

Q2 2022

# Toronto

## Office Market Report

### Net Absorption

This Quarter	Previous Quarter
-1.1M SF	942K SF
12-Month Absorption	5-Year Quarterly Avg.
-503K SF	-580K SF

### Vacancy

This Quarter	Year-over-Year
9.6%	▲ 140 bps

### Asking Net Rent

This Quarter*	Year-over-Year
\$25.47 PSF	▲ 9.5%

### Development

Under Construction	New Supply
6.5M SF	344K SF

### Sales

Sale Price Avg.	Year-over-Year
\$616 PSF	▲ 24%

\*Weighted Average  
Colliers Macaulay Nicolls Inc.

### Market Outlook

In Q2 2022, the uncertainty of both the economic climate and the future of the office in corporate strategies continued in a way that may feel familiar for landlords, tenants and industry professionals who have been enduring these conditions for the past two years. Tenants who are confident that office space will remain essential to their company culture have locked in new leases which reflect that commitment, as exemplified by several large lease transactions going firm this quarter. However, most tenants are either maintaining their current lease even through growth or are reducing their size while experimenting with the feasibility of long-term hybrid work. Many employers are inclined to maintain COVID-era remote work policies as a tool for employee retention and attraction.

Across the Greater Toronto Area, just over 1 million square feet of negative absorption were recorded, as some tenants completed fixturing and took occupancy of the 5.4 million square feet delivered over the course of the pandemic, while others right-sized their space. While vacancy grew to 9.6% this quarter, it should be noted that the curve of post-COVID vacancy growth is flattening.

Downtown sublet availability as a proportion of total availability peaked at 41.7% in Q1 2021, and has now returned to pre-COVID levels at 22.6% in Q2 2022. This is below the 5-year average of 24.1% for this metric, potentially indicating an end to the COVID-era disruption of the sublet market. Top quality sublets have experienced the most leasing activity as tenants seek out the ease and flexibility that sublets offer as the flight to quality continues.

The demand for high-quality space is also reflected in AAA vacancy, which is the lowest in the Downtown market compared to A, B, and C classes. On the direct leasing side, landlords are offering similar simplicity to tenants with built-out model suites that do not require upfront capital expenditures or long fixturing periods reliant on an unstable supply chain. Model suites command higher rents and often gain more traction than base-building space, which makes them an appealing investment for landlords looking to reduce vacancy in their portfolios. In the Suburban market, rental rates and availability have been more stable, although these metrics have continued to increase over the course of the quarter.

Job growth has slowed across the country in Q2 as the Canadian labour market approaches full employment, and while many companies have grown significantly over the course of the pandemic this is not always translating into larger office footprints. Downtown office occupancy has risen from 7% at the beginning of the year to 27% due to improved employee sentiments towards both travel and workplace safety, even as employers intent on mandating a return to office have faced challenges with the enforcement of these policies. Despite this, increased occupancy coupled with warmer weather has led to a renewed vibrancy in the streets of the Downtown Core.

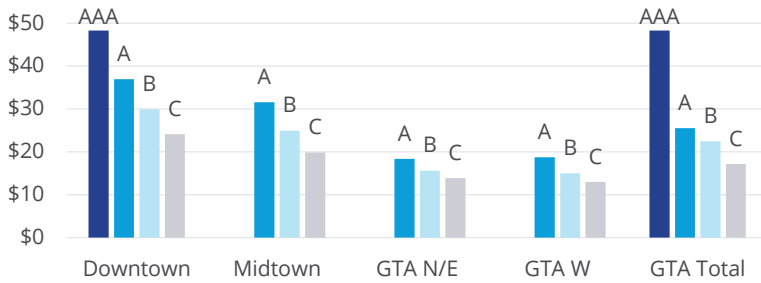
With a potential recession looming on the horizon and inflationary pressures affecting consumer spending patterns, many companies' future plans remain in flux. This suggests that in the new normal, unpredictability reigns supreme.

Accelerating success.

# Market Overview

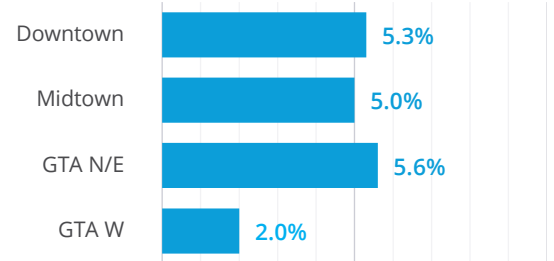
## 01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



