

Toronto Office

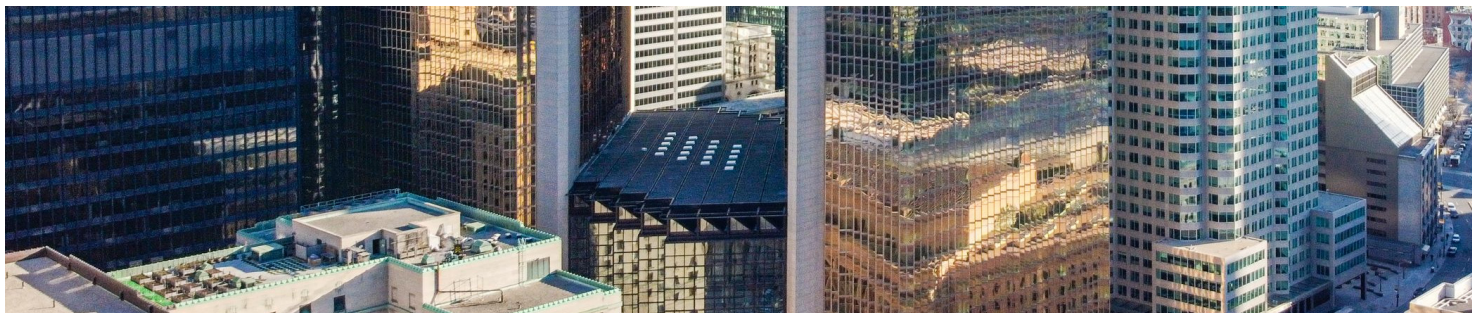
# 2021 Market Insight Report

Q4 2021

cresa



# Market Overview



*Royal Bank Plaza located at 200 Bay Street, owned by Oxford Properties*

## Q4 2021 Market Trends

The Toronto and Greater Toronto Area (GTA) office markets continued to experience increasing vacancy rates as the market now sits at 9.3%, up from 8.7% in Q3 2021. The downtown core saw an increase in vacancy from 7.0% in Q3 to 7.3% in Q4 2021. Over Q2 and Q3 of 2021 there were positive signs pointing towards an office recovery with two straight quarters of positive absorption in the downtown core, however, Q4 2021 saw negative absorption of 344,000 square feet, and negative 1.5 million square feet in the overall market. Suburban markets in Toronto North and Durham were the only submarkets to experience positive absorption of approximately 130,000 square feet, total, and a decrease in vacancy by 0.4%, each. The progress made by vaccine roll outs and return to office strategies has been put on pause due to the spreading Omicron variant and the remaining uncertainties around the Covid 19 pandemic.

Rising vacancy rates can also be attributed to the nearly 2 million square feet of new supply that came on to market in Q4 2021, 1.3 million of which was in the downtown core. Although some of these properties were delivered fully pre-leased, there are still some large availabilities within these buildings that have a significant impact on overall vacancy rates. Additionally, there is expected to be approximately 1.6 million square feet of new supply delivered in the downtown core during 2022. With the decrease in demand due to Covid 19 and flexible work strategies, plus an influx of new supply, it is expected that vacancy rates will continue to increase for the foreseeable future.

GTA average net asking rents increased \$0.06 per square foot (PSF) over the quarter with the largest increase coming from the Midtown submarket at \$0.50 PSF. In general, rental rates have remained stable over the past quarter, and year, as net rents are still landlord and building specific. Large institutional landlords are continuing to hold rental rates at pre pandemic levels, while offering larger incentive packages such as landlord work, improvement allowances and free rent. Some large institutional landlords are becoming stricter when viewing Tenant covenant and increasing deposit structures. With uncertainty, landlords want to ensure their Tenants will not default on rent payments if lockdowns and Covid-19 continues for an extended period. In terms of smaller, second tier landlords whose portfolios consist of older assets, rental rates are beginning to drop as we are seeing a flight to high quality space with existing build outs and high-quality finishes. These older building are not able to compete with new developments and are having to be more aggressive in their deal packages to remain competitive with newer space. These older spaces also have a significant contribution to rising vacancy rates, as most of the space currently on the market is outdated and unappealing. Overall, as an entire market, even with vacancy rates increasing, rental rates have not decreased significantly in the Covid-19 era. However, landlords will have to continue to offer generous incentive packages if they want to hold face rents at pre-pandemic levels.

With the current concerns over the Omicron variant, companies are being forced to delay, or interrupt, their return to office strategy to early 2022. With that, there have been limited large office lease deals over the past quarter. Additionally, Covid-19 has caused office sale values and transaction volume to remain low in Q4 2021. Nonetheless, there are rumors that the Royal Bank Plaza located at 200 Bay Street, owned by Oxford Properties, is currently under contract for \$1.2 billion. The purchaser is Amancio Ortega, the billionaire behind the clothing brand "Zara" who also owns 150 Bloor Street West. Oxford purchased the property in June 2005 for \$299.3 million.

Most businesses are beginning to acknowledge that work from home and hybrid strategies are here to stay. However, Tenants also see the purpose and advantages of having core office space for their company culture and employee engagement. The only question is how Tenants want to optimize their real estate. Whether it continues to be the traditional headquarters strategy or a shift to the hub-and-spoke strategy, these should drive the slow recovery of the downtown office markets.

