

**ECONOMIC DEVELOPMENT ANALYSIS
FILM STUDIO DISTRICT IN THE PORT LANDS**

Prepared for the
CITY OF TORONTO

HEMSON Consulting Ltd.

September 2014

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
I STUDY BACKGROUND	3
A. PORT LANDS STUDY CONTEXT.....	4
B. OVERALL MARKET CONTEXT	6
II FILM STUDIO DISTRICT DEVELOPMENT POTENTIAL.....	8
A. EXISTING USES IN THE FILM STUDIO DISTRICT	8
B. ECONOMIC AND BUSINESS SECTORS LIKELY TO LOCATE AND INVEST IN THE FILM STUDIO DISTRICT IN THE PORT LANDS AREA.....	11
III COMPETITIVE CHALLENGES FOR THE FILM STUDIO DISTRICT	14
A. POTENTIAL FOR DEVELOPING A SIGNIFICANT OFFICE NODE.....	14
B. FACTORS AFFECTING THE FILM STUDIO DISTRICT AS A LOCATION FOR CREATIVE INDUSTRIES	15
C. OTHER FACTORS INFLUENCING DEVELOPMENT IN THE FILM STUDIO DISTRICT	17
IV POPULATION AND EMPLOYMENT PROJECTIONS	19
A. SUFFICIENT DEMAND IN THE VERY LONG TERM FOR PLANNED DEVELOPMENT, IF THE RIGHT MARKET FACTORS ARE IN PLACE.....	19
B. RELATIONSHIPS BETWEEN BUILT SPACE AND POPULATION AND EMPLOYMENT	24
V CONCLUSION	26

EXECUTIVE SUMMARY

In 2011 the City of Toronto commenced an initiative designed to accelerate development of the Port lands. As part of the work that has been undertaken Cushman & Wakefield proposed a forecast of demand for various land uses. This forecasting work was undertaken taking into consideration prevailing conditions. However, since then two significant potential development in the South of Eastern area have been announced that could have a significant bearing on the prospects for the Port Lands and, in particular, the Film Studio District.

Related to this, the City is currently undertaking a planning study for the South of Eastern area, an important aspect of which is an assessment of development potential for the area. In light of the emergence of this additional competing development potential and because it has long been the City's intention that the Port Lands and South of Eastern areas should complement each other, an examination of the development prospects for the Film Studio District was requested.

This report starts with a review of the present geographic and market context for the Film Studio District and the Port Lands. This is followed by a discussion of the development potential in the Film Studio District for a major office development and the establishment of a "creative industry" district. The final section provides commentary and analysis of previous development forecasts prepared by Cushman and Wakefield in the context of additional analysis undertaken for the South of Eastern area.

The key findings of this report are:

- The Film Studio District contains large blocks with good development potential. In particular, it has parcels in the five-hectare range which are extremely rare so close to downtown Toronto. The District is adjacent to Lakeshore Boulevard East, which provides direct access to the City and regional system of expressways.
- Current employment activities are anticipated to remain in place at least in the short term. New uses that might be attracted to the area are likely to be from

those sectors that require or are interested in a location close to the downtown urban workforce but in space that is less costly than in the core.

- The development of a significant office node in the Film Studio District will depend on a significant improvement in higher order public transit access to the area. As well, there would need to be much better amenities to accommodate the needs of the office users.
- The major shift in the development prospects for the Film Studio District compared to the previous forecasts is that demand for office space will develop over a much longer term because it will likely be pre-empted by similar development in the South of Eastern area. Residential, retail and hotel demand for the Film Studio District and the broader Port Lands, however, will at minimum be unaffected by development in South of Eastern. Indeed, office development in South of Eastern may act as a catalyst to these other types of development in the adjacent areas of the Port Lands.

I STUDY BACKGROUND

In 2011, the Port Lands Acceleration Initiative was initiated by the City of Toronto, Waterfront Toronto and the Toronto Region Conservation Authority. The first phase of the work was completed in 2012. A report was prepared by Cushman & Wakefield (C&W) as part of this work that, among other things, provided estimates of demand for various land uses over a 30 year period. Of note, the estimates of office demand were prepared before the large former Lever Brothers facility in the adjacent South of Eastern area was closed and the site acquired by First Gulf, who are planning to develop it as a major office centre. This potential development together with the proposed Studio Centre project for the Toronto Film Studio property on Eastern Avenue could provide a substantial amount of space for employment uses. This would provide competition to the Film Studio District within the Port Lands. In view of this and because it is the City's intention that the two areas complement rather than detract from each other's viability, Hemson Consulting has been asked to advise on the implications of the proposed South of Eastern projects on the Port Lands and in particular, on the Film Studio District. Consideration is to be given as to whether the C&W estimates are still reasonable in light of the potential new competition. A number of specific questions have been raised and are set out below:

1. What economic and business sectors would be likely to locate and invest in the Film Studio District in the Port Lands area over the short-term and next 30 years, taking into account the existing Pinewood Film Studios and economic and business sectors that are being explored for the South of Eastern area?
2. Where would the greatest potential be for developing a significant office node? South of Eastern or the Port Lands?
3. Would there be opportunities for a significant office node in both the South of Eastern area and the Film Studio District?
4. What factors (e.g. level and type of transit infrastructure investment) are likely needed to support significant office development in general?
5. Would there be any limiting factors (assume that the necessary flood protection and municipal servicing needed to support revitalization is achieved) that the

