

## Back-to-office plans continue to evolve as the year closes and Omicron cases rise

The office market in the Greater Toronto Area (GTA) closed the year under a cloud of uncertainty. Despite continued positive trends for market participants early in the quarter, rising Omicron case counts across North America left tenants to re-assess back-to-office timelines as the year came to an end. As of the writing of this report, the Government of Ontario has renewed many Covid-19 restrictions that will be in place until at least late-January. Although uncertain, it is expected that occupancy levels will remain low in early Q1 2022 and then slowly increasing as companies cautiously re-enter the office over the first half of 2022.

### Rental rates slightly lower year over year across the GTA, availability rises

At the end of Q4 2021, Central Business District (CBD) gross asking rents settled at \$60.40 per square foot (psf) – a 1.1% decrease year over year. Availability in the CBD moved higher to 10.8%, an increase of 210 basis points (bps) compared to one year prior and increase of 700 bps vs Q1 2020. Available space for sublease decreased slightly quarter-over-quarter to 2.4 msf. Outside of the CBD, average gross rental rates were \$33.20 psf at quarter's end – a 3.8% decrease year over year. Availability increased to 14.4%, 330 bps higher than that of Q4 2020.

### Leasing activity increases quarter over quarter, Scotiabank inks sublease at 70 University

Leasing activity GTA in Q4 2021 increased to 1.6 msf, an increase of 0.6 msf quarter over quarter, although remaining below historical averages. At 70 University, Scotiabank subleased 53,000 sf from Booking.com. Notably, whispers of larger tech tenants circling downtown availabilities have gotten louder, reinforcing expectations for increasing leasing activity in the short-to-mid term as these discussions coupled with elevated tour activity translate to firm deals.

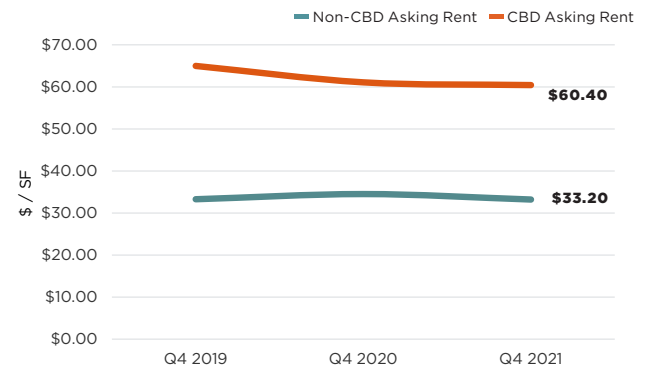
### Outlook

- Occupancy rates are expected to remain low in the short-term, as tenants await direction from the Ontario Government regarding Covid-19 restrictions
- 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 in order to maintain tenancies
- Opportunities to renegotiate and increase efficiency within current premises remain, while head landlords look to secure tenants in the current state of uncertainty and ahead of the wave of new product

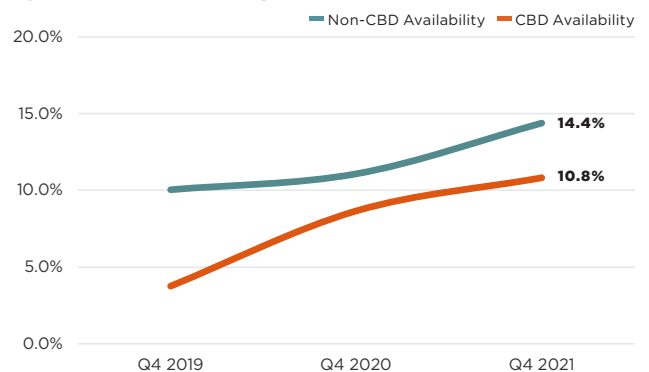
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	190.8 MSF	<b>190.2 MSF</b>	▼
Central Business District Availability Rate	8.7%	<b>10.8%</b>	▲
Central Business District Asking Rental Rate	\$61.08	<b>\$60.40</b>	▼
Non-Central Business District Asking Rental Rate	\$34.50	<b>\$33.20</b>	▼
Quarterly Leasing Activity	0.9 MSF	<b>1.6 MSF</b>	▲