## 02 Rental Rate Growth\*

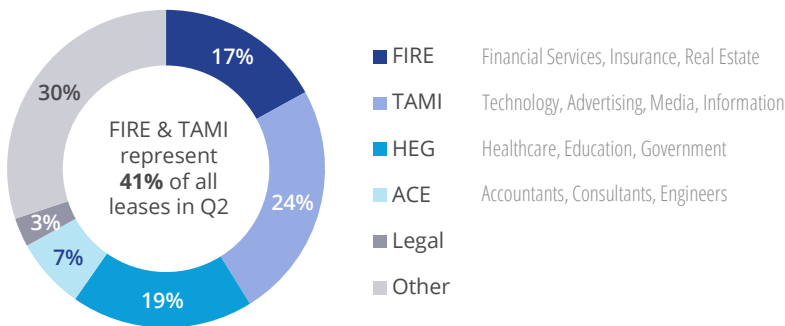
By Market | Q2 2021 - Q2 2022



\* Weighted Average Asking Net Rent

## 03 Leasing Activity by Industry

By Square Feet Leased (SF)



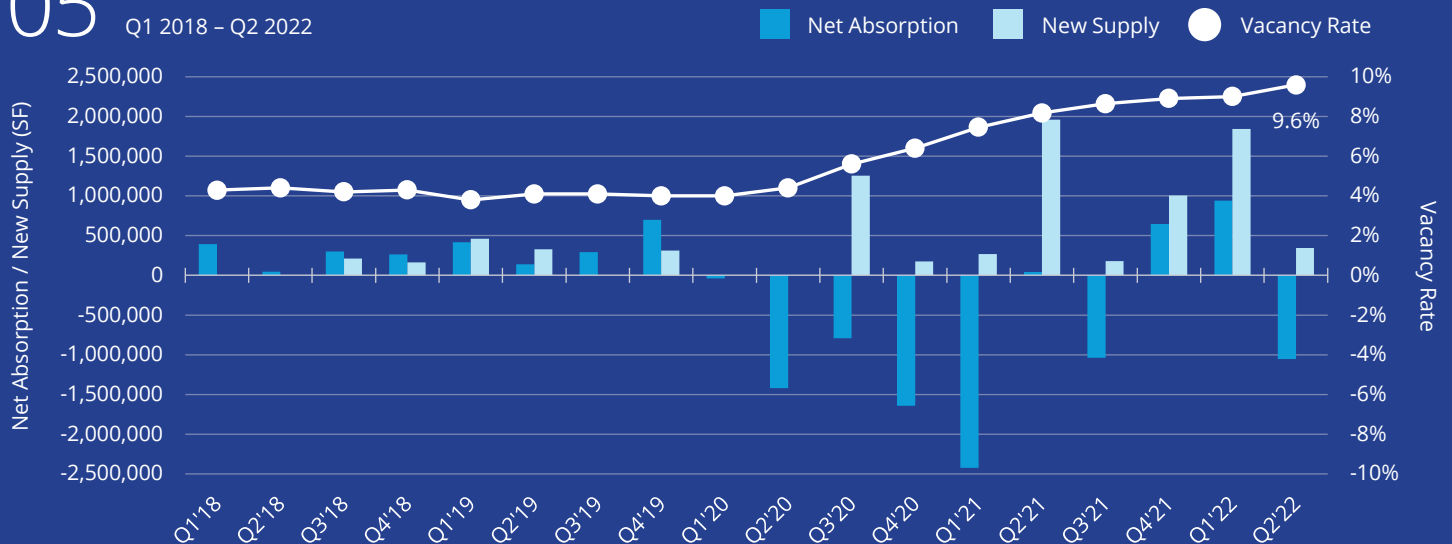
## 04 Vacancy Rate

By Market | Q2 2021 - Q2 2022

Downtown	8.3%	▲	from 6.5% Q2'21
Midtown	7.4%	▲	from 5.2% Q2'21
GTA N/E	9.1%	▲	from 8.1% Q2'21
GTA W	13.1%	▲	from 12.1% Q2'21
<b>GTA Total</b>	<b>9.6%</b>	▲	from 8.2% Q2'21

