

Toronto Office

2018 Market Insight Report



Q4 2018

cresa

Market Overview



81 Bay Street | CIBC Square | Ivanhoe Cambridge Development

Market Trends

The Finance, Technology and Medical sectors led the way in Toronto leasing activity for 2018 and assisted in decreasing the overall GTA vacancy rate to 5.2% from 5.9%. Q4 of 2018 saw a significant reduction in quarter-over-quarter vacancy, primarily driven by leasing activity in the North, East and West markets.

While Downtown Toronto remained at historically low levels in Q4, affordability and lack of built out space has resulted in smaller tenants seeking options in secondary markets with growing amenities and value plays.

With the low vacancy and high demand dynamic, construction activity has picked up. However, relief in the form of significant new supply in downtown will not come until late 2020 and beyond. As a result, these strong fundamentals will continue to strengthen landlords' negotiating leverage and the GTA will likely continue to experience strong rental rate growth.

Leasing Spotlight

Toronto, Ontario 2018 Q4



38
Deals
Completed



421K SF
Leased

Notable Lease Transactions

1. Wescam Inc., 124,121 SF **cresa**
2. Cassells Brock & Blackwell LLP, 104,000 SF
3. AGF Management Limited, 97,000 SF
4. IMCO, 57,944 SF **cresa**
5. Astellas Pharma Canada Inc., 32,408 SF **cresa**

GTA Overview



Supply

268,253,676 SF



Vacancy

5.2%



Average Net Rent

\$19.39/SF



Absorption

1,945,379 SF

Arrows Indicate One Quarter Change

Vacancy Rate

	Q2	Q3	Q4	
Midtown	3.6%	3.7%	3.0%	▼
Downtown	3.2%	3.4%	3.4%	►
Toronto North	6.2%	6.3%	4.8%	▼
Toronto East	8.8%	8.0%	6.5%	▼
Toronto West	10.2%	9.8%	8.8%	▼
Overall GTA	6.1%	5.9%	5.2%	▼

Vacancy Rates & Availability Rates

Vacancy Rates

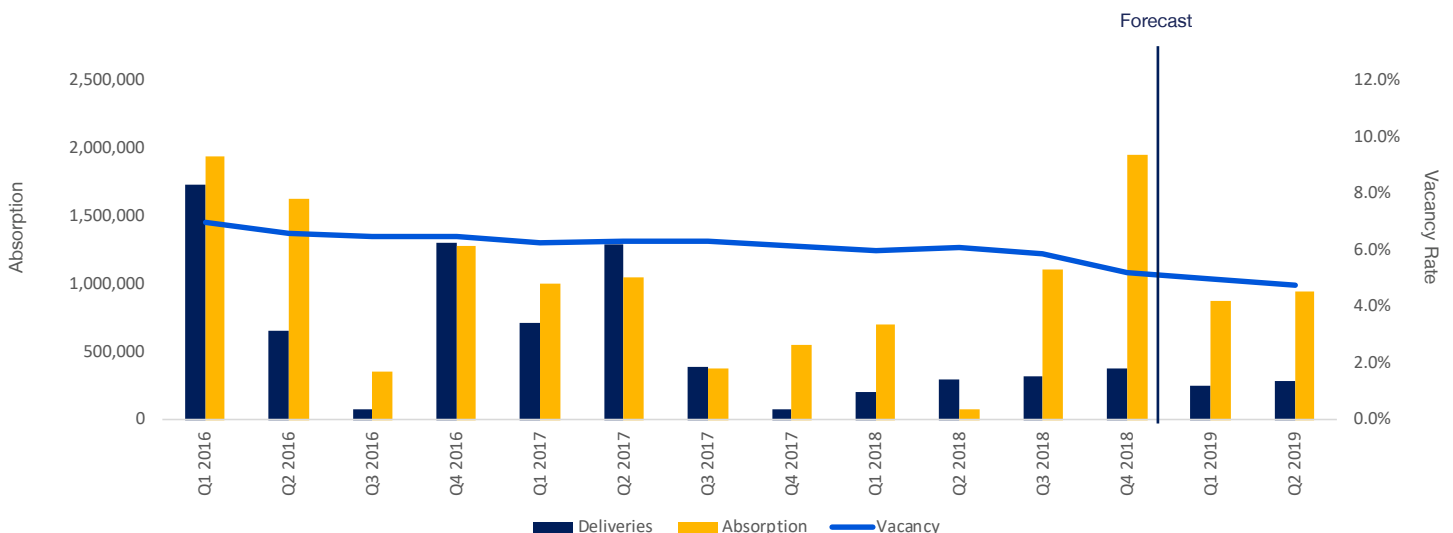
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

