

As 2021 progresses, optimism spreads through office market

With the second quarter, the Greater Toronto Area (GTA) office market showed new "signs of life" leading to optimism amongst market participants. Tour activity and lease negotiations have picked up from 2020 and a number of notable deals were in place by the end of the quarter. Ontario's vaccine rollout continues to advance, with over 75% of those 12 years of age and older receiving at least one dose. As of July 16th, Ontario entered into Phase 3 of the Government of Ontario's phased approach to re-opening the province. However, U.S. firms looking to focus on their Canadian real estate remain constrained by tight cross-border travel restrictions for U.S. residents, which in many cases has prevented leasing transactions from progressing. As of the writing of this report these restrictions are expected to remain in place until at least July 21st.

Rental rates broadly flat quarter over quarter across the GTA

At the end of Q2 2021, Central Business District (CBD) gross asking rents settled at \$59.45 per square foot (psf) – an 8.0% decrease year over year and unchanged quarter over quarter. Availability in the CBD moved higher to 9.9%, compared to 3.8% in Q1 2020. Growth in available space for sublease continued to lag 2020's pace, with CIBC's premises at 33 Yonge Street and 25 King Street W comprising a large portion of available sublet space added in the CBD. Outside of the CBD, average gross rental rates were \$35.29 psf at quarter's end – a 4.7% increase year over year. Availability increased to 12.8% outside of the CBD, 290 basis points higher than Q1 2020.

Demand remains subdued, Pinterest subleases 3 floors from TouchBistro

With just 700,000 square feet (sf) leased in the second quarter, demand volume continues to fall well-below historical "norms" across the GTA. Still, some notable transactions occurred with the renewed focus on office plans. At 85 Richmond Street W, Pinterest sublet approximately 50,000 sf from TouchBistro in one of the quarter's few sizeable transactions. A number of transactions expected to become firm deals this quarter remain in the late stages of negotiations or conditional at this point and should boost activity in the third and fourth quarters. While the market remains challenged, occupiers will continue to benefit from increased options and potential for term flexibility.

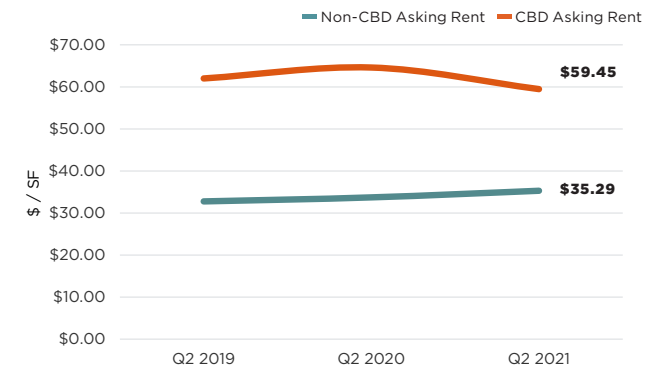
Outlook

- Rental rates are expected to remain at current levels in the short term as fewer less-expensive subleases are placed on the market and head landlords continue to quietly offer flexibility in certain deal terms, to maintain tenancies
- Notwithstanding the above, as COVID-19 vaccine rollout progresses, head landlords are increasingly hesitant to lower rates on new deals, posturing on improved market conditions on the horizon
- As sublet terms expire and space is returned to head landlords, an increasing number of built-out alternatives will become available to prospective tenants on a direct basis, competing with current sublet offerings

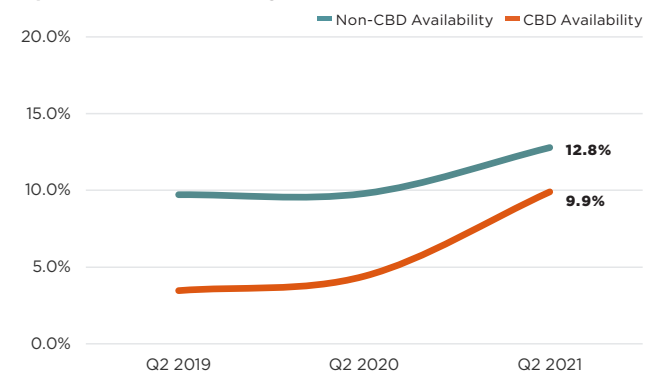
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	189.4 MSF	191.2 MSF	▲
Central Business District Availability Rate	4.4%	9.9%	▲
Central Business District Asking Rental Rate	\$64.59	\$59.45	▼
Non-Central Business District Asking Rental Rate	\$33.70	\$35.29	▲
Quarterly Leasing Activity	1.3 MSF	0.7 MSF	▼

