



Greater Toronto office market report

Q4 2023

**AVISON
YOUNG**

Greater Toronto market fundamentals

13.1%

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

7.9M

square feet (sf) available sublet space
up 2% year-over-year

5.6M

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

225

GTA buildings with more than 50,000 sf available
up from 208 in Q2 2023

27%

Downtown sublet space as a proportion
of total available space
vs. 18% in the suburbs

11

new office building completions
across the GTA in 2023

Office market trends

01

Availability and vacancy both hold steady

The overall availability rate across the GTA held steady at 18.1% in the fourth quarter – unchanged since mid-year. Overall vacancy also remained flat at 12.5% despite some new building deliveries, as absorption was positive in Q4 for the first time in 2023.

Our take on this trend...

Large organizations (such as professional services firms and government departments) have increasingly been able to make decisions about their space needs and execute on lease transactions accordingly, helping to mitigate what had been a steady rise in the amount of available space. Many tech companies are not yet in the same position, but some deals have been inked by the sector nevertheless.

02

Sublease availability declines amid demand for quality spaces

While the overall availability rate stayed flat, availability of space for sublease has declined across the GTA since mid-2023, reaching 7.9 million sf at year-end (down from a peak of nearly 9.2 million sf in June).

Our take on this trend...

The costs of building out office space continue to be elevated, increasing the appeal of subleases and other built-out space options for tenants. High quality sublease spaces, especially in desirable buildings, are receiving strong interest from would-be tenants, and achieving good rental-rate recoveries for sublandlords. Meanwhile, some spaces listed for sublease are reaching the end of their term and returning to landlords as direct availability.

03

New supply begins to taper off

The “flight-to-quality” trend of recent years has resulted in the majority of available space in trophy-class downtown buildings – both existing and under construction – being leased. Meanwhile, there has been a dearth of major new projects beginning construction since 2020.

Our take on this trend...

The lack of new construction deliveries downtown scheduled for mid-2025 and beyond could start to impact the leasing market in several ways. Tenants determined to secure the highest quality space for their businesses may be more motivated to transact. Demand may begin to increase for class A or B spaces as trophy spaces lease up. There is even the possibility that developers may see opportunities for new projects to meet the demand.

Downtown and Midtown Toronto office markets

Availability and vacancy both up year-over-year

Availability in Downtown Toronto rose 60 basis points (bps) quarter-over-quarter to 18.1% – an increase of 200 bps year-over-year. Vacancy continued to rise, increasing 60 bps during the quarter (and 310 bps year-over-year) to 13.1%. Net absorption turned positive during the fourth quarter, as occupied area increased by 151,000 sf – but this was not enough to offset the previous three quarters' negative results, for a full-year total of negative 1.4 million sf.

Four new buildings totaling 786,000 sf were delivered during the quarter, leaving 9 projects (totaling 4 million sf) under construction. No new projects were announced, and those currently underway are all slated for completion by Q2 2025.

Sublease availability declines in Q4

While overall availability rose, the amount of space available for sublease across the Downtown market fell 505,000 sf during the quarter to 4 million sf – resulting in a net increase of just 45,000 sf year-over-year.

The relatively flat net result contrasted with that of 2022, when sublease availability increased by 1.4 million sf. During 2023, the amount of sublease space added to the market declined 14% year-over-year to 2.9 million sf, while the amount of space leased rose 24% to 958,000 sf and the amount taken off the market was up 62% to 1.9 million sf.

Bloor node accounts for most available space in Midtown

After retreating in Q3, availability in the Midtown market ticked up 20 bps quarter-over-quarter to end the year at 19.1% (up 470 bps year-over-year). Meanwhile, vacancy rose 40 bps quarter-over-quarter to 13.1% (up 200 bps year-over-year). Of all available space in Midtown (3.2 million sf), 57% is located in the Bloor node (1.8 million sf) – nearly two-thirds of that in class A buildings.



Suburban GTA office markets

Absorption turns positive in the year's final quarter

Together GTA's suburban markets posted declining availability (down 60 bps to 18%) and vacancy (down 50 bps to 12%) during the fourth quarter. Year-over-year, the two metrics were each up 60 bps – a more gradual rise compared with the Downtown market. Availability declined in all three districts: Toronto West (down 80 bps to 17%), Toronto East (down 30 bps to 18.7%) and Toronto North (down 60 bps but still posting the highest availability rate among GTA markets at 19.6%).