Availability Rates

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

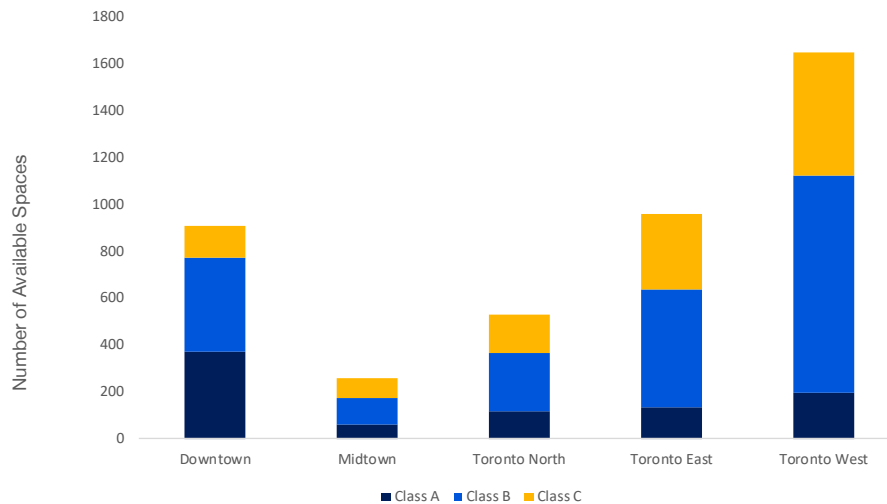
New Construction and Absorption

“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	16 York Street	566,857
Downtown	25 Ontario Street	358,924
West	2300 Meadowvale Blvd	242,992
North	5000 Yonge Street	123,207

Office Market Insights

1

With unemployment at record low levels and high projected job growth, the GTA office leasing market will continue to get tighter.

2

Strong absorption and leasing activity indicate continued growth into 2019, effectively placing downward pressure on vacancy and providing Landlords with greater bargaining power.

3

Vacant-available space is at historic lows, leading Tenants to pursue options in design builds/new developments and properties under construction.

4

Toronto West will continue to experience decreasing vacancy as there is projected demand growth and minimal new construction coming on-line for 2019.

5

The trend of increasing construction costs has an inverse relationship with developments, causing landlords to become more risk-averse to future expansion projects.



Toronto Sites Under Development

(Year-end 2018)

