

Toronto Office

2019 Market Insight Report



Q1 2019

cresa

Market Overview



16 York Street | Cadillac Fairview

Market Trends

The Greater Toronto Area (GTA) office market continues to show tremendous strength but with low availability (4.9%) and elevated rents (\$33.59 PSF Net), leasing opportunities and market absorption were limited over the previous quarter. All nodes experienced a decrease in availability with the exception of Toronto North, which saw availability increase by 70 BPs and could suggest the market is beginning to stabilize. This could be attributed to the large supply additions which came to market in 2018. Additionally, with a growing trend of co-sharing spaces and sub-leasing tenants in the GTA markets, tenant demand remains strong, resulting in even lower vacancy rates and higher rental rates. Subsequently, new quarter supply additions for Q1 or Q2 2019 enter the market greater than 90% preleased. This is just another example of the demand driven landscape. These strong fundamentals will continue to strengthen landlords' hands and the GTA could continue to experience strong, near-term, rental growth as major supply blocks are not scheduled for delivery until 2020 and later.

As a result of the low vacancy and high demand dynamics, construction activity and development pipelines have seen increased activity. Landlords with trophy assets are seeing price in-elastic Tenants rush their doors, giving them the opportunity to charge aggressive face rates.

Leasing Spotlight

Toronto, Ontario 2019 Q1



32
Deals
Completed



214,211 SF
Leased

Notable Lease Transactions

1. Deloitte, 105,965 SF
2. LinkedIn, 87,000 SF
3. Ontario International College, 60,000 SF
4. Oracle Canada ULC, 40,373 SF **cresa**
5. DW Management Company, Inc., 27,920 SF **cresa**

GTA Overview



Supply

268,565,265 SF



Vacancy

4.9%



Average Net Rent

\$19.87/SF



Absorption

1,187,804 SF

Arrows Indicate One Quarter Change

Vacancy Rate

	Q3	Q4	Q1	
Midtown	3.7%	3.0%	2.6%	▼
Downtown	3.0%	3.4%	3.2%	▼
Toronto North	6.3%	4.8%	5.5%	▲
Toronto East	8.0%	6.5%	6.5%	►
Toronto West	9.8%	8.8%	7.7%	▼
Overall GTA	5.9%	5.2%	4.9%	▼

Vacancy Rates

& Availability Rates

Vacancy Rates

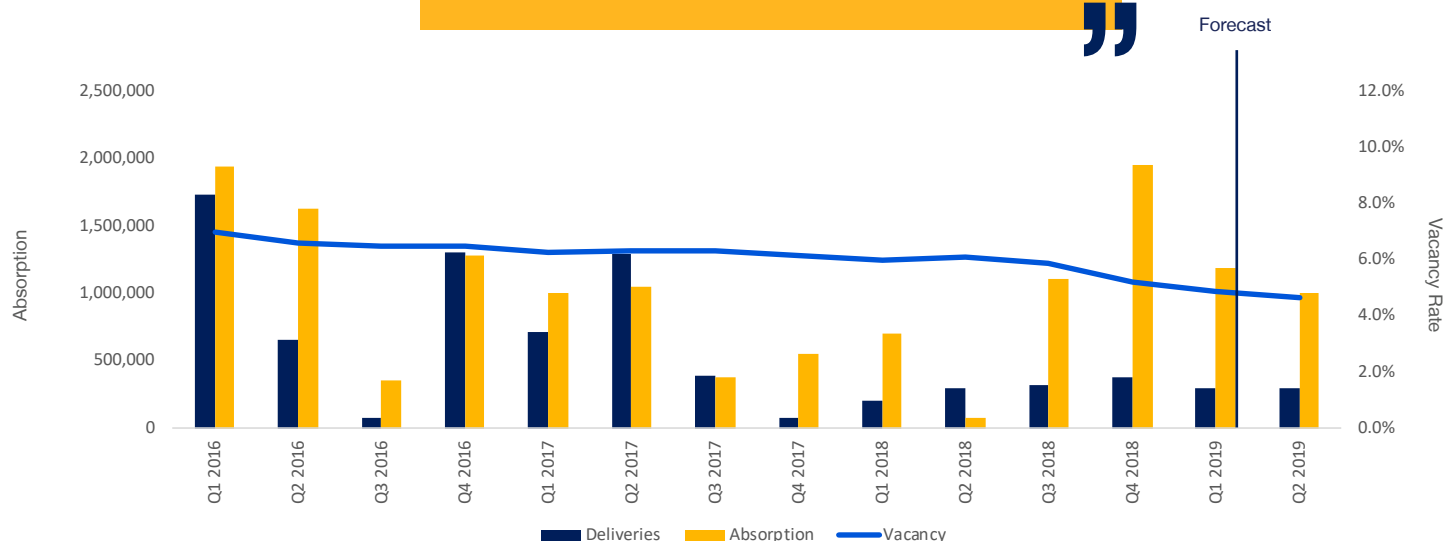
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