## 05 Historical Overview

Q1 2018 - Q2 2022



# 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	107	39,381,858	9.5%	13.4%	19.6%	-189,409	\$40.74	\$69.30	0	3,529,086
	Downtown East	75	8,008,404	8.6%	10.7%	40.0%	33,274	\$32.12	\$57.06	28,300	1,286,185
	Downtown North	142	22,765,437	5.5%	6.6%	22.7%	-98,702	\$30.52	\$53.11	89,730	161,566
	Downtown South	20	7,227,269	6.3%	7.0%	25.4%	-2,079	\$36.28	\$62.39	0	0
	Downtown West	159	19,170,374	10.0%	11.2%	23.0%	-17,124	\$36.15	\$57.66	138,700	894,865
	<b>Downtown Total</b>	<b>503</b>	<b>96,553,342</b>	<b>8.3%</b>	<b>10.7%</b>	<b>22.8%</b>	<b>-274,040</b>	<b>\$37.51</b>	<b>\$63.34</b>	<b>256,730</b>	<b>5,871,702</b>
Midtown	Yonge - Bloor	74	10,940,463	6.3%	10.7%	13.4%	-18,429	\$31.52	\$55.88	0	0
	Yonge - St. Clair	30	3,299,852	6.7%	7.6%	32.2%	-16,494	\$27.00	\$50.85	0	0
	Yonge - Eglinton	69	6,788,105	8.4%	9.2%	17.9%	-5,007	\$19.30	\$39.33	46,954	6,522
	Toronto West	48	2,746,716	9.8%	10.4%	16.5%	-40,900	\$30.56	\$47.75	0	275,000
	<b>Midtown</b>	<b>221</b>	<b>23,775,136</b>	<b>7.4%</b>	<b>9.8%</b>	<b>17.0%</b>	<b>-80,830</b>	<b>\$27.73</b>	<b>\$50.01</b>	<b>46,954</b>	<b>281,522</b>
GTA North / East	Don Mills - Eglinton	66	6,349,089	7.0%	7.4%	35.6%	12,894	\$13.16	\$30.51	0	124,000
	Duncan Mill	45	3,044,042	11.5%	15.7%	37.9%	-27,852	\$15.74	\$31.73	0	0
	Consumers Road	46	6,033,683	13.8%	14.4%	17.5%	-6,584	\$14.91	\$31.52	0	0
	Woodbine/Steeles	70	6,637,197	9.8%	11.1%	1.5%	63,663	\$14.68	\$29.24	0	0
	Toronto East	24	1,640,704	8.7%	9.2%	19.4%	-21,719	\$27.53	\$40.72	0	13,565
	<b>Central East</b>	<b>251</b>	<b>23,704,715</b>	<b>10.2%</b>	<b>11.4%</b>	<b>20.0%</b>	<b>20,402</b>	<b>\$15.43</b>	<b>\$31.19</b>	<b>0</b>	<b>137,565</b>
	Yorkdale	31	2,340,379	3.6%	3.8%	3.8%	-19,486	\$17.07	\$38.80	0	0
	Dufferin - Finch	32	2,477,548	5.9%	4.9%	4.4%	-1,323	\$17.53	\$31.08	0	0
	North Yonge Corridor	58	10,305,767	12.1%	13.6%	15.2%	-153,035	\$21.65	\$42.85	0	115,357
	<b>Central North</b>	<b>121</b>	<b>15,123,694</b>	<b>9.7%</b>	<b>10.7%</b>	<b>13.8%</b>	<b>-173,844</b>	<b>\$21.03</b>	<b>\$41.63</b>	<b>0</b>	<b>115,357</b>
	Vaughan	80	5,191,954	7.2%	10.1%	46.0%	-25,258	\$18.60	\$29.97	0	0
Richmond Hill	12	844,067	0.9%	0.9%	0.0%	0	\$17.80	\$30.44	0	0	
Hwy 404 - Hwy 407	127	10,494,304	8.0%	10.5%	22.5%	-49,917	\$18.85	\$33.63	0	0	
Markham Town Centre	37	3,377,549	12.6%	13.4%	51.8%	-10,703	\$17.60	\$33.13	0	0	
<b>GTA North</b>	<b>256</b>	<b>19,907,874</b>	<b>8.3%</b>	<b>10.4%</b>	<b>34.7%</b>	<b>-85,878</b>	<b>\$18.59</b>	<b>\$32.78</b>	<b>0</b>	<b>0</b>	
Scarborough Town Centre	86	8,614,977	9.3%	10.2%	25.4%	-15,067	\$13.97	\$31.33	40,000	0	
Pickering - Oshawa	59	4,768,990	5.2%	7.2%	3.5%	-12,029	\$14.69	\$25.36	0	0	
<b>GTA East</b>	<b>145</b>	<b>13,383,967</b>	<b>7.8%</b>	<b>9.2%</b>	<b>19.3%</b>	<b>-27,096</b>	<b>\$14.21</b>	<b>\$29.34</b>	<b>40,000</b>	<b>0</b>	
<b>GTA North / East</b>	<b>773</b>	<b>72,120,250</b>	<b>9.1%</b>	<b>10.6%</b>	<b>22.6%</b>	<b>-266,416</b>	<b>\$17.24</b>	<b>\$33.66</b>	<b>40,000</b>	<b>252,922</b>	
GTA West	Airport Corporate Centre	81	6,767,571	17.0%	16.3%	16.3%	-172,455	\$17.29	\$33.14	0	0
	Airport East	70	4,848,096	15.5%	15.7%	3.9%	-13,335	\$14.39	\$30.26	0	5,627
	Airport West	65	5,843,265	14.8%	14.8%	74.1%	-46,259	\$16.16	\$28.77	0	0
	Brampton	55	4,128,927	6.9%	6.7%	72.9%	18,047	\$17.20	\$30.45	0	31,846
	Burlington	80	5,247,572	19.5%	18.4%	8.8%	-140,303	\$17.08	\$27.88	0	0
	Cooksville	33	1,910,113	8.4%	7.5%	5.9%	-18,542	\$14.17	\$30.17	0	0
	Hwy 401 - Hurontario	60	5,188,839	9.0%	8.3%	9.0%	-17,136	\$19.03	\$34.20	0	0
	Hwy 427 - Bloor - Islington	65	5,103,032	17.0%	19.7%	6.9%	-3,133	\$18.34	\$35.45	0	0
	Meadowdale	78	6,975,086	10.0%	11.0%	3.5%	9,527	\$18.76	\$32.82	0	0
	Mississauga City Centre	33	4,351,980	16.0%	17.0%	9.7%	-79,087	\$18.13	\$37.84	0	0
	Oakville	81	4,839,403	8.1%	9.6%	10.3%	9,485	\$19.31	\$32.13	0	68,285
	Sheridan - Winston	56	3,836,396	10.4%	10.6%	3.9%	20,079	\$18.53	\$31.73	0	27,662
	<b>GTA West Total</b>	<b>757</b>	<b>59,040,280</b>	<b>13.1%</b>	<b>13.4%</b>	<b>17.8%</b>	<b>-433,112</b>	<b>\$17.54</b>	<b>\$32.55</b>	<b>0</b>	<b>133,420</b>
<b>GTA Total</b>		<b>2,254</b>	<b>251,489,008</b>	<b>9.6%</b>	<b>11.2%</b>	<b>20.8%</b>	<b>-1,054,398</b>	<b>\$25.47</b>	<b>\$45.34</b>	<b>343,684</b>	<b>6,539,566</b>

