



Greater Toronto office market report

Q2 2023

**AVISON
YOUNG**

Greater Toronto market fundamentals

12%

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

8.9M

square feet (sf) available sublet space
up 42% year-over-year

6.2M

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

219

GTA buildings with more than 50,000 sf available
up from 218 in Q1 2023

31%

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

7

new office building completions
across the GTA in Q2 2023, totaling 480,000 sf

Office market trends

01

Availability and vacancy continue to creep upward

As it has since 2020, the overall availability rate across the GTA continued to rise, increasing 30 basis points (bps) to 18.1% in the second quarter. Overall vacancy also increased 30 bps, closing the quarter at 12%.

Our take on this trend...

Workplace strategies continue to evolve, and even companies that have not downsized may now require less space than traditional assumptions would indicate. Availability and vacancy are expected to keep rising in the short term as companies adjust their leased premises to their new needs.

02

New developments switching to lab space

With demand for traditional office space still below historical levels, some developers have repurposed their new office construction projects to cater to life sciences instead, capitalizing on the region's booming demand for lab space.

Our take on this trend...

Because most existing office buildings do not have the ceiling height, separate loading areas or infrastructure systems required to accommodate conversion to a life sciences use, developers who had new projects in the pipeline have an opportunity to make the switch before or even during the construction process.

03

Landlords using various strategies to attract tenants

Tenants have many options available in markets across the GTA, motivating landlords to deploy a variety of strategies to attract or secure them. These include model suites, expanded building amenity spaces, improved washrooms, larger tenant improvement allowances and free rent periods.

Our take on this trend...

Given the high cost of building out space and many tenants' desire for shorter lease terms, model suites and tenant improvement allowances are sure to appeal to many. Along with the advantages of a good location and/or transit connections, improvements to building amenities and facilities are an effective way for landlords to distinguish their buildings from the competition.

Downtown and Midtown Toronto office markets

Absorption remains negative in Downtown

In Downtown Toronto, availability ticked downward quarter-over-quarter for the first time since the onset of the pandemic, falling 30 bps to 17.5% during the second quarter – but this still represents an increase of 340 bps year-over-year. Vacancy continued its upward trend, rising 40 bps during the quarter (and 370 bps year-over-year) to 12%. Two new buildings were delivered during the quarter: 19 Duncan St., with 146,000 sf fully leased to Thomson Reuters; and 460 Front St. W. (127,200 sf, part of The Well development). Absorption remained negative during the second quarter, as occupied area downtown declined by nearly 456,000 sf, compared with -723,000 sf during the first quarter.

Sublease availability inches downward

Similar to overall availability, the amount of space available for sublease across the Downtown market inched down during the quarter, falling 50,000 sf to 4.5 million sf – but was still up 1.8 million sf year-over-year.

New developments converting to life sciences

Downtown examples of this new trend include 77 Wade Ave. in the Junction (155,000 sf), originally slated for office use until AIMCo partnered with the Canadian Life Science Property Group. Kingsett Capital also switched gears with its redevelopment of 700 University Ave. in the Discovery District. The project will add four storeys (187,000 sf), which will now be life sciences/research space.

Positive absorption in Midtown amid rising availability

Availability in the Midtown market jumped 340 bps quarter-over-quarter and 580 bps year-over-year to end the second quarter at 20.1%, while vacancy declined 50 bps quarter-over-quarter to 12.9% (up 280 bps year-over-year). The quarter's drop in vacancy is attributable to positive absorption of 42,400 sf across Midtown, as all three nodes posted increasing occupancy – led by St. Clair, with 27,900 sf.



Suburban GTA office markets

Toronto North posts a jump in availability

Considered as a whole, the GTA's suburban markets posted increasing availability (up 40 bps to 18.5%) and vacancy (up 20 bps to 11.9%) during the second quarter. The two metrics were up 130 bps and 40 bps year-over-year, respectively. Availability in Toronto North jumped 380 bps during the quarter to overtake Toronto West (down 110 bps to 18%) for the highest availability rate among GTA markets. Meanwhile, vacancy in Toronto West ended the second quarter at 12.1% – down 20 bps from the first quarter and 60 bps year-over-year.

On the theme of new office developments converting to lab space (also observed downtown), The CORE at 2395 Speakman Dr., Mississauga, was first intended for

office space but is now offering 400,000 sf of special-purpose research and exploration space, with a phased delivery including 160,000 sf by 2024.

