Suburban market gains momentum

▼ 20.2%
Vacancy Rate

▲ 458K
SF Net Absorption

▶ 203K
SF Under Construction

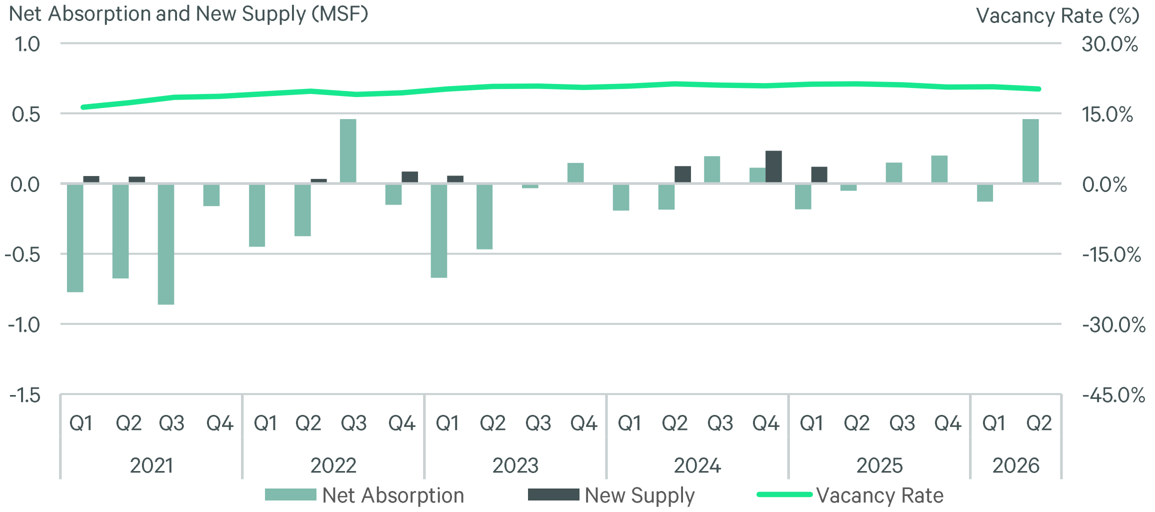
▲ $18.38
Avg. Net Asking Lease Rate ($PSF)

Note: Arrows indicate change from previous quarter..

Executive Summary

- The overall suburban vacancy rate fell 50 basis points (bps) quarter-over-quarter from 20.7% to 20.2%. The most significant leasing activity occurred in the Toronto West submarket which recorded approximately 210,000 sq. ft. of positive net absorption. The overall net asking rent in the suburban market increased by $0.13 per sq. ft., or 0.7%, quarter-over-quarter from $18.25 per sq. ft. to $18.38 per sq. ft..
- Absorption in the suburban market was driven by Class A leasing, most notably in Toronto North and Toronto East submarkets. As employers continue to advance return-to-office policies, demand for high-quality Class A space is poised to strengthen and outperform Class B and Class C assets.
- Vacancy rates across the Downtown and Suburban submarkets show a widening spread from lows of 230 bps in Q4 2024. The continuing return-to-office push has impacted Downtown leasing momentum significantly, reducing vacancies steadily over four quarters. In Q2 2026, the Downtown submarket vacancy rate declined by 40 bps quarter-over-quarter, while the overall suburban vacancy rate fell by 50 bps, resulting in a vacancy spread of 710 bps.

FIGURE 1: Suburban GTA Office Supply and Demand



Source: CBRE Research, Q2 2026

Suburban markets see strong leasing activity

The Toronto North submarket recorded just over 48,000 sq. ft. of positive net absorption, up from roughly 26,000 sq. ft., representing a modest rebound in leasing activity since Q4 2025. Submarkets across Toronto North experienced improved leasing activity, except for the North Yonge submarket, where over 54,000 sq. ft. became available at 100 Sheppard Avenue East. The overall vacancy rate in Toronto North declined quarter-over-quarter from 20.9% to 20.5%, primarily due to leasing activity in Vaughan, driven by roughly 9,500 sq. ft. leased at 610 Applewood Crescent and 9,500 sq. ft. at 8001 Weston Road.