# Transaction Highlights

## Notable Lease Transactions

Tenant	Building Name / Address	Area (SF)	Market	Lease Type
Canada Goose	100 Queens Quay East	113,156	Central Downtown - Downtown East	New Deal
Ontario Power Generation Inc.	777 Brock Road	98,883	Suburban East - Pickering/Oshawa	Extension
MNP LLP	1 Adelaide Street East	75,306	Central Downtown - Financial Core	New Deal
Ontario Institute for Cancer Research	101 College Street	66,870	Central Downtown - Downtown North	Extension
Techtronic Industries Canada Inc.	3381 Steeles Avenue East	66,186	Central East - Woodbine/Steeles	New Deal
Toronto School of Management	500 Bloor Street West	44,381	Central Midtown - Yonge-Bloor	New Deal
Wave Financial	155 Queens Quay East	38,058	Central Downtown - Downtown East	New Deal
Points.com Inc.	111 Richmond Street West	37,960	Central Downtown - Financial Core	Renewal

## Notable Sales Transactions

Building Name / Address	Area (SF)	Sale Price	Purchaser(s)	Purchaser Profile(s)
121 King Street West	540,000	\$379,250,000	Crestpoint Real Estate	Private Investor
2233 Argentia Road	146,551	\$40,050,000	Soneil Vaughan Inc.	Private Investor
1315 & 1305 Pickering Parkway	140,169	\$38,304,618	5031718 Ontario Inc.	Private Investor
5800 Explorer Drive	110,000	\$35,500,000	Longview Aviation Properties Inc.	Private Investor
10 Milner Business Court	125,000	\$19,000,000	10 Milner Business Court Inc.	Private Investor
8160 Parkhill Drive	21,642	\$12,800,000	The Conestoga College Institute of Technology and Advanced Learning	Institution
700 Kerr Street	37,500	\$12,100,000	700 Kerr Street Holding Inc.	Private Investor

## Notable Developments

Building Name / Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
Liberty Market Tower (Podium), 171 East Liberty Street	A	Downtown West	New Supply	138,700	2022 Q2	Pointmark, Lifetime Developments
Bay Adelaide Centre - North Tower, 40 Temperance Street	AAA	Financial Core	Under Construction	810,000	2022 Q3	Brookfield, Dadco Group
160 Front Street West	AAA	Financial Core	Under Construction	1,250,000	2023 Q2	Cadillac Fairview
T3 Bayside, 235 & 251 Queens Quay East	AAA	Downtown East	Under Construction	500,000	2023 Q2	Hines
Portland Commons, 530 Front Street West	AAA	Downtown West	Under Construction	563,000	2023 Q3	Demesco Realty Incorporated
EQ Bank Tower, 25 Ontario Street	AAA	Downtown East	Under Construction	460,000	2023 Q3	First Gulf
CIBC Square II, 141 Bay Street	AAA	Financial Core	Under Construction	1,400,000	2024 Q4	Hines, Ivanhoe Cambridge



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