8M
Total SF

Pre-leased
Construction
17.5%

Of the 8M SF of total
construction in Toronto,
5.9M SF is in Downtown
Toronto

Midtown Toronto

Q4 2018



Supply
22,527,139 SF



Vacancy
3.0%



Average Net Rent
\$27.67/SF

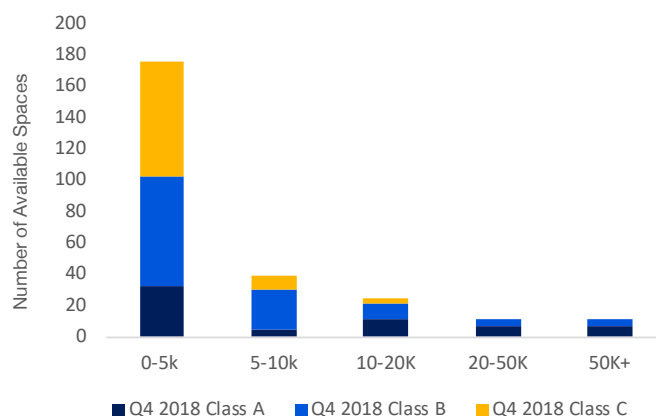


Net Absorption
322,113 SF

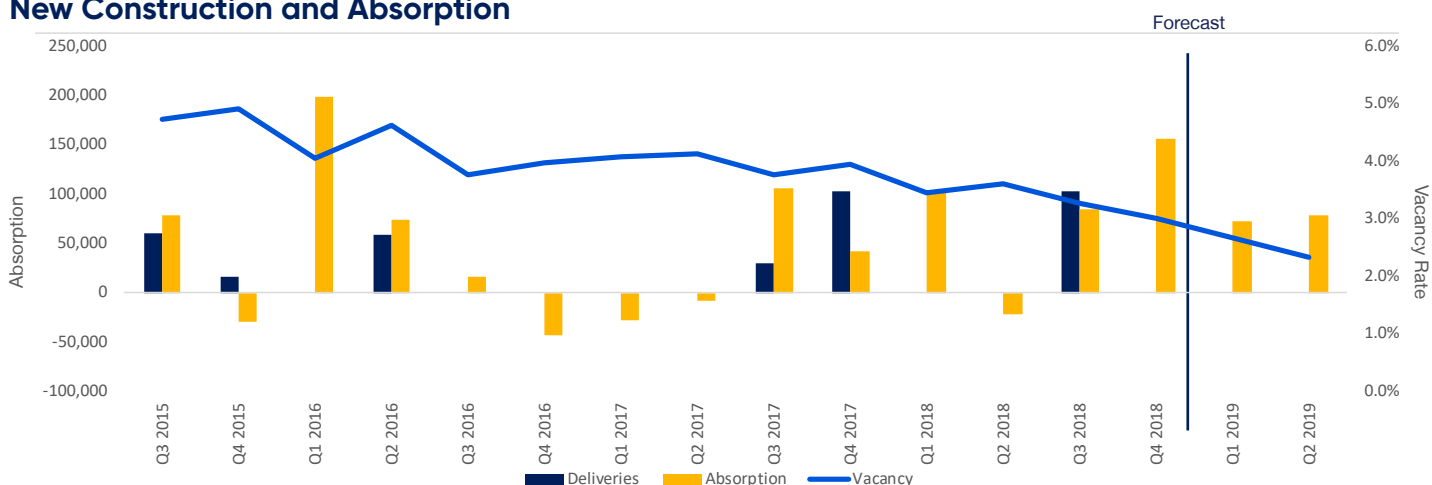
Vacancy Rate

	Q2	Q3	Q4	
Bloor	3.6%	4.3%	3.6%	▼
St. Clair	2.2%	2.0%	1.1%	▼
Eglinton	4.7%	3.4%	2.8%	▼
Overall	3.6%	3.7%	3.0%	▼