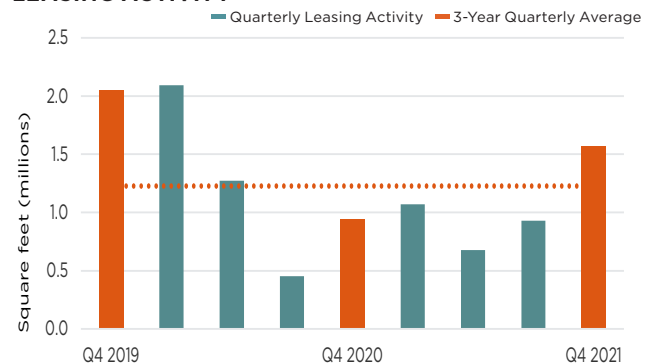
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

47.1%

of major transactions were **new locations** by square footage

42.4%

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

61.1%

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

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Publicis	110,000	111 Queen Street E	Renewal and Expansion	Downtown East	TAMI
Scotiabank	53,000	70 University Avenue	New Location	Downtown West	Financial Services
Knix	28,000	179 John Street	New Location	Downtown West	Retail
Stantec	26,000	24 Spadina Avenue	Renewal	Downtown West	Engineering
Mentimeter	18,000	345 Adelaide Street W	New Location	Downtown West	TAMI
Assurance IQ	15,000	33 Yonge Street	New Location	Downtown East	TAMI
ResQ	13,900	18 King Street E	New Location	Downtown East	TAMI
Automator Group Inc.	12,400	2200 Yonge Street	Relocation	Midtown	TAMI
Cockroach Labs	11,100	33 Yonge Street	New Location	Downtown East	TAMI
Proctor-Silex Canada	7,700	7300 Warden Avenue	Renewal	Markham/Richmond Hill	Retail

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, CFA**

Research Analyst  
jnelles@savills.ca

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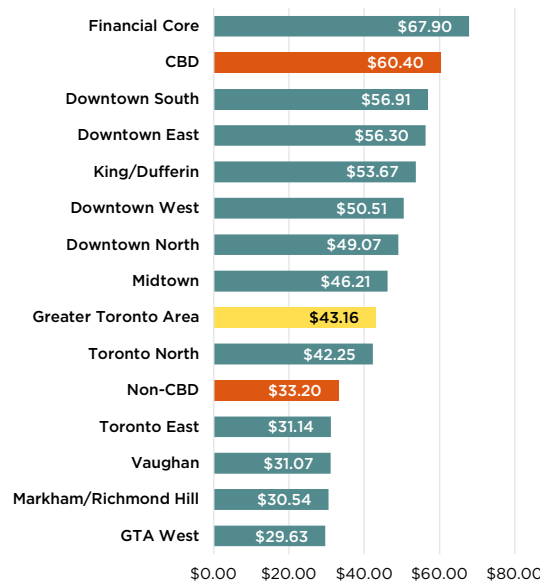
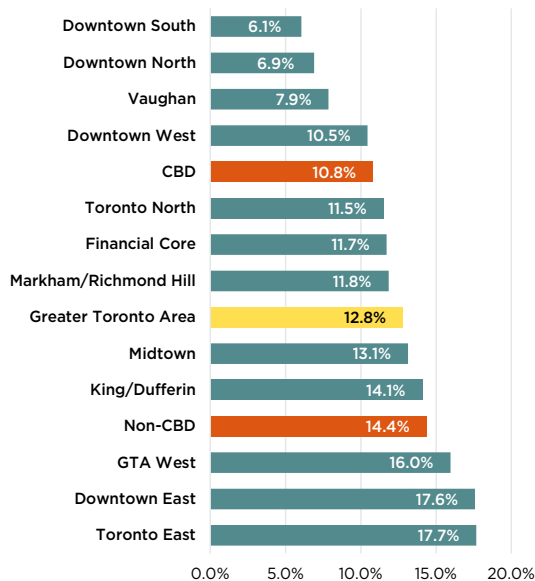
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AVAILABILITY RATE COMPARISON

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.

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