

Toronto Office

2019 Market Insight Report



Q3 2019

cresa

Market Overview



25 Ontario Street - The Shift

Market Trends

The Greater Toronto Area (GTA) office market has remained strong during the third quarter of 2019, as vacancy and net rental rates continue to hit near-historic values. Vacancy rates remained relatively unchanged at 4.6%, a decrease of 4.34% quarter over quarter, while net rental rates increased marginally to \$19.96 PSF, an increase of 1.45% from Q2 2019.

Supply shortages as well as strong competition for office space in the GTA's prime office submarkets, mainly the Downtown and Midtown nodes are the main drivers behind the record high rental rates in the GTA office market. While there are many projects under construction, there are no new near term deliveries. Most are scheduled to come on the market in 2020 and beyond. This has resulted in a market in favor of landlords. In Q3, 104,000 SF of office space was delivered, a far cry from what is in demand in the market. With the challenge of finding leasing alternatives, tenants are having to engage their leasing team well before the traditional 12 to 18-month time period.

The downtown node leads the way in net rental rates at \$35.14 PSF compared to suburban markets such as Toronto West, at \$16.89 PSF. Rents decreased by 2.07% in the Toronto West market, as compared to an increase of 2.98% in the Downtown market. We have observed that tenants unable to find space in the central Toronto markets have been pushed into the more tenant favourable suburban market. Historically, Canada has been more conservative in terms of development, however, with strong demand, coupled with limited supply to alleviate tight market conditions, we have seen more projects under construction. Within the Downtown Financial Core, Cadillac Fairview's project at 160 Front will add 1.3M SF and Brookfield's Adelaide Centre North at 40 Temperance Street will add 820K SF. Both projects are set to be completed in 2022. In addition, buildings under construction include Hines and Ivanhoe Cambridge's CIBC square, which will add 1.57M SF and Cadillac Fairview's 16 York to add 879K SF, both set to be completed in 2020.

The biggest transaction this quarter was the announcement of Cadillac Fairview's purchase of East Harbour from First Gulf. The plans for the eastern commercial core include 10M SF of commercial development and a multi-modal transit hub, envisioned as a Union Station east that will have the capacity to move 32,000 passengers per hour. The 38 acre site, located three kilometers from the Toronto downtown core is set to be the largest commercial development in Canada. Industries driving demand continue to be firms in the technology and co-working sector. Adding to an already competitive co-working landscape is Knotel's entry into Canada this quarter. As low vacancy, strong demand and limited supply continue, we anticipate that rents will continue on their upward trajectory.

Notable Lease Transactions

1. Scotia Bank, 410,874 SF
2. Scotia Bank, 151,564 SF
3. Spaces, 102,020 SF
4. Vena Solutions Inc. , 21,451 SF

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GTA Overview



Supply

268,748,375 SF



Vacancy

4.6%



Average Net Rent

\$19.96/SF



Absorption

3,275,312 SF

Arrows Indicate One Quarter Change

Vacancy Rate

| | Q1 | Q2 | Q3 | |
|---------------|------|------|------|---|
| Midtown | 2.6% | 2.5% | 2.8% | ▲ |
| Downtown | 3.2% | 3.1% | 3.0% | ▼ |
| Toronto North | 5.5% | 6.0% | 5.8% | ▼ |
| Toronto East | 6.5% | 6.0% | 5.4% | ▼ |
| Toronto West | 7.7% | 7.6% | 7.3% | ▼ |
| Overall GTA | 4.9% | 4.8% | 4.6% | ▼ |

