



Greater Toronto office market report

Q2 2024

**AVISON
YOUNG**

Greater Toronto market fundamentals

20.2%

total availability rate
up from 19.5% in Q1 2024

8M

square feet (sf) available sublet space
up 419,000 sf quarter-over-quarter

3.2M

sf office area under construction
equal to 2% of existing inventory

229

GTA buildings with more than
50,000 sf available
up from 226 in Q1 2024

23%

Downtown sublet space as a proportion
of total available space
vs. 18% in the suburbs

2

new office building completions
across the GTA in Q2 2024

Greater Toronto office market trends

01

Absorption stays positive while availability and vacancy rise

The GTA's overall availability rate rose 70 basis points (bps) to 20.2% during the second quarter – up 140 bps year-over-year. Overall vacancy also continued to rise, escalating 30 bps quarter-over-quarter and 130 bps year-over-year to 14%. Net absorption was positive once again in Q2 as occupied area increased – but by a meagre margin of less than 15,000 sf. Gains in Trophy and class A buildings were nearly offset by losses in class B and C properties – partly the impact of spaces being vacated by tenants who have relocated to newly delivered buildings.

Although overall vacancy across the GTA increased during the second quarter, the trend was not evenly distributed across all markets. In fact, vacancy ticked down slightly in the Midtown (-70 bps), Toronto East (-20 bps) and Toronto North (-40 bps) markets, while it rose in Downtown (+70 bps) and Toronto West (+20 bps).

02

Rise in asking rental rates driven by Trophy-class buildings

The average asking net rental rate for available space in all building classes across the GTA edged up slightly during the second quarter to reach \$27.30 per square foot (psf) at quarter-end. However, the change did not appear uniformly across geographies and building classes.

The Downtown and Midtown markets posted rising rates, while Toronto West held steady and Toronto North and East each inched downward. Within Downtown, Trophy buildings (up sharply to \$52.60 psf) were entirely accountable for the increase in the market's overall average asking rate by \$0.50 to \$36.60 psf, with hardly any change reflected in the other, more economical, asset classes. GTA-wide, class C buildings were the only segment that recorded a decline in average rates quarter-over-quarter, falling \$0.40 to \$22.60 psf.

03

Will the City of Toronto change its policy on office space replacement?

On July 11th, the City of Toronto's Planning and Housing Committee presented a Proposals Report outlining new policies for office replacement, as part of the City's ongoing Office Space Needs Study. City staff will now run a stakeholder engagement process to develop recommendations for amendments to the office replacement portions of the Official Plan.

If the City relaxes its existing policy requiring replacement of office space as part of redevelopment projects in certain areas, the result could be a reduction in the market's overall office inventory as some buildings – likely older, smaller or obsolete assets – could become candidates for demolition, and redevelopments would not necessarily include the same amount of office space. Along with the obvious need for housing, the Office Space Needs Study is also looking at the space requirements of alternative employment sectors.

Downtown and Midtown Toronto office markets

Two new buildings completed as availability and vacancy move up

The availability rate in Downtown Toronto rose 90 bps quarter-over-quarter to 20% – an increase of 170 bps year-over-year. Vacancy rose as well, increasing 70 bps during the quarter (and 270 bps year-over-year) to 15%. As anticipated, net absorption turned into negative territory during the second quarter, as occupied area declined by 337,500 sf – offsetting the first quarter’s gains as tenants of new buildings vacated their former premises.

Two new buildings were completed during the quarter: 2 Queen St. W. (29,100 sf, fully available) and Queen Richmond Centre West Phase 2 at 375-381 Queen St. W. (93,100 sf, fully preleased). As the supply pipeline continues to taper off, just five projects (totaling 2.6 million sf) remain under construction.

RTO remains top-of-mind amid downtown recovery plans

As tenants continue to adapt to new ways of working, including hybrid options combining work-from-home and return-to-office (RTO), finding the right balance is an important issue for each organization to consider. One effect of this can be in determining the location, size and configuration of the office space they need, which continues to play out in the office leasing market.

