



Toronto Office

2021 Market Insight Report

Q3 2021

cresa 

Market Overview



theScore's New Office at the Waterfront Innovation Centre

Q3 2021 Market Trends

The Greater Toronto Area (GTA) continued to experience rising levels of vacancy across all office markets as overall vacancy increased 90 basis points (bps) to 8.7% for the quarter. Despite this growth, Toronto's downtown core showed some signs of recovery, posting its second consecutive positive net absorption figure at 290,083 SF for the quarter. Compared to the previous three quarters totaling 1,676,470 SF negative net absorption, it does seem that downtown markets have turned a corner. Suburban markets also saw increased levels of absorption by posting a 208,840 SF negative net absorption figure; however, it is clear that the market's recovery will come from Toronto's downtown and midtown markets.

With the success of Ontario's COVID-19 vaccine roll-out, leasing confidence has slowly begun to return to the GTA office market. Increased rates of in-person tours and downtown absorption are positive. However, it is important to recognize that transaction volume still remains well below pre-pandemic levels. This quarter, many organizations across the GTA have once again delayed their return to office dates to early 2022 as concerns over the delta-variant captured the minds of decision-makers. Those rare tenants that are transacting in the market 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, digital sports media platform, theScore pre-leased nearly 80,000 SF in Toronto's downtown waterfront market. Most of theScore's expansion is attributed to the recent growth of Canada's sports betting landscape which aims to generate over \$25B in wagering by 2024 after federal approval of Bill C-218 in June this year. Suburban tenant, Infosys also signed on to increase its Mississauga headquarter office by 50,000 SF this quarter to help Canadian businesses accelerate their digital transformation beyond the pandemic.

GTA average net asking rents increased \$0.71 PSF for the quarter as downtown and midtown Toronto markets showed sharp increases to \$33.31 PSF and \$26.54 PSF, respectively. Many believe that Institutional landlords are still looking to capitalize on the GTA's return-to-office movement in order to maintain their asking rates at high levels despite growing vacancy. In turn, they are offering inducement packages to help effectively reduce rental costs for tenants.

Most tenants are acknowledging that work from home and hybrid strategies are here to stay. However, they also believe that having a core office space of some form is crucial to maintain corporate culture and employee engagement. This should drive the slow recovery of downtown markets to continue.

Significant Lease Transactions

- theScore, 80,000 SF, 125 Queens Quay East
- JPMorgan Chase, 42,500 SF, 255 Consumers Road
- Henkel Canada, 35,500 SF, 2515 Meadowpine Boulevard
- People Corporation, 32,500 SF, 2255 Sheppard Avenue East
- PartnerStack, 28,000 SF, 111 Peter Street
- Knix, 28,000 SF, 179 John Street

GTA Overview

Q3 2021



Supply
261,157,668 SF



Vacancy
8.7%



Average Net Rent
\$23.09/SF



Net Absorption
81,243 SF

Arrows Indicate One Quarter Change

Vacancy Rate	Q1	Q2	Q3	
Downtown	5.2%	6.1%	7.0%	▲
Midtown	5.2%	5.7%	5.9%	▲
Toronto North	7.6%	8.4%	8.7%	▲
Toronto East	8.3%	8.8%	9.3%	▲
Toronto West	10.9%	11.2%	11.5%	▲
Durham	3.8%	3.3%	4.5%	▲
Overall GTA	7.1%	8.0%	8.7%	▲

