

Office Q1 2022

13.1%

Availability Rate

YoY Chg



12-Mo. Forecast



-600,900

Net Absorption, SF



\$48.44

Asking Gross Rent, PSF



ECONOMIC INDICATORS Q1 2022

3.5M

GTA Employment

YoY Chg



12-Mo. Forecast



7.2%

GTA Unemployment Rate



5.3%

Canada Unemployment Rate



ECONOMY: Steady Recovery

Employment in Ontario remained on an upward trajectory rising by 35,000 (0.5%) in March 2022. In the Greater Toronto Area (GTA), the number of jobs rose by 243,000 (7.3%) year-over-year. Gains took place across several sectors, including wholesale and retail trade, finance, insurance, real estate, rental and leasing, as well as accommodation and food services. Despite challenges posed by inflation and global uncertainty, GDP growth in 2022 is expected to remain in step with 2021 at 4.2% (Sources: Statistics Canada, RBC Economics).

SUPPLY/DEMAND: Spring Brings Greater Optimism

Downtown market activity continued to build on the positive momentum that began in the second half of 2021. New leasing soared to a three-year high of 1.3 million square feet (msf), marking the third consecutive quarter that totals exceeded 1.0 msf. As occupiers focused their efforts on luring employees back to the office, the flight to quality trend was further highlighted. Class A leasing accounted for 71% of the overall result - an increase from the quarterly average of 62% in the past year. Even though large block availabilities (50,000 sf+) are at the highest level in five years - 61 options compared to 13 with the end of 2017 - there were only three (3) premium space options above 200,000 sf, posing a further challenge for larger occupiers seeking quality options. Still, despite improving market dynamics, availability increased by 90 basis points (bps) quarter-over-quarter to hit a new high of 10.2%, breaking the double-digit ceiling for the first time in 17 years. This can be attributed to an uptick in direct space caused in part by displaced space left behind by tenants relocating into new builds and the addition of vacancy from the newly renovated 320 Bay Street.

Although office markets in the GTA suburbs have seen slower recovery, leasing activity climbed to 1.1 msf in the first quarter - a 40% increase over the fourth quarter of 2021. Class A leasing accounted for 66% of the total leasing - a slight increase over the three-year average of 61%. Similar to the dynamics downtown, new direct space continued to exert upward pressure on overall availability, which climbed by 100 bps to a 26-year high of 15.9%. Unlike the downtown where sublets are quickly declining, suburban sublets inched up modestly by 99,000 sf, pushing inventory back up to the pandemic peak of 3.2 msf.

PRICING: Rent Trends Stay the Course

Given the powerful attraction and scarcity of high-quality space downtown that support the changing needs of occupiers, asking rents in these assets remain on an upward trajectory. Meanwhile in the suburbs, average asking rents have remained flat throughout the pandemic with quarterly increases below one percent.

SPACE DEMAND / DELIVERIES



OVERALL AVAILABILITY & NET ASKING RENT



Office Q1 2022

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	35,429,177	1,021,028	2,994,982	11.3%	-138,156	-138,156	772,808	2,063,000	\$69.32	\$71.71
Downtown Fringe	43,369,859	1,201,874	2,790,112	9.2%	186,366	186,366	543,699	3,341,887	\$57.48	\$61.18
DOWNTOWN TOTALS	78,799,036	2,222,902	5,785,094	10.2%	48,210	48,210	1,316,507	5,404,887	\$64.38	\$68.14
Midtown	16,932,973	338,566	1,635,100	11.7%	-154,920	-154,920	177,303	364,397	\$48.39	\$51.47
CBD TOTALS	95,732,009	2,561,468	7,420,194	10.4%	-106,710	-106,710	1,493,810	5,769,284	\$61.55	\$66.10
GTA East	31,432,807	1,357,150	3,581,777	15.7%	-24,796	-24,796	383,227	368,061	\$32.42	\$34.57
GTA North	15,071,329	398,788	1,712,084	14.0%	-255,523	-255,523	145,131	199,606	\$40.26	\$40.75
GTA West	42,625,229	1,393,631	5,742,787	16.7%	-213,871	-213,871	581,722	179,681	\$33.57	\$35.14
SUBURBAN AREA TOTALS	89,129,365	3,149,569	11,036,648	15.9%	-494,190	-494,190	1,110,080	747,348	\$34.30	\$36.17
GTA TOTALS	184,861,374	5,739,147	18,428,732	13.1%	-600,900	-600,900	2,603,890	6,516,632	\$48.44	\$52.79

*Rental rates reflect gross asking \$psf/year

** Leasing activity excludes renewals

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 Queens Quay East	Downtown South	Canada Goose	113,156	Headlease
1577 North Service Road East	Oakville	Siemens Canada Ltd	110,108	Renewal
3381 Steeles Avenue East	Hwy 404 / Steeles	Techtronic Industries Canada Inc.	65,742	Headlease
200 Bay Street (North Tower)	Financial Core	Tonal	52,620	Headlease
655 Bay Street	Downtown North	ILAC (International Language Academy of Canada)	32,265	Headlease
7077 Keele Street	Vaughan	Empire Communities Corp.	30,945	Headlease
160 Bloor Street East	Bloor & Yonge	Nexonia Technologies Inc	16,150	Headlease

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
200 Bay Street	Financial Core	Oxford Properties Group & CPPIB / Pontegadea Group	1,471,730	\$1.16 B / \$790
175 Bloor Street East	Bloor & Yonge	CREIT / Allied REIT	609,462	\$169 M / \$555
525 University Avenue	Downtown North	Choice REIT / Allied REIT	202,111	\$140 M / \$693
789 Don Mills Road	Don Mills & Eglinton	The Independent Order of Foresters / Menkes Developments	386,523	\$91.3 M / \$236
5600 & 5705 Cancross Court	Hurontario / Heartland	Artis REIT / KingSett Capital	143,877	\$35.5 M / \$247
4040 Finch Avenue East	Scarborough	2098147 Ontario Ltd. / Triple Net Properties Limited	75,893	\$9.2 M / \$121

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