In the GTA North and East markets, overall availability and vacancy rose 180 bps and 70 bps, respectively, during the second quarter to 19% and 11.7%. The North market posted the highest vacancy rate among the GTA's suburban office markets, with an increase of 40 bps quarter-over-quarter to 13.2%.

SOTI buys former Microsoft head office from QuadReal

In one of the GTA's largest office asset sales of the second quarter, Microsoft's former Canadian headquarters location at 1950 Meadowvale Blvd. in Mississauga was sold by QuadReal to business mobility technology and internet of things (IoT) company SOTI Inc. for \$41.5 million. SOTI intends to use the building for its own business purposes. Microsoft relocated its offices to CIBC Square in downtown Toronto last year.



Greater Toronto office market indicators

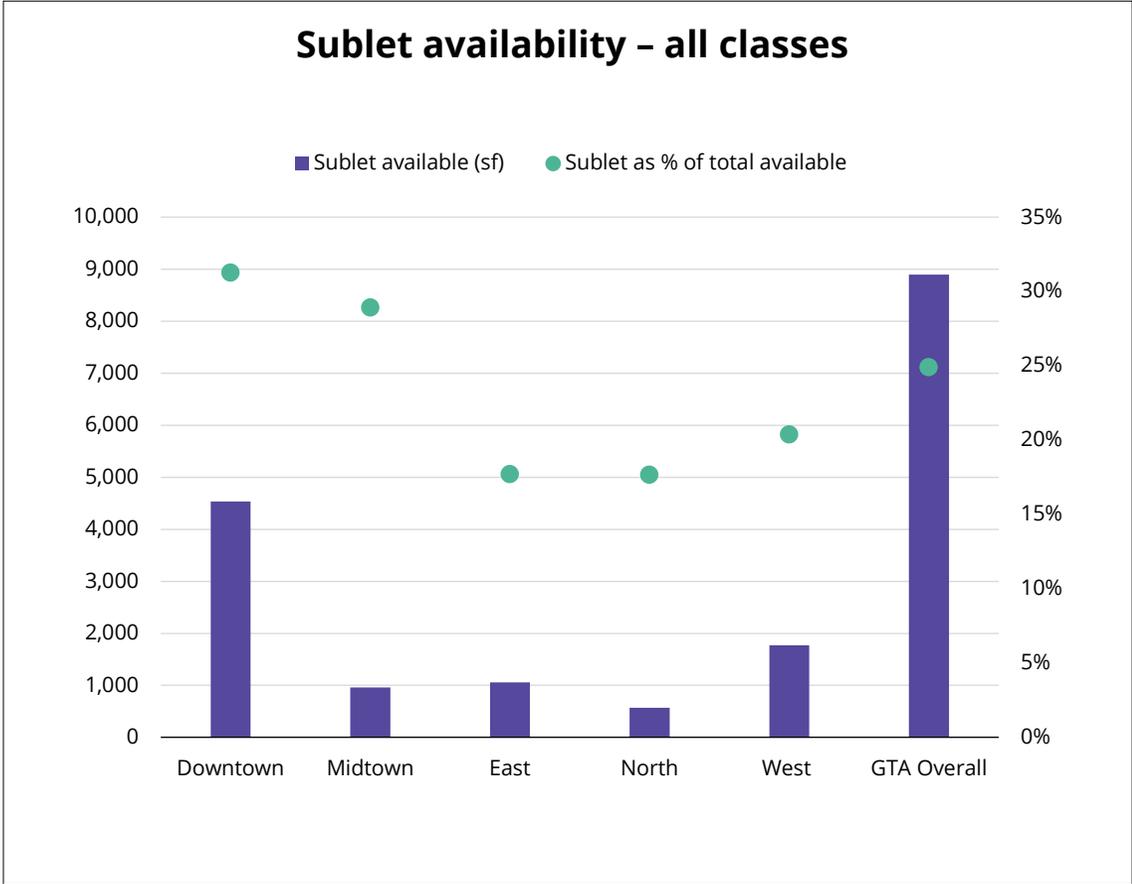


Source: Altus Data Studio

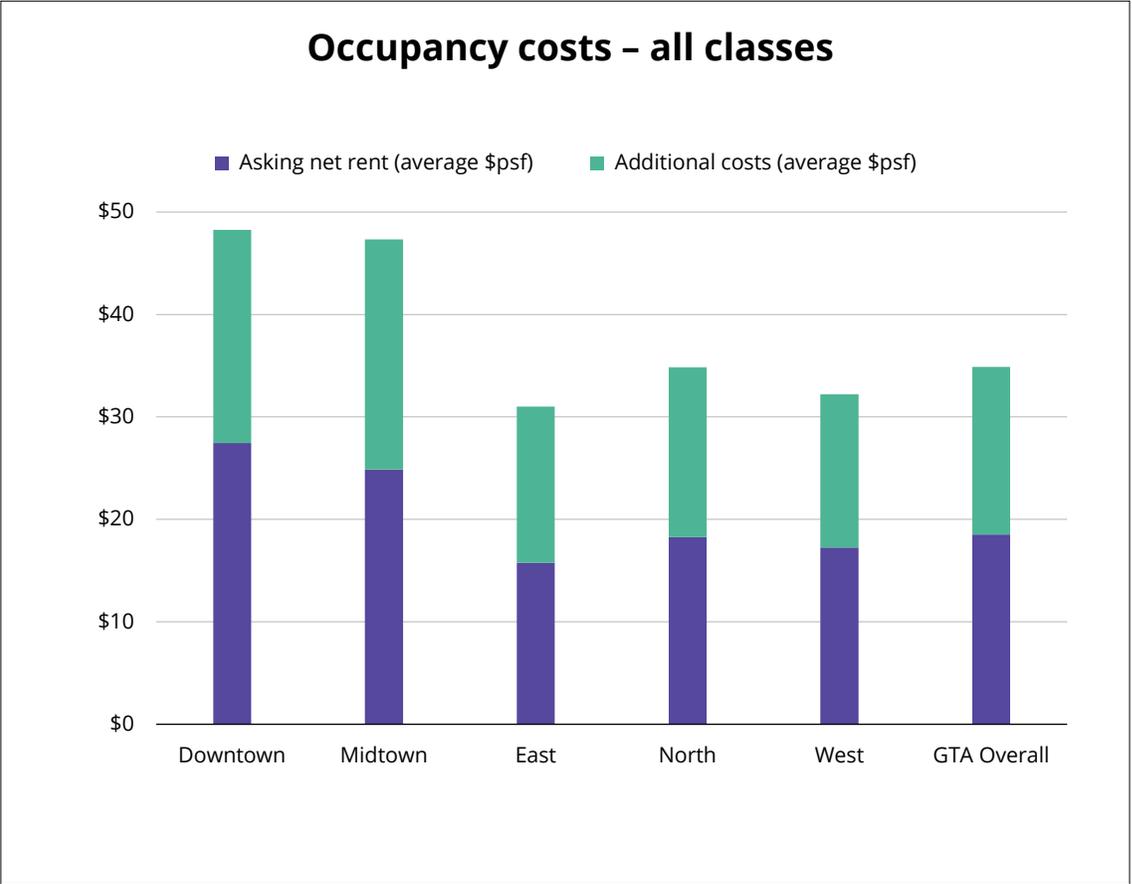


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Greater Toronto office market indicators

