



Greater Toronto office market report

Q4 2024

**AVISON
YOUNG**

Greater Toronto market fundamentals

21.1%

total availability rate
up from 20.8% in Q3 2024

7.0M

square feet (sf) available sublet space
of 37.9 million sf total available space

2.4M

sf office area under construction
equal to 1% of existing inventory

233

GTA buildings with more than
50,000 sf available
down from 240 in Q3 2024

20%

Downtown sublet space as a proportion
of total available space
vs. 15% in the suburbs

6

new office building completions
across the GTA in 2024

Greater Toronto office market trends

01

Occupied area ticks upward for full-year 2024

The GTA's overall availability rate rose 30 basis points (bps) to 21.1% during the fourth quarter – up 180 bps year-over-year. Overall vacancy also continued to rise, up 30 bps quarter-over-quarter and 140 bps year-over-year to 14.7%. Net absorption turned positive again in Q4 as occupied area increased by 276,600 sf, for a full-year total of 63,900 sf across the GTA – the first positive annual result since 2019. All classes of buildings across the GTA posted increasing occupied area during the quarter, except class B, which was essentially flat.

GTA-wide, the amount of space available for sublease declined year-over-year to just under 7 million sf, but direct available space increased by 3 million sf during the same period to just under 31 million sf as spaces were returned to landlords and overall availability continued to increase.

02

Lack of construction could create scarcity of high-quality options

With no major new office tower projects in Toronto having been announced since before the pandemic began, the current construction cycle is winding down as projects are completed. Only four projects totaling 2 million sf remained underway at year-end (down from more than 20 projects and 10.3 million sf in 2018) – and only two of those were large towers (CIBC Square Phase II and EQ Bank Tower).

Given the length of time required to complete an office tower, and the ongoing flight to quality that has characterized the office market in recent years, it is possible that the current lack of new construction could lead to an undersupply of high-quality options for tenants between now and 2029 or 2030 – perhaps the soonest a large tower could be delivered if ground were to be broken on a project today.

03

Ontario proposes streamlining office-to-residential conversions

In November, the Ontario government proposed changes to environmental regulations aimed at streamlining redevelopment of brownfields and commercial buildings for residential uses. By amending the regulations to relax requirements for a Record of Site Condition, and removing the existing six-storey height limit for buildings to which the regulations apply, the proposal is designed to increase the number of buildings which could be considered eligible for commercial-to-residential or mixed-use conversions, and to reduce developers' costs and the time required for such projects. The amendments are still under consideration, but could be implemented early in 2025.

Despite considerable discussion in recent years, the Toronto office market has yet to see any significant office-to-residential conversion projects get underway, as developers face hurdles including high costs and the technical difficulties associated with these projects.

Downtown and Midtown Toronto office markets

Availability and vacancy rise slightly as absorption improves year-over-year

Availability in Downtown Toronto ticked up 10 bps quarter-over-quarter to 21.1% – an increase of 240 bps year-over-year. Vacancy, meanwhile, was up 20 bps during the quarter (and 260 bps year-over-year) to 16%. Net absorption returned to positive territory during the fourth quarter, as occupied area rose by 68,500 sf. The full-year 2024 net absorption result of -261,400 sf represents an improvement compared with -1.7 million sf posted in 2023.

Although no new buildings were completed during the quarter, a total of three buildings comprising 1.9 million sf were delivered during 2024. With no additional projects announced, just four projects (totaling 2 million sf) remain under construction.

Institutions acquire downtown office buildings

The GTA's two largest office sale transactions of the fourth quarter both involved downtown assets purchased, at least in part, by local institutions for their own use.

Toronto Metropolitan University acquired a 25% interest in 2 Queen St. E., a 477,000-sf class A building in the Financial Core, as a 75% interest in the joint venture-owned building changed hands. The university will use four and a half floors within the building for its own office and research space needs.

Meanwhile, 522 University Ave., a 210,000-sf class B building in Downtown North, was purchased by University Health Network to accommodate expansion of its cancer care, medical research and training capabilities.

Midtown vacancy retreats during fourth quarter

Rising availability in the Midtown market slowed further in Q4, notching up 10 bps to 24.4% (up 240 bps year-over-year). Vacancy, after a 60-bps jump in Q3, retreated 20 bps in the fourth quarter to 15.5% (up 70 bps year-over-year) as absorption was positive in the Bloor and Eglinton nodes and nearly flat in St. Clair.

