



# Greater Toronto office market report

Q3 2024

**AVISON  
YOUNG**

# Greater Toronto market fundamentals

**20.8%**

total availability rate  
up from 20.2% in Q2 2024

**7.9M**

square feet (sf) available sublet space  
down 179,000 sf quarter-over-quarter

**2.7M**

sf office area under construction  
equal to 1% of existing inventory

**240**

GTA buildings with more than  
50,000 sf available  
up from 229 in Q2 2024

**21%**

Downtown sublet space as a proportion  
of total available space  
vs. 17% in the suburbs

**1**

new office building completion  
across the GTA in Q3 2024

# Greater Toronto office market trends

## 01

### Absorption turns negative across all asset classes

The GTA's overall availability rate rose 60 basis points (bps) to 20.2% during the third quarter – up 110 bps year-over-year. Overall vacancy also continued to rise, up 40 bps quarter-over-quarter and 160 bps year-over-year to 14.4%. Net absorption turned negative in Q3 as occupied area declined by 686,000 sf – reversing the gains made in the first half of the year. All classes of buildings across the GTA posted decreasing occupied area, with class B assets the most strongly affected at -391,000 sf. Toronto North was the only GTA district to post positive absorption (61,000 sf) and declining vacancy (down 40 bps to 11.9%).

GTA-wide, the amount of space available for sublease declined quarter-over-quarter, but direct available area continued to increase as total available area reached a new high of 39.3 million sf. Only Toronto West posted a slight increase in sublease availability during Q3.

## 02

### Large and medium-sized tenant activity gaining momentum

During the third quarter, the level of activity in the marketplace among medium-to-large-sized tenants was perhaps the highest it has been at any time since the onset of the pandemic in 2020. Many of these organizations have been exploring and touring their options in the market, with an increasing number of leases being signed. More deals are expected to be announced in the fourth quarter as momentum builds, potentially resulting in higher occupancy levels and positive absorption in coming quarters.

Meanwhile, a concurrent trend is being observed in tenants' workspace planning. Before the pandemic, many companies were seeking greater efficiency and density of seating for their staff. That trend was effectively paused by pandemic precautions, with more demand for enclosed spaces or open collaborative areas. More recently, however, the trend has begun to turn towards greater seating density once again.

## 03

### Employers increase pressure for return-to-office

Across Canada, several prominent employers made announcements during the third quarter that they were increasing the number of days per week that staff are required to be in the office for work. Among those making the news were the Canadian federal government, Canada Post, Canada Life, and Manulife Financial, although none will require staff to return full-time as yet. The exception to that was Amazon, which announced that employees will need to be in-office five days a week starting in January.

More workers spending more time in the office should have the longer-term effect of increasing demand from tenants for office space to accommodate their staff. While some workers and/or their unions are opposing increases in in-person working days, only time will tell how the evolution of hybrid work models will play out in the months and years to come.



# Downtown and Midtown Toronto office markets

## Absorption turns negative for 2024 as availability and vacancy rise further

Availability in Downtown Toronto continued to rise, jumping 100 bps quarter-over-quarter to 21% – an increase of 230 bps year-over-year. Vacancy, meanwhile, was up 80 bps during the quarter (and 350 bps year-over-year) to 15.8%. As expected, net absorption remained in negative territory during the third quarter, as occupied area declined by 318,500 sf – offsetting the first half's gains for a year-to-date total of -330,000 sf as tenants of new buildings continued to vacated their former locations.

One new building was completed during the quarter: Portland Commons (563,700 sf, fully available at the time of completion). As the supply pipeline continues to taper off, just four projects (totaling 2 million sf) remain under construction.

## Landlords deploying amenity spaces to attract tenants

As part of their strategy to attract and retain tenants, an increasing number of landlords are offering newly built, renovated or expanded amenity spaces in their buildings, which are made available to tenants. By converting a vacant space or an entire floor – in some cases, an upper floor with good views and an “exclusive” feel – into a shared amenity space that includes meeting spaces, lounges and even food and beverage offerings, these landlords are seeking to differentiate their offerings and secure good occupancy of their buildings. Examples include CIBC Square, Scotia Plaza, 121 and 145 King St. W., and 33 Yonge St.

From the tenants' side, these amenity space offerings are attractive because they help the tenant organizations, in turn, to attract and retain the best talent and to encourage staff to come to the office in-person more often.

## Midtown faces rising availability and vacancy

Rising availability in the Midtown market slowed its pace in Q3, but nevertheless notched up another 20 bps to 24.3% (up 240 bps year-over-year). Vacancy, after declining in Q2, rebounded 60 bps in the third quarter to 15.7% (up 120 bps year-over-year) as absorption was negative in the Bloor node and nearly flat in both Eglinton and St. Clair.

