

Record absorption continues into 2026 as recovery spreads across the market

▼ 13.4%

Vacancy Rate

▲ 2.1M

Sq. Ft. Net Absorption

▼ 395K

Sq. Ft. Under Construction

▲ \$34.38

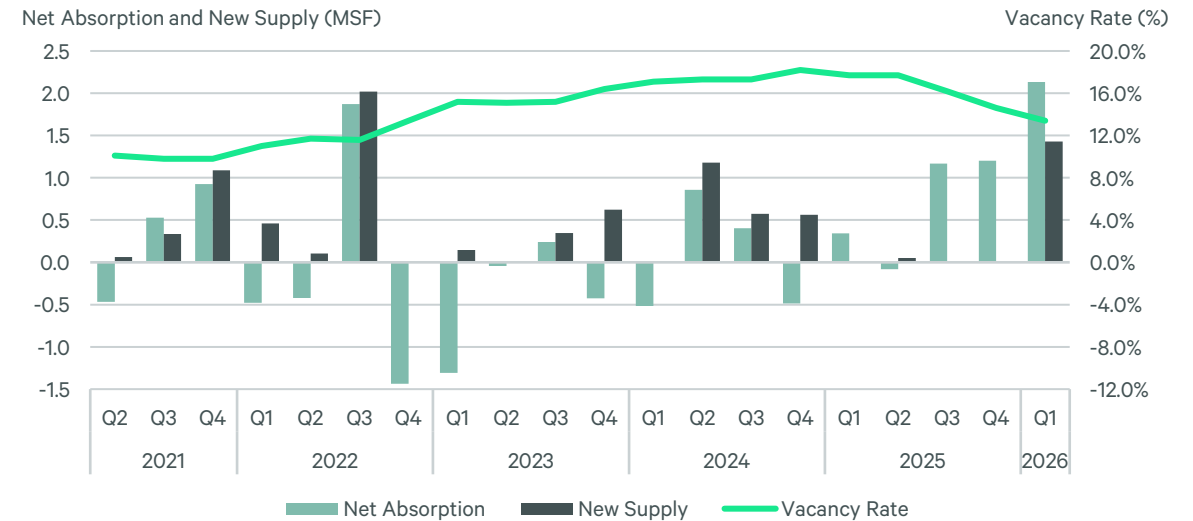
Avg. Net Asking Lease Rate (\$PSF)

Note: Arrows indicate change from previous quarter.
Report covers Downtown only, excluding Midtown.

Executive Summary

- Overall vacancy decreased by 120 basis points (bps) to 13.4% as Downtown Toronto registered over 2.1 million sq. ft. of net absorption in Q1 2026. This represents the largest quarterly absorption figure in recorded history with Class AAA and A accounting for the majority of space taken.
- The overall market recovery is spreading beyond the Financial Core and AAA assets which started these trends in 2025. The margin between these premium assets and the performance of Class A spaces has drastically reduced with Class A vacancy decreasing by 600 bps in the last 12 months.
- Large block vacancy continues to decrease significantly with most of the remaining options lying in the Greater Core. That market will see increased activity as demand emanates out of the Financial Core.
- With the completion of CIBC Square II the new construction pipeline is quickly dwindling with only 396k sq. ft. of office space set to be completed by 2030. The lack of new supply is increasing demand for office space built in the last four years, with over 340k sq. ft. in net positive absorption activity in Q1 2026.

FIGURE 1: Downtown Toronto Office Supply and Demand



Source: CBRE Research, Q1 2026.

Positive trends persist, teeing up a strong 2026

The first quarter of 2026 was the third straight quarter of over 1.0 million sq. ft. in positive net absorption and set an all-time record for absorption in a singular quarter with 2.1 million sq. ft.. The unprecedented levels of activity that closed 2025 directly carried into the beginning of 2026. Intense transaction activity in January dominated the quarter’s overall positive trends with over 1.1 million sq. ft. off the market. Major block transactions led to this decrease, particularly with a financial institution leasing 465,000 sq. ft. of net new space across 33 Yonge Street, 351 King Street E and 1 Adelaide Street E.