Suburban GTA office markets

Availability and vacancy rates remain below GTA average

The GTA's suburban markets collectively posted rising availability (up 50 bps to 20.6%) and vacancy (up 40 bps to 13.3%) during the fourth quarter. Year-over-year, availability was up 120 bps, while vacancy was up just 30 bps – both results outperforming the metrics posted in the Downtown market. Quarter-over-quarter, availability rose 100 bps in Toronto East (to 21%) and 40 bps in Toronto West (to 20.1%), but fell 40 bps to 21.1% in Toronto North.

Suburban markets drive GTA's positive absorption in 2024

Net absorption was positive in Toronto East (101,900 sf) and Toronto West (192,700 sf) but negative in Toronto North (-139,600 sf) during the fourth quarter. For 2024 as a whole, the overall suburban total of 404,100 sf positive net absorption compares favourably with Downtown's total of -261,400 sf.

IBM expands AI-focused software development in Markham

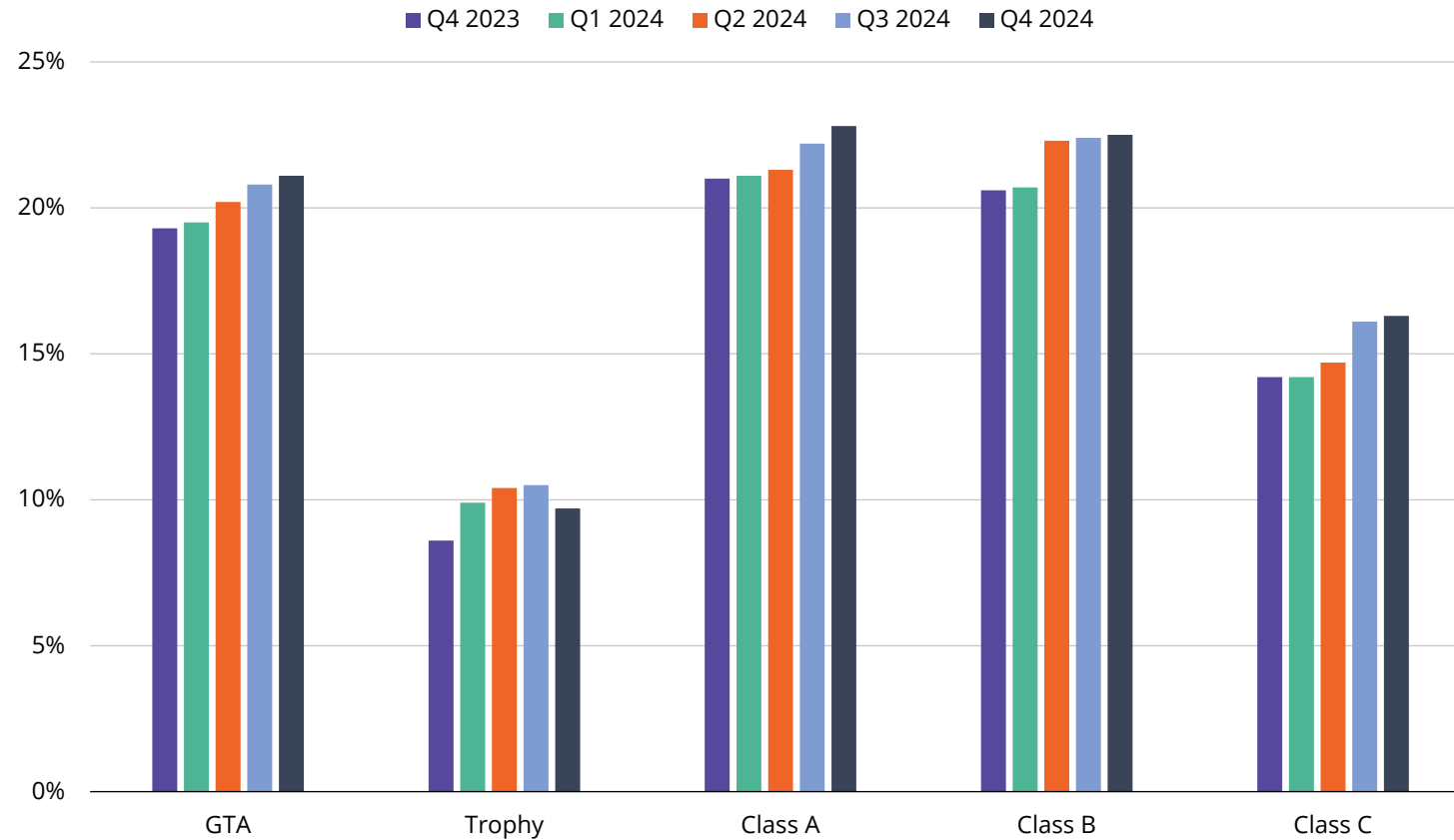
Long-established Markham tenant IBM Canada is growing the team of developers at its state-of-the-art Software Lab, located at 8200 Warden Ave. The expanding team's focus will be on development of "agentic AI" – artificial intelligence with the ability to handle complex tasks and processes autonomously – for applications including health care, retail and logistics.