Vacancy Rates & Availability Rates

Vacancy Rates

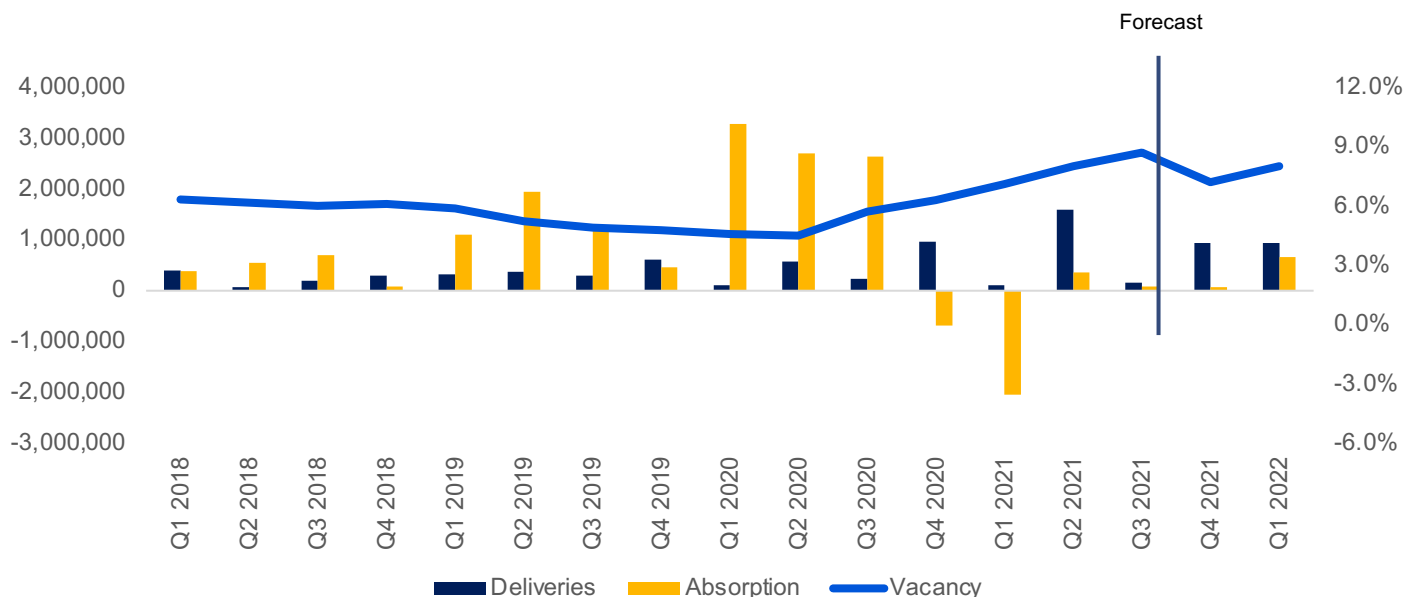
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

Availability Rates

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

This quarter, many organizations across the GTA have once again delayed their return to office plans to early 2022 due to concerns of the COVID-19 Delta Variant.

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	160,915 SF
Toronto North	5000 Yonge Street	116,844 SF
Toronto East	95 Moatfield Drive	156,426 SF
Toronto West	5025 Creekbank Road	365,925 SF
Durham	419 King Street West	62,009 SF

Office Market Insights

1.

Subleases as a percentage of availability dropped further from 24.8% to 22.1% this quarter as numerous tenants sublet space as part of their new return to office contingency plans. Competition for high quality subleases remains competitive as numerous well-positioned tenants have looked to take advantage of the softening market.

2.

The GTA currently has over 9.2M SF of new supply under development after delivering only 153,802 SF this quarter. Despite pre-leasing rates being drastically affected by the pandemic, many institutional landlords believe that these properties are well-positioned for companies looking to reconfigure their office presence.

3.

Canada Pension Plan Investment Board's real estate arm, Oxford Properties has placed Royal Bank Plaza at 200 Bay Street for sale this quarter. Targeting over \$1.25B for the 1.5M SF financial core office complex, Oxford plans to unload multiple office properties to increase their holdings in logistic, multi-residential, and life science sectors.

4.

Netflix chose Toronto for their Canadian headquarter this quarter to go along with the 85,000 SF studio space that they leased from Pinewood Studios in mid-2019. The streaming service hasn't yet disclosed the address of the new office, but the addition expects to increase the nearly \$200M that Netflix spends on shooting film in the city.



