



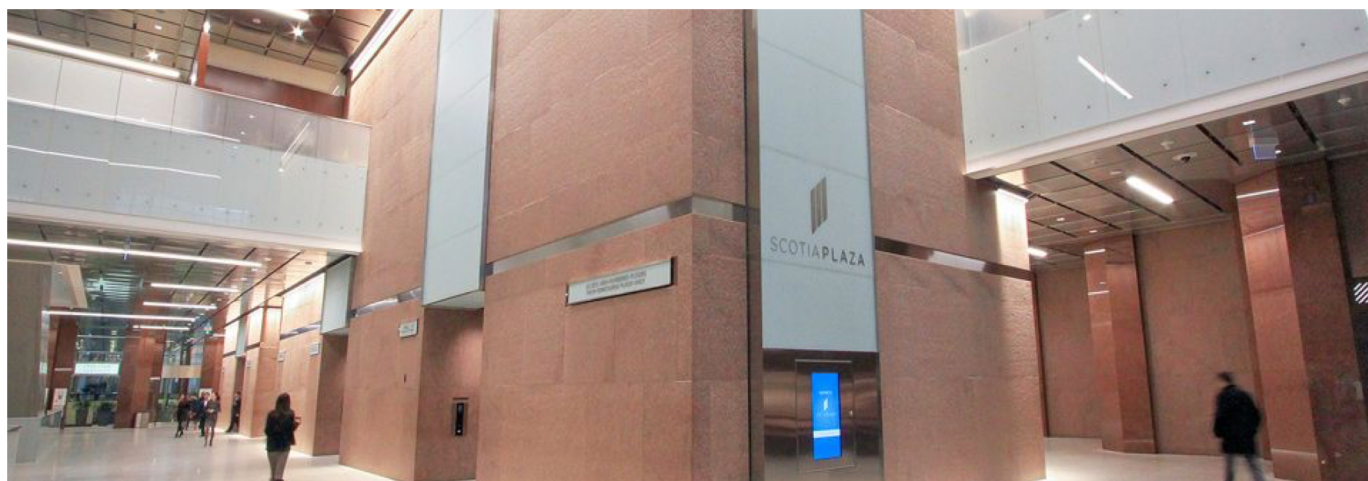
Toronto Office

2021 Market Insight Report

Q1 2021

cresa

Market Overview



Q1 2021 Market Trends

Kingsett Capital's Scotia Plaza at 40 King Street & 100 Yonge Street

The Greater Toronto Area's (GTA) absorption dropped sharply to start the new year, recorded at -2M for the quarter as the COVID-19 pandemic continues to take its toll on occupiers. As Ontarians once again face another lockdown, the GTA's vacancy rate has further increased to 7.1%, although at a slower pace than previously projected.

Sublease markets continued to grow this quarter as subleases now make up 26.7% of available space across the GTA. New to the sublease market technology companies; Slack, Drop Technologies, and the IBM Innovation Centre contributed to this growth as Toronto's tech-focused Downtown West market leads the GTA, registering 49.6% of sublease availability as a proportion of general availability.

A large majority of the market's negative absorption came from the Toronto West market, recording nearly -1M square feet. Though it is important to recognize that over half of this negative absorption was due to Bell Canada's previously planned downsize of 617,000 sf at their Creekbank campus located at 5025 and 5115 Creekbank Road. As a response to this, the Toronto West market's average net asking rate dropped \$1.40 per square foot to \$16.19.

Taking a closer look at Toronto's downtown core, the major banks have been seen starting to execute their pandemic contingency plans, as both Scotiabank and Citibank have re-configured their headquarter leases this quarter. Scotiabank extended its 560,000 square foot occupation at Scotia Plaza (40 King Street West and 100 Yonge Street) while Citibank also extended at 123 Front Street West. Though Scotiabank has been actively downsizing and consolidating for the past few years, it is worth noting that they will be vacating the top two floors of Scotia Plaza as part of this renewal. Many commercial real estate professionals have been speculating that Toronto's big banks will shift to a "hoteling" type of occupancy where most individual employees do not have an assigned seat. This method has previously been adopted by some larger tenants, most notably Deloitte at 8 Adelaide Street West and PwC at 18 York Street.

Canada's unemployment rate dropped significantly from 8.8% in December to 7.5% in March, the lowest it has been since February 2020 and well below the market expectation of 8%. Looking towards the summer months, tenants will watch Ontario's roll-out of vaccinations to determine their return to office strategies.