GTA's only new delivery of Q4 comes in Toronto East market

In October, engineering firm H.H. Angus and Associates became the first tenant to take occupancy of the newly completed Crosstown Place, a 258,800-sf, nine-storey class A building in the Don Mills & Eglinton node. Built by Metrus Properties and adjacent to a future Ontario Line subway station, the new facility remained 69% available at the time of completion.

Greater Toronto office market indicators

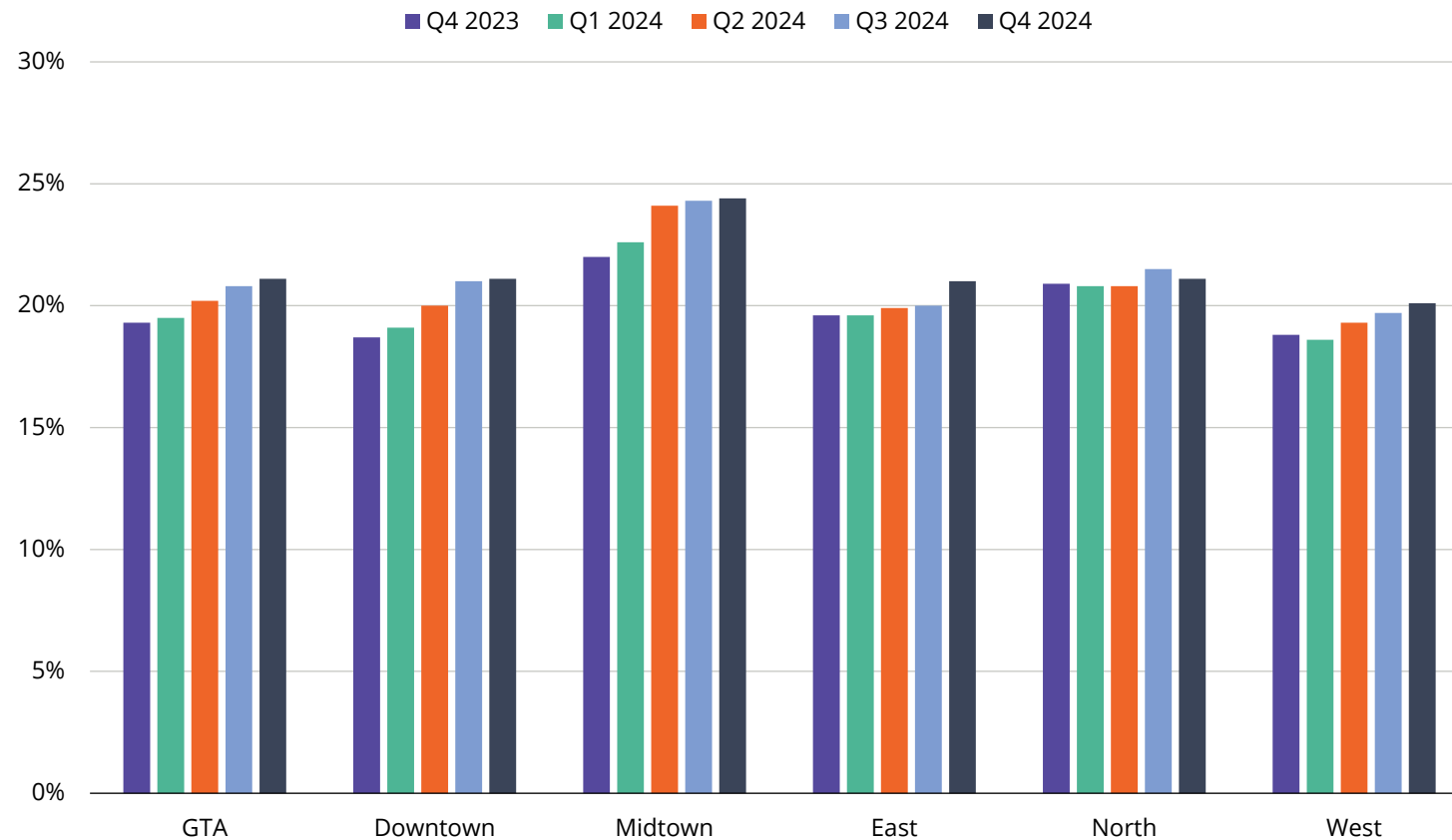
Availability rate by class



Trophy-class buildings were alone in posting declining availability during Q4.