# Suburban GTA office markets

## Availability and vacancy up, but outperforming Downtown

The GTA's suburban markets collectively posted rising availability (up 30 bps to 20.1%) and vacancy (up 20 bps to 12.9%) during the third quarter. Year-over-year, availability was up 30 bps, while vacancy was unchanged – both results outperforming the metrics posted in the Downtown market. Quarter-over-quarter, availability rose 40 bps in both Toronto West (to 19.7%) and Toronto East (to 20%), and increased 70 bps to 21.5% in Toronto North.

## Year-to-date absorption positive in suburban markets

Net absorption was positive in Toronto North (61,000 sf) but negative in Toronto East (-149,200 sf) and Toronto West (-195,400 sf) during the third quarter. Year-to-date, the overall suburban total of 249,100 sf positive net absorption compares favourably with Downtown's total of -330,000 sf.

## Amenities and commutes top employees' sentiment about offices

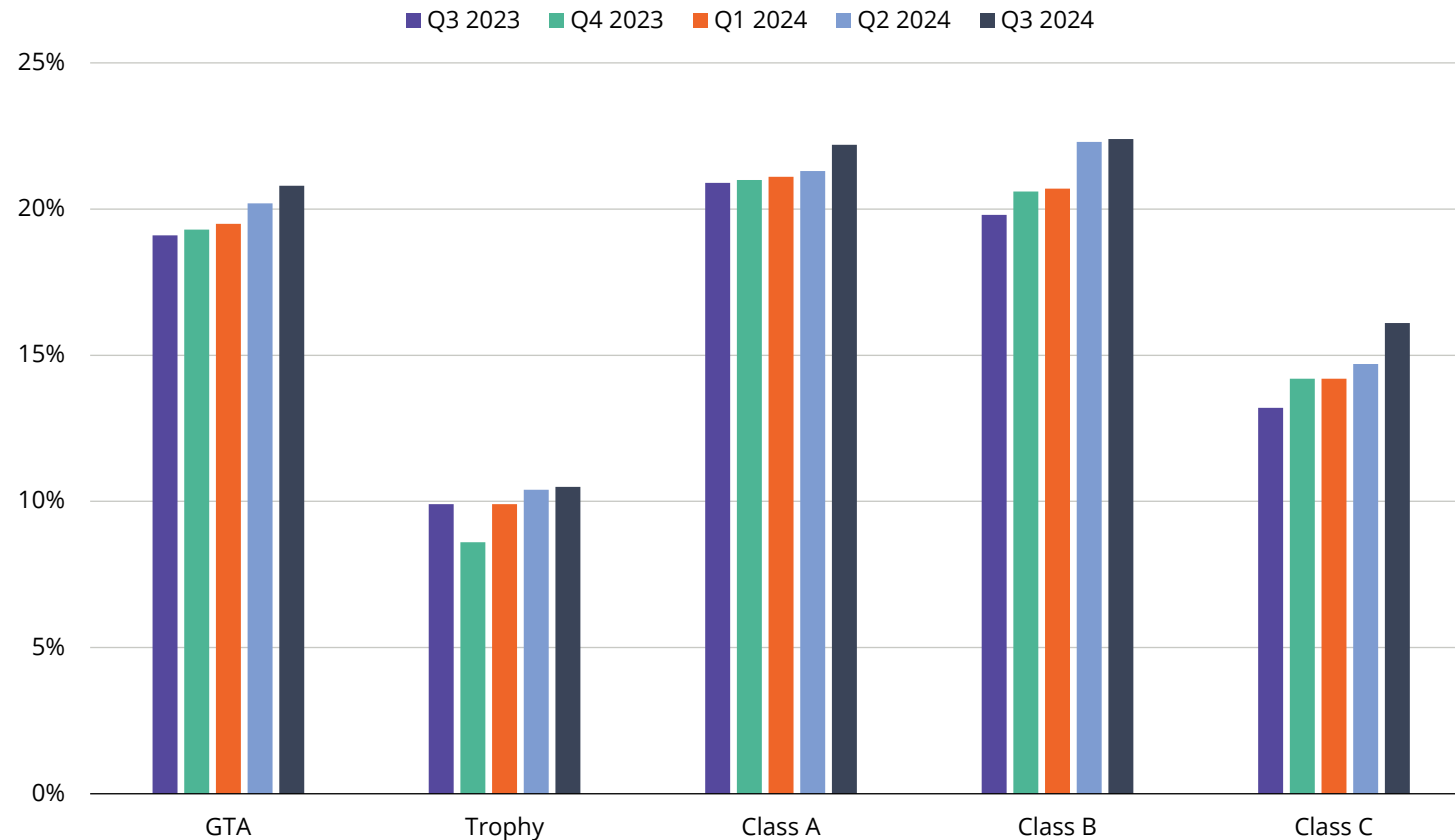
Applicable to suburban and downtown locations alike, a recent survey revealed that 76% of workers would be enticed back to the office by a well-designed workplace, with a central location and convenient amenities. 42% said ease of commute would affect their willingness to return more often.