Vacancy Rates & Availability Rates

Vacancy Rates

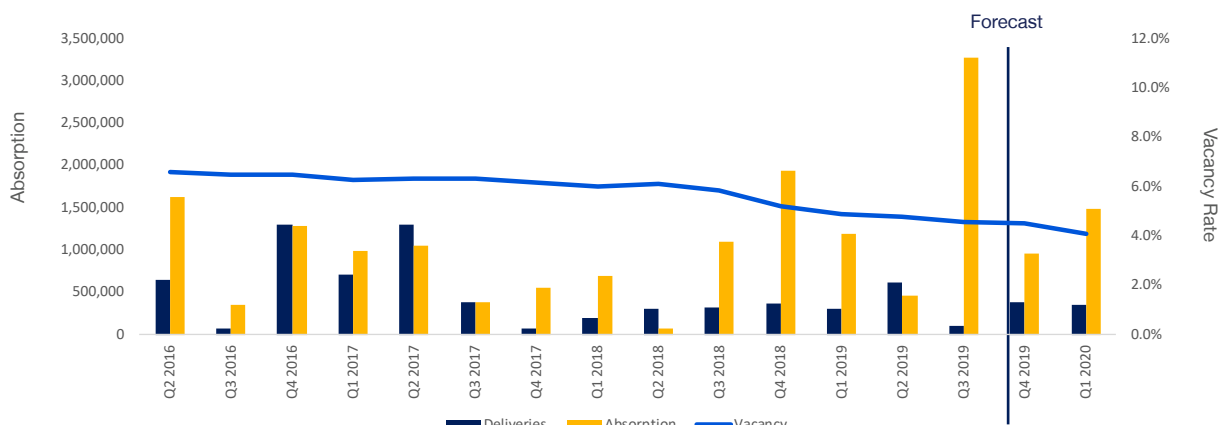
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

Availability Rates

The availability rate is the percentage of total rentable space available including new developments under construction.

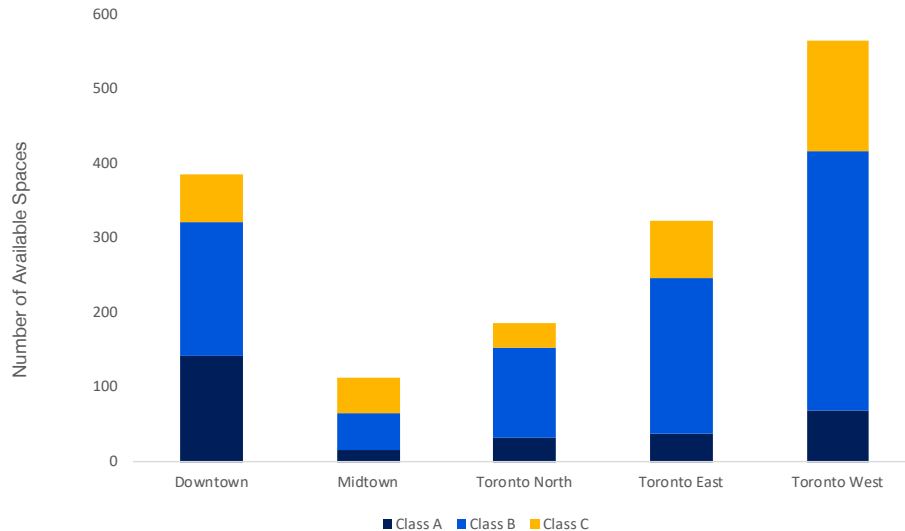
New Construction and Absorption

“As vacancy rates further decrease, there continues to be upward pressure on rental rates.”



GTA Overview

Availability By Market



Significant Availabilities

| Market | Address | Size (SF) |
|----------|------------------|-----------|
| Downtown | 65 King Street E | 400,418 |
| Downtown | 8 Spadina Avenue | 389,820 |
| Downtown | 16 York Street | 321,904 |
| Downtown | 320 Bay Street | 304,400 |

Office Market Insights

1

Downtown Toronto continues to drive the market, holding its title as the tightest metropolitan in North America. It continues to favour landlords, with net rents as high as \$35.14, while suburban markets favor tenants.

2

Cadillac Fairview announced the purchase of East Harbour from First Gulf. The publicly acclaimed Canary Wharf of Toronto. The mixed use development will add 10M SF of commercial development to the Toronto market helping alleviate the pressure.

3

The technology and co-working sector lead the way in demand for office space in Toronto's Downtown.