GTA Pandemic Space Comparison

Q1 2020

- Direct Space Vacancy: 9,183,702 SF
- Sublease Space Available: 1,482,192 SF

Q3 2021

- Direct Space Vacancy: 17,630,183 SF
- Sublease Space Available: 7,293,019 SF



Downtown Toronto

Q3 2021



Supply
100,452,203 SF



Vacancy
7.0%



Average Net Rent
\$33.31/SF

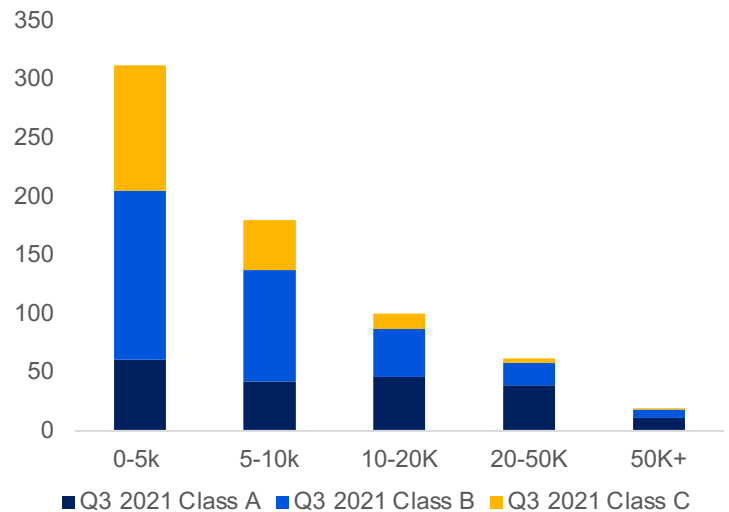


Net Absorption
345,821 SF

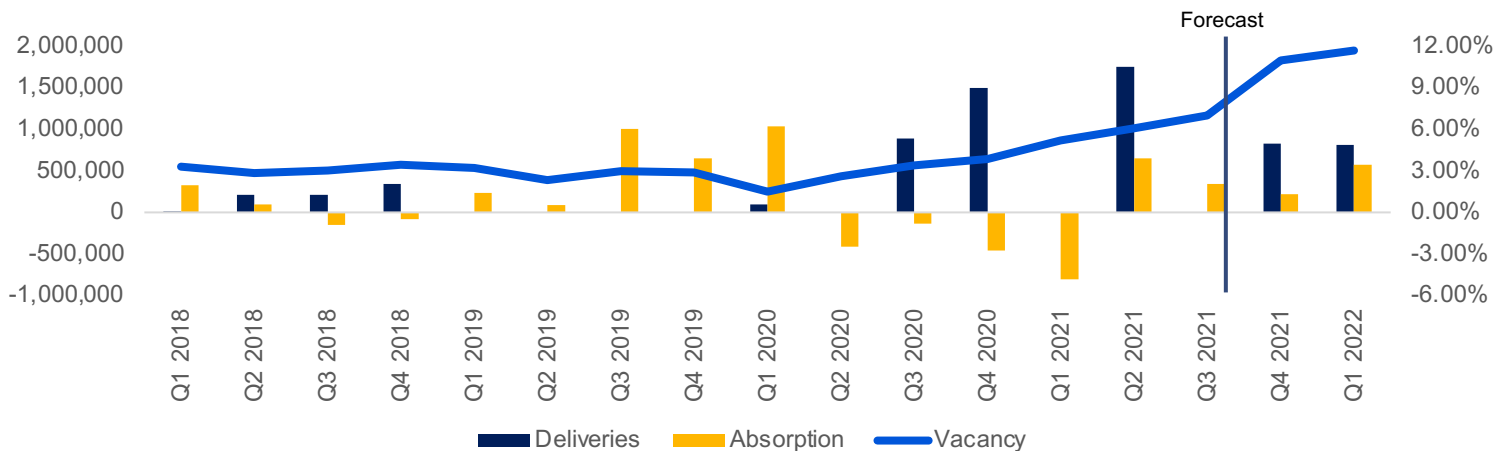
Arrows Indicate One Quarter Change

Vacancy Rate	Q1	Q2	Q3	
Financial Core	5.3%	6.1%	7.6%	▲
Outer Financial Core	3.4%	4.3%	6.3%	▲
Downtown North	2.7%	4.0%	5.7%	▲
Downtown South	4.6%	5.6%	8.8%	▲
Downtown East	4.6%	5.9%	6.2%	▲
Downtown West	7.3%	8.1%	7.9%	▼
King/Dufferin	4.0%	4.5%	5.7%	▲
Overall	5.2%	6.1%	7.0%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