Availability Rates

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

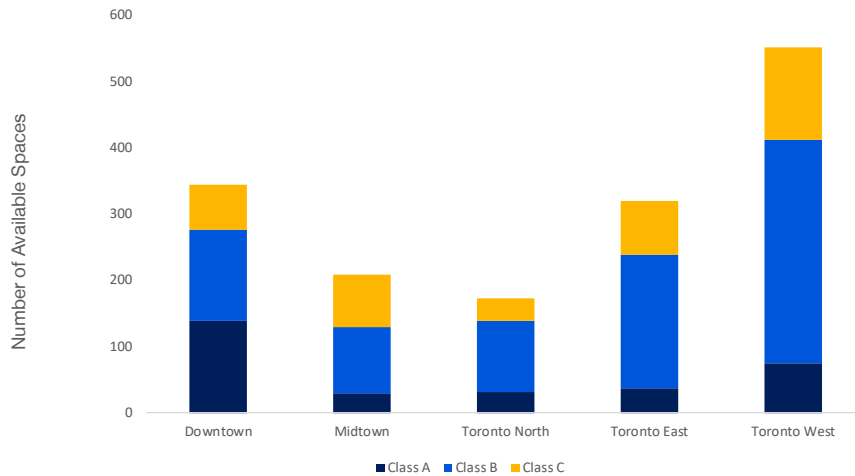
New Construction and Absorption

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	160 Front Street West	848,800
Downtown	16 York Street	485,206
Downtown	65 King Street East	416,223
Downtown	25 Ontario Street	358,924

Office Market Insights

1

The depreciation of the Canadian dollar on the global landscape has led to a decreased supply of foreign capital into Canada. Properties in non-core markets are not seeing the price appreciation they did in the past which has alleviated upward rental pressures in select markets.

2

In high demand markets with trophy assets such as the Financial Core, Bloor and Vaughan see continuing rental demand pressures in both the re-let and sublet markets.

3

New supply is not slated to enter congested markets until Q4 2020 and onwards, indicating no relief to rental pressures if Tenants continue to stay in crown markets.

4

Growing trend of co-sharing spaces and sub-leasing tenants in the GTA markets are making existing sublet markets competitive to renewals.

5

Toronto West will continue to experience decreasing vacancy as there is projected demand growth and minimal new construction coming on-line for 2019.

6

As we see more supply come on to the market in Q4 2020 and beyond, there will be a stabilization in the GTA office rental market.



Toronto Sites Under Development

(Year-end 2019)

503,000 SF
of supply added
to the GTA Office
market in Q1 2019

Of the
503,000 SF
added in Q1 2019

94%
PRE-LEASED

10.8M
Total SF

Of the 10.8M SF of total
construction in the GTA,
1.1M SF is set to come to
market in 2019