The Toronto East submarket recorded over 200,000 sq. ft. of positive net absorption, marking its strongest quarter since Q1 2020. This was driven by leasing activity in Scarborough, Markham North/Richmond Hill, and Consumers Road. Overall vacancy decreased quarter-over-quarter from 23.6% to 22.7%, with Intel leasing nearly 48,500 sq. ft. at 27 Allstate Parkway. The percentage of vacant space available for sublet also declined from 6.9% to 5.1% quarter-over-quarter, driven by about 92,000 sq. ft. of leasing activity by Toyota Canada at 300 Consilium Place.

The Toronto West office submarket experienced significant leasing activity, with the vacancy rate dipping 30 bps quarter-over-quarter from 18.7% to 18.4%, realigning with its trend observed over the last two years. Leasing activity was mostly concentrated in the Meadowvale and Airport Strip submarkets, especially in Class A properties.

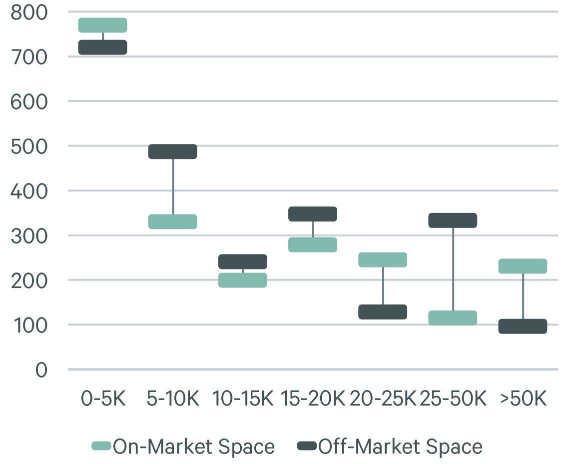
Downtown rents show volatility while the Suburbs trend upwards

Suburban rents continue a gradual upward trend across all submarkets, increasing $0.13 per sq. ft., or 0.7%, quarter-over-quarter from $18.25 to $18.38. Toronto West and East rents remain closely aligned, while the North submarket is seeing a growing divergence. Downtown rents, meanwhile, display notable volatility following a decline from their post-pandemic peak last quarter, though the overall trajectory remains flat.

FIGURE 2: Q2 2026 Breakdown of Net Absorption by Submarket (000s SF)

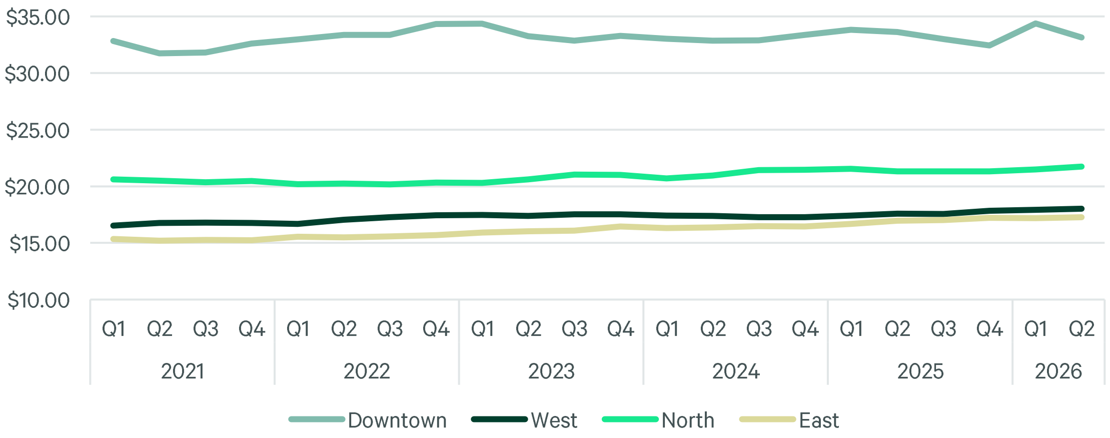
Source: CBRE Research, Q2 2026

FIGURE 3: Q2 2026 Size Distribution of Suburban Market Activity (000s SF)



Source: CBRE Research, Q2 2026

FIGURE 4: Selected Submarket Asking Rental Rates (PSF)



Source: CBRE Research, Q2 2026

Class A absorption outpaces Class B

Demand for premium office space in the Toronto North and Toronto East submarkets remains strong. For the fifth consecutive quarter, Class A net absorption has outperformed Class B and Class C, reversing a longer-term trend in which lower-quality space led net absorption in 22 of the previous 34 quarters. With the ongoing implementation of return-to-office policies demand for higher quality space is well-positioned to grow.