## Significant Lease Transactions

- Raw Essentials, 114,208 SF, 895 Don Mills Road
- ASUS Canada, 31,385 SF, 70 Gough Road
- Hudbay Minerals Inc., 27,470 SF, 25 York Street
- Pala Interactive, 11,708 SF, 2235 Sheppard Ave E.
- Silicon Valley Bank, 9,413 SF, 181 Bay Street

# GTA Overview

Q4 2021



Supply  
262,992,062 SF



Vacancy  
9.3%



Average Net Rent  
\$23.15/SF



Net Absorption  
-1,502,644 SF

Arrows Indicate One Quarter Change

Vacancy Rate	Q2	Q3	Q4	
Downtown	6.1%	7.0%	7.3%	▲
Midtown	5.7%	5.9%	7.3%	▲
Toronto North	8.4%	8.7%	8.3%	▼
Toronto East	8.8%	9.3%	10.3%	▲
Toronto West	11.2%	11.5%	12.3%	▲
Durham	3.3%	4.5%	4.1%	▼
Overall GTA	8.0%	8.7%	9.3%	▲

## Vacancy Rates & Availability Rates

### Vacancy Rates

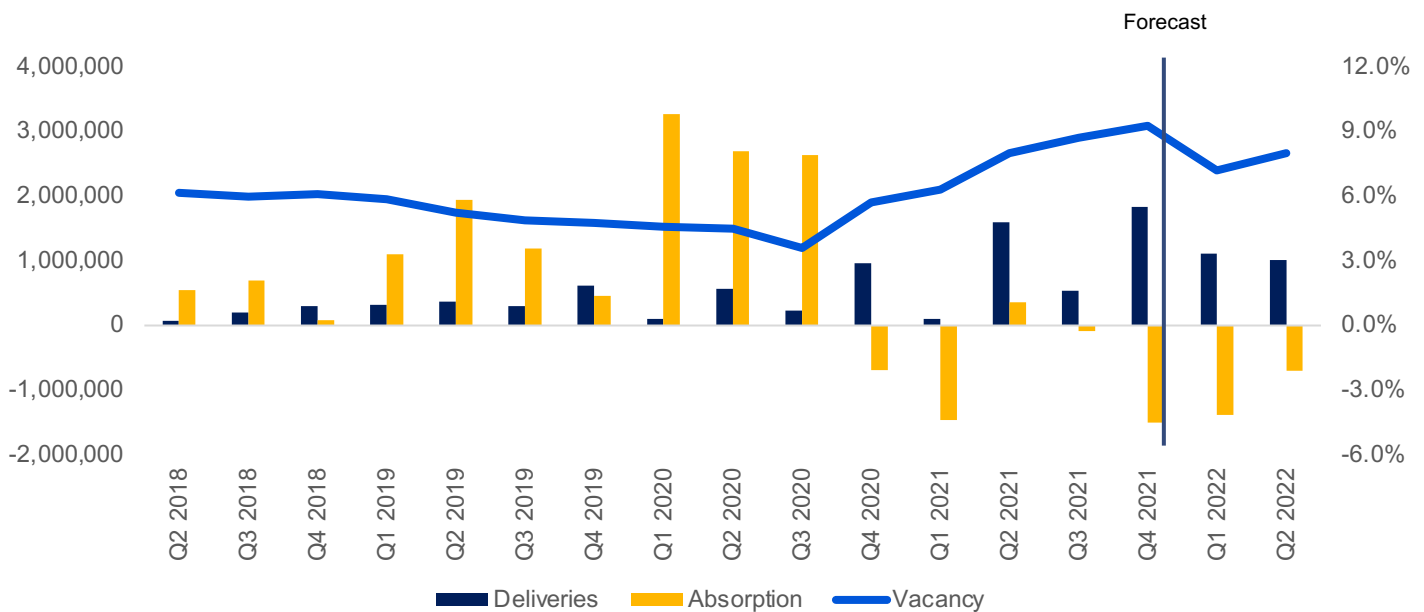
The vacancy rate is the percentage of all units in a rental property, that are vacant or unoccupied at a particular time.

### Availability Rates

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

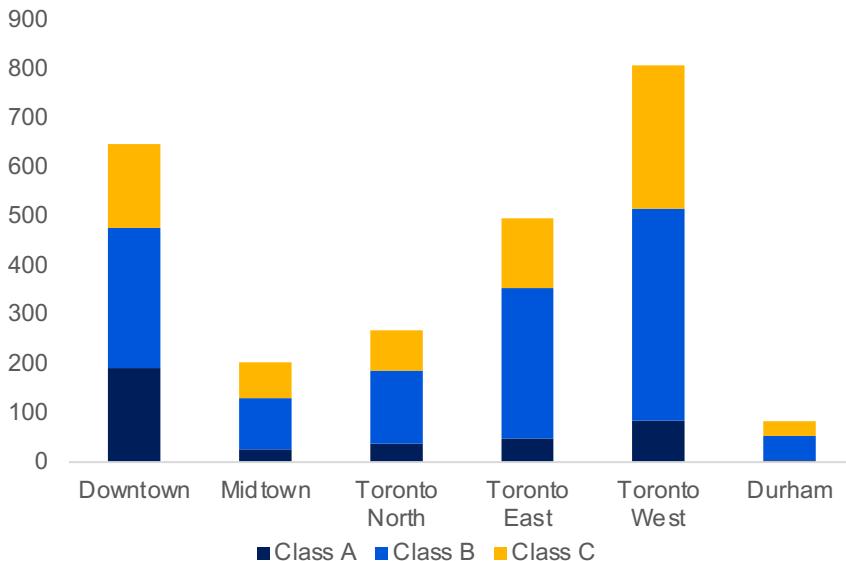
Q4 2021 saw organizations around the GTA revise their return to office planning efforts leading into the New Year. While many teams work remotely, there is an acknowledgment and desire to have more time spent safely together in the office.