Of the 1.1 M SF
to be delivered
in 2019

58%
PRE-LEASED

Midtown Toronto

Q1 2019



Supply

22,533,889 SF



Vacancy

2.6%



Average Net Rent

\$22.15/SF



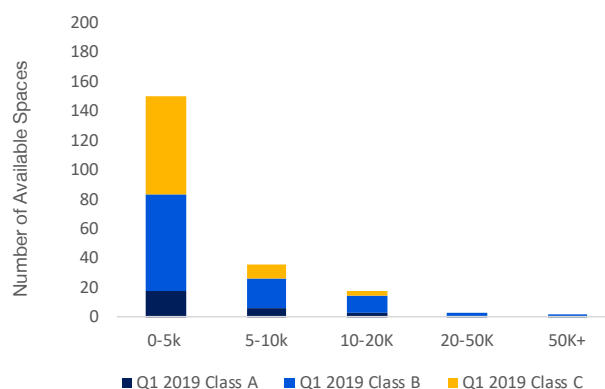
Net Absorption

87,460 SF

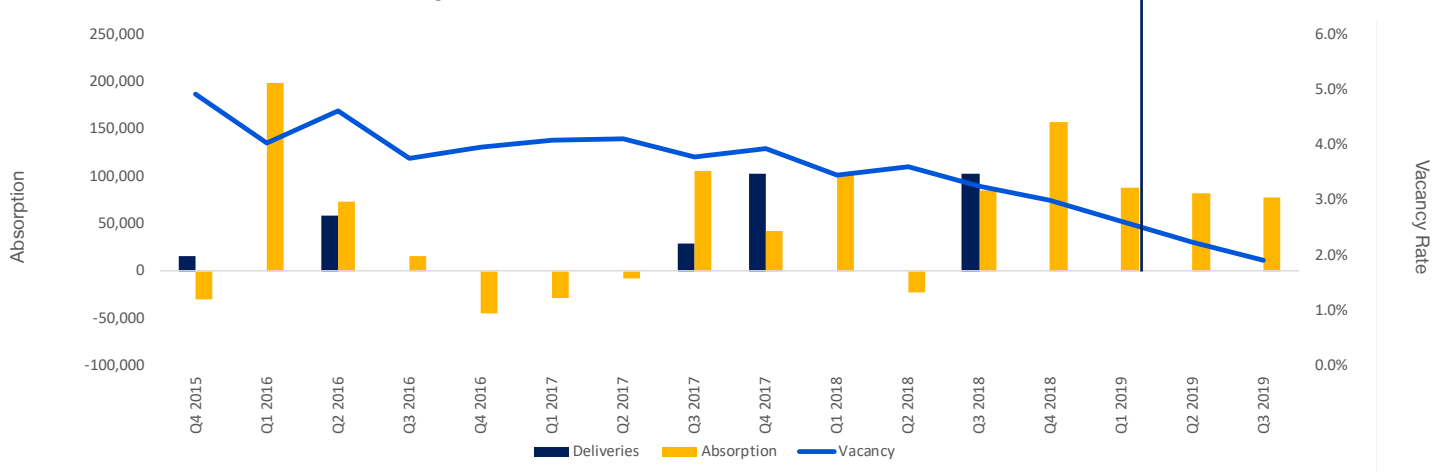
Vacancy Rate

	Q3	Q4	Q1	
Bloor	4.3%	3.6%	2.8%	▼
St. Clair	2.0%	1.1%	1.3%	▲
Eglinton	3.4%	2.8%	3.0%	▲
Overall	3.7%	3.0%	2.6%	▼

