

Toronto Office

# 2019 Market Insight Report



Q2 2019

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# Market Overview



160 Front Street West

## Market Trends

The Greater Toronto Area (GTA) office market has remained strong during the second quarter of 2019 with vacancy rates and net rental rates continuing to hit near-historic values. Vacancy rates remain relatively unchanged at 4.8%, while net rental rates are rising to \$38.21 PSF, a 2.4% increase from Q1 2019.

The driving variables behind these near-historic values are the ongoing supply shortage within the GTA office market, as well as strong competition for office space in Toronto's Downtown and Midtown submarkets.

This quarter has seen minor steps towards alleviating the current supply shortage. The King Portland Centre, located at 602-620 King Street West, has just been completed and brings 255,565 SF of new inventory to the Downtown West submarket. Additionally, construction on Cadillac Fairview and IMCO's 1.2 million SF development at 160 Front Street West has just broken ground in the Financial Core submarket. The challenge however, is that both buildings are 100% pre-leased, which shows that supply and demand are still not in equilibrium and the increase in inventory only slightly alleviates the GTA supply shortage. With respect to competition, the driving industries continue to be Technology and Co-Working companies. In fact, Toronto is now the third largest city in the world when it comes to Co-Working space growth, sitting just behind London and New York.

With a significant amount of new supply not slated to enter the congested GTA Toronto market until 2024, there is no indication of increased vacancy rates and decreased rental rates in the upcoming quarters. However, with future developments in the pipeline the GTA office market should slowly begin to stabilize. Of the approximately 10 million SF of new development underway, most of the space is scheduled to come on the market between 2020 and 2022, with 2023 seeing a small lag before the remainder is scheduled for completion in 2024.

## Leasing Spotlight

Change in occupied SF this quarter:



# 109,000 SF

## Notable Lease Transactions

1. TD Bank, 840,000 SF
2. Freedom Mobile , 106,000 SF
3. The World Trade Centre of Toronto, 90,000 SF
4. Trapeze Software ULC, 11,779 SF

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# GTA Overview



Supply

268,398,585 SF



Vacancy

4.8%



Average Net Rent

\$19.81/SF



Absorption

458,326 SF

Arrows Indicate One Quarter Change

## Vacancy Rate

	Q4	Q1	Q2	
Midtown	3.0%	2.6%	2.5%	▼
Downtown	3.4%	3.2%	3.1%	▼
Toronto North	4.8%	5.5%	6.0%	▲
Toronto East	6.5%	6.5%	6.0%	▼
Toronto West	8.8%	7.7%	7.6%	▼
Overall GTA	5.2%	4.9%	4.8%	▼

## Vacancy Rates & Availability Rates

### Vacancy Rates

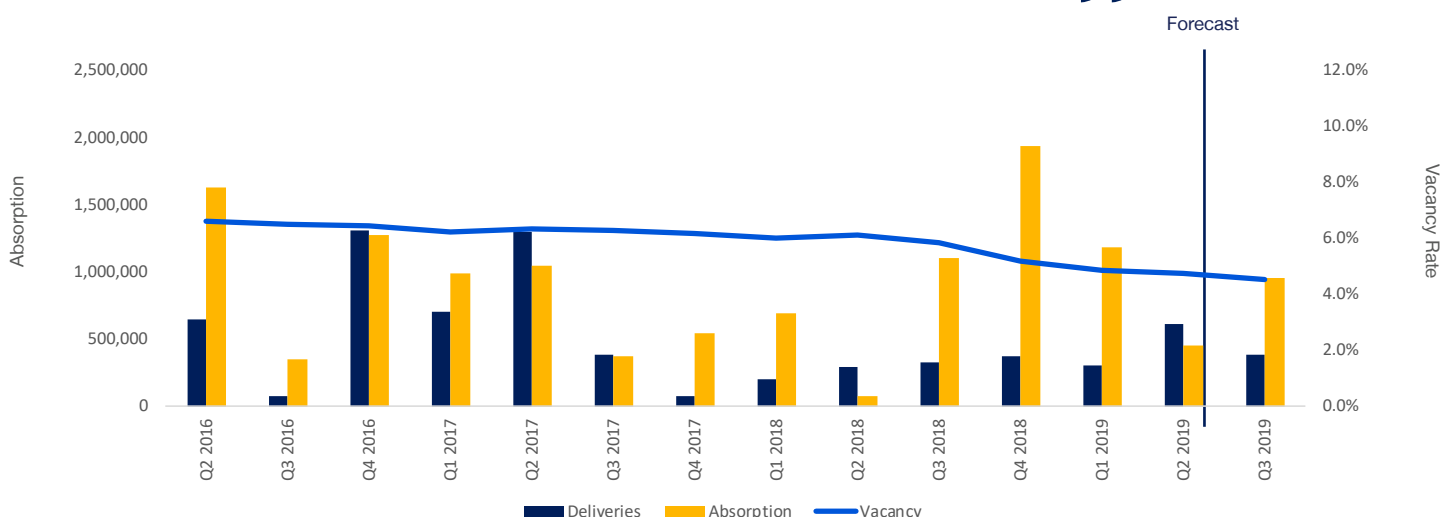
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

