acknowledges the importance of the public space as a gathering point for festivals and democratic engagement, as well as accessibility to provincial employment and services.

As a result, the establishment of its exact boundaries is less important than for the Districts, and the fact that it overlaps the Health Sciences District has no specific policy consequence. The Ontario Legislative Building and the nearby Provincially-owned office buildings are shown on Map 14 with the proposed precinct boundaries.

Map 14

Proposed Capital Precinct and Properties with Provincial Government Employment, 2015



Source: Hemson Consulting Ltd.

4. Courts and Civic Precinct

We are also proposing that the Courts and Civic Precinct, like the Capital Precinct, be recognized as an area within the urban structure, also without a specific land-use policy. Recognizing this important descriptive element of the urban structure acknowledges the clustering of civic administrative employment and judicial institutions in the area.

As illustrated on Map 14 the key Civic elements of the Precinct are Nathan Phillips Square and City Hall as well as Old City Hall. Existing courts and judicial institutions within the area include the court uses in Old City Hall, Osgoode Hall, the York County Courthouse and the Federal Court on the northwest corner of Queen and Simcoe Streets. As well, the large new courthouse at the corner of Armoury and Chestnut Streets, just north of the existing York County Courthouse, has just begun construction.

The Civic and Courts Precinct boundaries should be set as Dundas, Bay, Queen and St. Patrick Streets plus Old City Hall to capture all of the noted institutional uses and to establish a precinct contiguous with the Financial District to the south and the Health Sciences District to the north.

5. Employment Corridors

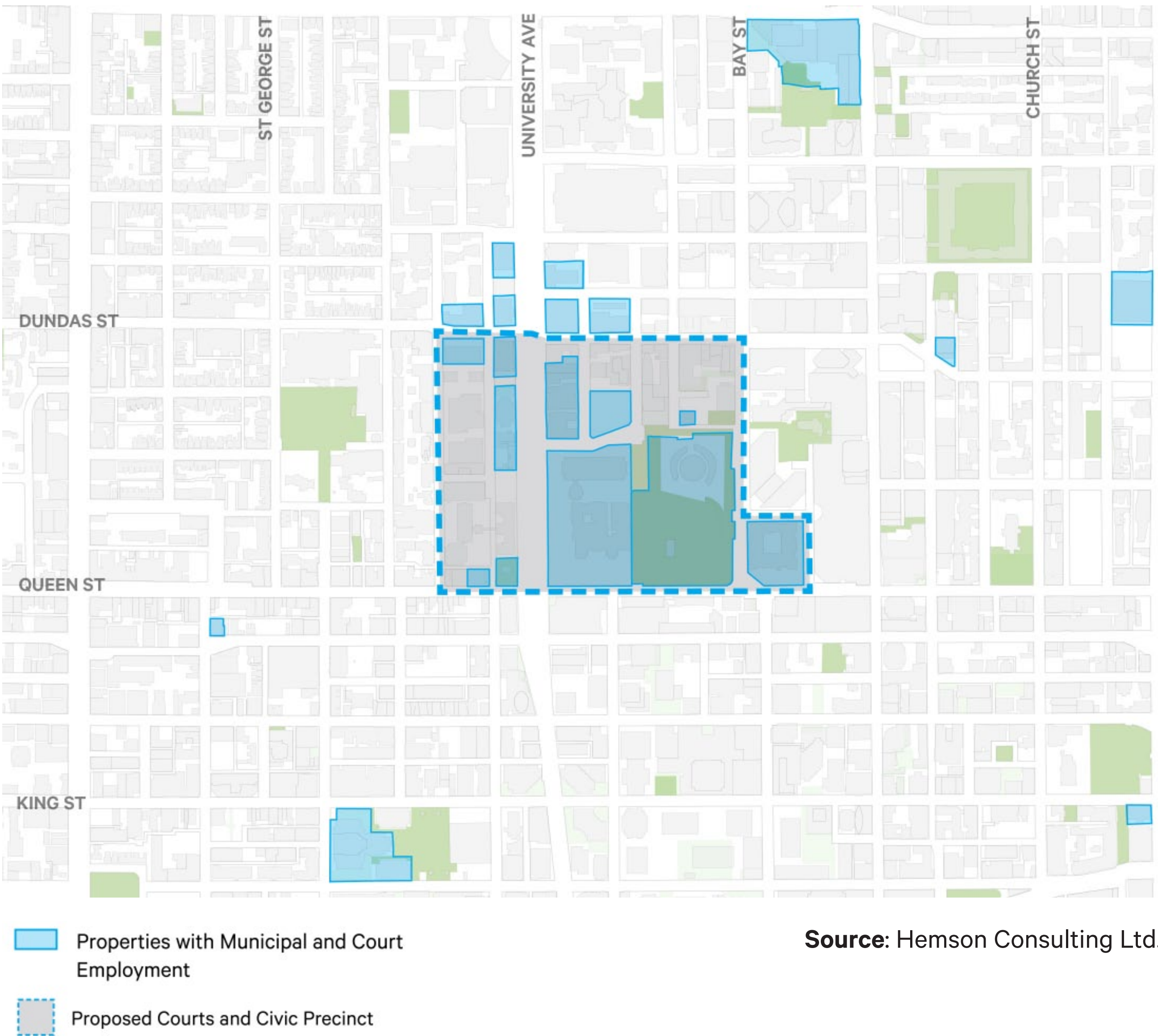
Another layer of urban structure that is important to acknowledge are key corridors of employment activity:

- Bloor Street, anchored in the east by the Rogers and Manulife head offices and extending from Mt. Pleasant Road to Avenue Road.
- Spadina Avenue from Front Street to Queen Street West is recognized in the King-Spadina Secondary Plan as an important employment corridor with multi-storey non-residential buildings. From Queen Street to Dundas Street the corridor is made up of shorter buildings but does contain many multi-storey former industrial buildings that are today important for the incubation of new firms.
- Queens Quay East from the eastern boundary of the Financial District to Parliament Street is emerging as a key employment corridor featuring large buildings that house major organizations such as Corus (in Corus Quay) and George Brown College, as well as multi-tenant office and creative space.

The employment forecast scenarios developed in the next section consider not only the overall magnitude of growth in jobs and space, but also how that growth might be distributed across Downtown. The distribution of that growth depends both on the local demands within certain areas the supply potential to accommodate that demand.

Map 15

Proposed Courts and Civict Precinct and Properties with Municipal Government, Courts and Related Employment



Source: Hemson Consulting Ltd.

4 /

Forecast for Significant Office Growth Indicates the Need for Policies to Assure it can be Accomodated in Downtown

Based on the understanding of current trends in office demand and office space use in various segments of the market, we can prepare a quantitative forecast of office and institutional growth. The forecast of growth is necessary to understand which planning policies may need to be updated, in which geographic areas. More specifically, this section addresses the following questions:

- How much new office space is required to accommodate anticipated growth?
- From a demand perspective, where is this new space likely to be built, taking account of market and policy considerations?
- From a supply perspective, where can new office space be developed in the context of existing policy?
- Should planning policy change to support the delivery of new office space to meet demands in the study area?

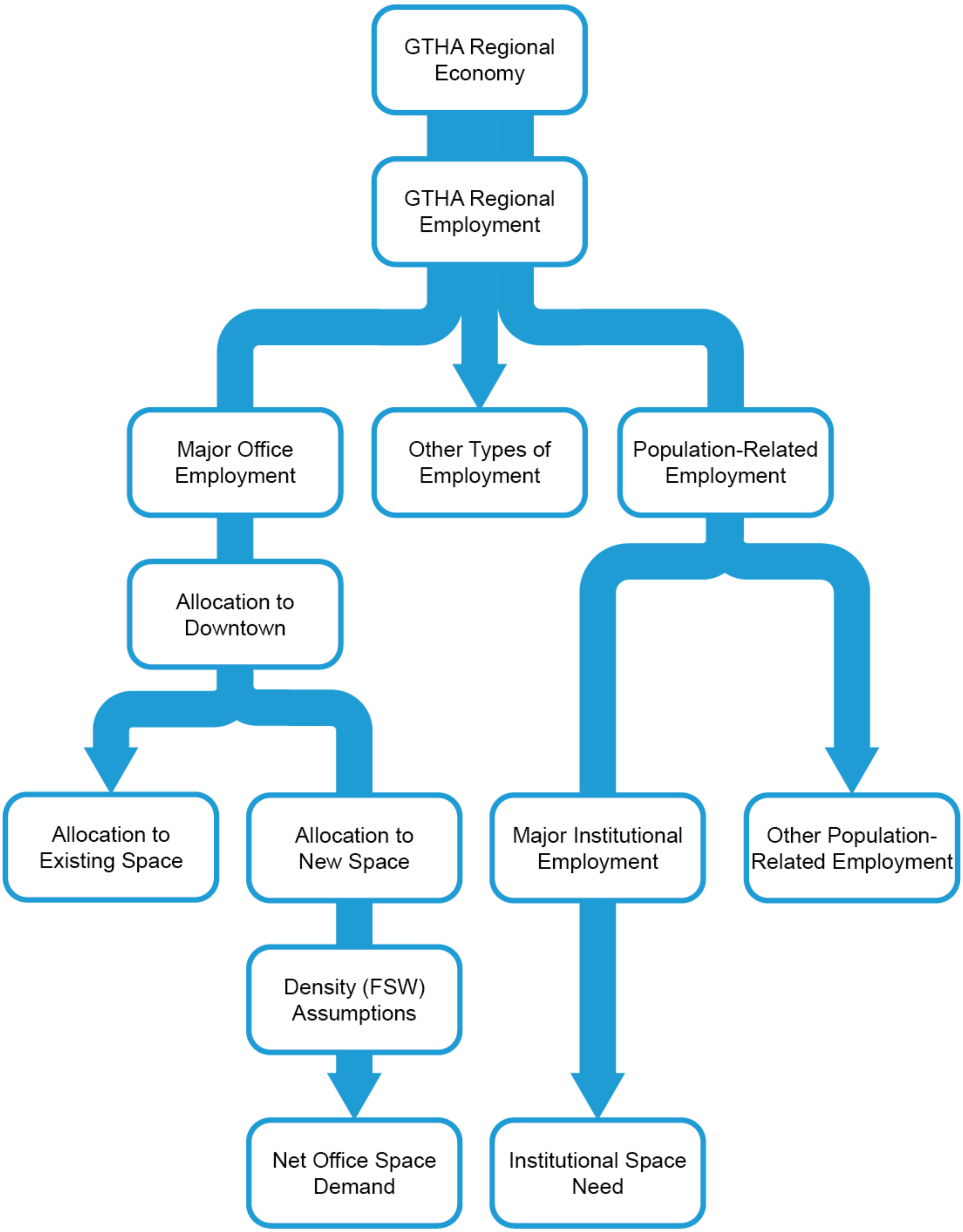
A Downtown employment and space forecast, by its nature, is expressed in both quantity and timing. In terms of timing, the forecast has been prepared to a 2041 horizon year. This is 25 years out from our 2016 base year for the analysis. While this is a significant time period, employment and space do need to be considered in a larger longer-term planning context. The last major rethink of planning policy across the entire area was the former City of Toronto's Central Area Plan completed in 1976, now over 40 years ago. The other major change during this period was the "Kings" initiative in 1996, now more than 20 years ago. Insofar as these initiatives were intended to allow for and encourage residential development to achieve a more mixed-use Downtown, they have been enormously successful. Such major planning initiatives take a very long time to have full effect on the ground, and their influence on development patterns lasts far beyond a typical 20- to 30-year planning period.

The forecasts and policy recommendations for the commercial office and institutional sector groups in Downtown are being crafted in the context of a 25-year outlook to 2041. However, the policies that emerge from the new planning framework for Downtown may ultimately apply over a far longer lifespan and will certainly affect the employment structure of the Downtown well beyond 2041. While the forecasts are an input and guidance to the policy recommendations in this report, they should not be treated in the future as the determination of a precise quantity of development that needs to be planned for within a fixed time frame.

It is prudent, then, to use an outlook towards the higher end of forecast scenarios. While the risk of underachieving a higher employment forecast is an excess of office supply, that supply, in all likelihood, will be taken up over the long term. On the other hand, the risk of not having sufficient office supply should a lower employment forecast be exceeded is that economic interests bypass Toronto altogether, either for suburban locations or for other competitor cities

The economic activity that takes place every day throughout Downtown Toronto is central to the

Figure 14
Office and Institutional Space Forecast Methodology



Source: Hemson Consulting Ltd.

economic health of the broader region and, indeed, the province and country. When planning for the long term, we must understand the growth prospects and space needs of Downtown's key economic drivers, whether in head-office operations in banking, insurance, law and information technology or in breakthrough research in health sciences facilities, universities and colleges. At the same time, we must also understand the needs of the business services that support these activities.

The approach to the forecast of employment and space growth in Downtown Toronto is summarized in Figure 14, which tracks the forecast method from a broader economic outlook to a forecast of employment and new space demand.

Starting with an understanding of trends and growth prospects for the GTHA regional economy, a forecast of employment growth across the broader region is developed (GTHA Regional Employment). As shown in Schedule 3 of the *Growth Plan*, the GTHA area is anticipated to grow from an estimated 3.66 million jobs to 4.82 million jobs by 2041.

This increment of 1.16 million jobs is then split among the three employment types used for planning purposes: Major Office Employment, Population Related Employment, and Other types of Employment (largely jobs located on employment lands).

A share of the GTHA total forecast for Major Office Employment is allocated to Downtown Toronto.

- Some of this employment growth will be accommodated in the current stock of major office buildings, while some will necessitate the construction of new office space.
- The employment density (expressed as Floor Space per Worker, or FSW) is a key factor in determining how jobs can translate into the need for new office space.
- The resulting net office space demand represents the demand for new space that will be needed by 2041.

On the other side of the figure, a significant portion of the Population Related Employment for the broader region will be found in the growth of major Institutions that are located in Downtown Toronto, such as hospitals, government, post-secondary institutions and major cultural facilities. Key informant interviews have helped to establish an understanding of the demand for new space to accommodate this anticipated growth.

Each of these steps are described in the remainder of this section of the report.

A. This Forecast has been Prepared in the Context of a Rapidly Growing GTHA Regional Economy

The employment forecasts governing growth planning in the GTHA to 2041 were adopted by the Province as Amendment 2 to the *Growth Plan for the Greater Golden Horseshoe* (the "Growth Plan") in 2012. Overall, population and employment growth over recent years in the GTHA appears to be on track to meet these 2041 forecasts. Where current trends do vary from the established forecast is in the economic activities of workers and the built forms they occupy, as well as in the geographic distribution of employment within the GTHA:

- For some decades, GTHA employment forecasting has incorporated changes in the economic and in the types of space occupied. The forecasts for Downtown have been expressed in the same land-use categories as those used in forecasts for the GTHA. The categories include "Major Office Employment," being employment that occurs in buildings of at least 20,000 sq. ft. (1,860 m^2). There has long been a gradual shift in employment from Employment Land (jobs in industrial-type space) to Major Office. In the period after the 2009 recession, this shift has accelerated relative to earlier expectations, a trend now expected to continue through the forecast period to 2041.

- For Toronto as a whole and its Downtown, this accelerated shift to accommodating employment growth in office buildings means more employment growth relative to the rest of the GTHA where a much smaller part of the overall employment base is in offices.
- In another major shift, Downtown's share of the GTHA's office employment growth and office building development has been notably higher in the past several years than in the two decades prior.
- The forecasts for Toronto as a whole in the *Growth Plan* also anticipated that Employment Land Employment, which are jobs in industrial-type space, would continue to decline as it had for decades prior to the time the *Growth Plan* forecasts were prepared. The TES indicates, however, that such employment outside of Downtown has now stabilized, and the city's employment areas, which contain most of this type of employment, are now adding jobs.

While total GTHA employment is generally on track to meet the total 4.8 million jobs by 2041, as forecast, the pattern of growth within the GTHA is turning out to be more centralized than expected. The rapid employment growth in Major Office in Toronto and the stabilization of Employment Land Employment mean that the 2016 TES puts Toronto ahead of its

Employment in the GTHA falls into three broad land-use-basedcategorie

In planning for employment in the GTHA, four broad land-use categories are used: Major Office employment, Population-Related Employment, Employment Land Employment and Other Rural Employment.

Major Office Employment refers to employment contained within free-standing office buildings with at least 20,000 sq. ft. (1,860 m^2) net of rentable space. Major Office Employment is distributed across a few major agglomerations within the GTHA; the largest by far is Downtown Toronto.*

Population-Related Employment is employment that primarily serves the local residential population (as opposed to employment that serves other businesses and broader economic markets). This category includes retail, education, healthcare, local government and work-at-home employment.

Employment Land Employment refers to employment accommodated primarily in low-rise industrial-type buildings, the vast majority of which are located within business parks and industrial areas.

Other Rural Employment is employment scattered through rural areas including agriculture resource extraction and small businesses run from farm or rural residential properties. There are virtually none of these jobs located within Toronto.

*This definition of Major Office is used here for analytical purposes and is consistent with the usage in the background work to the *Growth Plan* forecasts in Schedule 3. The term "Major Office" is also used in the *Growth Plan* for a different policy purpose related to locating employment near transit services. Major Office for that purpose is buildings of 107,600 sq. ft. (10,000 m^2) or more.

2031 Official Plan target employment and nearly at its *Growth Plan* 2041 forecast number. In comparable terms, total employment in Toronto is about 1,695,000 in 2016 (up from 1,530,000 in 2011) and just short of the 1,720,000 that had been forecast for 2041 in the Growth Plan. It is likely that the city will actually reach this 2041 forecast figure before 2021. As a result, the forecast scenarios that follow in this report do not include a forecast consistent with the *Growth Plan*'s "Schedule 3."

Suffice to say the forecasts for Downtown in the TOcore process are now being prepared in a significantly different environment than had existed five to six years ago at the start of the economic recovery following the 2009 recession. The *Growth Plan*'s growth forecasts are subject to review every five years. The next such review is expected in 2018 and will almost certainly contain significant revisions to forecasts for Toronto to reflect the current employment growth in Toronto and elsewhere in the GTHA.

The forecasts prepared for Downtown in this report are based on the total metropolitan (GTHA) growth to 2041 consistent with the *Growth Plan* totals, which remain a reasonable outlook. Table 4 provides total GTHA employment, historic and forecast, for the GTHA.