Significant Lease Transactions

- Scotiabank, 560,000 SF, 40 King Street West & 100 Yonge Street
- Citibank, 70,500 SF, 123 Front Street West
- Northland Power, 34,000 SF, 30 St. Clair Avenue West
- Procom, 23,903 SF, 30 St. Clair Avenue West
- DPM Energy Inc., 17,000 SF, 277 Cityview Boulevard
- POI, 16,000 SF, 3389 Steeles Avenue East

GTA Overview

Q1 2021



Supply
259,124,676 SF



Vacancy
7.1%



Average Net Rent
\$22.54/SF



Net Absorption
-2,044,194 SF

Arrows Indicate One Quarter Change

Vacancy Rate

	Q3	Q4	Q1	
Downtown	3.4%	3.9%	5.2%	▲
Midtown	3.9%	4.5%	5.2%	▲
Toronto North	6.3%	7.3%	7.6%	▲
Toronto East	6.9%	7.9%	8.3%	▲
Toronto West	8.8%	9.0%	10.9%	▲
Durham	3.9%	4.1%	3.8%	▼
Overall GTA	5.7%	6.3%	7.1%	▲

Vacancy Rates & Availability Rates

Vacancy Rates

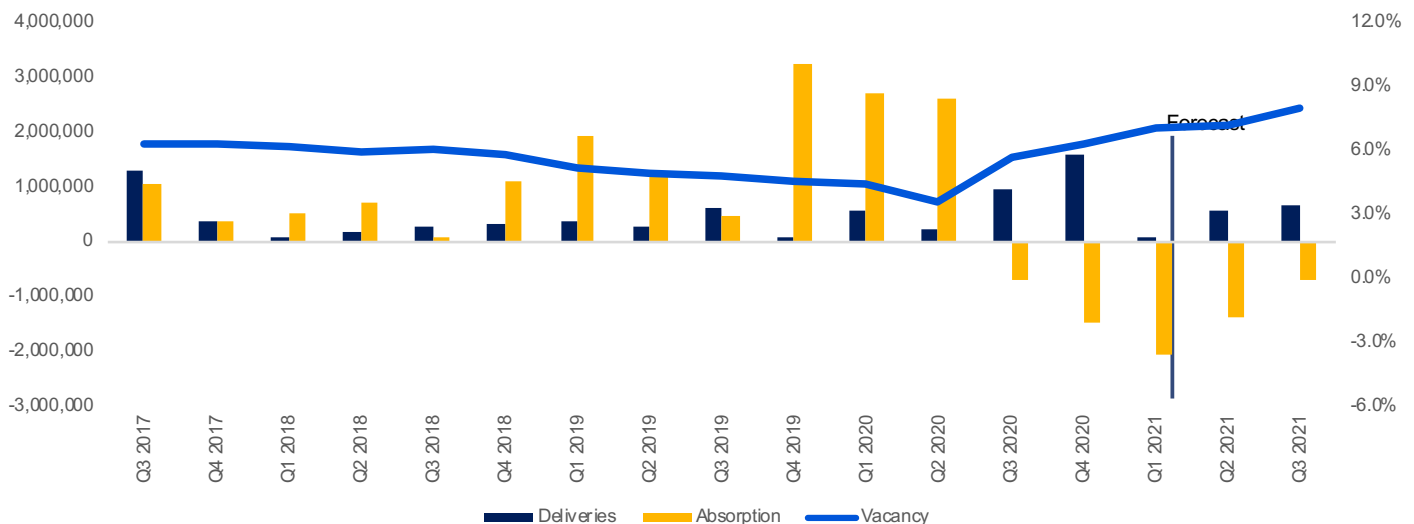
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

Availability Rates

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

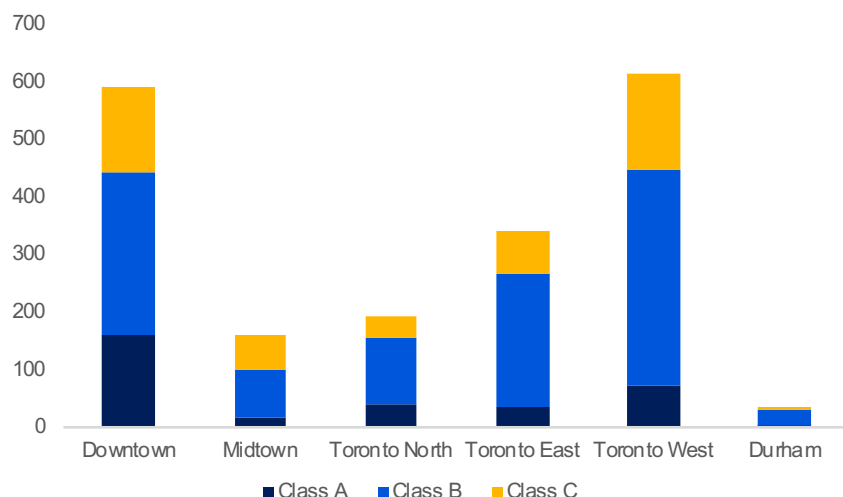
Taking a closer look at Toronto's downtown core, the major banks have been seen starting to execute their pandemic contingency plans, as both Scotiabank and Citibank have re-configured their headquarter leases this quarter.