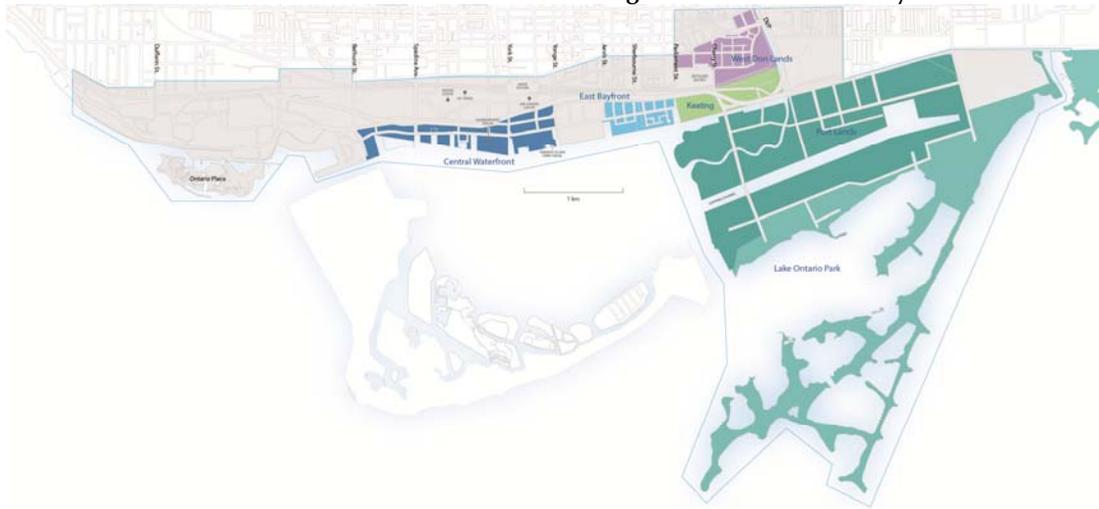
City should be aware of in terms of realizing a “Creative Industry District” in the Film Studio District primarily comprised of non-residential development?

6. Land owners in the Film Studio District have identified that a critical component to the success of the revitalization of the Film Studio District is providing for a mix of uses, including residential. Would a mixed-use residential environment be more conducive to the development of a “Creative Industry District” in the Port Lands?
7. How much demand could be anticipated for additional film studio uses in both the Port Lands and South of Eastern areas?
8. Are there other factors that we should be aware of from an economic development perspective for the Port Lands?

This section provides an overview of the Port Lands in the context of planning initiatives in the City of Toronto, followed by the overall economic context for central Toronto and the Port Lands. This context is discussed in relation to broader background assumptions regarding economic development trends for Toronto and the GTA and local factors including infrastructure and transit investments.

A. PORT LANDS STUDY CONTEXT

The Port Lands study area is located east of Downtown Toronto, between the Inner Harbour and Leslie Street and south of Lake Shore Boulevard. The total area of the Port Lands study area is 356 hectares (880 acres) (Figure 1).

Figure 1: Port Lands Study Area in Context

Source: City of Toronto

The Port Lands were created in the mid-20th century by the Toronto Harbour Commission to accommodate shipping-related industrial development. However, due to a number of factors, including the rise in rail and truck transportation today, the majority of transshipment and supporting industries have shifted to larger ports with direct access to the Atlantic and Pacific oceans. The Port Lands area is largely utilized by those relying on Great Lakes shipping users and for the storage and distribution of bulk and construction materials.

The Port Lands Planning Framework is being undertaken concurrently with the South of Eastern Strategic Direction. A Municipal Class Environmental Assessment (EA) for transportation and servicing infrastructure is also being undertaken for portions of the Port Lands (excluding the Lower Don Lands) and the South of Eastern area to support future development. Revitalization in the Port Lands and employment intensification in the South of Eastern area potentially requires the implementation of the flood protection solution identified in the Don Mouth Naturalization and Port Lands Flood Protection Project EA. While the transportation, servicing and flood protection infrastructure are necessary to support redevelopment in both areas, this report focuses on the market aspects of the Film Studio District and South of Eastern area.

B. OVERALL MARKET CONTEXT

The following is our current understanding of the market context for development in central Toronto and the Port Lands. These serve as the basic premises of the more site specific analysis that follows.

- The regional economy of the GTAH will continue to grow, attracting significant population and employment growth.
- The shift to the service sector will continue which will, in part, help the office-based employment sectors to grow faster than overall employment growth.
- There will be a continued trend towards less space per worker (as there has been in recent years) which will have a dampening effect on the requirement for new built space. As a result, the overall growth in space will be less than the growth in total employment accommodated in office space.
- There will be an increasing demand for office space that provides a high quality work environment, technologically advanced systems and leading edge environmental standards.
- After an extended period during which suburban markets were favoured, the resurgence of central Toronto as a focus for new office development will continue.
- This shift in the office market is tied to a major demographic trend which has seen large numbers of young adults (25 to 40) locating in Toronto. This, in turn, is the major driver behind the condo boom of the past decade.
- There is anecdotal evidence that the younger demographic element of the labour force is becoming less auto-focused; more interested in an urban lifestyle; and keen to limit commuting time. These trends were confirmed by a recent in-depth tenant study undertaken by Oxford Properties, a very large office landlord, in its report *Destination Collaboration: The Future of Work*.
- The economic shift to the service sector is not limited to the office market. It also affects the major components of the media and the creative sectors that require different built forms and have different space needs. Like the growth in office employment, these components of the media and creative sectors also rely on the growing central-Toronto-oriented demographic.