GTHA employment by category is shown in Table 5; growth in employment by category is shown in Figure 15. The most important aspect of this category outlook for the purposes of the TOcore work is that the shift to Major Office Employment from the other categories continues to accelerate. Today, Major Office Employment is just over one-quarter of GTHA jobs, but it will represent over one-third of forecast growth to 2041 (34.5% of 2016–2041 growth). By comparison Major Office Employment accounted for about 32.6% of employment growth over the 30 years from 1986 to 2016.

Definition and measures of employment

Up to this point in this report, the description of employment in the TOcore area is based almost entirely on data from the Toronto Employment Survey (TES). The TES surveys establishments and aims to be as complete as possible. Its method, however, means that those who work at home and some of those with no fixed place of employment (e.g., temporary office workers, many construction workers and some truck drivers) are missed in the survey. The Census (and, in 2011 only, the National Household Survey), counts employment based on self-reporting by individuals. The Census captures work at home and those with no fixed place of work (together representing about 16% of Toronto's employment) but only counts a maximum of one job per person. Those with two jobs appear only once in the Census count but may appear twice in the TES. Comparing the two sources for 2011 shows that in reporting total Toronto employment, the TES is about 14% lower than Census data. (In 2006, the difference was about 13%; the discrepancy does not vary much from Census to Census.)

Because the forecasts are being prepared within a regional GTHA context and the total forecasts should take account of work-at-home and no-fixed-place-of-work employees, we use the Census definition of employment. As a result, caution needs to be exercised in comparing figures from the forecasts with the descriptive discussion of employment in the initial sections of the report.

Table 4

Historic and Forecast Employment in the GTHA

Year	Total Employment	Annualized Growth
1986	2,275,000	
2001	2,939,000	44,300
2011	3,327,000	38,800
2016	3,659,000	66,400
2031	4,348,000	45,900
2041	4,820,000	47,200

Table 5

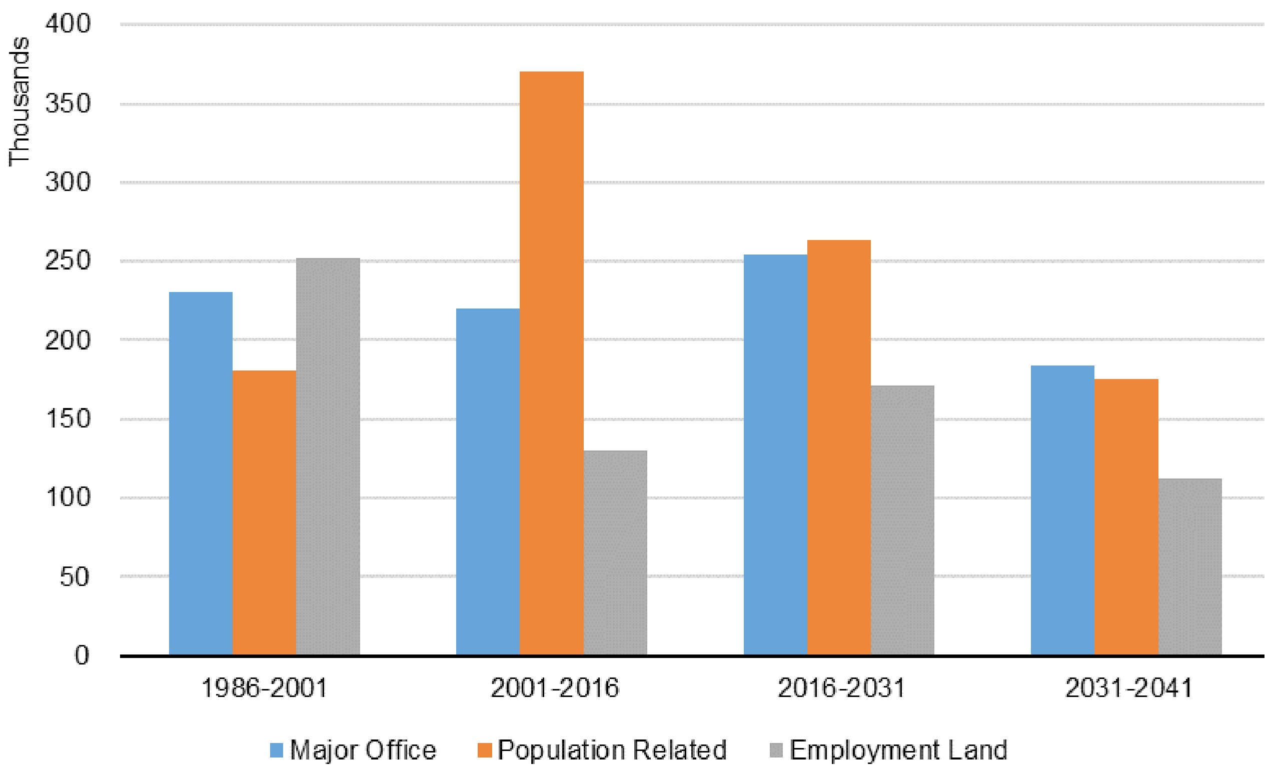
Historic and Forecast Employment by Category in the GTHA

Year	Major Office	Population Related	Employment Land	Total Employment
1986	482,000	831,000	962,000	2,275,000
2001	713,000	1,012,000	1,214,000	2,939,000
2011	828,000	1,263,000	1,236,000	3,327,000
2016	933,000	1,382,000	1,344,000	3,659,000
2031	1,187,000	1,646,000	1,515,000	4,348,000
2041	1,371,000	1,822,000	1,627,000	4,820,000

Source: Hemson Consulting Ltd.

Figure 15

Historic and Forecast Employment Growth by Category in the GTHA



Source: Hemson Consulting Ltd.

B. Three Forecast Scenarios Provide a Range of Growth for Downtown to 2041

The purpose of preparing forecasts for the TOcore work is to provide a range of anticipated employment and ademand for built-space, particularly for office buildings. Both have been prepared specifically as an input to policy recommendations contained in this report and more generally for information for other studies related to Downtown and city-wide growth and infrastructure.

Many forecast scenarios are possible, and they could be based on various outlooks for the GTHA or the office market in the region, for example, or on the share of employment types or space-occupancy types in Downtown. Instead, the approach taken here is to vary the forecast scenarios only by Downtown's share of regional employment growth. This approach makes the forecasts clearer and easier to understand. Regardless of the approach, we ultimately require a forecast of space demand that is reasonable.The forecast scenarios that have been prepared are based on the same GTHA employment outlook for the low- and mid-range forecasts and a slightly higher GTHA employment figure for the high-range forecast. The share of the GTHA office market growth attracted to the TOcore study area largely determines the forecast outcome. The total employment growth in the study area has also been considered in the context of historical growth in the total employment in Downtown.

Three forecasts scenarios have been prepared, based on the following principle approaches:

TOcore 1: Downtown-Suburban Balance

This medium-low employment forecast treats the recent period of rapid growth as a short cyclical peak and, equally, the period of little Downtown office development in the 1990s and early 2000s as a cyclical low. Over the entire 30-year period from 1986 to 2016, which incorporates the periods of rapid downtown growth and suburban-oriented office growth, Downtown office employment grew at a 1.3% compound annual rate. This scenario applies the 1.3% compound annual growth rate for the 25-year forecast period from 2016 to 2041 and results in just over one-third of GTHA office employment occurring in Downtown.

TOcore 2: Continuation of Current Pattern

This medium-high employment forecast treats the recent period of rapid growth as a cyclical peak but strikes a balance between that peak and the period in which office development shifted to the suburbs used in the TOcore 1 scenario. In TOcore 2, office employment grows from 2016 to 2041 at 1.6% compound annual growth rate – a little higher than the 2001–2016 actual rate of 1.4% but well below the 2.0% rate used in the highest scenario. In turn, this forecast suggests Downtown will attract just over 40% of the major office employment growth in the GTHA over the forecast period.

TOcore 3: Increased Downtown Concentration

This high employment forecast treats the recent period of rapid growth as a "new normal" for Downtown. This scenario requires continued rapid growth in the overall GTHA, so is based on about 5% more employment in the GTHA in 2041 than the other two forecasts. It is also predicated on the major investments in regional and Toronto rapid transit maintaining Downtown as the most accessible and attractive location for office development, as well as the GTHA and the suburban office market remaining well below its market shares of the past 30 years. In this forecast scenario, office employment grows from 2016 to 2041 at 2.0% compound annual growth rate and would require over 45% of GTHA office-employment growth to occur Downtown. Over the past five years, the office-employment growth rate in Downtown did peak at 2.4%, but we believe a rate that high is simply unsustainable within the overall GTHA context.

The total Downtown employment forecast under these scenarios is provided in Table 6.

Other forecasts are of interest here: those that have been prepared for the analysis of the SmartTrack proposal. The SmartTrack ABR High forecast, as it is known, predicts the same employment growth in Downtown as the TOcore 1 forecast. The SmartTrack forecasts assume a greater amount of Toronto's office employment growth occurring in the designated Centres and other areas outside Downtown than would be implied by the forecasts shown here.

C. Forecasts of Downtown Employment by Category have been Prepared to Consider Office and Institutional Demand

For current purposes, the major components of employment for this forecast are jobs in two categories: Major Office Employment and Population-Related Employment (jobs that primarily provide services to a resident population). In Downtown, some of those jobs, including those in public schools and a portion of retail, services and institutional jobs, provide services to local residents. A major portion of these jobs also provide services to a resident population across Toronto, the GTHA and beyond. These include much of the employment in hospitals, post-secondary institutions, retail, services and entertainment. For the purposes of forecasting population-related employment for Downtown, we assume the current population of about 238,000 in Downtown will grow to 475,000 by 2041 in the TOcore 1 and 2 scenarios and to 500,000 in the TOcore 3 scenario. For the jobs serving the local population, the ratio for employment in the forecast is about 9.3% of population, consistent with the estimated current level. Similarly, work-at-home

Table 6

Downtown Total Employment, 1986-2041

Year	TOcore 1: Downtown-Suburban Balance	TOcore 2: Continuation of Current Pattern	TOcore 3: Increased Downtown Concentration	Annualized Growth			
1986	436,600	436,600	436,600				
2001	452,800	452,800	452,800	1986–2001	1,080	1,080	1,080
2011	516,700	516,700	516,700	2001–2011	6,390	6,390	6,390
2016	598,300	598,300	598,300	2011–2016	16,320	16,320	16,320
2031	712,300	747,200	790,500	2016–2031	7,600	9,930	12,800
2041	791,000	852,500	914,200	2031–2041	7,870	10,530	12,370

Source: Hemson Consulting Ltd.

employment is about 5.0% of population, as last reported in the 2011 Census. These two total 14.3% of the resident population for the purposes of the employment forecast, as shown in Table 7.

Population-related employment serving the broader region, not local Downtown residents, is forecast to grow at a rate just slightly less than the overall employment in Downtown. Tying growth in this segment of population-related employment to the overall growth is the best representation of this quite diverse category of jobs. Overall about 40% of these jobs are institutional, with the remainder being a wide range of commercial, entertainment and cultural-related jobs. There is also a small remnant of industrial jobs that still exist within the study area, which we have left in this category as there is no value in providing a forecast of a very small amount of employment land employment. The growth in this category is shown in Table 8.

Major office employment is the primary source of growth in Downtown, and its forecast is based on the shares of the GTHA growth, as shown in Table 9.

The forecasts of office-space demand are based both on how many jobs are to be accommodated and where these jobs are likely to be found. Floor space per worker (FSW) is often calculated using different space definitions. For design purposes, useable space is often used, whereas leasing typically uses net rentable space. For planning purposes, FSW may be expressed in terms of gross floor area (GFA) and also consider the long-term average vacancy rate.

Table 7

Downtown Local Population-Related Employment

Year	TOcore 1: Downtown-Suburban Balance	TOcore 2: Continuation of Current Pattern	TOcore 3: Increased Downtown Concentration
2011	30,100	30,100	30,100
2016	34,700	34,700	34,700
2031	52,100	52,100	53,800
2041	63,300	63,300	66,700

Table 8

Downtown Regional Population-Related Employment (Including in Major Institutions)

Year	TOcore 1: Downtown-Suburban Balance	TOcore 2: Continuation of Current Pattern	TOcore 3: Increased Downtown Concentration
2011	149,600	149,600	149,600
2016	183,600	183,600	183,600
2031	195,200	207,900	207,900
2041	202,900	224,100	224,100

Source: Hemson Consulting Ltd.

The TOcore study is concerned with the total GFA to be planned and built, so the following key assumptions translate the leasing measures to this GFA basis:

- As discussed in Section III, we assume that FSW in existing space will gradually decline over time. As existing buildings are renovated, many will be able to reduce FSW. For the purpose of the forecast, we assume that existing space will accommodate about 10% more employees over the period from 2016 to 2041. (This is consistent with changes in FSW across Downtown Toronto in the past.) Given that the current vacancy rate in the standing space is somewhat lower than the long-term average, this suggests a decline in FSW in occupied space is, in fact, greater than 10%. The forecast for new buildings, described below, uses an FSW about 15% lower than is currently in the stock. This means, in short, that the current existing stock will move about two-thirds of the way to a modern space average over the next 25 years. Not all buildings or all firms will be able to reduce FSW to modern rates.
- We assume the FSW in new space will be much lower than in the standing space today. Today new offices for large organizations are typically designed for 160 sq. ft. (15 m^2) of useable space per person for regular full-time employees (based on data available for recently constructed buildings). Recognizing that small organizations, which still make up a substantial portion of the market, have less flexibility to achieve low FSW rates, a reasonable assumption for this forecast is 170 sq. ft. (16 m^2) per employee of useable space. Translating useable space to net rentable space, a commercial real estate standard of 85% useable to net rentable gives 200 sq. ft. (19 m^2) of net rentable space per employee. Translating net rentable to gross floor area (GFA) at a standard 90%, the FSW becomes 222 sq. ft. (21 m^2) GFA. Further, accounting for a long-term average vacancy rate of 7%, the FSW becomes 239 sq. ft. (22 m^2) GFA. Finally, adjusting from the regular full-time employees (who would be counted in the TES) to the definition of employment being used here, of which some are no-fixed-place-of-work or others who might be missed in a normal survey (9% of the total), reduces the FSW to 217 sq. ft. (20 m^2) GFA. For simplicity, that number has been rounded to 215 sq. ft. (20 m^2) GFA.

Table 9

TOcore Major Office Employment

Year	TOcore 1: Downtown-Suburban Balance	TOcore 2: Continuation of Current Pattern	TOcore 3: Increased Downtown Concentration	Annualized Growth			
1986	261,400	261,400	261,400				
2001	307,200	307,200	307,200	1986–2001	3,100	3,100	3,100
2011	337,000	337,000	337,000	2001–2011	3,000	3,000	3,000
2016	380,000	380,000	380,000	2011–2016	8,600	8,600	8,600
2031	465,000	487,200	528,800	2016–2031	5,700	7,100	9,900
2041	524,800	565,100	623,400	2031–2041	6,000	7,800	9,500

Source: Hemson Consulting Ltd.

- In the TOcore forecasts this means that on a GFA basis, including vacancy, the existing FSW will come down from 250 sq. ft. (23 m^2) in 2016 to about 225 sq. ft. (21 m^2) by 2041. We assume new space constructed between 2016 and 2041 will be built at 215 sq. ft. (20 m^2) as described above. The average FSW for all office space in 2041 will then be just over 220 sq. ft. (20.5 m^2).

The forecasted space growth for the study area is shown in Table 10.

D. Most of the Demand for Office Space will be South of Queen Street

As described at the beginning of the section, for policy development purposes it is best to look towards the higher end of a forecast range, as the policies (and the physical space) will likely far outlast the forecast period. We are suggesting that the TOcore 2 scenario be adopted as the outlook for employment growth and office space demand for the Downtown Plan. As a medium-high scenario it strikes a balance between the 30-year trend and the most recent period of rapid growth. To facilitate the assessment of policy implications arising from the growth outlook, a spatial allocation of demand to sub-areas and enumeration of potential supply have only been considered for the TOcore 2 scenario. The higher TOcore 3 scenario might best be considered in a sensitivity analysis when evaluating major development applications that are currently unanticipated, or should policies or economic conditions cause the market to further concentrate on the Downtown and surrounding areas.

This initial allocation is undertaken as a test to see if the anticipated demand can reasonably be accommodated in these areas and whether new policies are required to accommodate new growth. Alternatively, new office space needs could be accommodated in other areas that have greater capacity. This allocation reflects the context of recent development patterns and market demand. We recognize that the major proposal by First Gulf on the former Unilever site in the East Harbour,

Table 10

Downtown Forecast Office Space Growth, 2016–2041

	TOcore 1: Downtown-Suburban Balance	TOcore 2: Continuation of Current Pattern	TOcore 3: Increased Downtown Concentration
Major Office Employment Growth	144,800	185,100	243,400
Accommodated in Existing Space	(38,000)	(38,000)	(45,600)
Accommodated in New Space	106,800	147,100	197,800
FSW in GFA including vacant space (sq. ft.)	215	215	215
Total sq. ft. of new space	22,962,000	31,627,000	42,527,000
Annual sq. ft. of new space	918,000	1,265,000	1,701,000

Source: Hemson Consulting Ltd.

(within the South of Eastern employment area) proposes to add up to 10 million sq. ft. of commercial space in proximity to Downtown. This potential is very large and as it involves opening up a new area to a concentration of employment uses it is unique in its relationship to historical demand patterns. We have not, initially, considered the impact it may have on our demand forecast. Rather, the potential role this project may play in the market place is considered as an addition to potential supply once we have considered where demand may otherwise be expected, and the ability create supply in these areas to accommodate growth.