In addition, the option to work from home has a broader impact on the downtown area and businesses that have traditionally relied on office workers and commuters as their customers. In June, it was reported that Toronto Mayor Olivia Chow has taken an interest in the matter, meeting with leaders of banks and other large firms in a bid to encourage them to bring more employees back to the office to bolster the core’s economic vitality.

Availability rises, but vacancy falls, in Midtown

Availability in the Midtown market increased a further 150 bps during the second quarter to 24.1% (also up 150 bps year-over-year). Vacancy, however, declined 70 bps quarter-over-quarter to 15.1% (up 20 bps year-over-year) – the result of positive net absorption in both the Bloor and Eglinton nodes.

Suburban GTA office markets

Availability up in the suburbs while vacancy inches downward

The GTA's suburban markets collectively posted rising availability (up 50 bps to 19.8%) and declining vacancy (down 10 bps to 12.7%) during the second quarter. Year-over-year, availability was up 60 bps, while vacancy had risen 20 bps – both smaller increases than were posted in the Downtown market. Quarter-over-quarter, availability rose 70 bps to 19.3% in Toronto West and 30 bps to 19.6% in Toronto East, while remaining flat in Toronto North at 20.8%.

Quarterly absorption positive in all suburban markets

Net absorption was positive in all three suburban markets during the second quarter, with occupancy up 160,300 sf in Toronto East, 61,100 sf in Toronto North, and 31,900 sf in Toronto West.

Etobicoke office building demolished for redevelopment

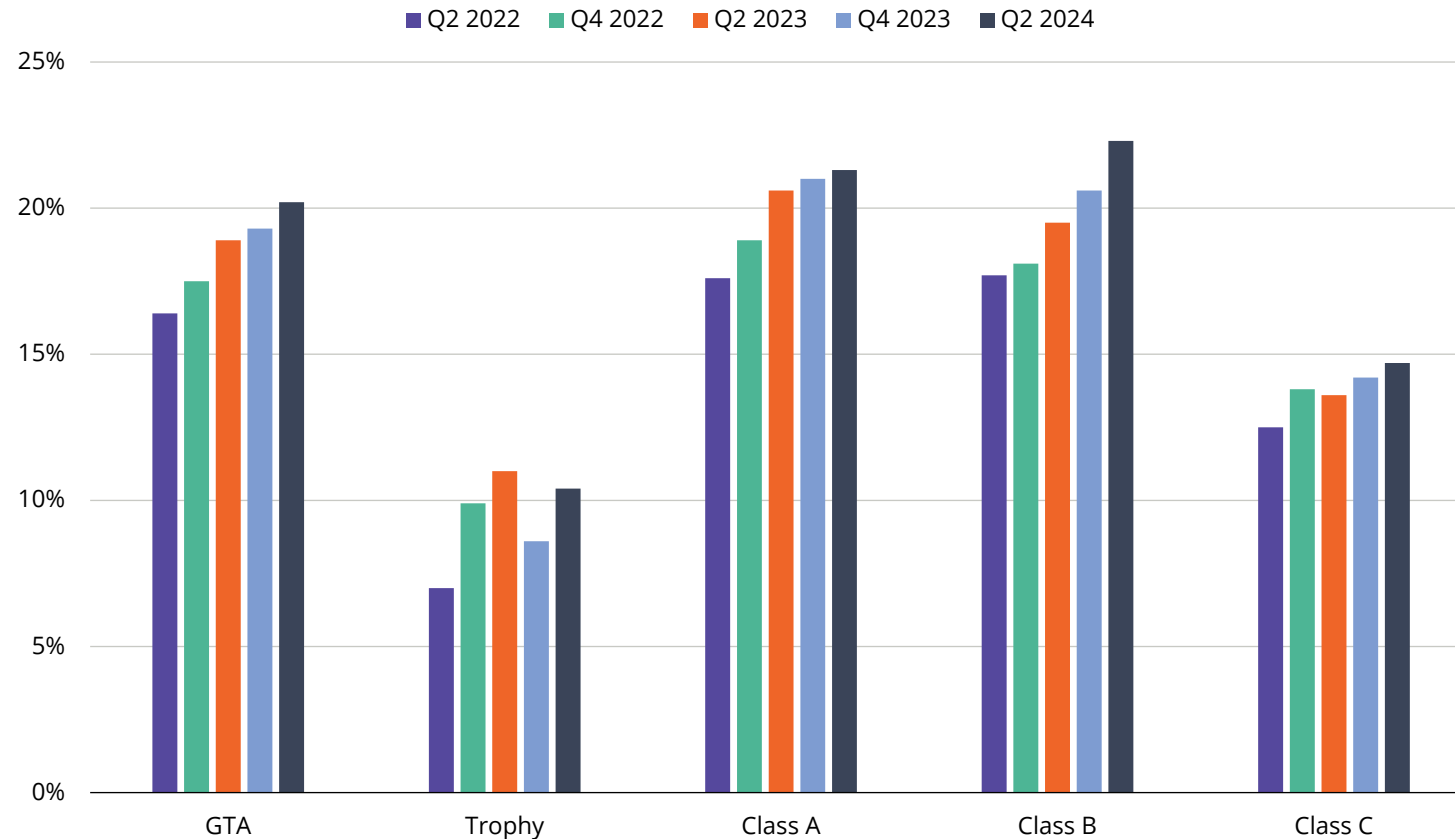
In May, it was reported that demolition had begun on 701 Evans Ave., a 72,000-sf office building in Etobicoke's Highway 427 Corridor node, built in 1971. No plans for the building's replacement have been made public, but the owner had previously appealed the Official Plan designation for the site, seeking to change it from Employment to Mixed-Use.

