

Greater Toronto Area



Quick Stats

10%

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

208

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

7.7 msf

GTA-wide available sublet space – up 26% year-over-year

30%

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

6.1 msf

GTA-wide office area under construction – equal to 3% of existing inventory

The Greater Toronto Area (GTA) office market was once again characterized by stakeholder caution in the fourth quarter of 2022. Remote and hybrid workplace strategies, along with layoffs in the technology sector and external economic concerns, continued to contribute to the evolution of market fundamentals as the year came to a close.

Many occupiers are still assessing their office space needs in light of hybrid workplace strategies and the ongoing return-to-office process, deferring decisions when they can and hedging their bets with shorter lease terms to allow future flexibility. The tech sector, a source of strong demand during its growth phase of the past several years, has recently begun to experience staff reductions – and in some cases, space reductions – even among large global firms. Persistent inflation, the prospect of further interest rate hikes and the lingering possibility of recession are likely to perpetuate the present cautious stakeholder sentiment until some of these factors have more clearly settled.

The softening of market fundamentals, which had stabilized through the middle part of the year but resumed in the third quarter, continued in the final quarter of 2022. GTA-wide, availability rose 50 basis points (bps) quarter-over-quarter and 150 bps year-over-year to 16.5% at year-end 2022. Similarly, vacancy was up 30 bps quarter-over-quarter and 170 bps year-over-year to 10.7%. Absorption was positive for the fifth straight quarter, as occupied area across the GTA increased by 430,000 square feet (sf), with gains in all markets except Toronto North. Net absorption for all of 2022 was nearly 1.9 million square feet (msf) – however, the continuing upward trend in available space, along with the effects of new supply deliveries, offer an indication that absorption may not remain in positive territory in subsequent quarters.

The amount of available sublet space increased once again, rising 566,000 sf during the fourth quarter to 7.7 msf – up 1.6 msf year-over-year, and surpassing the previous peak level of 7.4 msf recorded in April 2021. Only two small buildings were



92

Full floors available for lease downtown, out of 196 under construction



13

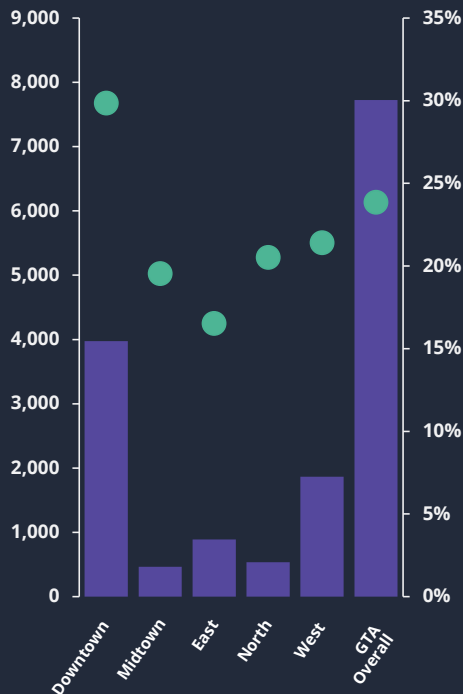
New office building completions across the GTA in 2022, totaling nearly 3.3 msf



1%

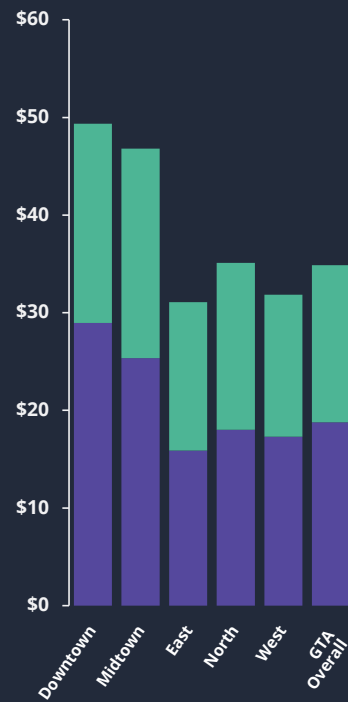
Suburban office area under construction as a proportion of suburban inventory vs. 6% downtown

GTA Sublet Availability – All Classes



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

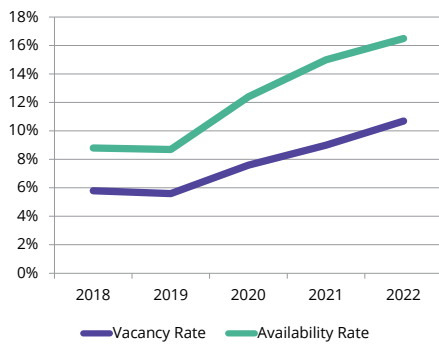
GTA Occupancy Costs – All Classes



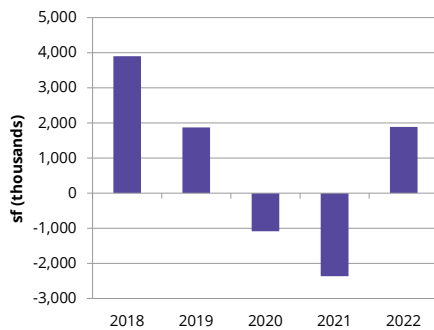
■ Net Asking Rent (Avg. \$psf) ■ Additional Costs (Avg. \$psf)

Many occupiers are still assessing their office space needs, deferring decisions when they can and hedging their bets with shorter lease terms.