4

Although we have numerous projects in the development pipeline in the downtown office market, the majority are preleased. We do not anticipate demand to be alleviated in the near term



Toronto Sites Under Development

104,000 SF

Of supply added to the
GTA office market in Q3 2019

11.8M

Total SF

Of the 11.8M SF of total
construction in the GTA, 1.5M SF is
set to come to market in 2019

Midtown Toronto

Q3 2019



Supply

22,103,289 SF



Vacancy

2.8%



Average Net Rent

\$29.37/SF



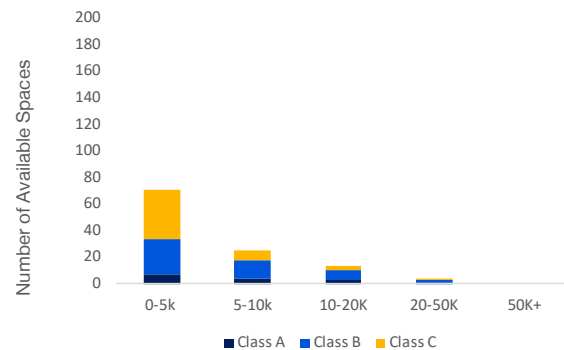
Net Absorption

134,787 SF

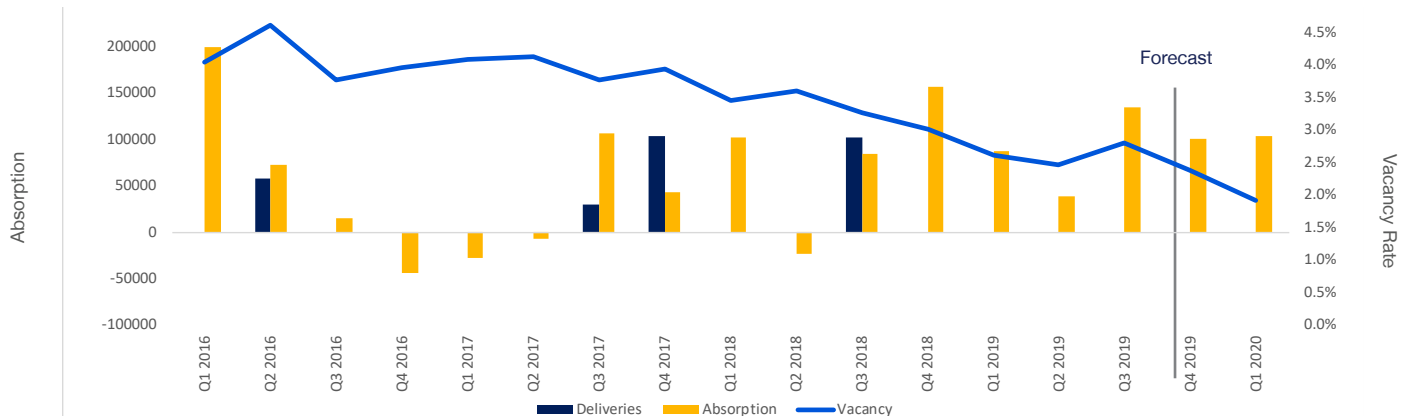
Vacancy Rate

| | Q1 | Q2 | Q3 | |
|-----------|------|------|------|---|
| Bloor | 2.8% | 2.4% | 2.8% | ▲ |
| St. Clair | 1.3% | 1.2% | 1.2% | ▶ |
| Eglinton | 3.0% | 3.4% | 3.8% | ▲ |
| Overall | 2.6% | 2.5% | 2.8% | ▲ |