141 Bay St
630,291 SF



2 Queen St E
279,162 SF



95 Wellington St W
154,408 SF



25 Ontario St
84,109 SF

Midtown Toronto

Q3 2021



Supply
22,150,628 SF



Vacancy
5.9%



Average Net Rent
\$26.54/SF



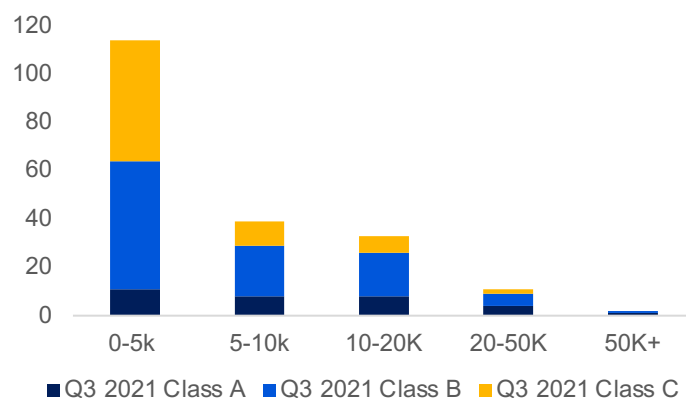
Net Absorption
-55,738 SF

Arrows Indicate One Quarter Change

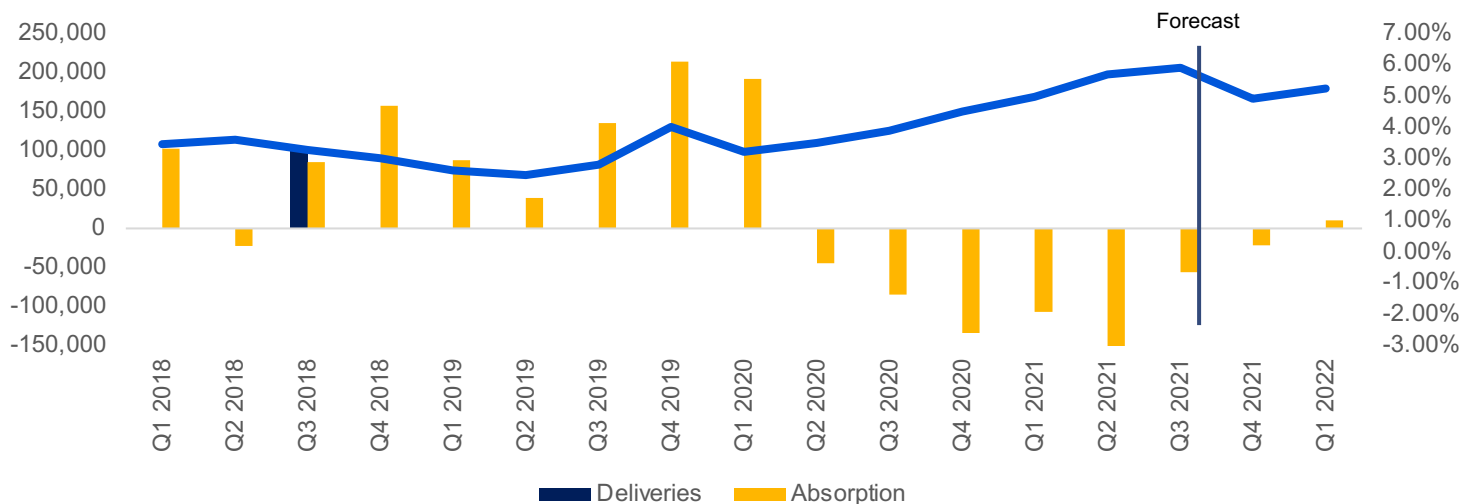
Vacancy Rate

	Q1	Q2	Q3	
Bloor	4.0%	5.0%	5.8%	▲
St. Clair	3.3%	4.1%	4.8%	▲
Eglinton	5.7%	5.6%	6.1%	▲
Overall	5.2%	5.7%	5.9%	▲