Net absorption during the fourth quarter was positive in all three suburban districts, as occupied area increased by 394,400 sf in Toronto West, 142,800 sf in Toronto East, and 110,200 sf in Toronto North. For 2023 overall, Toronto West and North posted

positive absorption, while total occupied area decreased in the Toronto East market.

Stakeholders keep an eye on tenants' return-to-office plans

Across the suburban markets, as well as downtown, signs of stability in availability and vacancy rates may be an indication that many tenants are holding off further reductions in square footage after almost four years in which many were shrinking their premises. In 2024, the ongoing evolution of workplace strategies and companies' return-to-office plans for their staff will continue to impact occupancy levels in the office market – possibly in the form of greater demand, if firms are successful in bringing more workers back in-person.

Transit projects' progress points to future connectivity

Four large public transit projects across the GTA continued to make progress during 2023, offering the prospect of added value, competitiveness and convenience for office properties in Toronto and its suburbs. In December, an RFP was issued for tunneling work on the Yonge North Subway Extension; while at year-end, construction continued on the Hazel McCallion LRT in Peel and elements of the Ontario Line subway in Toronto. Lastly, Toronto's Eglinton Crosstown LRT, originally scheduled for completion in 2020, may finally begin operating sometime in 2024.



Greater Toronto office market indicators

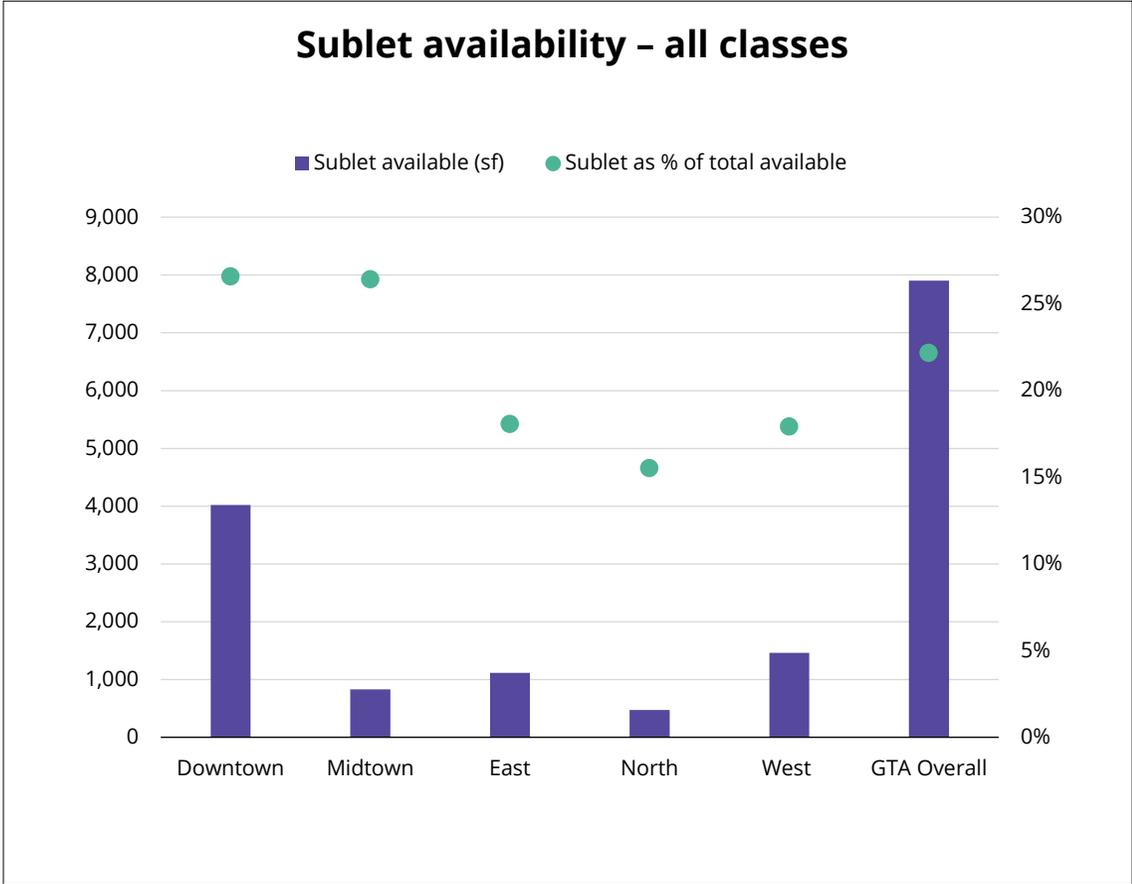


Source: Altus Data Studio

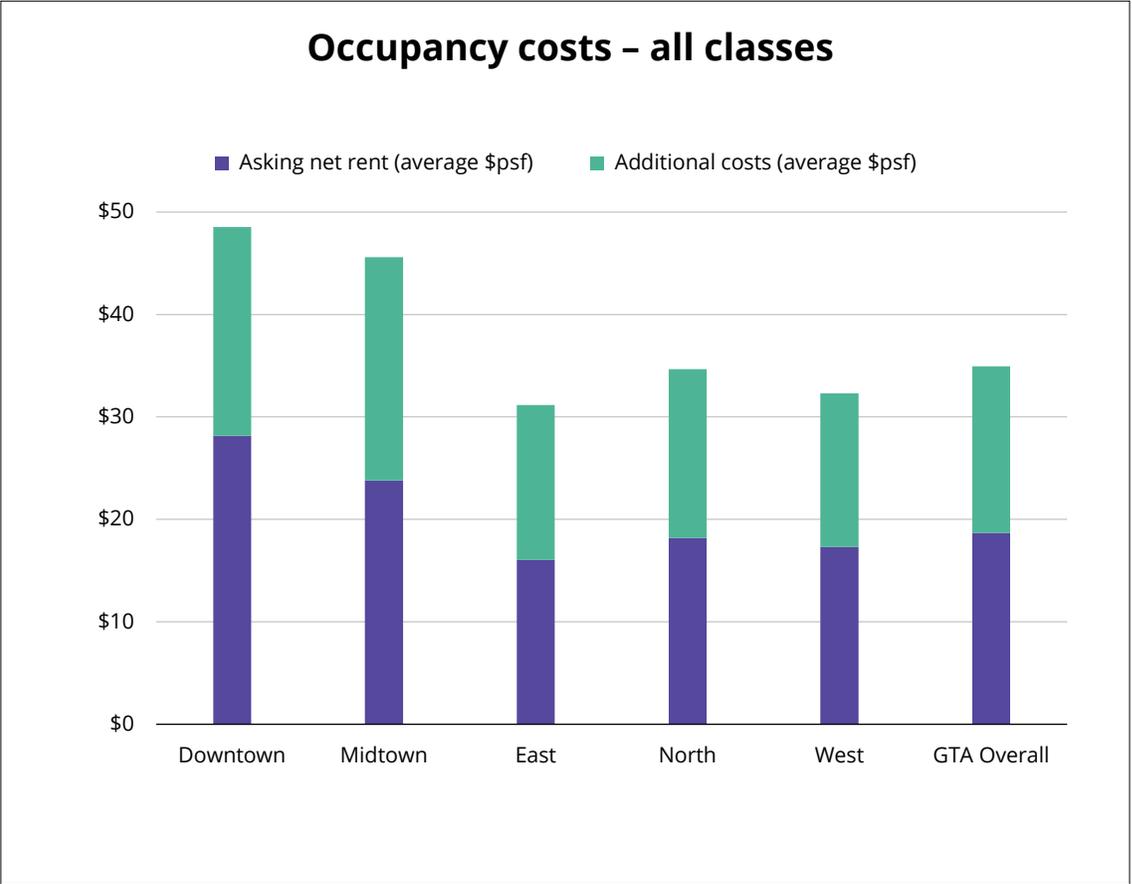


Source: Altus Data Studio

Greater Toronto office market indicators

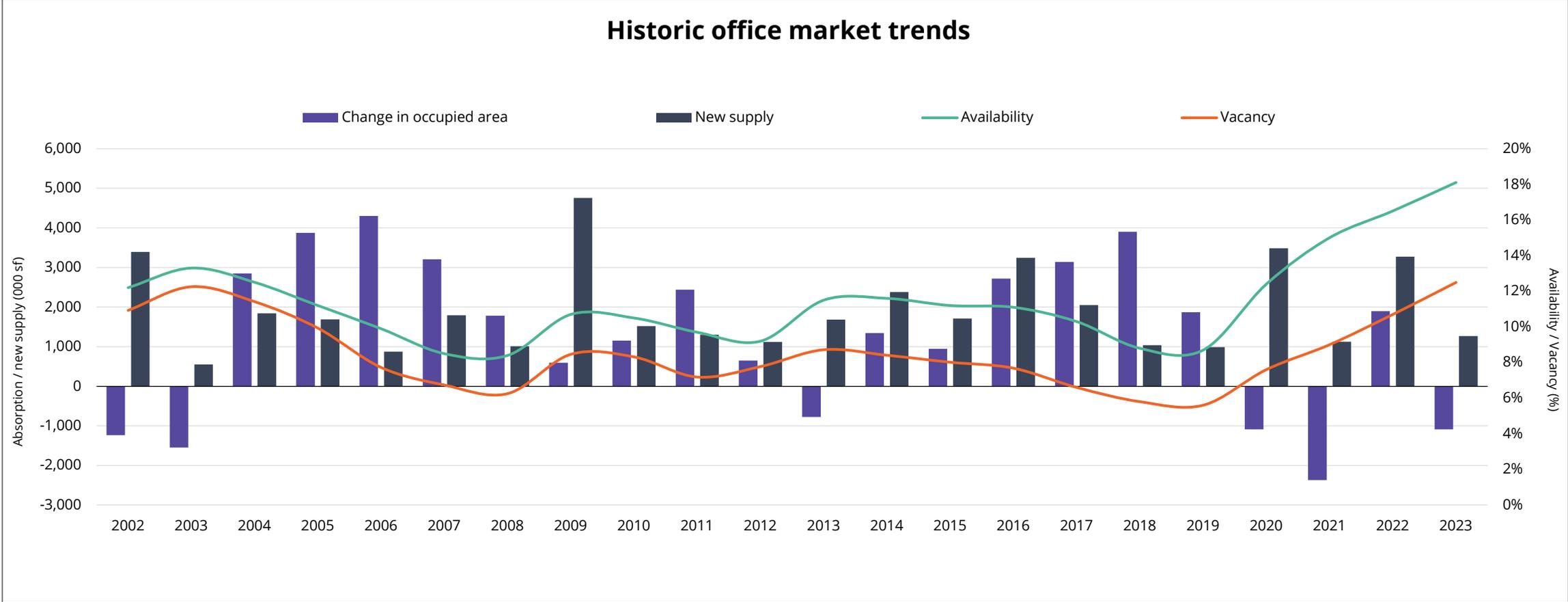


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Greater Toronto office market indicators



Source: Altus Data Studio

Greater Toronto office market activity

Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
333 Bay St., Toronto	Downtown	Definity Financial	24,200	New
2 Bloor St. W., Toronto	Midtown	Indeed	30,000	New
155 Gordon Baker Rd., Toronto	East	Dell Technologies	54,500	Renewal
4950 Yonge St., Toronto	North	Aderant	10,300	New
4 Robert Speck Pkwy., Mississauga	West	Element Fleet Management	55,900	Renewal

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
1295 N. Service Rd., Burlington	West	\$26,150,000 / \$189	Crossroads Christian Communications Inc.	Ontario Superior Court of Justice
6605 Hurontario St., Mississauga	West	\$22,900,000 / \$381	RSG Holdings Ltd.	Rock Developments Inc.