Newly completed mass timber building targets LEED Platinum

One new office building was completed across the GTA's suburban markets during the second quarter: the new headquarters of the Ontario Secondary School Teachers' Federation (OSSTF), located at 60 Mobile Dr. in the Don Mills & Eglinton node. The 124,000-sf facility includes space to be leased out to tenants by the OSSTF and was 78% preleased at the time of delivery. Built using mass timber, the building offers a number of features to promote environmental sustainability and employee health and wellness, and is targeting LEED Platinum certification.

Greater Toronto office market indicators

Availability rate by class



Across the GTA, overall availability rates for all building classes crept upward in Q2.

Greater Toronto office market indicators

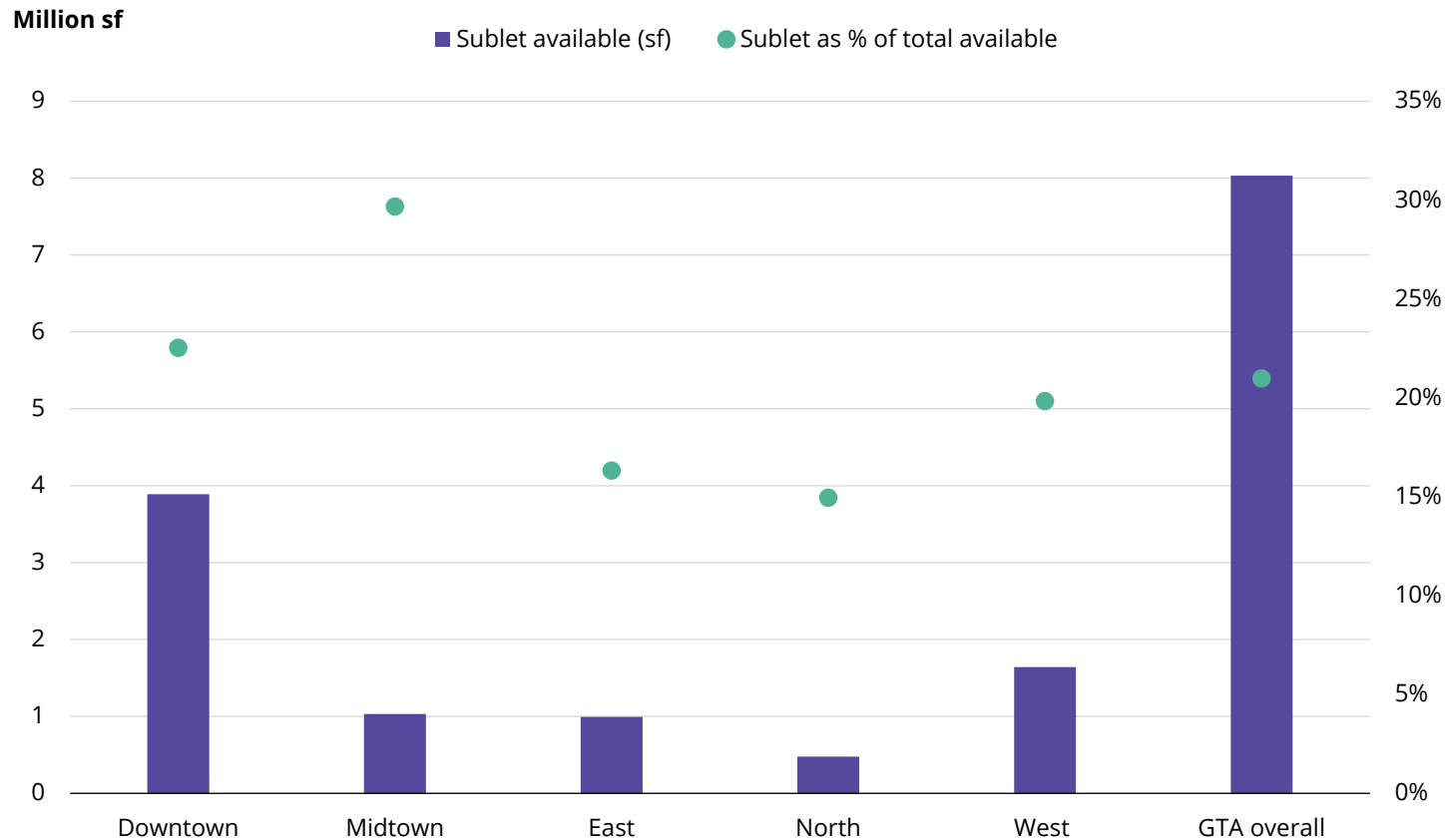
Availability rate by district



The availability rate held steady in Toronto North quarter-over-quarter, while rising in all other GTA markets.