Availability Trends



New Construction and Absorption



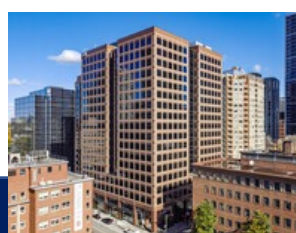
Significant Availabilities



160 Bloor St E
160,915 SF



120 Bloor St E
155,812 SF



175 Bloor St E
160,729 SF



130 Merton St
57,951 SF

Toronto North

Q3 2021



Supply
24,201,844 SF



Vacancy
8.7%



Average Net Rent
\$18.89/SF



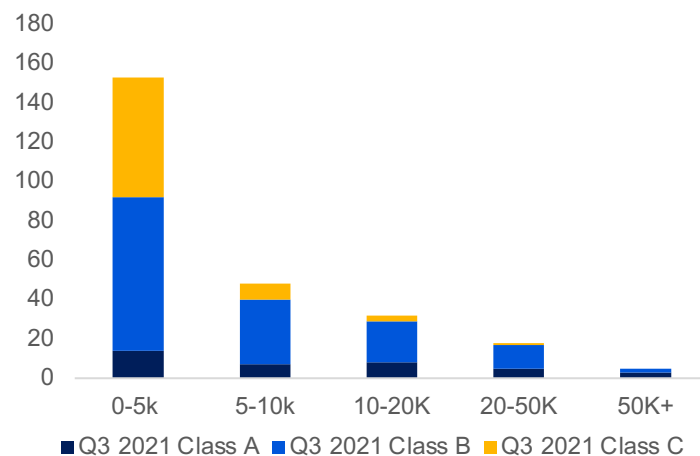
Net Absorption
-88,910 SF

Arrows Indicate One Quarter Change

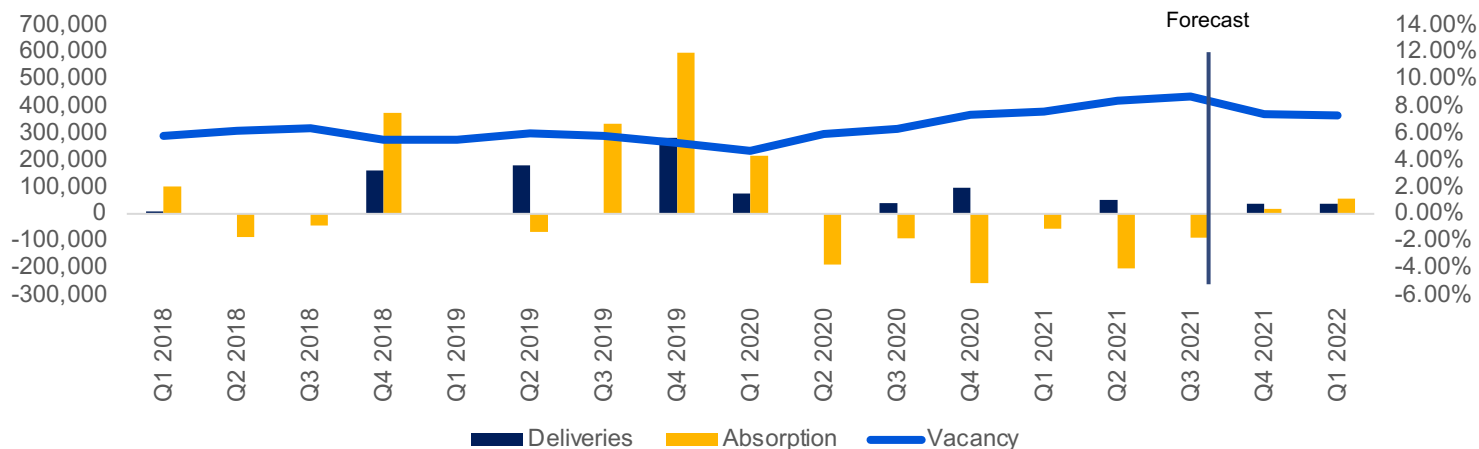
Vacancy Rate

	Q1	Q2	Q3	
North Toronto Region	8.1%	9.1%	9.4%	▲
North Yonge Corridor	9.5%	10.4%	10.6%	▲
Vaughan	6.4%	7.2%	7.3%	▲
North York West	5.9%	6.5%	6.8%	▲
Overall	7.6%	8.4%	8.7%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