## New Construction and Absorption



# GTA Overview

## Availability By Market



## Significant Availabilities

Market	Address	Size (SF)
Downtown	40 King Street West	493,406 SF
Midtown	160 Bloor Street East	160,717 SF
Toronto North	10 York Mills Road	202,957 SF
Toronto East	300 Consilium Place	204,215 SF
Toronto West	5025 Creekbank Road	312,500 SF
Durham	78 Richmond Street West	57,246 SF

## Office Market Insights

- According to a LinkedIn survey conducted by Cresa, 32% of companies have put a hold on their return to office strategy due to the Omicron variant. Gartner conducted a similar study and found that 44% of companies, including Apple and Google, have put a pause on their return to office plans as uncertainty surrounding COVID still exists.
- The volume of new sublease space, as a percentage of available space, continues to fall with some tenants choosing to withdraw their listings from the market. Sublease space as a percentage of available space dropped from 22.1% in Q3 2021 to 18.6% in Q4 2021. Top quality sublease offerings are frequently receiving multiple offers, further confirming the current flight to quality.
- In Q4 2021, 2 million square feet of office supply was delivered to market, with 1.3 million square feet of the new supply being in the downtown core. Most of these buildings came to market fully preleased, but some large spaces still remain, playing a role in Toronto's increasing vacancy rate. Quarter over quarter, vacancy increased by 0.6%, bringing vacancy up to 9.3% for Q4 2021.
- It is reported that Amancio Ortega, the billionaire behind the clothing brand "Zara", has purchased the Royal Bank Plaza at 200 Bay Street for \$1.2 billion from Oxford Properties. Oxford purchased the property in 2005 for \$299.3 million.
- GTA average net asking rents increased \$0.06 per square foot (PSF) over the quarter. In general, rental rates have remained stable over the past year as net rents are still landlord and building specific. Large institutional landlords are continuing to hold rental rates at pre pandemic levels, while offering large incentive packages such as improvement allowances and free rent. Second tier landlords, whose portfolios consist of older assets, are beginning to see decreases in rental rates as there is a flight to high quality space with existing build outs and high-quality finishes.