## Gay Lea Foods to move HQ from Mississauga to Etobicoke

In September, dairy and food products co-operative Gay Lea Foods announced plans to relocate its headquarters from Mississauga's Airport Corporate Centre node to 10 Carlson Ct. in Etobicoke in the summer of 2025. At 20,000 sf, the new space will be smaller than the current location, but will feature technologies and an open-concept design to promote connection and collaboration among the 200 employees working there.

# Greater Toronto office market indicators

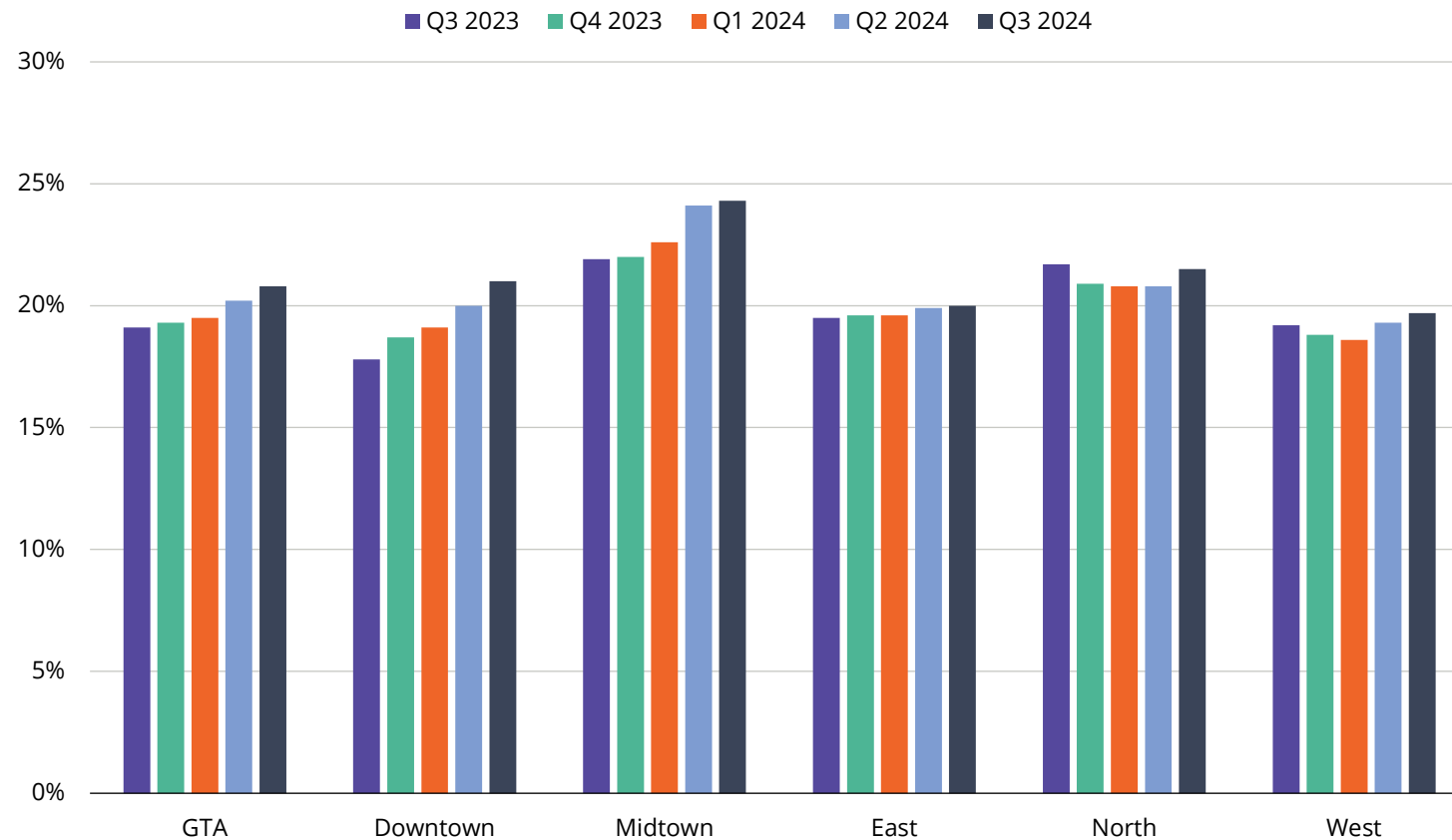
Availability rate by class



**Availability rates for all building classes continued their upward trend in the third quarter.