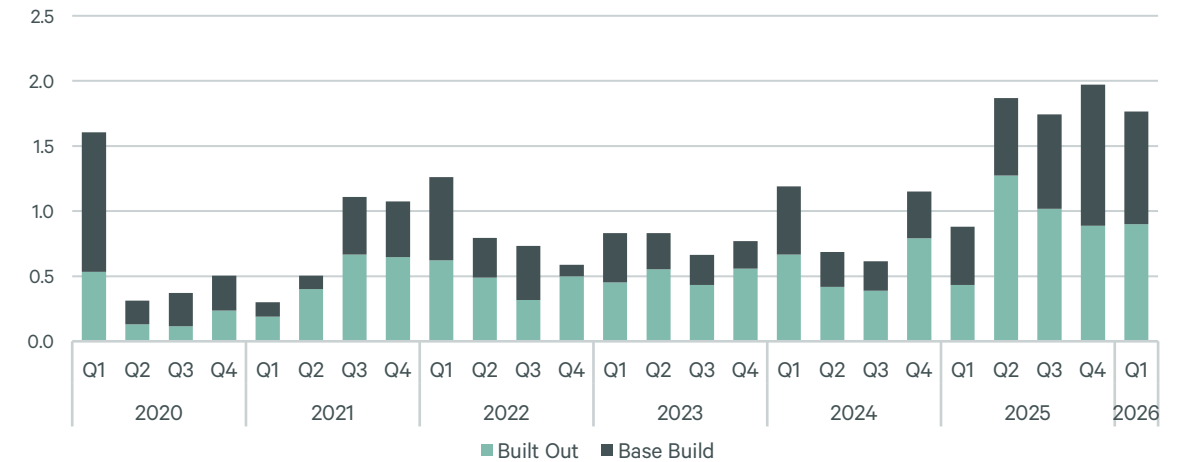
This flurry of activity caps off an intense period of net new leasing from the major banks with over 1.6 million sq. ft. added in the downtown core, re-establishing their presence after repealing during COVID-19. In 2026, demand remains from financial services but tenant demand by industry has increasingly diversified. The technology sector is now the largest industry in terms of tenant demand with major tenants like Amazon and Uber active in the market and other companies nearing deals. The current demand of 2.7 million sq. ft. in will continue general office recovery for the year to come.

The overall market recovery continued into 2026 with vacancy decreasing a record 430 bps in the last three quarters and 120 bps in Q1 2026 alone. Key submarkets and asset classes continue to outperform the broader market, but the disparity is thinning. This quarter the Financial Core and AAA assets saw a decrease of 60 bps and 10 bps respectively; which are the smallest quarterly decreases since the start of 2025. These assets kickstarted the initial recovery surge, but space is becoming scarce, slowing their overall positive progression. In an ultra-competitive environment dominated by landlords, some tenants are now emanating from the core. Particularly those looking for the dwindling amount of large block spaces.

Scarcity for large block spaces

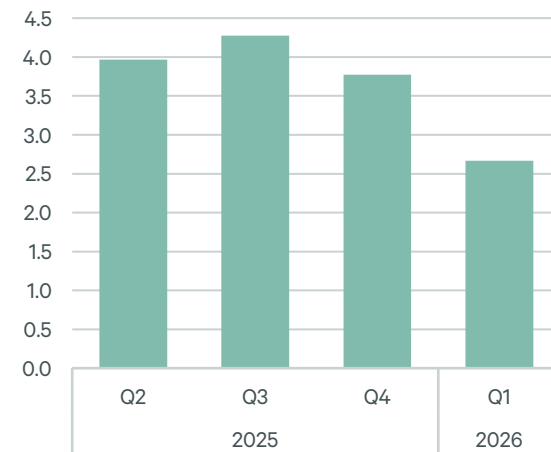
Finding large block space is increasingly difficult in this stage of recovery with 16 blocks currently on the market over 100,000 sq. ft., 10 less than Q1 2025. This problem is heightened in the Financial Core with only 3 potential large blocks on the market and only 2 of which are in AAA buildings. Large block spaces are now mainly in the Greater Core which has already seen the largest decrease in vacancy (540 bps) out of any submarket in the last 12 months. As demand continues to spread these dwindling large blocks represent an excellent opportunity for tenants before tenants expand their search to periphery markets like the Downtown West.

