

# Greater Toronto Area



## Quick Stats

**7.5%**

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

**181**

GTA buildings with more than 50,000 sf available – up from 179 one quarter earlier

**6.1 msf**

GTA-wide available sublet space – down 11% quarter-over-quarter

**24%**

Downtown sublet space as a proportion of total available space vs. 20% in the suburbs

**9 msf**

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

The Greater Toronto Area (GTA) office market continued its recovery during the fourth quarter of 2021, as tour activity remained lively and availability of sublease space declined. Many companies' return-to-office plans have been pushed back once again by the arrival of the Omicron variant in December, but there is a sense that momentum continues to build as firms prepare for the future.

Key market metrics continued their improving trend during the quarter, as GTA-wide availability remained stable at 15% (up 260 basis points (bps) year-over-year) and vacancy decreased 10 bps quarter-over-quarter to 9% – up 140 bps year-over-year. The quarter's marginal decline in vacancy was the result of the market's first quarterly positive net absorption (258,000 square feet (sf)), following six consecutive negative quarters since the start of the pandemic. However, net absorption for all of 2021 was negative 2.4 million square feet (msf). Total available sublet space fell to 6.1 msf – the third straight quarterly decline from its April 2021 peak of 7.4 msf. Nearly 696,000 sf of new building completions and no new construction announcements during the

quarter brought the amount of space under construction to just under 9 msf at year-end (66% preleased / equal to 5% of inventory).

Tour activity and interest from tenants remained strong in the fourth quarter – including the ongoing growth of the tech sector, as Toronto's reputation as a destination for these companies has continued to improve throughout the pandemic, attracting new entrants to the market (such as Netflix) while existing firms continue to expand. Shorter lease terms and built-out (or co-working) spaces are proving appealing for many tenants seeking flexibility for the future as well as vibrant, modern spaces that will help them attract and retain staff by providing them with a destination and a focal point for corporate culture, often as part of a hybrid workplace model.

Overall availability in Downtown Toronto was up 70 bps quarter-over-quarter and 420 bps year-over-year to 13.6% at year-end 2021, while vacancy ticked down 10 bps quarter-over-quarter to 7.5% – but was still up 230 bps year-over-year. Reflecting the GTA result, Downtown posted positive



## 99

Full floors available for lease downtown, out of 299 under construction



## 4

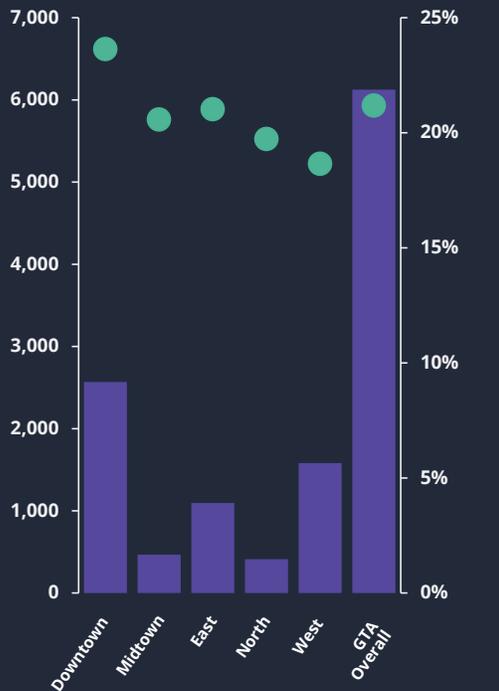
New office building completions in 2021, totaling nearly 870,000 sf



## 1%

Suburban office area under construction as a proportion of suburban inventory vs. 10% downtown

### GTA Sublet Availability – All Classes



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

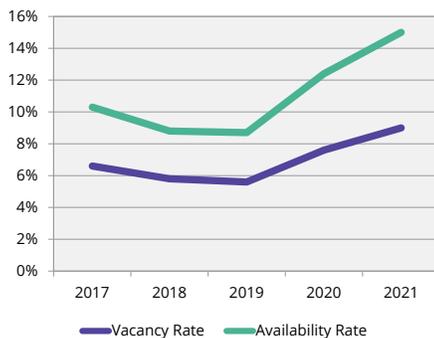
### GTA Occupancy Costs – All Classes



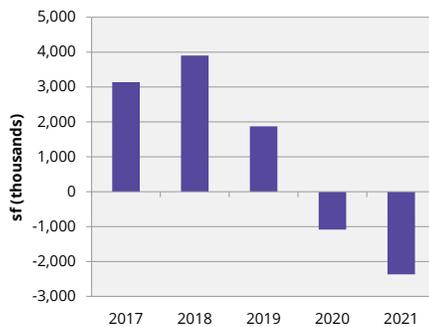
■ Net Asking Rent (Avg. \$psf)    ■ Additional Costs (Avg. \$psf)

