



Toronto Office

# 2021 Market Insight Report

Q2 2021

cresa



# Market Overview



## Q2 2021 Market Trends

Pinterest's New Office at 85 Richmond Street West

Despite the initial success of Ontario's secondary COVID-19 vaccine roll-out, vacancy and availability rates continued to rise across the Greater Toronto Area (GTA), with vacancy increasing 90 basis points (bps) to 8.0% and availability increasing 70 bps to 10.4% compared to Q1 2021. For the first time since the pandemic's initial outbreak, the GTA posted positive net absorption at 358,609 SF. However, it is worth recognizing that much of this absorption is attributed to the completion of CIBC Square's 1.5M SF tower at 81 Bay Street.

Downtown markets showed a sharp increase in virtual and in-person tours this quarter as tenants evaluated the prospect of new organizational designs, workstyles, and corporate cultures. Though this does indicate that the market is recovering, transaction volume remains well below pre-pandemic levels. Those rare tenants that are transacting are doing so because they are either: facing an expiration date, or are in an industry that has benefited from the pandemic's influence. In the latter category, image-based social media platform Pinterest took over 50,000 SF across three floors from TouchBistro at 85 Richmond Street West in June. Previously located in a WeWork co-working space at 1 University Avenue, Pinterest's growth is attributed to the pandemic launch of its Verified Merchant Program. Microsoft also expanded its GTA presence by acquiring the 28-acre, 6100 Langstaff Road site to fuel the growth of its cloud data services offering. Comparatively, tenants Uber, TMX Group, and Intellex have all withdrawn their headquarter subleases from the market in anticipation of the return to office movement.

GTA average net asking rents fell only \$0.16 to \$22.38 PSF for the quarter as downtown and midtown Toronto markets showed sharp increases to \$32.47 PSF and \$25.63 PSF, respectively. As many landlords project the return to office movement to occur later this year, or in early 2022, they are looking to preserve their face rates by offering catered inducement packages to help tenants return effectively.

Increased vacancy and availability trends are expected to continue well into the new year, with deal volume remaining well below pre-pandemic standards. With many tenants across the GTA targeting September return to office dates, many are projecting a small bump in leasing activity during 2021's summer months.

## Significant Lease Transactions

- Huawei Technologies, 109,500 SF, 19 Allstate Parkway
- Pinterest, 50,000 SF, 85 Richmond Street West
- Intel, 48,500 SF, 150 Bloor Street West
- Ransom Music Group, 22,500 SF, 860 Richmond Street West
- Harris Sheaffer LLP, 16,500 SF, 4881 Yonge Street
- Mother Parkers, 15,000 SF, 191 The West Mall

# GTA Overview

Q2 2021



Supply  
261,003,866 SF



Vacancy  
8.0%



Average Net Rent  
\$22.38/SF



Net Absorption  
358,609 SF

Arrows Indicate One Quarter Change

## Vacancy Rate

	Q4	Q1	Q2	
Downtown	3.9%	5.2%	6.1%	▲
Midtown	4.5%	5.2%	5.7%	▲
Toronto North	7.3%	7.6%	8.4%	▲
Toronto East	7.9%	8.3%	8.8%	▲
Toronto West	9.0%	10.9%	11.2%	▲
Durham	4.1%	3.8%	3.3%	▼
Overall GTA	6.3%	7.1%	8.0%	▲