Availability Trends



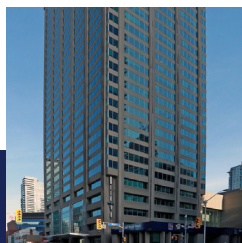
New Construction and Absorption



Significant Availabilities



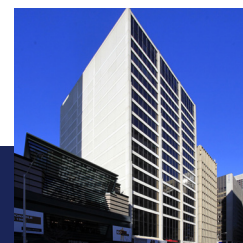
59 Hayden Street
95,066 SF



2 Bloor Street E
79,504 SF



2161 Yonge Street
60,840 SF



80 Bloor Street W
73,064 SF

Downtown Toronto

Q4 2018



Supply

94,730,975 SF



Vacancy

3.4%



Average Net Rent

\$33.44/SF



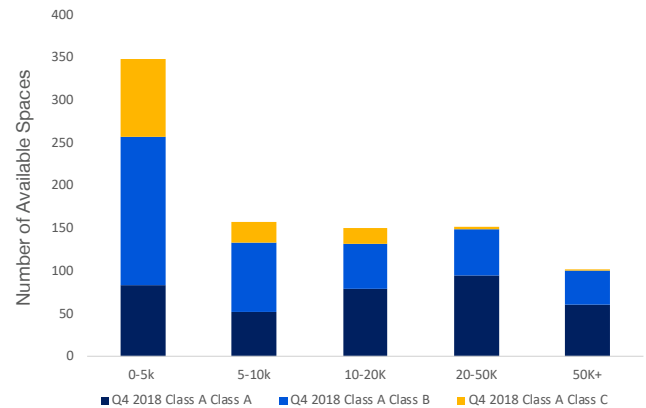
Net Absorption

-85,232 SF

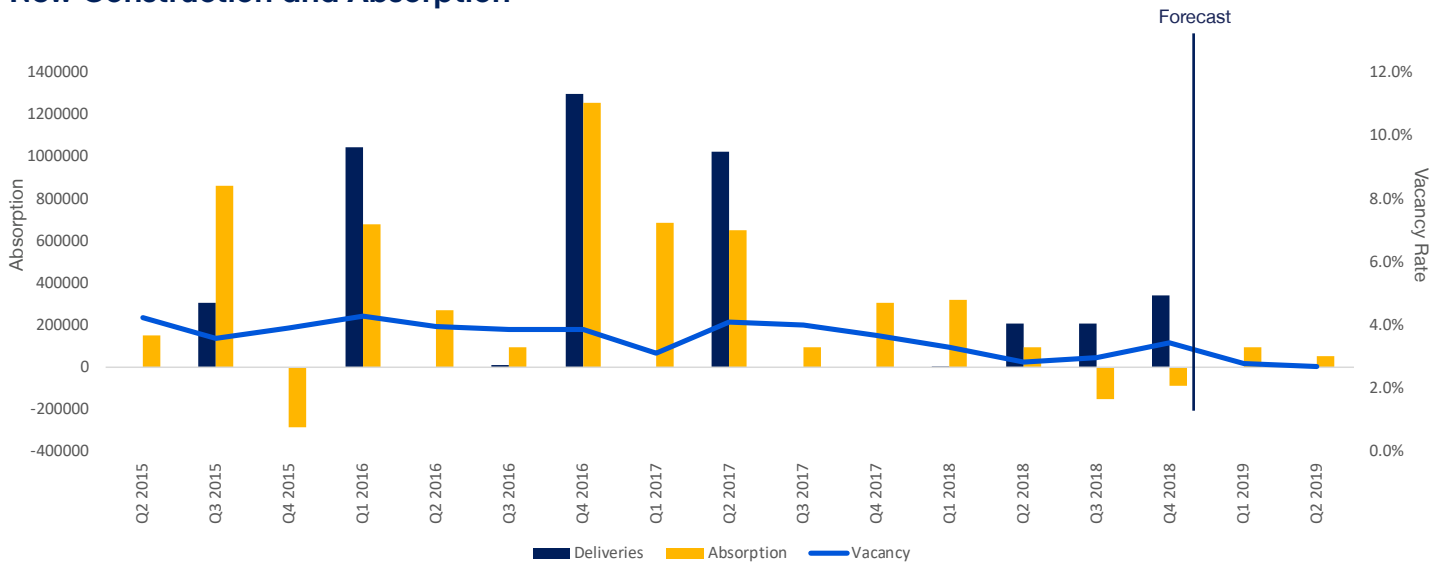
Vacancy Rate

	Q2	Q3	Q4	
Financial Core	4.5%	4.4%	4.9%	▲
Outer Financial Core	1.9%	2.4%	3.6%	▲
Downtown North	1.8%	1.5%	1.3%	▼
Downtown South	2.2%	2.8%	1.9%	▼
Downtown East	1.8%	2.0%	1.7%	▼
Downtown West	2.5%	2.7%	5.0%	▲
King/Dufferin	4.2%	3.6%	2.8%	▼
Overall	2.9%	3.0%	3.4%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



