

# Greater Toronto Area



## Quick Stats

**8%**

Overall downtown office vacancy rate – up from 2.1% in first-quarter 2020

**186**

GTA buildings with more than 50,000 sf available – up from 181 one quarter earlier

**6.2 msf**

GTA-wide available sublet space – up 1% quarter-over-quarter

**23%**

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

**8.2 msf**

GTA-wide office area under construction – equal to 4% of existing inventory

The Greater Toronto Area (GTA) office market's journey back from the impacts of the pandemic continued in the first quarter of 2022, with a second straight quarter of stable and promising results as occupiers continued to make plans for the future despite another pandemic wave that delayed the return-to-office intentions of many into the second quarter. The prospect of a sustained, large-scale return to office by many prominent organizations starting in April has many stakeholders feeling optimistic about the market's potential performance through the end of the year.

Market fundamentals remained sound during the quarter. Net absorption of 318,000 square feet (sf) marked the second consecutive quarter in positive territory following six negative quarters. GTA-wide vacancy edged up 20 basis points (bps) quarter-over-quarter to 9.2% nevertheless – the result of five new building completions totaling nearly 994,000 sf, which were 79% preleased but not yet fully occupied at the time of delivery. Overall availability, meanwhile, rose 50 bps during the quarter to 15.5%. Total available sublet space

remained stable at 6.2 million square feet (msf) after three straight quarterly declines. Nearly 8.2 msf of new office space was under construction across the GTA at the end of the first quarter (66% preleased / equal to 4% of inventory).

In Downtown Toronto, availability and vacancy rates both increased 50 bps quarter-over-quarter, to 14.1% and 8%, respectively. Delivery of new supply contributed to the rising vacancy rate, although net absorption was remarkably flat during the quarter, as the market gained only 1,400 sf in occupancy. The amount of space available on the sublet market also remained flat quarter-over-quarter at 2.6 msf as space added to the market was offset by space taken off the market or leased by subtenants. Tenants continue to explore available space options as they look to the future. Ever-rising construction costs have increased demand for built-out spaces, whether in the form of show suites, subleases or co-working facilities.



## 100

Full floors available for lease downtown, out of 271 under construction



## 5

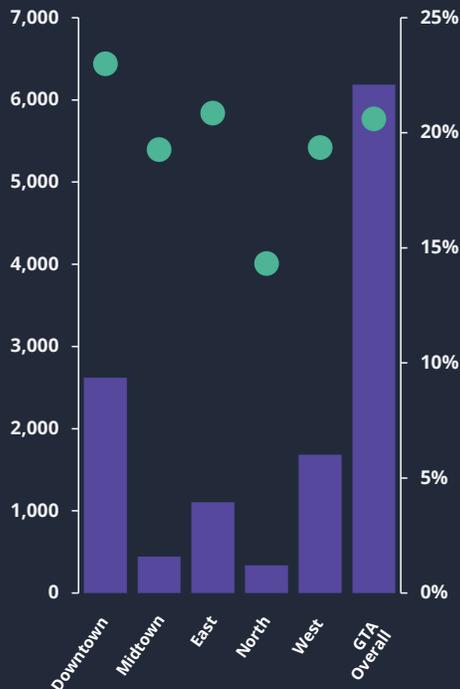
New office building completions across the GTA in Q1 2022, totaling nearly 994,000 sf



## 1%

Suburban office area under construction as a proportion of suburban inventory vs. 9% downtown

### GTA Sublet Availability – All Classes



■ Sublet Available (000 sf)    ■ Sublet as % of Total Available

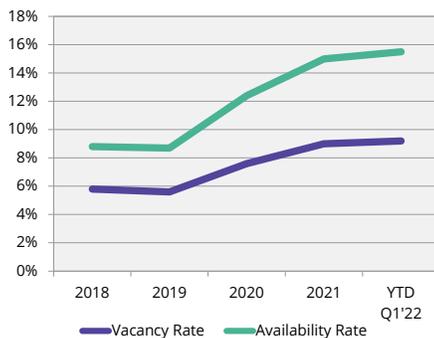
### GTA Occupancy Costs – All Classes



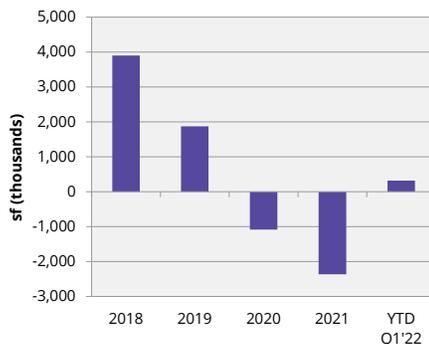
■ Net Asking Rent (Avg. \$psf)    ■ Additional Costs (Avg. \$psf)

The prospect of a large-scale return to office has many feeling optimistic about the market's potential performance through the end of the year.