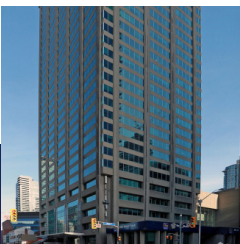
Availability Trends



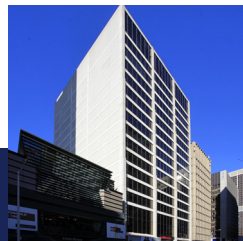
New Construction and Absorption



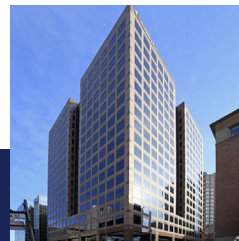
Significant Availabilities



2 Bloor Street E
89,829 SF



80 Bloor Street W
50,288 SF



175 Bloor Street E
41,267 SF



250 Davisville Ave
31,403 SF

Downtown Toronto

Q3 2019



Supply

94,874,676 SF



Vacancy

3.0%



Average Net Rent

\$35.14/SF



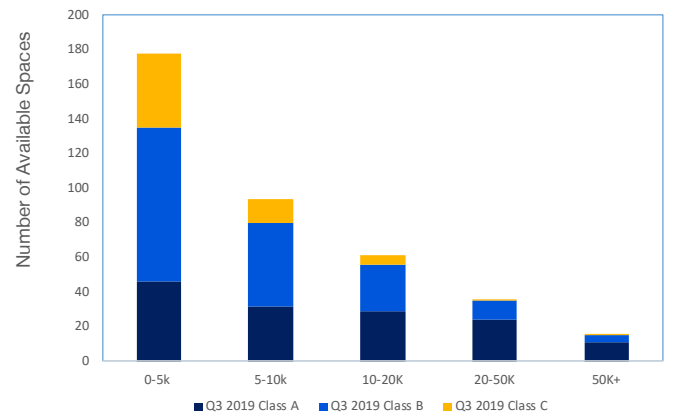
Net Absorption

1,004,193 SF

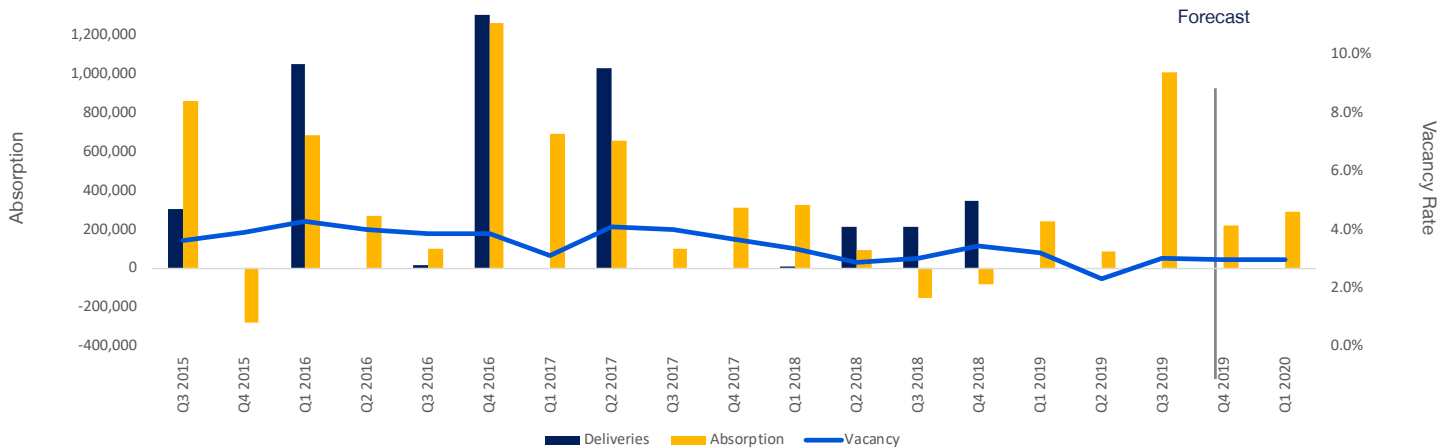
Vacancy Rate

| | Q1 | Q2 | Q3 | |
|----------------------|------|------|------|---|
| Financial Core | 5.0% | 4.4% | 4.4% | ▶ |
| Outer Financial Core | 3.8% | 3.9% | 3.9% | ▶ |
| Downtown North | 0.9% | 0.9% | 0.9% | ▶ |
| Downtown South | 1.6% | 1.6% | 1.1% | ▼ |
| Downtown East | 2.7% | 3.2% | 2.1% | ▼ |
| Downtown West | 1.4% | 2.4% | 2.1% | ▼ |
| King/Dufferin | 2.0% | 1.6% | 1.5% | ▼ |
| Overall | 3.2% | 3.1% | 3.0% | ▼ |