### Availability Rates

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

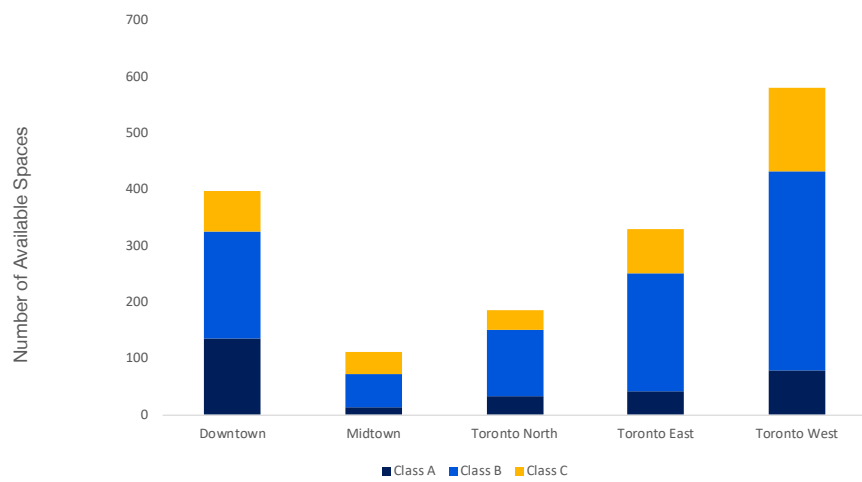
## New Construction and Absorption

With Toronto's supply challenges, vacancy rates continue to decrease, while rental rates continue to increase to historic levels.



# GTA Overview

## Availability By Market



## Significant Availabilities

Market	Address	Size (SF)
Downtown	65 King Street East	395,818
Downtown	16 York Street	376,338
Downtown	100 Queens Quay East	375,358
Downtown	320 Bay Street	304,400

## Office Market Insights

1

Midtown is experiencing the most significant changes in Vacancy and Rental Rates as the supply shortage and demand pressures are the most prevalent in this submarket due to a very limited number of new developments

2

The growing trend towards co-working space and subletting is making the sublease market as competitive as the direct leasing market

3

Although suburban markets are often outperformed by Downtown and Midtown markets, the suburbs have collectively posted stronger absorption this current quarter, led by the performance of the Toronto West submarket

4

As new developments slowly start to enter the marketplace between 2019 and 2023 the Toronto market should begin to experience some stabilization in the long-term



### Toronto Sites Under Development

**255,656 SF**

of supply added to the GTA Office market in Q2 2019

**100%**  
PRE-LEASED

**17.2M**  
Total SF

Of the 17.2M SF of total construction in the GTA, 2M SF is set to come to market in 2019