FIGURE 2: Downtown Toronto, New Leasing, Built Out vs Base Build (MSF)



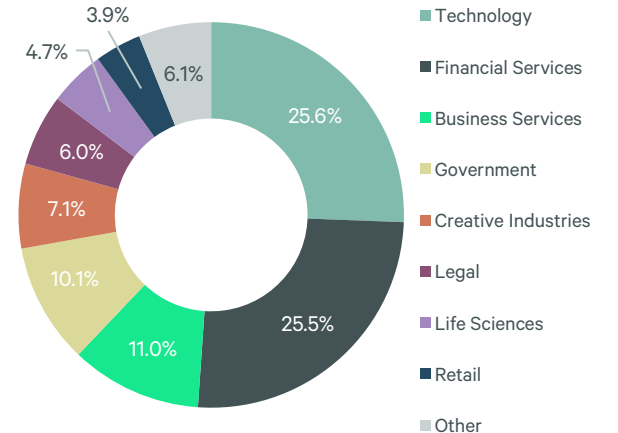
Excludes Midtown.
Source: CBRE Research, Q1 2026.

FIGURE 3: Downtown Toronto Tenants in the Market (MSF)



Source: CBRE Research, Q1 2026.

FIGURE 4: Downtown Toronto Tenants in the Market by Industry



Source: CBRE Research, Q1 2026.

The Flight-to-Quality trend continues to spread

With limited AAA space available, demand has risen in two categories, the overall Class A market and new build spaces. The entire Class A market has seen 2.3 million sq. ft. of positive net absorption in the last 12 months with most of that leasing activity occurring either in core markets or new build product. In Q1 2026 new build space saw major activity with over 360,000 sq. ft. off the market, showcasing the effect of multiple key factors that are currently driving the Downtown Toronto office market.

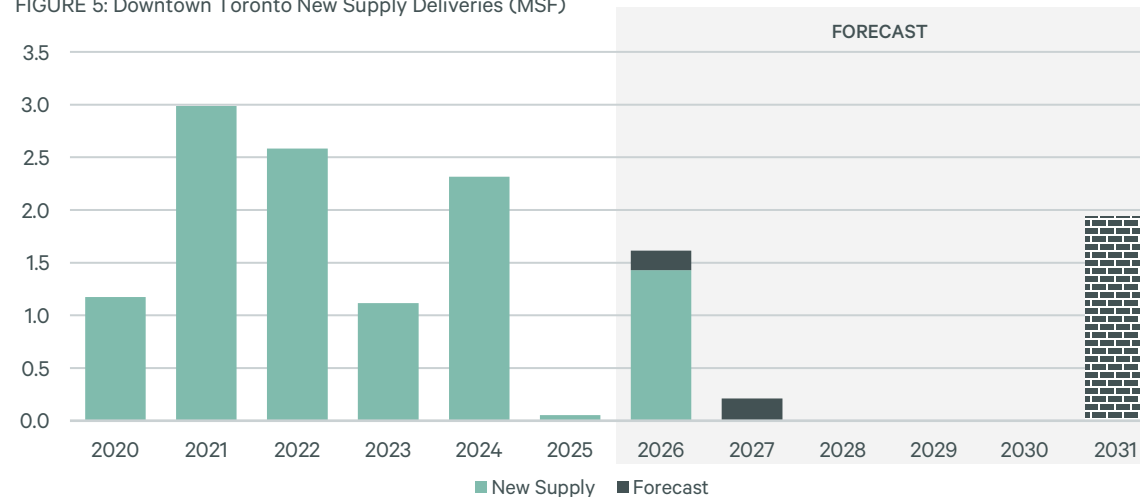
These office products showcase some of the highest quality spaces in the market and offered many large block spaces. At the start of 2025 new build spaces completed after 2022 were only 69% leased. Currently those spaces are 90% leased with a flurry of activity in late 2025 and early 2026. Q1 2026 saw two large block transactions, 220,000 sq. ft. from Stripe Payments at Portland Commons and a 130,000 sq. ft. deal at EQ Bank Tower. Activity is intensifying due to the lack of significant new construction, increasing demand for what will remain the newest office product for the next 5 years. This trend for high-quality spaces beyond AAA assets showcases half of the predicted spread of flight-to-quality.