Greater Toronto office market indicators

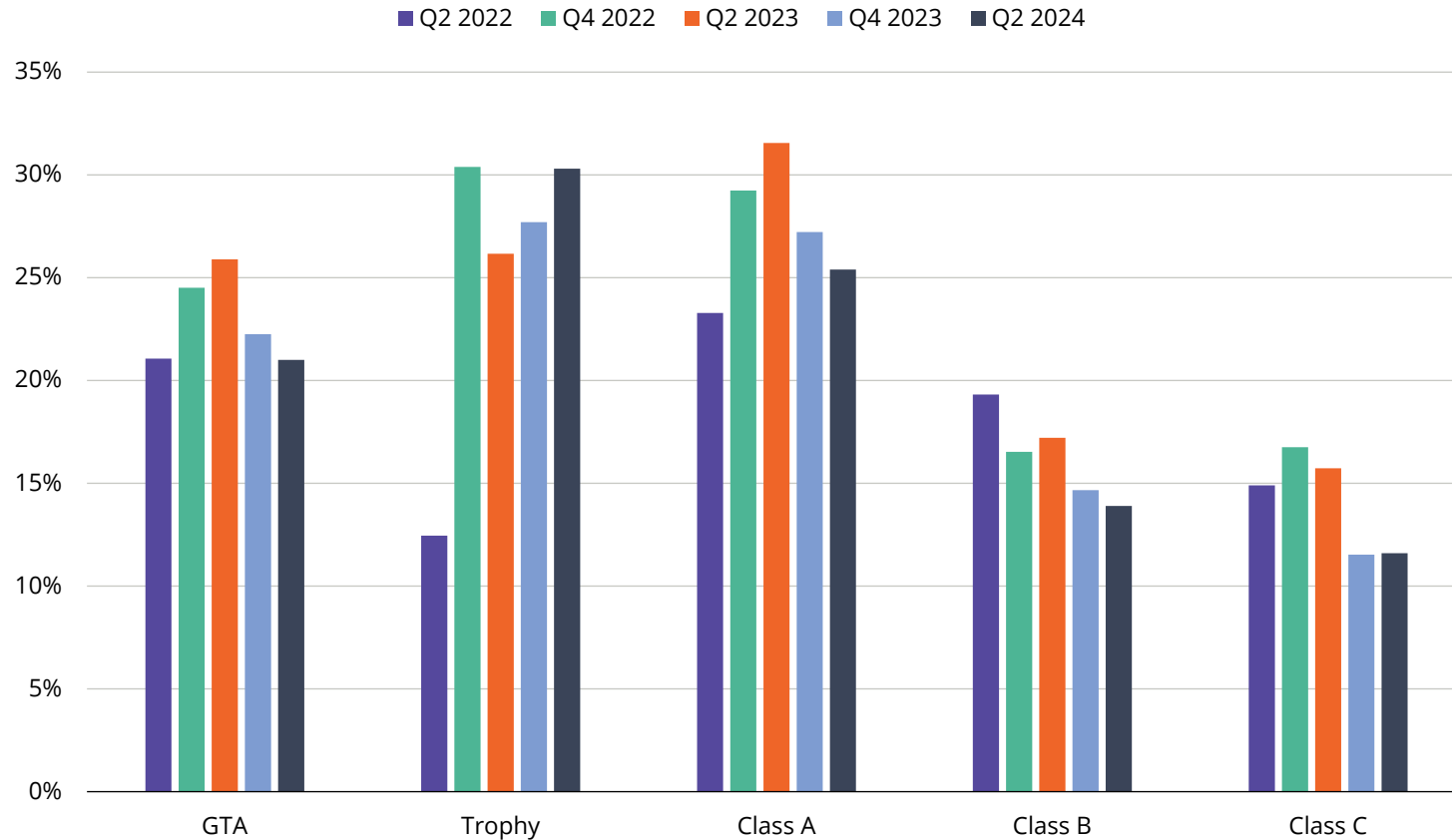
Sublet availability – all classes



Sublet availability increased as space added to the market