## Vacancy Rates & Availability Rates

### Vacancy Rates

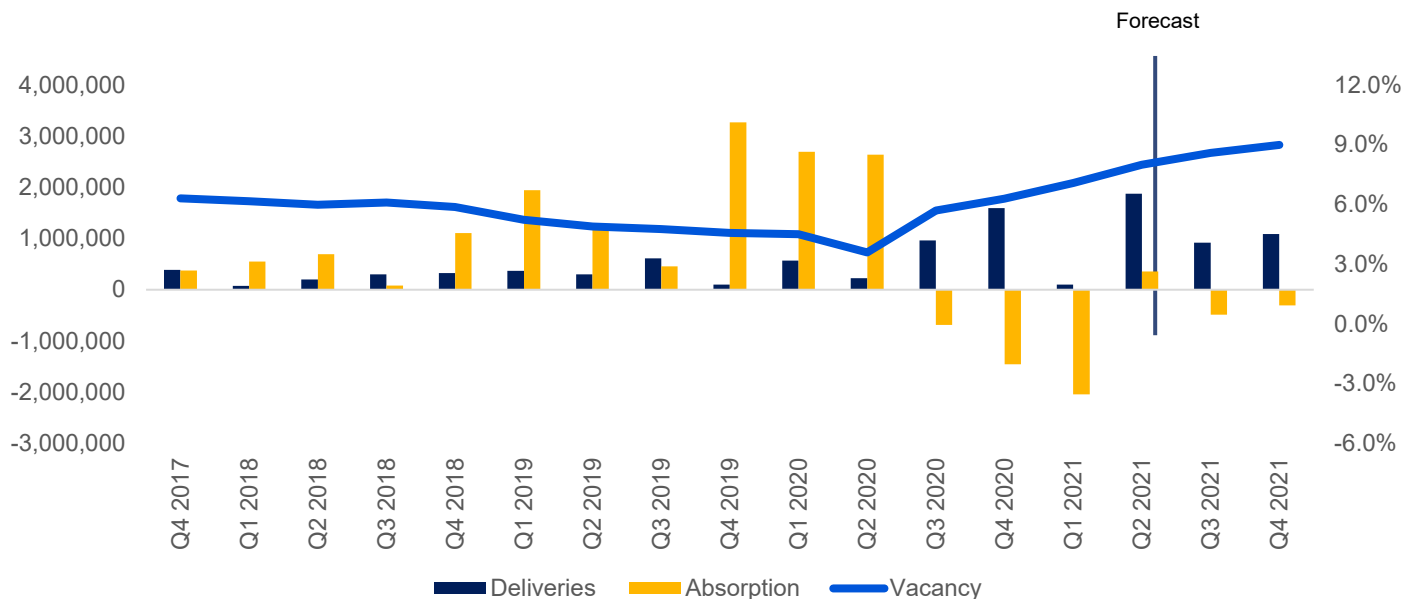
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

### Availability Rates

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

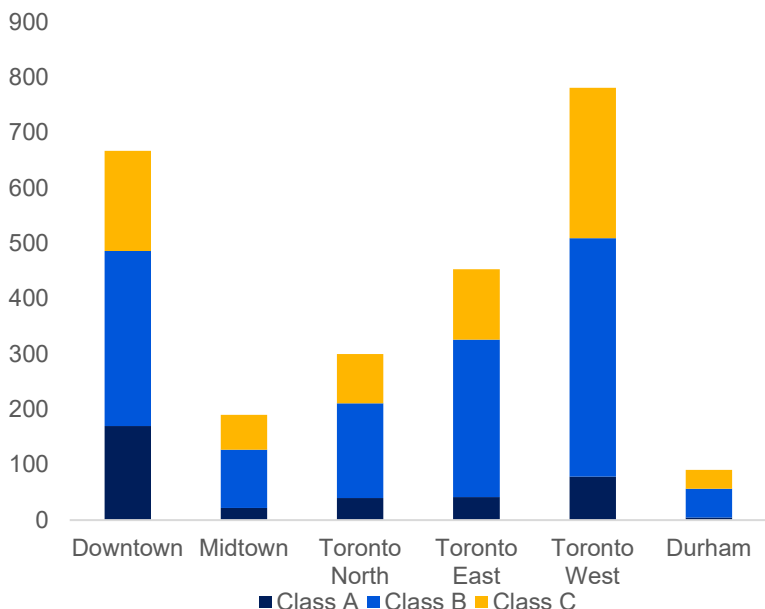
Downtown markets showed a sharp increase in virtual and in-person tours this quarter as tenants evaluated the prospect of new organizational designs, workstyles, and corporate cultures."

## New Construction and Absorption



# GTA Overview

## Availability By Market



## Significant Availabilities

Market	Address	Size (SF)
Downtown	141 Bay Street	630,291 SF
Midtown	160 Bloor Street East	171,441 SF
Toronto North	5000 Yonge Street	117,375 SF
Toronto East	160 McNabb Street	188,500 SF
Toronto West	5025 Creekbank Road	365,925 SF
Durham	419 King Street West	65,273 SF

## Office Market Insights

1.

Subleases, as a percentage of availability, dropped from 26.7% to 24.8% this quarter with numerous tenants withdrawing their spaces from the market as part of their new return to office contingency plans. In addition to this, a handful of well-positioned tenants, including Pinterest and Ransom Music Group, have been able to shift their organizational design and workstyles by acquiring Class AAA sublets across the GTA.

2.

The GTA delivered nearly 1.9M SF worth of new supply this quarter and has another 2M SF currently set to deliver before the end of the year. These developments, which were primarily pre-leased during pre-pandemic markets, will do well to sustain negative net absorption below the -1M SF mark.

3.

First Gulf and digital infrastructure provider Stack Infrastructure revealed their plans to build a 56-megawatt data centre campus at 3950 Danforth Avenue in Toronto's east end this May. The GTA's data centre market continues to stay hot as Stack's existing clients, most notably Amazon, Google, and Microsoft, continue to expand their GTA real estate and cloud-service portfolios.

4.

International real estate developer Hines broke ground on its 415,000 SF T3 Sterling Road office development in the Junction Triangle market this quarter. This "Timber, Transit, and Technology"-focused development aims to supply technology, advertising, media, and information tenants with premiere sustainable space in one of downtown Toronto's most vibrant communities.