Historically, Class A absorption has exhibited greater volatility than Class B and Class C, largely due to its higher asking rents. This is reflected in the wider fluctuations in net absorption over time, as smaller and mid-sized occupants are often priced out of premium space. As a result, demand for Class A assets tends to be more sensitive to changes in broader economic cycles, while Class B and Class C demand remains comparatively stable due to their greater affordability.

Downtown-Suburban vacancy spread widens

The Downtown submarket recorded significant leasing activity in Q2 2026, driven by the continued implementation of return-to-office policies. This has sparked a surge in demand for space within the highest-quality trophy assets in the downtown core, as major tenants have become increasingly concerned about the future availability of premium office space. As a result, the longer-term trend of downtown and suburban vacancy rates converging has begun to reverse. In Q2 2026, the Downtown submarket vacancy rate declined by 40 bps quarter-over-quarter, while the overall suburban vacancy rate fell by 50 bps, resulting in a vacancy spread of 710 bps. This follows several years of narrowing downtown-suburban vacancy spread from 810 bps in Q1 2020 to a low of 230 bps in Q4 2024.

Meanwhile, the suburban submarket continues to recover gradually, with the overall vacancy rate returning to levels not seen since Q1 2023, reversing much of the increase recorded over the previous two years. Downtown vacancy declines have also moderated over the past two quarters, suggesting that leasing momentum may be slowing. Whether the vacancy gap between the downtown and suburban markets continues to widen in the coming quarters remains to be seen.

FIGURE 5: Historical Quarterly Absorption by Class

Source: CBRE Research, Q2 2026

FIGURE 6: GTA Vacancy Rates

Source: CBRE Research, Q2 2026

FIGURE 7a: Q2 2026 Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of Vacancy)	Availability Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Asking Net Rent (PSF)
Bloor / Islington	1,750,771	21.6%	9.7%	22.2%	10,952	-123,675	0	0	$20.79
427 Corridor	1,856,618	25.6%	3.9%	27.9%	17,426	-15,258	0	0	$17.04
Airport Strip	3,443,255	22.7%	2.9%	24.0%	62,659	1,662	0	0	$14.18
Airport Corp. Centre	7,321,241	21.1%	21.2%	22.6%	11,924	22,818	0	0	$19.20
Mississauga South	1,462,158	5.6%	22.7%	5.6%	9,256	-1,946	0	0	$14.51
City Centre	3,752,801	22.2%	3.4%	27.6%	-32,346	37,153	0	0	$18.33
Hwy 10 / Hwy 401	4,303,077	12.2%	12.8%	13.6%	47,618	7,915	0	0	$20.34
Meadowvale	4,474,354	20.0%	7.7%	20.9%	115,821	133,485	0	0	$19.37
Brampton	1,049,000	7.5%	39.5%	9.1%	3,094	-27,450	0	0	$22.26
Oakville	4,644,086	13.2%	21.8%	14.5%	15,900	82,739	0	27,662	$18.11
Burlington	3,791,691	19.7%	16.5%	19.9%	-52,469	-70,972	0	0	$16.02
West	**37,849,052**	**18.4%**	**12.6%**	**19.9%**	**209,835**	**46,471**	**0**	**27,662**	**$18.02**
Scarborough	3,544,513	24.2%	10.7%	24.2%	102,124	106,967	0	0	$16.09
Markham N. / R. Hill	8,068,046	17.5%	4.4%	18.8%	87,347	170,837	0	0	$18.98
Markham South	4,092,334	17.7%	3.4%	18.3%	1,627	-12,804	0	0	$17.07
E. York / D. Mills S.	2,552,330	31.2%	1.8%	31.6%	-11,195	-15,120	0	0	$15.89
Don Mills North	2,792,656	32.6%	0.0%	32.8%	-35,749	-269,168	0	0	$17.59
Consumers Road	3,632,790	25.2%	11.8%	26.2%	43,786	202,936	0	0	$15.82
G. Baker / Vic. Park	1,510,904	21.8%	0.0%	26.3%	12,251	25,629	0	0	$18.18
East	**26,193,573**	**22.7%**	**5.1%**	**23.6%**	**200,191**	**209,277**	**0**	**0**	**$17.27**
North Yonge	7,760,524	28.7%	6.0%	28.8%	-16,143	-9,355	0	175,000	$22.40
North York West	2,166,759	8.1%	1.0%	8.1%	23,404	34,959	0	0	$13.90
Vaughan	3,195,743	9.1%	22.7%	9.1%	40,997	48,765	0	0	$19.52
North	**13,123,026**	**20.5%**	**7.5%**	**20.7%**	**48,258**	**74,369**	**0**	**175,000**	**$21.74**
Suburban	**77,165,651**	**20.2%**	**8.8%**	**21.2%**	**458,284**	**330,117**	**0**	**202,662**	**$18.38**