## GTA Pandemic Space Comparison

### Q1 2020

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

### Q4 2021

- Direct Space Vacancy: 16,678,739 SF
- Sublease Space Available: 3,788,160 SF





# Downtown Toronto

Q4 2021



Supply

101,752,203 SF



Vacancy

7.3%



Average Net Rent

\$32.71/SF



Net Absorption

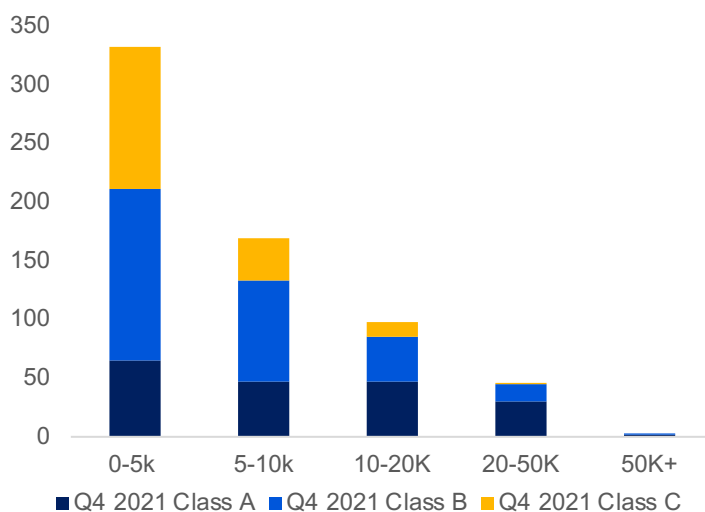
-343,842 SF

Arrows Indicate One Quarter Change

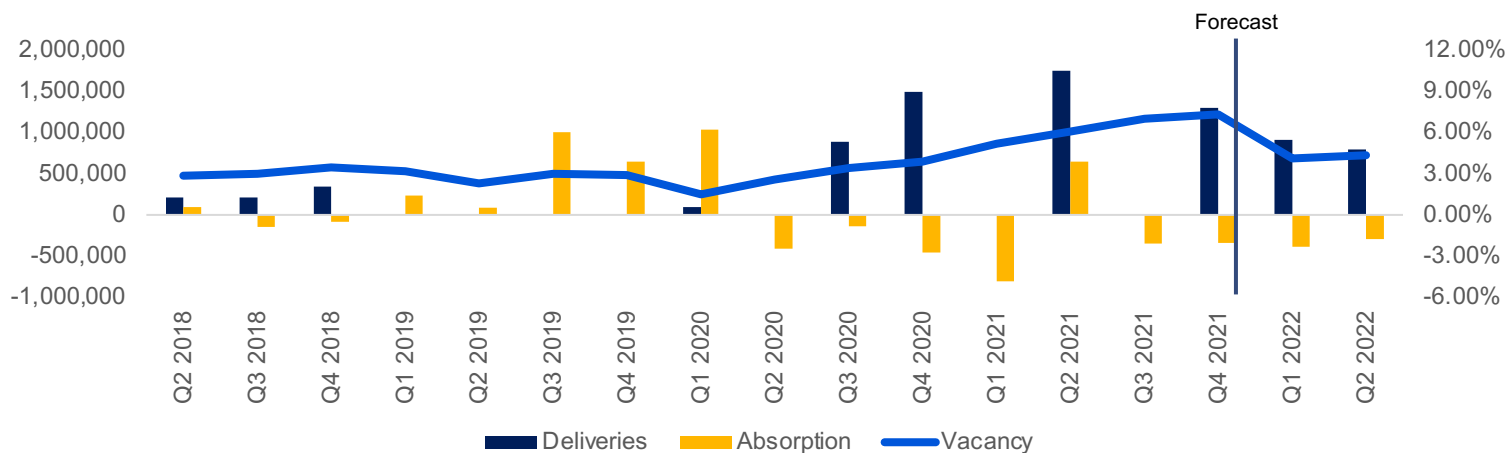
## Vacancy Rate

	Q2	Q3	Q4	
Financial Core	6.1%	7.6%	7.7%	▲
Outer Financial Core	4.3%	6.3%	8.2%	▲
Downtown North	4.0%	5.7%	6.5%	▲
Downtown South	5.6%	8.8%	6.5%	▼
Downtown East	5.9%	6.2%	6.6%	▲
Downtown West	8.1%	7.9%	8.4%	▲
King/Dufferin	4.5%	5.7%	5.7%	▬
Overall	6.1%	7.0%	7.3%	▲

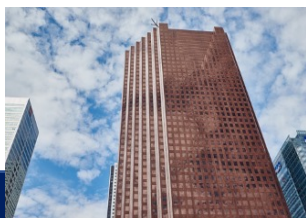
## Availability Trends



## New Construction and Absorption



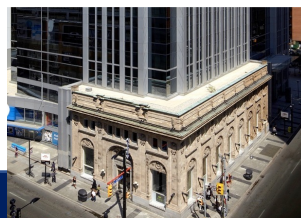
## Significant Availabilities



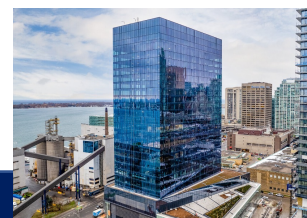
**40 King Street West**  
493,406 SF



**1 Adelaide Street East**  
378,269 SF



**2 Queen Street East**  
280,921 SF



**100 Queens Quay West**  
223,200 SF

# Midtown Toronto

Q4 2021



**Supply**  
**22,150,628 SF**



**Vacancy**  
**7.3%**



**Average Net Rent**  
**\$27.04/SF**



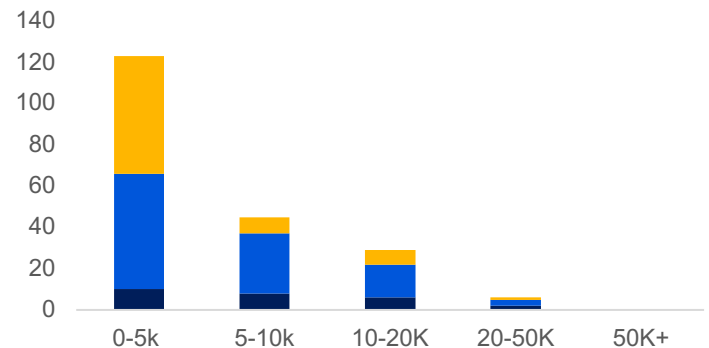
**Net Absorption**  
**-318,506 SF**

Arrows Indicate One Quarter Change

## Vacancy Rate

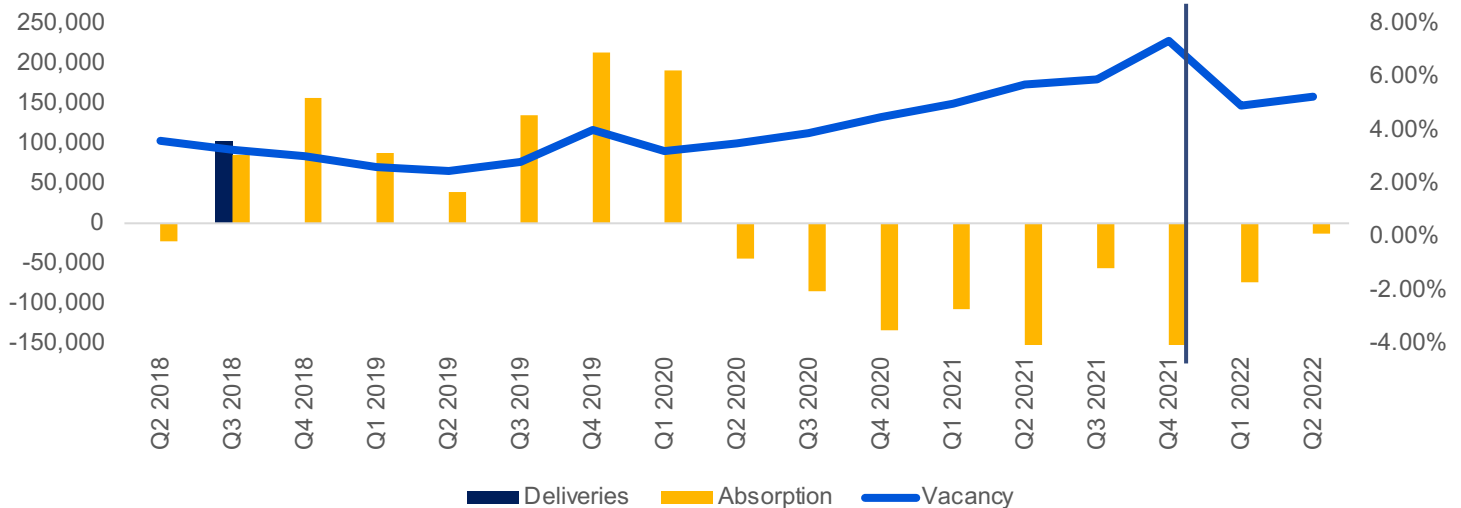
	Q2	Q3	Q4	
Bloor	5.0%	5.8%	6.1%	▲
St. Clair	4.1%	4.8%	7.8%	▲
Eglinton	5.6%	6.1%	9.1%	▲
Overall	5.7%	5.9%	7.3%	▲