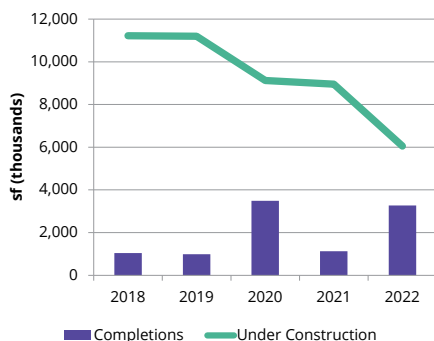
GTA Overall Availability & Vacancy Trends



GTA Overall Absorption Trends



GTA Overall New Supply Trends



completed during the quarter, but the full-year total of nearly 3.3 msf delivered has whittled down the amount of space currently under construction to slightly less than 6.1 msf at year-end 2022 (56% preleased / equal to 3% of existing inventory).

In Downtown Toronto, availability and vacancy both posted notable increases during the fourth quarter, rising 140 bps and 80 bps, respectively, to 16.1% and 10% at year-end. Both metrics were up 250 bps year-over-year as the market continues to adjust to new building deliveries and tenants' evolving workplace strategies. Absorption during the fourth quarter was positive, with occupied area increasing by 108,000 sf for a full-year total of 2.4 msf, but the elevated availability rate implies that this lagging indicator has the potential to slide into negative territory in 2023 as backfill space from tenants taking occupancy of newly completed towers begins to register.

Similar to the GTA overall, available sublet space downtown reached a new all-time peak, up 627,000 sf quarter-over-quarter and 1.4 msf year-over-year to 4 msf at the end of 2022. That figure is likely to rise during first-quarter 2023, as Shopify's headline-grabbing sublease offering at The Well was not reflected in the fourth-quarter numbers.

No new buildings were completed downtown during the fourth quarter, and with no new construction announcements, the amount of space under construction remained stable at 4.9 msf (52% preleased). Two-thirds of that total (3.3 msf) is scheduled for delivery before year-end 2023.

In Midtown, availability remained flat quarter-over-quarter at 14.4% (up 60 bps year-over-year) while vacancy ticked up 10 bps during the quarter (but jumped 290 bps during the year) to 11.1%. Midtown posted negative absorption of 435,000 sf over the course of 2022, with almost all those losses coming in the Bloor node. At year-end, one office project remained under construction in Midtown – an 89,000-sf space across six floors at the base of a residential tower at 2161 Yonge St., in the Eglinton node.

In contrast to Downtown, the GTA's suburban markets collectively posted a slight decrease in availability (down 10 bps to 17.4%) and vacancy (down 20 bps to 11.4%) during the fourth quarter. However, availability and vacancy were up 80 bps and 100 bps, respectively, year-over-year. Toronto West still has the highest availability rate among GTA markets, at 18.2% as of year-end (down 40 bps quarter-over-quarter but up 30 bps compared with one year ago). Vacancy ended 2022 at 12.2% – down 50 bps from the third quarter but up 70 bps year-over-year.

In the GTA North and East markets, overall availability and vacancy each ticked up 20 bps during the fourth quarter to 16.6% and 10.6%, respectively, representing increases of 130 and 120 bps year-over-year. The East market was alone among the GTA's suburbs in posting positive net absorption during 2022 (+259,000 sf), while occupied area in the North fell by 119,000 sf.

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
15.0%	16.0%	16.5%	9.0%	10.4%	10.7%	430	1,888	3,273	6,053	56%

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	451	94	37	423	11.3	4.8	16.1
Downtown Class A	150	68	30	155	9.6	5.1	14.7
Midtown All Classes	144	14	5	73	11.5	2.9	14.4
Midtown Class A	40	7	4	24	10.3	4.7	15.0
Toronto East All Classes	339	32	14	138	13.8	2.7	16.5
Toronto East Class A	136	20	8	84	15.1	3.8	18.9
Toronto North All Classes	133	18	10	59	13.3	3.4	16.7
Toronto North Class A	59	16	9	35	14.4	4.7	19.1
Toronto West All Classes	544	50	24	214	14.3	3.9	18.2
Toronto West Class A	270	42	21	130	15.6	5.6	21.2

Greater Toronto Area Significant Transactions

Address	District	Tenant	Size
151 Yonge St.	Downtown	CITCO	33,500 sf
2345 Yonge St.	Midtown	CS&P Architects	8,300 sf
2550 Victoria Park Ave.	East	Zemlar	14,800 sf
5140 Yonge St.	North	Celestica	49,000 sf
6925 Century Ave.	West	Gilead Sciences	25,800 sf

Get more market information

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