The spreading flight-to-quality trend also explains the increased level of activity in space surrounding the Financial Core. Tenant demand for well-located product reached the Greater Core with Q1 seeing a decrease of 270 bps in overall vacancy. As mentioned, the submarket is on an increasingly positive trajectory with demand for all space and large blocks remaining high. Beside the major transactions by Scotiabank major transactions over 200,000 sq. ft. were reported by the financial services and consumer goods industry in Q1 2026. Combining this demand for well located and high-quality space showcases the spread of flight-to-quality, which will assist the overall office market not just the most premier assets.

A strong quarter to kick off another exceptional year

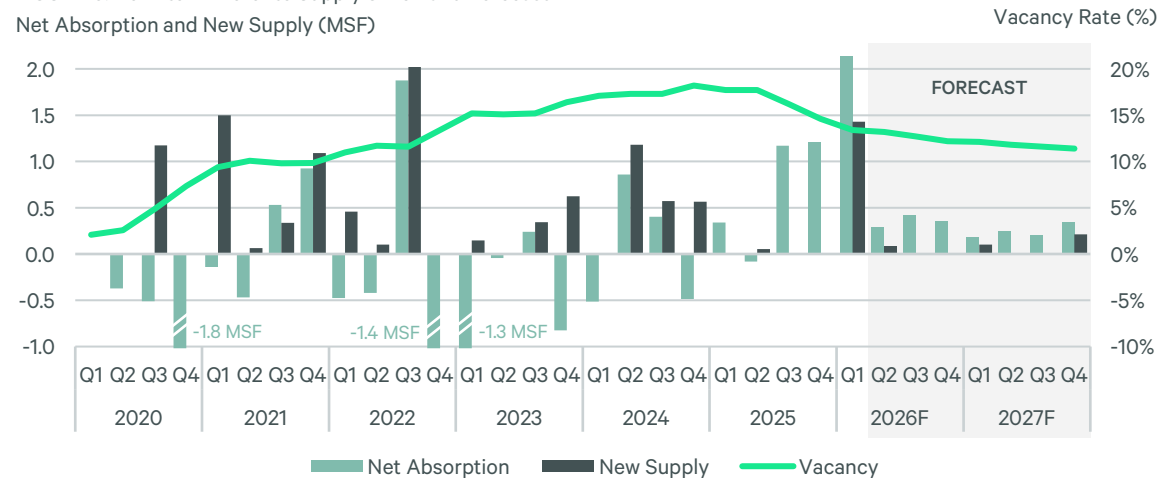
Q1 2026 not only continued the office recovery commenced in 2025 but set the tone for another strong year of office leasing. With significant demand remaining in the market that is spreading beyond core and premium assets the office recovery is being felt across Downtown Toronto. As a result, the office market is set for another strong year in 2026, with the increased potential for vacancy trends to exceed current projections.

FIGURE 5: Downtown Toronto New Supply Deliveries (MSF)



Excludes Midtown
Source: CBRE Research, Q1 2026.

FIGURE 6: Downtown Toronto Supply & Demand Forecast
Net Absorption and New Supply (MSF)



Excludes Midtown.
Source: CBRE Econometric Advisors, CBRE Research, Q1 2026.