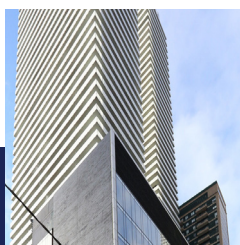
Availability Trends



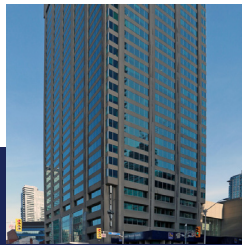
New Construction and Absorption



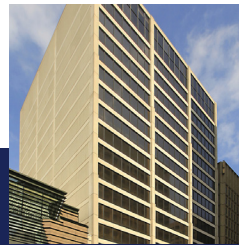
Significant Availabilities



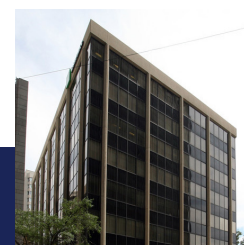
59 Hayden Street
95,066 SF



2 Bloor Street East
79,504 SF



80 Bloor Street West
60,766 SF



2161 Yonge Street
59,934 SF

Downtown Toronto

Q1 2019



Supply

94,946,353 SF



Vacancy

3.2%



Average Net Rent

\$33.75/SF



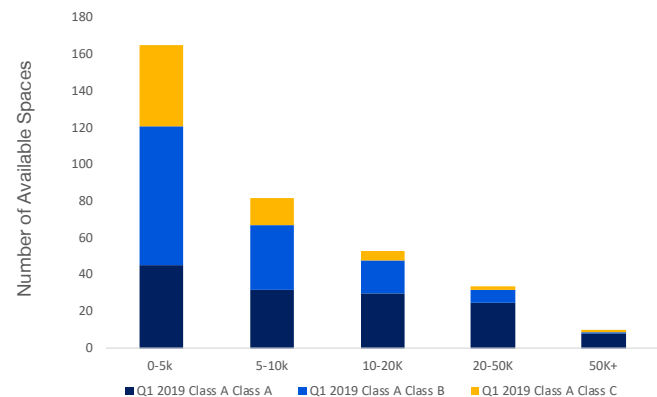
Net Absorption

238,282 SF

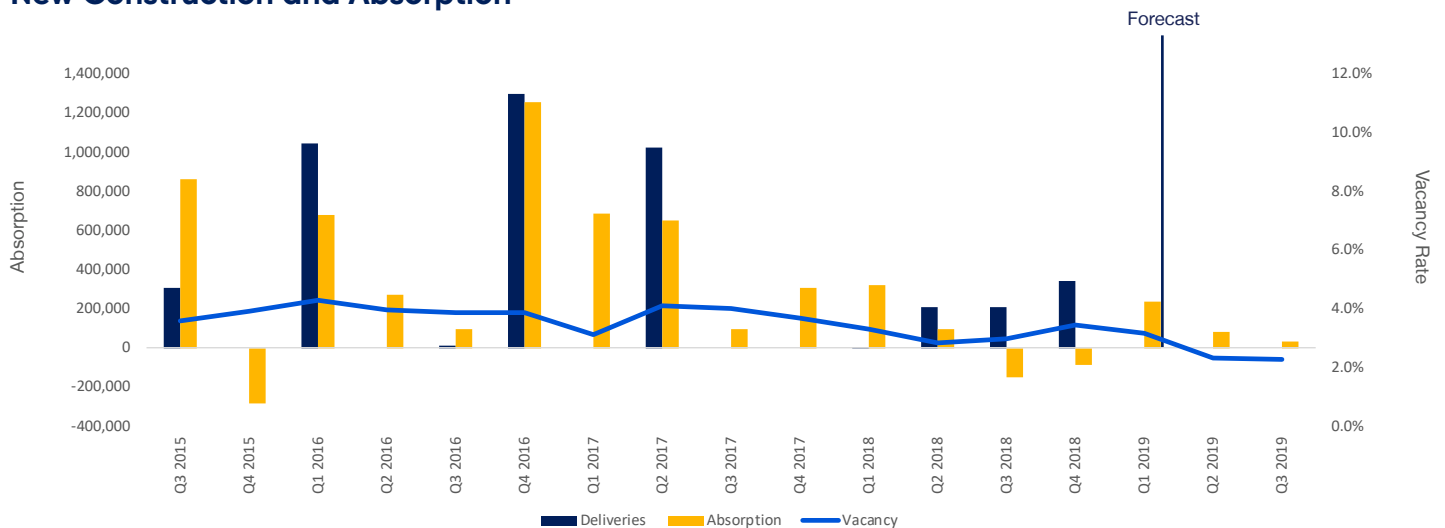
Vacancy Rate

	Q3	Q4	Q1	
Financial Core	4.4%	4.9%	5.0%	▲
Outer Financial Core	2.4%	3.6%	3.8%	▲
Downtown North	1.5%	1.3%	0.9%	▼
Downtown South	2.8%	1.9%	1.6%	▼
Downtown East	2.0%	1.7%	2.7%	▲
Downtown West	2.7%	5.0%	1.4%	▼
King/Dufferin	3.6%	2.8%	2.0%	▼
Overall	3.4%	3.4%	3.2%	▼