8 Spadina Avenue

260,683 SF

*Under Construction



16 York Street

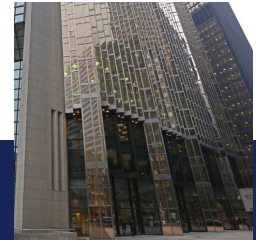
566,857 SF



25 Ontario Street

358,924 SF

*Under Construction



200 Bay Street

186,640 SF

*Under Construction

Toronto North

Q4 2018



Supply

23,860,509 SF



Vacancy

4.8%



Average Net Rent

\$19.20/SF



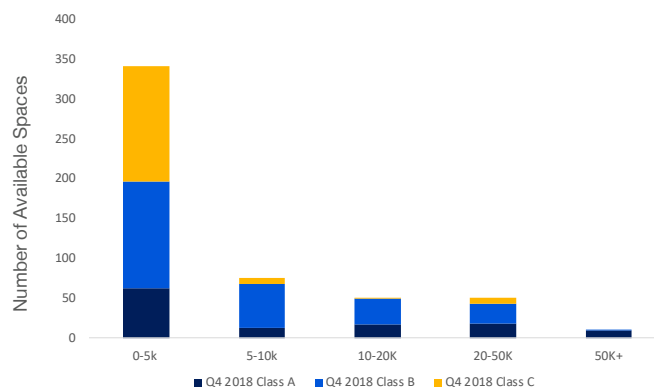
Net Absorption

374,169 SF

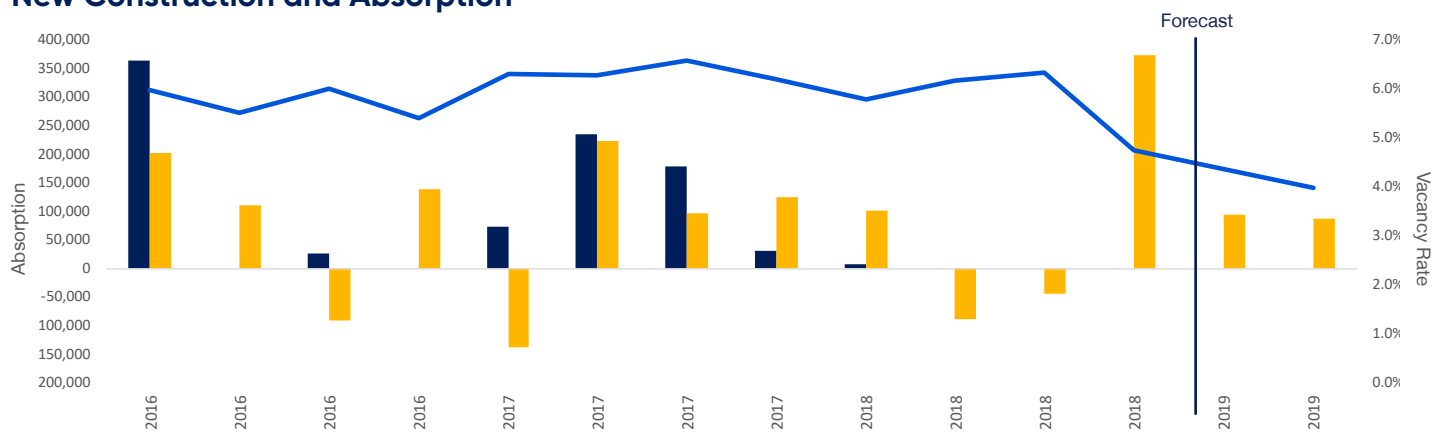
Vacancy Rate

	Q2	Q3	Q4	
North Toronto Region	4.3%	3.8%	3.6%	▼
North Yonge Corridor	7.3%	8.6%	5.5%	▼
Vaughan	3.8%	4.5%	3.8%	▼
North York West	6.5%	6.0%	5.6%	▼
Overall	6.2%	6.3%	4.8%	▼