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	171,401 SF
Toronto North	5000 Yonge Street	117,375 SF
Toronto East	160 McNabb Street	188,500 SF
Toronto West	1950 Meadowvale Boulevard	160,650 SF
Durham	419 King Street West	65,273 SF

Office Market Insights

- Over 4,700,000 sf worth of sublease space is currently available across the GTA as just over 3% of that supply was absorbed by active tenants. A significant portion of these transactions were by tenants in industries such as e-commerce and logistics who have experienced massive growth during the pandemic.
- Commercial real estate research provider, Altus Group published a study this quarter stating that a WFH-hybrid type of occupancy structure is becoming more widely accepted as the pandemic continues into 2021. The study, which pulls its data from canvassing CRE executives across Canada, expects occupiers to downsize by 10%-20% across major Canadian office markets.
- Controversial co-working leader, WeWork refuses to abandon its core spaces as many of these offices remain vacant across major Canadian cities. WeWork believes it is well-positioned for post-pandemic work by offering flexible lease terms with furnished and turn-key workspaces.
- RioCan and Daniels unveiled their plans to redevelop Scarborough's Golden Mile Shopping Centre into a mixed-use, transit-oriented community. The project's first phase will include 44 and 38-storey condominium towers, street-level retail and office space.



Annual Greater Toronto Area Market Review

Q1 2020

- 3.6% Vacancy Rate
- \$25.40 Average Net Asking Rent
- 2,659,021 SF Net Absorption

Q1 2021

- 7.1% Vacancy Rate
- \$22.54 Average Net Asking Rent
- -2,044,194 SF Net Absorption