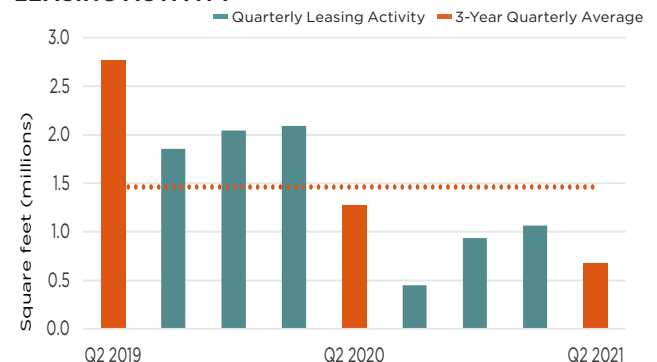
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

48.1%

of major transactions were **renewals** by square footage

26.3%

of large transactions occurred in the **GTA West** submarket by square footage

56.2%

of major transactions were **TAMI** companies by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Pinterest	50,400	85 Richmond Street W	New Location	Financial Core	TAMI
Intel	48,400	150 Bloor Street W	Renewal	Midtown	TAMI
Synaptive Medical	43,400	555 Richmond Street W	Renewal	Downtown West	Healthcare
Kiewit Corporation	30,600	1425 N Service Road E	Renewal	GTA West	Construction
Philips	27,600	1875 Buckhorn Gate	New Location	GTA West	TAMI
Ransom Music Group	22,500	860-862 Richmond Street W	New Location	King/Dufferin	TAMI
Paladin Security	19,300	401 The West Mall	Expansion	GTA West	Professional Services
Stewart Title Canada	19,000	200 Bay Street	Renewal	Financial Core	Financial Services
Harris Sheaffer LLP	16,500	4881 Yonge Street	New Location	Toronto North	Legal Services
The Mint Agency	16,500	178R Ossington Avenue	Relocation	King/Dufferin	TAMI

Source Savills Research

For more information, please contact us:

Savills

181 Bay Street
Suite 2810
Toronto, Ontario M5J2T3
+1 416 480 0745

Stan Krawitz

Vice Chairman,
Founder &
Head of Canada
skrawitz@savills.ca

Ken Norris

Senior Vice President,
Branch Manager
knorris@savills.ca

Anders Klein

Regional Research
Director,
Midwest and Central
aklein@savills.us

Jamie Nelles

Research Analyst
jnelles@savills.ca

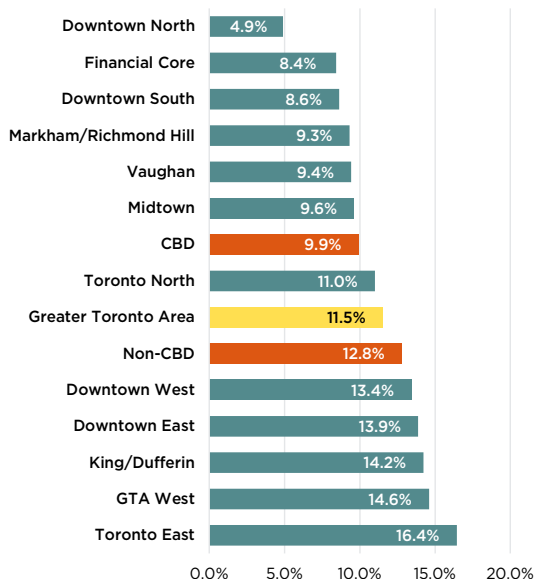
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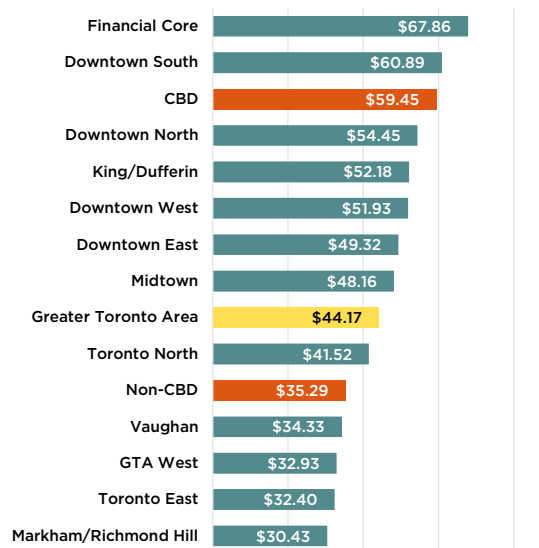
AVAILABILITY RATE COMPARISON

Toronto Submarkets



RENTAL RATE COMPARISON (\$/SF)

Toronto Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

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