Availability Trends



New Construction and Absorption



Significant Availabilities



65 King St E

400,418 SF

*Under Construction



8 Spadina Ave

389,820 SF

*Under Construction



16 York St

321,904 SF

*Under Construction



320 Bay St

304,400 SF

*Under Renovation

Toronto North

Q3 2019



Supply

23,895,786 SF



Vacancy

5.8%



Average Net Rent

\$19.89/SF



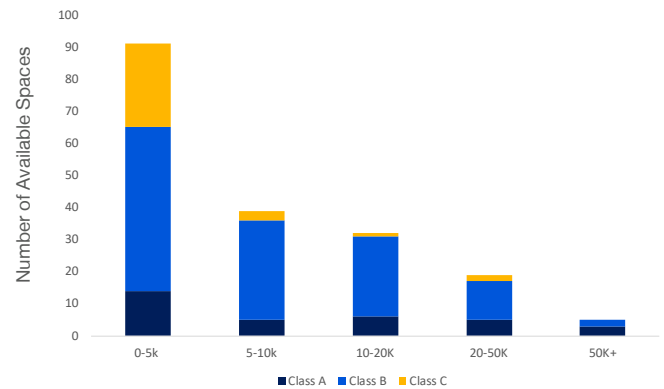
Net Absorption

334,681 SF

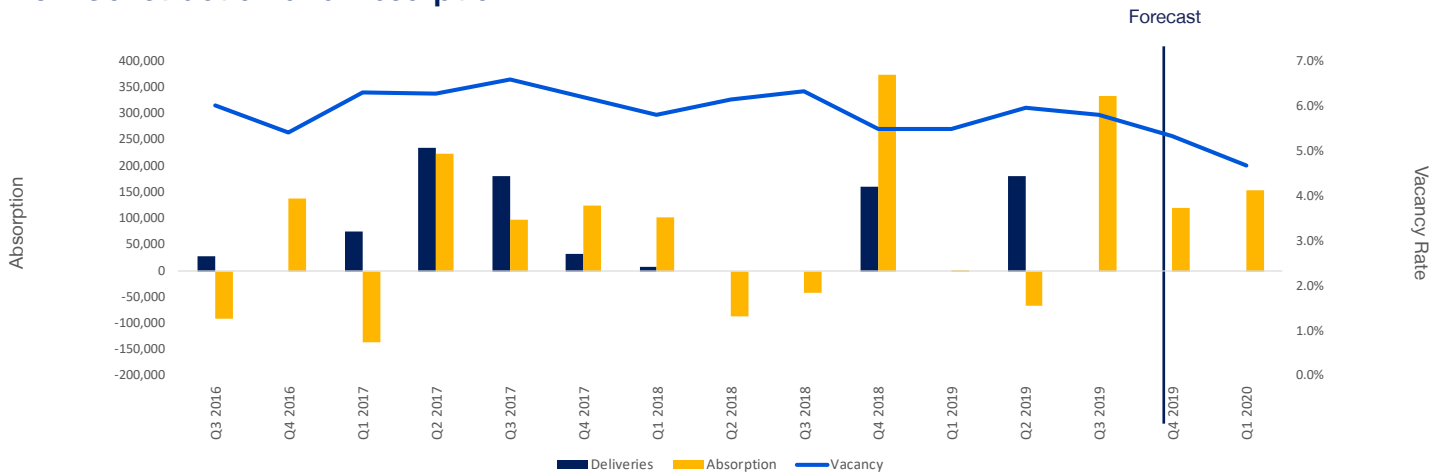
Vacancy Rate

| | Q1 | Q2 | Q3 | |
|----------------------|------|------|------|---|
| North Toronto Region | 4.2% | 6.9% | 4.8% | ▼ |
| North Yonge Corridor | 6.0% | 7.1% | 7.4% | ▲ |
| Vaughan | 3.1% | 6.5% | 3.6% | ▼ |
| North York West | 8.7% | 3.5% | 6.6% | ▲ |
| Overall | 5.5% | 6.0% | 5.8% | ▼ |