Downtown Toronto

Q1 2021



Supply
98,699,703 SF



Vacancy
5.2%



Average Net Rent
\$31.76/SF



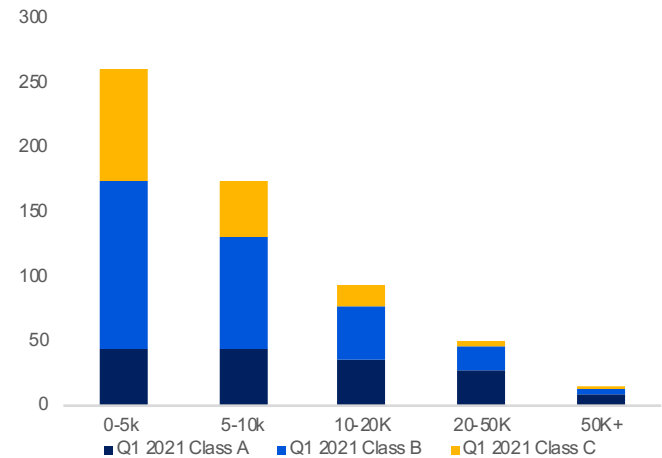
Net Absorption
-805,293 SF

Arrows Indicate One Quarter Change

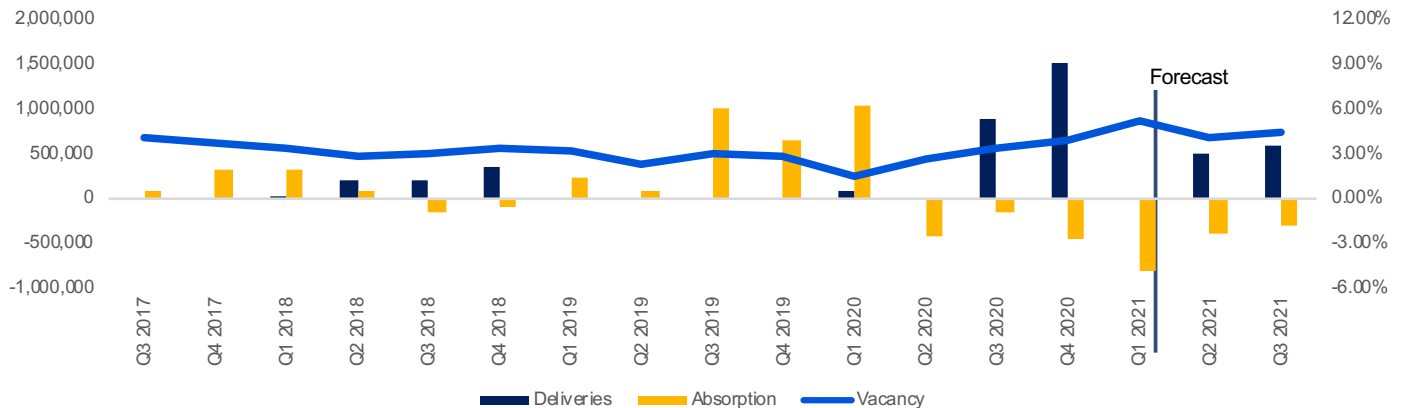
Vacancy Rate

	Q3	Q4	Q1	
Financial Core	3.8%	4.8%	5.3%	▲
Outer Financial Core	2.4%	3.4%	3.4%	►
Downtown North	2.3%	2.6%	2.7%	▲
Downtown South	1.6%	2.2%	4.6%	▲
Downtown East	3.1%	4.4%	4.6%	▲
Downtown West	4.4%	5.5%	7.3%	▲
King/Dufferin	1.8%	2.5%	4.0%	▲
Overall	3.4%	3.9%	5.2%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



141 Bay St
630,291 SF



2 Queen St E
182,751 SF



95 Wellington St W
154,408 SF



25 Ontario St
84,109 SF

Midtown Toronto

Q1 2021



Supply
22,150,628 SF



Vacancy
5.0%



Average Net Rent
\$25.02/SF



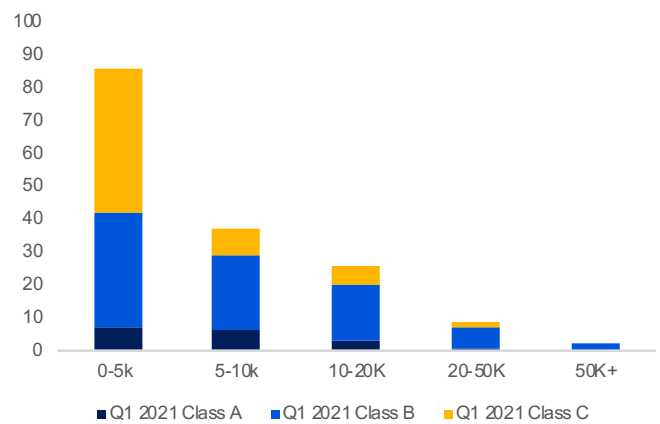
Net Absorption
-107,061 SF

Arrows Indicate One Quarter Change

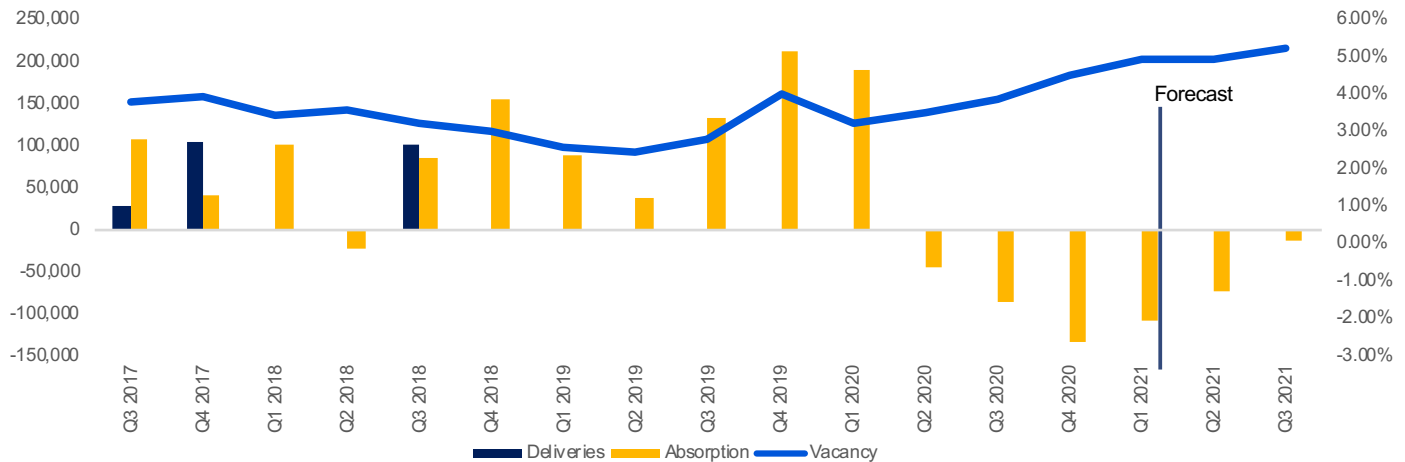
Vacancy Rate

	Q3	Q4	Q1	
Bloor	3.0%	3.6%	4.0%	▲
St. Clair	2.2%	3.0%	3.3%	▲
Eglinton	4.6%	4.9%	5.7%	▲
Overall	3.9%	4.5%	5.0%	▲

