



# Greater Toronto office market report

Q3 2023

**AVISON  
YOUNG**

# Greater Toronto market fundamentals

**12.5%**

overall downtown office vacancy rate  
**up from 2.1% in Q1 2020**

**8.7M**

square feet (sf) available sublet space  
**up 22% year-over-year**

**6.2M**

sf office area under construction  
**equal to 3% of existing inventory**

**231**

GTA buildings with more than 50,000 sf available  
**up from 219 in Q2 2023**

**31%**

Downtown sublet space as a proportion  
of total available space  
**vs. 19% in the suburbs**

**0**

new office building completions  
**across the GTA in Q3 2023**

# Office market trends

## 01

### Availability flat while vacancy edges up

On an upward trajectory since 2020, the overall availability rate across the GTA held steady at 18.1% in the third quarter. However, overall vacancy increased 50 bps to close the quarter at 12.5% as negative absorption pushed the amount of occupied office area down by more than 1.1 million sf.

#### Our take on this trend...

This marks only the third time since Q1 2020 that availability has remained flat quarter-over-quarter – otherwise, it has consistently risen since the onset of the pandemic. Stakeholders will be eyeing the market to see whether this key metric may stabilize or even begin to decrease in coming quarters.

## 02

### Education users' appetite for space growing

Overall demand from traditional office tenants remains below historical norms across the GTA, but education users – including both public and private colleges, universities and other schools – are proving to be a supplemental source of demand for office space in downtown, midtown and the suburbs.

#### Our take on this trend...

Not affected by the same trends that have reduced many companies' need for office space, educational institutions have taken advantage of the opportunity to expand their footprints in traditional office buildings. Numerous transactions – both lease and sale – across the GTA have seen schools secure additional space adjacent to existing facilities as well as establishing new satellite locations.

## 03

### Newer buildings have a competitive edge

With a wide range of available space options open to tenants in the leasing market, many are taking advantage of the opportunity to move to new and better premises when they can. In this environment, newer buildings and those offering modern amenities have greater appeal for tenants.

#### Our take on this trend...

Owners of buildings with the latest amenities, transit connections and common-area upgrades are having the least trouble attracting and retaining tenants amid the current market landscape. This situation leaves many older, less well-located or otherwise less competitive buildings in need of significant capital investment to remain competitive – leading owners to evaluate whether the necessary investments are justified by the potential returns.

# Downtown and Midtown Toronto office markets

## Availability remains stable while vacancy rises

Availability in Downtown Toronto remained flat at 17.5% quarter-over-quarter – nevertheless representing an increase of 280 bps year-over-year. Vacancy continued to rise, increasing 50 bps during the quarter (and 330 bps year-over-year) to 12.5%. Once again, absorption was negative during the third quarter, as Downtown posted a decrease in occupied area of nearly 529,000 sf, compared with -456,000 sf during the second quarter.

No new buildings were delivered during the quarter, as downtown's 13 projects (totaling 4.8 million sf) remain under construction. All projects currently underway are slated for completion by Q1 2025.

## Sublease availability holds steady

Similar to overall availability, the amount of space available for sublease across the Downtown market held steady during the quarter, at 4.5 million sf – but was still up 1.2 million sf year-over-year.

## Waterfront-area tenant roster grows

Amid a wave of mixed-use development along Queens Quay in recent years, new and existing office buildings in the waterfront area continue to attract new tenants. Among those moving into new premises recently are Kraft Heinz (occupying 63,200 sf at 207 Queens Quay W.) and Canada Goose (113,200 sf at 100 Queens Quay E.). Both companies relocated from the northern suburbs, with the deals signed in 2022.

## Midtown vacancy and availability retreat slightly

After a sharp rise in Q2, availability in the Midtown market retreated 120 bps quarter-over-quarter to end the third quarter at 18.9% (still up 450 bps year-over-year). Meanwhile, vacancy crept down 20 bps quarter-over-quarter to 12.7% (up 170 bps year-over-year). One office project remained under construction in Midtown at quarter-end, offering 89,400 sf of space across six floors in the podium of a residential tower at 2161 Yonge St. The building is targeting completion in mid-2025.



# Suburban GTA office markets

## Vacancy and availability continue upward trend

The GTA's suburban markets overall posted increasing availability (up 10 bps to 18.6%) and vacancy (up 60 bps to 12.5%) during the third quarter. Year-over-year, the two metrics were up 110 bps and 90 bps, respectively. Availability declined in Toronto West (down 20 bps to 17.8%) and Toronto North (down 40 bps but still posting the highest availability rate among GTA markets at 20.2%), but rose in Toronto East (up 80 bps to 19%).

