

Office Q3 2020

YoY Chg 12-Mo. Forecast

7.3%

Availability Rate



-2.9M

Net Absorption, SF



\$46.42

Asking Gross Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

3.4M

GTA Employment



11.0%

GTA Unemployment Rate



9.0%

Canada Unemployment Rate



Source: Statistics Canada (September 2020)

ECONOMY: Employment on the Rebound

The unemployment rate in Ontario has continued to fall back after reaching a record high in May 2020. Overall provincial employment, largely driven by gains in full-time jobs, increased by 168,000 in September, adding to the 670,000 jobs gained over the previous three months. In Toronto, employment increased by 114,000, bringing the unemployment rate within 3.5% of the pre-pandemic level. In spite of such positive signs, until there is a public health resolution to the pandemic, recovery is expected to remain choppy and gradual. Access the most recent research on CRE and the state of economy [here](#).

Source: Statistics Canada

SUPPLY/DEMAND: Sublet Flood Gates Still Open

Not surprisingly, the pandemic has continued to reshape GTA office market fundamentals in the third quarter of 2020. GTA leasing activity nose-dived to a record low of 1.1 million square feet (msf) this quarter. Downtown's overall availability increased by 1.7 msf, pushing the availability rate to a four-year high of 4.6%. While this is the highest q-o-q increase in available space the downtown market has seen in 29 years, availability remains low, speaking to the downtown market's ability to withstand the shock. Meanwhile, sublets continued to flood the market at a fast and furious pace in the third quarter, spiking by over 340% since the first quarter of 2020; a 17-year high and accounted for 56% of new space to the market this quarter. Given that the fringe markets surrounding the financial core are home to many of the hardest-hit sectors, these nodes have clearly borne the brunt of the downturn. Eighty percent of new sublet availability in downtown took place in the fringe, pushing availability to a five-year high of 5.4%.

The GTA suburban market was a study in contrasts. Sublet availability increased by just 30% or 381,000 square feet (sf) since the first quarter, and accounted for just over 30% of new space to market in the third quarter. Thanks to activity in the GTA West, suburban market leasing rose marginally to 668,000 sf from the 569,000 sf posted last quarter. Availability rates in the GTA West and East markets, despite being on an upward trajectory, have held close to the three-year average.

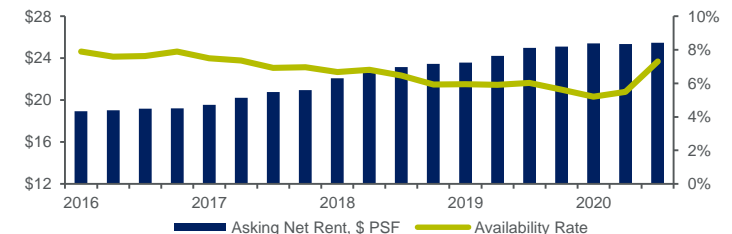
PRICING: Rents Stable – For Now

Despite the rise in downtown availability to a four-year high, asking rents remained stable with no significant movement. Similarly, suburban markets have not seen significant changes in posted rents. With close to 2.9 msf of direct space expected to arrive in downtown by the first quarter of 2021, along with the continued flood of sublet space, pressure on asking rents will likely intensify in the coming months.

SPACE DEMAND / DELIVERIES



OVERALL AVAILABILITY & NET ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial Core	35,431,144	457,160	881,380	3.8%	-324,959	-364,941	872,145	2,063,000	\$69.55	\$72.58
Downtown Fringe	38,527,410	1,108,971	1,033,416	5.4%	-1,144,396	-1,305,033	825,047	5,660,527	\$54.69	\$58.50
DOWNTOWN TOTALS	74,958,554	1,566,131	1,914,796	4.6%	-1,469,355	-1,669,974	1,697,192	7,723,527	\$61.71	\$66.18
Midtown	16,108,884	191,301	486,362	4.2%	-276,209	-352,023	285,339	0	\$47.97	\$52.18
CBD TOTALS	91,067,438	1,757,432	2,401,158	4.6%	-1,745,564	-2,021,997	1,982,531	7,723,527	\$59.30	\$64.36
GTA East	32,226,041	924,840	2,307,586	10.0%	-429,639	-516,973	565,317	0	\$31.15	\$34.57
GTA North	15,320,946	109,749	1,168,879	8.3%	-187,492	-175,660	312,316	0	\$37.18	\$38.31
GTA West	39,491,855	607,217	3,724,552	11.0%	-635,844	-425,095	1,603,582	258,509	\$32.40	\$34.05
SUBURBAN AREA TOTALS	87,038,842	1,641,806	7,201,017	10.2%	-1,252,975	-1,117,728	2,481,215	258,509	\$32.72	\$35.07
GTA TOTALS	178,106,280	3,399,238	9,602,175	7.3%	-2,998,539	-3,139,725	4,463,746	7,982,036	\$46.42	\$51.27

*Rental rates reflect gross asking \$psf/year

** Leasing activity excludes renewals

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2095 / 2105 Matheson Blvd East	Airport Corporate Centre	Pepsico Canada ULC	61,000 / 54,000	Headlease
25 Capston Drive	Hurontario Corridor	Peel Children's Aid	110,000	Headlease
16 York Street	Downtown South	IBM Canada Ltd.	63,000	Headlease
260 East Beaver Creek Road	GTA North	RBC Royal Bank of Canada	39,000	Renewal
40 Temperance Street	Financial Core	Cassels Brock & Blackwell LLP	27,000	Expansion
70 University Avenue	Financial Core	AlphaWave IP Inc.	21,000	Sublease
365 Bloor Street East	Yonge & Bloor	Vision Critical Communications Inc	16,000	Headlease

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
277 Wellington Street West	Downtown West	Triovest Realty Advisors / RW Commercial Properties Corporation	100,076	\$78.5 M / \$784
5040 - 5060 Spectrum Way	Airport Corporate Centre	GWL Realty Advisors Inc. / Sun Commercial	114,505	\$33.8 M / \$295
5825 Explorer Drive	Airport Corporate Centre	Bentall Kennedy / Baylis Medical	103,886	\$33.8 M / \$325
1 Niagara Street	Downtown West	The Court of Queen's Bench / 1 Niagara GP Inc.	25,454	\$17.0 M / \$668

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