# Midtown Toronto

Q2 2019



Supply

22,377,079 SF



Vacancy

2.5%



Average Net Rent

\$28.15/SF



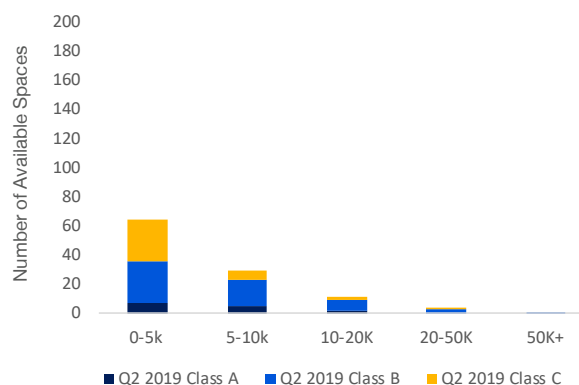
Net Absorption

38,791 SF

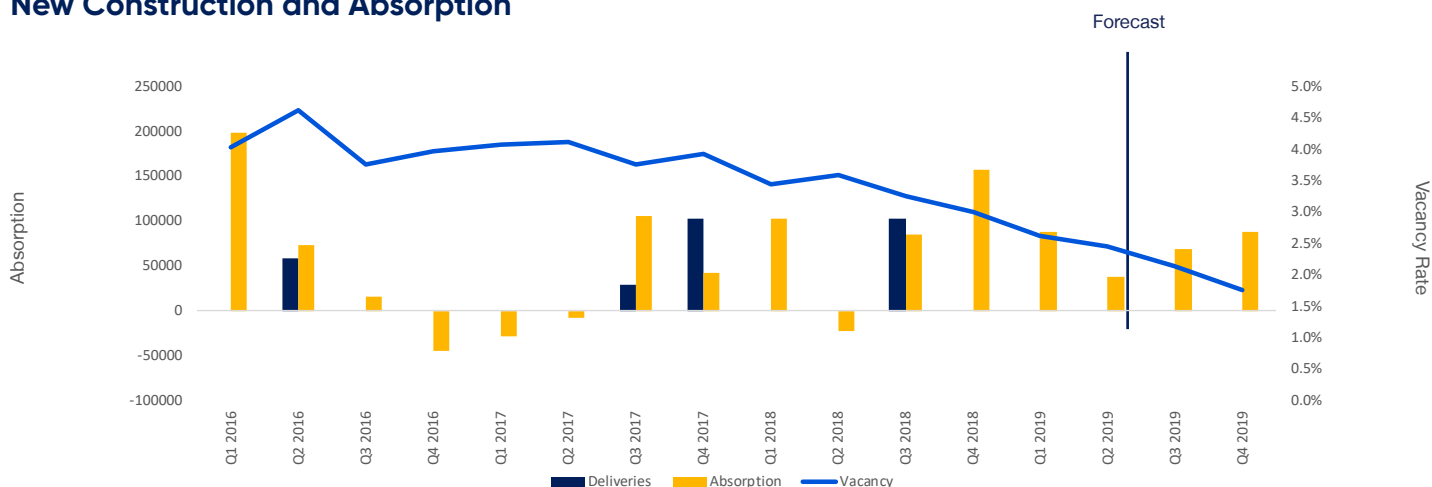
## Vacancy Rate

	Q4	Q1	Q2	
Bloor	3.6%	2.8%	2.4%	▼
St. Clair	1.1%	1.3%	1.2%	▼
Eglinton	2.8%	3.0%	3.4%	▲
Overall	3.0%	2.6%	2.5%	▼