5000 Yonge St
116,844 SF



5160 Yonge St
127,920 SF



5650 Yonge St
89,551 SF



4881 Yonge St
42,267 SF

Toronto East

Q3 2021



Supply
46,297,395 SF



Vacancy
9.3%



Average Net Rent
\$13.92/SF



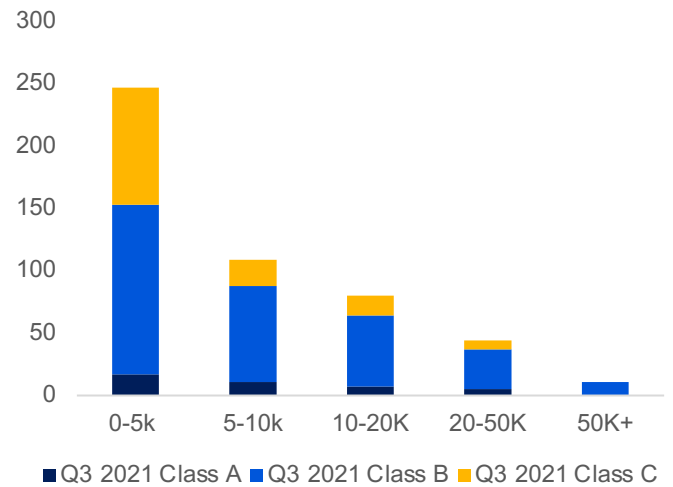
Net Absorption
-149,201 SF

Arrows Indicate One Quarter Change

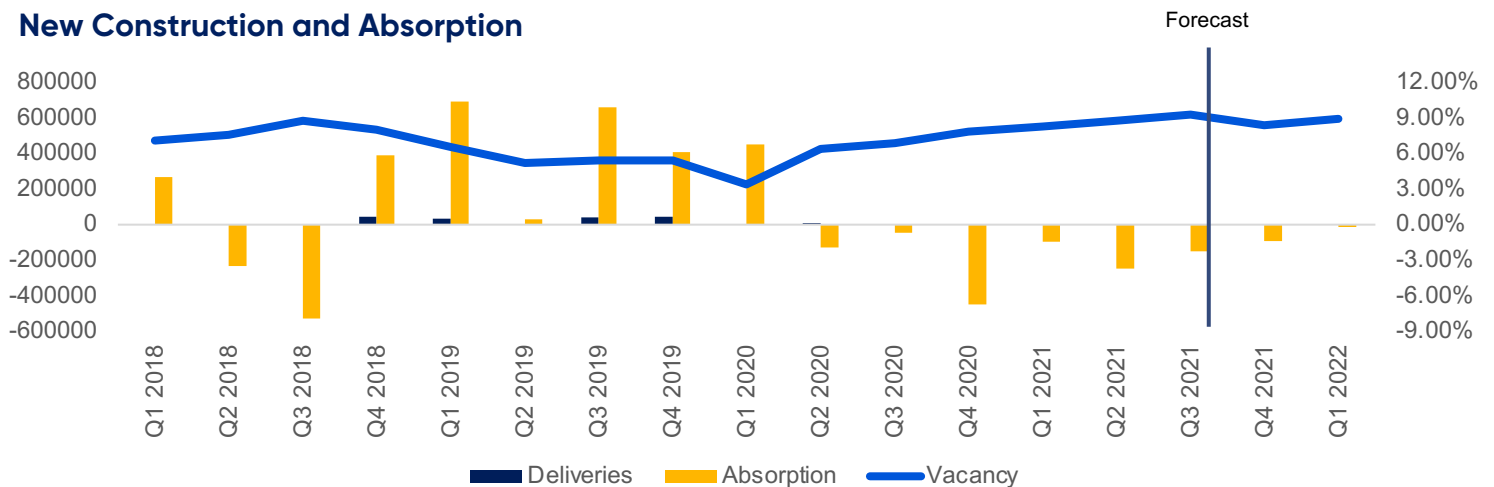
Vacancy Rate

	Q1	Q2	Q3	
Consumers Road	13.9%	14.7%	15.1%	▲
DVP North/Duncan Mill	6.0%	7.6%	8.0%	▲
DVP South/Don Mills/ Eglinton	5.2%	6.0%	6.4%	▲
East Toronto Region	2.4%	2.7%	2.8%	▲
Gordon Baker/Victoria Park	6.2%	7.4%	7.8%	▲
Markham/Richmond Hill	5.1%	5.7%	6.1%	▲
Scarborough	10.4%	10.5%	10.4%	▼
South East Toronto Region	3.0%	3.2%	3.6%	▲
Steeles/Woodbine	5.5%	6.6%	6.9%	▲
Overall	8.3%	8.8%	9.3%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