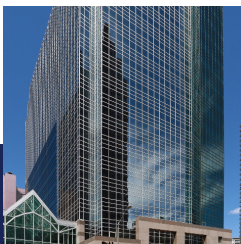
Availability Trends



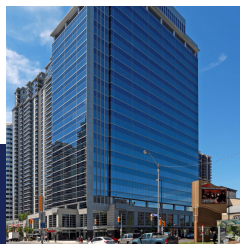
New Construction and Absorption



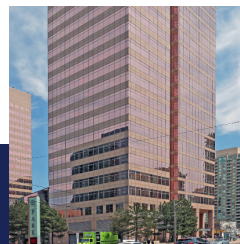
Significant Availabilities



5150 Yonge St
182,540 SF



5000 Yonge St
121,478 SF



5650 Yonge St
112,905 SF



6220 Highway 7 W
96,530 SF

Toronto East

Q3 2019



Supply

46,223,377 SF



Vacancy

5.4%



Average Net Rent

\$16.89/SF



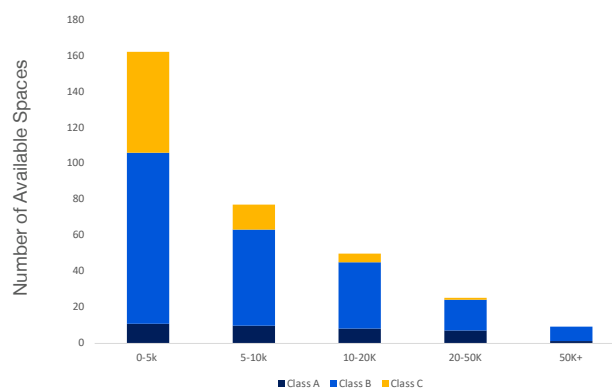
Net Absorption

659,526 SF

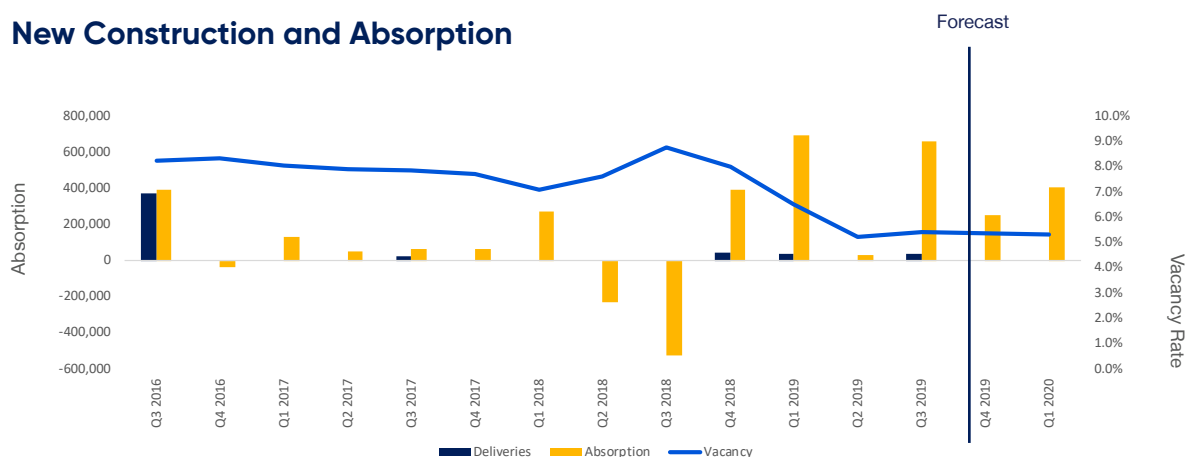
Vacancy Rate

| | Q2 | Q3 | Q4 | |
|----------------------------|-------|-------|------|---|
| Consumers Road | 11.1% | 10.2% | 9.5% | ▼ |
| DVP N/Duncan Mill | 8.7% | 9.1% | 6.9% | ▼ |
| DVP S/Don Mills/Eglinton | 5.0% | 5.1% | 4.9% | ▼ |
| East Toronto Region | 3.8% | 2.3% | 3.2% | ▲ |
| Gordon Baker/Victoria Park | 7.2% | 6.4% | 5.6% | ▼ |
| Markham/Richmond Hill | 5.3% | 5.1% | 4.1% | ▼ |
| Scarborough | 10.3% | 8.6% | 8.6% | ► |
| South East Toronto Region | 4.3% | 4.2% | 3.3% | ▼ |
| Steeles/Woodbine | 3.0% | 2.7% | 2.5% | ▼ |
| Overall | 6.5% | 6.0% | 5.4% | ▼ |