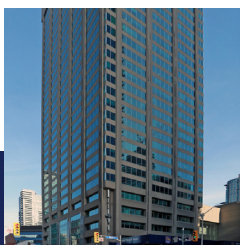
## Availability Trends



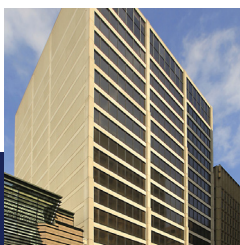
## New Construction and Absorption



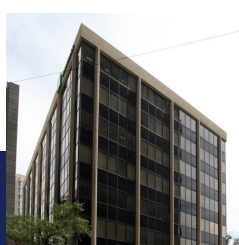
## Significant Availabilities



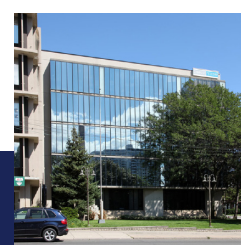
**2 Bloor Street East**  
79,504 SF



**80 Bloor Street West**  
60,766 SF



**2161 Yonge Street**  
59,934 SF



**250 Davisville Avenue**  
37,525 SF

# Downtown Toronto

Q2 2019



Supply

94,665,028 SF



Vacancy

3.1%



Average Net Rent

\$34.09/SF



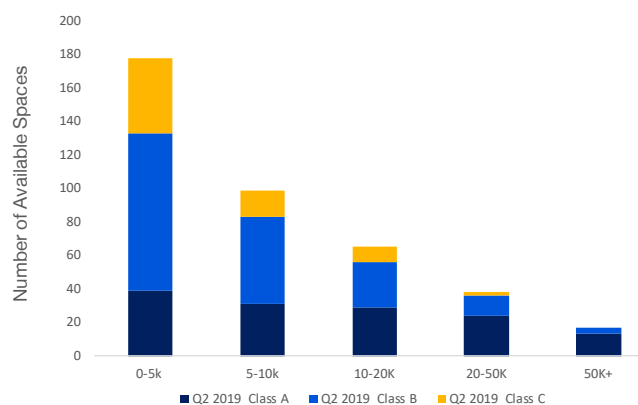
Net Absorption

232,242 SF

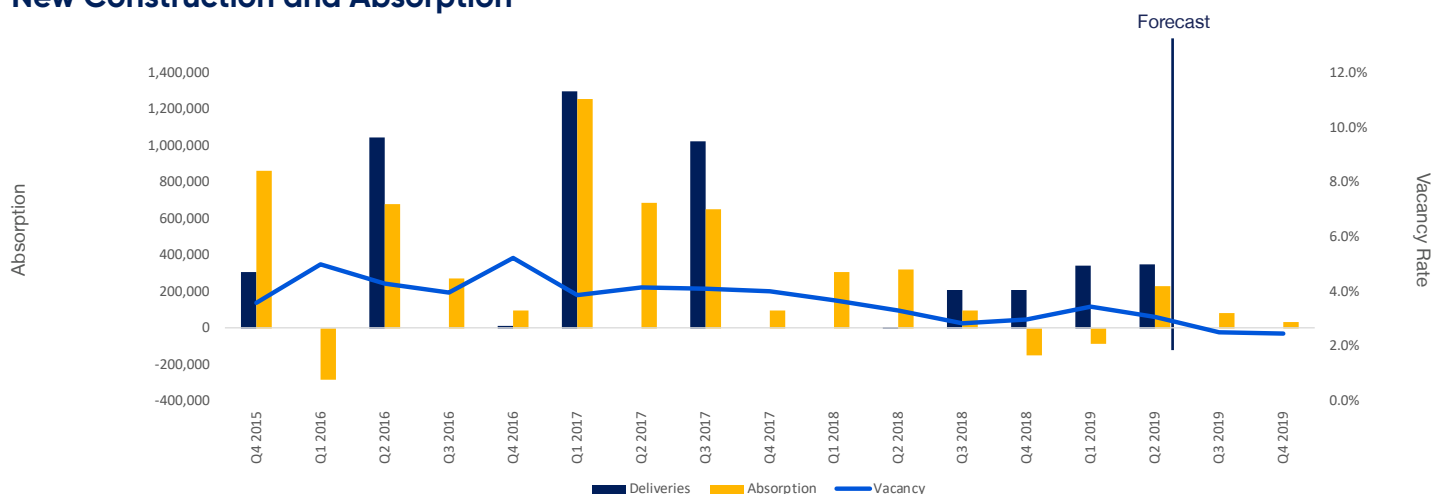
## Vacancy Rate

	Q4	Q1	Q2	
Financial Core	4.9%	5.0%	4.4%	▼
Outer Financial Core	3.6%	3.8%	3.9%	▲
Downtown North	1.3%	0.9%	0.9%	►
Downtown South	1.9%	1.6%	1.6%	►
Downtown East	1.7%	2.7%	3.2%	▲
Downtown West	5.0%	1.4%	2.4%	▲
King/Dufferin	2.8%	2.0%	1.6%	▼
Overall	3.4%	3.2%	3.1%	▼