outweighed leasing activity during Q2.

Greater Toronto office market indicators

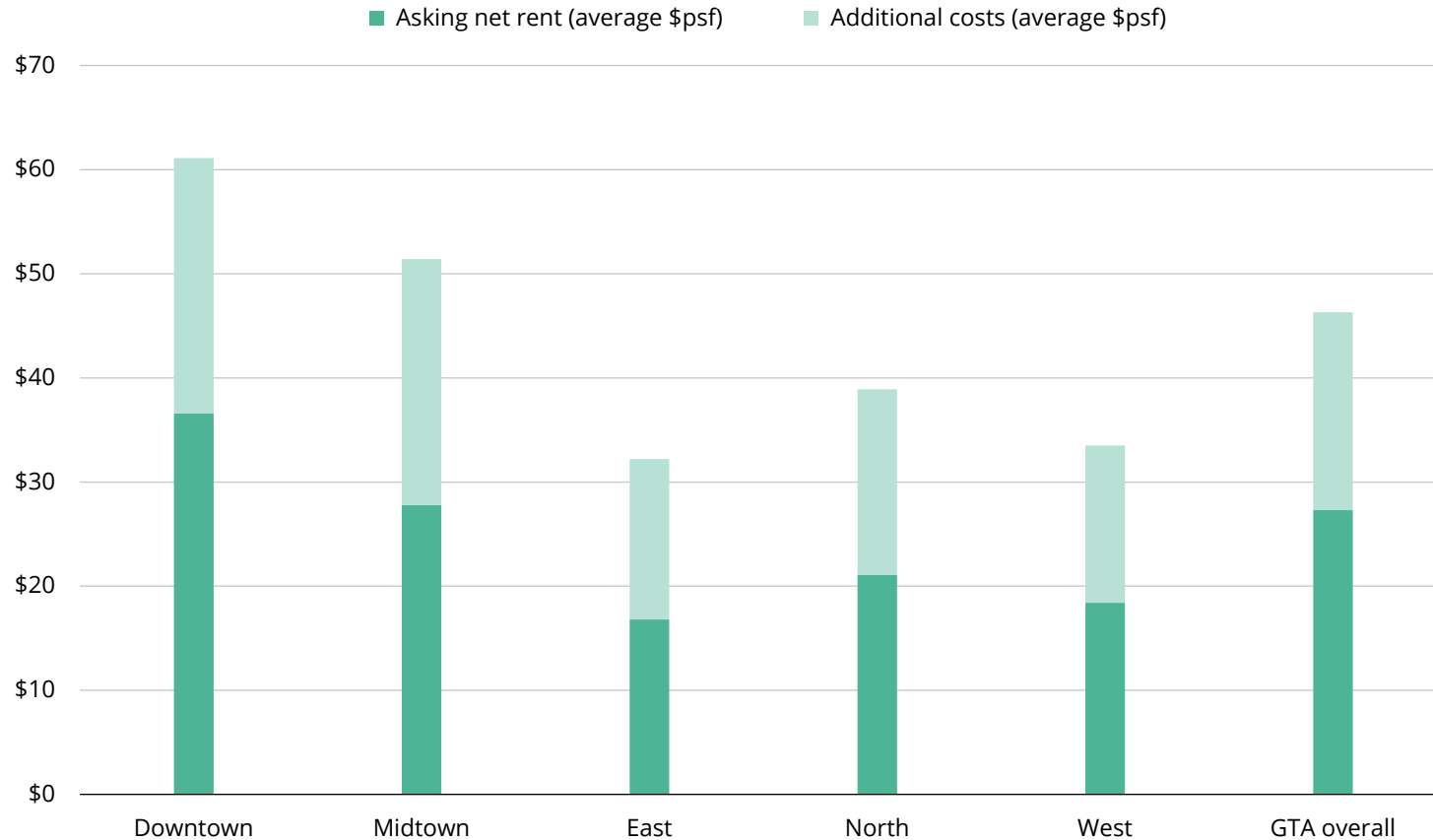
Sublease as a percentage of total availability by class