The focus of initial development in the Port Lands is on the Lower Don Lands and the Film Studio District, as confirmed through the first phase of the Port lands Acceleration Initiative. This report primarily addresses economic sector potential within the Film Studio District. The following section describes the potential for the Film Studio District over the short, medium and long term.

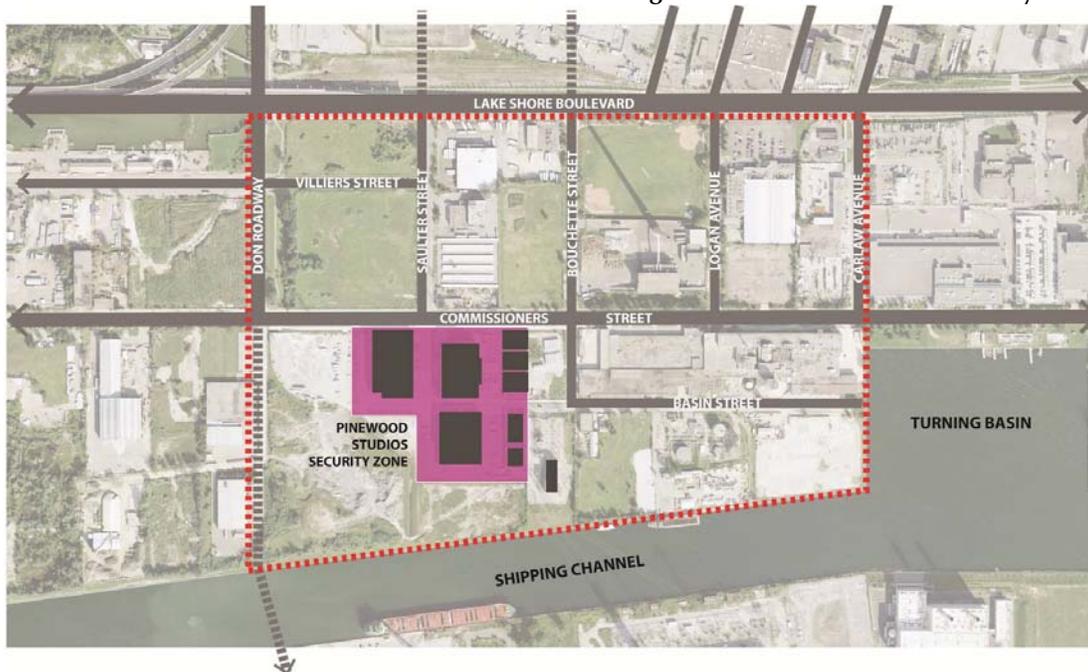
II FILM STUDIO DISTRICT DEVELOPMENT POTENTIAL

This section reviews the overall economic and business sector potential of the Film Studio District as it could develop over the short, medium and long-term. This potential is discussed within the context of the broader background assumptions regarding economic development trends for Toronto and the GTAH and local factors including infrastructure and transit investments discussed in the previous section.

A. EXISTING USES IN THE FILM STUDIO DISTRICT

The Film Studio District (See Figure 2) is a 57 hectare area centrally located within the Port Lands. It is bounded on the north by the eastbound lanes of Lakeshore Boulevard East and has good road access to the Gardiner Expressway and the Don Valley Parkway. The eastern boundary is Carlaw Avenue, a north-south collector road providing access into and out of the Port Lands. This part of the District faces onto the large, recently built Toronto Hydro Operations Centre and the Turning Basin. The western boundary of the Film Studio District is the Don Roadway which links to the Don Valley Parkway. The Ship Channel forms the southern boundary of the District. The Ship Channel, while still used for active shipping, is a major amenity within the Port Lands. Commissioners Street is a major street running east-west through the District. It is a wide road with three hydro pylons with overhead transmission wire located in the centre of the right-of-way.

Figure 2: Film Studio District Study Area



Source: City of Toronto

There are three existing uses which have a bearing on the long-term future of the District. The most positive is the recently built Pinewood Studios complex which has 12 studios, including the largest purpose built stage built in North America. It should remain a focal point for the area and an economic development draw for many years to come. The Commissioners Street Transfer Station is a large facility located in the centre of the area. The City is in the process of exploring options for the relocation of this facility. If it were to be relocated the appeal of the area for development would be improved, especially for residential uses. A third and positive feature of the area is McCleary Park. Located north of the transfer station, McCleary Park is a large City owned park with playing fields. The balance of the District is made up mainly of vacant or underutilized properties. Some other properties contain industrial and commercial buildings, a few of which are relatively new. The two most significant are the Mayfair Club on Lakeshore Boulevard and a Shell gas station at the corner of Carlaw Avenue.