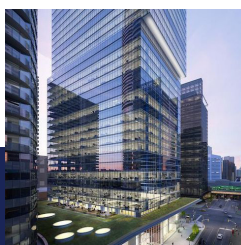
## Availability Trends



## New Construction and Absorption



## Significant Availabilities



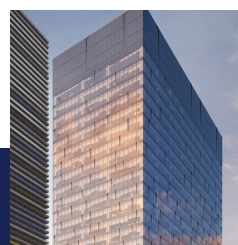
**16 York Street**  
485,206 SF

\*Under Construction



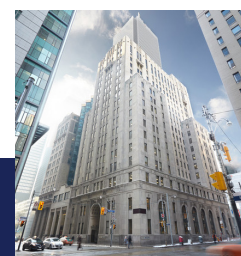
**65 King Street East**  
416,223 SF

\*Under Construction



**100 Queens Quay East**  
375,358 SF

\*Under Construction



**320 Bay Street**  
304,400 SF

# Toronto North

Q2 2019



Supply

23,889,689 SF



Vacancy

6.0%



Average Net Rent

\$19.75/SF



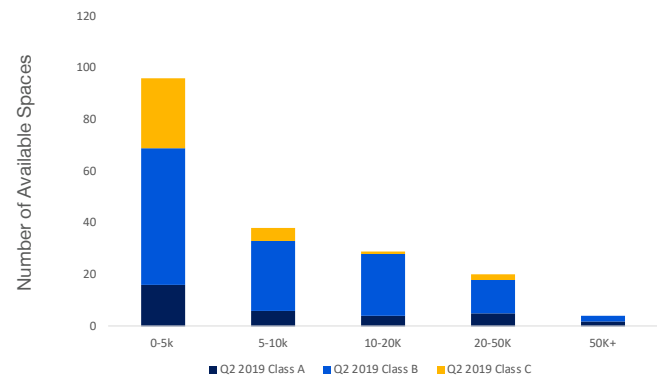
Net Absorption

65,860 SF

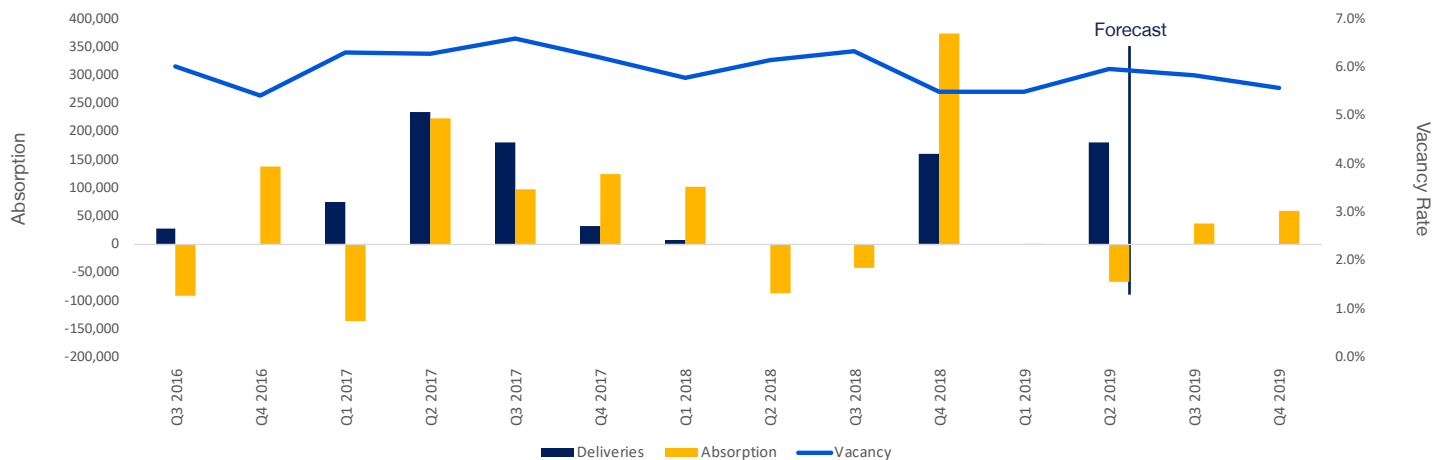
## Vacancy Rate

	Q4	Q1	Q2	
North Toronto Region	3.6%	4.2%	6.9%	▲
North Yonge Corridor	5.5%	6.0%	7.1%	▲
Vaughan	3.8%	3.1%	6.5%	▲
North York West	5.6%	8.7%	3.5%	▼
Overall	4.8%	5.5%	6.0%	▲