Sublet availability's share of total available space remained stable in Q2, below the peak levels recorded in recent years.

Greater Toronto office market indicators

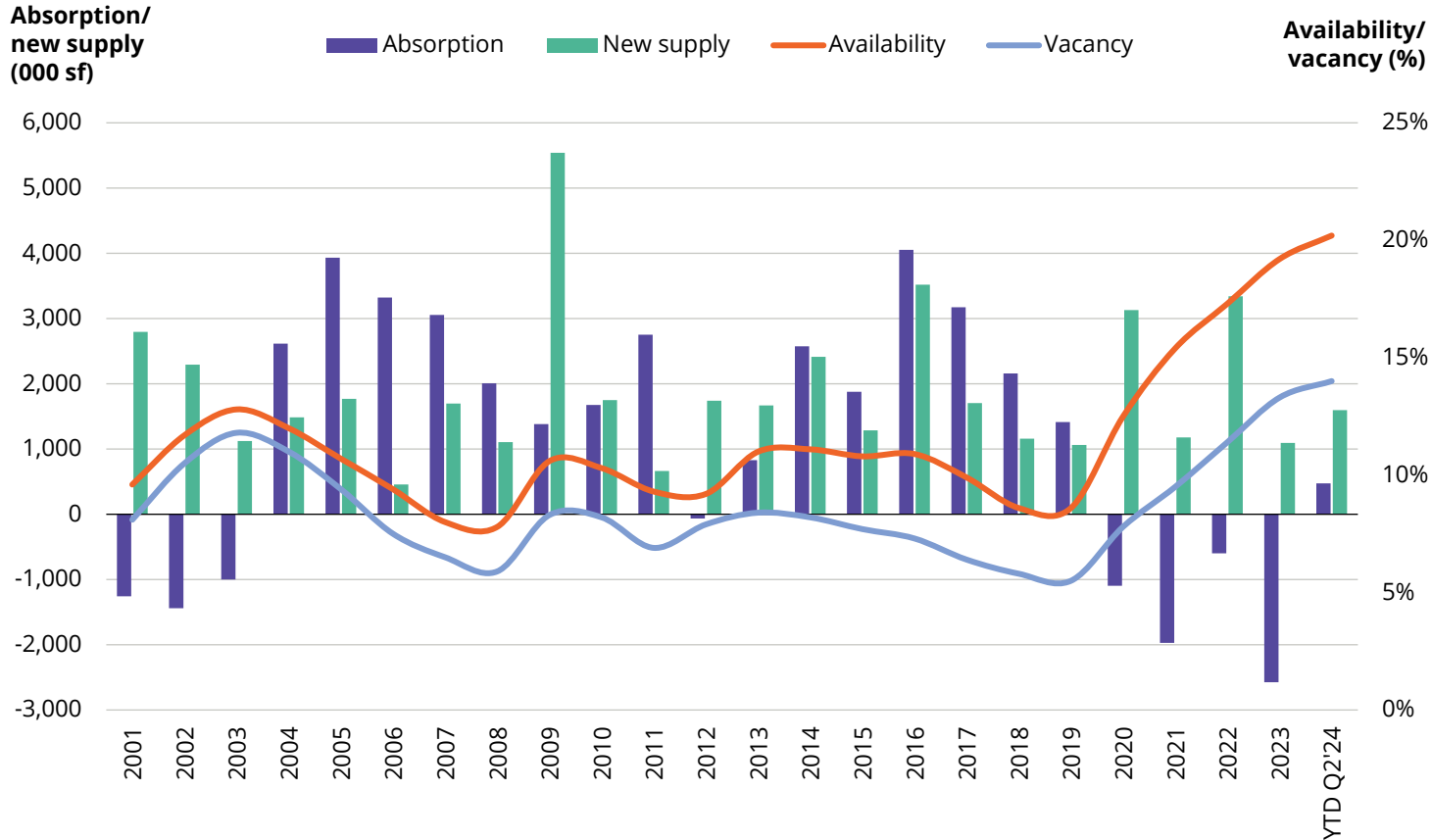
Occupancy costs



Asking rental rates across the GTA were relatively stable during Q2, ticking up in Downtown and Midtown while edging downward in the suburban markets.