## GTA-Wide Availabilities over 50,000 SF

### Q2 2019

- 25 Downtown & Midtown Properties
- 64 Suburban Properties

### Q2 2021

- 88 Downtown & Midtown Properties
- 102 Suburban Properties



# Downtown Toronto

Q2 2021



Supply  
**100,452,203 SF**



Vacancy  
**6.1%**



Average Net Rent  
**\$32.47**



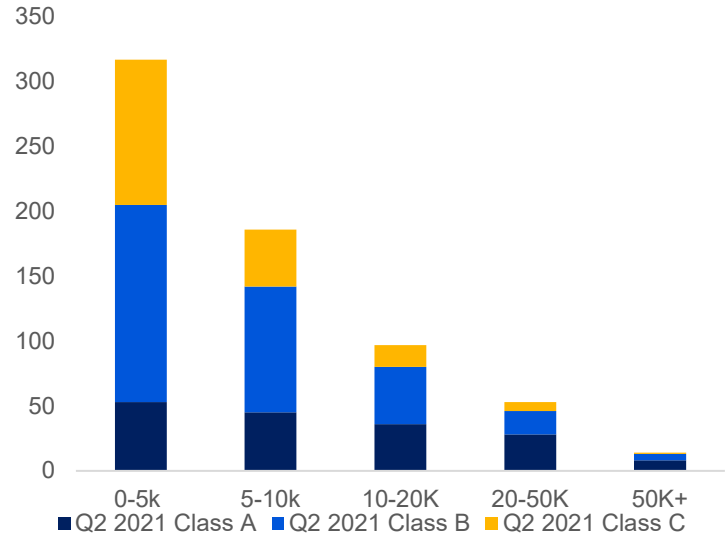
Net Absorption  
**650,294**

Arrows Indicate One Quarter Change

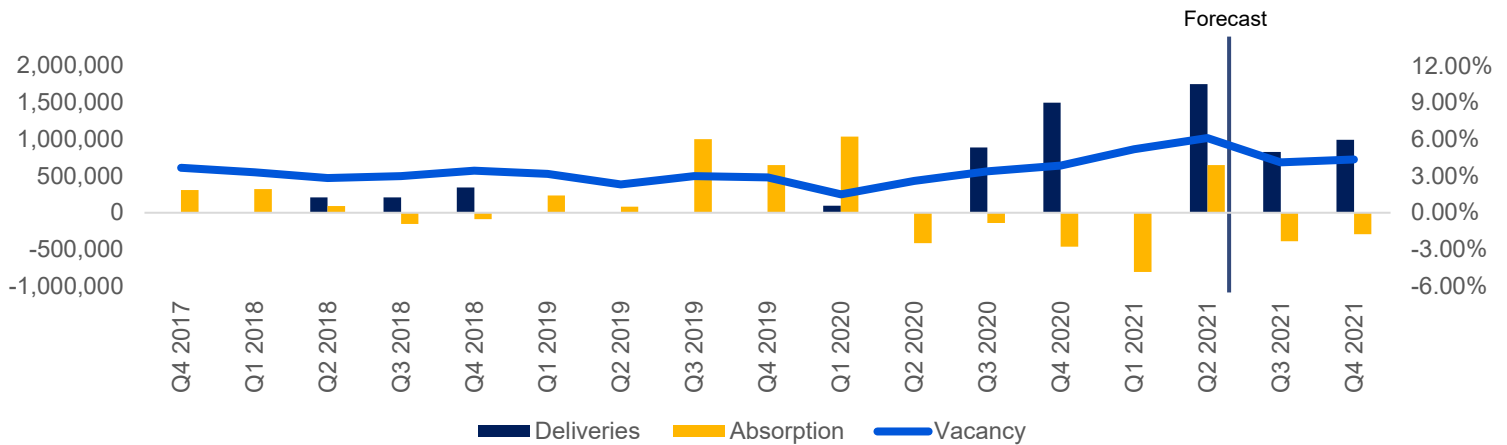
## Vacancy Rate

	Q4	Q1	Q2	
Financial Core	4.8%	5.3%	6.1%	▲
Outer Financial Core	3.4%	3.4%	4.3%	▲
Downtown North	2.6%	2.7%	4.0%	▲
Downtown South	2.2%	4.6%	5.6%	▲
Downtown East	4.4%	4.6%	5.9%	▲
Downtown West	5.5%	7.3%	8.1%	▲
King/Dufferin	2.5%	4.0%	4.5%	▲
Overall	3.9%	5.2%	6.1%	▲