## Availability Trends



■ Q4 2021 Class A ■ Q4 2021 Class B ■ Q4 2021 Class C

## New Construction and Absorption

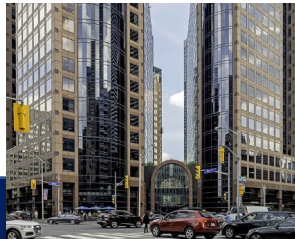


■ Deliveries ■ Absorption — Vacancy

## Significant Availabilities



**160 Bloor Street East**  
**160,717 SF**



**175 Bloor Street East**  
**160,507 SF**



**120 Bloor Street East**  
**155,825 SF**



**2 Bloor Street East**  
**128,787 SF**



# Toronto North

Q4 2021



Supply  
24,228,844 SF



Vacancy  
8.3%



Average Net Rent  
\$18.30/SF



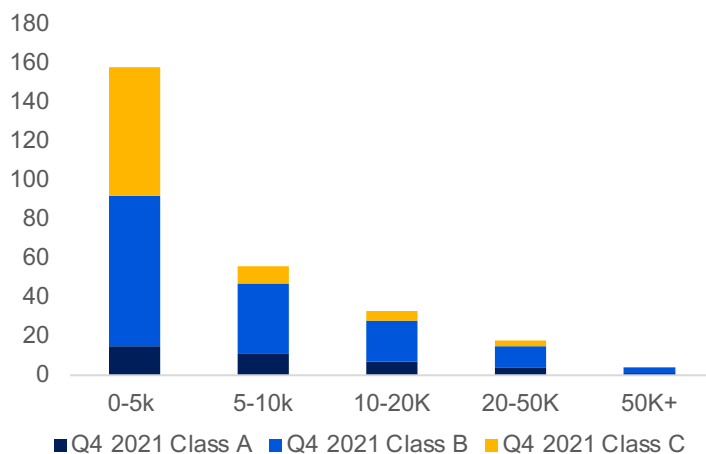
Net Absorption  
102,880 SF

Arrows Indicate One Quarter Change

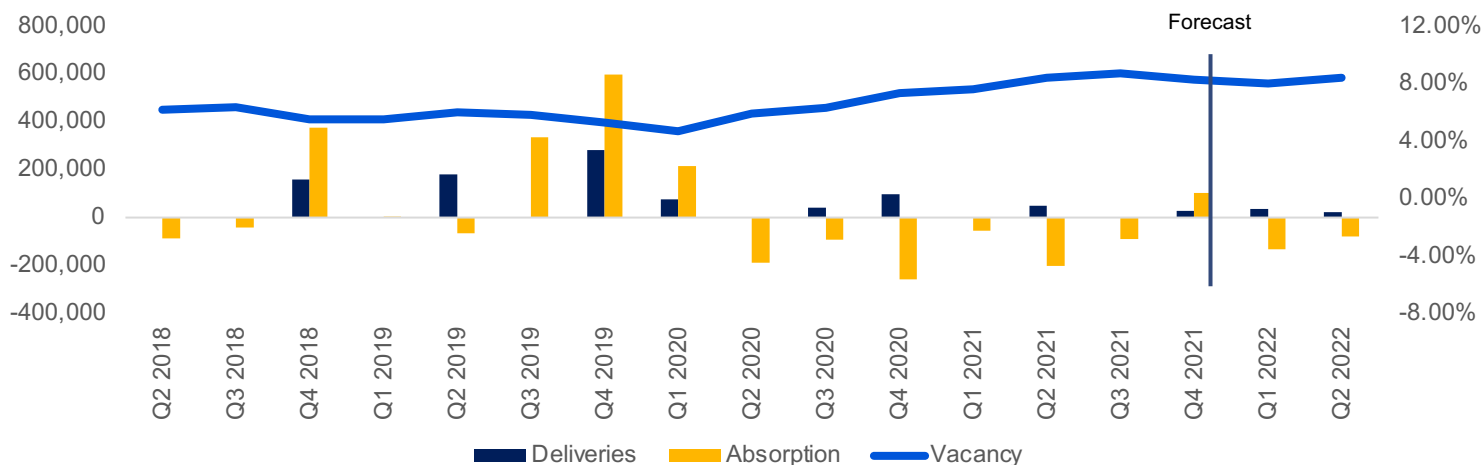
## Vacancy Rate

	Q2	Q3	Q4	
North Toronto Region	9.1%	9.4%	7.9%	▼
North Yonge Corridor	10.4%	10.6%	11.3%	▲
Vaughan	7.2%	7.3%	6.5%	▼
North York West	6.5%	6.8%	5.4%	▼
Overall	8.4%	8.7%	8.3%	▼