Greater Toronto office market indicators

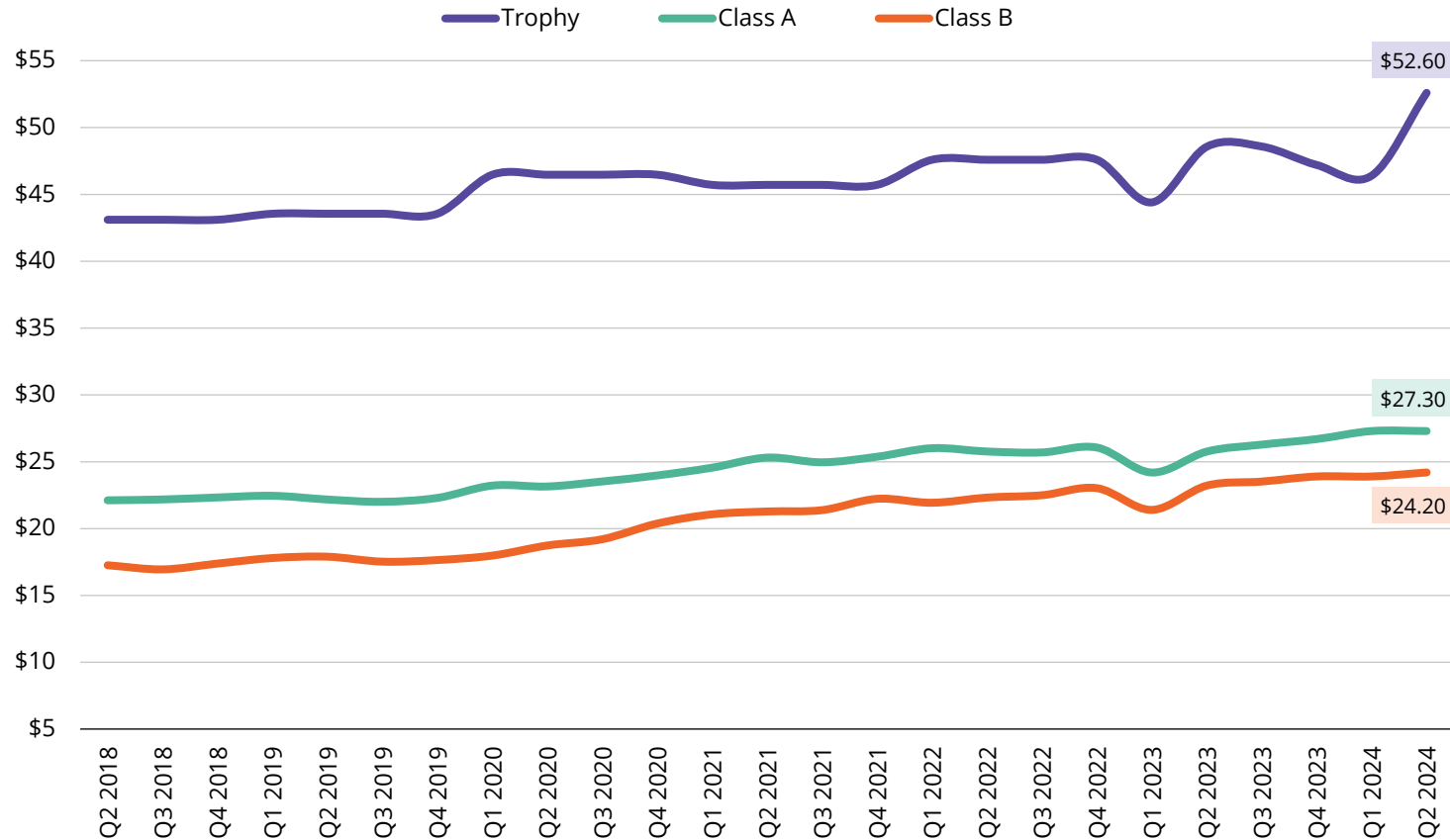
Historic office market trends



YTD net absorption remains positive, as occupancy levels were essentially flat during the second quarter.

Greater Toronto office market indicators

Net asking rents



Average asking rental rates held steady for class A and B buildings, while Trophy buildings notched up an increase.

Greater Toronto office market activity

Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
130 King St. W., Toronto	Downtown	Western University	26,000	New
121 Bloor St. E., Toronto	Midtown	Mastercard	14,000	New
575 Granite Crt., Pickering	East	Black & McDonald	17,600	Sublease
625 Cochrane Dr., Markham	North	Parsons	17,100	Renewal
195 The West Mall, Toronto	West	Moneris Solutions	108,400	New

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
25 Dockside Dr., Toronto	Downtown	\$232,500,000 / \$480	George Brown College / Halmont Properties Corp.	H&R REIT
199 Four Valley Dr., Vaughan	North	\$35,000,000 / \$349	199 Four Valley Nominee Ltd.	Artis REIT
110 Sheppard Ave. E., Toronto	North	\$29,000,000 / \$179	Minett Capital	Beneva Inc.
624 King St. W., Toronto	Downtown	\$18,000,000 / \$994	2371181 Ontario Inc.	624 King St. W. Holdings Inc.