## Availability Trends



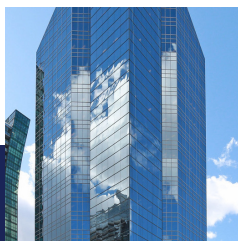
## New Construction and Absorption



## Significant Availabilities



**5000 Yonge Street**  
123,207 SF



**25 Sheppard Ave. West**  
103,348 SF



**5650 Yonge Street**  
102,765 SF



**6220 Highway 7 West**  
86,380 SF



# Toronto East

Q2 2019



Supply

46,341,406 SF



Vacancy

6.0%



Average Net Rent

\$16.68/SF



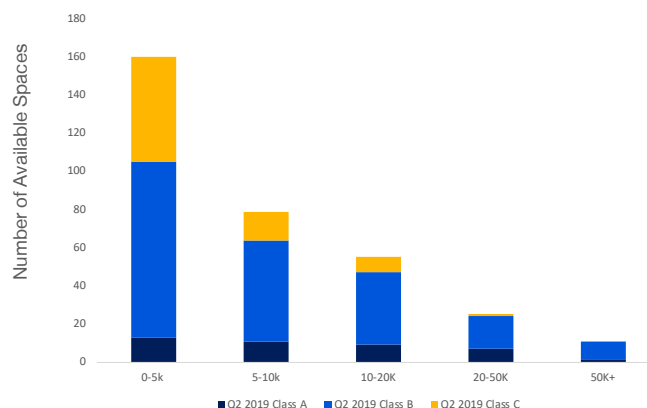
Net Absorption

30,769 SF

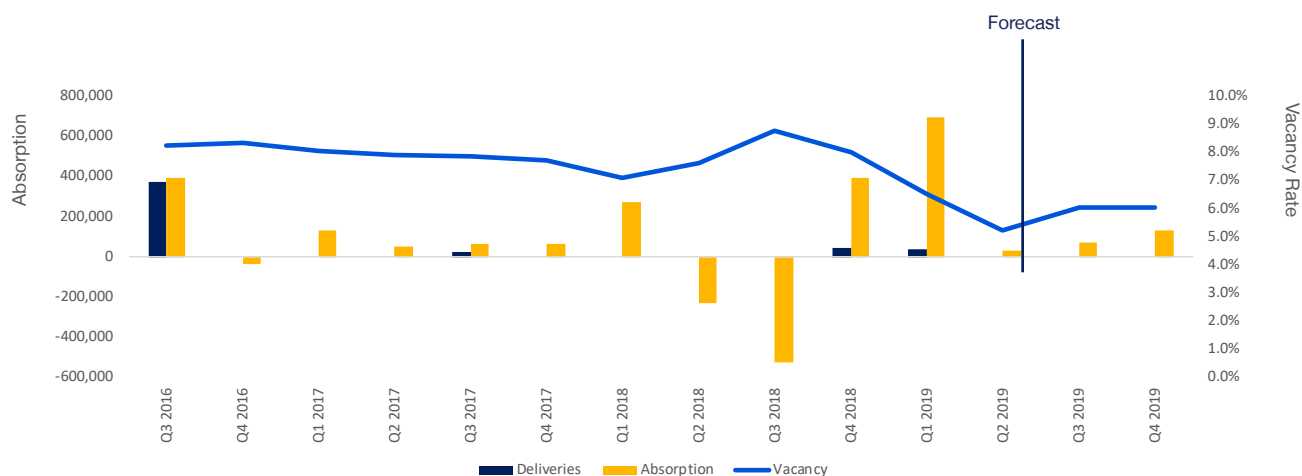
## Vacancy Rate

	Q4	Q1	Q2	
Consumers Road	10.1%	11.1%	10.2%	▼
DVP N/Duncan Mill	8.2%	8.7%	9.1%	▲
DVP S/Don Mills/Eglinton	5.3%	5.0%	5.1%	▲
East Toronto Region	4.4%	3.8%	2.3%	▼
Gordon Baker/Victoria Park	7.5%	7.2%	6.4%	▼
Markham/Richmond Hill	5.6%	5.3%	5.1%	▼
Scarborough	10.2%	10.3%	8.6%	▼
South East Toronto Region	3.8%	4.3%	4.2%	▼
Steeles/Woodbine	3.4%	3.0%	2.7%	▼
Overall	6.5%	6.5%	6.0%	▼

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**300 Consilium Place**  
204,215 SF