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**141 Bay St**  
630,291 SF



**2 Queen St E**  
182,751 SF



**95 Wellington St W**  
154,408 SF



**25 Ontario St**  
84,109 SF

# Midtown Toronto

Q2 2021



Supply  
**22,150,628 SF**



Vacancy  
**5.7%**



Average Net Rent  
**\$25.63/SF**



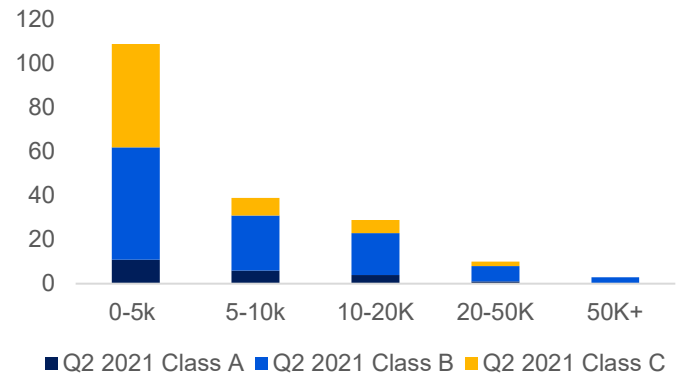
Net Absorption  
**-167,382 SF**

Arrows Indicate One Quarter Change

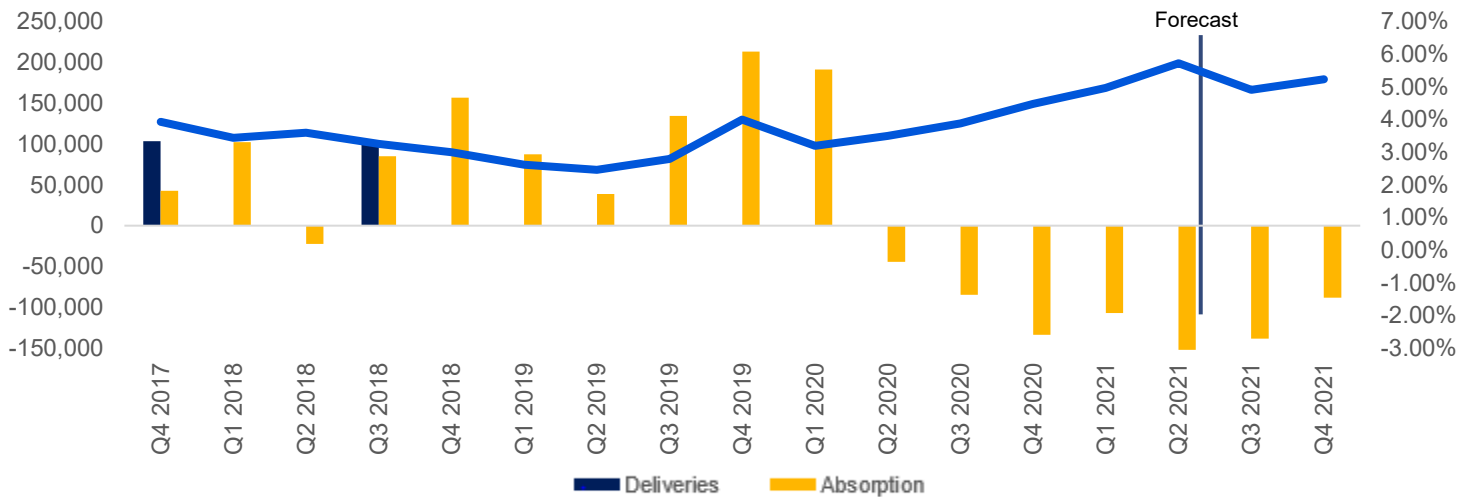
## Vacancy Rate

	Q4	Q1	Q2	
Bloor	3.6%	4.0%	5.0%	▲
St. Clair	3.0%	3.3%	4.1%	▲
Eglinton	4.9%	5.7%	5.6%	▼
Overall	4.5%	5.2%	5.7%	▲

