

Cautious optimism resurfaces in the Greater Toronto Area (GTA) office market

Q1 2022 closed with optimism for both tenants and landlords alike. The cloud of uncertainty under which 2021 closed remained an obstacle to start 2022, but began to subside as the quarter progressed. Signs of momentum acknowledged in Q3 and early Q4 2021 resurfaced through February and March 2022, with increased tour activity and active deals under negotiation. With the relaxation of Covid-19 Government regulations in March, tenants are expected to progress with cautious optimism as they plan the return-to-office in the second half of 2022. It is expected that occupancy levels will slowly rise as 2022 progresses and tenants gain confidence in the timing of the return to office and the functionality of the space that awaits.

Rental rates slightly higher year over year across the GTA, availability rises

At the end of Q1 2022, Central Business District (CBD) gross asking rents settled at \$60.94 per square foot (psf) – a 1.8% increase year over year. Availability in the CBD moved higher to 11.9%, an increase of 2.0% compared to one year prior and increase of 8.1% vs Q1 2020. Available space for sublease in the CBD increased quarter-over-quarter to 2.6 msf, but remains below peak levels of Q2 2021. Outside of the CBD, average gross rental rates were \$33.61 psf at quarter's end – a 3.9% decrease year over year. Availability was 14.1% at the end of quarter, 1.8% higher than that of Q1 2021.

Leasing activity increases quarter over quarter, Downtown Waterfront in focus

GTA leasing activity in Q1 2022 increased to 1.7 msf, an increase quarter over quarter and a continuance of the trend over the past 3 quarters. On the Downtown Waterfront, less than 100,000 sf now remain in the recently delivered office towers from Menkes at 100, 125, and 155 Queens Quay East. Notable transactions include Wave Financial subleasing 38,000 sf at 155 Queens Quay East and Canada Goose leasing 113,000 sf at 100 Queens Quay East.

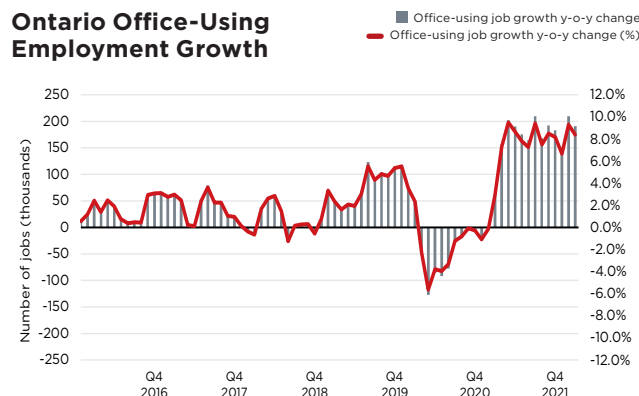
Outlook

- Occupancy rates are expected to slowly rise through 2022 as companies engage with employees in planning the return to office
- Rental rates are expected to remain at current levels in the short term as fewer less-expensive subleases are available and head landlords continue to quietly offer flexibility in certain deal terms, 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

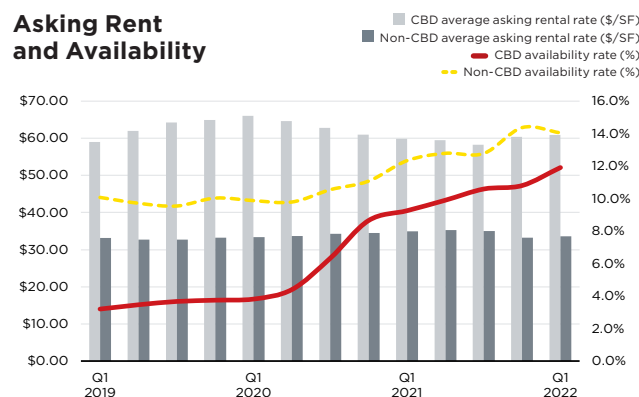
Key Statistics

	Q1 2021	Q1 2022	y-o-y Change
Inventory	191.0 MSF	190.4 MSF	▼
Central Business District Availability Rate	9.3%	11.9%	▲
Central Business District Asking Rental Rate	\$59.86	\$60.94	▲
Non-Central Business District Asking Rental Rate	\$34.96	\$33.61	▼
Quarterly Leasing Activity	1.1 MSF	1.7 MSF	▲
Available Sublease Space	5.6 MSF	5.8 MSF	▲