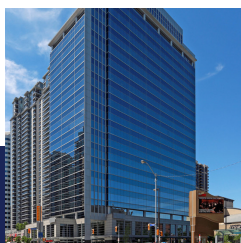
Availability Trends



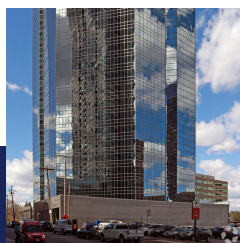
New Construction and Absorption



Significant Availabilities



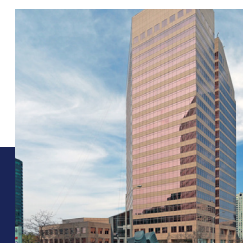
5000 Yonge Street
123,207 SF



25 Sheppard Ave. W
111,566 SF



40 Carl Hall Road
97,900 SF



5700 Yonge Street
95,484 SF

Toronto East

Q4 2018



Supply

46,365,723 SF



Vacancy

6.5%



Average Net Rent

\$16.40/SF



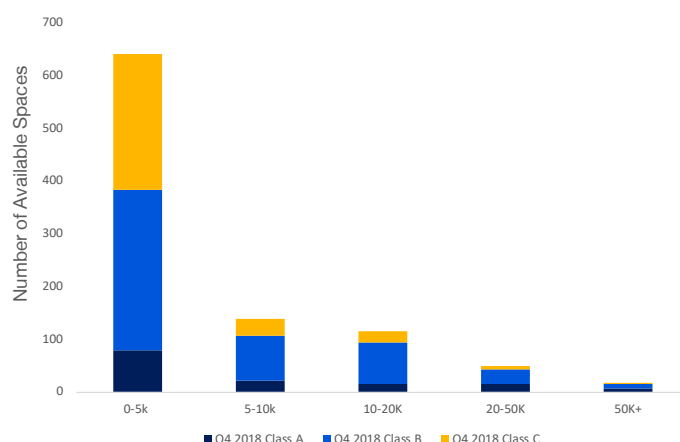
Net Absorption

692,591 SF

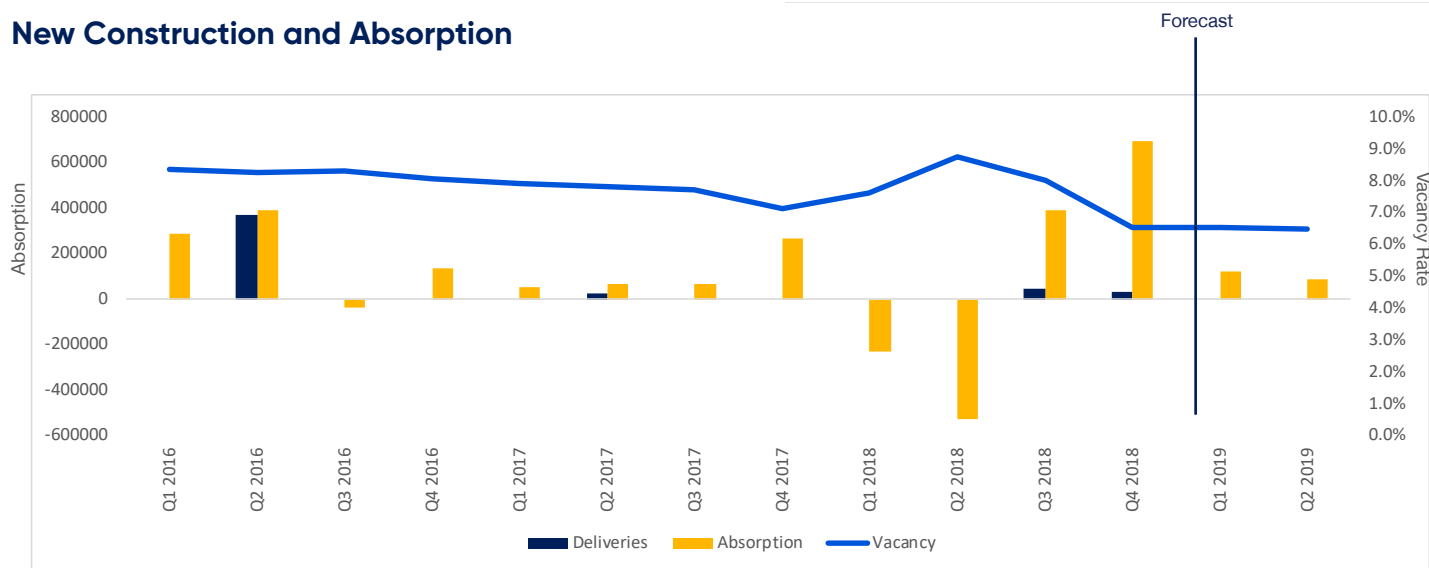
Vacancy Rate

	Q2	Q3	Q4	
Consumers Road	11.0%	10.0%	10.1%	▲
DVP N/Duncan Mill	12.2%	13.1%	8.2%	▼
DVP S/Don Mills/Eglinton	12.1%	6.0%	5.3%	▼
East Toronto Region	4.3%	4.4%	4.4%	►
Gordon Baker/Victoria Park	13.8%	14.1%	7.5%	▼
Markham/Richmond Hill	6.2%	6.4%	5.6%	▼
Scarborough	12.6%	12.3%	10.2%	▼
South East Toronto Region	5.4%	4.6%	3.8%	▼
Steeles/Woodbine	3.5%	3.5%	3.4%	▼
Overall	8.8%	8.0%	6.5%	▼