FIGURE 7a: Office Market Statistics (Central)

Submarket	Inventory (sq. ft.)	Vacancy Rate (%)	Sublet Space (% of vacancy)	Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	New Supply (sq. ft.)	Under Construction (sq. ft.)	Net Asking Rent (Psq. ft.)
Financial Core	27,426,732	8.4%	12.2%	171,671	171,671	0	0	\$42.28
Greater Core	23,047,668	14.3%	9.6%	1,803,760	1,803,760	1,430,000	0	\$32.05
Downtown South	9,605,714	8.2%	23.5%	-240,962	-240,962	0	0	\$37.26
Downtown North	6,483,449	13.4%	15.0%	-27,745	-27,745	0	211,589	\$26.44
Downtown East	3,667,656	20.7%	19.3%	315,416	315,416	0	80,966	\$35.86
Downtown West	9,332,916	26.4%	9.8%	67,520	67,520	0	103,334	\$32.68
Liberty Village	2,610,704	22.0%	18.2%	43,387	43,387	0	0	\$26.45
Downtown	82,174,839	13.4%	12.7%	2,133,047	2,133,047	1,430,000	395,889	\$34.38
Bloor / Yonge	6,726,558	24.5%	33.0%	25,041	25,041	0	24,388	\$27.11
St. Clair / Yonge	2,194,054	15.4%	2.2%	-45,116	-45,116	0	0	\$29.86
Eglinton / Yonge	4,537,093	16.7%	4.9%	18,933	18,933	0	0	\$17.97
Midtown	13,457,705	20.4%	21.5%	-1,142	-1,142	0	24,388	\$25.16
Central	95,632,544	14.4%	14.5%	2,131,905	2,131,905	1,430,000	420,277	\$32.44

Source: CBRE Research, Q1 2026.

FIGURE 8: Q1 2026 Notable Downtown Lease Transactions

Submarket	Address	Tenant	Size (sq. ft.)	Class	Deal Type
Downtown West	530 Front Street W	Stripe Payments	223,232	A	New Lease
Downtown East	351 King Street E	Financial Institution*	186,131	A	New Lease
Greater Core	1 Adelaide Street E	Financial Institution*	151,461	A	New Lease
Greater Core	33 Yonge Street	Financial Institution*	130,000	A	New Lease
Greater Core	1 Toronto Street	Mastercard	68,703	A	New Lease
Financial Core	130 King Street W	Marvel Technologies	25,990	A	New Lease

*Tenant name withheld; industry classification provided in lieu.
Source: CBRE Research, Q1 2026.

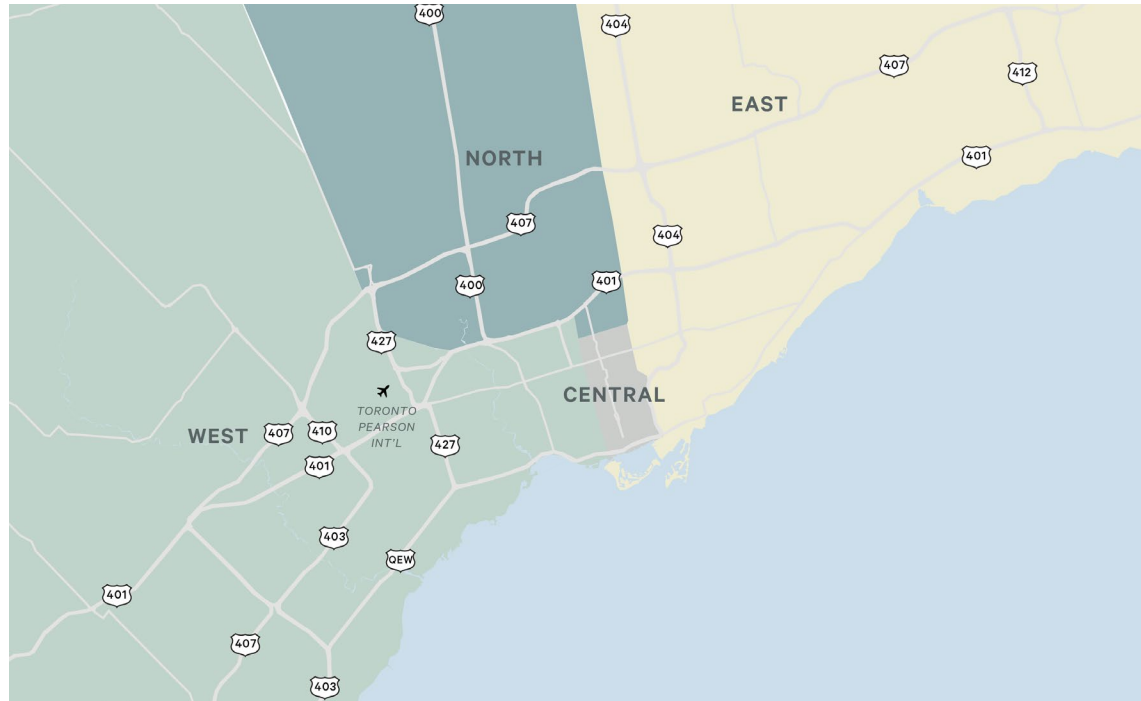
FIGURE 7b: Office Market Statistics (Suburban & Total)