The Ship Channel and the Turning Basin, adjoining the Film Studio District, are today an attractive water-related feature in part because of their continued active

shipping activities. As development occurs in the vicinity and along the water's edge, the Ship Channel and Turning Basin will become ever more attractive amenities and will serve to be a significant attractgion for additional development.



Pinewood Studios

Source: Hemson Consulting



Commissioners Street Transfer Station

In total, the Film Studio District contains 32 hectares of land potentially available for development.

The Film Studio District has both strengths and weaknesses as an area for development. Its primary strength is the large size of the blocks that make up the area. Within Toronto, and especially somewhere as close as it is to downtown, five hectare parcels are extremely rare. Having sites of this size at which to work is a significant advantages in terms of efficiency and economies of scale. The area has good highway access, a clear advantage to users that commute by car. This makes it more competitive with other downtown sites. Sites on the south side of Commissioner Street have the very attractive advantage of backing onto the Ship Channel. Finally, although it currently seems very remote, the area is relatively close to the financial core being about the same distance east of Yonge Street as the Exhibition Place is west. The sense of remoteness that affects the Port Lands as a whole will tend to recede as development begins to occur, new infrastructure is constructed and as the area becomes more animated by the presence of new workers and residents.

B. ECONOMIC AND BUSINESS SECTORS LIKELY TO LOCATE AND INVEST IN THE FILM STUDIO DISTRICT IN THE PORT LANDS AREA

It is very likely that it will take several decades for the Film Studio District to fully develop. The pace at which this process occurs will vary considerably depending upon the availability of funding for infrastructure and the business cycle. It will also depend upon the relative performance of other areas with which the Film Studio District will compete. This aspect is discussed in Section III.

1. Transitional Uses

There are some significant vacant blocks of land within the Film Studio District which, subject to on and offsite constraints being overcome, could be developed as market demand permits. This expectation supports the conclusions in the C&W report. Other blocks containing buildings with existing uses are likely to redevelop more slowly.

It is anticipated that the current uses in the blocks adjacent to Carlaw Avenue, between Saulter Street and Bouchette Street and north of Commissioners Street, will generally remain in place at least in the short-term. For the most part, the properties in these blocks contain buildings and uses that are of sufficient appeal and value that they will continue to attract users and generate rental income even if the current occupiers should leave. For these reasons redevelopment of properties in these two blocks are unlikely to occur until after the sites in the blocks to the west have begun to develop. It is also anticipated that some lands could be redeveloped with interim uses given the long-term redevelopment horizon for the Port Lands.



A self-storage facility as an example of an existing interim use

Source: Hemson Consulting



Corus Building on Queens Quay

Source: torontofilm.net

The existing Pinewood Studios and related space are also likely to remain for the long-term, given their recent construction and high standard. Toronto is now a well-established North American film and television production centre that is supported by highly experienced personnel and an extensive range of specialized services. As such the industry is well positioned to expand. However, the rate at which it might expand is subject to factors beyond Toronto's control such as exchange rate fluctuations, Provincial and Federal tax policies and production incentives offered by other jurisdictions. All of these factors can either help or hurt the City's appeal as a production centre.

2. Longer-Term Uses

The major sectors that might be attracted to this area in the longer-term are those that need or prefer locations close to the downtown urban workforce and require space that is less costly than buildings in the core. However, to compete for these types of uses, the area will need substantially better transit service and the range of amenities that office employees expect in urban areas. For developers, tenants must be financially capable of paying the level of rents required to justify new construction. The types of occupants most likely to be interested in this location and able to afford the required levels of rents are established businesses in the technology, information and creative sectors. Additionally, although less likely, are departments of organisations in the financial services or public sector that favour central Toronto locations, are budget conscious and have limited requirements for external interaction.

Broadly speaking, organizations of this type fall into two overlapping sectors; "knowledge based" organizations and businesses in the "creative sector". The "knowledge based" sector is comprised of organizations that have disproportionately large share of highly educated employees. The sector is made of firms and industries such as:

- Software
- Biotech
- Architecture & Engineering
- Finance
- Computer Services
- Management Consulting

The creative sector which also employs highly educated staff encompasses such industries as:

- Advertising
- Design
- Film & Video
- Music & Arts
- Television
- Publishing
- Fashion

Common to businesses in both sectors today is the high emphasis that they place on attracting and retaining talent. The younger demographic is of particular importance, given the key role played by digital technology in these industries. This 25-45 year old segment is increasingly attracted by the urban lifestyle that the central part of Toronto provides. This has helped underpin the boom in the downtown condominium market. While some new downtown residents reverse commute to jobs in the suburbs many others are attracted to organizations that, ideally, are located within walking or biking distance of home, or at least have good transit available. Firms that need employees with these characteristics are moving to offices in Toronto that have the right appeal. Google and Coca Cola are examples of such firms. The recent jump in new office construction in Toronto's financial district is, in part, a response to this change in demand.

