

Q4 2021

Toronto Office Market Report



Net Absorption

This Quarter	Previous Quarter
751K SF	-1.0M SF
12-Month Absorption	5-Year Quarterly Avg.
-2.7M SF	-52K SF

Vacancy

This Quarter	Year-over-Year
8.7%	▲ 230 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$24.57 PSF	▲ 12%

Development

Under Construction	New Supply
7.8M SF	1.0M SF

Sales

Sale Price Avg.	Year-over-Year
\$537 PSF	▲ 0.8%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

Q4 2021 commenced with strong momentum of economic and office leasing activity in the Greater Toronto Area (GTA). However, the emergence of the Omicron variant has forced companies to once again recalibrate their return-to-office expectations for 2022. Tenant sentiment ranges from conservative to optimistic, but our recent study found that only 26% of companies anticipate an overall decrease in their office footprint, down from 46% in summer 2020.

Absorption for the GTA netted positive this quarter at 751,123 square feet, mostly attributed to the delivery of predominantly pre-leased new supply projects in the Downtown East submarket. GTA vacancy increased by 230 basis points (bps) year-over-year to 8.7%; meanwhile, the amount of sublease vacant space decreased by 262,191 square feet. GTA asking net rental rates increased 12% year-over-year, despite individual submarkets showing only minor fluctuations. This is a result of the composition of available space being more heavily weighted towards Downtown, making a larger proportion of available space high quality product.

The Downtown market saw positive absorption of 823,970 square feet, driven primarily by tenants moving into Menkes' three new developments completed this quarter: the LCBO Tower and the Waterfront Innovation Centre buildings at 100, 125 and 155 Queens Quay East. Total vacant space in the Downtown market sits at 6.9 million square feet in Q4 2021, driving Downtown vacancy up to 7.3%, representing a year-over-year increase of 300 bps from 4.3% in Q4 2020. Availability increased 10 bps to 9.8%, with the proportion of sublease availability recorded at 25.1%, down from 27.1% in Q3. The downward trajectory of this metric has been in

motion since it peaked in Q1 2021 at 41.7% of total availability, as new listing volume slows and sublease offerings are taken back by tenants. Downtown average asking net rental rates held firm this quarter, fluctuating only from \$36.40 to \$36.43 per square foot.

The Suburban market experienced 42,372 square feet of negative absorption in Q4, with vacancy sitting at 10.3%. In the GTA West, 80,242 square feet of negative absorption was recorded. Vacancy went up 250 bps year-over-year from Q4 2020, to 12.7% this quarter, totaling 7.5 million square feet of vacant space. Similar to the Downtown market, the proportion of sublease availability dropped this quarter from 19.4% in Q3 to 19.0%. Weighted average asking net rents in the GTA West also held firm, marginally shifting from \$16.99 per square foot in Q3 to \$17.02 in Q4.

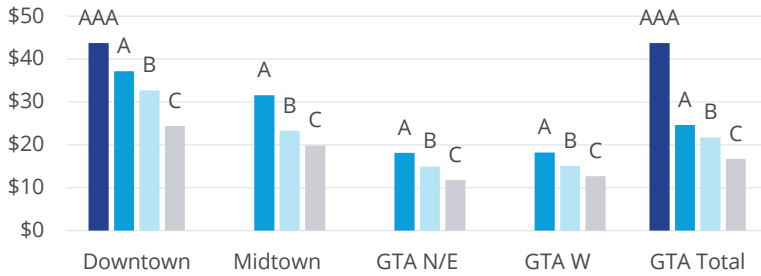
The majority of leasing activity this quarter came from FIRE and TAMI industries. Going forward, strong employment growth in these sectors will help buoy demand for office space as employees return to the office. As such, the value of high-quality amenities and common space activation has taken the spotlight for employers. Many landlords are observing a flight to quality in their portfolios, with the highest levels of interest from tenants being in new construction, newly renovated space, and built-out turnkey and model suites. As employees return to the workplace, there's an even greater emphasis on the office as a destination for collaboration and innovation in order to strengthen and enrich company culture. 2022 is poised to test the viability of hybrid work models in the long run, as landlords and occupiers rebuild confidence in the office as a tool for enabling company growth and longevity.

