

Q3 2023

Toronto

Office Market Report

Net Absorption

This Quarter	Previous Quarter
-253K SF	-960K SF
12-Month Absorption	5-Year Quarterly Avg.
-2.3M SF	-393K SF

Vacancy

This Quarter	Year-over-Year
11.0%	▲ 90 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$26.06 PSF	▲ 1.4%

Development

Under Construction	New Supply
5.6M SF	0 SF

Sales

Sale Price Avg.	Year-over-Year
\$552 PSF	▼ 7.2%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

As summer draws to a close, industry leaders are reaffirming their commitment to the return-to-office approach. Some prominent organizations that had previously adopted more flexible work policies are now requiring their employees to spend a minimum of two or three days per week in the office, emphasizing the importance of fostering company culture and improving productivity.

Transactional activity in the Greater Toronto Area (GTA) has gradually decreased, especially, for mid- to lower-grade properties, contributing to an increase in the number of available options for potential occupants. In the last quarter, leasing activity, particularly among tech companies, has shown a decline, now accounting for approximately 6% of completed transactions. On the other hand, traditional occupiers, such as legal and finance-related firms, dominated leasing activity during the third quarter. In terms of employment, the most recent data indicates some resilience. In September 2023, the unemployment rate for the business sector increased by 20 basis points to 5.5%, following a slight decline earlier in the year.

Suburban office vacancy slightly rose this quarter to 11.0%, while the GTA West reported -218,145 square feet of net absorption. In comparison to the previous year, the vacancy rate for suburban offices declined by 90 basis points (bps) to 11.0% this quarter, resulting in a total of 14.4 million square feet of vacant space. Market share of available sublease options dropped only slightly from 25.6% in Q2 to 24.9% in Q3.

The Financial Core's vacancy rate continues to trend downward declining by 80 bps from the start of 2023 and sat at 11.1% in the third quarter, largely due to increasing sublease activity of Class AAA and A spaces in the area. Direct space vacancy in the CBD experienced a moderate decline as a result of notable transactions, specifically at Scotia Plaza with over 118,000 square feet recently leased. Overall, the Downtown market's vacancy rate returned to Q1 2023 levels at 10.7%, experiencing its first decline after trending upwards since the start of the pandemic. Availability for the entire node continues to trend upward from 11.0% in the previous year to 13.6% this year, causing moderate downward pressures on net effective rental rates.

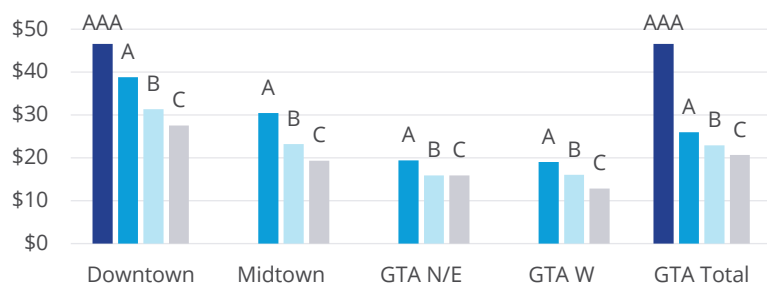
Urban development has maintained at a steady pace, with just under 5 million square feet under construction, primarily in the Downtown submarkets. Assets with expected deliveries in the coming quarters such as 160 Front Street, 530 Front Street and 141 Bay Street will contribute to new high-grade inventory. In the meantime, numerous downtown commercial properties are currently undergoing mixed-use redevelopment projects, which include residential and retail elements. A small lull in new supply this year will be counteracted by a hike in new projects in the GTA, as roughly 4.8 million square feet of office space holds steady in the planning stages of development.

Accelerating success.

Market Overview

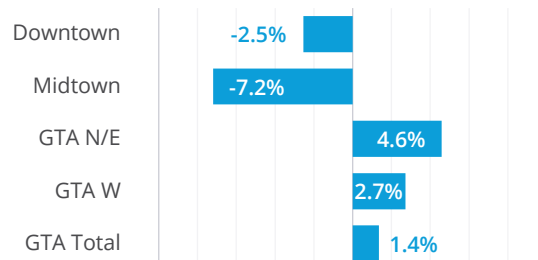
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



02 Rental Rate Growth*

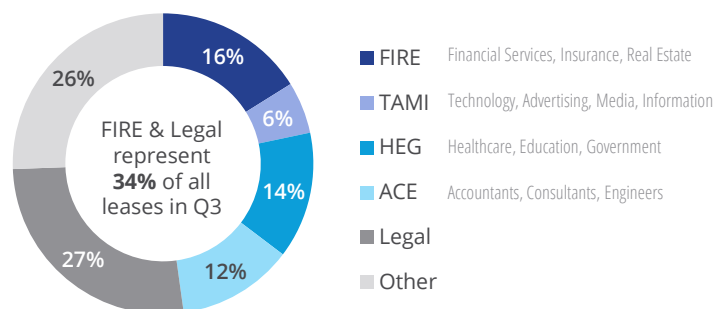
By Market | Q3 2022 – Q3 2023



* Weighted Average Asking Net Rent

03 Leasing Activity by Industry

By Square Feet Leased (SF)