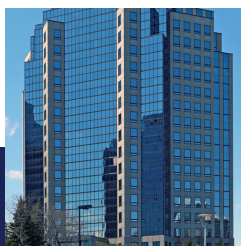
Availability Trends



New Construction and Absorption



Significant Availabilities



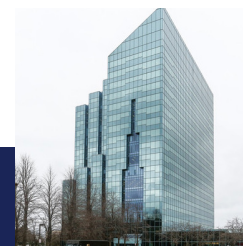
300 Consilium Place
190,291 SF



3600 Steeles Ave E
172,889 SF



**2200-2206 Eglinton
Avenue East**
159,773 SF



2235 Sheppard Ave E
155,753 SF

Toronto West

Q4 2018



Supply

59,501,480 SF



Vacancy

8.8%



Average Rent

\$17.76/SF



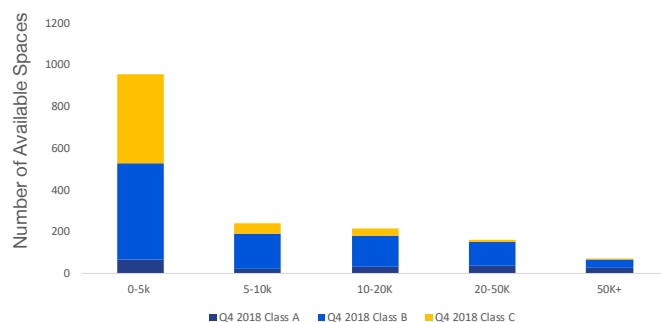
Net Absorption

698,662 SF

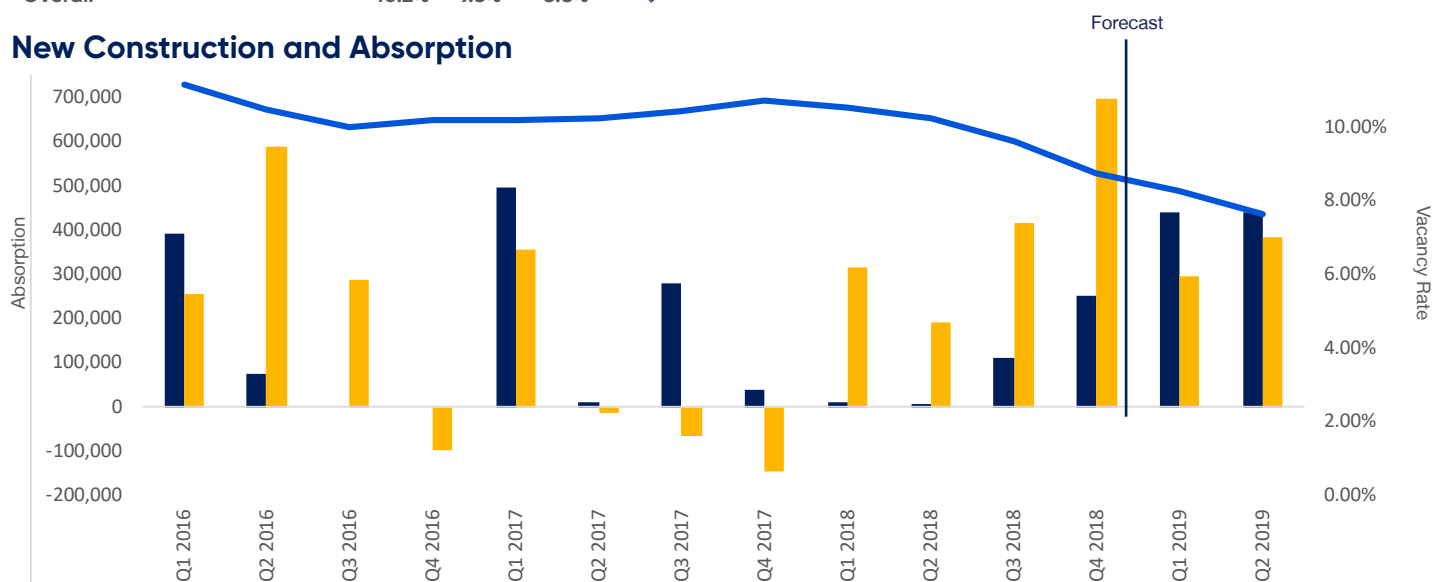
Vacancy Rate

	Q2	Q3	Q4	
427 Corridor/Bloor/Islington	15.3%	14.8%	13.2%	▼
Airport/Airport Corporate Centre	13.4%	10.3%	9.5%	▼
Brampton	7.6%	5.3%	5.0%	▼
Burlington	7.6%	7.8%	7.5%	▼
City Centre	10.0%	8.9%	7.9%	▼
Hwy 10/Hwy 401	12.8%	13.5%	10.7%	▼
Meadowvale	8.6%	9.6%	7.8%	▼
Mississauga South	15.0%	12.9%	12.0%	▼
Oakville	11.3%	10.8%	11.2%	▲
West Toronto Region	3.9%	4.8%	4.5%	▼
Overall	10.2%	9.8%	8.8%	▼

Availability Trends



New Construction and Absorption



Significant Availabilities



2300 Meadowvale Blvd
242,992 SF



3100 Mainway
172,000 SF



6 Monogram Place
310,897 SF



6890 Kenderly Gate
132,716 SF

Development Pipeline



Upcoming Downtown
Development Sites