Submarket	Inventory (sq. ft.)	Vacancy Rate (%)	Sublet Space (% of vacancy)	Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	New Supply (sq. ft.)	Under Construction (sq. ft.)	Net Asking Rent (Psq. ft.)
Bloor / Islington	1,750,771	22.2%	7.5%	-134,627	-134,627	0	0	\$20.58
427 Corridor	1,856,618	26.6%	11.0%	-32,684	-32,684	0	0	\$16.97
Airport Strip	3,330,753	22.0%	9.5%	-60,997	-60,997	0	0	\$12.98
Airport Corp. Centre	7,321,241	21.2%	20.6%	10,894	10,894	0	0	\$19.13
Mississauga South	1,462,158	6.2%	30.2%	-11,202	-11,202	0	0	\$14.80
City Centre	3,752,801	21.3%	2.4%	69,499	69,499	0	0	\$18.28
Hwy 10 / Hwy 401	4,303,077	13.3%	11.8%	-39,703	-39,703	0	0	\$19.72
Meadowvale	4,474,354	22.6%	7.5%	17,664	17,664	0	0	\$19.69
Brampton	1,049,000	7.8%	41.1%	-30,544	-30,544	0	0	\$21.63
Oakville	4,644,086	13.6%	20.5%	66,839	66,839	0	27,662	\$17.98
Burlington	3,790,349	18.4%	12.7%	-18,503	-18,503	0	0	\$16.06
West	37,735,208	18.7%	13.0%	-163,364	-163,364	0	27,662	\$17.93
Scarborough	3,544,513	27.2%	21.2%	4,843	4,843	0	0	\$15.42
Markham N. / R. Hill	8,068,046	19.4%	2.6%	30,349	30,349	0	0	\$19.18
Markham South	4,092,334	18.1%	2.7%	-14,431	-14,431	0	0	\$16.54
E. York / D. Mills S.	2,552,330	32.0%	2.8%	-1,920	-1,920	0	0	\$15.95
Don Mills North	2,792,656	32.6%	0.0%	-248,563	-248,563	0	0	\$17.28
Consumers Road	3,632,790	27.8%	12.9%	134,175	134,175	0	0	\$15.77
G. Baker / Vic. Park	1,510,904	23.9%	2.3%	10,738	10,738	0	0	\$17.93
East	26,193,573	24.3%	6.7%	-84,809	-84,809	0	0	\$17.18
North Yonge	7,760,524	28.7%	6.2%	-663	-663	0	175,000	\$22.23
North York West	2,166,759	9.8%	1.3%	11,555	11,555	0	0	\$13.72
Vaughan	3,195,743	11.0%	18.9%	7,768	7,768	0	0	\$19.48
North	13,123,026	21.2%	7.4%	18,660	18,660	0	175,000	\$21.48
Suburban	77,051,807	21.0%	9.5%	-229,513	-229,513	0	202,662	\$18.25
GTA TOTAL	172,684,351	17.4%	11.8%	1,902,392	1,902,392	1,430,000	622,939	\$26.98

Source: CBRE Research, Q1 2026.

Statistics as of March 19th, 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.

Toronto Offices

Downtown

145 King St W, Suite 1100
Toronto, ON M5H 1J8

Contacts

Reece Wernicke

Research Analyst
+1 647 943 4181
reece.wernicke@cbre.com