**

# Greater Toronto office market indicators

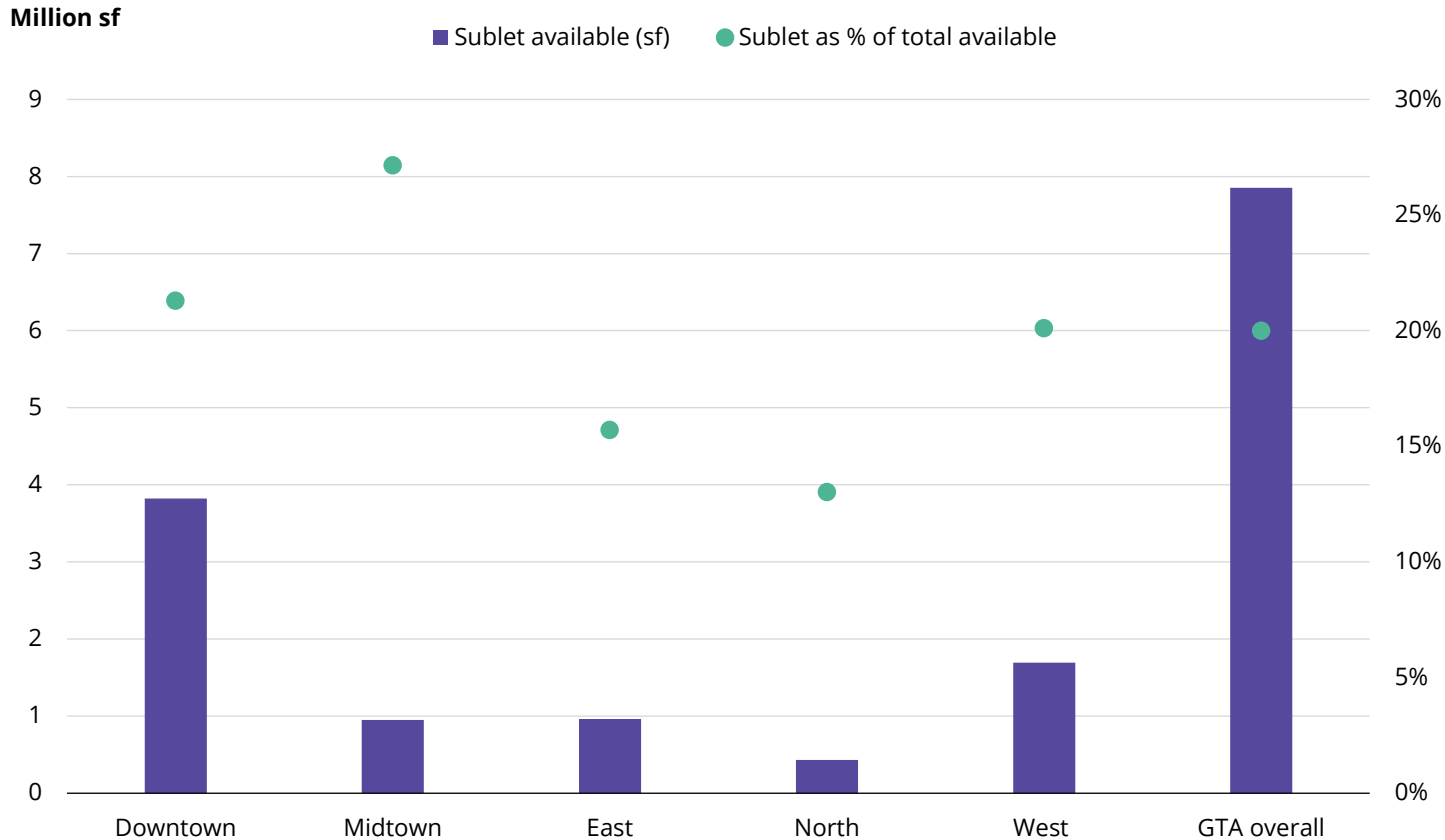
Availability rate by district



**The availability rate in all GTA markets increased during Q3.**

# Greater Toronto office market indicators

## Sublet availability – all classes

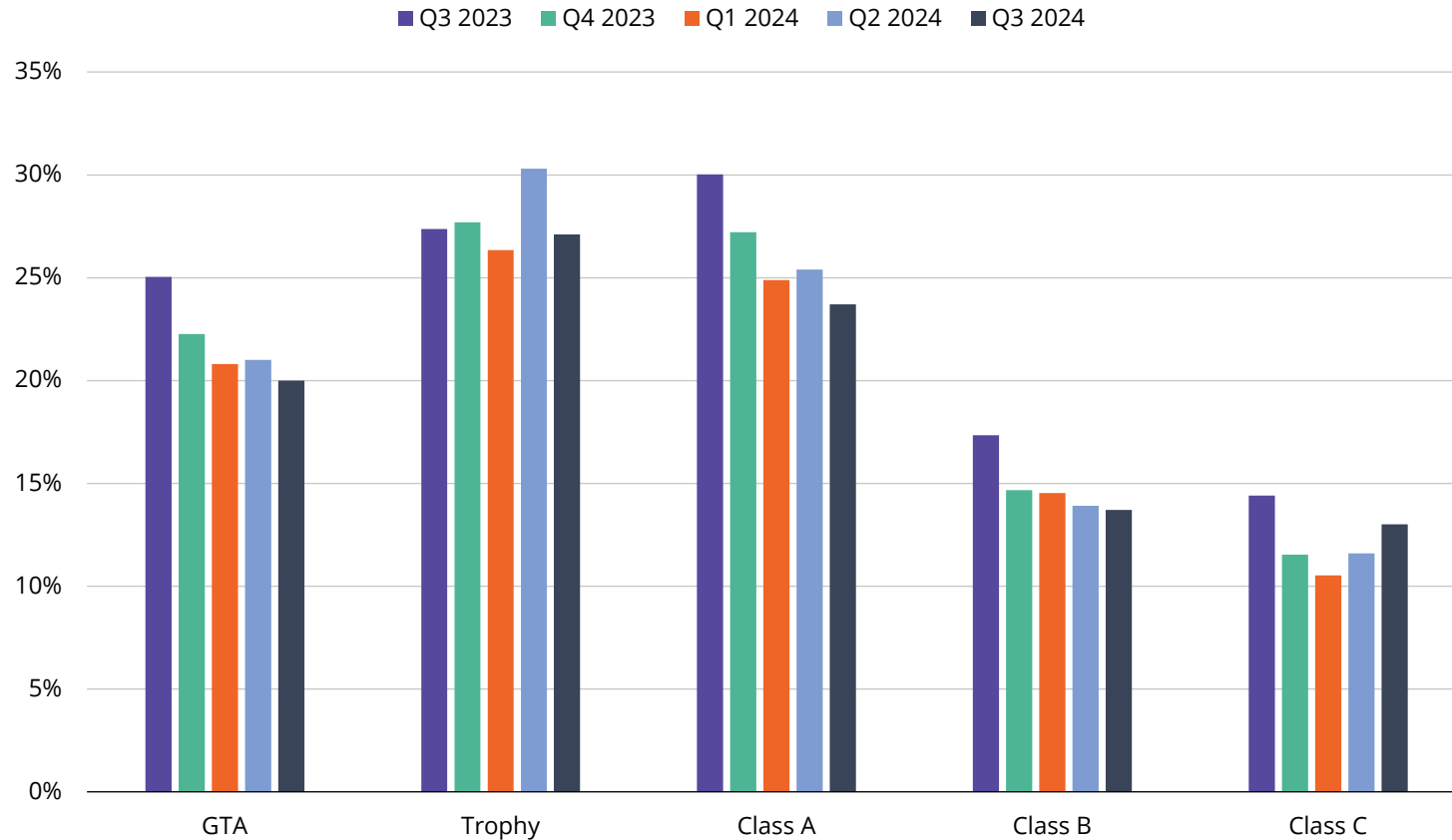