 Downtown Toronto Developments

Development	Owner	Size (SF)	Completion Date
1 8 Spadina Avenue - The WELL	Allied RioCan	1,450,000	Q2 2021
2 160 Front Street	Cadillac Fairview	1,258,000	Q4 2022
3 16 York Street	Cadillac Fairview	879,000	Q3 2020
4 100 Queens Quay East - LCBO Tower	Menkes	763,000	Q2 2021
5 81 Bay Street - CIBC Square Phase I	Ivanhoe Cambridge	1,577,000	Q3 2020
6 141 Bay Street - CIBC Square Phase II	Ivanhoe Cambridge	1,400,000	Q4 2022
7 65 King Street East	Carttera	403,812	Q4 2020
8 125 Queens Quay East - Waterfront Innovation Centre	Menkes	400,000	Q4 2020
9 40 Temperance Street - Bay Adelaide North	Brookfield	820,000	Q1 2022
10 19 Duncan Street - Duncan House	ALLIED Westbank	146,689	Q1 2021
11 25 Ontario Street - The Shift	FIRST GULF	460,000	Q1 2022



Sites Under Development

5.41M
Total SF

Permitted And/Or
Under Construction

3.31M SF

Non-Permitted
Development

2.1M SF

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

For more information about Cresa and the Toronto Market, please contact:

Cresa Toronto Inc., Brokerage
170 University Avenue, Suite 1100
Toronto, ON M5H 3B3
416.862.2666
cresa.com

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