3381 Steeles Ave East
43,090 SF



95 Moadfield Dr
156,426 SF



3600 Steeles Ave
139,672 SF



895 Don Mills Rd
128,467 SF

Toronto West

Q3 2021



Supply
61,030,346 SF



Vacancy
11.5%



Average Net Rent
\$16.28/SF



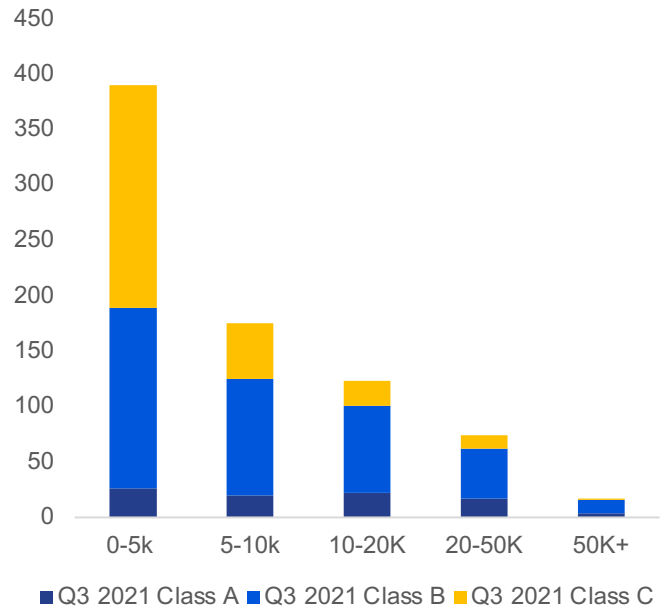
Net Absorption
93,829 SF

Arrows Indicate One Quarter Change

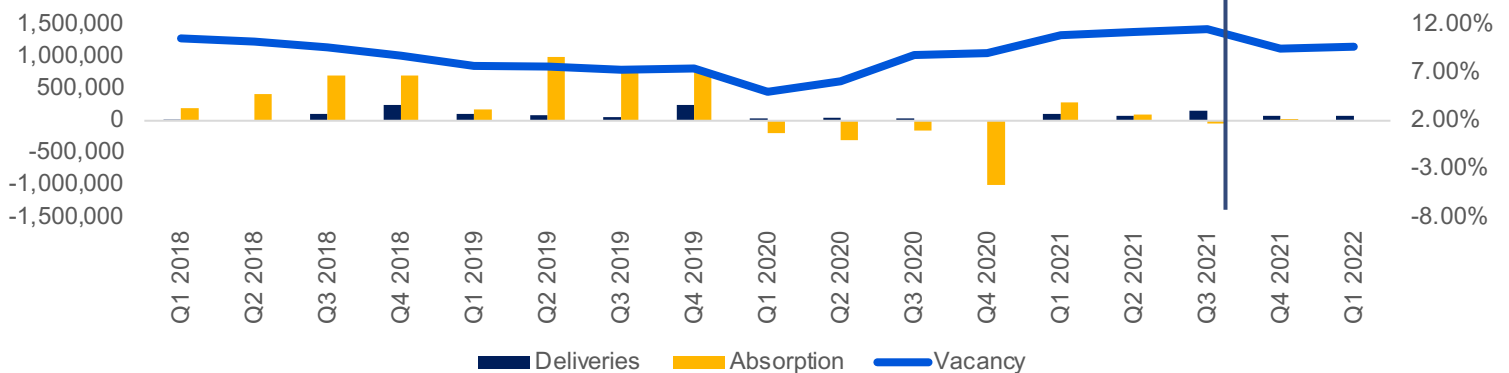
Vacancy Rate

	Q1	Q2	Q3	
427 Corridor/Bloor/Islington	12.2%	12.8%	13.3%	▲
Airport Corporate Centre/Airport	13.5%	14.0%	14.5%	▲
Brampton	1.8%	1.7%	1.4%	▼
Burlington	8.1%	9.3%	9.1%	▼
Central West	3.6%	3.8%	3.3%	▼
City Centre	9.3%	9.7%	9.5%	▼
Hwy 10/Hwy 401	9.0%	9.3%	9.4%	▲
Meadowvale	8.0%	7.8%	8.0%	▲
Mississauga South	7.8%	8.0%	8.1%	▲
North West DT	1.5%	2.5%	2.7%	▲
Oakville	10.0%	10.5%	10.8%	▲
West Toronto Region	4.8%	5.3%	5.5%	▲
Overall	10.9%	11.2%	11.5%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



