

Office Q2 2022

13.5%

Availability Rate

YoY Chg



12-Mo. Forecast



-772,460

Net Absorption, SF



\$48.94

Asking Gross Rent, PSF



ECONOMIC INDICATORS Q2 2022

3.6M

GTA Employment

YoY Chg



12-Mo. Forecast



6.1%

GTA Unemployment Rate



4.9%

Canada Unemployment Rate



ECONOMY: Steady Recovery, Clouds on Horizon

Ontario's economy powered forward in the first half of 2022 driven by re-openings in the professional services and public sectors. GTA unemployment fell by 10 basis points (bps) over May 2022 to 6.1% by June 2022. The outlook for the second half of the year is clouded as a cooling housing market and economic uncertainty impact Canadian and world markets. *(Statistics Canada, TD Economics)*

SUPPLY/DEMAND: Downtown Sublet Reality Check

New downtown leasing activity held firm at 1.3 million square feet (msf) for a second consecutive quarter which is in line with the pre-pandemic three-year quarterly average. The flight to quality trend intensified with 78% of new leasing occurring in Class A buildings – a 120 bps hike over the pandemic era average of 66%. Despite this positive news, sluggish demand weighed on office dynamics. After two quarters in positive territory, absorption fell to a four-quarter low of negative 575,000 square feet (sf). Further, rising availability was once again in the picture, increasing by 70 bps quarter-over-quarter (QOQ) to reach an 18-year high of 10.9%. Unlike the past four quarters where sublets receded and direct space was the main driver of vacancy, sublets rose again for the first time since the first quarter of 2021, increasing by 228,000 sf. This accounted for 42% of the total vacancy increase – a signal that companies may be stepping off the sidelines as they make decisions about long-term occupancy strategies.

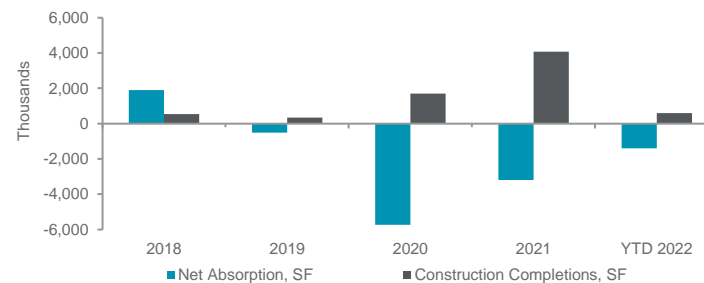
The suburbs posted the best performance so far in the pandemic era. Overall availability rose by the lowest level in two years by just 10 bps to 16.0% as leasing surged to a four-year high of 1.4 msf. Sublet availability fell back by 171,000 sf, bringing the inventory below the peak of 3.2 msf where it hovered for the past year. The GTA East market saw the first and only availability decline in the past two years. An uptick in new leasing activity to a three-year high of 546,000 sf caused vacancy to ease back to 15.5% from 15.7%. GTA East accounted for 39% of the overall leasing. While overall suburban absorption was negative at -96,000 sf, this was the best result in almost three years and an increase of 398,000 sf over last quarter.

The flip-flop trends seen across GTA office markets in the past two years are expected to remain in play for some time as pandemic-related repercussions and current economic headwinds influence occupier decisions.

PRICING: Rent Trends Stay the Course

GTA's office market rents continued to buck the trend. Unlike the Great Financial Crisis when downtown rents plunged by as much as 14.5% QOQ, they continued to hover around or exceed pre-pandemic levels. Not surprisingly, rental movement remained asset dependent.

SPACE DEMAND / DELIVERIES



OVERALL AVAILABILITY & NET ASKING RENT



Office Q2 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	35,428,441	1,167,256	3,134,384	12.1%	- 254,778	-138,156	1,430,311	2,063,000	\$69.94	\$72.32
Downtown Fringe	43,398,365	1,283,686	2,971,137	9.8%	- 320,548	-129,482	1,110,068	3,222,312	\$58.03	\$61.93
DOWNTOWN TOTALS	78,826,806	2,450,942	6,105,521	10.9%	- 575,326	- 559,941	2,540,379	5,285,312	\$65.17	\$68.96
Midtown	16,932,973	428,152	1,634,275	12.2%	- 100,649	- 255,569	390,395	364,397	\$49.09	\$51.95
CBD TOTALS	95,759,779	2,879,094	7,739,796	11.1%	- 675,975	- 815,510	2,930,774	5,649,709	\$62.32	\$66.88
GTA East	31,432,807	1,099,660	3,767,048	15.5%	26,593	1,797	933,298	368,061	\$32.82	\$34.87
GTA North	15,071,329	445,100	1,730,525	14.4%	- 65,106	- 321,476	353,829	199,606	\$40.03	\$40.45
GTA West	42,728,149	1,433,660	5,804,367	16.9%	- 57,972	- 262,599	1,227,869	104,388	\$33.91	\$35.40
SUBURBAN AREA TOTALS	89,232,285	2,978,420	11,301,940	16.0%	- 96,485	- 582,278	2,514,996	672,055	\$34.56	\$36.33
GTA TOTALS	184,992,064	5,857,514	19,041,736	13.5%	- 772,460	- 1,397,788	5,445,770	6,321,764	\$48.94	\$53.28

*Rental rates reflect gross asking \$psf/year

** Leasing activity excludes renewals

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
160 McNabb Street	Hwy 404 / Steeles	AMD Technologies Inc	213,500	Sublease
8 Spadina Avenue	Downtown West	PointClickCare	89,964	Headlease
30 Adelaide Street East	Financial Core	Industrious	54,050	Headlease
33 Bloor Street East	Bloor & Yonge	Industrious	36,343	Headlease
191 The West Mall	Hwy 427 Corridor	SNC Lavalin Group Inc	30,076	Headlease
25 York Street	Downtown South	WSP Canada Inc	27,470	Headlease
100 Sheppard Avenue East	North Yonge	Ethoca Technologies Inc	25,513	Renewal

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
121 King Street West	Financial Core	BentallGreenOak / Crestpoint	540,000	\$379 M / \$702
90 - 110 Matheson Boulevard West, 100 Milverton Drive & 55 Standish Court	Hurontario / Heartland	Orlando Corporation / Crown Realty V LP	899,675	\$209 M / \$232
25 Milverton Drive & 5770 Hurontario Street	Hurontario / Heartland	Orlando Corporation / Crown Realty IV LP	252,045	\$43 M / \$172
1315 & 1305 Pickering Parkway	Pickering	Sharish Property Holdings Inc. / Goldmanco Inc.	140,000	\$38 M / \$273
271 Spadina Road	Bloor & Yonge	Canadian Hearing Services / 9203427 Canada Inc.	40,000	\$20 M / \$500
10 Milner Business Court	Scarborough	Hazelview Investments / Almad Investments	125,000	\$19 M / \$152

JUANA ROSS

Research Director

+1 416 359 2621 / juana.ross@cushwake.comcushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.