Greater Toronto office market indicators

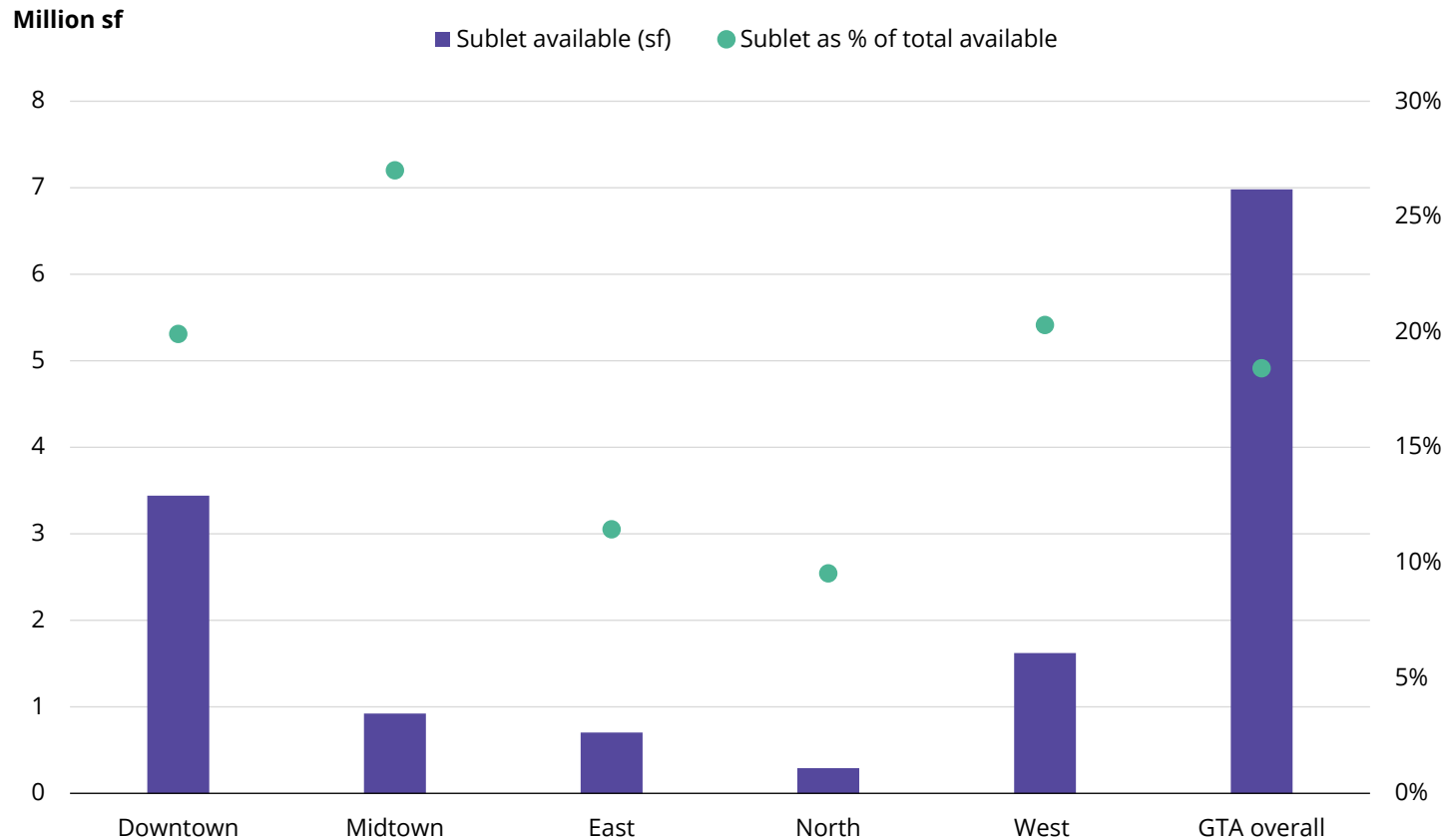
Availability rate by district



All GTA markets except Toronto North posted rising availability during the fourth quarter.