First, we have allocated demand based on existing space, recent development and an understanding of market interest. These assumptions are, unavoidably, a combination of quantitative analysis and qualitative understanding of the market. The allocations are shown in Table 11 and are based on the following assumptions:

- The Financial District is allocated 40% of demand from 2016–2041. Today it has about 50% of commercial office space in the study area, and it has also accommodated close to 50% of the growth in space since 2000. Because of superior transportation access and proximity to the existing Financial District enterprises, it is likely to continue to accommodate a high share of growth. This share, however, will not likely remain as high as in the recent past. Relatively high rents will restrict the potential tenant market, and the remaining opportunity sites are more constrained and more expensive to develop than recently developed sites in the South Core.
- While the portion of Downtown north of Queen Street currently has about 25% of the commercial office space, it has been allocated 15% of demand. Though the standing space here is largely full, there has been more limited market interest in new development. The 15% allocation represents much of the growth that can be accommodated through projects in the development pipeline and the redevelopment of soft sites. Only a small proportion of office space is likely to be provided through the development of soft sites, most of which are not in areas with high demand for office space.
- King-Spadina and King-Parliament are allocated 20% and 13% of demand, respectively. In both cases,

Table 11

Demand Allocation (in 000s of sq. ft.)

Area	Share	Space
Financial District	40%	12,700
King-Spadina	20%	6,300
King-Parliament	13%	4,100
Downtown Waterfront, St. Lawrence–Distillery	4%	1,300
Rest of Downtown (incl. Bay Street Corridor and Yorkville)	15%	4,700
Liberty Village	5%	1,600
South of Eastern	3%	900
Total	100%	31,600

Source: Hemson Consulting Ltd.

this is much higher than their existing share of standing space at 7.2% and 2.7%, respectively. Since 2000, King-Spadina has accommodated about 22% of new office space built in Downtown and King-Parliament about 7%. Both sub-areas have good proximity to the Financial District and the regional transportation system and have a number of physical and cultural attributes that are attractive to many companies, especially those in creative and digital industries. Recent development and near-term construction indicate a rising market interest.

King-Spadina is allocated 20% of demand because we predict its growth will be somewhat less than current levels. New development opportunities will become more limited and will be increasingly in the western part of the sub-area, farther from the Financial District and Union Station. King-Parliament has the potential for increased share compared to current levels as it becomes more like the King-Spadina area. It also has a number of larger sites for potential development, and, as has happened throughout the history of development south of Queen Street, there is an early preference for the west over the east. The key constraint for these sub-areas is less the demand potential and more their ability to provide sufficient new development to accommodate long-term demand.

- The Downtown Waterfront and St. Lawrence–Distillery has been allocated a combined 4% of demand – a small share of the market, but approximately equivalent to reasonable expectations of what can be developed in this sub-area. Much of the expected development will be the planned office uses in the eastern Waterfront area.
- Liberty Village is allocated 5% of demand, which represents about triple space now proposed in the area. While it is a popular area today, virtually all of the current space is in older industrial buildings that have been converted to office space. There has been no significant new office space completed, though some is currently proposed and one project began construction in the spring of 2017. Given its location and transportation access, a forecast higher than 5% would be optimistic for this area.
- South of Eastern has been allocated 3% of demand, which is sufficient to provide for the proposed space at Revival Studios plus some for other sites. As noted above, this initial allocation does not account for development in the Unilever Preinct, including First Gulf's proposed East Harbour development.

E. How Much Office Space Can Actually Be Accommodated in These Sub-Areas?

The supply potential is made up of office space in projects that are in the development pipeline plus the space that could be provided on identified soft sites in these areas. Any soft-site analysis will not cover all potential; some sites that today would not be perceived as reasonable for redevelopment can become attractive for a variety of physical or market reasons. Similarly, some of the identified soft sites will simply not come to market or will be developed at less than the identified potential. Given that these limitations should balance out, the soft-site analysis does represent a reasonable expectation of development *capacity* over the long term.

Tables 12, 13 and 14 give the supply potential for each of the areas analyzed for the 25 year period of the forecast[14]. The analysis of supply must recognize that all proposed or theoretical development potential can be reasonably expected to be built within the forecast period. The geographic areas for this analysis are the same as those above in the demand, but the "rest of Downtown" area is split into sub-areas for the supply potential as different parts of the area are treated differently in the soft-site analysis.

Table 12 provides the development pipeline figures which include the office GFA for existing applications and buildings not yet completed as of the end of 2016. It is assumed that 90% of the development pipeline potential could be built within the forecast period to 2041. This small discount to the total space

[14] The supply potential is based on the expanded Financial District as proposed in the TOcore Proposals Report published in November 2016.

accounts for not all development proposals coming to fruition, some are inevitably delayed, changed or cancelled for reasons unrelated to whether or not there is sufficient space demand. The currently proposed development in the Unilever Precinct is not yet considered part of the development pipeline, but rather in the soft site analysis.

Table 13 provides the development potential based on the soft-site analysis. This analysis uses total GFA from an assumed density based on recent developments and an assumed proportion of that development in office space, either in accordance with recent development or under an alternative policy-based assumption:

- In the Financial District, the ultimate development capacity is nearly unlimited. The soft-site analysis has generally taken account of only those sites that have buildings of 12 storeys or less and are well below density potential. However, in an intense area such as Toronto's Financial District (like the Chicago Loop and Lower Manhattan), it can become profitable to redevelop large, multi-storey buildings that would not be considered for replacement in other areas. If the demand for high-value space in the Financial District continues to grow, several aging buildings there could become viable redevelopment sites. This scale of redevelopment is difficult to foresee at this time and is assumed to be a level of demand beyond assumptions made for the canvas of soft sites undertaken for this study. Respective of the forecast horizon and current development trends, we have identified soft sites within the proposed expanded Financial District with a net development potential of 11.2 million sq. ft. (1 million m^2). Accounting for some residential development, we assume that between 75% and 80% of this supply will develop for non-residential uses, 90% of which is assumed to be office space after accounting for retail, hotel and other non-residential space in the potential developments. The result is a net contribution to

Table 12

Office Space Supply Potential in the Development Pipeline (in 000s of sq. ft.)

Area	Total Office Space in Development Pipeline	Office Space Potential for Forecast (90% of Total)
Financial District	9,460	8,510
King-Spadina	3,120	2,810
King-Parliament	710	640
Downtown Waterfront and St. Lawrence–Distillery	1,180	1,060
Yorkville	*230*	*210*
Bay Street Corridor	*1,910*	*1,720*
Other Areas North of Queen St.	*640*	*570*
Subtotal North of Queen Street	2,780	2,500
Liberty Village	550	490
South of Eastern	840	750

Source: Hemson Consulting Ltd.

office space potential of close to 70% of total developable GFA.

- In King-Spadina and King-Parliament, the proportion of office space in current projects in the development pipeline averages 13% and 9%, respectively. Most approved and proposed development is primarily residential. If all the in-pipeline projects are built as proposed and all of the soft sites in King-Spadina and King-Parliament are developed with the same proportions of non-residential space, the supply will only meet just over half of the demand suggested in Part D, previously. In this analysis, we have accepted that the office space in the development pipeline will be built as proposed, as shown in Table 12, but we have assumed a much higher proportion of office space in the soft-site analysis.

  The soft site analysis assumes the policy changes to require a greater proportion of non-residential space in these areas is implemented. The nature of these policies is addressed in Section V, Conclusions and Recommendations. The proposed policies would suggest that in King-Spadina and King-Parliament about 35% and 30% of total GFA, respectively, would be non-residential (resulting from building 50% non-residential GFA above as-of-right). For the analysis, we have assumed 30% of future space on the soft sites in King-Spadina, and in King-Parliament, 25%, becomes office space because the overall non-residential portion of development will typically include some retail space and may include some arts, creative or institutional space that is non-residential but is not office.

- For the Rest of Downtown, that is, all of Downtown, north of Queen Street, there are different market demand conditions. Within the areas where there is currently a significant amount of office space, in the Bay Street Corridor and Yorkville, we have assumed 20% of new space in soft sites will be office. The other areas are assumed to have a very limited potential with 5% of new space assumed as offices.

Table 13

Office Space Supply Potential on Identified Soft Sites (in 000s of sq. ft.)

Sub-Area	Total Soft Site Potential	Share Office Space	Soft Site Office Space Potential	Office Space Potential for Forecast (60% of Total)
Financial District	11,190	70%	7,830	4,700
King-Spadina	12,130	30%	3,640	2,180
King-Parliament	11,450	25%	2,860	1,720
Downtown Waterfront and St. Lawrence–Distillery	n/a	n/a	270	160
Yorkville	*10,910*	*20%*	*2,180*	*1,310*
Bay Street Corridor	*8,410*	*20%*	*1,680*	*1,010*
Other Areas North of Queen St.	*28,770*	*5%*	*1,440*	*860*
Subtotal North of Queen Street	48,090	11%	5,300	3,180
Liberty Village	n/a	n/a	4,010	2,410
South of Eastern	n/a	n/a	900	540
Unilever Precinct	n/a	n/a	n/a	10,000

Source: Hemson Consulting Ltd.

These shares are somewhat higher than recent development activity or the shares within the development pipeline, but are still considered reasonable for long-term planning.

- Soft site figures for Liberty Village and South of Eastern are not truly soft-site analyses as both locations contain such a large amount of theoretical potential, that it would not be a relevant comparison to office space demand. We consider that the numbers for these two sub-areas are reasonable estimates of development that may be realized within the context of the location and demand potential.
- The potential in the Unilever Precinct is shown in accordance with the current proposal for the site. Unlike the supply potential in other sub-areas, however, building in the Unilever Precinct will require significant additional infrastructure before much of the development could proceed.

In all cases, the soft site office space potential within the forecast period is assumed to be 60% of the total potential, an assumption which may be somewhat optimistic within a 25 year period, given the uncertainties associated with land assembly and development. As well, in the areas where there are likely to be many mixed use projects generating office space, mainly in Downtown outside of the Financial District, the provision of that office space is dependent on the residential market for the projects to go ahead. Currently, the residential unit development pipeline in Downtown is very large and may be sufficient to meet residential demand for most of the forecast period.

Table 14 shows the summary of the results of the supply potential for the forecast period.

Table 14

Total Office Space Supply Potential on Identified Soft Sites (in 000s of sq. ft.)

Sub-Area	Development Pipeline Potential	Soft Site Potential	Total Supply Potential
Financial District	8,510	4,700	13,210
King-Spadina	2,810	2,180	4,990
King-Parliament	640	1,720	2,360
Downtown Waterfront and St. Lawrence–Distillery	1,060	160	1,220
Yorkville	*210*	*1,310*	*1,520*
Bay Street Corridor	*1,720*	*1,010*	*2,730*
Other Areas North of Queen St.	*570*	*860*	*1,430*
Subtotal North of Queen Street	2,500	3,180	5,680
Liberty Village	490	2,410	2,900
South of Eastern	750	540	1,290
Unilever Precinct	0	10,000	10,000

Source: Hemson Consulting Ltd.

F. King-Spadina and King-Parliament are Unlikely to be able to Accommodate Demand, but Other Areas Have Sufficient Supply

Comparing the initial demand and the identified supply reveals a reasonable balance in most areas but a challenge in King-Spadina and King-Parliament. There is never certainty that a particular site or proposal will be developed. However, it is certain that some development will continue past the forecast period so it is desirable to have an excess of supply potential well beyond any anticipated demand. The comparison is shown in Table 15.

The conclusions of this analysis are the following:

- There is sufficient potential in the proposed expanded Financial District. In this critical sub-area, it is important that the demand can be accommodated, which supports our recommendations both to expand the Financial District and to ensure that the mostly office (rather than residential) space is delivered within this expanded area.
- The Downtown Waterfront area is relatively in balance.
- Potential in the Rest of Downtown (all areas north of Queen Street) allows for future growth beyond 2041 and provides a cushion if the development does not deliver the amount of office space suggested in the supply analysis.
- There is sufficient capacity in South of Eastern (excluding East Harbour) and Liberty Village to meet the demand shown.

King-Spadina and King-Parliament will have difficulty meeting the demand potential for office space. As already described, a continuation of current development trends (13% and 9% of space

Table 15

Demand-Supply Comparison of Office Space by Sub-area (in 000s of sq. ft.)

Sub-Area	Developable Potential	Forecast Demand	Net Surplus/ Shortfall
Financial District	13,210	12,700	510
King-Spadina	4,990	6,300	(1,310)
King-Parliament	2,360	4,100	(1,740)
Downtown Waterfront and St. Lawrence–Distillery	1,220	1,300	(80)
Rest of Downtown (North of Queen Street)	5,680	4,700	980
Liberty Village	2,900	1,600	1,300
South of Eastern	1,290	900	390
Unilever Precinct	10,000	Portion of development warranted	

Source: Hemson Consulting Ltd.

in offices, respectively) will leave these far short of the demand potential. To accommodate a reasonable portion of the anticipated long-term demand for office space in King-Spadina and King-Parliament, the City must take policy steps to ensure that a greater proportion of new space is office space. This analysis has assumed a 30% and 25% share of office space in soft-site development, which is still well short of meeting demand potential. The overall office-space proportion of new space would need to be about 50% in both areas to balance supply and demand by 2041.

While we recommend trying to increase the proportion of office space developed, it's unreasonable to expect that all of the potential demand to 2041 and beyond can be met in King-Spadina and King-Parliament.

- The proposed East Harbour development is in a location where there are reasonable prospects of providing additional long-term development potential in the area south of Queen Street, though not within the Financial District. Significant development on this site will require large investments in new infrastructure, especially in transportation infrastructure. The timing of these investments and the timing of demand in this location remain somewhat uncertain. However, given this analysis of office space demand and supply within the Downtown, there does appear to be a role for office development of some scale in areas adjacent to Downtown, as long as such development can be appropriately served by transportation and well connected into the Downtown area economy.

Based on these office-market conclusions and other matters addressed in the report, Chapter V provides more specific policy recommendations for the Downtown Plan.

The conclusions on adequacy of lands at campuses and the proposed policies for the Health Sciences District are sufficient to answer the question of the ability of institutions to expand in the Downtown. As a result, specific space requirements for major institutional uses have not been prepared. Unlike office space, institutional space is not standardized and is less tied to accommodating employment. There will be growth in healthcare and in post-secondary education, where space needs are driven both by employees and by the number of patients or students, as the case may be. Additional space for healthcare uses can be provided at a variety of locations in Downtown, but it is particularly important that growth can be accommodated within the Health Sciences District. Specific policies to support this space need are also addressed in the next section of the report. For post-secondary education, the growth of the University of Toronto is provided for through its Secondary Plan. The other post-secondary institutions – OCAD University, Ryerson University and George Brown College – have less-defined campuses. These institutions have been adept at expanding up and out through property purchases and joint ventures. Beyond broad recognition that these institutions are important and the City should be supportive of expansion needs, no geographically specific policy action is recommended at this time for these institutions.

5 / Conclusions and Recommendations

A new planning framework for Downtown Toronto must recognize the central role Downtown plays in the economy of the City, the Province and, indeed, the country as a whole. Policy directions should support key functions of national importance in activities such as Financial Services and health sciences research in addition to recognizing the key metropolitan role played by post-secondary institutions and hospitals, together with media and culture organizations. The Downtown Plan should ensure there is a continuing capacity for employment sectors to grow, increasing the concentration of jobs in the most transit-accessible locations.

The number of jobs in Downtown has grown by 17.5% between 2010 and 2015, many of them in the Financial Services and Business Services employment sectors. These two sectors are concentrated in the Financial District, while the Government Services sector and Hospitals and Healthcare sector have clustered north of Queen Street. Many creative firms locate south of Queen Street in the King-Spadina and King-Parliament regeneration areas. Different sectors and types of firms have distinct preferences for location and building type.

With a forecast of 193,000 to 316,000 total jobs to be added from 2016 to 2041 in the TOcore Study Area[15], the outlook for employment growth in Downtown Toronto is robust. The employment sectors driving this growth suggest the demand for office space will grow by anywhere from 23.0 to 42.5 million sq. ft. (2.1 to 3.9 million m^2) by 2041. For planning purposes, our preferred scenario within these ranges suggests the City should anticipate 254,000 new jobs requiring 31.6 million sq. ft. (2.9 million m^2) of additional office space. While recent years have seen the completion of a number of new large office buildings within Downtown, opportunities to expand the supply of office space are increasingly constrained as residential development continues apace. The Council-approved office replacement and enhancement policy (part of OPA 231) applies throughout Downtown and attempts to ensure that the current supply of office space is not diminished as redevelopment occurs. This policy is necessary and helpful in protecting the cluster of employment activity around Yonge and Bloor. However, it does not provide sufficient policy direction to ensure that there is capacity for growth in the office market to accommodate the employment forecast south of Queen Street.

This report has also documented locational preferences of key employment sectors of the growing Downtown economy. The findings highlight the need for the major institutions to grow, along with firms in Financial Services and Business Services, in a central location with easy access to Union Station and the PATH system.

[15] Footnote: The TOcore study area for the office and institutional study includes Downtown plus the Liberty Village Employment Area and the South of Eastern Employment Area.

Some commercial space is being created together with residential development in mixed-use settings on a single site. To make a serious contribution to the commercial office market, however, the non-residential component needs to be significant. Currently, the majority of mixed-use projects in the development pipeline will offer relatively small amounts of office space.

There is still a significant market for the traditional office tower, notably in and near the Financial District, where there are a number of new buildings in the development pipeline. To sustain the competitive edge of a Downtown location, we recommend that the boundaries of the Financial District be expanded and that official plan policy be amended to indicate a preference for non-residential development in the Financial District as well as in a Health Sciences District bisected by University Avenue north of Dundas Street.

In the King-Spadina and King-Parliament Secondary Plan areas, we recommend introducing a required mix of uses in new developments to ensure space is created for businesses, including in the creative and cultural industries, which appear to prefer those locations. These policies should be supported by including an urban structure map in the Downtown Plan.

1. Designate an Urban Structure in the Downtown Plan

While the Financial District and the Central Waterfront are the only structural elements currently designated in the Official Plan within Downtown, mapping the concentrations of employment by type of organization reveals a clear structure to economic activity. Given current development trends and future opportunities, we conclude that it is important to designate an urban structure, as illustrated in Map 16, to bring an economic lens to land-use policy as the city grows. In addition to delineating an expanded Financial District, we recommend that this structure acknowledge the Institutional core of the City by incorporating a Health Sciences District with a similar policy framework to that of the Financial District. This structure should also recognize the Queen's Park complex and the cluster of functions related to the courts and civic administration, as well as key business corridors with high transit accessibility.