However, not all organizations are able to afford the high cost of new downtown space even if the amount of space per employee is reduced from the level provided to employees in suburban offices. A developing demand for affordable, centrally located space potentially would provide an opportunity for less costly locations of which the Film Studio District could be one. However, as has been noted previously, in order to be a success the area would, at a minimum, have to provide good transit service and an environment that is attractive to the target demographic group. The challenge that is presented by these requirements are discussed in the sections that follows. They are considered in relation to potential other competing areas within the Port Lands and the South of Eastern area.

III COMPETITIVE CHALLENGES FOR THE FILM STUDIO DISTRICT

An important issue to be addressed in regard to the Film Studio District from the perspective of its sectoral appeal and development timing is its relative position compared to other sub-areas of South of Eastern and the Port Lands. In particular how is development potential in the Film Studio District likely to be affected by development in the First Gulf and Studio Centre sites in South of Eastern and by development in Lower Don Lands in the Port Lands? This section presents the factors for the potential of development in the Film Studio District.

A. POTENTIAL FOR DEVELOPING A SIGNIFICANT OFFICE NODE

The development of a significant office node in either the Film Studio District or South of Eastern will depend on a significant improvement in higher order public transit access. As well, there will be a need for far better amenities to accommodate the needs of future users.

The First Gulf site in the South of Eastern area is an attractive location for a significant office node. It has the potential of being served by a station on the proposed Relief Line and the additional possibility of close access to GO service on the abutting line to the north. This is over and above the opportunities for extensions and linkage to the existing surface transit system. The Film Studio District is unlikely to ever have this level of access to the highest order of transit. An own-right-of-way streetcar connecting the Port Lands to Union Station/Broadview Station would have relatively long travel times to the core and could detract from the appeal of the area compared to more central locations that provide fast direct subway access. However, while not as advantageous as the higher transit opportunities afforded to the former Unilever site, the streetcar in a dedicated right of way would provide better service than were it in mixed traffic.

Notwithstanding the need for transit improvements, potential occupants of the Film Studio District would also want to see significant evidence in the broader vicinity of development momentum in the form of new residential and mixed-use projects.

In the very long term, there is likely to be significant demand for office nodes in both areas, assuming the necessary transportation infrastructure is built and other planned development in the area occurs. However, for the foreseeable future, the First Gulf site is likely to attract most of the potential “east of downtown” office demand given its likely transit advantages and its closer proximity to the core and to the growing amount of residential development nearby in the West Don Lands and South Riverdale.

B. FACTORS AFFECTING THE FILM STUDIO DISTRICT AS A LOCATION FOR CREATIVE INDUSTRIES

Accepting that over time there would be sufficient market demand, there is no inherent reason why the Film Studio District could not develop with a more significant non-residential component. While in the medium-term some smaller scale development may occur to meet local needs, full scale redevelopment of the area is unlikely to occur until there is a critical mass of residential and mixed-use development elsewhere in the Port Lands. This precondition is necessary in order to assure potential users that an exciting new city district is in the making and that the amenities they expect in a mixed-use area will be available within a reasonably short distance.

As outlined in the economic and business sector discussion above, increasingly creative and information industry workers in Toronto are gravitating to locations that provide good transit service and are practical for walking and cycling. Additionally, having easy access to a range of services (restaurants, grocery stores, gym, etc.) is a significant factor for today’s employees. Having these amenities in the immediate vicinity of offices and studios would improve the attractiveness and viability of the Film Studio District for development.

Providing opportunities for a variety of uses in the Film Studio District, especially residential which can generally be relied upon to develop in a timely and profitable manner, would certainly improve overall viability for non-residential employment within the District. While the financial aspects of development would be strengthened if this broader range of uses were permitted in the Film Studio District, from a planning perspective it could become difficult to ensure the delivery of the

core non-residential component of mixed-use developments, unless strong development guarantees are put in place.

For these reasons, it is important that if the Film Studio District is to become more of a “complete community” containing a mix of uses rather than a solely employment focussed area, appropriate planning, economic and financial analyses should be undertaken in order to establish:

- the right mix of uses required to create a viable, relatively self-sufficient neighbourhood; and
- the viability of the mix of uses from financial perspective.

A planning control mechanism to ensure that the employment uses are developed either prior to or concurrent with the development of other uses should also be identified.

The success of the Film Studio District as a location for creative industries cannot be considered in isolation since the area will be in competition with the South of Eastern area which already has a large presence of creative industries. The key advantage of the Film Studio District from the perspective of the film and television industry is that it has the recently built, high quality Pinewood Studios complex. On the other hand, the South of Eastern area has a substantial amount, albeit less modern studio space and an extensive network of industry support services. This would be augmented by the development of the proposed Studio Centre project which would substantially increase the supply of space well suited to creative industries.

The South of Eastern area also has the advantage of being close to a wide range of amenities as well as existing residential uses. With users for whom such considerations are important, South of Eastern will tend to do well. Where the Film Studio District in the Port Lands could outperform South of Eastern in the medium-term is if it is able to attract major users that require large new buildings. In such situations the Film Studio District would be well placed because it can offer large sites. Realistically, however large users of this type are more likely to come from either the digital or the financial services sector rather than the film & television industry.

A final point regarding potential demand from the creative sector is that as far as the film & television industry is concerned, a great deal will depend upon economic factors affecting the industry at a global level. These factors are clearly beyond the control of the City of Toronto and, based on the wide swings in the industry's performance in Toronto that have been seen in the last twenty years, are very volatile.