Greater Toronto office market indicators

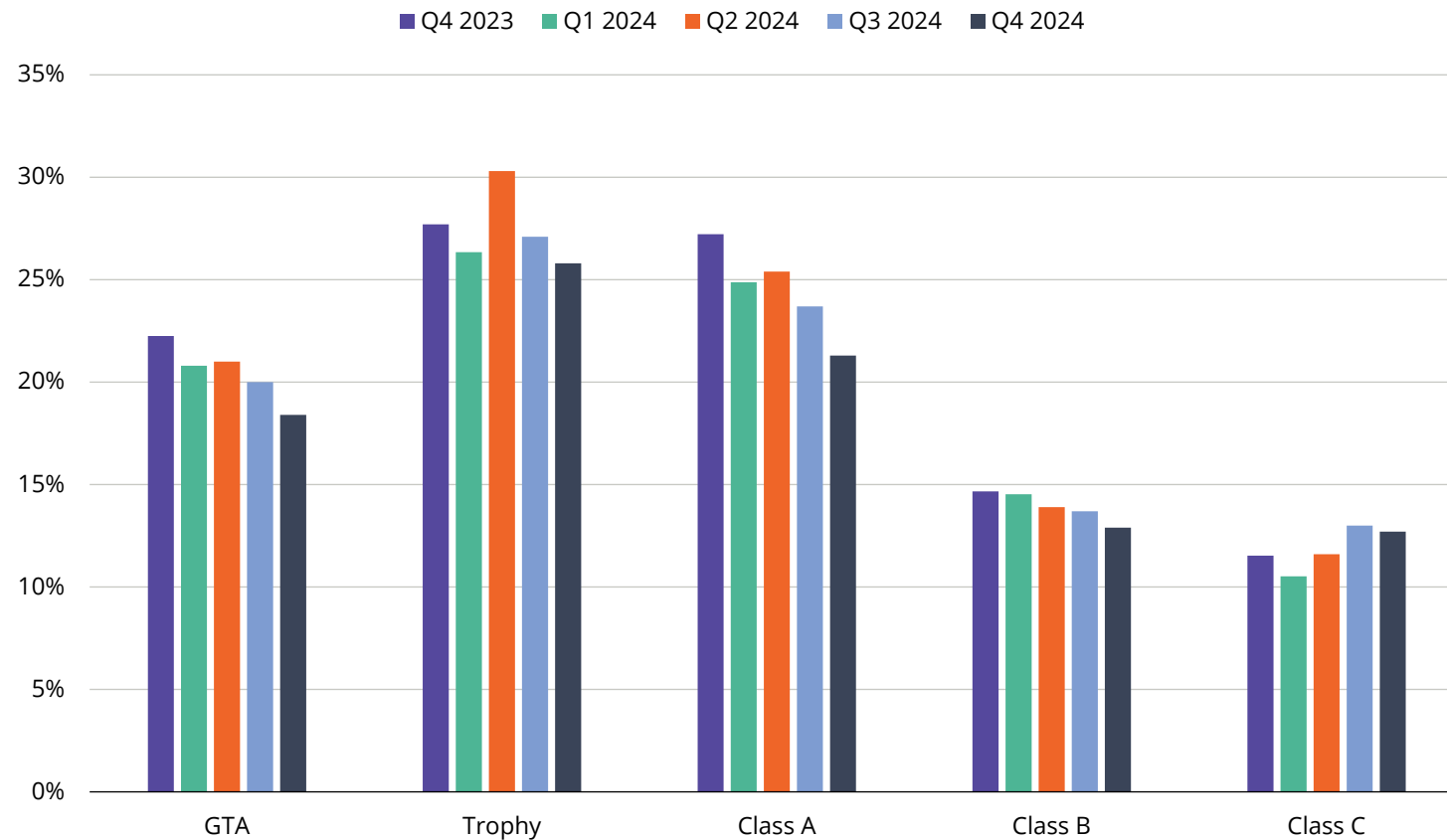
Sublet availability – all classes



Sublet availability in the GTA declined during 2024, although total available space increased.