Recommendation

Designate Urban Structure Elements

Map 16 should be included in the planning framework for Downtown to provide a structure for employment growth and economic development planning

2. Restrict Additional Residential Permissions in the Financial District

Toronto's commercial activity is most intense in the Financial District, Canada's premier business centre. While the current policy (under appeal) of replacing and increasing the amount of office space when a site is redeveloped is necessary, there are relatively few opportunities to develop new office complexes to accommodate employment growth over the long term. Official Plan policies should recognize non-residential development as a priority within the Financial District, and therefore should limit residential permissions to currently approved projects and those permitted as of right. The precious and diminishing resource of development sites proximate to the regional transportation hub at Union Station should be conserved for concentrated employment uses.

Recommendation

To ensure economic growth in the Financial District:

a Priority will be given to the development of prestige commercial office buildings;

b Residential permissions will be limited to those already approved or permitted as of right; and

c All additional density approved above the existing as-of-right should be non-residential uses, which include commercial office and hotels.

3. Facilitate Growth in Health Science

There is a clear concentration of healthcare treatment, education, research and related commercial functions in the vicinity of University Avenue, north of Dundas Street. In addition to providing primary healthcare for the growing Downtown residential population, the teaching hospitals and research facilities concentrated here provide critical health services to the regional population. They are also engaging in leading-edge research that will shape the future of healthcare and create economic activity through the commercialization of new discoveries. As well, much of the space in commercial office buildings in this area is occupied by offices of the institutions themselves and related services and businesses.

We propose designating the Health Sciences District, illustrated on Map 17, as an overlay in the Official Plan and giving it the same status as the Financial District to recognize the primary importance of supporting the future needs of the medical science, treatment and related uses in this area.

Recommendation

To protect and ensure growth in the Health Sciences District:

a Priority will be given to the development of non-residential uses that contribute to the ability of these institutions to grow in their service function as well as create important space for research and related support;

b Residential permissions will be limited to those already approved or permitted as of right; and

c All additional density approved above the existing as-of-right should be non-residential uses, which include commercial offices, hospitals, education, research facilities and hotels.

4. Introduce a Required Mix of Uses in King-Spadina to Ensure That Employment Growth Balances Residential Growth

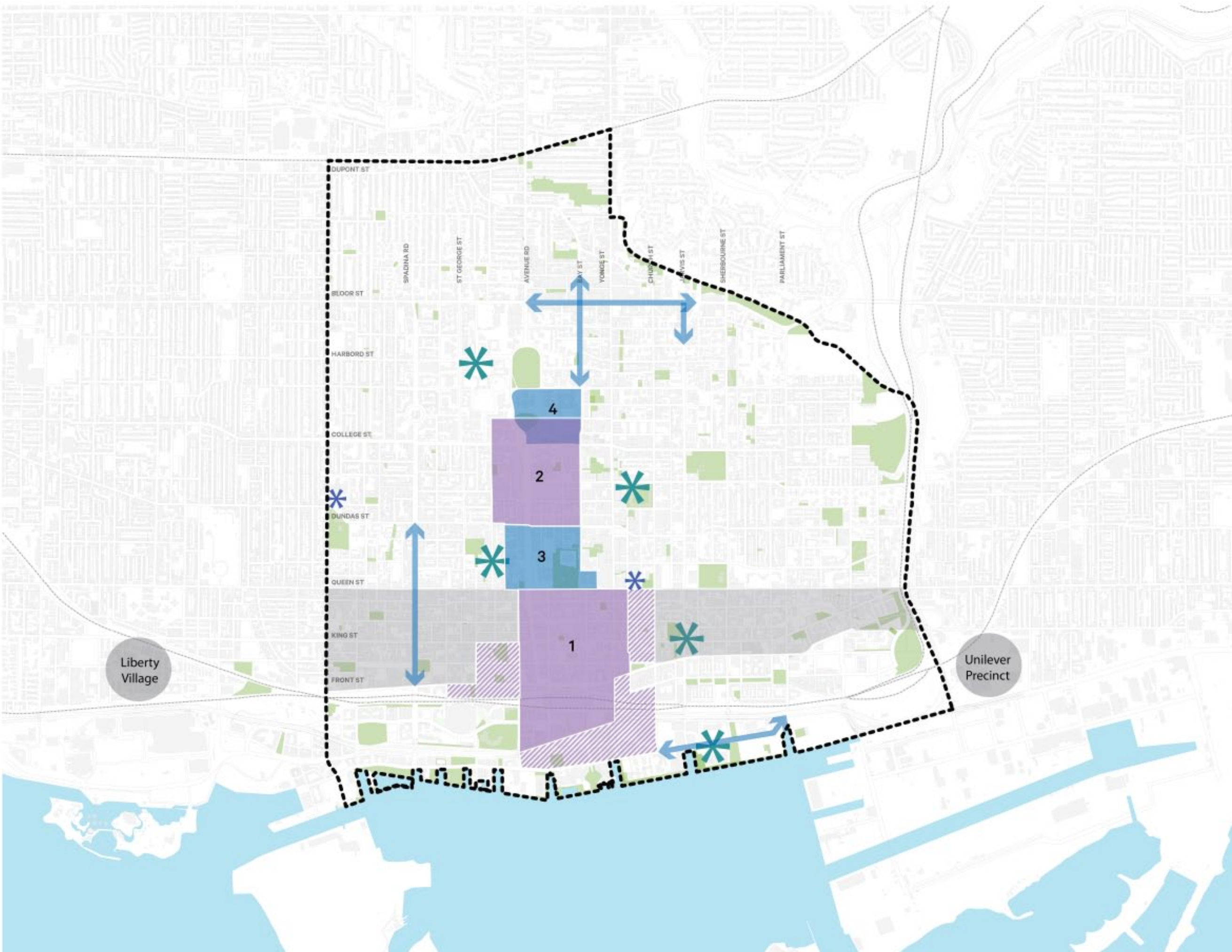
King-Spadina will continue to play an important role in accommodating economic activity that is oriented toward Downtown, in a mixed-use setting. Spadina Avenue from Front Street to Dundas Street West is an important corridor of economic activity. The Secondary Plan that guides this area is currently under review. As the revised Secondary Plan comes forward, it is important to sustain a high ratio of non-residential floor space to residential floor space in the planning area. Currently, this ratio is approximately 60:40 non-residential to residential uses, which is a major change given the area was almost entirely non-residential 20 years ago. The significant residential development currently in the approvals pipeline will further reduce the ratio of non-residential space in this area.

Because many potential employment sites east of Spadina Avenue are being developed for residential purposes, it is important to ensure opportunities for job growth are realized west of Spadina. The City should develop and apply a policy that is comparable to the office-replacement policy, but which includes a broader range of employment activities in creative and cultural spaces as well as commercial offices.

Maintaining a significant proportion of non-residential space can be addressed, in part, by recognizing the central Spadina corridor as an area for employment focus, one that can take advantage of the high degree of transit accessibility. In the central Spadina corridor, as in the Financial and Health Sciences Districts, the City should limit development that exceeds the as-of-right permission to non-residential uses. Throughout the remainder of King-Spadina, the balance of residential and non-residential space should be addressed by ensuring that new development adds significant non-residential floor space as well as residential units.

Map 16

Proposed Office and Institutional Urban Structure Elements



1 Financial District

2 Proposed Health Sciences District

3 Proposed Courts and Civic Precinct

4 Proposed Capital Precinct

Proposed Financial District Expansion

King Street Mixed-Use Areas

Employment Corridors

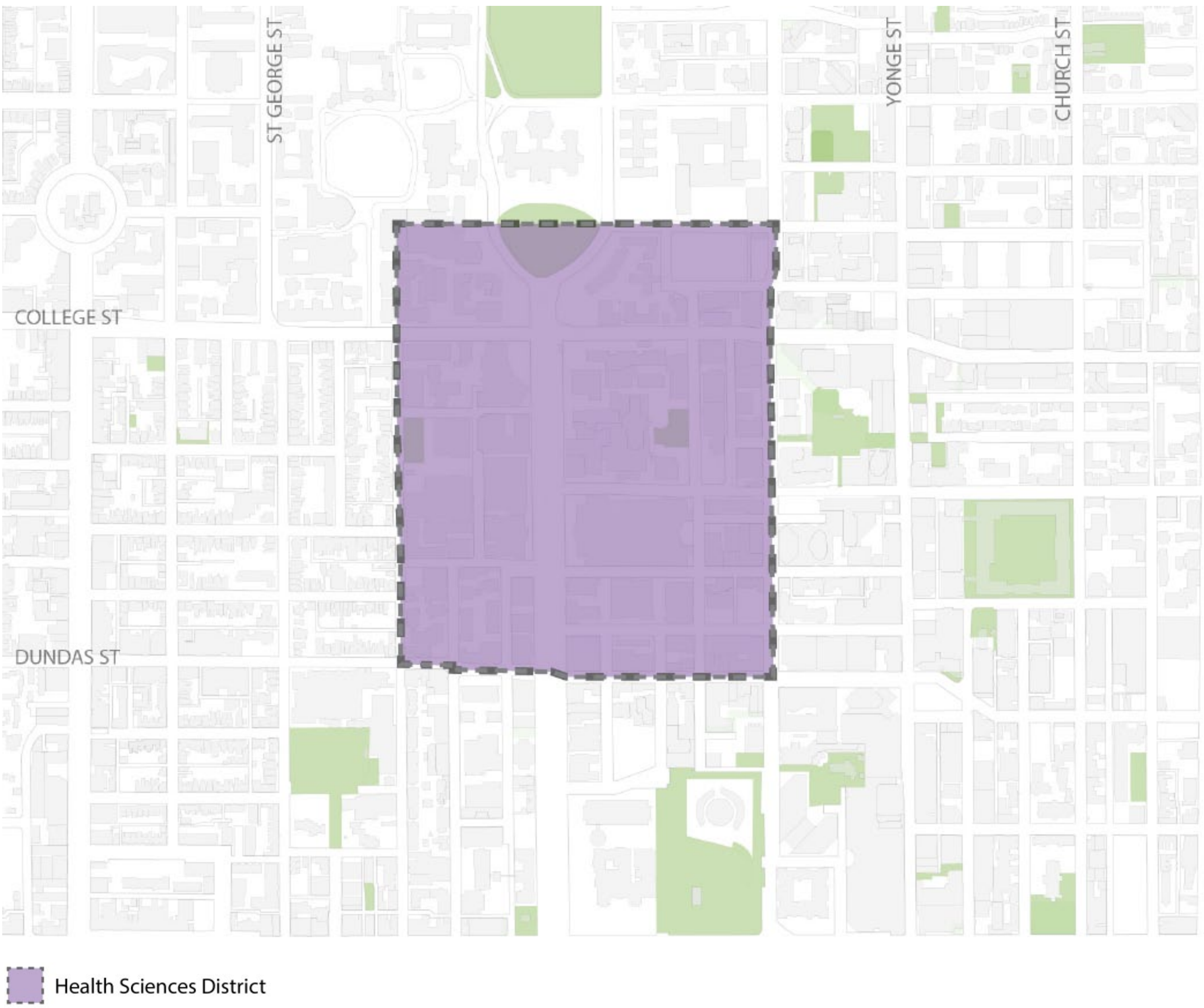
Post-Secondary Institutions

Hospitals Outside Health Sciences District

TOcore Study Area

Map 17

Proposed Health Sciences District



Within a project configuration based on height limits, the effective as-of-right potential should allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 30% of the total project mix.

Recommendation

To ensure King-Spadina continues to attract employment growth:

d Development in the central Spadina precinct, generally properties fronting onto the east and west sides of Spadina Avenue from Queen Street West to Front Street West, should be exclusively for non-residential purposes with residential permissions limited to those already approved or permitted as of right; and

e Elsewhere in King-Spadina, new development should contribute to sustaining or increasing the amount of non-residential space in the area to accommodate economic growth and expansion of the creative and cultural industries, by including the greater of either:

i) the full replacement of the non-residential space that is currently on site, or

ii) ensuring 50% of the total proposed floor space above that currently permitted, is dedicated for non-residential purposes[16].

f Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Spadina, provided the non-residential requirement is developed prior to the residential component.

5. Review the King-Parliament Secondary Plan to Protect Employment Growth by Introducing a Required Mix of Uses

The King-Parliament area offers opportunities for significant non-residential development to accommodate employment growth over the long term, particularly for creative and cultural industries, as well as institutional expansion. The King-Parliament Secondary Plan was originally adopted in 1996 and is due for a review in the same manner as King-Spadina. It is time to revisit important economic and cultural functions within the mixed-use vision. The review should also examine the relevancy of the existing Secondary Plan boundaries. In particular, we recommend that the western boundary of King-Parliament be expanded to abut the new Financial District boundary.

In advance of a comprehensive review, we recommend that the King-Parliament Secondary Plan be amended to incorporate a non-residential share requirement that mirrors that recommended for the King-Spadina area. Within a project configuration based on height limits, the effective as-of-right potential should be allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 25% of the total project mix.

[16] Footnote: For the purposes of the analysis in King-Spadina, we are assuming that 6.0 FSI represents as-of-right development, since as-of-right in these areas is currently controlled by height rather than density. We consider 6.0 FSI to be a generous interpretation of the as-of-right development permission associated with the height limits generally lying within the 23.0 m to 30.0 m range.

Recommendation

To ensure King-Parliament continues to attract employment growth a review of its Secondary Plan should include the following:

a A review of the long-term vision for King-Parliament.

b An expansion of the boundary of the Secondary Plan area westwards to abut the new eastern boundary of the Financial District at Church Street.

c A requirement that new development contribute to sustaining, or increasing, the amount of non-residential space in the area to accommodate economic growth and growth in the creative and cultural industries, by including the greater of either:

  i) the full replacement of the non-residential space that is currently on the site, or

  ii) ensuring 50% of the total proposed floor space above that currently permitted is dedicated for non-residential purposes[17].

d Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Parliament, provided the commercial requirement is developed prior to the residential component.

e An acknowledgement of the important role played by George Brown College and protection of opportunities for the college to grow.

f Support of niche opportunities for growing the creative economy.

6. Recognize Capital Precinct and the Courts and Civic Precinct

As indicated on Map 18, to the north of College Street is the Capital Precinct. This includes the legislature buildings of Queen's Park and the nearby Provincially-owned buildings, including the Frost Building, Whitney Block and the Macdonald Block complex. While this area should be recognized as an important urban structure element, it is identified as a precinct, not a district, since no specific additional policy provisions are proposed.

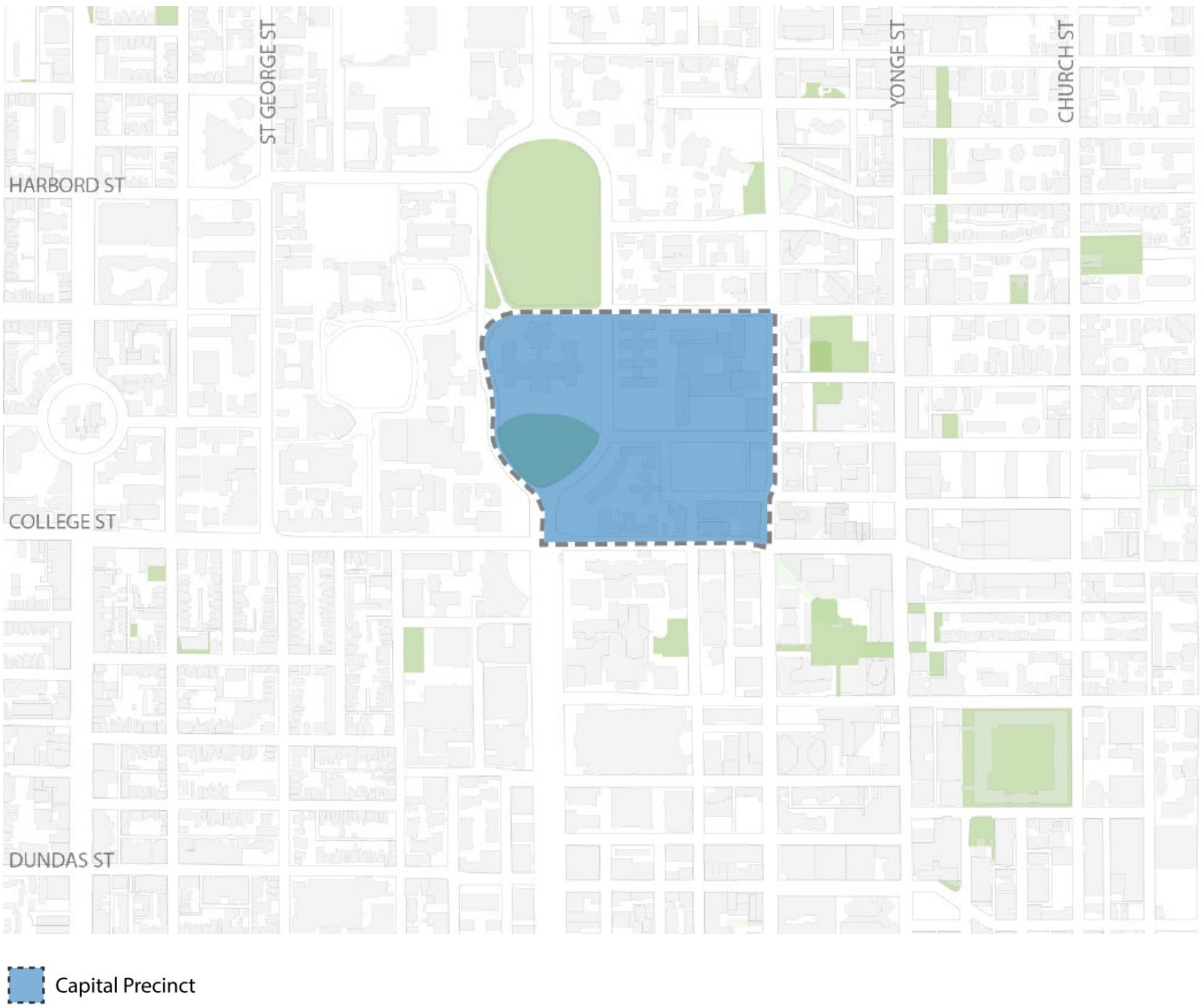
Map 19 delineates the Courts and Civic Precinct. This includes the York County Court House, the courts in Old City Hall, the Federal Court at Simcoe and Queen, Osgoode Hall and the new courthouse under construction on Armoury Street. These legal institutions have important links to the many law firms and other related legal services located in offices in the Financial District and elsewhere in Downtown. Government functions in this precinct include City Hall's administrative and public functions and a number of consulates in the area, while Nathan Phillips Square is the focal point for public celebrations and festivals. This area is also identified as a precinct, and no specific additional policy provisions are proposed.