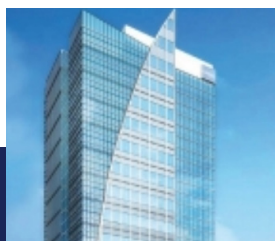
Availability Trends



New Construction and Absorption



Significant Availabilities



1 Steeplecase Rd W
201,840 SF



160 McNabb St
220,000 SF



300 Consilium Pl
190,291 SF



2200 - 2206 Eglinton Ave E
167,920 SF

Toronto West

Q3 2019



Supply

60,247,132 SF



Vacancy

7.3%



Average Rent

\$17.27/SF



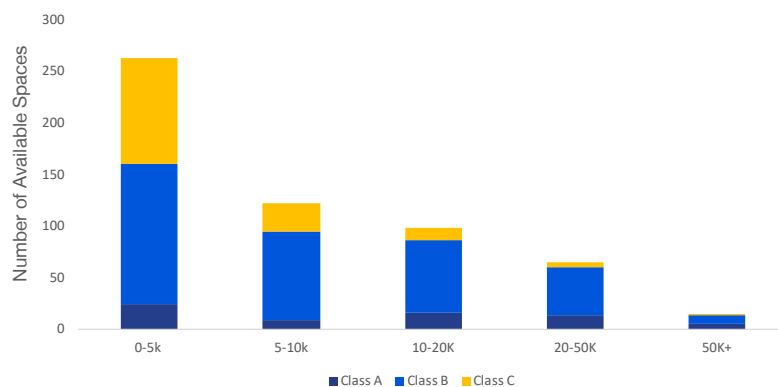
Net Absorption

987,920 SF

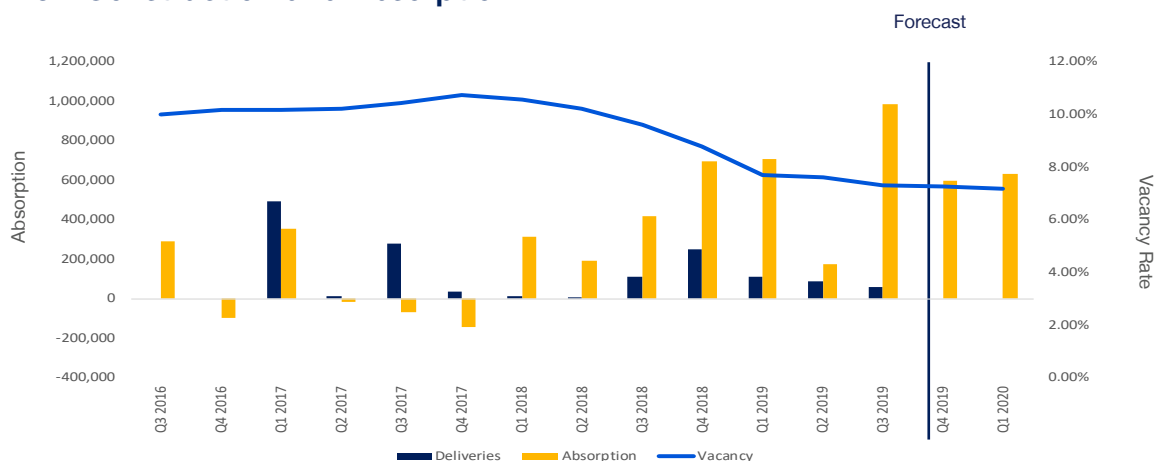
Vacancy Rate

| | Q1 | Q2 | Q3 | |
|----------------------------------|-------|-------|-------|---|
| 427 Corridor/Bloor/Islington | 10.2% | 11.7% | 9.8% | ▼ |
| Airport/Airport Corporate Centre | 8.1% | 7.7% | 6.7% | ▼ |
| Brampton | 3.1% | 2.2% | 1.1% | ▼ |
| Burlington | 7.2% | 7.8% | 7.0% | ▼ |
| City Centre | 8.5% | 8.2% | 8.4% | ▲ |
| Hwy 10/Hwy 401 | 10.2% | 7.9% | 7.3% | ▼ |
| Meadowvale | 6.9% | 6.7% | 10.4% | ▲ |
| Mississauga South | 11.2% | 8.8% | 8.4% | ▼ |
| Oakville | 11.1% | 9.8% | 9.9% | ▲ |
| West Toronto Region | 2.3% | 4.3% | 3.0% | ▼ |
| Overall | 7.7% | 7.6% | 7.3% | ▼ |

Availability Trends



New Construction and Absorption



Significant Availabilities



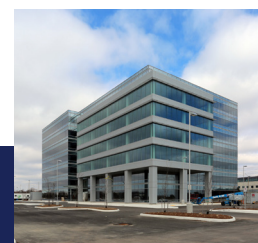
2300 Meadowvale Blvd
242,992 SF



501 Alliance Ave
174,099 SF



649 N Service Rd
124,007 SF



2201 Bristol Cir
119,594 SF

Project Highlight



Beazley Group – 100 King Street West, Toronto



Industry:

Insurance

Size:

8,000 SF

Services:

Strategic Planning
Transaction Management
Project Management
Interior Design



Development Pipeline



| Development | Owner | Size (SF) | Completion Date |
|---------------------------|---------------------------------|-----------|-----------------|