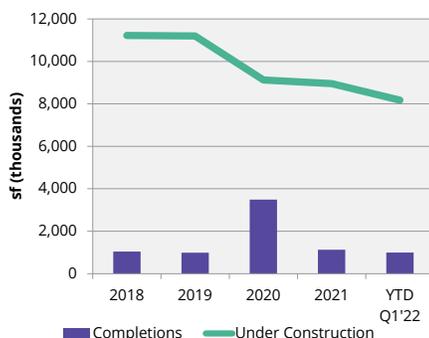
## GTA Overall Availability & Vacancy Trends



## GTA Overall Absorption Trends



## GTA Overall New Supply Trends



Four downtown office projects were completed during the first quarter – most notably Menkes Developments' Waterfront Innovation Centre at 125-155 Queens Quay E. (461,000 sf / 83% preleased) and Carttera's 65 King St. E., a 396,000-sf building fully preleased to Google. In the absence of large new development announcements, the amount of space under construction continues to decline, reaching 7 msf (64% preleased) at the end of the quarter. Almost all that space (5.4 msf) is scheduled for completion in 2022 and 2023.

Toronto's Midtown market posted rising availability (up 20 bps quarter-over-quarter to 14%) during the first quarter, but vacancy declined 20 bps to 8%, thanks to net absorption of 53,000 sf – the market's first quarter of positive absorption since the pandemic began in 2020. One new building was completed during the quarter, consisting of nearly 47,000 sf of office space across three floors at the base of a residential condo building constructed by Lifetime Developments. Located in the Eglinton node, the project is still awaiting a tenant.

The GTA's suburban markets collectively posted rising availability (up 50 bps to 17.1%) and vacancy (up 10 bps to 10.5%) in first-quarter 2022. The West market had the GTA's highest availability rate – up 30 bps quarter-over-quarter to 18.2% – although vacancy remained stable at 11.5%. Notable West market transactions during the quarter included TransUnion inking a lease for 24,300 sf at 3115 Harvester Rd. in Burlington and EllisDon taking 11,700 sf at 3457 Superior Ct. in Oakville.

Nine buildings totaling 432,000 sf were under construction across the West market at quarter-end. The largest is MDA's new global headquarters, to be located at 7500 Financial Dr. in Brampton. The building will include 120,000 sf of office space along with labs, manufacturing, R&D, assembly, integration and test facilities to support the growing company's space robotics business.

In the Toronto North and East markets, overall availability was up 70 bps quarter-over-quarter to 16%, while vacancy remained unchanged at 9.4%. Notable deals during the quarter included Amaya Software (Pokerstars) subleasing 36,400 sf at 7777 Weston Rd. in Vaughan and Dealer FX Group signing for 18,300 sf at 150 Commerce Valley Dr. W. in Markham. Construction is well underway at 5250 Yonge St. (115,400 sf) and 60 Mobile Dr. (124,000 sf) in North York – both with expected completion dates in 2023 and offering modern amenities in the North and East markets, respectively.

In other news, a testament to stakeholders' faith in the future of the office market was Crown Realty Partners' purchase of five buildings and a retail bank branch (totaling 1.2 msf), part of Orlando Corporation's Heartland Business Park in Mississauga. The 50-acre site at Hurontario St. and Highway 401 offers ample opportunity for future expansion and also benefits from proximity to the Hurontario Light Rail Transit line (expected to be completed in late 2024).

## Greater Toronto Area Market Summary

Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 Months Ago	3 Months Ago	Current Quarter	12 Months Ago	3 Months Ago	Current Quarter	Current Quarter	YTD	YTD Completions	Under Construction	Preleased
14.2%	15.0%	15.5%	8.4%	9.0%	9.2%	318	318	994	8,177	66%

## Comparison of Leasing Options for Tenants

Office Space in Select Districts	No. of Bldgs.	Available Space			Availability Rate		
		Bldgs. with more than 50,000 sf	Bldgs. with largest contiguous available area greater than 50,000 sf	Number of spaces between 4,000 sf and 8,000 sf	Direct %	Sublet %	Total %
Downtown All Classes	447	80	31	382	10.9	3.2	14.1
Downtown Class A	146	61	26	134	9.8	3.1	12.9
Midtown All Classes	143	13	5	65	11.3	2.7	14.0
Midtown Class A	40	6	4	21	10.4	4.6	15.0
Toronto East All Classes	334	28	13	134	13.0	3.4	16.4
Toronto East Class A	135	18	9	85	13.7	4.6	18.3
Toronto North All Classes	132	15	8	61	13.0	2.1	15.1
Toronto North Class A	59	15	8	36	14.6	2.8	17.4
Toronto West All Classes	540	50	20	215	14.7	3.5	18.2
Toronto West Class A	267	42	16	130	15.8	4.3	20.1

## Greater Toronto Area Significant Transactions

Address	District	Tenant	Size
8 Spadina Ave.	Downtown	Warner Music Group	26,000 sf
124 Eglinton Ave. W.	Midtown	Trebas Institute	28,500 sf
150 Commerce Valley Dr. W.	East	Dealer FX Group	18,300 sf
7777 Weston Rd.	North	Amaya Software	36,400 sf
3115 Harvester Rd.	West	TransUnion	24,300 sf

**Get more market information**

**Steven Preston**  
 Research Manager, Downtown Toronto  
 +1 416 673 4010  
 steven.preston@avisonyoung.com

**Charles Torzsok**  
 Senior Research Analyst, GTA Suburban Markets  
 +1 905 968 8023  
 charles.torzok@avisonyoung.com

**Warren D'Souza**  
 Research Manager, Suburban Markets  
 +1 905 283 2331  
 warren.dsouza@avisonyoung.com

**Charlotte Ishoj**  
 Research & Administration Coordinator  
 +1 647 252 4099  
 charlotte.ishoj@avisonyoung.com



avisonyoung.ca