These are areas with significant public institutions that should be planned in cohesive manner with a vision ensuring a vibrant public realm and areas of civic importance.

[17] Footnote: For the purposes of the analysis in King-Parliament we are assuming that 6.0 FSI represents as-of-right development, since as-of-right in these areas is currently controlled by height rather than density. We consider 6.0 FSI to be a generous interpretation of the as-of-right development permission associated with the height limits generally lying within the 23.0 m to 30.0 m range.

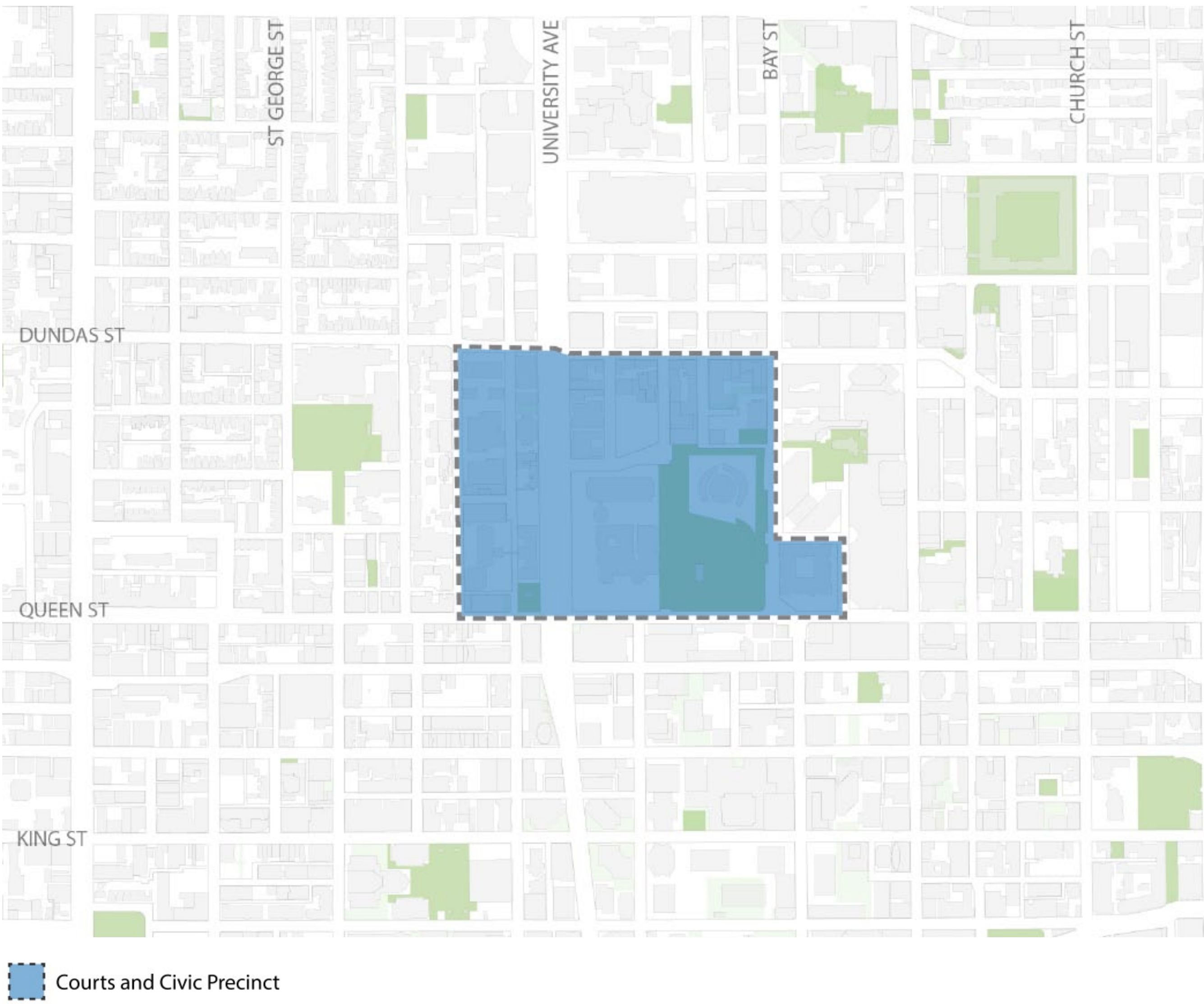
Map 18

Proposed Capital Precinct



Map 19

Proposed Courts and Civic Precinct



7. Support Expansion of Post-Secondary Campuses

To recognize the importance of the post-secondary campuses (along with the major medical institutions that are outside of the Health Sciences District) they are indicated as nodes on the urban structure map, Map 16.

The University of Toronto, Ryerson University, OCAD University and George Brown College have managed to expand in distinct ways to accommodate growth. The expansions have taken different forms depending on the institution, its physical requirements and its financial capability. University of Toronto has been able to expand by building within the campus footprint and by locating some faculties near the main campus. Ryerson University and OCAD University have been incrementally enlarging their campus footprints and adding facilities a little further afield (i.e. Maple Leaf Gardens and Eaton Centre for Ryerson; Richmond Street and the proposed Mirvish-Gehry development). In contrast, George Brown College has expanded through the creation of a satellite campus on the waterfront.

Delivering additional space within close proximity to existing facilities will become increasingly difficult as suitable, affordable, sites become scarcer. However, no additional policy direction is proposed here, so long as the primary land holdings are designated "institutional" in the Official Plan and that designation allows for these facilities to expand to fulfill their important role in Downtown and the metropolitan area.

8. Support Office Potential in Shoulder Areas

Beyond the Downtown boundaries there are significant opportunities for office growth in two shoulder areas. To the west, the Liberty Village area, designated as an Employment Area in the Official Plan, has potential to house additional economic activity in new and renovated spaces. This area is attractive to some of the same business types that currently favour King-Spadina.

To the east, across the Don River, the South of Eastern Employment Area is beginning to transform from traditional manufacturing and related uses to an area that offers significant potential over time to attract office development and jobs. An example of this is the recent proposal for the East Harbour office and retail development on the Unilever site on the east side of the Don River. For this site to become the next major hub for office development and employment growth, as envisioned by the developer, significant infrastructure investment is required.. In the TOcore 2 scenario, which is the preferred forecast for planning purposes, East Harbour could meet some residual space demand without undermining the Financial District and the rest of Downtown. The City will consider plans for the area through the ongoing Planning Study for the South of Eastern Development Portal.

Appendix A

Employment Sectors

These commercial office and institutional employment sectors and their subsectors are used in the analysis of current trends.

Commercial Office Sectors

Industrial, Utilities and Transport:
- Mining, Manufacturing and Construction
- Transportation and Travel
- Utilities

Financial Services (Finance, Insurance and Real Estate):
- Bank Branches
- Bank Administrative
- Investment and Financing
- Insurance
- Real Estate Developers
- Real Estate Agents
- Miscellaneous

Business Services:
- Law Firms;
- Accountants and Management Consultants
- Public Relations
- Photographer, Personnel and Other Business Services
- Computer Services.

Technical Services:
- Architects, Engineers, Designers;
- Property Managers and Janitorial Services
- Co-working/Shared Office Activities

Media and Publishing:
- Radio and TV
- Programs and Film
- Book Publishers
- Periodical Publishers
- Newspaper Publishers
- Other Media

Retail and Hospitality:
- Retail and Wholesale Trade
- Lodging, Entertainment and Food Services
- Other Services

Healthcare Related:
- Health Practitioners
- Other Health Practitioners
- Laboratories and related

Institutional Sectors

Government Services:
- Federal Government
- Post Offices
- Provincial Government
- Municipal Government
- Foreign Government
- Education

Associations

Public Education:
- Education and Day Care
- Community College
- Universities and Polytechnics
- Other Public Education

Private Education

Hospitals and Healthcare:
- Hospitals
- Community Health Services

Places of Worship

Other Institutional
- Protective Services
- Legislative Institutions
- Courts of Law
- Libraries and Archives
- Other Institutions

Appendix B

Downtown Submarket Trends

Far from being one homogeneous office-space market, Downtown Toronto is a collection of distinct submarkets, reflecting very different demand, vacancy and rent characteristics. Using data from the City's Toronto Employment Survey (TES) and CBRE's leasing information, we examined the distinguishing features of these submarkets. The demand and supply conditions in these submarkets provide background for the employment and floor-space forecast. The sub-areas are grouped into three broad geographies: south of Queen, north of Queen and the shoulder areas.

1. South of Queen

The area south of Queen Street is composed of the Financial District, King-Spadina, King-Parliament and the waterfront sub-areas (Waterfront West, Waterfront Central and St. Lawrence–Distillery). The Financial District is characterized by very large commercial office buildings and contains the headquarters of major Canadian and international businesses. Outside of the Financial District, there are three distinct market areas south of Queen Street. Historically they were locations for industrial development, but they have recently emerged as desirable areas for new office and residential development, with the older brick-and-beam buildings being particularly popular with firms in the technology and creative industries.

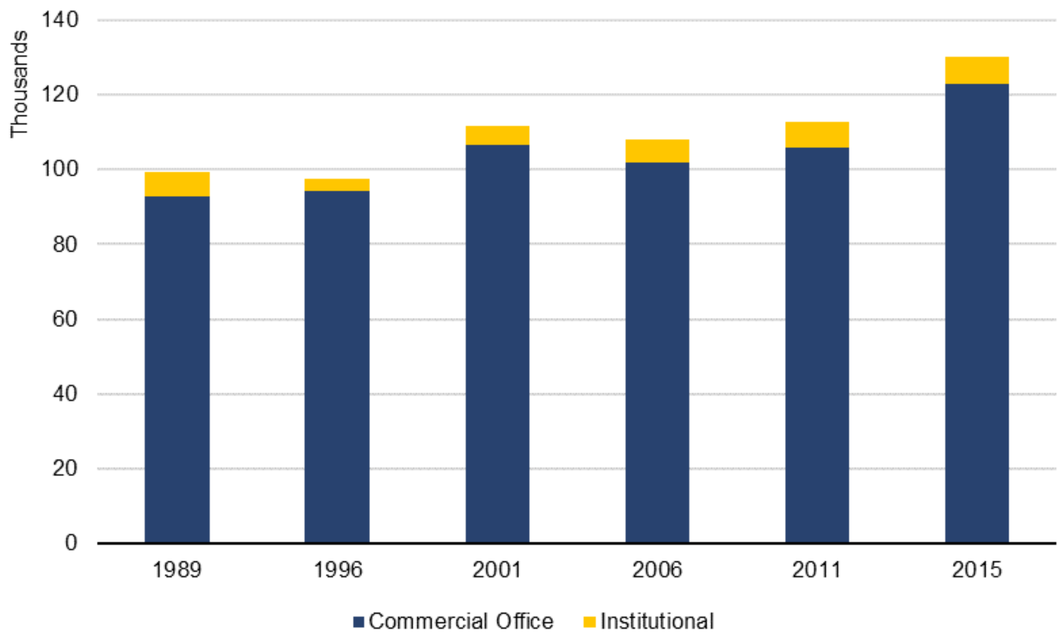
a. Financial District

The 2015 Toronto Employment Survey tracks approximately 130,000 office jobs in 132 unique address points in the Financial District. These jobs represent almost one-third of total office employment in the study area (not including shoulder areas). The Financial District has a long-standing role as Toronto's premier office location, as signified by the prestige of the King and Bay address. The district benefits from the close links between the Financial Services and Business Services sectors, which results in companies in these sectors locating close to one another. The Financial District's share of total office employment is consistent with historical trends (Figure B1). However, the area that actually functions as the Financial District – from a market perspective – is beginning to expand beyond the current Official Plan boundary into the South Core.

Within the commercial office sectors in the Financial District, it comes as no surprise that the dominant employment sectors are Financial Services (finance, insurance and real estate) and Business Services (which includes law firms, accountants and management consultants). Together, these two broad categories make up more than 90% of the commercial office employment in the Financial District (Figure B2). Within the Financial District, institutional sectors provide a very small share of total employment, roughly 5.5% (or 4,000 jobs) as of 2015. Most of those jobs are in the Government Services sector.

Figure B1

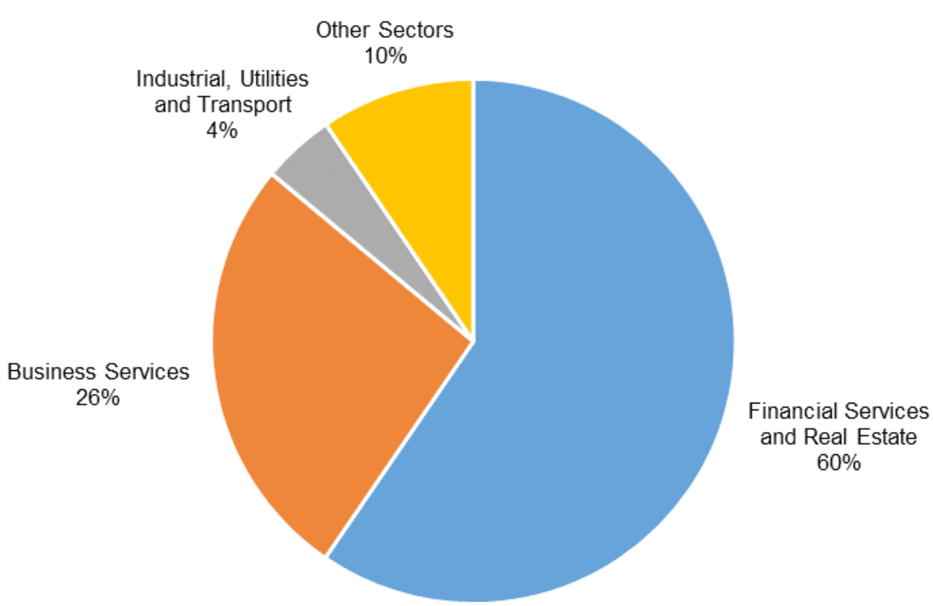
Financial District Employment, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

Figure B2

Major Employment Sectors in the Financial District, 2015



Source: Hemson Consulting with data from the City of Toronto

In terms of occupier size, the Financial District has a large number of small and medium-sized enterprises (SMEs). Offices with fewer than 100 employees account for almost 90% of total establishments in the Financial District but only a quarter of the employment. The largest occupiers, on the other hand, consist of only 3% of total occupiers but almost half of total employment.

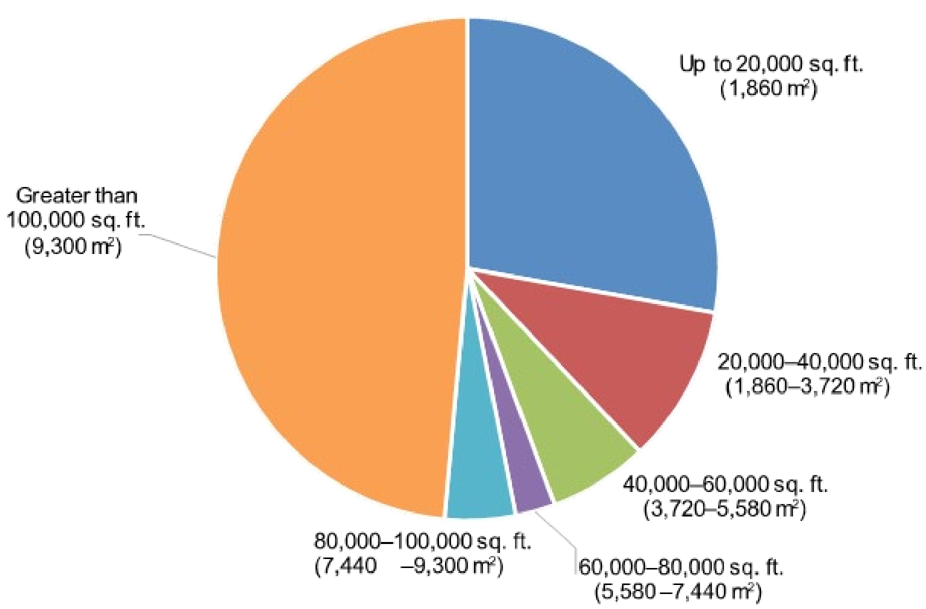
In terms of the physical space, the Financial District consists of 111 buildings with a total of over 36.3 million sq. ft. (3.4 million m^2) of office space, predominantly occupied by large tenants. The largest firms here, representing just 2.3% of all tenancies, occupy 48.6% of space (Figure B3). The largest firms are banks and other financial services providers, as well as law firms and other business services companies (including large accounting firms). The commercial towers in the Financial District offer large blocks of space that are attractive to Canada's largest corporations. Because much of this stock was built in the late 1960s and 1970s, many of these buildings are due for renewal of their building infrastructure. As newer buildings were completed south of Union Station between Simcoe and Yonge Streets, some tenants in older buildings relocated. This has allowed some renewal of the older buildings.

Toronto's 2006 official plan expanded the boundaries of the Financial District to include the South Core area, where new office development can have direct access to Union Station and the PATH system. A complex of LEED-certified office buildings has been built there since 2009, attracting major tenants in professional services (PWC Canada) and technology (Telus, Amazon, Cisco, Apple). Most recently, similar development has pushed south of the Gardiner Expressway corridor with the opening of a major tower occupied by RBC at 88 Queens Quay West, outside of today's Financial District boundary. This area is attractive to tenants because of access to Union Station, the PATH system and the amenities supported by the nearby, growing residential areas.

The largest opportunity sites for the development of major office buildings are also just outside the Financial District in the Waterfront Central sub-area – on Bay Street south of the Gardiner Expressway corridor as well as on the LCBO Lands at 55 Lake Shore Boulevard East and 100 Queens Quay East.