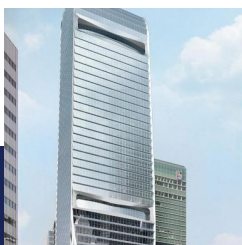
Availability Trends



New Construction and Absorption

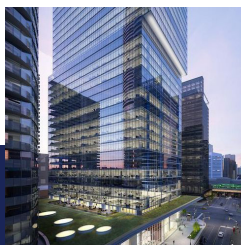


Significant Availabilities



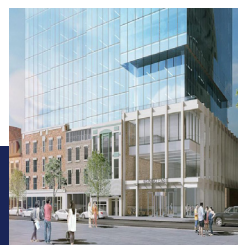
160 Front Street West
848,800 SF

*Under Construction



16 York Street
485,206 SF

*Under Construction



65 King Street East
416,223 SF

*Under Construction



25 Ontario Street
358,924 SF

Toronto North

Q1 2019



Supply
24,023,331 SF



Vacancy
5.5%



Average Net Rent
\$19.78/SF

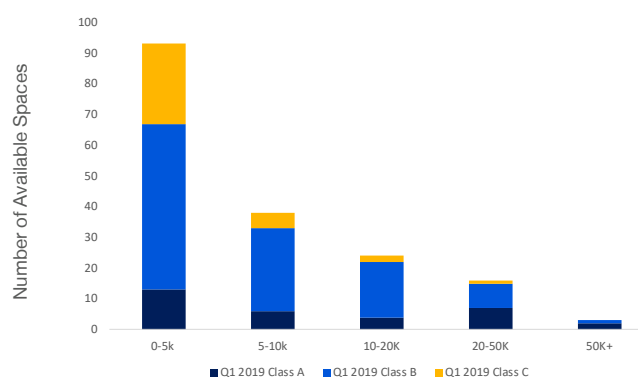


Net Absorption
-37,122 SF

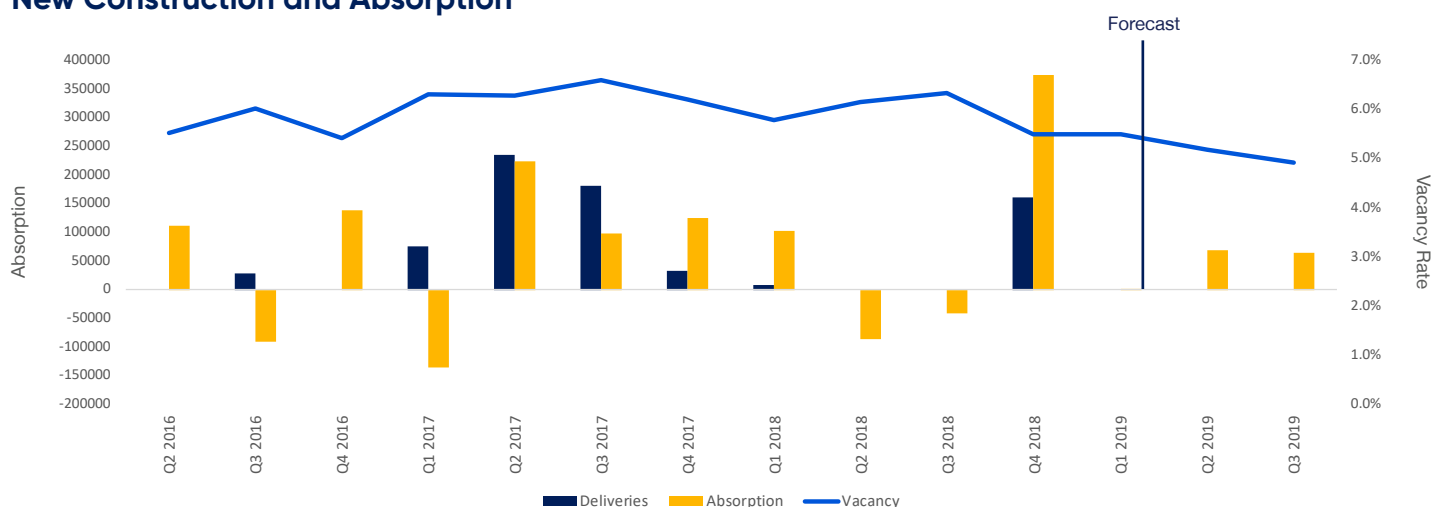
Vacancy Rate

	Q3	Q4	Q1	
North Toronto Region	3.8%	3.6%	4.2%	▲
North Yonge Corridor	8.6%	5.5%	6.0%	▲
Vaughan	4.5%	3.8%	3.1%	▼
North York West	6.0%	5.6%	8.7%	▲
Overall	6.3%	4.8%	5.5%	▲

