

Toronto

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Office fundamentals have mixed performance; net effective rents remain in relatively stable range

After over half a year of tepid office-using employment growth, May experienced a sudden spike, more than double the average growth rate over the last six months. This was largely driven by the finance, insurance, and real estate sectors, according to Statistics Canada. However, overall office leasing activity in the Toronto market was 1.3 million square feet (msf), down from just under 1.5 msf reported last quarter, as well as down from just over 1.5 msf reported a year ago. Toronto still has several million square feet of office space under construction, while most other Canadian markets have seen their construction pipelines empty. CIBC Square Phase II at 141 Bay Street remains the single largest upcoming deliverable at over 1.4 msf, of which 66% has been pre-leased.

Largest leases center around Central Business District

During Q2 2024, there was a broad range of tenant industries represented in the top office leases. The majority of these leases were located in the Central Business District (CBD), which continues to experience rising average asking rates, with a continued slow rise in availability. The largest lease of the quarter involved Canadian Pension Plan Investment Board (CPPIB) pre-leasing 330,000 square feet (sf) at the aforementioned 141 Bay Street. Another notable transaction involved iQ Offices subleasing 55,000 sf from the Bank of Montreal at 302 Bay Street, the first time a coworking operator has leased an entire building.

Rates outside of CBD experiencing downward pressure

Despite an overall increase in availability, the CBD has managed to maintain its pace of asking rental rate growth. However, outside of the CBD, higher availability has resulted in rates falling by 1.8% year over year. While asking rates may be lower outside of the CBD, concessions are also lower, especially in the suburban markets. As a result, the net effective rent (NER) spread between the two areas will be lower than face rates suggest.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	192.3 msf	190.4 msf	-1.9 msf
Central Business District Availability Rate	15.1%	17.7%	+260 bps
Central Business District Asking Rental Rate	\$59.66	\$62.76	+5.2%
Non-Central Business District Availability Rate	17.4%	18.5%	+110 bps
Non-Central Business District Asking Rental Rate	\$35.52	\$34.89	-1.8%
Quarterly Leasing Activity	1.5 msf	1.3 msf	-0.2 msf
Available Sublease Space	8.3 msf	7.5 msf	-0.8 msf

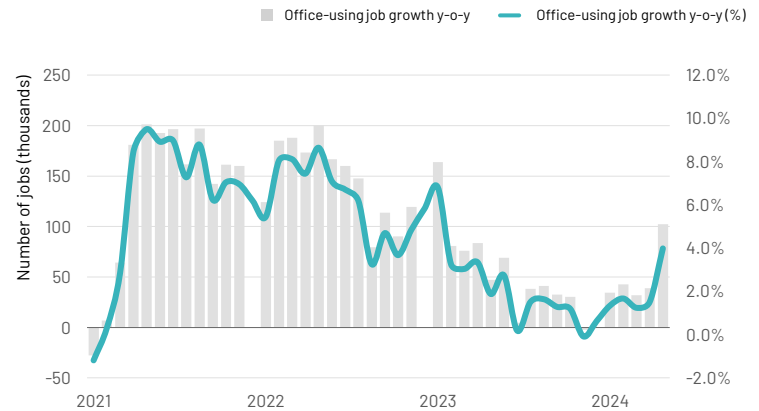
Outlook

01 Concessions are expected to remain high in the CBD area which has kept increased rental rates from having a large impact on NERs

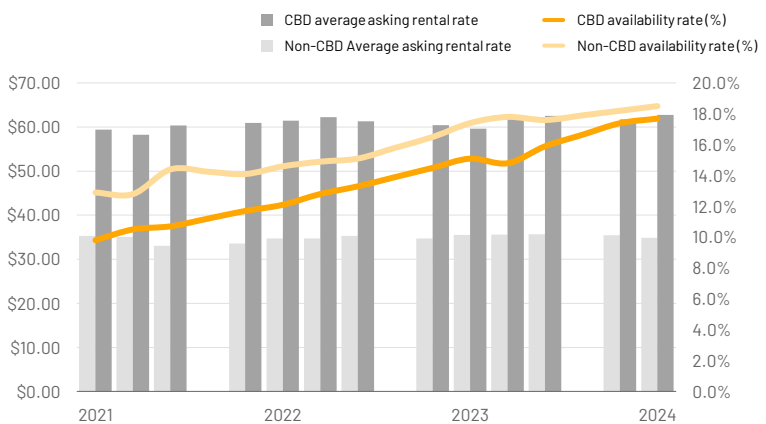
02 Suburban office has been performing relatively well, with far less comprehensive inducement and concession packages on average than their downtown counterparts

03 Toronto continues to lead Canada in office inventory under construction, with more than double the square footage of Vancouver, the next-closest market