Accelerating success.

Market Overview

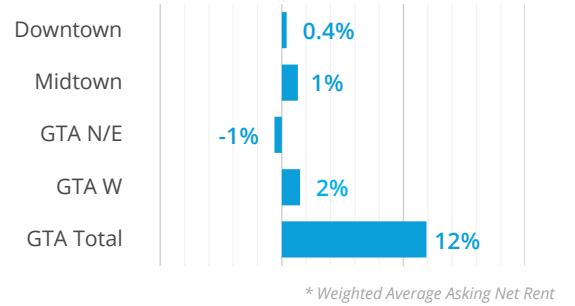
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



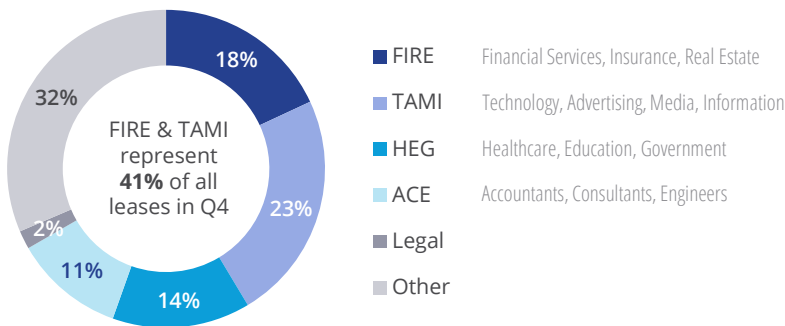
02 Rental Rate Growth*

By Market | Q4 2020 – Q4 2021



03 Leasing Activity by Industry

By Square Feet Leased (SF)



