

10.6%
Availability Rate



-2.2 MSF
Net Absorption, SF



\$48.08
Asking Gross Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

3.3M
GTA Employment



10.3%
GTA Unemployment Rate



7.5%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMY: Stalled Growth

In the first quarter of 2021, things were starting to look up. Toronto posted a 2% employment increase, the first since last October – and some projections have the province’s GDP blazing forward by 6.2% this year, the second highest nationally. Pent-up demand, along with government stimulus, U.S. growth, rock-bottom interest rates, and high household savings are some of the factors lined up to drive growth. Upbeat scenarios, however, were contingent on Ontario avoiding a severe third wave of the pandemic. Which unfortunately the province was not able to do. (Source: Statistics Canada & RBC Economics)

SUPPLY/DEMAND: Fallout Continues

The end of the first quarter marked a full year that the GTA office market has struggled as a result of the pandemic. Though the vaccine rollout offers hope, restrictions and lockdowns amid rising infection rates continued to alter market fundamentals. In the first quarter, overall GTA availability reached a 16-year high of 10.6%. While leasing activity rose marginally during the quarter to 936k square feet (sf), it remains far below pre-pandemic levels.

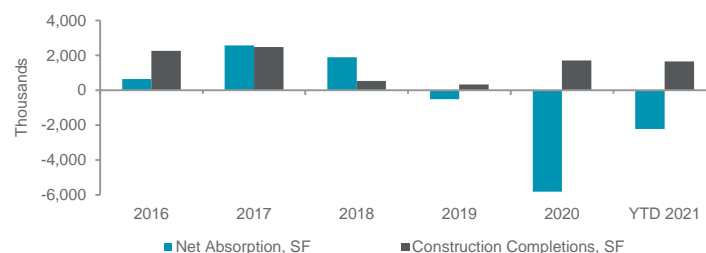
Downtown Toronto began 2021 showing the strains of the prolonged pandemic, with availability reaching a 16-year high of 8.2%. That is an increase of 6.3% since the first quarter of 2020 or, put another way, a 30-year high annual increase. It is important to note that sublets are the main driver, not direct space. In the past year, sublets increased by 340 basis points (bps) compared with 270 bps for direct space. So far, leasing has been focused on short-term renewals, while new leasing activity fell to 332,000 sf – the second lowest level on record. This is further evidence that many larger occupiers are holding back on long-term decisions as they wait to see how the pandemic will play out and explore new workplace solutions.

While overall suburban availability shot up to a 20-year high of 13.2% in the first quarter, the starting point of 8.6% in the first quarter of 2020 was much higher than that of downtown, which was a mere 1.9%. In other words, the fallout hasn’t been as intense in the suburbs. Unlike downtown, direct space has taken the greatest hit, with availability increasing by 270 bps, compared with 180 bps for sublets. Not surprisingly, overall suburban leasing activity has been on a roller coaster and is well below pre-pandemic levels. Still, at 550,000 sf, over half of the GTA’s total new leasing activity took place in the suburbs during the first quarter.

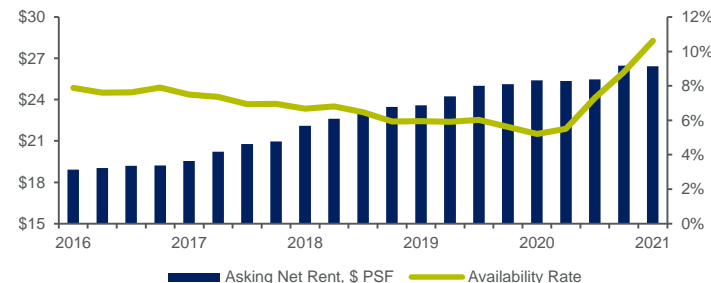
PRICING: Rents Hold Steady

Average asking rents held steady in downtown and suburban markets this quarter, though stories of spot pricing are growing, and landlords are stepping up with added concessions to secure transactions. All eyes are on the impact of the prolonged pandemic on the downtown market, and how of displaced space left behind by tenants relocating into new inventory coming in 2021 will change dynamics, including asking rates.

SPACE DEMAND / DELIVERIES



OVERALL AVAILABILITY & NET ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL AVAILABILITY 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	35,042,846	1,372,327	1,833,569	9.1%	-1,282,196	-1,282,196	168,885	2,063,000	\$69.89	\$71.96
Downtown Fringe	41,394,300	1,622,180	1,401,661	7.3%	999,472	999,472	162,784	5,660,527	\$56.24	\$60.43
DOWNTOWN TOTALS	76,437,146	2,994,507	3,235,230	8.2%	-282,724	-282,724	331,669	7,723,527	\$64.71	\$68.52
Midtown	16,070,346	381,127	891,617	7.9%	-376,883	-376,883	54,608	0	\$48.87	\$52.18
CBD TOTALS	92,507,492	3,375,634	4,126,847	8.1%	-1,361,062	-1,361,062	386,277	7,723,527	\$61.96	\$66.44
GTA East	32,085,110	1,131,682	2,899,146	12.6%	-413,844	-413,844	206,030	124,000	\$31.97	\$34.58
GTA North	15,592,845	183,672	1,354,358	9.9%	-59,090	-59,090	64,280	0	\$40.19	\$40.67
GTA West	43,485,991	1,700,936	4,740,396	14.8%	-1,092,685	-1,092,685	279,847	320,001	\$33.23	\$34.86
SUBURBAN AREA TOTALS	91,163,946	3,016,290	8,993,900	13.2%	-1,565,619	-1,565,619	550,157	444,001	\$33.98	\$35.99
GTA TOTALS	183,671,438	6,391,924	13,120,747	10.6%	-2,225,226	-2,225,226	936,434	8,167,528	\$48.07	\$52.51

*Rental rates reflect gross asking \$psf/year

** Leasing activity excludes renewals

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
25 York Street	Downtown South	Kiewit Corporation	27,470	Sublease
2290 Argentia Road	Meadowvale	Hydrogenics	27,330	Headlease
8 Spadina Avenue	Downtown West	Mathews Dinsdale & Clark LLP	23,598	Headlease
241 Spadina Avenue	Downtown North	Appnovation	18,800	Headlease
1875 Buckhorn Gate	Airport Corp Centre	Hewlett Packard Enterprise Canada Co.	18,756	Headlease
1 York Street	Downtown South	Healthcare of Ontario Pension Plan (HOOPP)	18,043	Sublease
145 King Street West	Financial Core	Cytelligence	14,238	Sublease

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
55 & 105 Commerce Valley Drive West	Hwy 404 / 407	Northam Realty Advisors / Soneil Investments	377,944	\$115 M / \$304
2 East Beaver Creek Road	Richmond Hill	Crestpoint Real Estate Investments Ltd. and H&R REIT / EL Regency Group	78,588	\$19.2 M / \$244
Kennedy Corporate Centre	Hurontario / Heartland	420-450 Britannia Road East Ltd. / 678604 Ontario Inc.	44,000	\$10 M / \$226
211 Consumers Road	Consumers Road	Yorkland Properties Limited / GPS Asset Management Inc.	33,085	\$8.7 M / \$263
68 Claremont Street	Toronto	752862 Ontario Inc. / Dream Office REIT	31,750	\$14.8 M / \$466
6870 Goreway Drive	Airport	8016526 Canada Limited / Solotel Inc.	24,938	\$9.2 M / \$369

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