C. OTHER FACTORS INFLUENCING DEVELOPMENT IN THE FILM STUDIO DISTRICT

There are a number of other factors that will have a bearing on the timing and success of development in the Film Studio District:

- **Transportation:** In planning the area, it is important that the broader transportation expectations of the end users and the developers who will be making investments in the area are well understood. In particular, the provision of sufficient road capacity to meet goods movement and auto commuting needs must be addressed.
- **Development Incentives:** The Film Studio District (as well as more generally the Port Lands and South of Eastern) must be competitive with other areas of the City in both the residential and employment markets:
 - Development in the South Core area of Downtown Toronto and other competitive parts of the city are eligible for financial incentives such as the Tax-Increment-Equivalent-Grant (TIEG) and development charge discounts. Equivalent incentives do exist today for the Film Studio District; if additional incentives are provided in these other areas, it would be essential that the incentives be adjusted here to assure continued equivalence.
 - Many developers will not proceed with a development until a significant lead or anchor tenant has been secured. As was the case with the Corus building on Queens Quay which was built by TEDCO, City assistance might be necessary in order to encourage developers to pioneer this new area.
- **Digital Infrastructure:** In order to attract the technology industry, it will be essential that the area provide the highest level of digital infrastructure.

- **Image:** The area needs to be planned on the basis of a “24/7” environment and a critical mass of mixed use development in the Port Lands will be needed in order to build the momentum that would enable this goal to be achieved. Aside from the usual advantages that can be achieved through good planning, extra effort will be needed to promote the area as an exciting and dynamic new district. Generating “buzz” will be especially important for the Film Studio District given that at present it is lacking in image.

IV POPULATION AND EMPLOYMENT PROJECTIONS

This section considers the amount of development that might occur in the Port Lands and the adjacent South of Eastern area in the coming decades. It takes into account the market analysis presented in this report and the broader demand outlook for development in the City of Toronto and the metropolitan region (Greater Toronto Area and Hamilton or GTAH). The section begins with this market outlook. It is followed by a discussion of some more detailed related statistics on the relationship between population and built space used in this current analysis and applied in other related work in the Port Lands area.

A. SUFFICIENT DEMAND IN THE VERY LONG TERM FOR PLANNED DEVELOPMENT, IF THE RIGHT MARKET FACTORS ARE IN PLACE

In the Film Studio District and the related South of Eastern area, the primary focus of new development will be in office space with perhaps a portion of the industrial space catering to the creative industries. Future residential development in the Port Lands is anticipated to consist of higher density apartments. Retail development will also play an important supporting role for both the non-residential and residential development. Finally, on very specific site by site basis there is likely to be demand for some hotel uses.

Forecasting development demand in areas with an established development market can be based on an understanding of the historic patterns of development, whether those patterns could continue and the share of the broader market attracted. In the case of the Port Lands (as well as office development in the South of Eastern area), there is no established market and no track record to serve as a base. As a result, the view of the amount and timing of future development becomes an assessment of whether the current and planned attributes of the area would be sufficient to attract enough market share to achieve a specified amount of development.

1. Demand for Office Space in Film Studio District Will Develop Over the Long Term

A forecast of demand for office development in the City is provided in the table below based on a low and high range of demand and over three time frames. For the low end of the range the office space forecasts from the *Greater Golden Horseshoe Growth Forecasts to 2041, Technical Report, November 2012* which is the background work to the new growth forecasts in Amendment 2 to the *Growth Plan for the Greater Golden Horseshoe* have been used. This is the low forecast since it predated the release of the 2011 National Household Survey data as well as other data which are now indicating an accelerated shift in employment patterns towards office space. It also represents the low end of the range as the shares of office growth among the Toronto and the surrounding Regions is based on historic patterns which, from a 2014 perspective, likely underestimate the space demand in the City generated by the very robust “return to the downtown” in the recent office market.

The higher end of the range is based on the same modelling and the same long-term total employment in the GTA, but anticipating a greater overall shift toward employment growth in office space and a greater share of that office growth going to the City of Toronto.

The forecast is shown in three time periods: a short-term period from 2016-21, when new development may only just be beginning; an added 20-year medium term to 2041 and an additional 20 year long term to 2061.

Forecast of Office Space Demand City of Toronto, 2016 - 2061		
	Low	High
2016-2021	620,000 m ² (6.7 million sq.ft.)	935,000 m ² (10.1 million sq.ft.)
2021-2041	1,575,000 m ² (17.0 million sq.ft.)	2,430,000 m ² (26.1 million sq.ft.)
2041-2061	2,165,000 m ² (23.3 million sq.ft.)	2,815,000 m ² (30.3 million sq.ft.)
2016-2061	4,360,000 m² (46.9 million sq.ft.)	6,180,000 m² (66.5 million sq.ft.)