**Toronto's reputation as a destination for tech companies has continued to improve throughout the pandemic.**

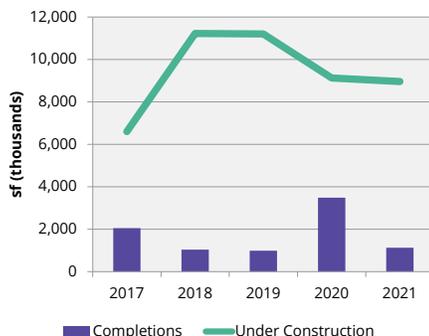
## GTA Overall Availability & Vacancy Trends



## GTA Overall Absorption Trends



## GTA Overall New Supply Trends



net absorption for the first time since the onset of the pandemic, with an increase in occupied area of 155,000 sf during the fourth quarter – bringing the full year's net result to 1.9 msf of negative absorption. Nevertheless, absorption has been on an improving trend since the first quarter of 2021, and stakeholders remain optimistic for continued progress in 2022. In another positive sign, the amount of available sublet space declined nearly half a million square feet during the fourth quarter – including nearly 300,000 sf of sublet listings taken off the market – to end the year at 2.6 msf.

The completion of the 647,000-sf LCBO Tower in Downtown South (73% preleased) during the fourth quarter was the year's largest, leaving 7.9 msf still underway downtown (67% preleased). The bulk of that space (nearly 6.5 msf) is set to be delivered in 2022 and 2023.

Toronto's Midtown market posted rising availability (up 20 bps quarter-over-quarter and 320 bps year-over-year to 13.8%) and vacancy (up 30 bps quarter-over-quarter and 330 bps year-over-year to 8.2%), but the pace of the quarterly increases continued to slacken compared with previous quarters. Two projects totaling more than 136,000 sf remain under construction – with none of the space preleased as yet.

Collectively, the GTA's suburban markets posted quarterly decreases in availability (-40 bps to 16.6%) and vacancy (-20 bps to 10.4%). Year-over-year, availability was up 120 bps, while vacancy increased only 20 bps. Toronto West was alone among GTA markets with positive net absorption during 2021, gaining nearly 681,000 sf – pushing vacancy down 20 bps year-over-year to 11.5%. Some notable occupancies during the quarter included AML Rightsource Canada moving in to 48,800 sf at 5450 Explorer Dr.

in the Airport Corporate Centre, Philips Canada occupying 27,700 sf at 1875 Buckhorn Gate in Dixie & Eglinton, and GlaxoSmithKline taking possession of 24,200 sf at 100 Milverton Dr. in Heartland. Availability was down 50 bps quarter-over-quarter, but remains the GTA's highest at 17.9%. Asking net rental rates remained stable as landlords showed some willingness to offer higher allowances or free rent periods while maintaining face rates – particularly for tenants committing to five- or 10-year lease terms. With e-commerce growing and industrial development land scarce, landlords may consider demolishing office assets to build industrial or logistics space – and some have already announced plans to that effect, including CanFirst Capital Management, which intends to redevelop the 14.1-acre Meadowvale Court property it acquired in October.

In the Toronto North and East markets, overall availability ended the year at 15.3% (down 30 bps quarter-over-quarter but up 120 bps year-over-year), while vacancy settled at 9.4% (down 40 bps from the third quarter but up 80 bps from one year earlier). Activity in the market continued to pick up as tenants felt more able to contemplate their future plans – and to consider longer lease terms once again, which many have shied away from during the pandemic. Increased availability of space (both headlease and sublease) has provided the opportunity for an ongoing flight-to-quality, to the benefit of top-quality office assets in the market. Sublet availability in the East market fell sharply during the fourth quarter as commodity-trading business Raw Essentials and Living Food leased 121,000 sf of space put on the market by Morneau Sheppell at 895 Don Mills Rd. in the Don Mills & Eglinton node.

### 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
12.4%	15.0%	15.0%	7.6%	9.1%	9.0%	258	-2,368	1,127	8,958	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	442	80	34	360	10.4	3.2	13.6
Downtown Class A	142	60	29	122	9.7	2.7	12.4
Midtown All Classes	143	11	5	68	11.0	2.8	13.8
Midtown Class A	39	5	4	23	9.4	4.9	14.3
Toronto East All Classes	333	27	12	142	12.8	3.4	16.2
Toronto East Class A	135	17	7	90	13.1	4.6	17.7
Toronto North All Classes	132	13	7	57	10.8	2.7	13.5
Toronto North Class A	59	13	7	36	11.5	3.4	14.9
Toronto West All Classes	539	50	20	220	14.5	3.4	17.9
Toronto West Class A	267	42	17	127	15.6	4.0	19.6

### Greater Toronto Area Significant Transactions

Address	District	Tenant	Size
8 Spadina Ave.	Downtown	Torstar	60,000 sf
234 Eglinton Ave. E.	Midtown	Power Workers' Union	11,400 sf
895 Don Mills Rd.	East	Raw Essentials and Living Food	121,000 sf
5650 Yonge St.	North	Curator Angel Investment Group	13,480 sf
2630 Skymark Ave.	West	First Data Canada	25,900 sf

**Get more market information**

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