Figure B3

Office Tenancies by Size in the Financial District, 2015



Source: Hemson Consulting with data from CBRE

b. King-Spadina

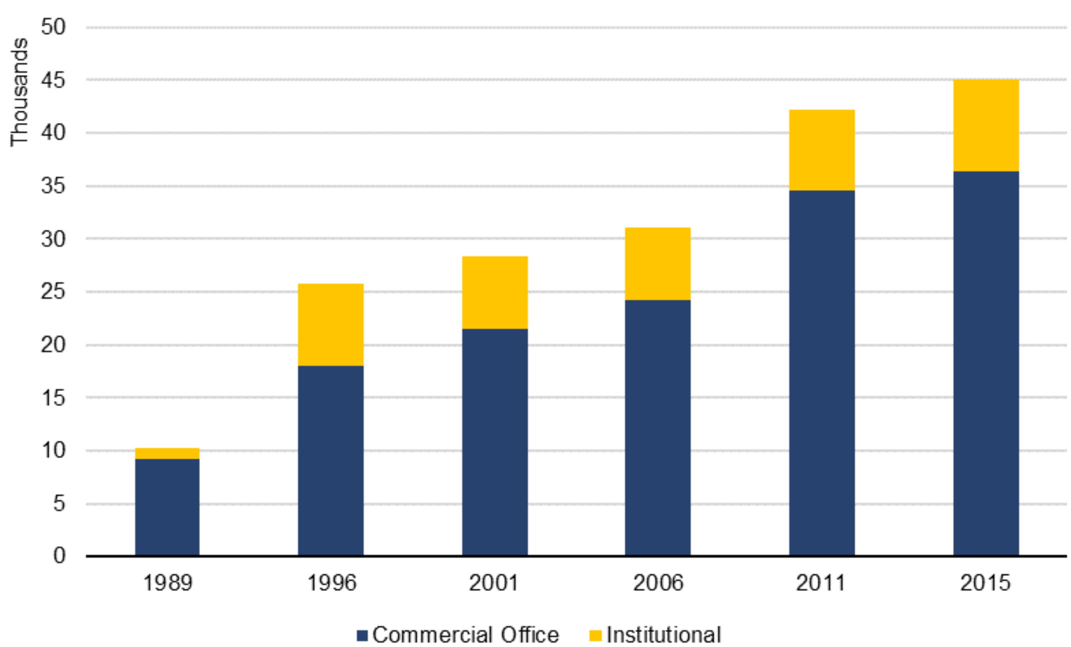
Since the adoption in 1996 of the Secondary Plan for King-Spadina, this area has emerged as a vibrant mixed-use district. Initially, a significant amount of office space was created through the renovation of existing industrial buildings, concentrated near Spadina Avenue, into brick-and-beam office space. More recently, King-Spadina has become one of Toronto's most popular locations for high-rise residential development, including some with a considerable employment component (e.g., Reitman Square, which includes the TIFF Bell Lightbox and residential tower). While residential growth has far outpaced new office development, some commercial projects are underway. The recently completed QRC West building at 134 Peter Street is the first large new office building in King-Spadina in nearly 30 years. It integrates new office space into a renovated historic property. The King-Portland Centre, which will have Shopify as its lead tenant, is now under construction. This project takes a unique approach to preserving and rehabilitating heritage buildings while adding a significant amount of new commercial space.

Since 1989, the King-Spadina sub-area has experienced almost as much office employment growth as the Financial District and is currently second to the Financial District in terms of total office employment. However, more recently the pace of employment growth in the area has slowed (Figure B4) as little new space was constructed. As well, many of the residential-oriented developments have displaced some employment uses. With an increase of 1,800 jobs since 2011, the employment picture in King-Spadina shows growth lagging behind that experienced across Downtown as a whole. Job increases in King-Spadina have been mainly in the Businesses Services and Financial Services sectors.

King-Spadina does have a healthy diversity of employment sectors. As shown in Figure B5, office employment is evenly distributed, the largest sectors being Businesses Services and Financial Services, followed closely by Media and Publishing. Other significant sectors are Technical Services and Retail and Hospitality. Most of the firms located in King-Spadina are SMEs; over 90% of establishments have under 50 employees.

Figure B4

King-Spadina Employment, 1989–2015



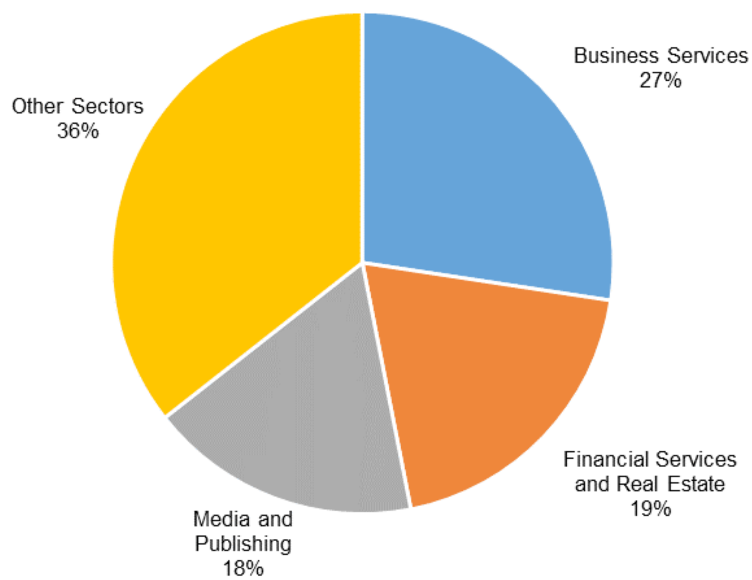
Source: Hemson Consulting with data from the City of Toronto

Offices with under 100 employees account for 95% of occupiers in the area but only 40% of total employment. In terms of competitive office space, 44% of establishments in King-Spadina are in offices of 20,000 sq. ft. (1,860 m^2) or less.

Research conducted by the City, as part of a new Secondary Plan for King-Spadina has highlighted the need to protect the area for the growth of employment, notably west of Spadina Avenue. Spadina Avenue itself, with a dedicated transit right-of-way, is an important business corridor. Technology companies are attracted to this area, while the firms leasing the most space are providing business services, banking, and creative services. For tenants in brick-and-beam space, expansion options can be limited. The Well project at Spadina Avenue and Front Street will add approximately 1.1 million sq. ft (100,000 m^2) of office space to the local market.

Figure B5

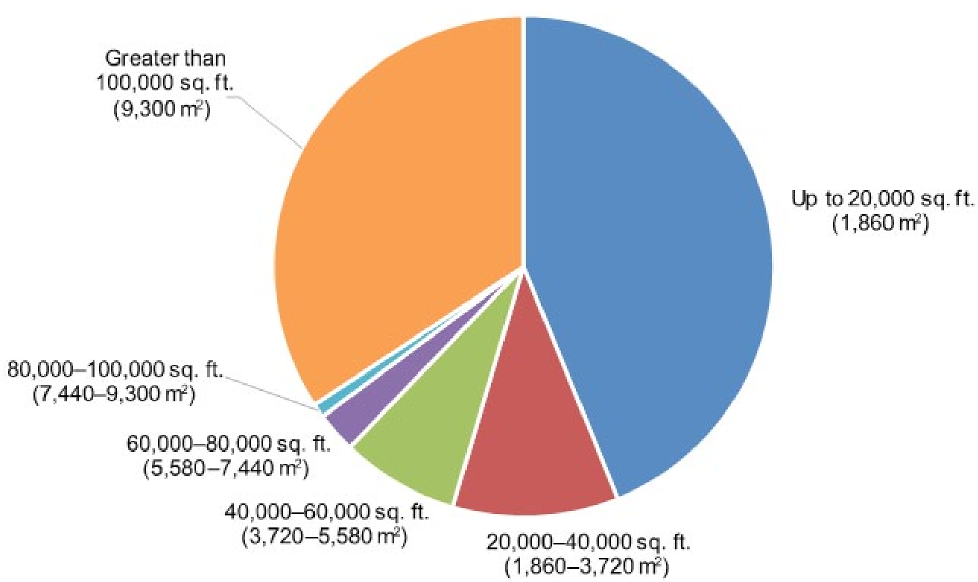
Major Sectors by Sub-Area, Employment King-Spadina, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B6

Office Tenancies by Size in King-Spadina, 2015



Source: Hemson Consulting with data from CBRE

c. King-Parliament

The King-Parliament sub-area has maintained a healthy rate of employment growth from 1989 to 2015 (Figure B7). Business Services is largest employment sector followed by Financial Services and Media and Publishing. Firms in Media and Publishing have sought proximity to the Downtown but at lower price points. King-Parliament has seen the development of new medium-sized office buildings, notably the SAS headquarters and the new offices for the Globe and Mail, alongside the existing brick-and-beam buildings that attract technology and creative services firms. The area is attractive because of its proximity to the Financial District, good transit access, a walkable environment and a significant savings in rent. Tenants include financial services companies, law firms and technology and creative services.

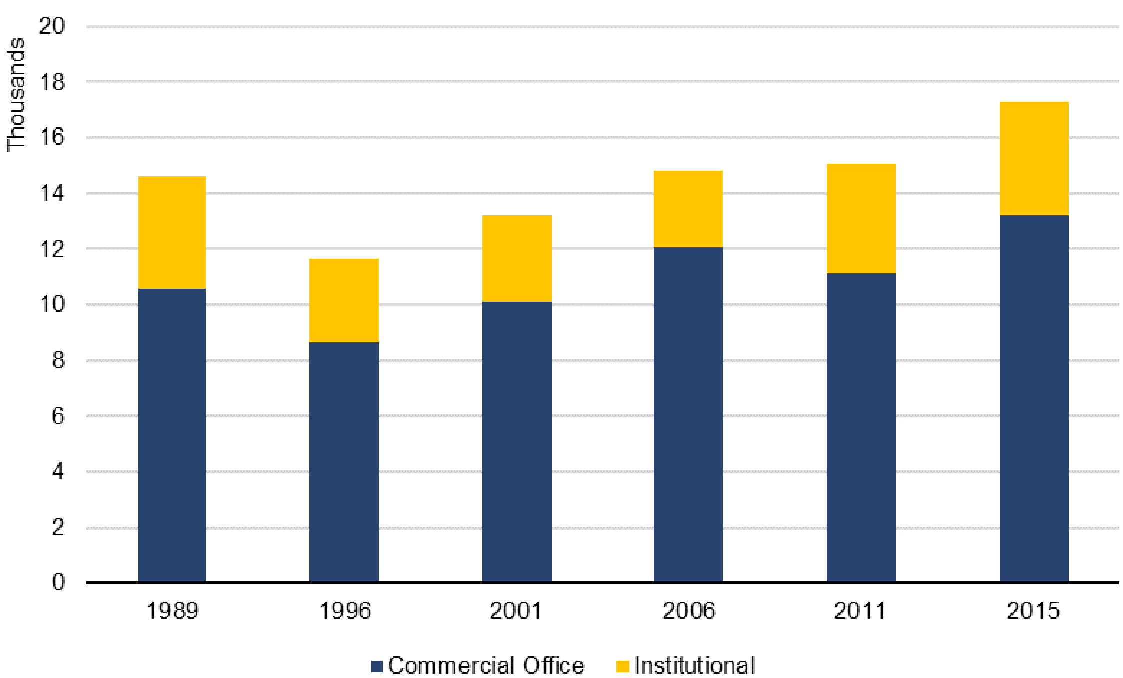
King-Parliament has significantly less employment than King-Spadina. However, new office developments underway illustrate the potential this area holds as an alternative office node within Downtown. Currently the total office employment in the area is above 13,000 (2015), roughly the same as the Downtown Waterfront and St. Lawrence–Distillery sub-areas combined. The employment profile (Figure B8) mirrors that of King-Spadina, with most of the office employment in Business Services, followed by Financial Services and Media and Publishing.

As in King-Spadina, over 95% of the establishments in King-Parliament have under 100 employees. These establishments collectively provide 52% of total office and institutional employment in the area. According to CBRE, 60% of establishments in King-Parliament are in spaces under 20,000 sq. ft. (1,860 m^2) (See Figure B9).

King-Parliament is the home to George Brown College, bringing a considerable student population to the district, as well as businesses that serve the institution and student body. Given the recent developments and potential of this area, a review of the Secondary Plan policies may be timely to refresh the vision and ensure that significant non-residential space is incorporated in new mixed-use development.

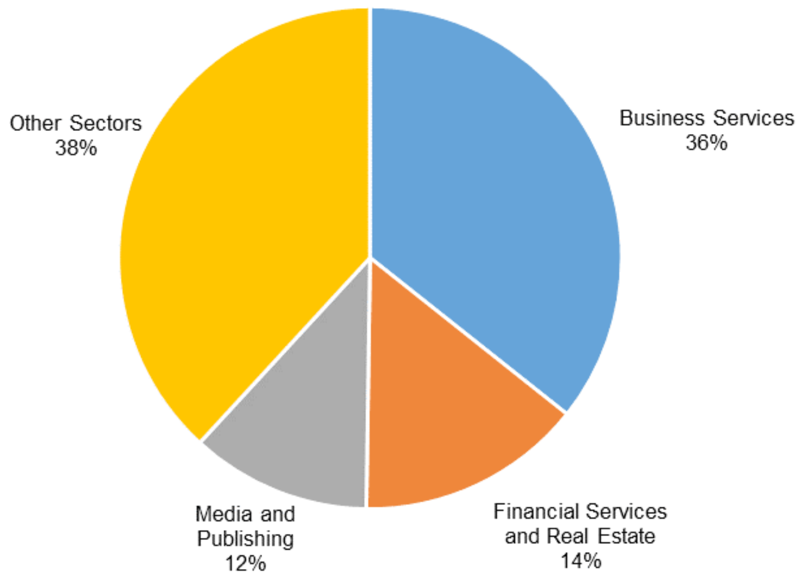
Figure B7

King-Parliament Employment, 1989–2015



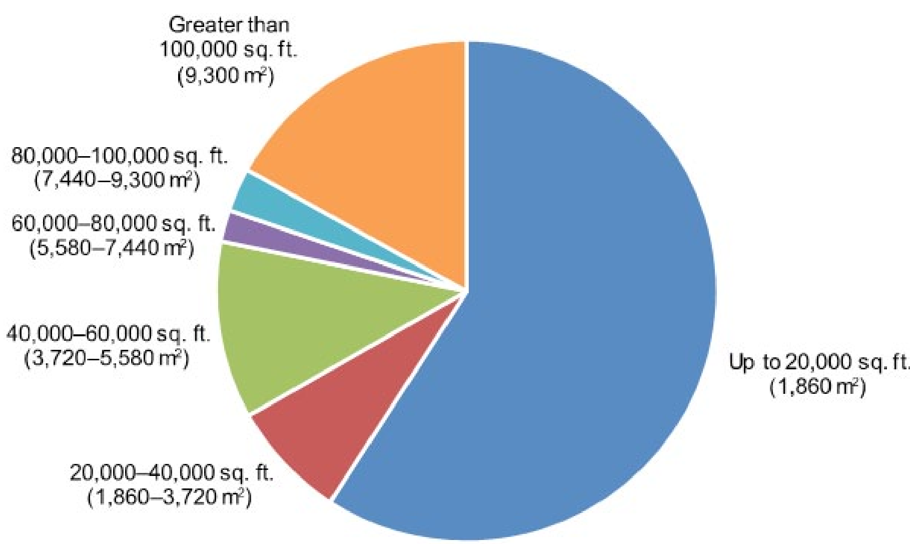
Source: Hemson Consulting with data from the City of Toronto

Figure B8
Major Employment Sectors in King-Parliament, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B9
Office Tenancies by Size in King-Parliament, 2015



Source: Hemson Consulting with data from CBRE

d. Downtown Waterfront

The Downtown Waterfront, composed of the Waterfront Central and Waterfront West sub-areas, has evolved from an area of underused shipping terminals to a unique mixed employment corridor combining traditional manufacturing with a number of other uses, such as residential, office and retail. Employment growth was largely flat from 1989 to 2011, but since then commercial office employment in the area has increased by 28% (Figure B10).

Employment and office space growth along the waterfront over the last five years has been led by the spillover of Financial Services firms from the Financial District into the South Core. This is evident when analyzing the sectoral breakdown of employment in 2015 where nearly half the employment on the waterfront is in Financial Services (Figure B11).

Most organizations in the waterfront are large and occupy over 100,000 sq. ft. (9,300 m^2) of office space. The largest establishments provide 43% of the employment and occupy 43% of office space in the area (Figure B12). The scale and type of businesses speak to the link between the waterfront and the southward expansion of office development into the South Core from the Financial District. In the past decade, a number of large office developments have located in the Waterfront Central sub-area as the number of available sites in the Financial District has diminished.

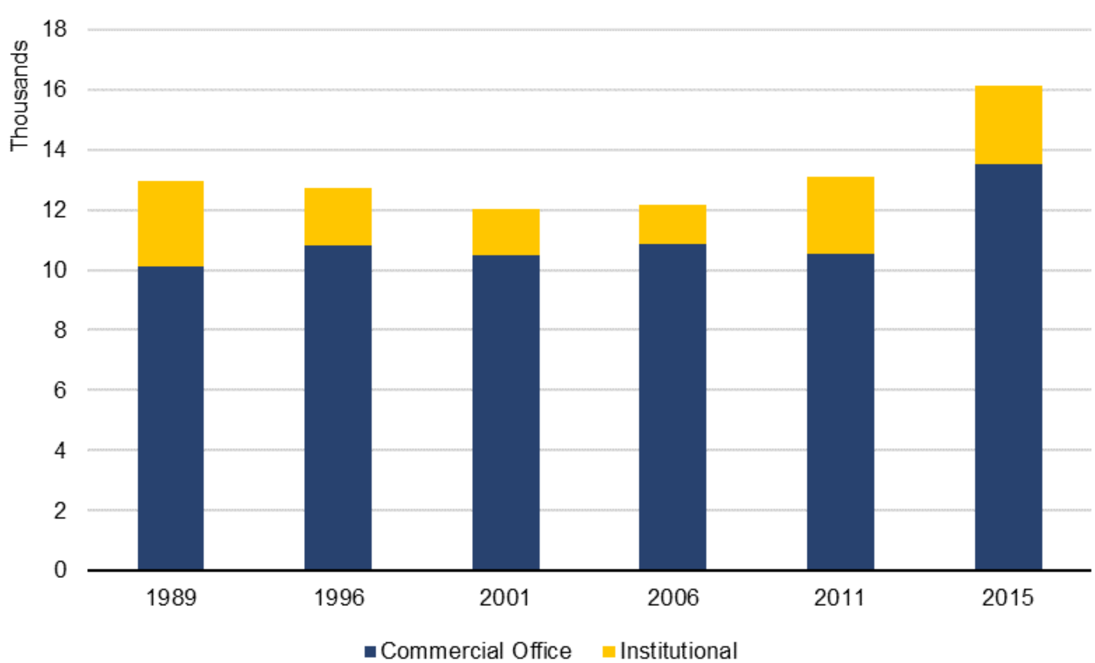
A key factor that constrains expansion in the area is the lack of adequate transit service east of Yonge Street that connects to Union Station? This is a good point; just phrase the latter part of the sentence a bit better.

e. St. Lawrence–Distillery

The last sub-area within the south of Queen geography is St. Lawrence–Distillery, which is bounded on the north by Front Street East, on the west by Jarvis Street and on the east by the Don Valley Parkway. It has the lowest amount of both employment and floor space of the sub-areas south of Queen, with approximately 3,100 employees and 810,000 sq. ft. (75,200 m^2) of space.