5025 Creebank Rd
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

Q3 2021



Supply
7,025,252 SF



Vacancy
4.5%



Average Net Rent
\$14.11/SF



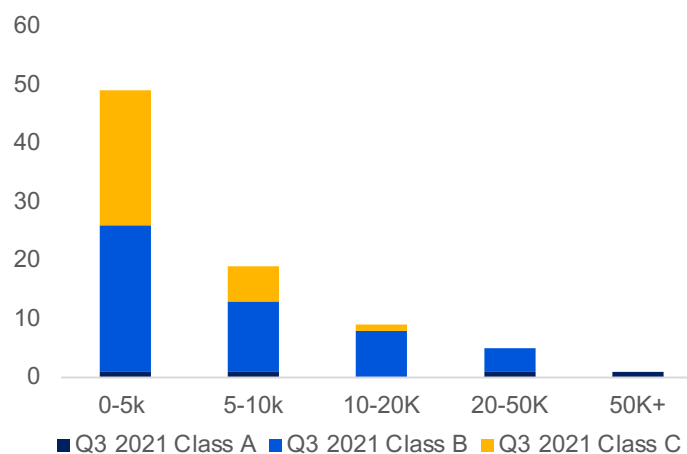
Net Absorption
-64,558 SF

Arrows Indicate One Quarter Change

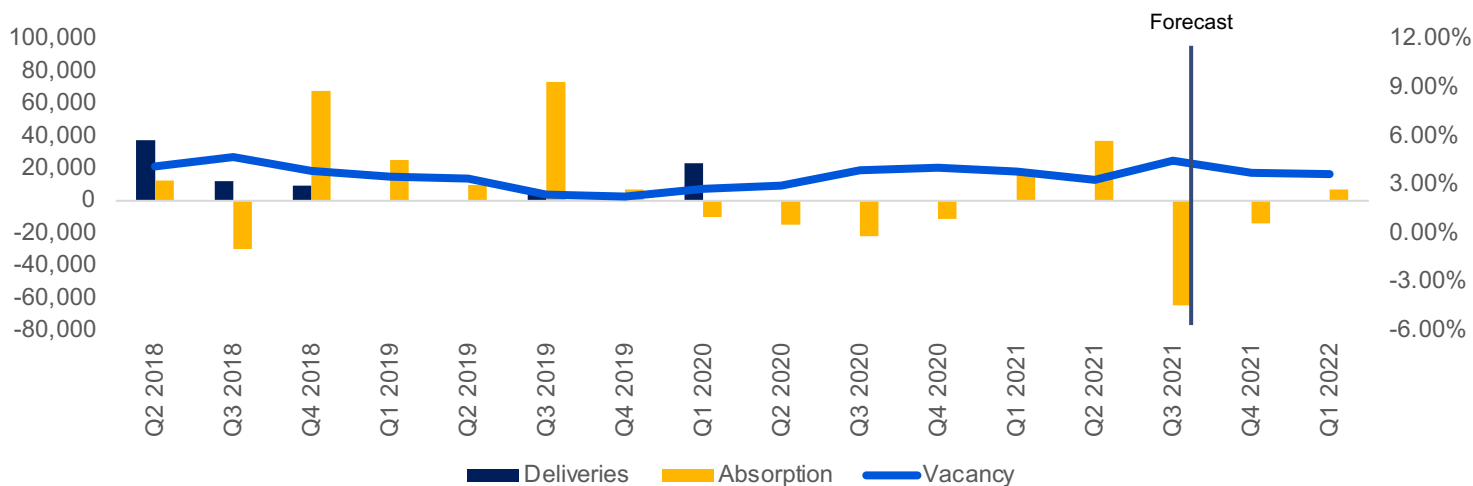
Vacancy Rate

	Q1	Q2	Q3	
Ajax	5.6%	5.8%	6.3%	▲
Oshawa	2.7%	2.8%	3.4%	▲
Outlying Durham	1.5%	1.3%	1.3%	▬
Pickering	2.9%	2.4%	6.4%	▲
Whitby	3.6%	1.8%	1.8%	▬
Overall	3.8%	3.3%	4.5%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



419 King St W
62,009 SF



1340 Pickering Parkway
34,142 SF



330 Taunton Rd 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	Q4 2021
3	25 Ontario Street	First Gulf & HOOPP	460,000 SF	Q2 2023
4	65 King Street East	Carttera	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	Carttera	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

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.

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