Availability Trends



New Construction and Absorption



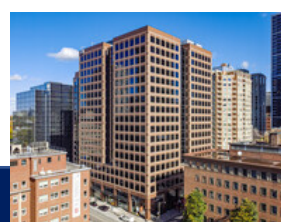
Significant Availabilities



160 Bloor St E
171,401 SF



120 Bloor St E
158,475 SF



175 Bloor St E
122,585 SF



130 Merton St
58,023 SF

Toronto North

Q1 2021



Supply
24,151,309 SF



Vacancy
7.6%



Average Net Rent
\$18.87/SF



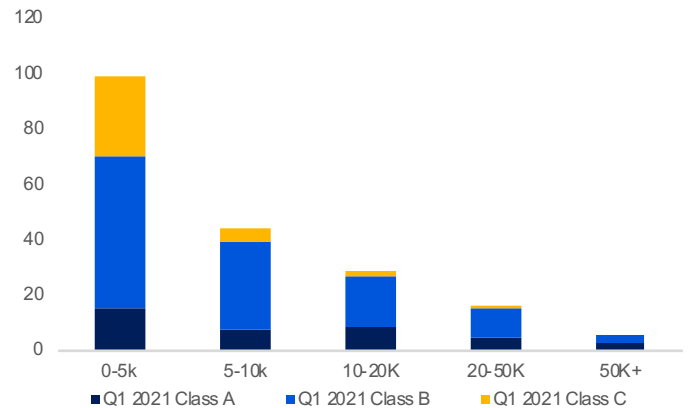
Net Absorption
-55,684 SF

Arrows Indicate One Quarter Change

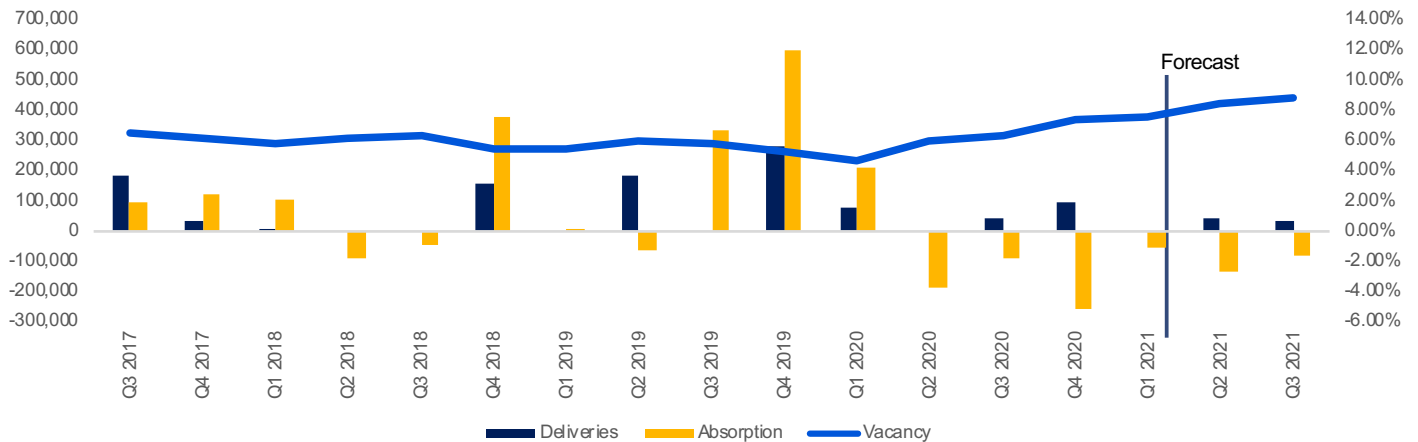
Vacancy Rate

	Q3	Q4	Q1	
North Toronto Region	5.8%	7.2%	8.1%	▲
North Yonge Corridor	7.0%	8.6%	9.5%	▲
Vaughan	5.0%	6.0%	6.4%	▲
North York West	6.6%	6.3%	5.9%	▼
Overall	6.3%	7.3%	7.6%	▲