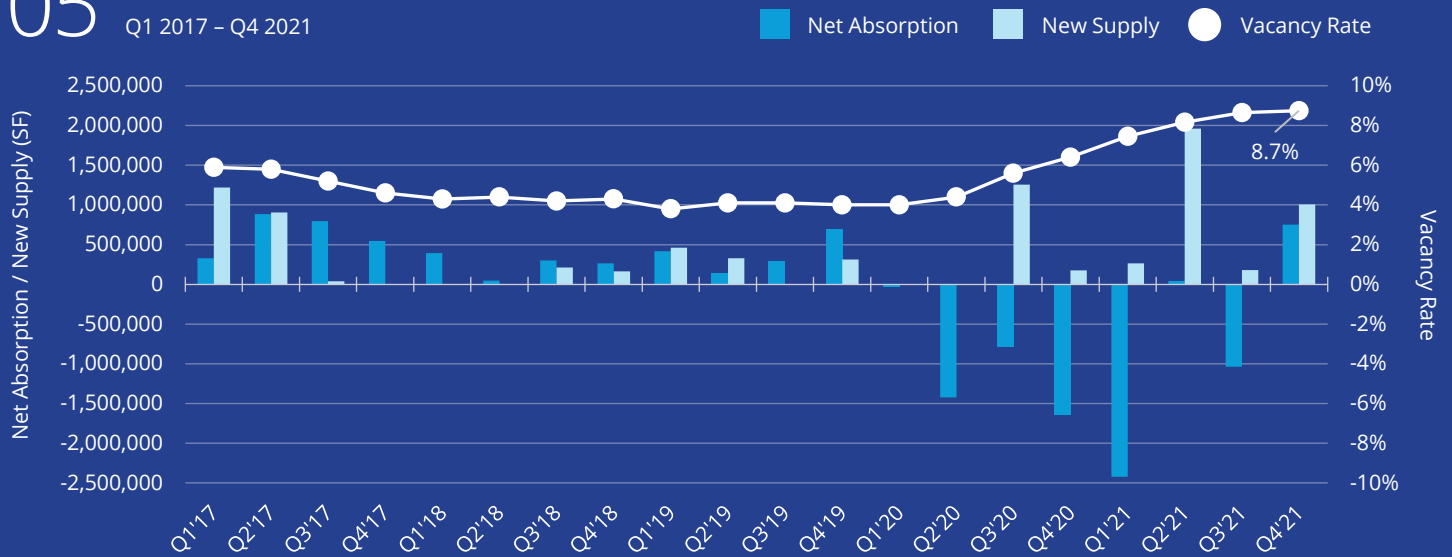
04 Vacancy Rate

By Market | Q4 2020 – Q4 2021

Downtown	7.3%	▲	from 4.3% Q4'20
Midtown	6.0%	▲	from 3.1% Q4'20
GTA N/E	8.3%	▲	from 7.0% Q4'20
GTA W	12.7%	▲	from 10.2% Q4'20
GTA Total	8.7%	▲	from 6.4% Q4'20