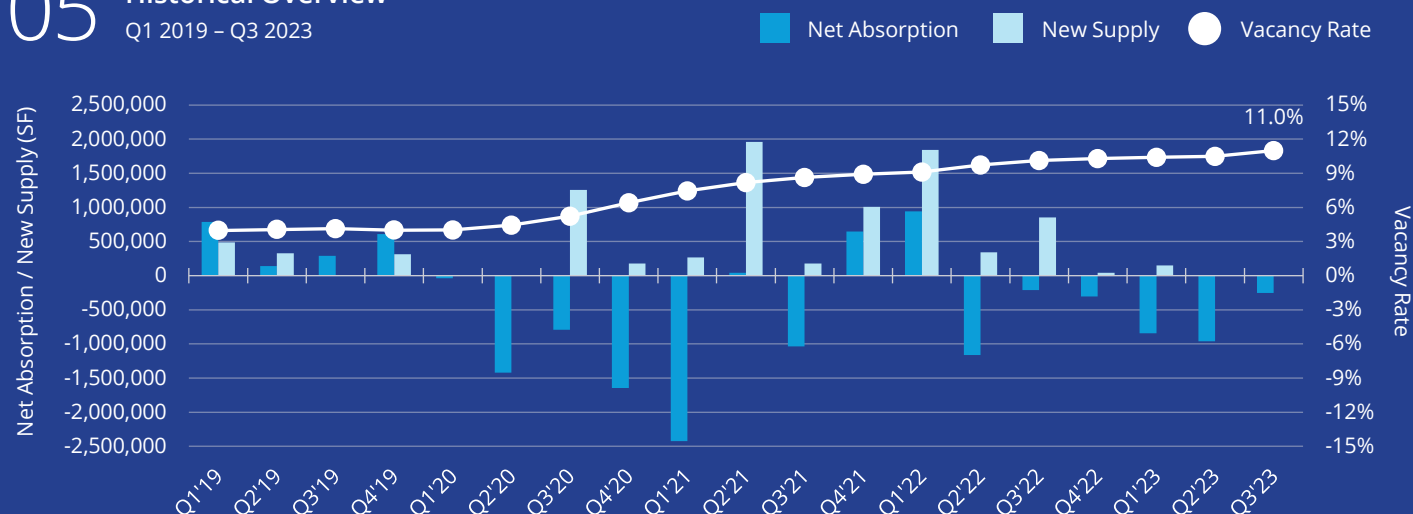
04 Vacancy Rate

By Market | Q3 2022 – Q3 2023

Downtown	10.7%	↑	from 8.7% Q3'22
Midtown	11.9%	↑	from 8.5% Q3'22
GTA N/E	10.4%	↑	from 9.8% Q3'22
GTA W	11.8%	↓	from 13.7% Q3'22
GTA Total	11.0%	↑	from 10.1% Q3'22