Greater Toronto office market indicators

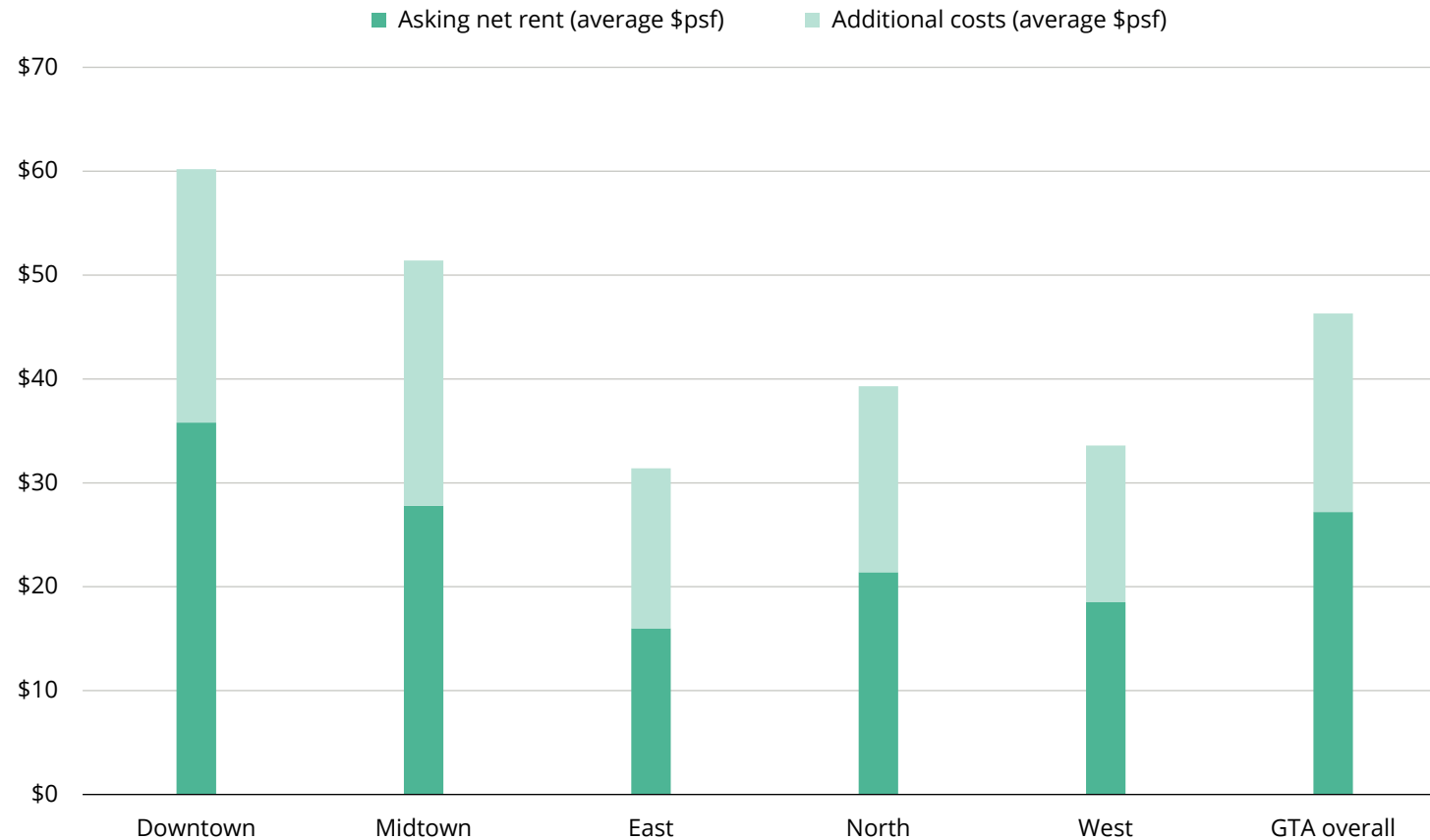
Sublease as a percentage of total availability by class



Sublet availability's share of total available space continued to decline as spaces returned to landlords.