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**10 York Mills Road**  
202,957 SF



**5000 Yonge Street**  
151,528 SF



**5150 Yonge Street**  
142,968 SF



**5650 Yonge Street**  
108,530 SF

# Toronto East

Q4 2021



**Supply**  
**46,398,519 SF**



**Vacancy**  
**10.3%**



**Average Net Rent**  
**\$14.34/SF**



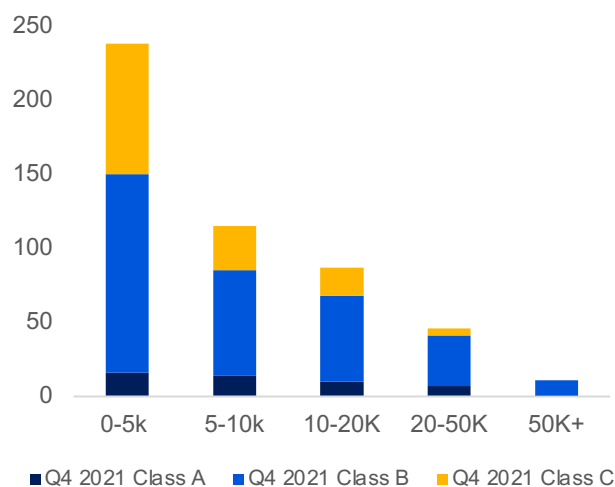
**Net Absorption**  
**-467,270 SF**

Arrows Indicate One Quarter Change

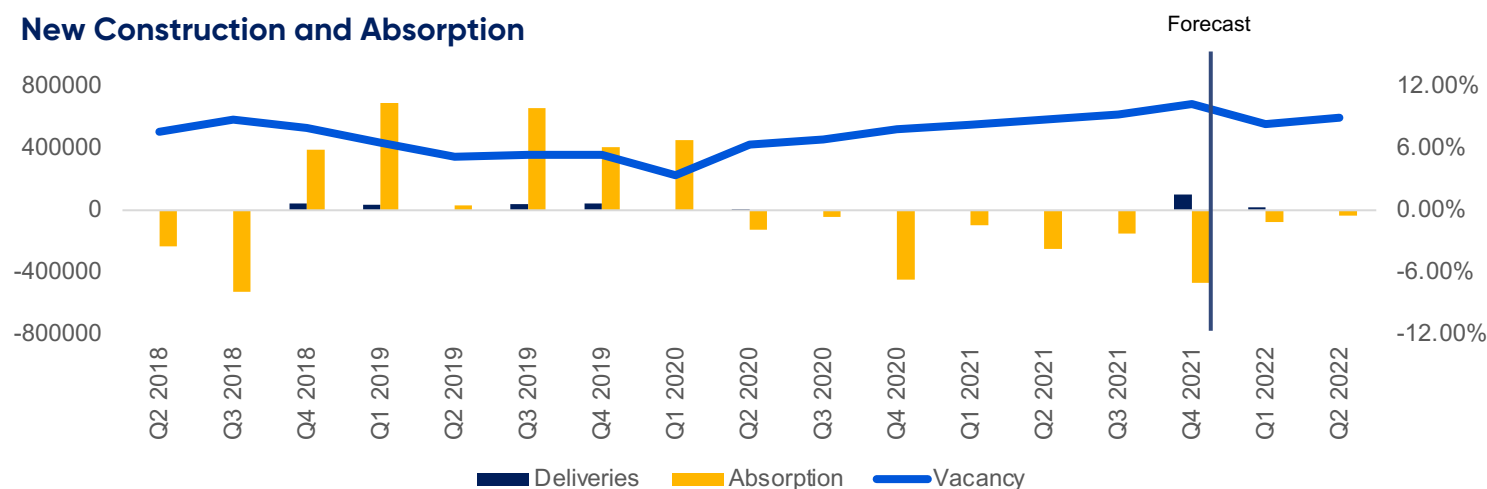
## Vacancy Rate

	Q2	Q3	Q4	
Consumers Road	14.7%	15.1%	16.2%	▲
DVP North/Duncan Mill	7.6%	8.0%	8.3%	▲
DVP South/Don Mills/ Eglinton	6.0%	6.4%	8.7%	▲
East Toronto Region	2.7%	2.8%	2.7%	▼
Gordon Baker/Victoria Park	7.4%	7.8%	7.9%	▲
Markham/Richmond Hill	5.7%	6.1%	7.3%	▲
Scarborough	10.5%	10.4%	10.4%	▬
South East Toronto Region	3.2%	3.6%	7.7%	▲
Steeles/Woodbine	6.6%	6.9%	5.1%	▼
Overall	8.8%	9.3%	10.3%	▲