5100 Spectrum Way, Mississauga	West	\$17,300,000 / \$235	Voyzant Inc.	Switch Health

Greater Toronto office market statistics

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2024 net absorption (sf)	2024 net absorption (sf)
Downtown	86,503,200	1,352,600	2,567,900	15.5%	4.5%	20.0%	-337,500	-11,400
Midtown	14,416,200	0	89,400	17.0%	7.1%	24.1%	99,100	-47,800
East	30,649,300	124,000	258,800	16.6%	3.3%	19.9%	160,300	129,300
North	15,339,600	0	294,000	17.7%	3.1%	20.8%	61,100	66,600
West	42,879,300	120,000	31,400	15.5%	3.8%	19.3%	31,900	336,800
GTA overall	189,787,600	1,596,600	3,241,300	16.0%	4.2%	20.2%	15,000	473,500

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2024 net absorption (sf)	2024 net absorption (sf)
Trophy	15,028,700	0	1,435,500	7.3%	3.1%	10.4%	5,200	-247,300
Class A	102,233,900	1,596,600	1,805,800	15.9%	5.4%	21.3%	180,700	1,235,000
Class B	57,025,100	0	0	19.2%	3.1%	22.3%	-154,100	-340,100
Class C	15,499,900	0	0	13.0%	1.7%	14.7%	-16,800	-174,100
GTA overall	189,787,600	1,596,600	3,241,300	16.0%	4.2%	20.2%	15,000	473,500

For more market insights and
information visit **avisonyoung.ca**

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