

# Greater Toronto Area



## Quick Stats

### 7.6%

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

### 179

GTA buildings with more than 50,000 sf available – down from 187 one quarter earlier

### 6.9 msf

GTA-wide available sublet space – down 4% quarter-over-quarter

### 30%

Downtown sublet space as a proportion of total available space vs. 21% in the suburbs

### 9.6 msf

GTA-wide office area under construction – equal to 5% of existing inventory

The Greater Toronto Area (GTA) office market's gradual recovery from the impacts of the pandemic continued during the third quarter of 2021, building on the momentum reported in the previous quarter. Tour activity and deal velocity continued their upward trend, while numerous tenants took their spaces off the sublease market, indicating growing confidence in the eventual return of more employees to the office.

Many companies had most recently aimed for Labour Day or Thanksgiving as their targets for expanding employees' return to the office. Although several major banks and professional services firms have announced further extensions to work-from-home in response to ongoing concerns about the Delta variant and the logistics of flexible work arrangements, other companies continued the gradual return to in-person work. Some have staff coming to the office on a voluntary basis, while others are trialing daily or weekly rotation schedules for individuals or teams.

Net absorption across the GTA remained in negative territory during the third quarter

(-510,000 square feet (sf)); however, the extent of the losses in occupied area declined for the second consecutive quarter. If this trend continues, the market could post positive net absorption within the next two quarters. GTA-wide availability (15%) and vacancy (9.1%) each inched upward by 20 basis points (bps) during the quarter, as the increase in both metrics continues to level off. For the second quarter in a row, total available sublet space fell, reaching 6.9 million square feet (msf) and representing 24% of available space. Spaces that were leased and spaces taken off the market each removed more than 600,000 sf from availability, while 875,000 sf of new spaces were listed. Nearly 9.6 msf of space was under construction at quarter-end (65% preleased / equal to 5% of inventory).

Market fundamentals in Toronto's Downtown remain sound, with increasing tour activity and interest from tenants – including those already with a presence in the city, and some that are new to the market. Deals transacted now will not impact net absorption or vacancy immediately, but the growing interest



### 116

Full floors available for lease downtown, out of 328 under construction



### 2

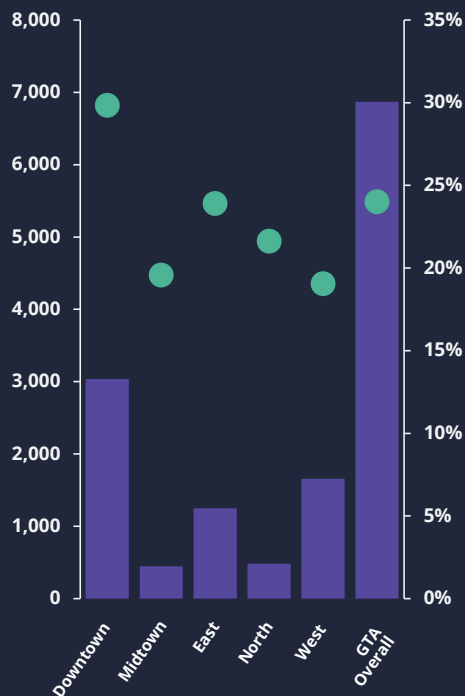
Year-to-date downtown lease transactions 100,000 sf+ vs. 20 in all of 2018



### 1%

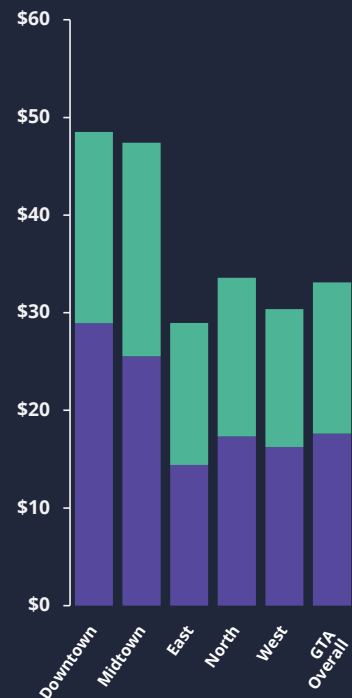
Suburban office area under construction as a proportion of suburban inventory vs. 11% downtown

### GTA Sublet Availability – All Classes



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

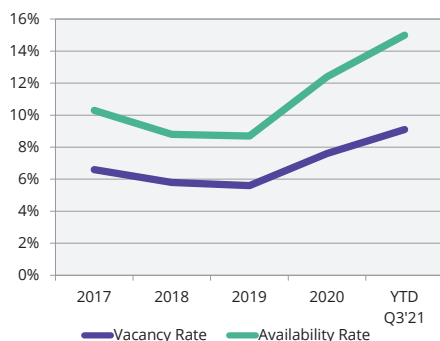
### GTA Occupancy Costs – All Classes



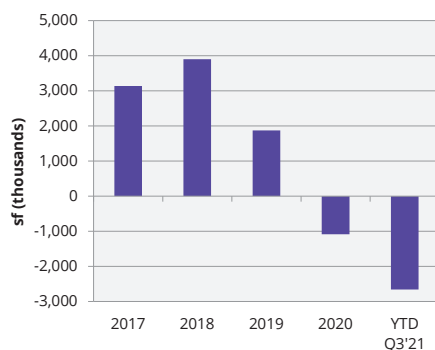
■ Net Asking Rent (Avg. \$psf) ■ Additional Costs (Avg. \$psf)