**160 McNabb Street**  
200,000 SF



**2200-2206 Eglinton Avenue East**  
167,920 SF



**3600 Steeles Avenue East**  
156,546 SF



# Toronto West

Q2 2019



Supply

59,754,757 SF



Vacancy

7.6%



Average Rent

\$17.24/SF



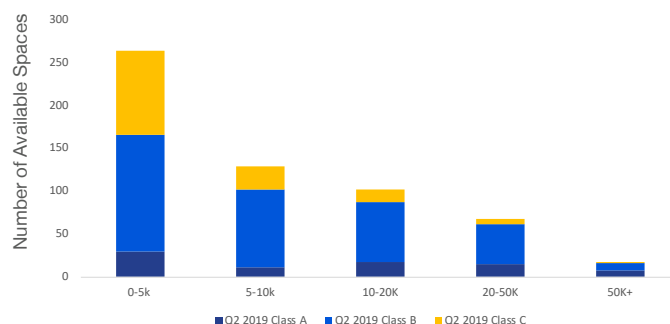
Net Absorption

176,726 SF

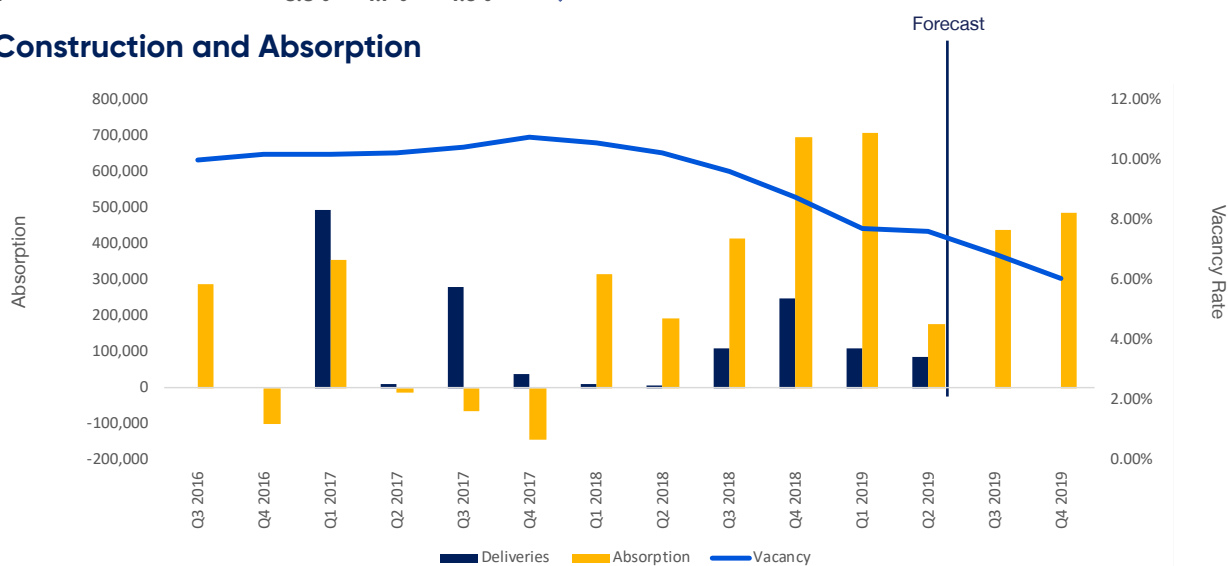
## Vacancy Rate

	Q4	Q1	Q2	
427 Corridor/Bloor/Islington	13.2%	10.2%	11.7%	▲
Airport/Airport Corporate Centre	9.5%	8.1%	7.7%	▼
Brampton	5.0%	3.1%	2.2%	▼
Burlington	7.5%	7.2%	7.8%	▲
City Centre	7.9%	8.5%	8.2%	▼
Hwy 10/Hwy 401	10.7%	10.2%	7.9%	▼
Meadowvale	7.8%	6.9%	6.7%	▼
Mississauga South	12.0%	11.2%	8.8%	▼
Oakville	11.2%	11.1%	9.8%	▼
West Toronto Region	4.5%	2.3%	4.3%	▲
Overall	8.8%	7.7%	7.6%	▼

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**2300 Meadowvale Blvd**  
242,992 SF



**501 Alliance Avenue**  
160,000 SF



**1325 North Service Rd East**  
131,527 SF



**5995 Avebury Road**  
122,671 SF

# Development Pipeline



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
12 235 Queen Quay East	Hines	200,000	TBD
13 80 Atlantic Avenue	Hullmark Development Ltd.	96,717	Q2 2019
14 99 Atlantic Avenue	Keveric Real Estate Corporation	151,264	Q2 2020
15 147 East Liberty Street	Lifetime Developments	136,327	Q4 2021





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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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