Availability Trends



New Construction and Absorption



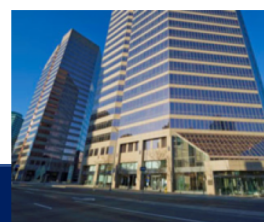
Significant Availabilities



5000 Yonge St
117,375 SF



5250 Yonge St
115,357 SF



5650 Yonge St
105,379 SF



4881 Yonge St
98,933 SF

Toronto East

Q1 2021



Supply
46,297,395 SF



Vacancy
8.3%



Average Net Rent
\$13.77/SF



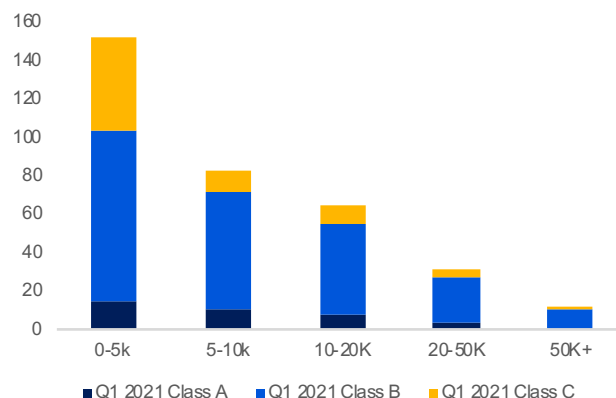
Net Absorption
-94,765 SF

Arrows Indicate One Quarter Change

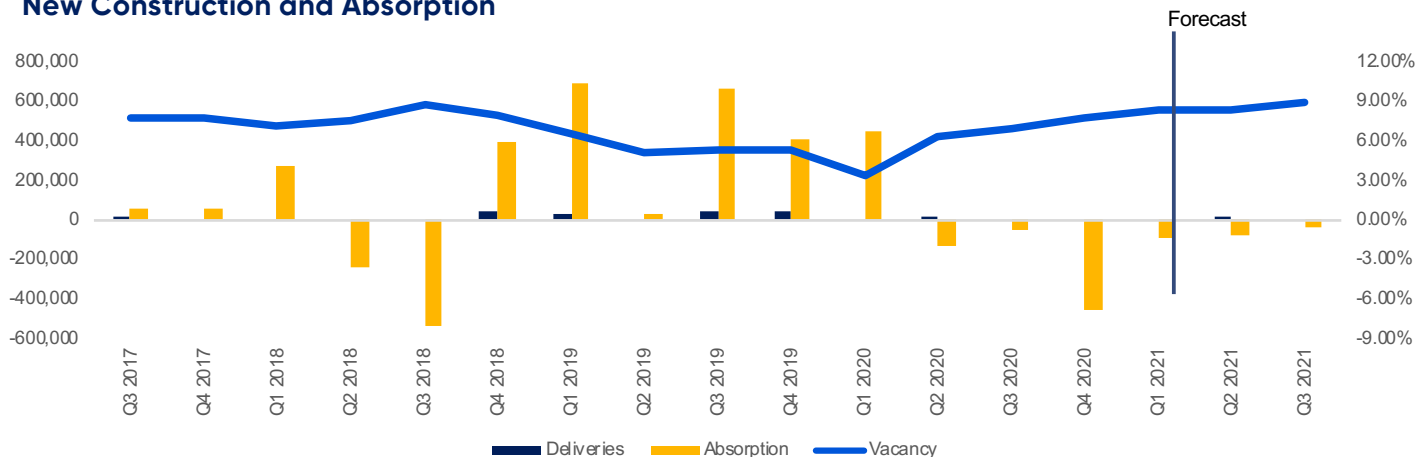
Vacancy Rate

	Q3	Q4	Q1	
Consumers Road	9.7%	10.7%	13.9%	▲
DVP North/Duncan Mill	5.4%	5.7%	6.0%	▲
DVP South/Don Mills/ Eglinton	4.6%	4.9%	5.2%	▲
East Toronto Region	2.3%	2.4%	2.4%	►
Gordon Baker/Victoria Park	5.9%	6.0%	6.2%	▲
Markham/Richmond Hill	4.0%	4.9%	5.1%	▲
Scarborough	7.4%	10.7%	10.4%	▼
South East Toronto Region	2.3%	2.6%	3.0%	▲
Steeles/Woodbine	4.8%	5.4%	5.5%	▲
Overall	6.9%	7.9%	8.3%	▲