Availability Trends



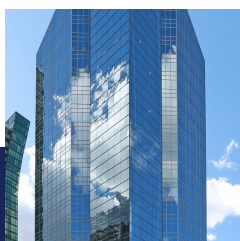
New Construction and Absorption



Significant Availabilities



5000 Yonge Street
123,207 SF



25 Sheppard Ave. West
103,348 SF



5255 Yonge Street
102,975 SF



5650 Yonge Street
102,765 SF

Toronto East

Q1 2019



Supply

46,191,796 SF



Vacancy

6.5%



Average Net Rent

\$16.88/SF



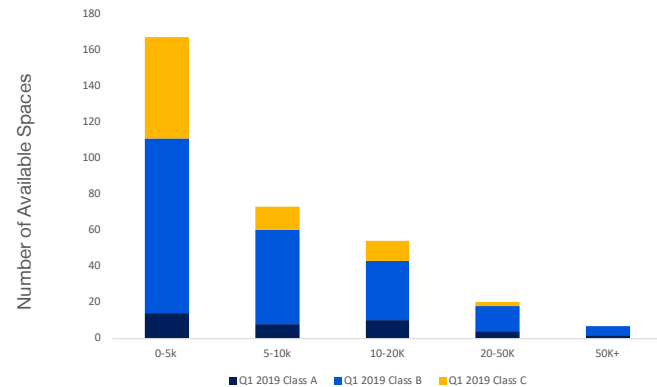
Net Absorption

15,095 SF

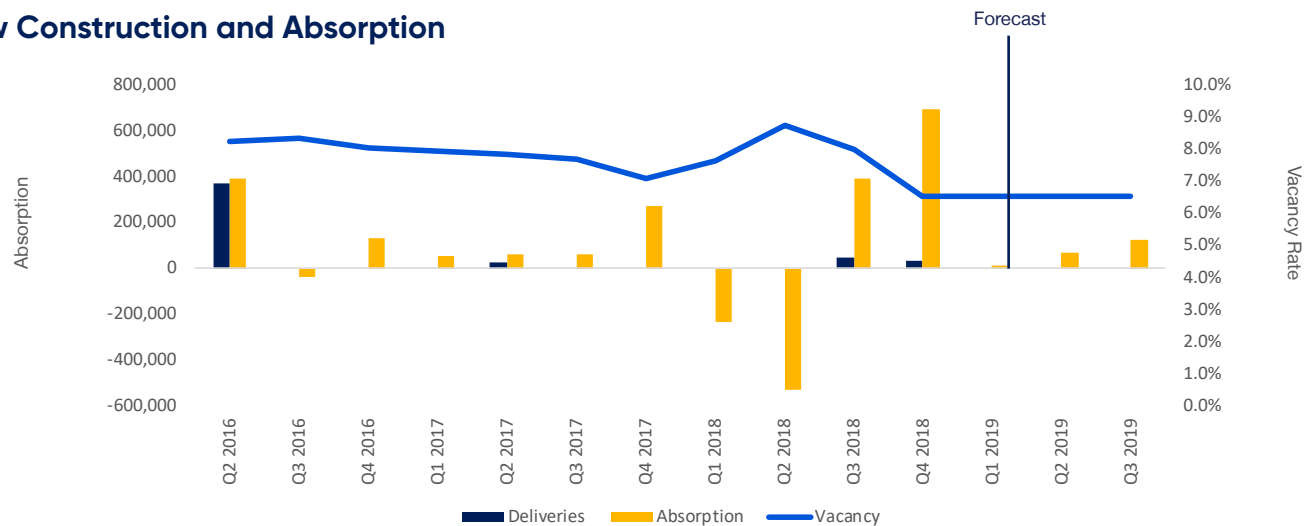
Vacancy Rate

	Q3	Q4	Q1	
Consumers Road	10.0%	10.1%	11.1%	▲
DVP N/Duncan Mill	13.1%	8.2%	8.7%	▲
DVP S/Don Mills/Eglinton	6.0%	5.3%	5.0%	▼
East Toronto Region	4.4%	4.4%	3.8%	▼
Gordon Baker/Victoria Park	14.1%	7.5%	7.2%	▼
Markham/Richmond Hill	6.4%	5.6%	5.3%	▼
Scarborough	12.3%	10.2%	10.3%	▲
South East Toronto Region	4.6%	3.8%	4.3%	▲
Steeles/Woodbine	3.5%	3.4%	3.0%	▼
Overall	8.0%	6.5%	6.5%	▶