**Numerous tenants took their spaces off the sublease market, indicating growing confidence in the eventual return of more employees to the office.**

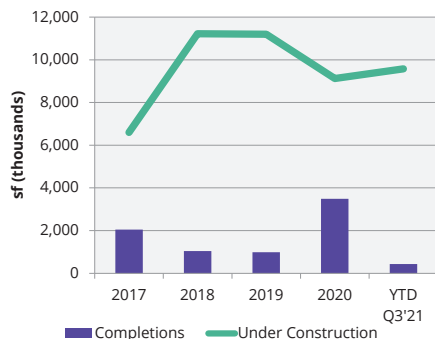
## GTA Overall Availability & Vacancy Trends



## GTA Overall Absorption Trends



## GTA Overall New Supply Trends



from tenants looking to settle their plans bodes well for the market's ongoing recovery. Meanwhile, the gradual return of employees to the office by some companies has begun to restore signs of life, but foot traffic downtown remains far below pre-pandemic levels.

Downtown's availability (12.9%) and vacancy (7.6%) rates ticked upward during the third quarter, but the rate of increase slowed as it has across the GTA overall. Vacancy is expected to continue rising in the near-to-medium term as new supply deliveries, backfill space and companies adjusting their workplace strategies and return-to-office plans all contribute to the amount of vacant space. Available sublet space declined for the second consecutive quarter, ending the third quarter just above 3 msf (30% of available space downtown) – down from the peak of nearly 3.3 msf in the first quarter of 2021. Although slightly more than 500,000 sf of sublet space was added to the market, it was more than balanced by the amount of space that was leased, along with nearly 300,000 sf of spaces that were taken off the market.

Construction continues apace downtown, with 8.6 msf underway (65% preleased). One project was completed during the third quarter – Lifetime Developments' 147 East Liberty St. (108,000 sf).

Midtown's availability and vacancy rates also increased during the third quarter – rising 30 bps and 50 bps to 13.6% and 7.9%, respectively – but the rise was less than in the second quarter. The Bloor node is home to more than half of the available square footage, although Eglinton posted the highest availability rate in Midtown at 17.3%. New supply is coming to Midtown for the first time in several years, with two projects – both comprising office floors at the base of residential condominium

buildings – under construction in the Eglinton node, set to deliver more than 136,000 sf by 2024.

In the GTA's suburban office markets, overall availability and vacancy each crept up 10 bps to finish the quarter at 17% and 10.6%, respectively – reflecting the GTA-wide trend. Toronto West was alone among GTA submarkets in posting positive absorption during the third quarter (+199,000 sf), with gains in both class A and B buildings. Nevertheless, availability in Toronto West increased 30 bps quarter-over-quarter. This was partly due to the delivery of two projects that remain 100% available – 3183-3187 Harvester Rd. in Burlington (83,000 sf of flex office) and Cypress at Pinnacle Etobicoke (33,000 sf of office in the podium of a residential condo building at 5425 Dundas St. W. in Etobicoke South). Available sublet space in Toronto West has increased by more than 1 msf year-over-year to close the third quarter at nearly 1.7 msf – representing 19% of total available space – with more than one-third accounted for by Bell Canada's sublet listing in the Dixie and Eglinton node.

In the Toronto North and East markets, overall availability remained flat at 15.6% quarter-over-quarter, while vacancy edged up 20 bps to 9.8%. Available sublet space rose marginally in the North – at a slower rate than in the previous few quarters – while in the East, sublet availability declined by more than 145,000 sf (following four consecutive quarterly increases). As well as spaces being taken off the market, this decline was the result of nearly 79,000 sf of sublets being leased during the quarter. No new buildings were completed during the quarter; however, four projects totaling nearly 621,000 sf remain underway across the North and East markets (77% preleased).

### 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
10.7%	14.8%	15.0%	6.6%	8.9%	9.1%	-510	-2,661	429	9,579	65%

### 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	438	77	36	367	9.1	3.8	12.9
Downtown Class A	140	55	30	126	7.9	3.3	11.2
Midtown All Classes	142	13	4	69	11.2	2.7	13.9
Midtown Class A	39	7	4	24	10.1	4.6	14.7
Toronto East All Classes	332	28	13	130	12.3	3.9	16.2
Toronto East Class A	135	16	7	81	12.1	5.1	17.2
Toronto North All Classes	132	14	8	60	11.3	3.1	14.4
Toronto North Class A	59	14	8	40	12.1	4.1	16.2
Toronto West All Classes	537	47	18	219	14.9	3.5	18.4
Toronto West Class A	264	40	15	120	15.9	4.4	20.3

### Greater Toronto Area Significant Transactions

Address	District	Tenant	Size
125-155 Queens Quay E.	Downtown	theScore	79,800 sf
2300 Yonge St.	Midtown	Aurora Cannabis	17,000 sf
3500 Steeles Ave. E.	East	TMX Group	32,600 sf
4881 Yonge St.	North	Harris Sheaffer LLP	21,100 sf
3430 Superior Ct.	West	CareRx	37,700 sf

**Get more market information**

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