Availability Trends



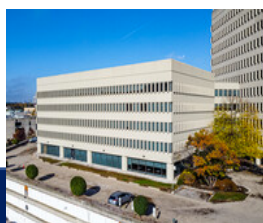
New Construction and Absorption



Significant Availabilities



160 McNabb St
188,500 SF



95 Moatfield Dr
156,426 SF



3600 Steeles Ave
156,546 SF



895 Don Mills Rd
128,467 SF

Toronto West

Q1 2021



Supply

60,800,389 SF



Vacancy

10.9%



Average Net Rent

\$16.19/SF



Net Absorption

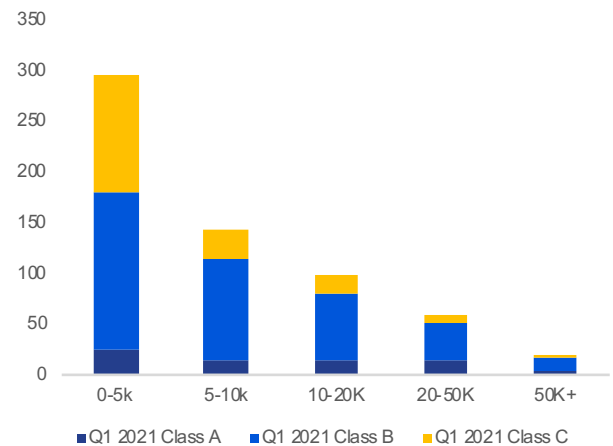
-998,685 SF

Arrows Indicate One Quarter Change

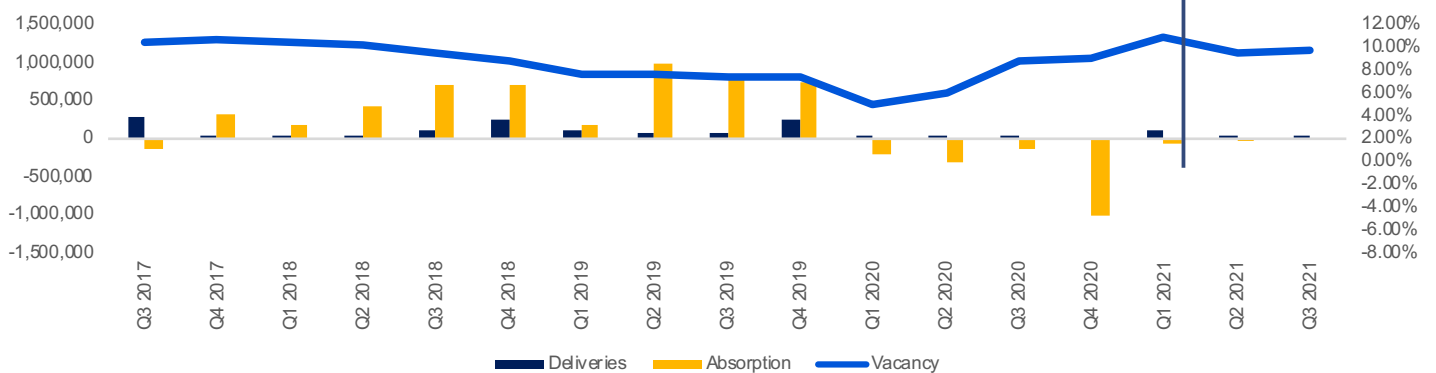
Vacancy Rate

	Q3	Q4	Q1	
427 Corridor/Bloor/Islington	10.8%	11.2%	12.2%	▲
Airport Corporate Centre/Airport	8.1%	8.8%	13.5%	▲
Brampton	1.6%	1.6%	1.8%	▲
Burlington	7.9%	7.5%	8.1%	▲
Central West	3.5%	3.6%	3.6%	►
City Centre	8.6%	9.4%	9.3%	▼
Hwy 10/Hwy 401	8.5%	8.9%	9.0%	▲
Meadowvale	7.4%	7.9%	8.0%	▲
Mississauga South	8.8%	8.2%	7.8%	▼
North West DT	1.2%	1.5%	1.5%	►
Oakville	9.4%	9.4%	10.0%	▲
West Toronto Region	3.4%	3.4%	4.8%	▲
Overall	8.8%	9.0%	10.9%	▲