Source: CBRE Research, Q2 2026.

FIGURE 7b: Q2 2026 Office Market Statistics, con't

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of Vacancy)	Availability Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Asking Net Rent (PSF)
Financial Core	27,426,732	7.8%	11.3%	11.7%	27,686	199,357	0	0	$44.20
Greater Core	23,054,710	14.1%	8.2%	17.5%	-12,998	1,790,762	0	0	$32.50
Downtown South	9,605,714	8.5%	23.9%	10.1%	-26,998	-267,960	0	0	$37.11
Downtown North	6,483,449	13.8%	18.0%	17.2%	-22,884	-50,629	0	211,589	$26.63
Downtown East	3,667,656	21.0%	20.9%	22.7%	15,829	307,283	0	80,966	$34.43
Downtown West	9,332,916	25.2%	10.6%	27.2%	112,719	180,239	0	103,334	$33.49
Liberty Village	2,610,704	20.2%	17.6%	21.9%	46,906	90,293	0	0	$26.90
Downtown	**82,181,881**	**13.1%**	**12.7%**	**16.2%**	**140,260**	**2,249,345**	**0**	**395,889**	**$35.03**
Bloor / Yonge	6,666,758	24.8%	33.1%	26.7%	-36,124	-11,083	0	24,388	$27.43
St. Clair / Yonge	2,194,054	14.5%	1.2%	15.4%	19,406	-25,710	0	0	$29.61
Eglinton / Yonge	4,392,093	15.9%	9.0%	16.7%	-25,577	-6,644	0	0	$18.87
Midtown	**13,252,905**	**20.2%**	**23.0%**	**21.5%**	**-142,295**	**-43,437**	**0**	**24,388**	**$25.93**
Central	**95,434,786**	**14.1%**	**14.8%**	**16.9%**	**97,965**	**2,205,908**	**0**	**420,277**	**$33.15**
GTA TOTAL	**172,600,437**	**16.8%**	**11.6%**	**18.9%**	**556,249**	**2,536,025**	**0**	**622,939**	**$27.40**

Source: CBRE Research, Q2 2026.

FIGURE 8: Q2 2026 Notable Suburban Lease Transactions

Submarket	Address	Tenant	Size (SF)	Class	Deal Type
Meadowvale	7100 West Credit Avenue	Cognizant Technology	96,171	A	Renewal
Scarborough	300 Consilium Place	Toyota	91,932	A	New
Markham N. / R. Hill	27 Allstate Parkway	Intel	48,254	A	New
North Yonge Corridor	4110 Yonge Street	Dayforce	38,000	A	Renewal
Meadowvale	6750 Century Avenue	Whirlpool Canada	35,833	A	Extension

Source: CBRE Research, Q2 2026.

Market Area Overview

Definitions

Inventory: A complete list of office assets, displayed by total sq. ft., tracked by CBRE in the Greater Toronto Area. Submarket: A subdivision of the Greater Toronto Area submarket with defined boundaries representing various nodes and regions. Net Absorption: A measure of the net change in occupied space over a given period of time expressed in sq. ft. Net Rental Rate: The asking rental rate not including taxes and operating costs expressed on a dollars per sq. ft. per annum basis weighted by currently available sq. ft. Additional Rental Rate: A share of operating expenses including taxes maintenance and insurance expressed on a dollars per sq. ft. per annum basis weighted by currently available sq. ft. Vacancy Rate: The percentage of total office space in a given area that is currently vacant and available for occupancy calculated by dividing total vacant sq. ft. by the total building area. Vacant sq. ft.: Space which can be occupied within 30 days. Available sq. ft.: All available space on market regardless of occupancy date.

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