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



**300 Consilium Place**  
204,215 SF



**160 McNabb Street**  
200,000 SF



**3600 Steeles Ave E**  
172,889 SF



**95 Moadfield Drive**  
156,426 SF



# Toronto West

Q4 2021



Supply  
**61,405,346 SF**



Vacancy  
**12.3%**



Average Net Rent  
**\$15.46/SF**



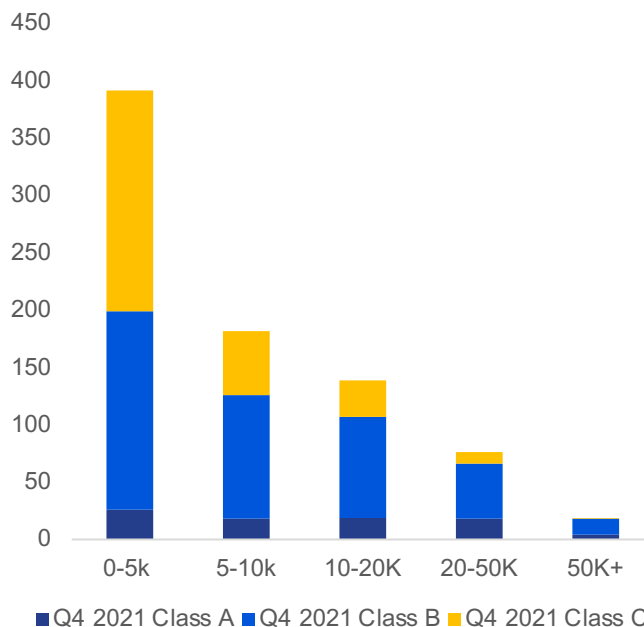
Net Absorption  
**-505,924 SF**

Arrows Indicate One Quarter Change

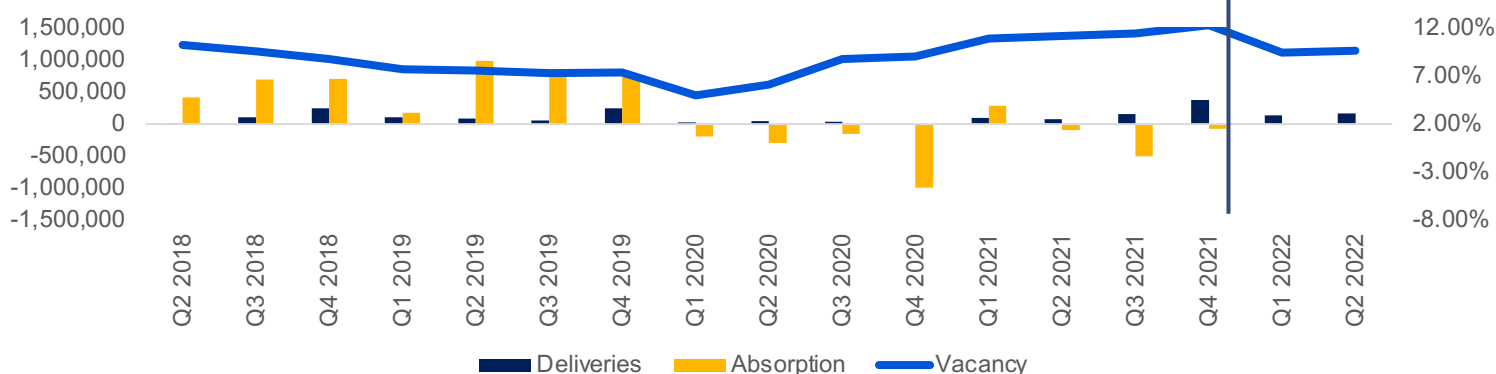
## Vacancy Rate

	Q2	Q3	Q4	
427 Corridor/Bloor/Islington	12.8%	13.3%	16.8%	▲
Airport Corporate Centre/Airport	14.0%	14.5%	13.0%	▼
Brampton	1.7%	1.4%	3.2%	▲
Burlington	9.3%	9.1%	9.5%	▲
Central West	3.8%	3.3%	3.3%	■
City Centre	9.7%	9.5%	13.7%	▲
Hwy 10/Hwy 401	9.3%	9.4%	11.0%	▲
Meadowvale	7.8%	8.0%	10.2%	▲
Mississauga South	8.0%	8.1%	6.9%	▼
North West DT	2.5%	2.7%	2.4%	▼
Oakville	10.5%	10.8%	11.1%	▲
West Toronto Region	5.3%	5.5%	7.4%	▲
Overall	11.2%	11.5%	12.3%	▲