05 Historical Overview

Q1 2017 – Q4 2021



Market Statistics

All Building Classes	# of Bldgs	Office Inventory	Vacancy Rate	Availability Rate	Prop. of Sublease Available	Absorption Current Quarter	Wgt. Avg. Asking Net Rent	Wgt. Avg. Asking Gross Rent	New Supply	Under Construction	
Market		(SF)	%	(SF)	%	(SF)	(PSF)	(PSF)	(SF)	(SF)	
Downtown	Financial Core	105	38,929,018	8.1%	12.6%	22.9%	31,898	\$39.06	\$68.49	0	3,529,086
	Downtown East	74	7,668,900	8.0%	10.2%	33.8%	780,414	\$34.19	\$58.04	1,005,976	1,682,003
	Downtown North	139	22,658,607	4.2%	6.1%	30.2%	-37,310	\$31.17	\$52.57	0	184,958
	Downtown South	20	7,227,269	9.1%	4.4%	7.0%	75,293	\$34.89	\$60.32	0	0
	Downtown West	154	17,833,478	8.6%	10.4%	26.5%	-26,325	\$34.77	\$55.07	0	1,980,175
	Downtown Total	492	94,317,272	7.3%	9.8%	25.1%	823,970	\$36.56	\$62.49	1,005,976	7,376,222
Midtown	Yonge - Bloor	74	11,023,494	5.0%	8.7%	11.0%	-16,543	\$30.95	\$54.80	0	0
	Yonge - St. Clair	30	3,299,852	5.5%	8.3%	52.8%	-26,709	\$26.82	\$49.69	0	0
	Yonge - Eglinton	68	6,741,151	6.4%	7.7%	29.7%	2,550	\$18.41	\$36.84	0	46,954
	Toronto West	48	2,784,140	9.8%	7.5%	14.3%	10,227	\$29.56	\$44.68	0	0
	Midtown	220	23,848,637	6.0%	8.2%	22.2%	-30,475	\$27.42	\$48.86	0	46,954
GTA North / East	Don Mills - Eglinton	66	6,349,089	5.8%	7.3%	34.9%	-9,497	\$13.54	\$31.07	0	124,000
	Duncan Mill	45	3,044,042	10.2%	14.5%	40.5%	-19,280	\$16.36	\$32.12	0	0
	Consumers Road	47	6,096,558	15.3%	13.9%	17.3%	-40,837	\$13.55	\$30.89	0	0
	Woodbine/Steeles	70	6,637,197	9.7%	8.4%	14.3%	-17,845	\$15.41	\$30.55	0	0
	Toronto East	23	1,560,552	6.1%	6.4%	33.6%	-23,209	\$23.71	\$38.43	0	13,565
	Central East	251	23,687,438	9.9%	10.2%	24.9%	-110,668	\$14.90	\$31.32	0	137,565
	Yorkdale	31	2,340,379	2.9%	2.6%	0.0%	7,704	\$12.98	\$30.15	0	0
	Dufferin - Finch	32	2,477,548	5.8%	4.8%	0.0%	12,624	\$17.79	\$32.16	0	0
	North Yonge Corridor	58	10,305,767	9.4%	9.9%	9.1%	31,132	\$21.81	\$42.92	0	115,357
	Central North	121	15,123,694	7.8%	7.9%	7.7%	51,460	\$20.91	\$41.08	0	115,357
Vaughan	80	5,191,954	6.6%	10.1%	43.2%	34,140	\$19.00	\$30.32	0	0	
Richmond Hill	12	844,067	0.9%	0.9%	0.0%	4,000	\$17.80	\$30.44	0	0	
Hwy 404 - Hwy 407	130	10,860,817	6.0%	7.2%	22.7%	34,996	\$17.15	\$32.46	0	0	
Markham Town Centre	38	3,489,389	13.0%	12.4%	50.9%	24,866	\$17.43	\$32.60	0	0	
GTA North	260	20,386,227	7.1%	8.6%	35.8%	98,002	\$17.70	\$31.91	0	0	
Scarborough Town Centre	84	8,521,567	8.9%	10.2%	27.2%	-20,543	\$13.69	\$30.59	0	0	
Pickering - Oshawa	58	4,741,087	5.5%	6.4%	4.0%	19,619	\$14.65	\$25.29	0	0	
GTA East	142	13,262,654	7.7%	8.9%	21.2%	-924	\$13.99	\$28.93	0	0	
GTA North / East	774	72,460,013	8.3%	9.0%	24.0%	37,870	\$16.66	\$33.15	0	252,922	
GTA West	Airport Corporate Centre	81	6,755,288	15.1%	17.4%	16.2%	22,580	\$17.31	\$32.95	0	0
	Airport East	72	5,274,844	18.8%	14.2%	7.1%	12,718	\$14.47	\$30.01	0	5,627
	Airport West	65	5,846,903	15.4%	15.2%	72.4%	6,455	\$15.39	\$26.03	0	0
	Brampton	55	4,128,927	2.3%	6.8%	73.3%	6,939	\$17.53	\$31.38	0	31,846
	Burlington	80	5,257,572	17.4%	20.8%	9.1%	-47,137	\$16.01	\$27.14	0	0
	Cooksville	33	1,910,113	8.8%	7.9%	8.9%	13,850	\$14.73	\$29.86	0	0
	Hwy 401 - Hurontario	60	5,185,673	9.9%	9.0%	11.1%	9,468	\$13.92	\$28.45	0	0
	Hwy 427 - Bloor - Islington	65	5,104,402	14.8%	14.3%	12.3%	-69,151	\$18.65	\$34.90	0	0
	Meadowdale	78	6,975,086	7.6%	10.2%	1.5%	9,772	\$18.84	\$32.86	0	0
	Mississauga City Centre	33	4,361,826	11.9%	14.4%	8.9%	-13,202	\$17.94	\$36.80	0	0
	Oakville	81	4,861,535	13.6%	10.1%	10.2%	-8,031	\$19.19	\$31.57	0	68,285
	Sheridan - Winston	56	3,836,396	12.0%	10.9%	4.7%	-24,503	\$18.71	\$31.98	0	0
	GTA West Total	759	59,498,565	12.7%	13.1%	19.0%	-80,242	\$17.02	\$31.44	0	105,758
	GTA Total	2,245	250,124,487	8.7%	10.2%	22.7%	751,123	\$24.57	\$44.08	1,005,976	7,781,856

Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Area (SF)	Market	Lease Type
Facebook	16 York Street	127,563	Central Downtown – Downtown South	New Deal
Wunderman Thompson	160 Bloor Street East	98,274	Central Midtown - Yonge-Bloor	Extension
Northeastern University	375 Queen Street West	93,134	Central Downtown - Downtown West	New Deal
Travel Edge	2 Queen Street East	73,557	Central Downtown - Financial Core	Sublease
Scotiabank	70 University Avenue	53,774	Central Downtown - Financial Core	Sublease
Canadian Tire Ltd.	77 Foster Crescent	50,353	Suburban West - Mississauga City Centre	New Deal
Bounteous Canada	351 King Street East	28,414	Central Downtown - Downtown East	New Deal
SiriusXM Canada	351 King Street East	27,822	Central Downtown - Downtown East	New Deal

Notable Sales Transactions

Building Name / Address	Area (SF)	Sale Price	Purchaser	Purchaser Profile
Bell Creekbank Campus, 5099 Creekbank Road	1,100,000	\$443,433,788	Oak Street Real Estate Capitol	Private Investor
99 Atlantic Avenue & 40 Hanna Avenue	259,234	\$240,000,000	Blackstone and Kevric	Institutional Investor
Allstate Corporate Centre, 11 Allstate Parkway	577,214	\$179,500,000	Groupe Mach	Private Investor
Madison Centre, 4950 Yonge St & 100 Upper Madison Ave	445,000	\$118,000,000	Europro	Private Investor
Meadowvale Court I & II, 6501-6559 Mississauga Road	143,975	\$49,000,000	Canfirst Capital Management	Private Investor
1 Eva Road	91,068	\$34,000,000	Broccolini	Developer
175 Commerce Valley Drive West	113,274	\$33,650,000	Groupe Mach	Private Investor
320 Matheson Boulevard West	93,950	\$24,750,000	Ya-Ya Foods Corp	Private Investor

Notable Developments

Building Name / Address	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
LCBO Tower, 100 Queens Quay East	Downtown East	New Supply	675,000	2021 Q4	Menkes
Waterfront Innovation Centre, 125 & 155 Queens Quay East	Downtown East	New Supply	460,000	2021 Q4	Menkes
The Well, 410 Front Street West	Downtown West	Under Construction	1,200,000	2022 Q1	Allied REIT, RioCan REIT
65 King Street East	Downtown East	Under Construction	400,000	2022 Q1	Canderel, Carttera
Bay Adelaide Centre – North Tower, 40 Temperance Street	Financial Core	Under Construction	820,000	2022 Q3	Brookfield, Dadco Group
EQ Bank Tower, 25 Ontario Street	Downtown East	Under Construction	460,000	2023 Q3	First Gulf
CIBC Square II, 141 Bay Street	Financial Core	Under Construction	1,400,000	2024 Q4	Hines, Ivanhoe Cambridge

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For more information on the Toronto Office Market, please contact:

Jamieson Jackson

Managing Director,
Office Practice Group
+1 416 710 6759
jamieson.jackson@colliers.com

Leo Lee

Director, National
Research Operations | Canada
+1 416 620 2839
leo.lee@colliers.com

Max Shapinko

Research Operations
Specialist | Canada
+1 416 791 7256
max.shapinko@colliers.com

Report Authors:

Ellen Soberman

Research Analyst
+1 416 643 3463
ellen.soberman@colliers.com

Makoza Chirwa

Research Analyst
+1 416 666 1162
makoza.chirwa@colliers.com

Bella Hahn

Research Coordinator
+1 416 643 3401
isabella.hahn@colliers.com

Report Contributors:

George Grigoriadis | Market Data Coordinator
Frank Guo | Market Data Coordinator
Nicole Carmichael | Market Data Coordinator
Chantell Beete | Data Operations Analyst

Colliers Canada | Toronto
Colliers Macaulay Nicolls Inc.
181 Bay Street, Suite 1400
Toronto, ON, M5J 2V1
+1 416 777 2200



collierscanada.com/research

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