05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics

	All Building Classes	# of Bldgs	Office Inventory	Vacancy Rate	Availability Rate	Prop. of Sublease Available	Absorption Current Quarter	Wgt. Avg. Asking Net Rent	Wgt. Avg. Asking Gross Rent	New Supply	Under Construction
	Market		(SF)	%	(SF)	%	(SF)	(PSF)	(PSF)	(SF)	(SF)
Downtown	Financial Core	110	41,693,149	11.1%	15.7%	23.2%	202,221	\$40.63	\$69.98	0	2,709,086
	Downtown East	73	8,214,032	10.3%	13.5%	60.0%	-401	\$33.11	\$58.34	0	1,320,749
	Downtown North	138	22,072,385	7.8%	8.8%	23.8%	9,631	\$30.71	\$52.80	0	66,338
	Downtown South	18	6,351,269	7.4%	10.4%	33.5%	10,686	\$33.38	\$57.99	0	0
	Downtown West	157	19,863,675	14.0%	15.5%	38.4%	-7,370	\$35.22	\$56.81	0	762,566
	Downtown Total	496	98,194,510	10.7%	13.6%	30.4%	214,767	\$37.25	\$63.44	0	4,858,739
Midtown	Yonge - Bloor	73	10,878,877	13.7%	15.3%	38.1%	25,272	\$30.45	\$55.31	0	33,277
	Yonge - St. Clair	29	3,194,852	6.6%	8.2%	47.7%	-1,755	\$26.00	\$49.59	0	7,782
	Yonge - Eglinton	68	6,706,205	14.4%	15.5%	14.3%	-7,795	\$19.25	\$41.60	0	95,319
	Toronto West	47	2,792,602	5.1%	5.1%	3.5%	-7,034	\$33.16	\$51.70	0	274,992
	Midtown	217	23,572,536	11.9%	13.2%	29.4%	8,688	\$25.80	\$49.16	0	411,370
GTA North / East	Don Mills - Eglinton	65	6,501,426	9.6%	9.7%	23.4%	-5,836	\$13.74	\$31.15	0	124,000
	Duncan Mill	46	3,091,872	7.9%	9.9%	16.6%	79,193	\$16.32	\$32.47	0	0
	Consumers Road	45	5,947,106	14.2%	15.4%	19.4%	54,404	\$15.37	\$32.73	0	0
	Woodbine/Steeles	69	6,692,485	10.2%	10.8%	2.8%	23,908	\$15.85	\$30.57	0	0
	Toronto East	24	1,649,654	8.4%	9.2%	0.0%	16,490	\$25.18	\$38.53	0	16,854
	Central East	249	23,882,543	10.6%	11.4%	14.5%	168,159	\$15.92	\$32.10	0	140,854
	Yorkdale	32	2,855,062	4.7%	4.8%	2.5%	-3,275	\$14.69	\$34.04	0	62,473
	Dufferin - Finch	32	2,402,713	3.0%	3.0%	0.0%	12,890	\$14.08	\$29.24	0	0
	North Yonge Corridor	58	10,264,500	16.5%	21.7%	18.4%	-155,869	\$22.42	\$44.02	0	115,357
	Central North	122	15,522,275	12.2%	15.7%	17.0%	-146,254	\$21.61	\$42.84	0	177,830
	Vaughan	80	5,191,954	7.6%	8.5%	33.2%	-7,270	\$19.36	\$32.73	0	0
	Richmond Hill	11	814,067	0.0%	0.0%	0.0%	0	-	-	0	0
	Hwy 404 - Hwy 407	129	10,755,123	10.5%	12.8%	23.0%	-21,766	\$19.27	\$33.86	0	19,638
	Markham Town Centre	19	1,989,454	9.9%	10.7%	11.0%	4,949	\$17.46	\$32.97	0	0
	GTA North	239	18,750,598	9.2%	10.8%	23.9%	-24,087	\$19.06	\$33.54	0	19,638
	Scarborough Town Centre	84	8,063,872	12.8%	13.6%	29.1%	-262,856	\$15.31	\$32.09	0	0
	Pickering - Oshawa	59	5,077,429	3.9%	3.9%	0.8%	-1,679	\$16.47	\$28.08	0	0
	GTA East	143	13,141,301	9.4%	9.8%	24.8%	-264,535	\$15.54	\$31.28	0	0
	GTA North / East	753	71,296,717	10.4%	11.9%	19.0%	-266,717	\$18.24	\$35.46	0	338,322
GTA West	Airport Corporate Centre	82	6,933,311	11.5%	13.2%	14.3%	10,263	\$19.21	\$35.64	0	0
	Airport East	70	4,848,096	15.6%	15.7%	7.3%	15,384	\$15.40	\$29.99	0	5,627
	Airport West	65	5,843,265	13.0%	13.5%	87.9%	-381,605	\$15.70	\$25.42	0	0
	Brampton	56	4,222,895	2.3%	2.3%	0.0%	13,660	\$22.52	\$35.20	0	0
	Burlington	78	5,127,163	13.1%	14.5%	9.0%	7,707	\$16.43	\$29.02	0	0
	Cooksville	32	1,890,501	4.9%	4.9%	7.8%	4,085	\$15.35	\$30.56	0	0
	Hwy 401 - Hurontario	61	5,216,862	9.6%	9.6%	11.0%	32,671	\$20.09	\$34.92	0	0
	Hwy 427 - Bloor - Islington	66	5,317,734	15.1%	15.5%	9.7%	25,156	\$17.87	\$34.64	0	0
	Meadowdale	77	6,891,361	10.5%	15.1%	5.4%	-25,696	\$19.66	\$34.31	0	0
	Mississauga City Centre	33	4,351,980	19.7%	22.6%	10.8%	-6,395	\$18.33	\$38.99	0	0
	Oakville	85	4,918,891	13.0%	13.8%	44.3%	97,793	\$18.26	\$31.28	0	0
	Sheridan - Winston	56	3,936,889	8.2%	9.4%	4.5%	-11,168	\$16.75	\$30.01	0	27,662
	GTA West	761	59,498,948	11.8%	13.1%	20.1%	-218,145	\$18.08	\$33.55	0	33,289
GTA Total		2,227	252,562,711	11.0%	13.0%	24.9%	-261,407	\$26.06	\$46.77	0	5,641,720