## Availability Trends



## New Construction and Absorption



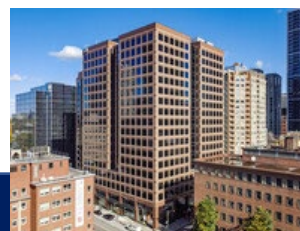
## Significant Availabilities



**160 Bloor St E**  
171,441 SF



**120 Bloor St E**  
145,793 SF



**175 Bloor St E**  
147,665 SF



**130 Merton St**  
58,023 SF



# Toronto North

Q2 2021



**Supply**  
**24,201,844 SF**



**Vacancy**  
**8.4%**



**Average Net Rent**  
**\$18.69/SF**



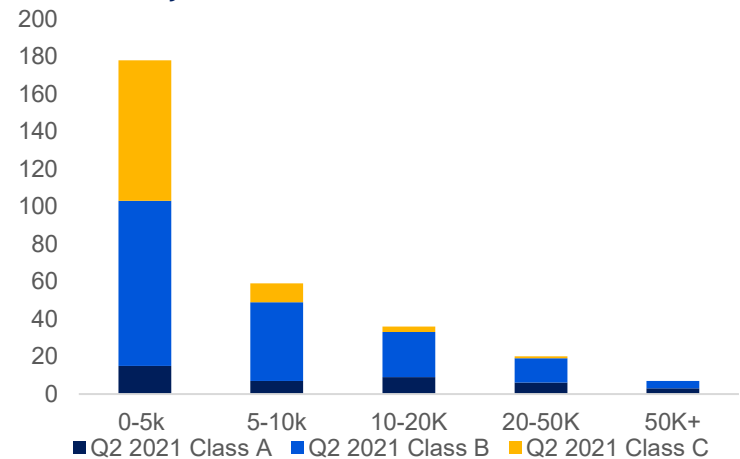
**Net Absorption**  
**-201,921 SF**

Arrows Indicate One Quarter Change

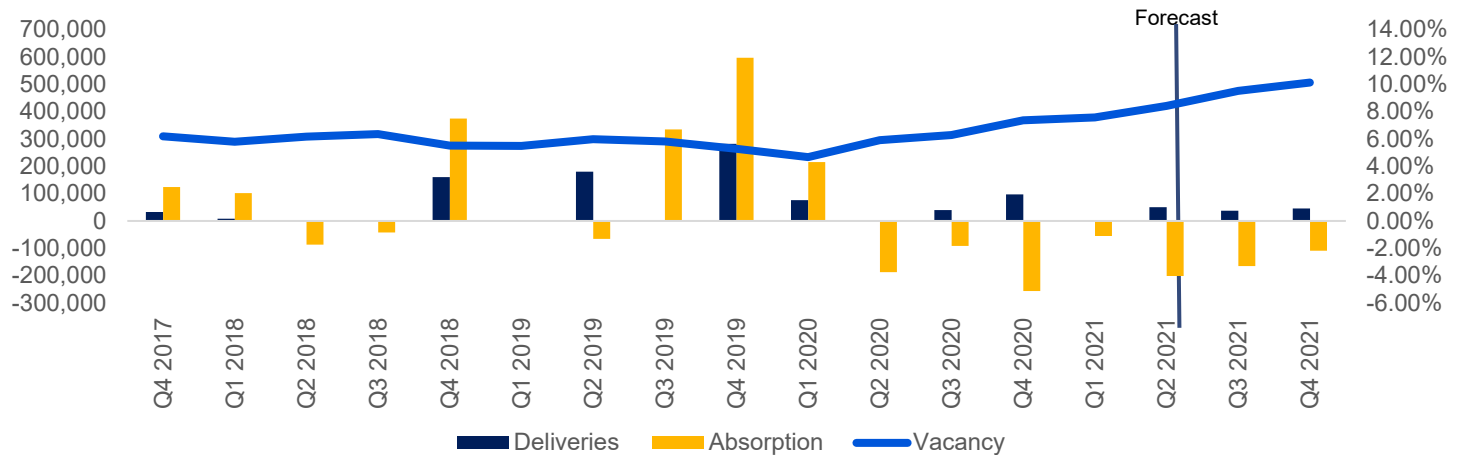
## Vacancy Rate

	Q4	Q1	Q2	
North Toronto Region	7.2%	8.1%	9.1%	▲
North Yonge Corridor	8.6%	9.5%	10.4%	▲
Vaughan	6.0%	6.4%	7.2%	▲
North York West	6.3%	5.9%	6.5%	▲
Overall	7.3%	7.6%	8.4%	▲