Availability Trends



New Construction and Absorption



Significant Availabilities



300 Consilium Pl
204,215 SF



160 McNabb St
200,000 SF



2200-2206 Eglinton Avenue East
167,920 SF



3600 Steeles Ave East
156,546 SF

Toronto West

Q1 2019



Supply

59,545,583 SF



Vacancy

7.7%



Average Rent

\$17.28/SF



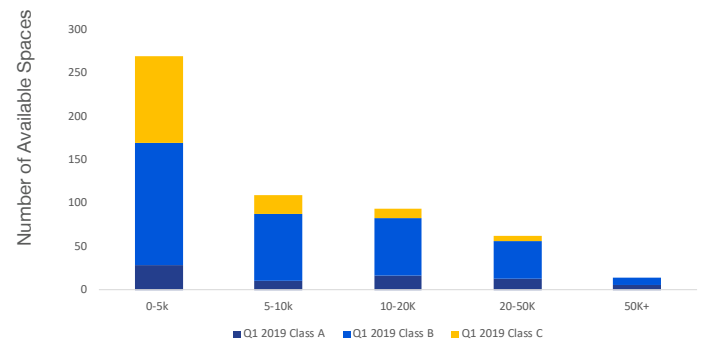
Net Absorption

708,322 SF

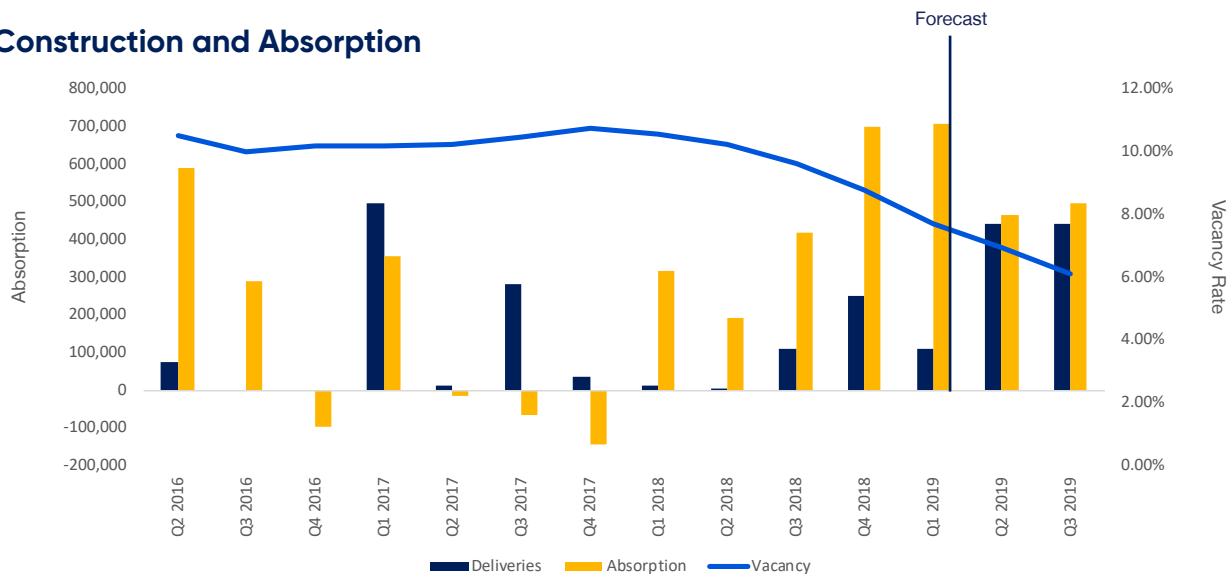
Vacancy Rate

	Q3	Q4	Q1	
427 Corridor/Bloor/Islington	14.8%	13.2%	10.2%	▼
Airport/Airport Corporate Centre	10.3%	9.5%	8.1%	▼
Brampton	5.3%	5.0%	3.1%	▼
Burlington	7.8%	7.5%	7.2%	▼
City Centre	8.9%	7.9%	8.5%	▲
Hwy 10/Hwy 401	13.5%	10.7%	10.2%	▼
Meadowvale	9.6%	7.8%	6.9%	▼
Mississauga South	12.9%	12.0%	11.2%	▼
Oakville	10.8%	11.2%	11.1%	▼
West Toronto Region	4.4%	4.5%	2.3%	▼
Overall	9.6%	8.8%	7.7%	▼

Availability Trends



New Construction and Absorption



Significant Availabilities



2300 Meadowvale Blvd
242,992 SF



360 Oakville Place Dr
139,132 SF



1325 North Service Rd East
131,527 SF

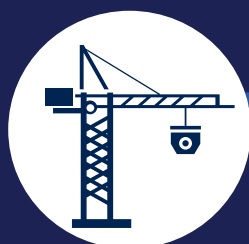


2599 Speakman Drive
131,141 SF

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



Sites Under Development

10.1M
Total SF

2019-2020
Sites Under Development

3.5M SF

2020-2021
Sites Under Development

2.4M SF

2021-2022
Sites Under Development

3.9M SF

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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