Greater Toronto office market indicators

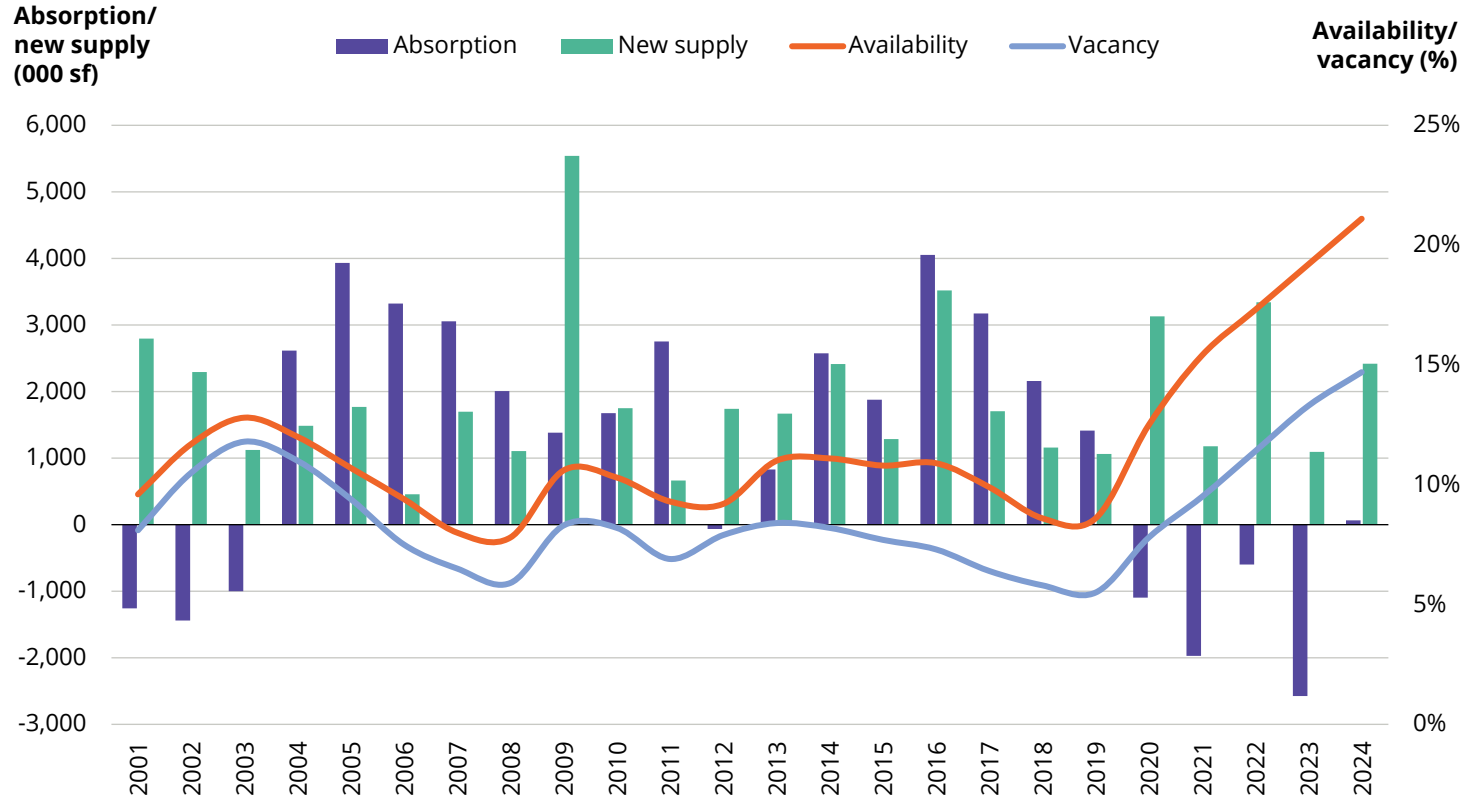
Occupancy costs



Average asking net rental rates across the GTA rose by \$0.70 psf year-over-year, as the average increased for all asset classes.