Market Statistics

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Hospital for Sick Kids	525 University Ave	Downtown North	Headlease	92,232
Goodlife Fitness Centre	Dynamic Funds Tower / 110 Eglinton Ave East	Yonge-Eglinton	Headlease	52,266
Northleaf Capital Partners	Scotia Plaza / 40 King St W	Financial Core	Headlease	52,073
Folger, Rubinoff LLP	Scotia Plaza / 40 King St W	Financial Core	Headlease	45,441
BMO Capital Markets	First Canadian Place / 100 King St W	Financial Core	Headlease	31,000
Sun Life Assurance Company of Canada (Global HQ)	Sunlife Financial Tower / 1 York St	Downtown South	Headlease	27,692

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
151 Front Street West	Financial Core	325,772	\$890,000,000	KDDI Canada, Inc.	Public Investor Foreign
250 Front Street West	Downtown West	1,400,000	\$248,000,000	KDDI Canada, Inc.	Public Investor Foreign
905 King Street West	Downtown West	112,000	\$212,000,000	KDDI Canada, Inc.	Public Investor Foreign
2225 Sheppard Avenue East	Midtown	921,834	\$165,000,000	Complexe Atria Inc./Atria Complex Inc.	Private Investor Canadian
1950 Meadowvale Boulevard	GTA West	160,650	\$41,500,000	1000234647 Ontario Ltd.	Private Investor Canadian

Notable Developments

Building Name / Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
160 Front Street West	AAA	Financial Core	Under Construction	1,248,549	2023 Q4	Cadillac Fairview
Portland Commons, 530 Front Street West	A	Downtown West	Under Construction	563,731	2024 Q2	Carttera
T3 Bayside, 235 & 251 Queens Quay East	A	Downtown East	Under Construction	502,000	2023 Q4	Hines
EQ Bank Tower, 25 Ontario Street	A	Downtown East	Under Construction	460,000	2023 Q4	HOOPP
Concord Canada House 23 Spadina Avenue	A	Downtown West	Under Construction	35,682	2023 Q4	Concord Adex Developments
CIBC Square II, 141 Bay Street	AAA	Financial Core	Under Construction	1,431,388	2024 Q4	Hines, Ivanhoe Cambridge
Canary Landing, 125 Mill Street	A	Downtown East	Under Construction	307,858	2026 Q1	Kilmer Infrastructure

Colliers Research



We are the industry cornerstone of authoritative statistics, forecasts and market commentary across Canada.

With more than 20 years of comprehensive market data, extensive research capabilities and access to 'live' deal information – there is no other research firm in Canada that can provide such a complete commercial real estate research solution.

With more than 20 dedicated research specialists, supported by 20 market data coordinators – our world-class researchers are continuously sourcing and analyzing data in every major market across Canada – to ensure our clients receive the most accurate and powerful information to make critical decisions for their future.

Core services:

- Predictive market research
- Reporting on key insights and trends
- Access to the latest market data
- Customized research engagements

For more information on the Toronto Office Market, please contact:

John Arnoldi

Executive Vice President,
Sales Representative
+1 416 643 3733
john.arnoldi@colliers.com

Adam Jacobs

Senior National Director,
Research | Canada
+1 437 836 0491
adam.jacobs@colliers.com

Leo Lee

Director, National Research
Operations | Canada
+1 416 620 2839
leo.lee@colliers.com

Max Shapinko

Research Operations
Specialist | Canada
+1 416 791 7256
max.shapinko@colliers.com

Report Authors:

Eliezer Timolien

Senior Research Analyst
+1 416 643 3401
eliezer.timolien@colliers.com

Jack Harold

Research Analyst
+1 437 253 8186
jack.harold@colliers.com

Leila Chaa

Research Analyst
+1 416 620-2882
leila.chaa@colliers.com

Report Contributors:

Slater Doggett | Market Data Coordinator
Frank Guo | Market Data Coordinator
Nicole Carmichael | Market Data Coordinator

Colliers Canada | Toronto

Colliers Macaulay Nicolls Inc.
181 Bay Street, Suite 1400
Toronto, ON, M5J 2V1
+1 416 777 2200



collierscanada.com/research

Information herein has been obtained from sources deemed reliable, however its accuracy cannot be guaranteed. The user is required to conduct their own due diligence and verification. This publication is the copyrighted property of Colliers and/or its licensor(s). Copyright © 2023. All rights reserved. Colliers Macaulay Nicolls Inc., Brokerage.

Accelerating success.