| 1 80 Atlantic Avenue | Hullmark Development Ltd | 96,717 | Q4 2019 |
| 2 99 Atlantic Avenue | Keveric Real Estate Corporation | 151,264 | Q2 2020 |
| 3 147 East Liberty Street | Lifetime Developments | 157,100 | Q4 2021 |
| 4 8 Spadina Avenue | Allied & RioCan | 1,089,740 | Q2 2021 |
| 5 336 Queen Street W | The Pearl Group | 43,185 | Q1 2020 |
| 6 19 Duncan Street | Allied & Westbank | 167,352 | Q1 2021 |
| 7 160 Front Street W | Cadillac Fairview | 1,258,000 | Q3 2022 |
| 8 40 Temperance Street | Brookfield | 820,000 | Q1 2022 |
| 9 65 King Street East | Cartera | 416,223 | Q4 2020 |
| 10 16 York Street | Cadillac Fairview & OTPB | 879,000 | Q3 2020 |
| 11 141 Bay Street | Ivanhoe Cambridge | 1,431,388 | Q3 2020 |
| 12 81 Bay Street | Ivanhoe Cambridge | 1,577,000 | Q3 2020 |
| 13 100 Queens Quay East | Menkes & Greyston & Triovest | 675,000 | Q2 2021 |
| 14 125 Queens Quay East | Menkes | 493,308 | Q2 2021 |
| 15 25 Ontario Street | First Gulf & HOPP | 460,000 | Q1 2022 |

About Cresa Toronto

Cresa is the world's largest commercial real estate firm that exclusively represents occupiers of space. By not taking listings on behalf of landlords or developers, we are able to provide our clients with objective, conflict-free advice.

For the last 30 years, Cresa's Toronto office has worked alongside our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money. Our integrated team of real estate advisors, project managers, designers, and analysts, listen to occupiers' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions. And it's this relentless focus on our clients that has earned us numerous industry awards along the way.

Contact

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