Figure B10

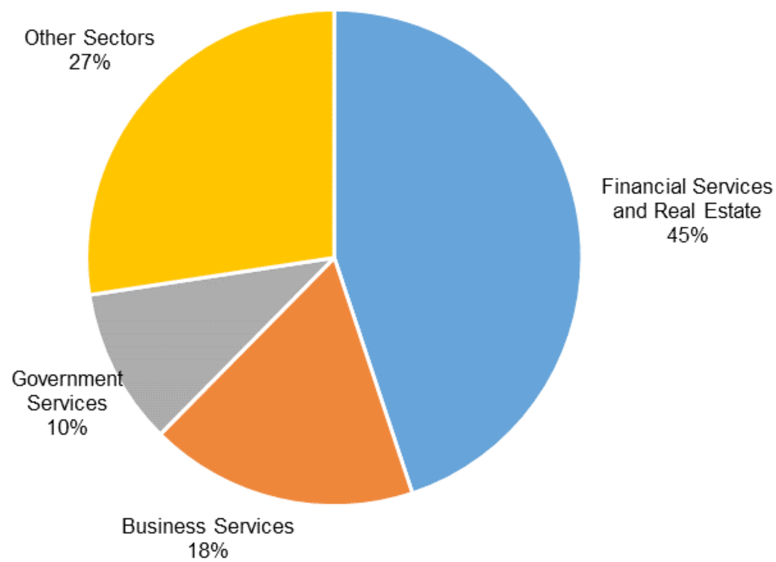
Downtown Waterfront Employment, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

Figure B11

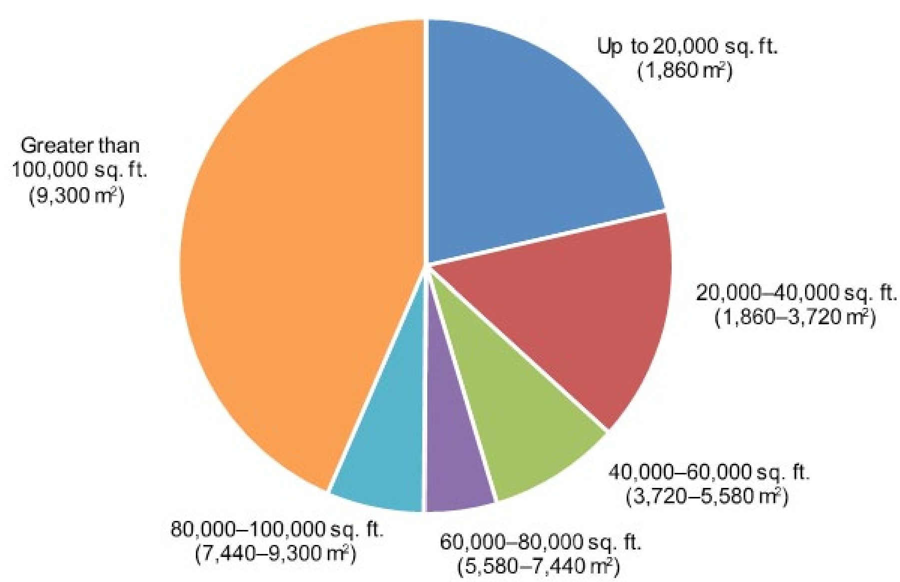
Major Employment Sectors in Downtown Waterfront, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B12

Office Tenancies by Size in the Downtown Waterfront, 2015



Source: Hemson Consulting with data from CBRE

2. North of Queen

There are two distinct office concentrations north of the Financial District:

- Along Bloor Street from Avenue Road to Mt. Pleasant Road. This corridor is notable in part for having two of Downtown's largest single employers - Manulife and Rogers.
- The Bay Street and University Avenue Corridor north of Queen Street, an area dominated by institutional users such as the Provincial government, the hospitals and related health-sciences institutions, the courts and the University of Toronto.

a. Yorkville (Bloor Street Corridor)

The Yorkville sub-area is an appealing area for tenants. It has high access to transit and to the Financial District, and it is a prestigious area, with some office functions associated with the high-end retail on Bloor near Bay Street. The area has not seen any significant office employment growth since 2001 (Figure B13), though total numbers have stayed stable with a number of high-profile headquarters located here.

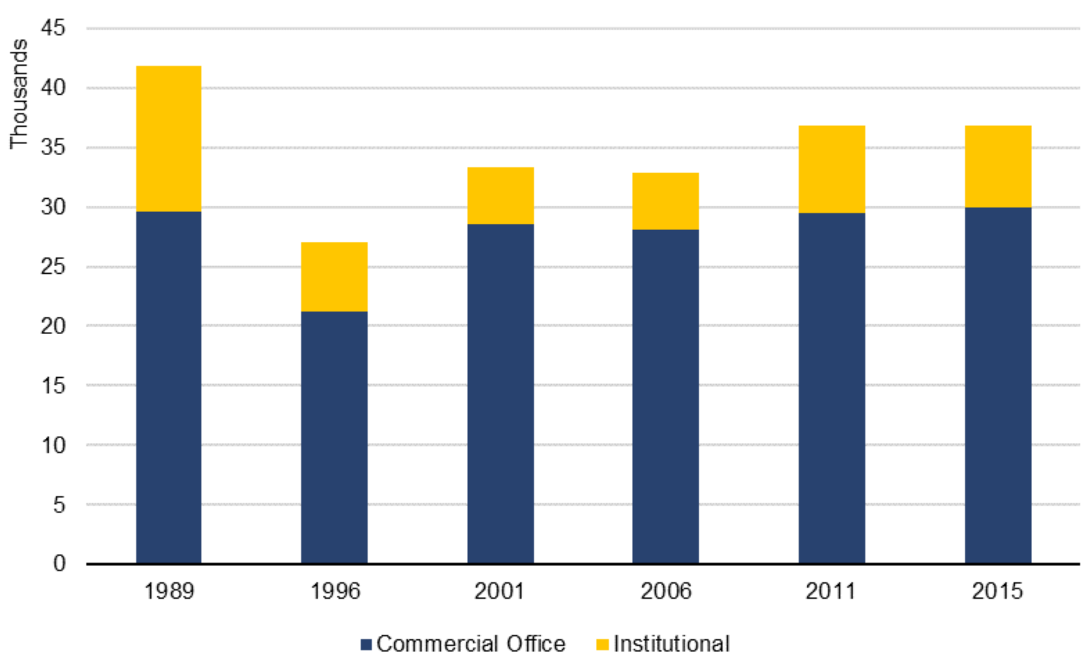
The largest single employment sector in the area is Financial Services, mainly because well-established major insurance firms are located there (Figure B14). The Business Services sector has a large number of employees in accounting, management consulting and public relations. The third-largest employment sector is Industrial, Utilities and Transport, mainly because Rogers Communications is classified in this sector. Major employers in other sectors include media and retail administrative offices and the cluster of healthcare-related functions near Sherbourne Street.

Although the very large companies (more than 1,000 employees per office) account for over a third of the employment in the area, more than 94% of the office establishments in Yorkville consist of less than 100 people. Likewise, occupiers utilizing less than 20,000 sq. ft. (1,860 m^2) accommodate nearly half the total office space (Figure B15).

Though there are no major office developments in the planning stage here, some older buildings may

Figure B13

Yorkville Employment, 1989–2015

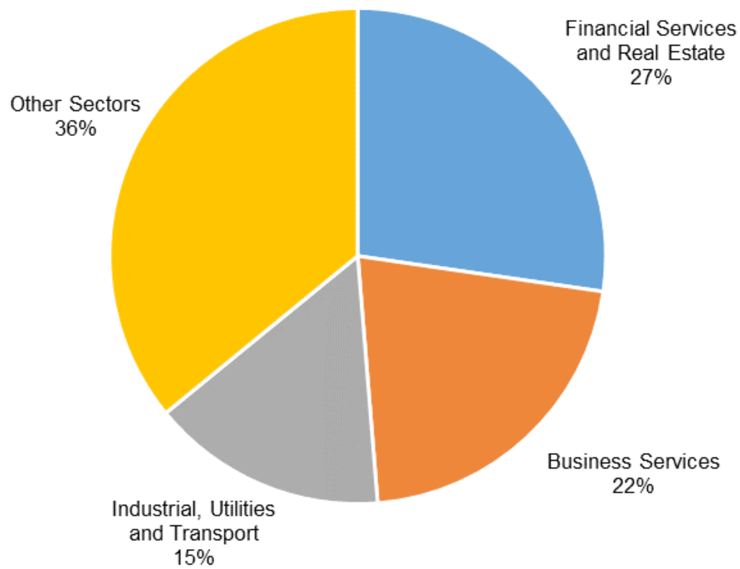


Source: Hemson Consulting with data from the City of Toronto

be in need of renewal. We consider that this node competes more with the midtown nodes at Yonge–St. Clair and Yonge-Eglinton than with other areas in Downtown. The largest tenancies include financial services providers, government, law firms and media companies.

Figure B14

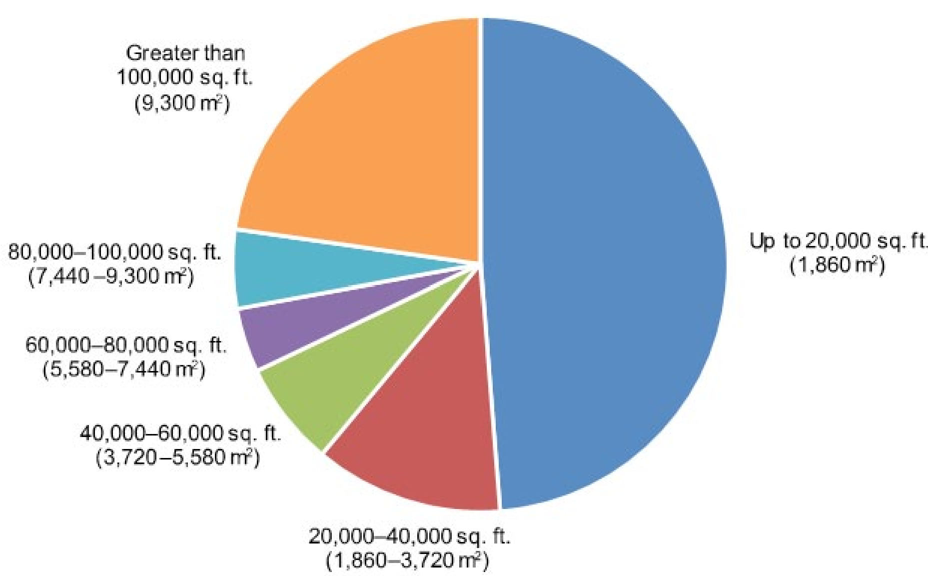
Major Employment Sectors in Yorkville, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B15

Office Tenancies by Size in Yorkville, 2015



Source: Hemson Consulting with data from CBRE

b. Bay Street Corridor (including University Avenue)

As a location, this area is valued by tenants seeking access to the complex of hospitals, the Provincial or Municipal governments, or the courts. The major institutions play a key role in leasing competitive space as well as owning their own prime locations. In the late 1990s, the University Health Network and Princess Margaret Hospital established, with Provincial support, the Medical and Research Sciences Discovery District (MaRS) at University Avenue and College Street. This has become an important centre for advances in science, technology and social innovation. It is one of the world's largest urban innovation hubs with 1.5 million sq. ft. (140,000 m^2) of space, 90% of which was occupied as of November 2016.

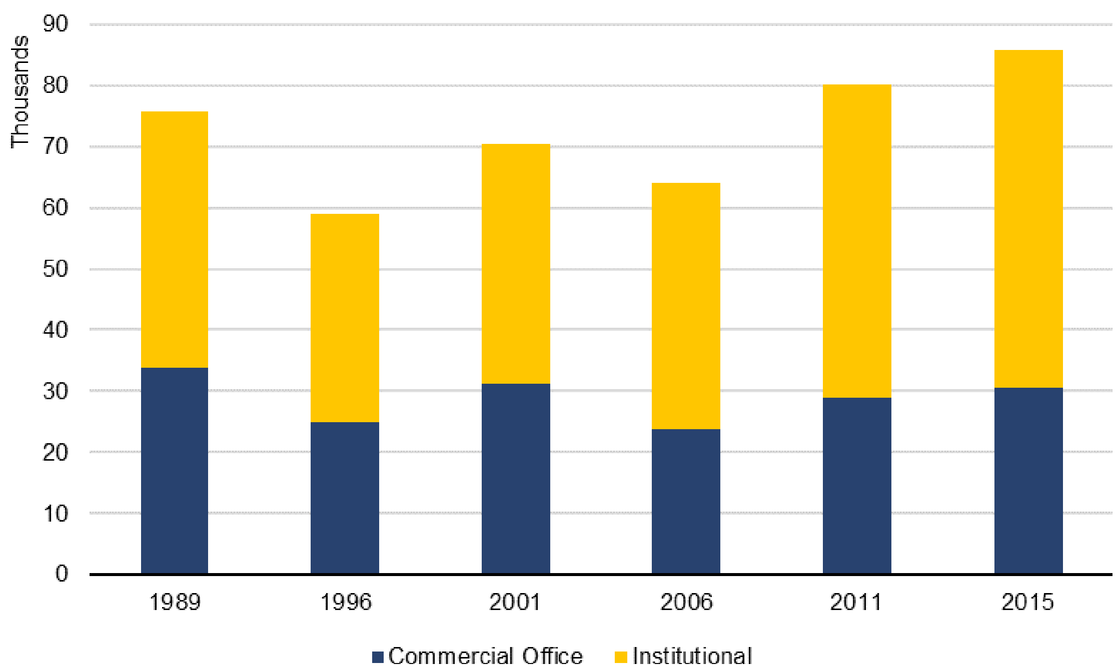
The Provincial government, a key player in the Bay Street Corridor, will likely require more space in the competitive market as a planned renovation of the Macdonald Block moves forward. Commercial office employment in this corridor has been relatively stable at 30,000 jobs in 2015, up from 24,000 in 2006, but most of this gain had been realized by 2011 (Figure B16). The area has also been the site of residential development in recent years.

The commercial office employment figures do not include the office employment component of the area's major institutions, such as the Province, the City and the hospitals. Though many of the institutions in the Bay Street Corridor also lease competitive space, the analysis here concentrates on the private-sector commercial office market only. As shown in Figure B17, the largest employment sector among the private commercial users is Financial Services, followed by Business Services and Industrial, Utilities and Transport (listed in "Other Sectors").

Of the private commercial users (apart from hospitals and healthcare and government services), the financial services sector leads with the presence of a number of large financial services and investment firms located in the Eaton Centre complex as well as the insurance and investment firms in the Great West Life cluster of buildings at Queen and University. The business services sector contains the large number of law firms that are linked to the courts and are located along University

Figure B16

Bay Street Corridor Employment, 1989–2015

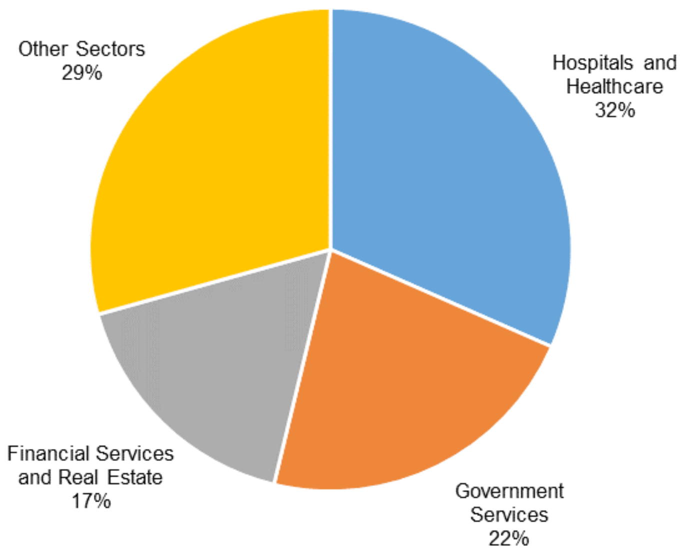


Source: Hemson Consulting with data from the City of Toronto

Avenue. The remaining employment sectors include retail and hospitality (companies with offices in the Eaton Centre) and the healthcare related sector. Due to the large, institutional nature of the sub-area, over 65% of employees in the Bay Street Corridor work for organizations with more than 500 employees. The largest organizations also occupy over half of the competitive office space in this area, according to CBRE figures (Figure B18).