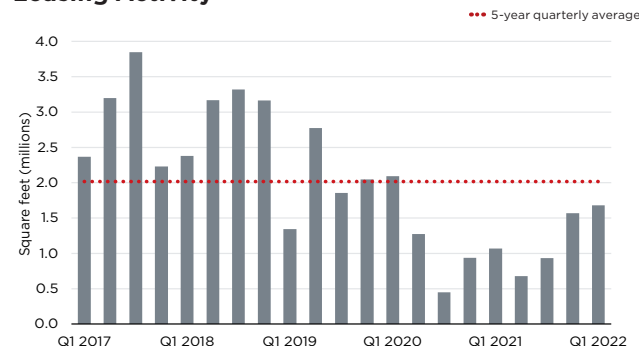
Ontario Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

7.2%

Toronto unemployment rate (as of Mar. 2022)

8.4%

Ontario office-using employment growth year-over-year (as of Mar. 2022)

8.6 msf

Office space currently under construction

Top Transactions

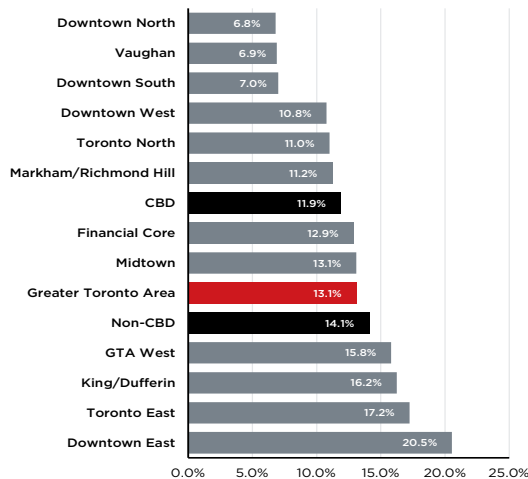
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Canada Goose	113,000	100 Queens Quay East	New Location	Downtown South	Retail
Techtronic Industries Canada	66,000	3381 Steeles Avenue E	Relocation	Toronto East	Retail
Joe Fresh *	50,000	2 Fraser Avenue	Relocation	King/Dufferin	Retail
Align Technology	43,000	100 Queens Quay East	New Location	Downtown South	Healthcare
Wave Financial *	38,000	155 Queens Quay East	Relocation	Downtown South	TAMI
The Stars Group *	35,000	7777 Weston Road	Relocation	Vaughan	TAMI
Dealer FX Group	18,300	150 Commerce Valley Drive W	Relocation	Markham/Richmond Hill	TAMI
Polley Faith LLP	14,000	77 King Street W	Relocation	Financial Core	Legal Services
NFP Canada Corp.	13,700	100 King Street W	Relocation	Financial Core	Financial Services
Netflix	11,800	8 Spadina Avenue	New Location	Downtown West	TAMI

*Sublease

Source: Savills Research

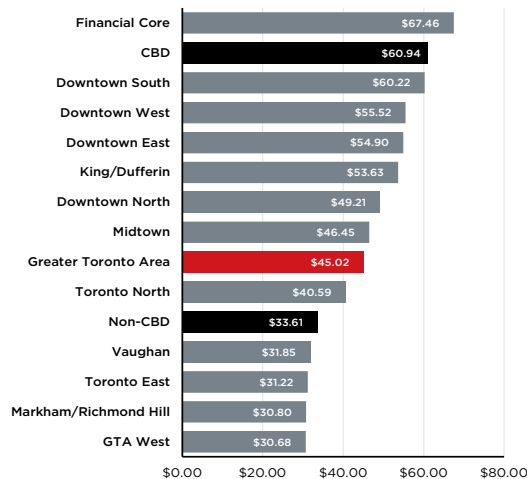
Availability Rate Comparison (%)

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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