Positive absorption of 74,100 sf during the third quarter pushed vacancy in the North market down 70 bps to 12.5% (but year-to-date absorption remains negative at -108,300 sf). Meanwhile, occupied area continued to decrease in Toronto West and Toronto East, driving vacancy upward

in both markets (+90 bps to 13% and +70 bps to 11.7%, respectively).

Facing elevated levels of vacant space in their assets, some owners of office buildings are contemplating alternative solutions to address the issue. Rather than compete for tenants on the leasing market, some are looking at converting buildings' ownership to a condominium structure in order to sell off vacant spaces to users or other investors.

## CentreCourt to develop new Pickering City Centre

In August, CentreCourt Developments announced plans to create a new mixed-use community at the Pickering Town Centre Mall site – adding at least 10 new condominium towers and 6,000 residential units over the next 10 years, along with new shops and amenities. The existing mall would also be revitalized as part of the project, to be known as Pickering City Centre, and which covers more than 50 acres. The site is linked directly to Pickering GO station, adding to its suitability for mixed-use development.



# Greater Toronto office market indicators

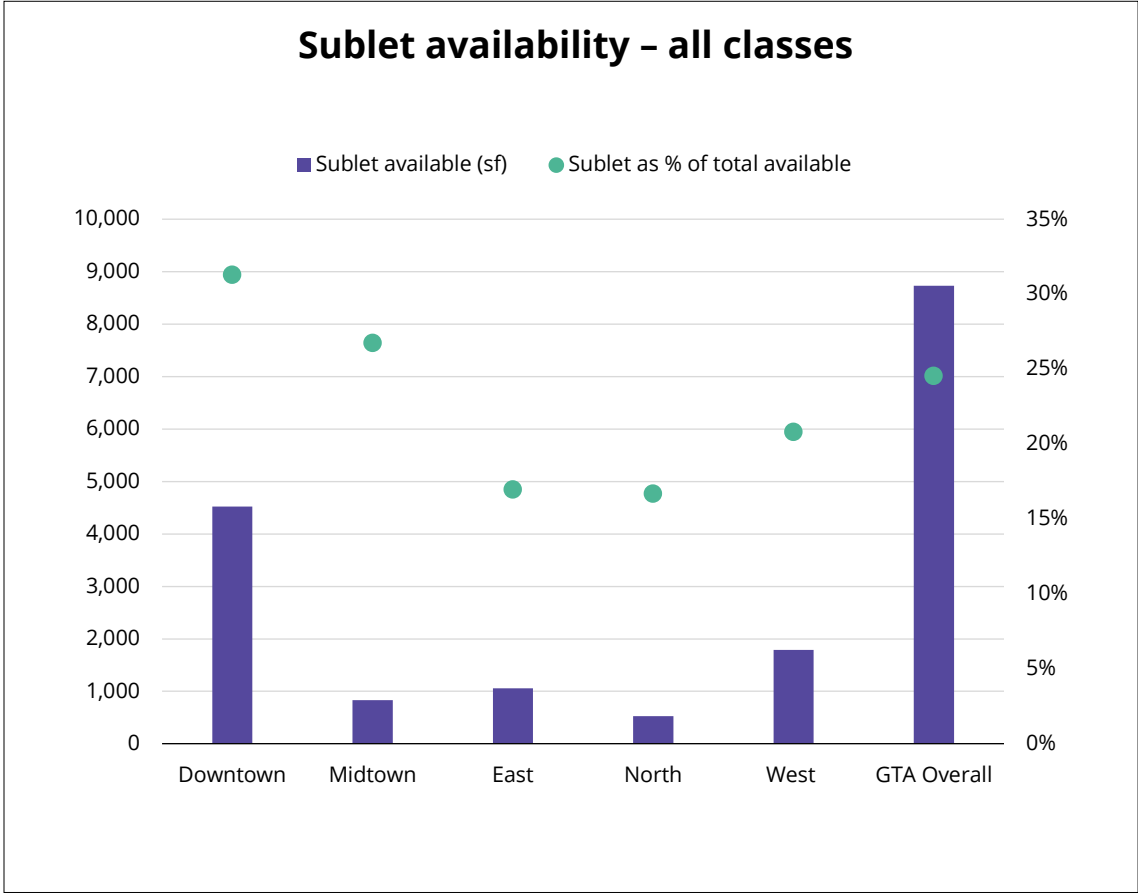


Source: Altus Data Studio

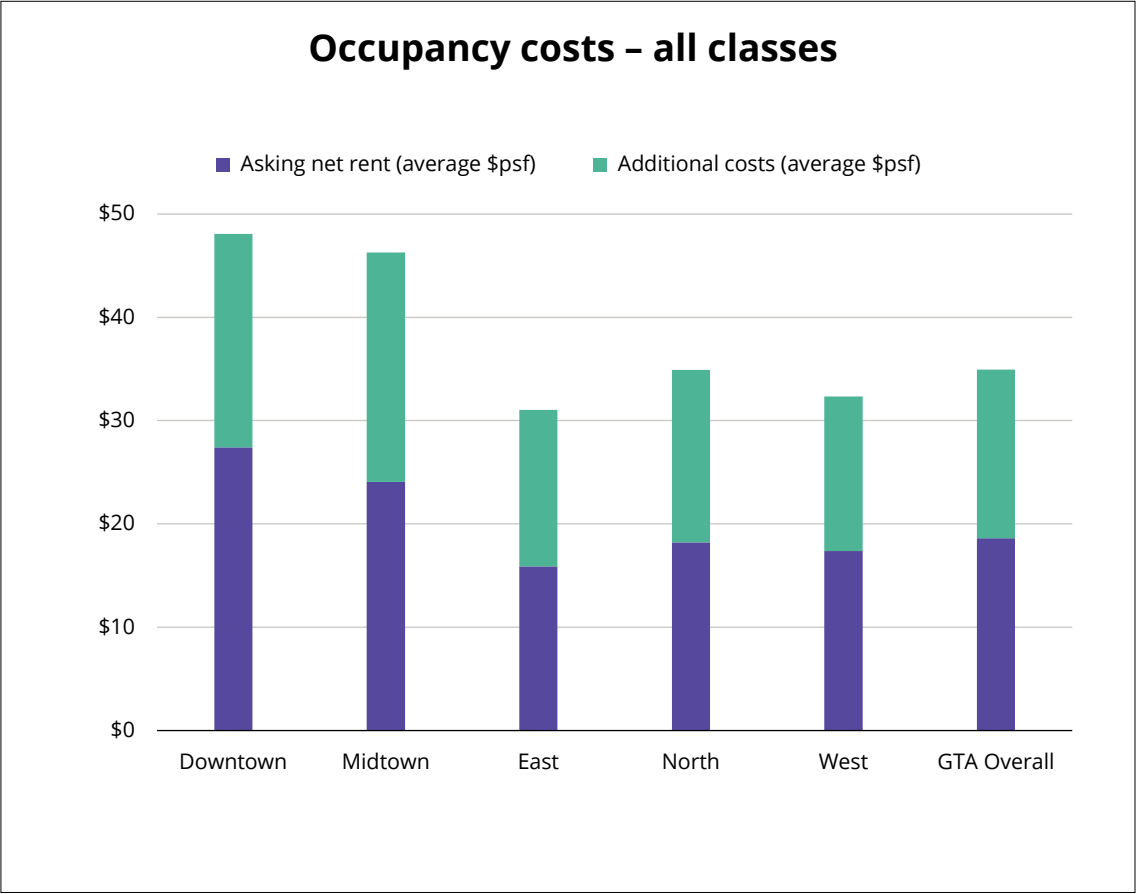


Source: Altus Data Studio

# Greater Toronto office market indicators

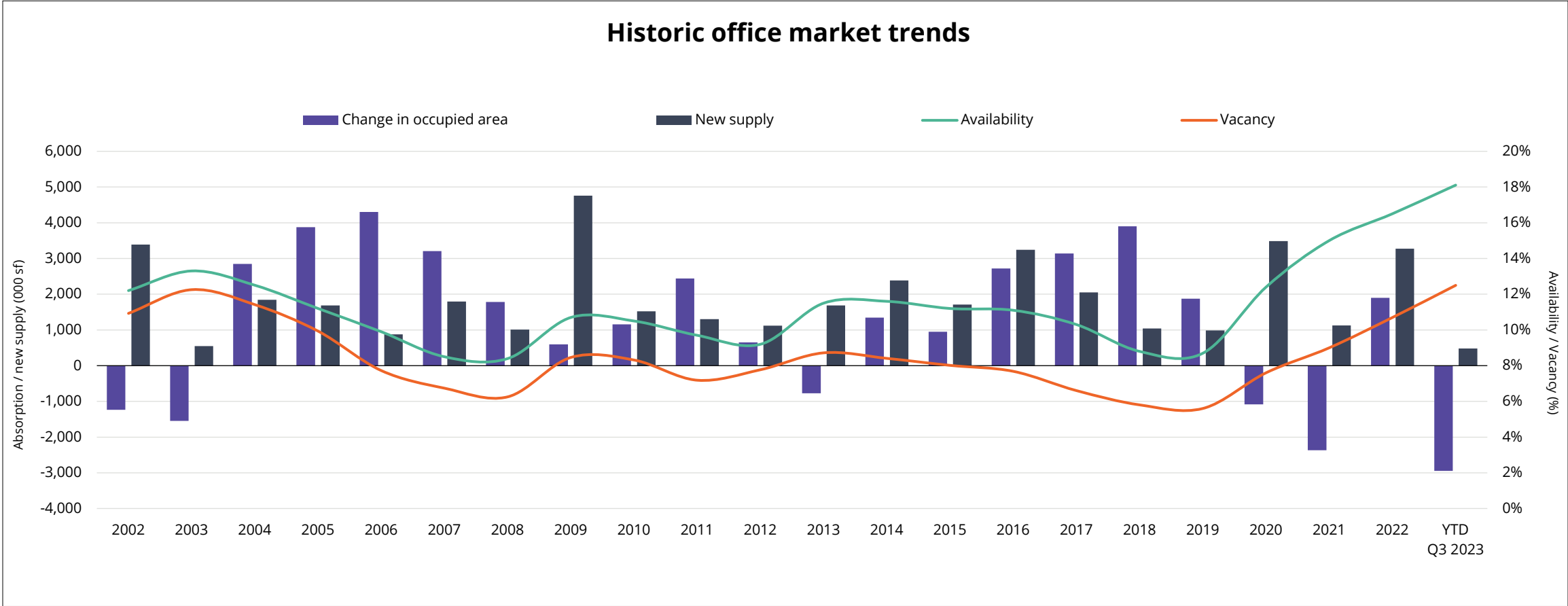


Source: Altus Data Studio



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# Greater Toronto office market indicators



Source: Altus Data Studio



# Greater Toronto office market activity

## Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
351 King St. E., Toronto	Downtown	Equitable Bank	87,300	Sublease
110 Eglinton Ave. E., Toronto	Midtown	Goodlife Fitness	52,300	New
100 Consilium Pl., Toronto	East	STRABAG	22,800	New
4950 Yonge St., Toronto	North	Swift Offices	17,600	New
2680 Skymark Ave., Mississauga	West	CANCAP	14,800	New

## Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
Allied Properties – KDDI Portfolio	Downtown	\$1,350,000,000 / \$735	KDDI Corp.	Allied Properties REIT
2225, 2235 & 2255 Sheppard Ave. E., Toronto	East	\$165,000,000 / \$179	Groupe Mach / Sarees Investments	Dorsay Investments / AIMCo
8200 Warden Ave., Markham	East	\$83,000,000 / \$147	Veyron Global	IBM Canada
41 Lesmill Rd., Toronto	East	\$21,000,000 / \$440	1000517894 Ontario Ltd.	Conros Corp.