## Availability Trends



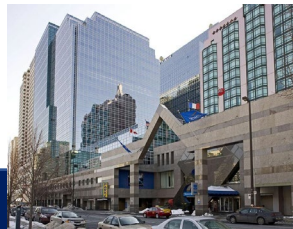
## New Construction and Absorption



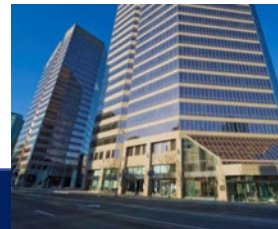
## Significant Availabilities



**5000 Yonge St**  
**117,375 SF**



**5160 Yonge St**  
**109,494 SF**



**5650 Yonge St**  
**106,629 SF**



**4881 Yonge St**  
**62,486 SF**

# Toronto East

Q2 2021



Supply  
**46,297,395 SF**



Vacancy  
**8.8%**



Average Net Rent  
**\$13.70/SF**



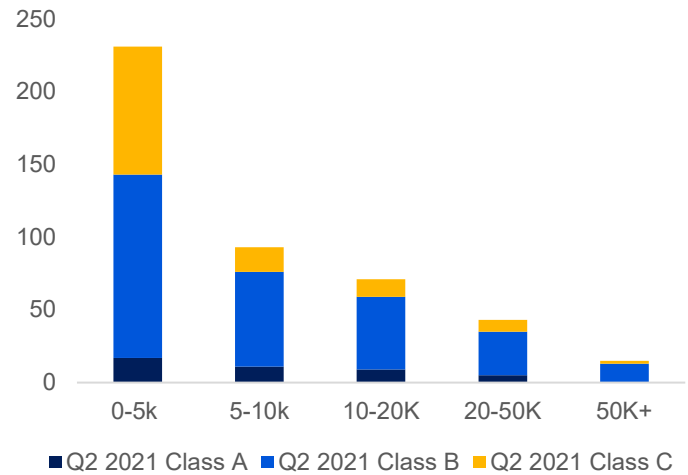
Net Absorption  
**-248,392 SF**

Arrows Indicate One Quarter Change

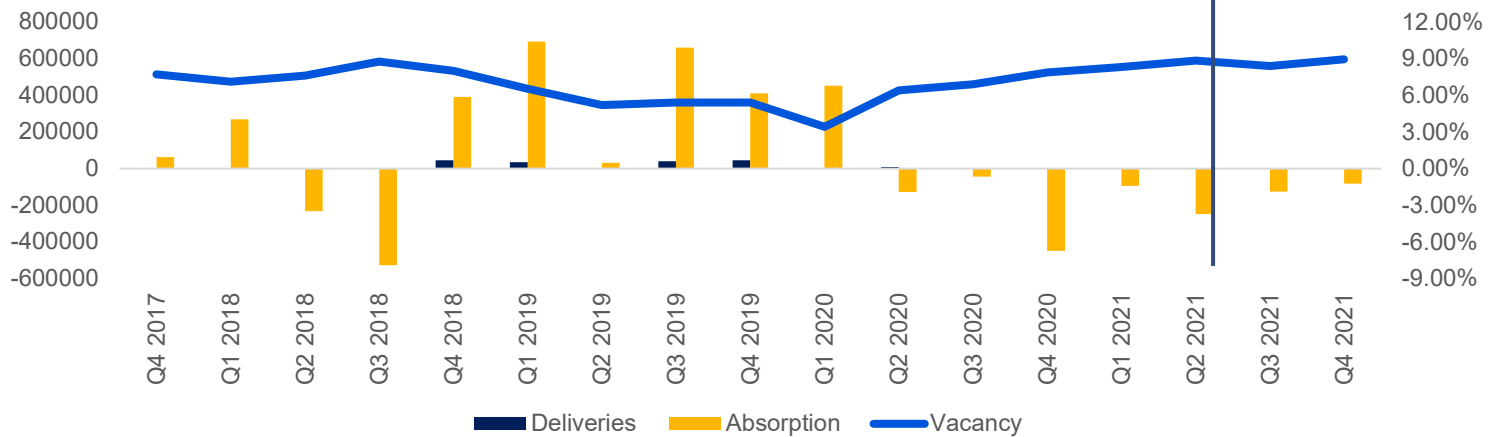
## Vacancy Rate

	Q4	Q1	Q2	
Consumers Road	10.7%	13.9%	14.7%	▲
DVP North/Duncan Mill	5.7%	6.0%	7.6%	▲
DVP South/Don Mills/ Eglinton	4.9%	5.2%	6.0%	▲
East Toronto Region	2.4%	2.4%	2.7%	▲
Gordon Baker/Victoria Park	6.0%	6.2%	7.4%	▲
Markham/Richmond Hill	4.9%	5.1%	5.7%	▲
Scarborough	10.7%	10.4%	10.5%	▲
South East Toronto Region	2.6%	3.0%	3.2%	▲
Steeles/Woodbine	5.4%	5.5%	6.6%	▲
Overall	7.9%	8.3%	8.8%	▲

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**160 McNabb St**  
188,500 SF