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



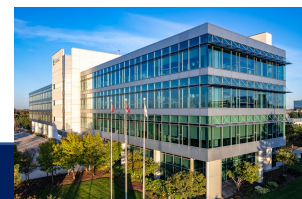
**5025 Creekbank Road**  
312,500 SF



**5115 Creekbank Road**  
247,500 SF



**195 The West Mall**  
160,709 SF



**1950 Meadowvale Blvd**  
160,560 SF

# Durham

Q4 2021



Supply  
**7,056,522 SF**



Vacancy  
**4.1%**



Average Net Rent  
**\$14.57/SF**



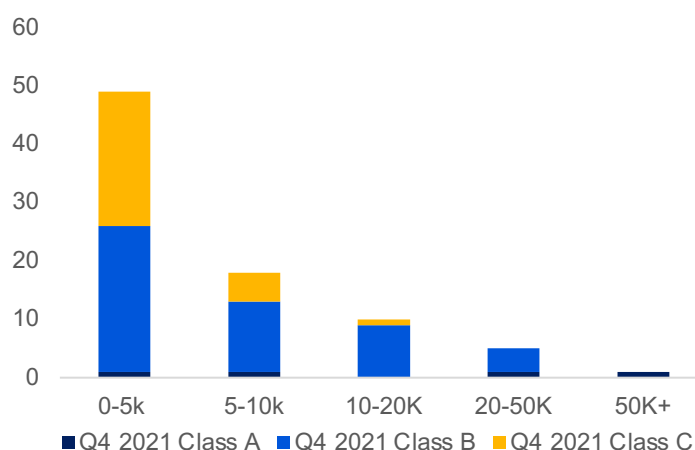
Net Absorption  
**30,018 SF**

Arrows Indicate One Quarter Change

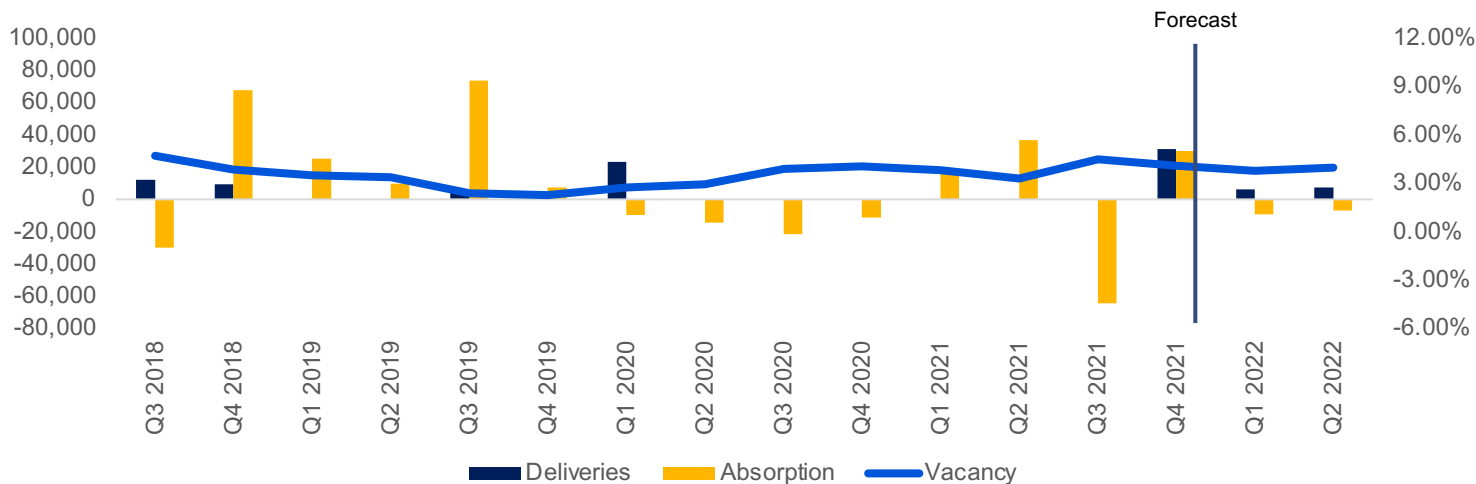
## Vacancy Rate

	Q2	Q3	Q4	
Ajax	5.8%	6.3%	5.6%	▼
Oshawa	2.8%	3.4%	3.2%	▼
Outlying Durham	1.3%	1.3%	1.3%	▬
Pickering	2.4%	6.4%	6.3%	▼
Whitby	1.8%	1.8%	0.6%	▼
Overall	3.3%	4.5%	4.1%	▼

## Availability Trends



## New Construction and Absorption



## Significant Availabilities



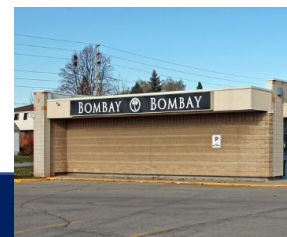
**78 Richmond Street West**  
57,246 SF



**601 Westney Road South**  
42,438 SF



**1340 Pickering Parkway**  
36,220 SF



**419 King Street West**  
23,235 SF



# Development Pipeline



	Development	Owner	Size (SF)	Completion Date
1	261 Queens Quay East	Hines	251,000	Q1 2023
2	125 Queens Quay East - The Hive	Menkes Development	432,500	Q1 2022
3	125 Queens Quay East - The Exchange	Menkes Development	135,000	Q1 2022
4	25 Ontario Street	First Gulf & HOOPP	460,000	Q3 2023
5	1 Yonge Street - Tower 1	Pinnacle International	TBD	TBD
6	1 Yonge Street - Tower 2	Pinnacle International	650,000	TBD
7	30 Bay Street	Oxford Properties	1,400,000	Q2 2025
8	141 Bay Street	Ivanhoe Cambridge & Hines	1,400,000	Q4 2023
9	191 Bay Street	QuadReal	TBD	TBD
10	171 Front Street West	Allied Properties	1,278,000	Q3 2025
11	160 Front Street West	Cadillac Fairview	1,200,000	Q2 2023
12	40 Temperance Street	Brookfield Properties	820,000	Q1 2022
13	19 Duncan Street	Allied Properties	150,000	Q3 2022
14	375 Queen Street West	Allied Properties	93,100	Q4 2023
15	8 Spadina Avenue	Allied Properties	1,175,000	Q1 2023



## 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

For more information about Cresa and the Toronto market, please contact:

Cresa Toronto Inc., Brokerage  
170 University Avenue, Suite 1100  
Toronto, ON M5H 3B3  
416.862.2666  
[cresa.com/toronto](http://cresa.com/toronto)

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