1835 Yonge St., Toronto	Central	\$20,800,000 / \$311	Regency Yonge Holdings	Fengate Property Management

# Greater Toronto office market stats

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2023 net absorption (sf)	YTD 2023 net absorption (sf)
Downtown	82,624,200	273,200	4,824,500	12.0%	5.5%	17.5%	-528,800	-1,608,500
Midtown	16,482,200	0	89,400	13.8%	5.1%	18.9%	-72,200	-413,500
East	32,836,500	83,200	382,800	15.8%	3.2%	19.0%	-220,800	-544,400
North	15,670,800	0	650,300	16.8%	3.4%	20.2%	74,100	-108,300
West	48,205,900	123,300	212,400	14.1%	3.7%	17.8%	-386,900	-234,800
<b>GTA overall</b>	<b>197,365,600</b>	<b>479,700</b>	<b>6,159,300</b>	<b>13.6%</b>	<b>4.5%</b>	<b>18.1%</b>	<b>-1,135,900</b>	<b>-2,943,100</b>

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2023 net absorption (sf)	YTD 2023 net absorption (sf)
Class A	123,897,800	479,700	6,159,300	13.6%	5.6%	19.2%	-1,214,700	-2,015,300
Class B	56,155,300	0	0	14.2%	2.7%	16.9%	22,000	-862,300
Class C	17,312,500	0	0	12.2%	1.8%	14.0%	56,800	-65,500
<b>GTA overall</b>	<b>197,365,600</b>	<b>479,700</b>	<b>6,159,300</b>	<b>13.6%</b>	<b>4.5%</b>	<b>18.1%</b>	<b>-1,135,900</b>	<b>-2,943,100</b>

Source: Altus Data Studio \*All numbers rounded to 100 sf

For more market insights  
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