160 Traders Blvd. E., Mississauga	West	\$22,788,265 / \$246	15490448 Canada Ltd.	Hallmark Housekeeping Service Inc.
6835 Century Ave., Mississauga	West	\$19,750,000 / \$309	United Association Local 787	Morguard
5705 Cancross Ct., Mississauga	West	\$13,500,000 / \$313	Prep Doctors	KingSett Capital

Greater Toronto office market stats

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2023 net absorption (sf)	2023 net absorption (sf)
Downtown	83,480,600	1,059,300	4,039,300	13.3	4.8	18.1	151,300	-1,354,500
Midtown	16,482,200	0	89,400	14.1	5.0	19.1	78,700	-334,800
East	32,860,900	83,200	382,800	15.4	3.3	18.7	142,800	-401,600
North	15,598,800	0	675,300	16.5	3.1	19.6	110,200	1,900
West	47,840,500	123,300	212,400	14.0	3.0	17.0	394,500	153,000
GTA overall	197,809,000	1,265,800	5,564,900	14.1	4.0	18.1	884,000	-1,963,000

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2023 net absorption (sf)	2023 net absorption (sf)
Class A	124,767,800	1,265,800	5,564,900	13.8	5.0	18.8	866,900	-1,087,800
Class B	55,927,800	0	0	15.0	2.4	17.4	64,600	-733,300
Class C	17,113,400	0	0	12.9	1.6	14.5	-47,500	-141,900
GTA overall	197,809,000	1,265,800	5,564,900	14.1	4.0	18.1	884,000	-1,963,000

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

For more market insights
and information visit
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