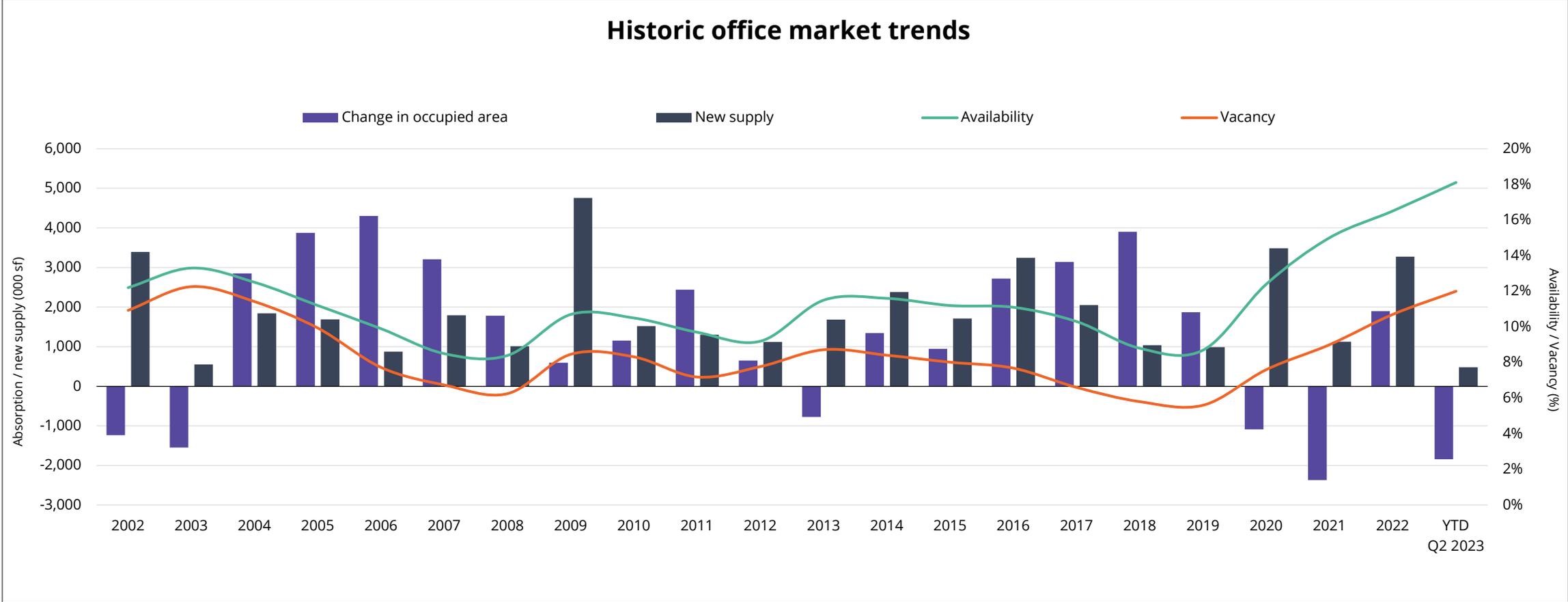


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Greater Toronto office market indicators



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Greater Toronto office market activity

Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
66 Wellington St. W., Toronto	Downtown	McCarthy Tétrault	220,000	Renewal
110 Eglinton Ave. E., Toronto	Midtown	Edgewood Health Network	10,400	New
100 Commerce Valley Dr. W., Markham	East	Green Infrastructure Partners	87,200	New
4100 Yonge St., Toronto	North	Ontario Lottery and Gaming	30,700	Sublease
6985 Financial Dr., Mississauga	West	Maple Leaf Foods	67,700	Renewal

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
HOOPP – Soneil Investments Portfolio	West	\$74,500,000 / \$323	Soneil Investments	HOOPP
7070 Mississauga Rd., Mississauga	West	\$72,350,000 / \$296	Binscarth Holdings LP	GWL Realty Advisors
1950 Meadowvale Blvd., Mississauga	West	\$41,500,000 / \$258	SOTI Inc.	QuadReal Property Group
277 Victoria St. & 38 Dundas St. E., Toronto	Downtown	\$37,550,000 / \$341	Toronto Metropolitan University	Build Toronto
6355 Viscount Rd., Mississauga	West	\$22,000,000 / \$246	JDass Corp	Manulife Financial

Greater Toronto office market stats

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2023 net absorption (sf)	YTD 2023 net absorption (sf)
Downtown	82,842,90	273,200	4,834,300	12.0%	5.5%	17.5%	-455,500	-1,085,800
Midtown	16,842,000	0	89,400	14.3%	5.8%	20.1%	42,400	-341,300
East	32,818,600	83,200	382,800	15.0%	3.2%	18.2%	-301,300	-323,600
North	15,646,400	0	650,300	16.9%	3.7%	20.6%	-99,300	-182,400
West	48,205,900	123,300	211,900	14.4%	3.6%	18.0%	219,600	124,700
GTA overall	197,541,800	479,700	6,168,700	13.6%	4.5%	18.1%	-601,400	-1,840,700

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2023 net absorption (sf)	YTD 2023 net absorption (sf)
Class A	123,891,900	479,700	6,168,700	13.3	5.6	18.9	-336,900	-828,000
Class B	56,280,800	0	0	14.6	2.8	17.4	-275,900	-884,400
Class C	17,369,000	0	0	12.8	1.9	14.7	11,500	-128,300
GTA overall	197,541,800	479,700	6,168,700	13.6%	4.5%	18.1%	-601,400	-1,840,700

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

For more market insights
and information visit
avisonyoung.com

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.torzsok@avisonyoung.com

Warren D'Souza

Research Manager, GTA Suburban
National Industrial Lead
+ 1 905 283 2331
warren.dsouza@avisonyoung.com

Charlotte Ishoj

Research & Administration Coordinator,
Team Lead
+ 1 647 252 4099
charlotte.ishoj@avisonyoung.com