**Sublet availability in the GTA declined slightly during Q3, although total available space increased.**



# Greater Toronto office market indicators

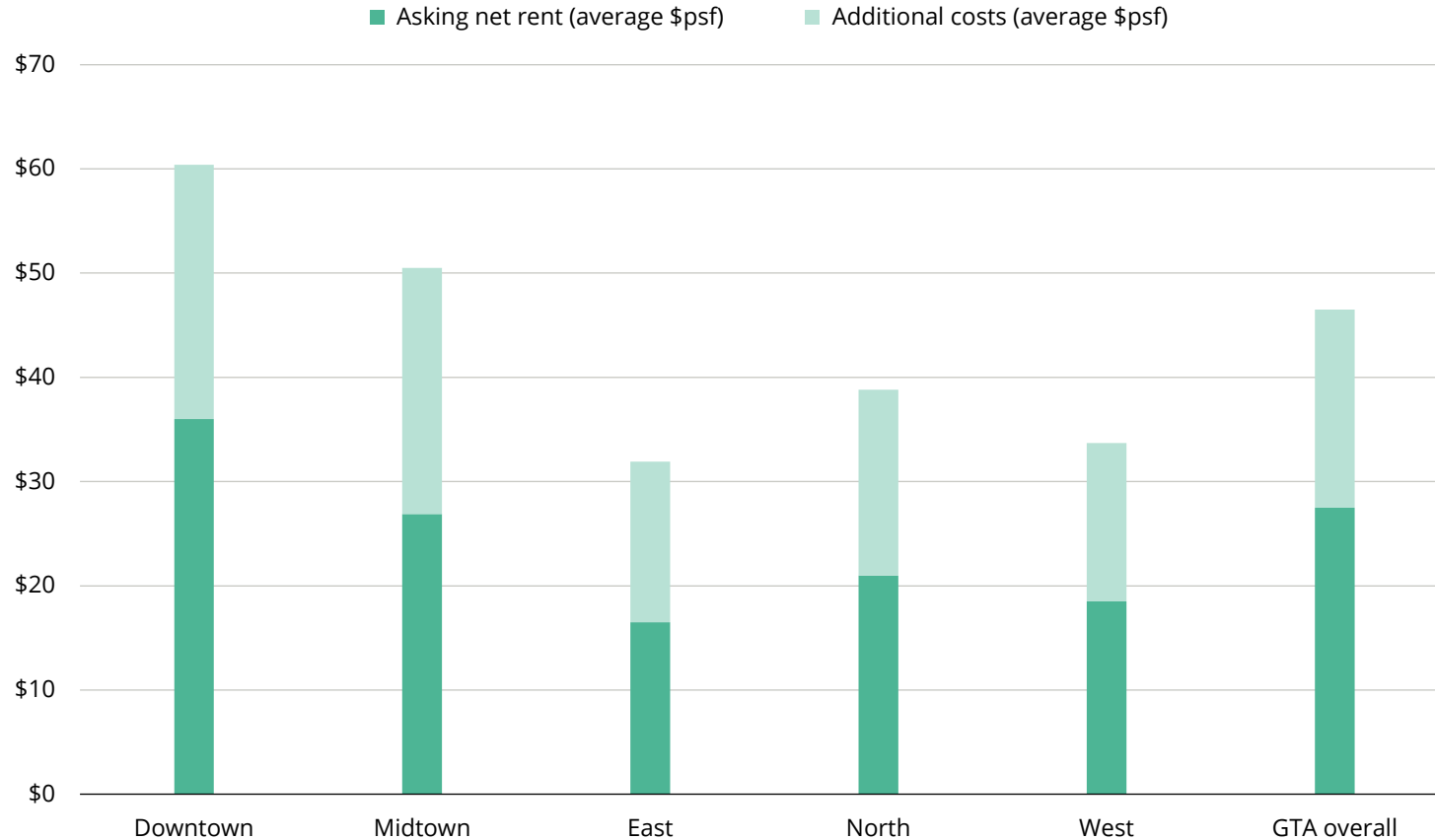
Sublease as a percentage of total availability by class



**Sublet availability's share of total available space fell in all classes except class C, but remained below the peak levels of recent years.**