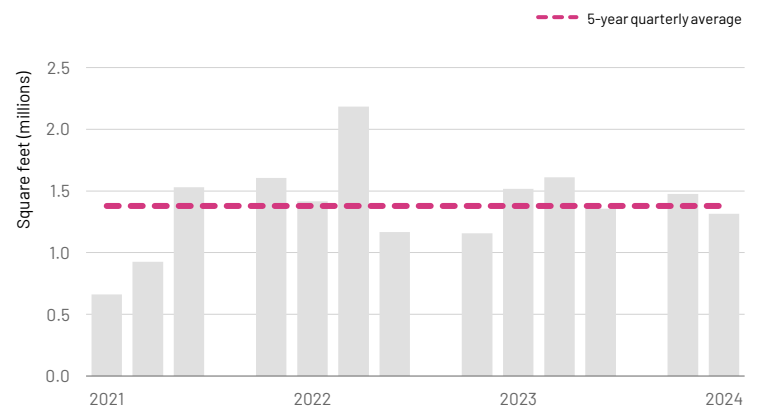
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

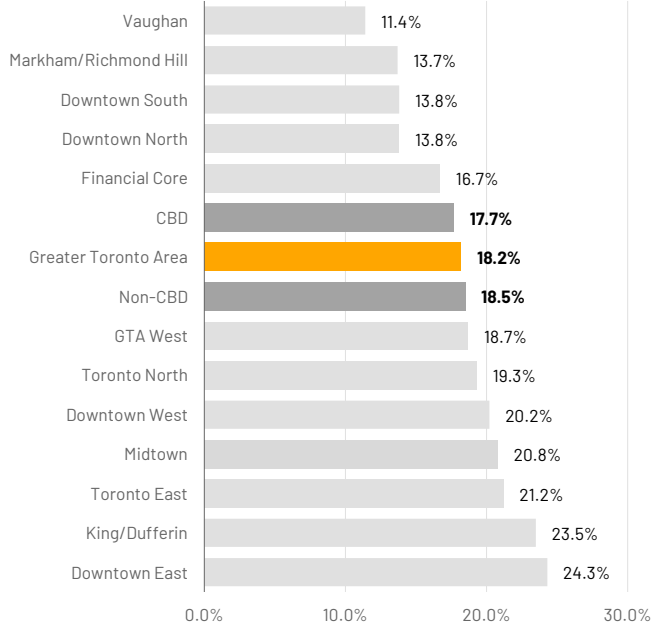
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Canada Pension Plan Investment Board	Financial Services and Insurance	Downtown South	141 Bay Street	330,000	Pre-Lease and Relocation
iQ Offices	Coworking and Executive Suite Operators	Financial Core	302 Bay Street	55,000	New Location**
Relay	Business, Professional and Consulting Services	Downtown East	60 Adelaide Street East	32,000	Renewal
Snowflake	TAMI	Downtown South	16 York Street	28,000	Relocation and Expansion
Palo Alto	TAMI	Downtown West	155 Wellington Street West	25,000	New Location
Metrolinx	Government	Financial Core	130 Adelaide Street West	24,000	Expansion
SPEC Labs	Healthcare	GTA West	2599 Speakman Drive	21,000	New Location
World Travel Protection	Financial Services and Insurance	Financial Core	100 King Street West	16,000	New Location
Hospitality Training Action Centre 75	Associations and Non-Profit Organizations	Downtown West	40-46 Spadina Avenue	12,000	New Location
RBC Wealth Management	Financial Services and Insurance	Midtown	2 St. Clair Avenue West	12,000	Renewal and Expansion

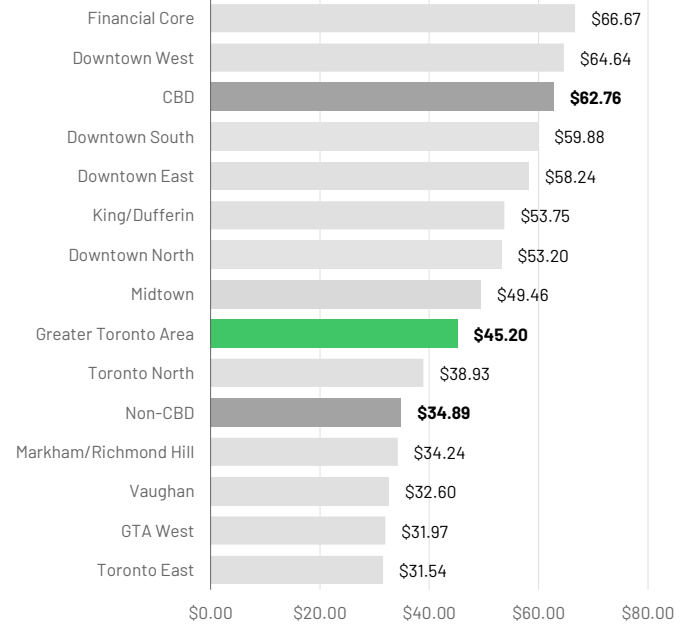
Availability Rate Comparison (%)

TORONTO SUBMARKETS



Rental Rate Comparison (\$/sf)

TORONTO SUBMARKETS



Toronto Q2 2024 - Office

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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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