If the First Gulf site at the west end of the South of Eastern area were to be the pioneer office development area for this part of the City and it had the necessary supporting transportation infrastructure in place (in particular access to the relief line and GO services), it could be expected to attract most of the development for an

initial period of up to 20 years. In the absence of a specific scale of development expectation for the First Gulf site, a range of 130,000 m² (1.4 million sq.ft.) to 420,000 m² (4.5 million sq.ft.) has been analysed. The high end of the range would represent a built form and market role akin to Canary Wharf in London or La Défense in Paris, albeit at a lower overall density. Nonetheless, at 420,000 m², it would be akin to a new satellite financial district. The lower end of the range would represent a development form with smaller buildings and a more of a neighbourhood scale. It would more typically be associated with a mix of single-user and multi-tenant buildings oriented towards technology and knowledge industries. The Chiswick Business Park built on a 13 ha site in west central London is good example of this type of development, as shown in the illustration in previous section.



Canary Wharf, London, UK
 Source: Flickr.com user "London Lights"



Chiswick Business Park, London, UK
 Source: The Times (thetimes.co.uk)

The forecast of demand for major office space in South of Eastern and the Port Lands is predicated on the assumption that the momentum of development would start and flow from the First Gulf site in the western section of South of Eastern. The western section of South of Eastern benefits from proximity to downtown Toronto and to current development in the West Don Lands, making it the logical location for the next wave of office development. If largely developed over a 20 year development period of 2021—2041 based on the forecast above, the First Gulf site would represent about 7% to 14% of the City of Toronto office market, equivalent to about 3% to 6% of the GTA market. In our view, this would represent a reasonable expectation of the range of market share that could be attracted to the Port Lands and South of Eastern, on an average long-term basis.

Apply this range of 7% to 14% of the share of growth in the City, based on the forecasts above, for the entire period from 2016 to 2061 would yield a total space in the combined South of Eastern and Port Lands area of 310,000 m² to 870,000 m² (3.3 to 9.4 million sq.ft.). Based on the First Gulf development described above plus an expectation of additional office space in the central part of South of Eastern,

including the Studio Centre proposal, a reasonable allocation of this growth over the period to 2061 would be as shown in the following table:

South of Eastern and Port Lands Office Space Demand City of Toronto, 2016 - 2061		
	Low	High
South of Eastern	195,000 m ² (2.1 million sq.ft.)	630,000 m ² (6.8 million sq.ft.)
Port Lands	115,000 m ² (1.2 million sq.ft.)	240,000 m ² (2.6 million sq.ft.)
2016-2061 Total	310,000 m² (3.3 million sq.ft.)	870,000 m² (9.4 million sq.ft.)

How does this new forecast which takes into account the emerging expectations for the adjacent area in South of Eastern compare to the earlier forecasts prepared for the Port Lands on its own? C&W prepared the *Port Lands Development Demand and Revenue Projection, Economic Analysis, and Financing Options* for the City in 2011. The report provided three 30 year forecasts of office space demand. Under the Conservative forecast demand of 2.7 million sq.ft. (254,000 m²) was estimated. In the Moderate forecast demand was 4.5 million sq.ft. (415,000 m²) while under the Aggressive scenario 6.2 million sq.ft. (577,000 m²) was estimated. Peer reviews of the forecasts were undertaken by N. Barry Lyons Consulting and Hemson. It is important to note that both the C&W forecasts were prepared before First Gulf acquired the Lever Brothers site and announced its intention to undertake the major office oriented project it is now promoting.

In order to compare the forecast, the total time frame of the forecast as well as the start of the forecast period needs to be considered. C&W were working in a 30 year time frame from a 2011 base, but with little development in the first part of the period, it is, effectively, a 25 year forecast. The forecast presented in this report has a 40 year timeframe commencing approximately 5 years later than the C&W forecast. Observing both South of Eastern and the Port Lands from today's perspective, no significant amount of new office space is likely to be built and occupied before 2021. Recognizing the differences in the time periods, total space at the end of the forecast periods is similar at the low end of the range between the two forecasts and somewhat higher in the Hemson forecast at the high end of the range.

Overall, the Hemson forecasts represent a more conservative view of demand for office space in the South of Eastern and Port Lands area. However, the more important difference for the purposes of planning the Port Lands is that the Hemson forecast anticipates South of Eastern attracting a significant portion of the overall demand, especially in the first 20 years of development. The intervening opportunities that have arisen in South of Eastern are very likely to lower the development outlook for the Port Lands than C&W; something that C&W would not have been in the position to anticipate at the time the work was prepared in 2011.

2. Residential, Retail and Hotel Forecasts for the Port Lands Will Not Be Significantly Affected by Development in South of Eastern

The primary focus of this current work is on how the planned development in the Film Studio District and the overall Port Lands may be affected by current development trends and the emerging expectations for development in the adjacent South of Eastern area. There is no residential development and a relatively small amount of retail and hotel development planned for the South of Eastern area, so little direct effect from development in South of Eastern on the Port Lands can be expected.

For residential development the estimate provided of a range of 8,720 to 10,660 units by 2041 is considered reasonable. Many of the major central development areas such as Liberty Village, Fort York Neighbourhood, the Railway Lands and the Canary District are nearing completion, opening an opportunity for the next major development areas in the eastern waterfront and the Port Lands. However, like the office development, the success of the residential development will be dependant both on overall market demand as well as the provision of the appropriate infrastructure.