# Greater Toronto office market indicators

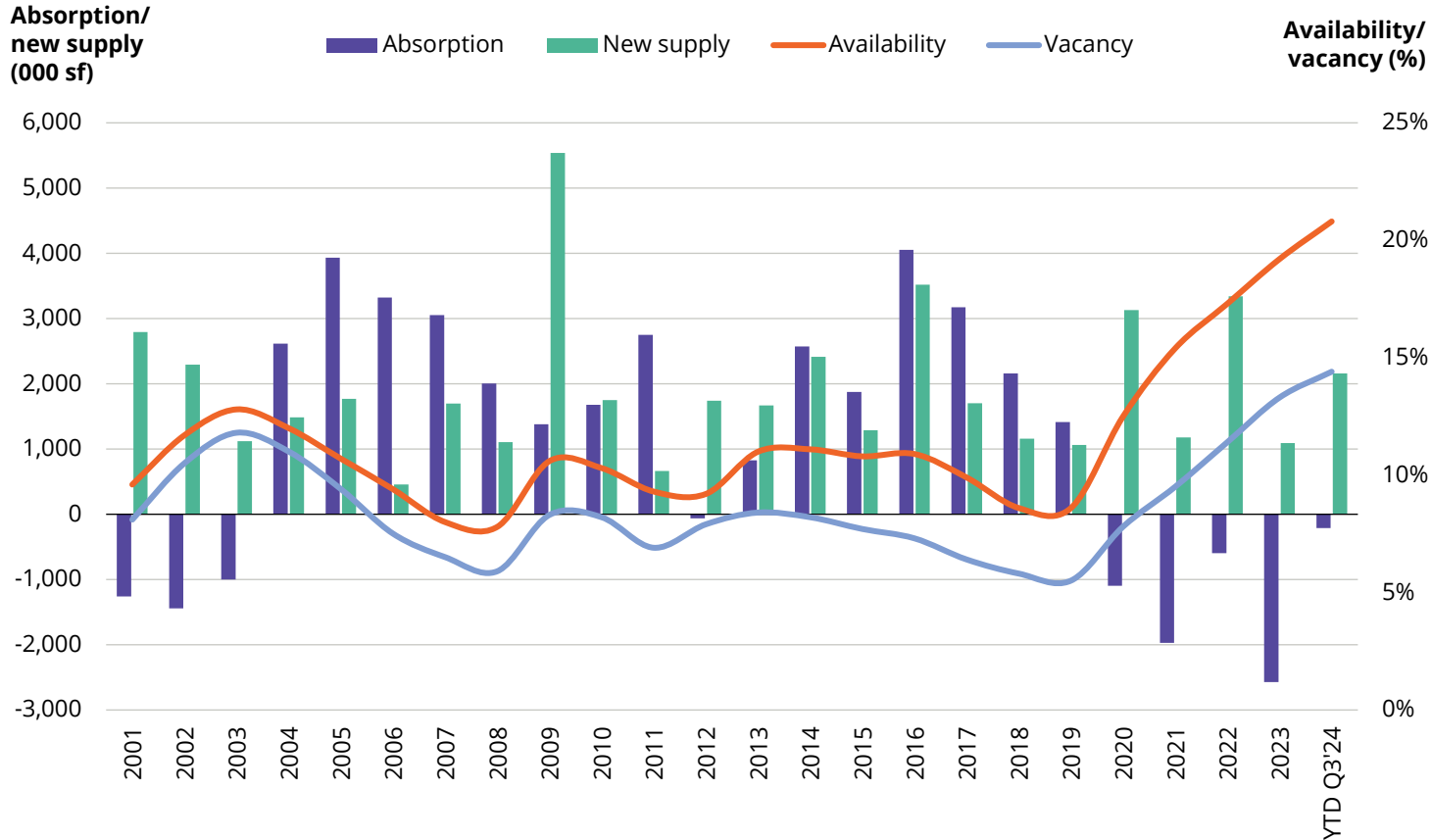
## Occupancy costs



**Asking rental rates across the GTA essentially held flat during Q3, with no market's average shifting by more than \$0.10 psf.**