**95 Moatfield Dr**  
156,426 SF



**3600 Steeles Ave**  
156,546 SF



**895 Don Mills Rd**  
128,467 SF



# Toronto West

Q2 2021



Supply

60,876,544 SF



Vacancy

11.2%



Average Net Rent

\$16.11/SF



Net Absorption

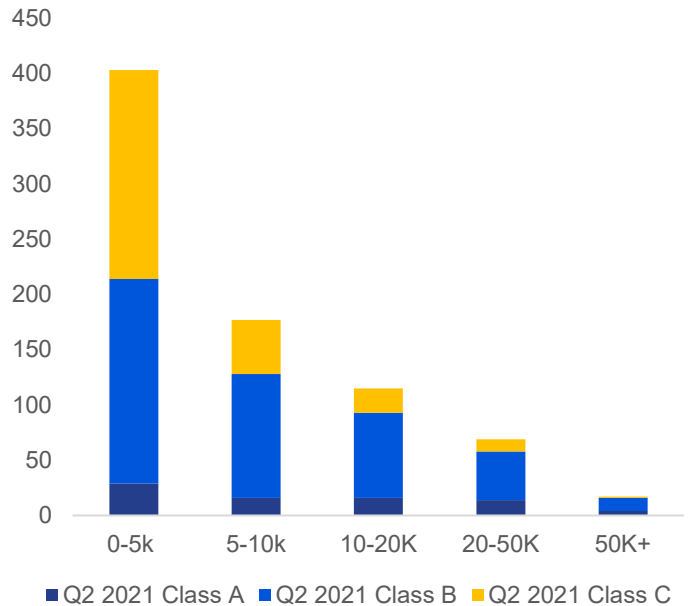
289,065 SF

Arrows Indicate One Quarter Change

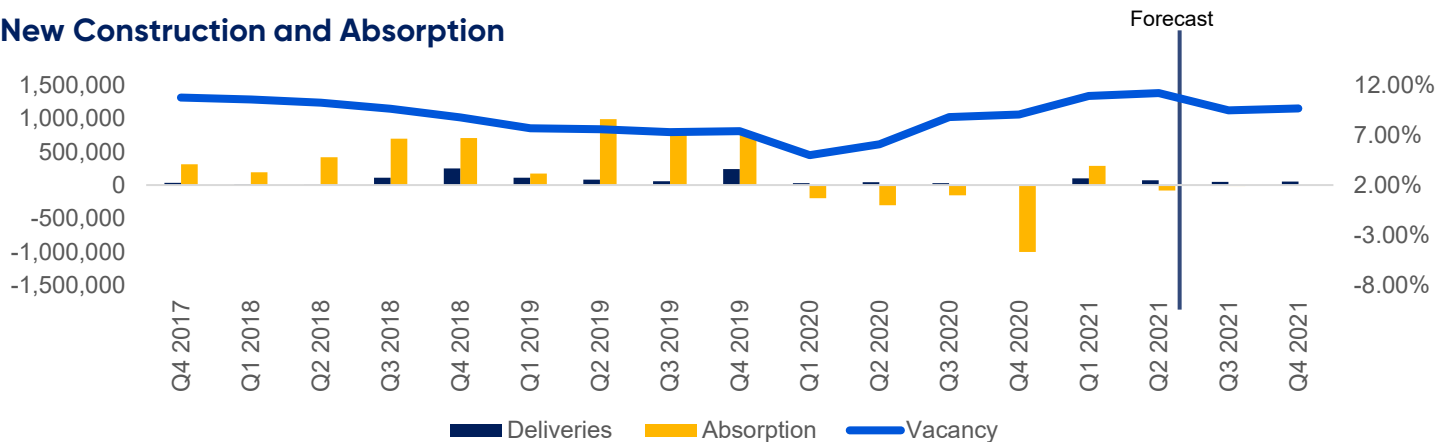
## Vacancy Rate

	Q4	Q1	Q2	
427 Corridor/Bloor/Islington	11.2%	12.2%	12.8%	▲
Airport Corporate Centre/Airport	8.8%	13.5%	14.0%	▲
Brampton	1.6%	1.8%	1.7%	▼
Burlington	7.5%	8.1%	9.3%	▲
Central West	3.6%	3.6%	3.8%	▲
City Centre	9.4%	9.3%	9.7%	▲
Hwy 10/Hwy 401	8.9%	9.0%	9.3%	▲
Meadowvale	7.9%	8.0%	7.8%	▼
Mississauga South	8.2%	7.8%	8.0%	▲
North West DT	1.5%	1.5%	2.5%	▲
Oakville	9.4%	10.0%	10.5%	▲
West Toronto Region	3.4%	4.8%	5.3%	▲
Overall	9.0%	10.9%	11.2%	▲

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**5025 Creebank Road**  
365,925 SF