Availability Trends



New Construction and Absorption



Significant Availabilities



1550 Meadowvale Blvd
160,650 SF



1395 North Service Rd W
149,968 SF



77 Wade Ave
127,387 SF



649 North Service Rd
124,007 SF

Durham

Q1 2021



Supply
7,025,252 SF



Vacancy
3.8%



Average Net Rent
\$14.75/SF



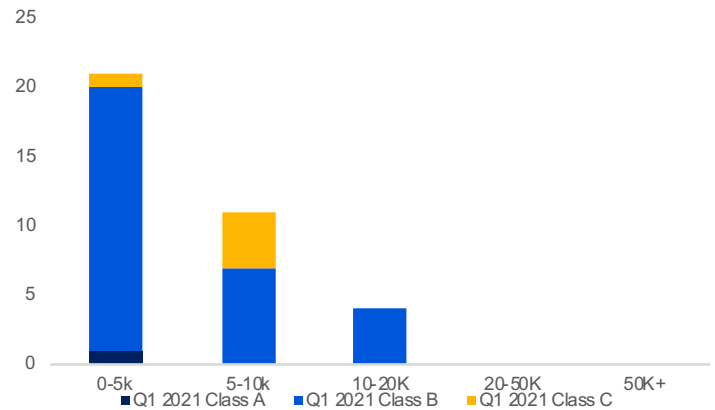
Net Absorption
17,294SF

Arrows Indicate One Quarter Change

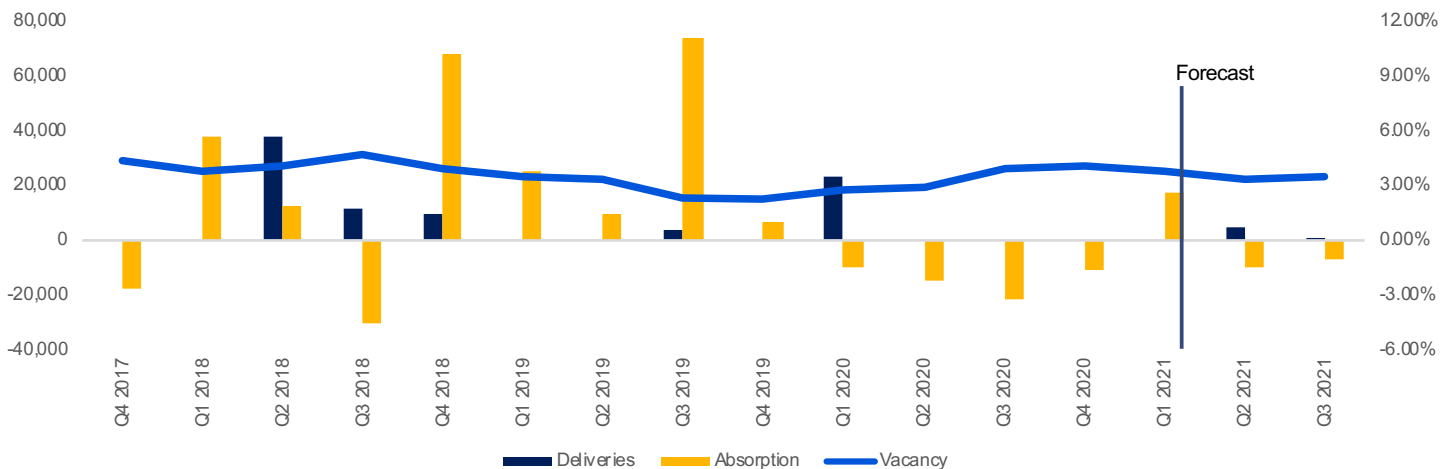
Vacancy Rate

	Q3	Q4	Q1	
Ajax	5.6%	5.6%	5.6%	►
Oshawa	3.0%	3.0%	2.7%	▼
Outlying Durham	1.6%	1.6%	1.5%	▼
Pickering	3.6%	3.6%	2.9%	▼
Whitby	2.8%	3.6%	3.6%	►
Overall	3.9%	4.1%	3.8%	▼

Availability Trends



New Construction and Absorption



Significant Availabilities



419 King St W
65,273 SF



2 Simcoe St
18,205 SF



1650 Champlain Ave
20,000 SF



65 Bayly St W
21,460 SF

Development Pipeline



Development	Owner	Size (SF)	Completion Date
1 191 Parliament Street	Downing Street Developments	107,000	TBD
2 25 Ontario Street	First Gulf & HOOPP	460,000	Q1 2022
3 65 King Street East	Carttera	416,223	Q4 2021
4 261 Queens Quay East	Hines	251,000	Q1 2023
5 125 Queens Quay East	Menkes Developments	336,308	Q2 2021
6 100 Queens Quay East	Menkes Developments	675,000	Q2 2021
7 30 Bay Street	Oxford Properties	1,400,000	Q2 2024
8 141 Bay Street	Ivanhoe Cambridge & Hines	1,344,000	Q3 2023
9 160 Front Street West	Cadillac Fairview	1,258,000	Q3 2022
10 40 Temperance Street	Brookfield	820,000	Q1 2022
11 336 Queen Street West	The Pearl Group	43,185	TBD
12 8 Spadina Avenue	Allied Properties & RioCan	1,000,000	Q2 2021
13 1266 Queen Street West	David Usher	60,200	Q2 2021
14 147 East Liberty Street	Lifetime Developments	157,100	Q4 2021
15 77 Wade Avenue	Next Properties	150,000	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.

Contact

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- Check out our **COVID-19 resource page** to understand the implication of COVID-19 on your commercial real estate.
- Please visit: cresatoronto.com/cre-covid-19