Greater Toronto office market indicators

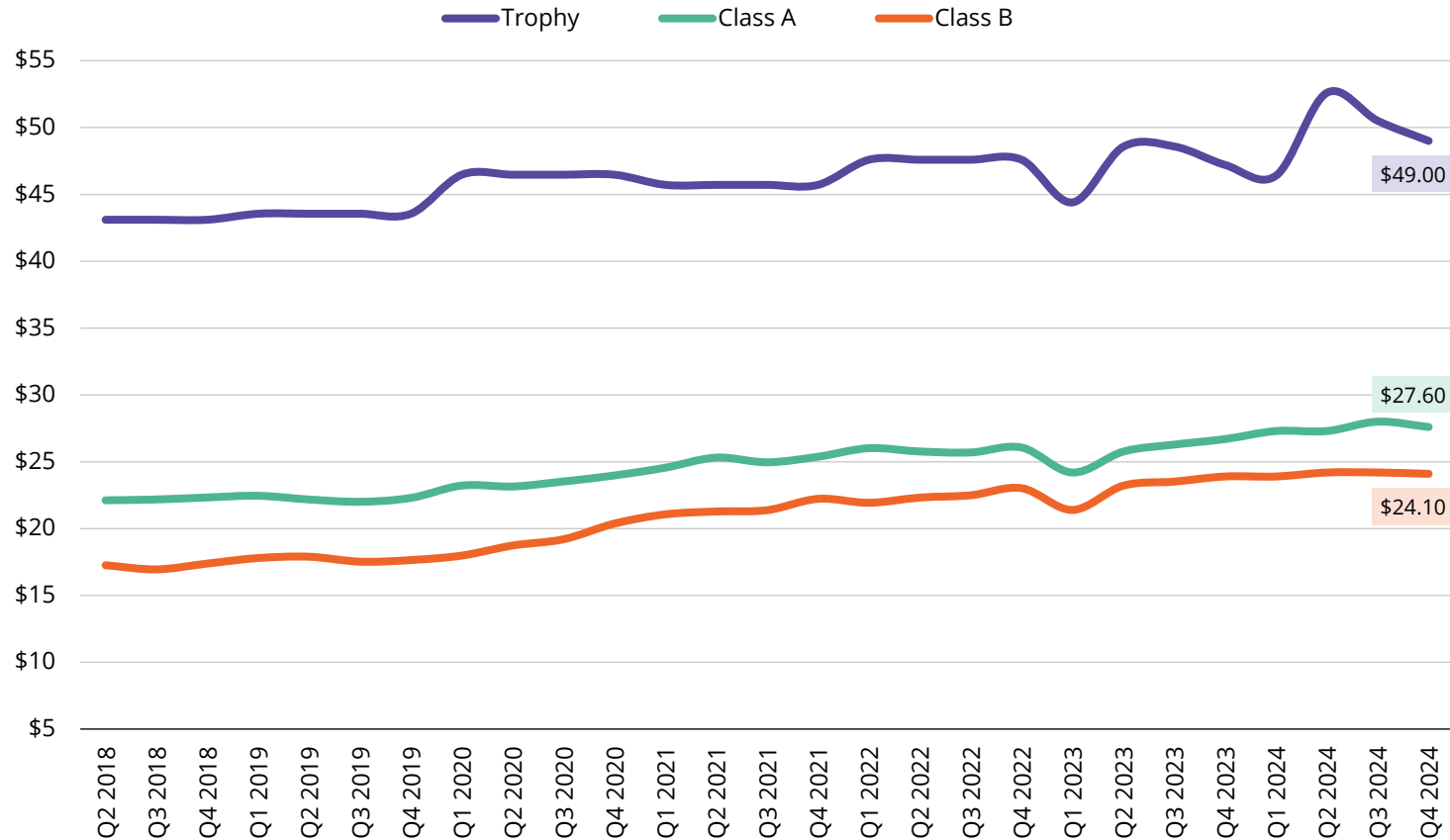
Historic office market trends



2024 was the first year since 2019 to post positive net absorption across the GTA, as occupancy increased by 63,900 sf.

Greater Toronto office market indicators

Net asking rents



Average asking rental rates held steady for class A and B buildings, while Trophy rates remain below their recent peak.

Greater Toronto office market activity

Significant lease transactions

Address	District	Tenant name	Size (sf)	Lease type
130 King St. W., Toronto	Downtown	Canoe Financial	25,500	New
77 Bloor St. W., Toronto	Midtown	TD	98,000 sf	Renewal
3389 Steeles Ave. E., Toronto	East	Confidential	27,900	New
100 Sheppard Ave. E., Toronto	North	Spetter Zeitz Klaiman	7,600	Renewal
5090 Commerce Blvd., Mississauga	West	Infrastructure Ontario	17,800	Renewal

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
2 Queen St. E., Toronto (75% interest)	Central	\$161,250,000 / \$451	Brookfield Properties / Toronto Metropolitan University / Halmont Properties Corp.	AIMCo / CPPIB
522 University Ave., Toronto	Central	\$79,250,000 / \$377	University Health Network	Industrial Alliance
Woodbine & Steeles Corporate Centre, Markham	North	\$52,000,000 / \$144	Smart Investment Ltd.	Wafra Inc. / Slate Office REIT
90 Wynford Dr., Toronto	Central	\$40,500,000 / \$224	Access Self Storage Inc.	The Bank of Nova Scotia
Meadowvale Corporate Centre, Mississauga	West	\$40,100,000 / \$146	Aaxel Insurance	QuadReal Property Group

Greater Toronto office market statistics

District	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2024 net absorption (sf)	2024 net absorption (sf)
Downtown	82,059,100	1,916,300	2,004,100	16.9	4.2	21.1	68,500	-261,400
Midtown	14,011,000	0	89,400	17.9	6.7	24.4	53,000	-78,800
East	29,230,400	382,800	0	18.6	2.4	21.0	101,900	82,000
North	14,511,400	0	294,000	19.1	2.0	21.1	-139,600	-12,000
West	39,704,700	120,000	31,400	16.0	4.1	20.1	192,700	334,000
GTA overall	179,516,600	2,419,100	2,418,800	17.2	3.9	21.1	276,600	63,900

Class	Existing inventory (sf)	YTD deliveries (sf)	Under construction (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2024 net absorption (sf)	2024 net absorption (sf)
Trophy	15,028,700	0	1,435,500	7.2	2.5	9.7	114,000	-171,700
Class A	99,026,500	2,419,100	983,300	17.9	4.9	22.8	119,500	1,199,200
Class B	52,194,000	0	0	19.6	2.9	22.5	-6,000	-737,200
Class C	13,267,500	0	0	14.2	2.1	16.3	49,100	-226,400
GTA overall	179,516,600	2,419,100	2,418,800	17.2	3.9	21.1	276,600	63,900

For more market insights and
information visit **avisonyoung.ca**

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