**1395 North Service Rd W**  
149, 968 SF



**77 Wade Ave**  
127,387 SF



**649 North Service Rd**  
124,007 SF

# Durham

Q2 2021



Supply  
**7,025,252 SF**



Vacancy  
**3.3%**



Average Net Rent  
**\$14.86/SF**

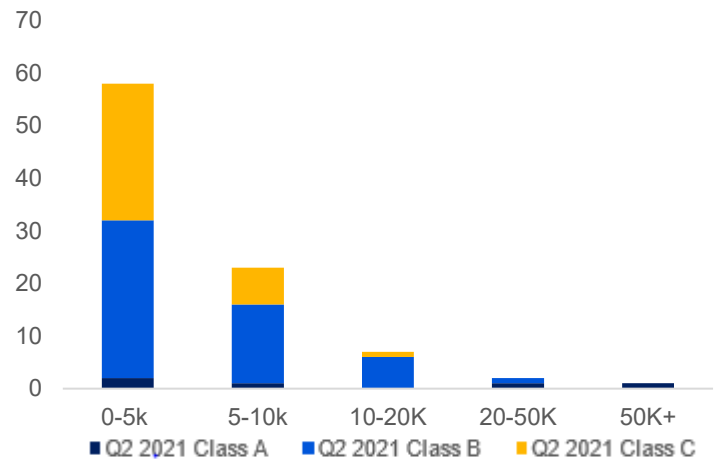


Net Absorption  
**36,945 SF**

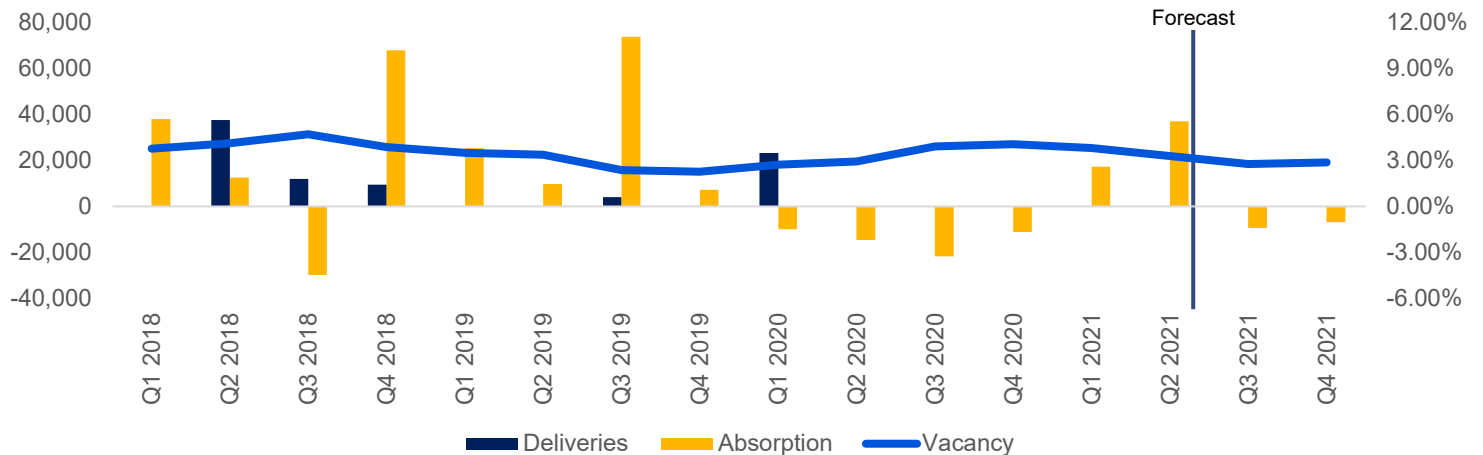
Arrows Indicate One Quarter Change

Vacancy Rate	Q4	Q1	Q2	
Ajax	5.6%	5.6%	5.8%	▲
Oshawa	3.0%	2.7%	2.8%	▲
Outlying Durham	1.6%	1.5%	1.3%	▼
Pickering	3.6%	2.9%	2.4%	▼
Whitby	3.6%	3.6%	1.8%	▼
Overall	4.1%	3.8%	3.3%	▼

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**419 King St W**  
65,273 SF



**1340 Pickering Parkway**  
34,142 SF



**330 Taunton Road East**  
19,300 SF



**65 Bayly St W**  
21,460 SF

# Development Pipeline



	Development	Owner	Size (SF)	Completion Date
1	261 Queens Quay East	Hines	251,000 SF	Q1 2023
2	100 Queens Quay East	Menkes Developments	675,000 SF	Q3 2021
3	25 Ontario Street	First Gulf & HOOPP	460,000 SF	Q1 2022
4	65 King Street East	Carterra	416,000 SF	Q4 2021
5	30 Bay Street	Oxford Properties	1,400,000 SF	Q2 2024
6	141 Bay Street	Ivanhoe Cambridge & Hines	1,344,000 SF	Q2 2024
7	171 Front Street West	Allied Properties	1,700,000 SF	Q3 2025
8	160 Front Street West	Cadillac Fairview	1,258,000 SF	Q3 2022
9	40 Temperance Street	Brookfield Properties	820,000 SF	Q1 2022
10	8 Spadina Avenue	Allied Properties	1,000,000 SF	Q4 2021
11	379 Adelaide Street West	Allied Properties	365,500 SF	Q1 2024
12	530 Front Street West	Carterra	560,000 SF	Q2 2023
13	147 East Liberty Street	Lifetime Developments	157,000 SF	Q4 2021
14	150 Sterling Road	Hines	423,500 SF	TBD
15	77 Wade Avenue	Next Properties	150,000 SF	TBD



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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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