Figure B17

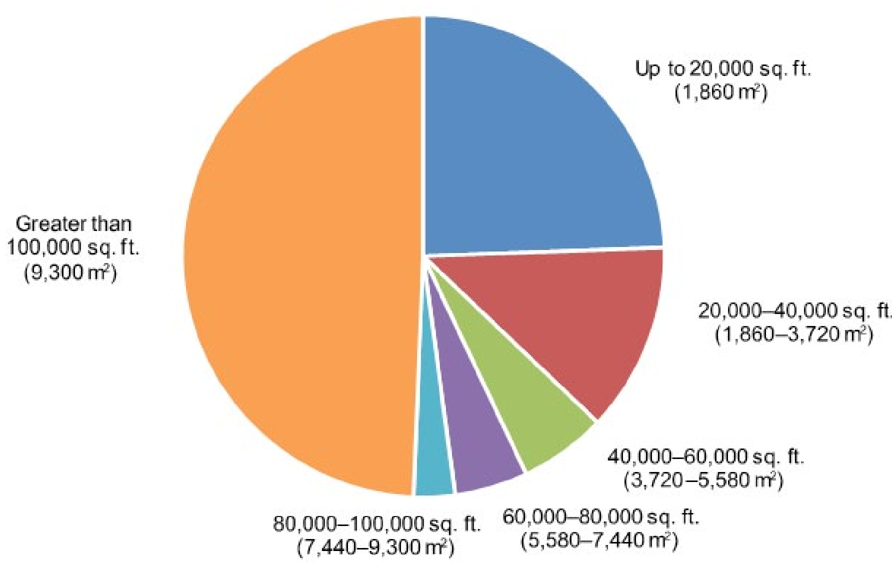
Major Employment Sectors in the Bay Street Corridor, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B18

Office Tenancies by Size in the Bay Street Corridor, 2015



Source: Hemson Consulting with data from CBRE

c. Church-Yonge

The Church-Yonge sub-area is largely characterized by the institutional presence of Ryerson University. However, unlike the University of Toronto sub-area (which is entirely dominated by the activities of the University), the Church-Yonge sub-area contains many other institutional activities (St. Michael's Hospital, for example, adds a healthcare presence) as well as a number of government services jobs. As shown in Figure B19, the area has a much stronger institutional base than a commercial office base.

Like other educational institutions, Ryerson University holds a large amount of space to accommodate students, but employs relatively few people. In terms of employment, Church-Yonge is dominated by St. Michael's Hospital and associated healthcare employment (Figure B20).

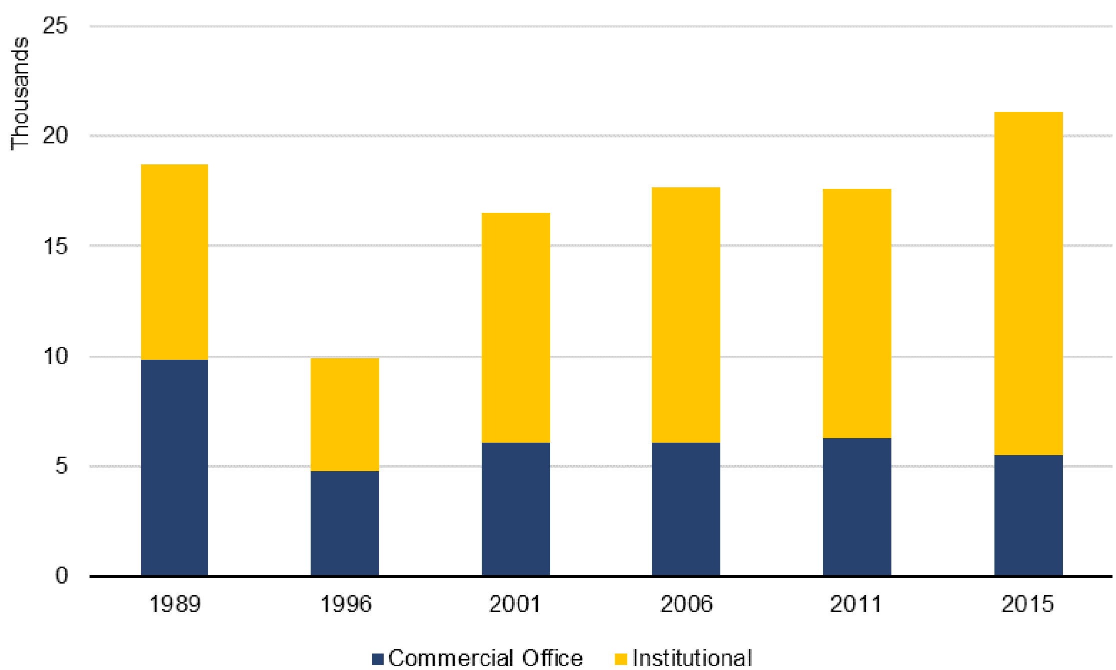
Notwithstanding some of the major institutional uses in the area, including the office space associated with Ryerson University, CBRE's data on Church-Yonge shows no individual location with space over 100,000 sq. ft. (9,300 m^2). This may be due to the nature of the data available: owner-occupied, single-tenant buildings (such as many of those used by Ryerson University) are not captured by CBRE's commercial space data.

d. Rest of Downtown

The remaining sub-areas of the study area are the Annex, Cabbagetown, Kensington-Chinatown, Moss Park, Regent Park, St. Jamestown and University of Toronto. Collectively these areas contain 29,000 office and institutional employees, but individually each sub-area contains a very small share of the overall office and institutional employment in Downtown. Because these areas have only a minor role, we area not recommending any land-use policy changes.

Figure B19

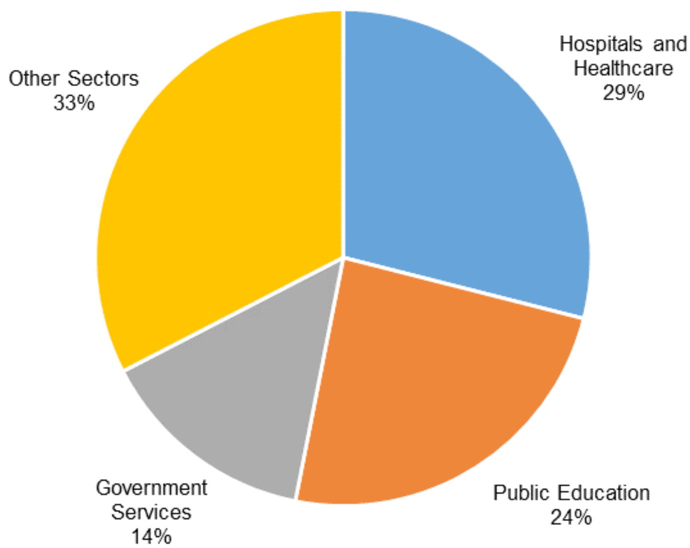
Church-Yonge Employment, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

Figure B20

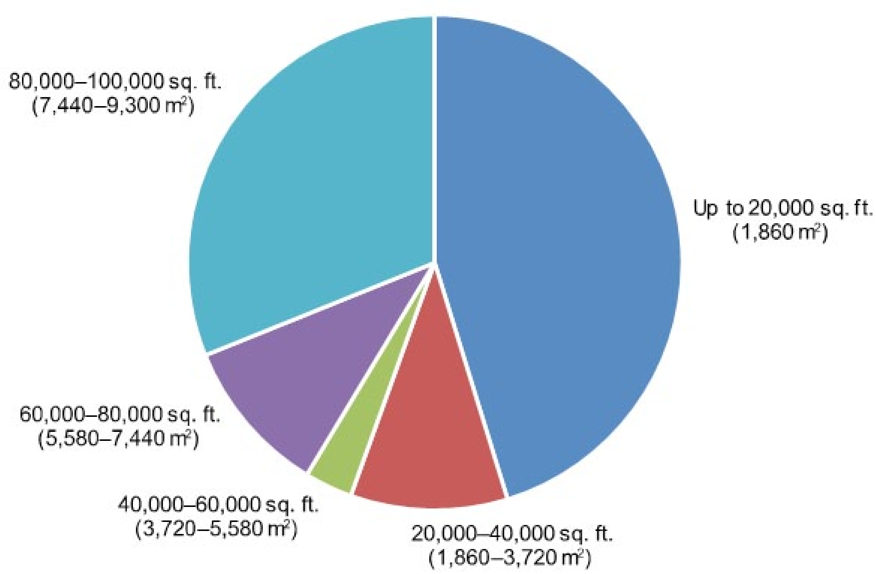
Major Employment Sectors in Church-Yonge, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B21

Office Tenancies by Size in Church-Yonge, 2015



Source: Hemson Consulting with data from the CBRE

3. Liberty Village, South of Eastern and Exhibition–Fort York

The Office and Institutional Study specifically includes three sub-areas that are beyond the TOcore study area boundaries: Liberty Village, South of Eastern and Exhibition–Fort York. These shoulder areas, just outside the Downtown boundaries of Bathurst Street in the west and the Don River in the east, will play important roles in meeting the long-term demand for office space in the central city. The discussion to follow will primarily look at employment in Liberty Village and South of Eastern. Office and institutional employment in the Exhibition–Fort York sub-area is mainly provided by the Canadian Forces in the Fort York Armoury.

Liberty Village, south of King Street West between Dufferin Street and the rail corridor, is a dynamic employment area that has transitioned from traditional manufacturing to an attractive location for creative industries, technology firms and telecommunications companies. To date, the area's transformation has relied on renovating and re-purposing older industrial buildings. One result has been a significant increase in employment – from less than 2,500 in 1989 to more than 8,500 in 2015. With an "Employment Area" land-use designation, the area is protected from residential encroachment. Improved transit service will enhance its prospects as an employment location (Figure B22).

The South of Eastern sub-area, just east of the Don River, including the vacant Unilever site, could become a location of significant new commercial office development. With time and appropriate supporting infrastructure (including transportation access and flood-protection measures), this area could emerge as a viable complement to the Financial District, in addition to creating much-needed retail services for Downtown's growing population.

The breakdown by employment sectors for Liberty Village shows that most employment is in Businesses Services, Media and Publishing and Technical Services (Figure B23). The creative services industries fall variously into all three of these sectors. The Business Services sector here is predominantly composed of technology firms and public relations firms.

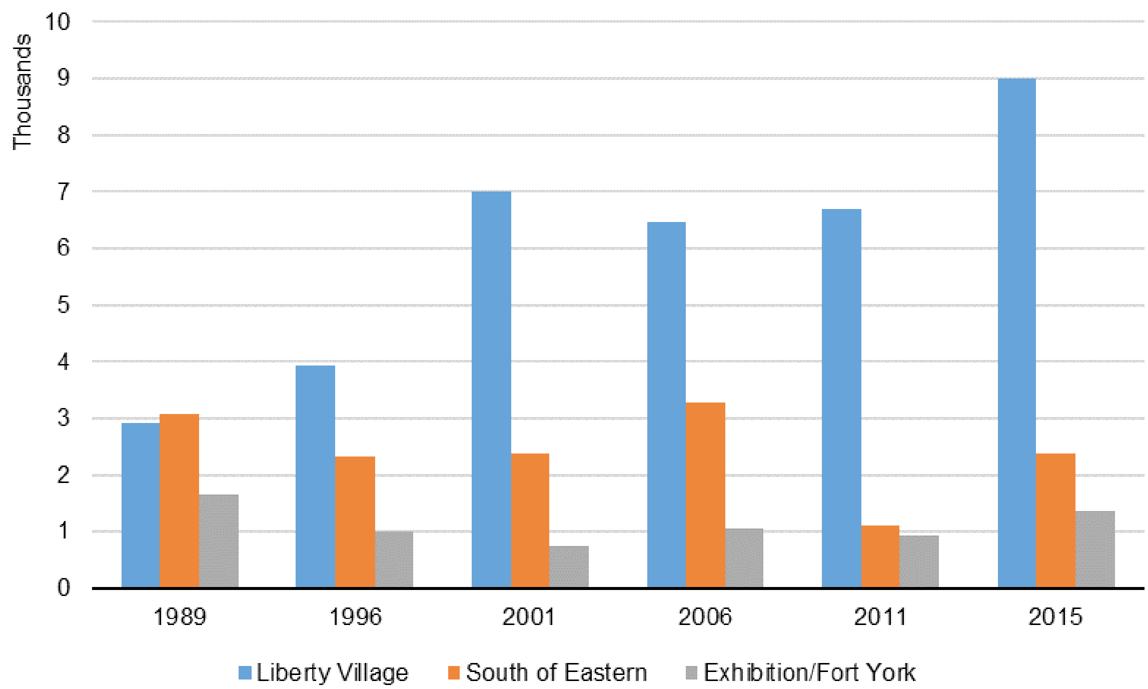
Offices with under 500 employees make up 100% of the total establishments in Liberty Village; this sub-area is clearly attractive to SMEs. The sub-area is also heavily skewed to small occupiers: 95% of the occupiers have under 100 employees, and provide just under 60% of office employment. Floor-space usage (Figure B24) closely mirrors the distribution of employment, with 60% of total office space being used by occupiers in offices under 20,000 sq. ft. (1,860 m^2).

In contrast, South of Eastern has seen a decline in commercial office employment since 1989. The area grew by more than 200 jobs from 1989 to 2006, but has since dropped to 2,400 in 2015. Figure B25 shows the breakdown of employment in South of Eastern by sector. The significant share of Media and Publishing sector jobs reflects the active and thriving film studios that are based in South of Eastern. Institutional employment, which had largely been the mainstay of employment in the area, has declined by half since 1989. In terms of occupier characteristics, 94% of occupiers in South of Eastern have under 100 employees and provide over half the employment in the sub-area. CBRE does not track competitive office space in this area.

South of Eastern has been the subject of a few major development proposals in recent years, including the First Gulf proposal for an office complex on the former Unilever site. This proposal is currently being reviewed by the City.

Figure B22

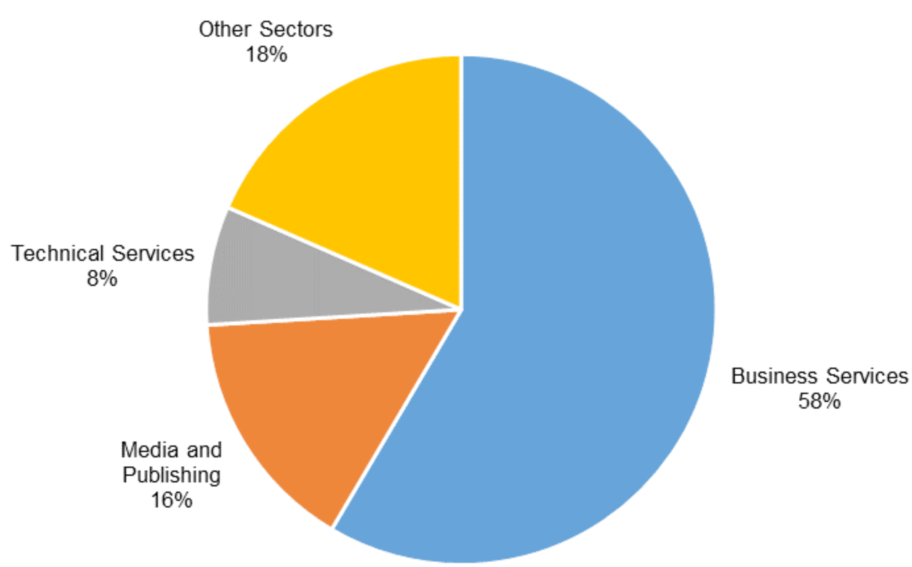
Shoulder Areas Employment, 1989–2015



Source: Hemson Consulting with data from the City of Toronto

Figure B23

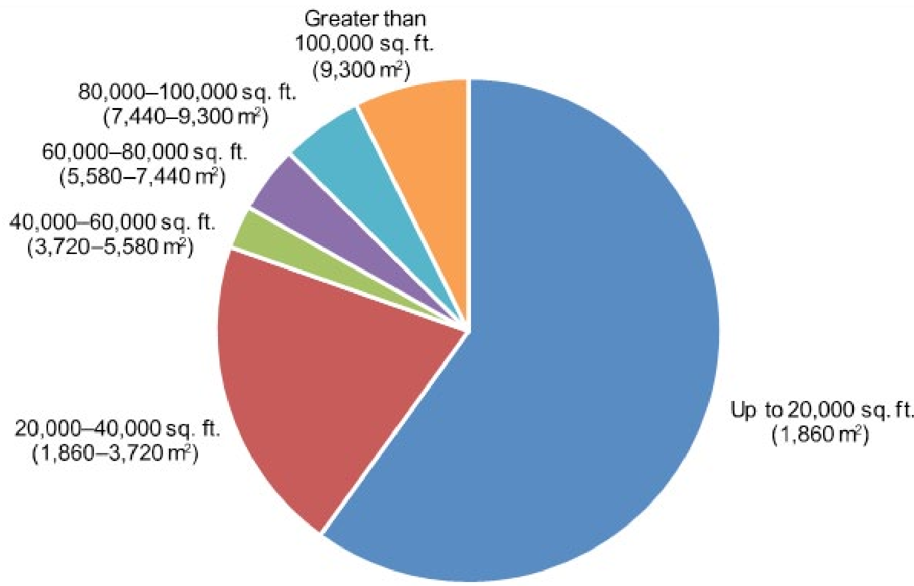
Major Employment Sectors in Liberty Village, 2015



Source: Hemson Consulting with data from the City of Toronto

Figure B24

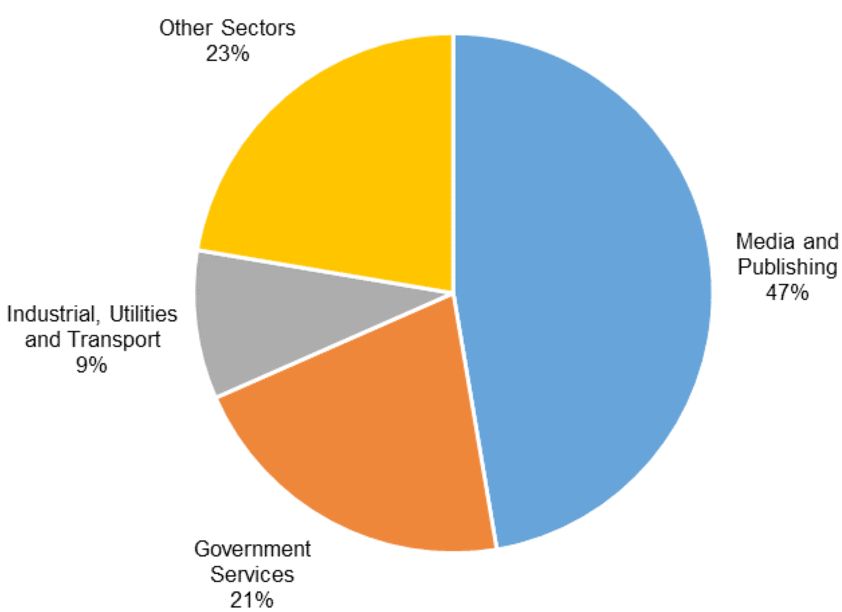
Office Tenancies by Size in Liberty Village, 2015



Source: Hemson Consulting with data from CBRE

Figure B25

Major Employment Sectors in South of Eastern, 2015



Source: Hemson Consulting with data from City of Toronto