# Greater Toronto office market indicators

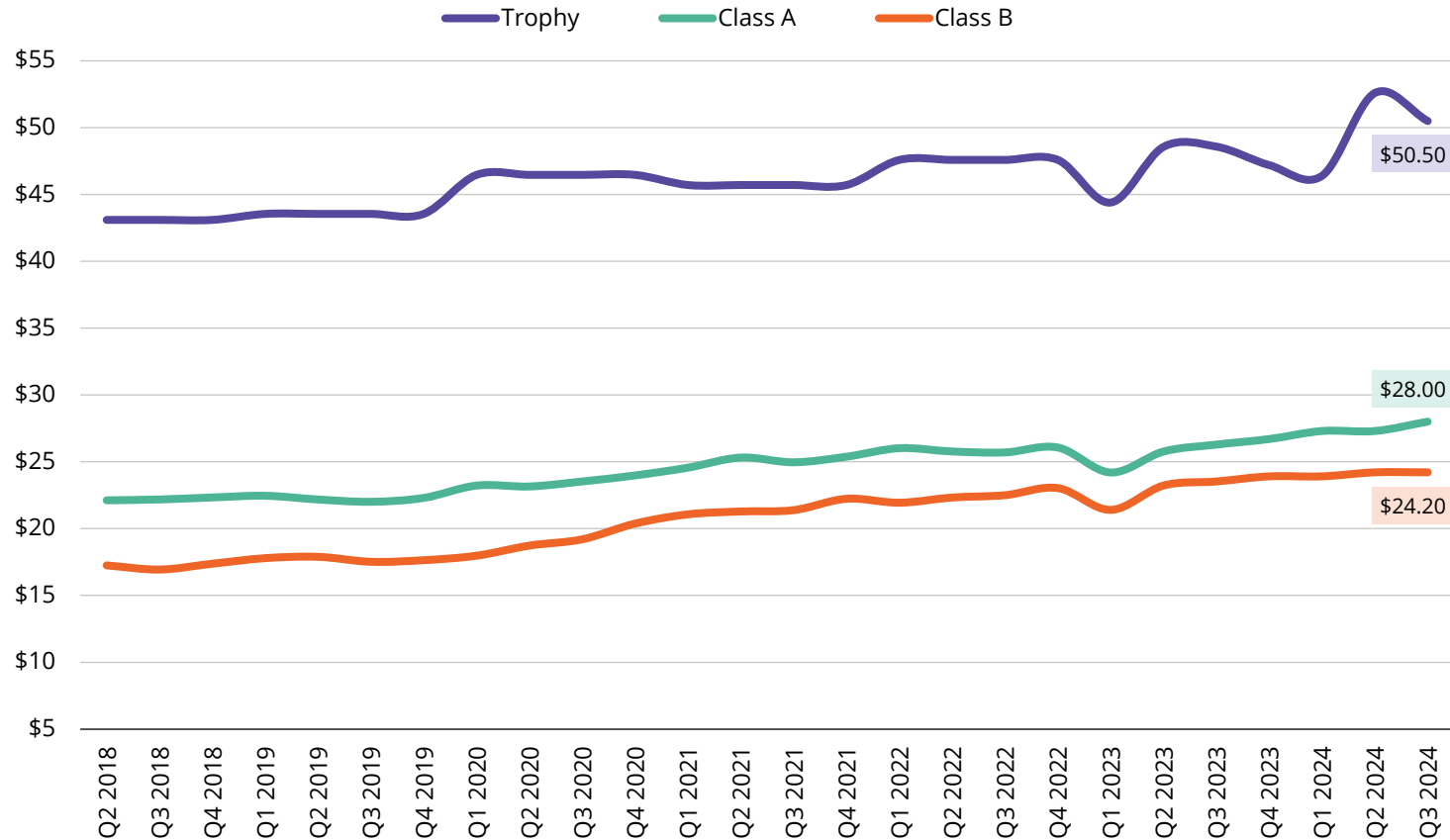
## Historic office market trends



**YTD net absorption turned negative, as occupancy losses in Q3 outweighed earlier gains.**

# Greater Toronto office market indicators

## Net asking rents



**Average asking rental rates held steady for class A and B buildings, while Trophy rates ticked down from a recent peak.**

# Greater Toronto office market activity

## Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
100 Adelaide St. W., Toronto	Downtown	EY	47,100	Sublease
175 Bloor St. E., Toronto	Midtown	RLG Systems	10,000	Sublease
245 Consumers Rd., Toronto	East	Kyndryl	123,200	Renewal
5775 Yonge St., Toronto	North	Zemlar	18,000	New
226 Wycroft Rd., Oakville	West	Confidential	93,900	New

## Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
3600 Steeles Ave. E., Markham	North	\$115,000,000 / \$134	Triple Properties Inc.	IBM Canada
1900 & 1908 Ironoak Way, Oakville	West	\$35,250,000 / \$347	Binscarth Holdings LP	Carttera
LaSalle – Bellridge Portfolio	West	\$28,900,000 / \$112	Bellridge Capital	LaSalle Investment Management
10 Lower Spadina Ave., Toronto	Downtown	\$23,700,000 / \$396	Arkfield	Dream Impact Trust
2330 Kennedy Rd., Toronto	East	\$18,000,000 / \$174	1000936394 Ontario Inc.	1660866 Ontario Inc.



# Greater Toronto office market statistics

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2024 net absorption (sf)	2024 net absorption (sf)
Downtown	85,495,100	1,916,300	2,004,100	16.5	4.5	21.0	-318,500	-330,000
Midtown	14,416,200	0	89,400	17.7	6.6	24.3	-84,000	-131,800
East	30,628,300	124,000	258,800	16.9	3.1	20.0	-149,200	-19,900
North	15,339,600	0	294,000	18.7	2.8	21.5	61,000	127,700
West	42,694,000	120,000	31,400	15.8	3.9	19.7	-195,400	141,300
<b>GTA overall</b>	<b>188,573,100</b>	<b>2,160,300</b>	<b>2,677,600</b>	<b>16.7</b>	<b>4.1</b>	<b>20.8</b>	<b>-686,100</b>	<b>-212,600</b>

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2024 net absorption (sf)	2024 net absorption (sf)
Trophy	15,028,700	0	1,435,500	7.6	2.9	10.5	-38,400	-285,700
Class A	102,143,800	2,160,300	1,242,100	17.0	5.2	22.2	-155,300	1,079,700
Class B	55,891,300	0	0	19.3	3.1	22.4	-391,000	-731,100
Class C	15,509,300	0	0	14.0	2.1	16.1	-101,400	-275,500
<b>GTA overall</b>	<b>188,573,100</b>	<b>2,160,300</b>	<b>2,677,600</b>	<b>16.7</b>	<b>4.1</b>	<b>20.8</b>	<b>-686,100</b>	<b>-212,600</b>

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

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