For retail development, C&W provided a range of 25,000 m² (267,000 sq.ft.) to 56,300 m² (606,000 sq.ft.) by 2041. This is considered a conservative outlook and represents the lower end of what might be expected to occur in support of the forecast residential and office development in the area. In addition, there has been development interest for some time in retail development in this area to serve a larger market area. In so far as the broader market is served (including tourism and recreation related retail), the overall retail development demand may be higher.

Finally, the hotel forecast by C&W of a range of 675 to 925 rooms by 2041 represents a small component of the overall development in the Port Lands. While currently not a viable location for hotel development, once other development is occurring in the area the demand for hotel rooms could be expected to materialize,

especially where there are opportunities for skyline and water views. We would, however, agree with the C&W outlook that there is not likely to be demand for a larger scale hotel room concentration in the Port Lands.

B. RELATIONSHIPS BETWEEN BUILT SPACE AND POPULATION AND EMPLOYMENT

In order to complete the land use and infrastructure planning in the Port Lands, a relationship between the built space and the people occupying the space needs to be established. For residential space and population, the average unit size and persons per unit needs to be considered and for the employment spaces, the average floor space per worker needs to be considered. Based on reviewing the preliminary factors being used by the City, a number of observations can be made:

- The gross floor area (GFA) for residential units assumed is 87 m² for apartments. This would equate to about 70 m² net living area after taking out common areas. As an average this size would be somewhat larger than the typically unit sized being built in central Toronto today. However, there is some expectation and policy interest in providing a greater number of larger apartments in the City, which some shift in that direction would make this a reasonable working assumption. In addition, there would likely be some larger row-style units integrated into some of the developments which would have a larger average size than standard apartment units.
- The preliminary assumption for average household size for residential units in Port Lands is 1.7 persons per unit. As a comparison, the recent City of Toronto Development Charge Background Study assumed an average of 1.92 persons for new apartment units in the entire City of Toronto. The average household size in central Toronto is typically lower than the rest of City. We would expect the Port to continue to reflect this relationship, so 1.7 persons per unit appears very reasonable for development in this area.
- The assumed 40 m² GFA retail floor space per worker is a standard figure used in the industry in recent years, including in the recent City of Toronto Development Charge Background Study. This is a reasonable assumption for the Port Lands area.
- The preliminary assumption of 30 m² GFA for office is somewhat higher than current trends. The recent City of Toronto Development Charge Background Study used 27 m² per employee, which is generally agreed standard for most

analytical purposes. However, it is beginning to appear that 27 m² may be a generous assumption for long-term planning purposes. Current trends in the office market are indicating continued declines in floor space per worker in new space, though this has only been well-documented in a selected examples, rather than a full market-wide analysis. Accordingly, it is recommended that 27 m² be used, but recognizing that this must be monitored very closely in light of emerging trends.

- The preliminary assumption of 90 m² GFA for industrial is reasonable for general industrial development in standard greenfield industrial areas. The City of Toronto Development Charge Background Study used 75 m² per employee based on the limited amount of new industrial development in the City as being more specialized than “standard” industrial development. Some of the creative industries that are somewhat more technical or office-oriented are likely to have a much lower FSW. At the same time, many of the studio uses have a very high FSW, largely because there can be relatively few people on site as permanent employees, because most of those involved in production are various contract businesses and individuals who would be counted elsewhere as their location of permanent employment. In addition, any uses in the southern parts of the Port Lands that are associated with shipping are likely to have a very high FSW; far higher than the 90 m². On balance the 90 m² is reasonable for this area, but depending on specific uses as they emerge, may need revision.

V CONCLUSION

In 2011, the City of Toronto commenced an initiative designed to accelerate development of the Port lands. As part of the work that has been undertaken Cushman & Wakefield proposed a forecast of demand for various land uses. This forecasting work was undertaken taking into consideration prevailing conditions. However, since then two significant potential development in the South of Eastern area have been announced that could have a significant bearing on the prospects for the Port Lands and, in particular, the Film Studio District.

Related to this, the City is currently undertaking a planning study for the South of Eastern area, an important aspect of which is an assessment of development potential for the area. In light of the emergence of this additional competing development potential and because it has long been the City's intention that the Port Lands and South of Eastern areas should complement each other, an examination of the development prospects for the Film Studio District is commissioned.

This report has examined the potential for office development in the Film Studio District in the Port Lands. It has also considered the prospect for the area becoming established as a "creative industry" district. The report has provided a market analysis of the Film Studio District in the context of the City of Toronto, more particularly in relation to the South of Eastern area adjacent to the Port Lands. The report concludes that there are both opportunities and challenges that will affect the success of development. In particular, there is a need to energize the area in order to attract those sectors that are suited to the Port Lands location.

For non-residential development the primary strength of the Film Studio District is the availability of large blocks of land with good development potential close to downtown Toronto. The potential to provide a combination of space that is less costly than in the core and proximity to the downtown urban workforce could become the major driver of demand from office tenants into the Film Studio District. However, the development of a significant office node in either the Film Studio District will depend on a significant improvement being made in higher order public

transit access to the area and the development of services and amenities to accommodate the needs of the office users.

Demand for office space in the Film Studio District is anticipated to develop over the long term and will tend to follow similar development in the South of Eastern area. Residential, retail and hotel demand for the Port Lands, however, will not be significantly affected by development in South of Eastern.