

Shifting office market fortified by pervasive fundamentals

▼ 12.6%
Vacancy Rate

▲ 230K
SF Net Absorption

► 396K
SF Under Construction

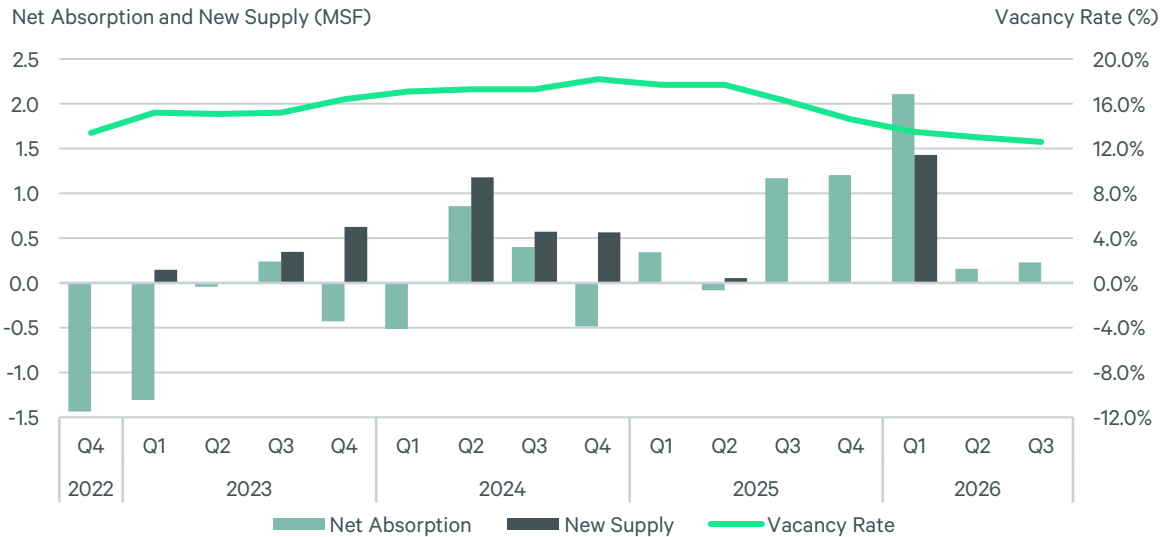
▲ \$35.87
Avg. Net Asking Lease Rate (\$PSF)

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

Executive Summary

- Overall vacancy decreased by 40 basis points (bps) as Downtown Toronto recorded over 230,000 sq. ft. of positive net absorption in Q3 2026. Net new leasing increased by approximately 450,000 sq. ft. quarter-over-quarter, while average net asking rents continued to rise across all building classes.
- The preference for quality built-out space strengthened in Q3, accounting for 74.2% of transactional activity as large-block supply continued to diminish. This shift has increasingly centred leasing activity around mid-sized blocks between 50,000 and 100,000 sq. ft.
- The office market’s recovery continues to broaden as tenant occupation increases. Sublease vacancy reached its lowest level since Q2 2020 and demand for space has spread beyond the Downtown Core.
- Despite renewed Canada-U.S. trade tensions, Downtown Toronto’s office market has remained resilient, with leasing momentum showing limited disruption from broader economic uncertainty. Continued investment in Canada provides further optimism that Toronto’s position as the country’s largest economic hub will support the next phase of office recovery.

FIGURE 1: Downtown Toronto Office Supply and Demand
Net Absorption and New Supply (MSF)



Source: CBRE Research, Q3 2026.

Resurgence of office shifts as long-term trends are fortified

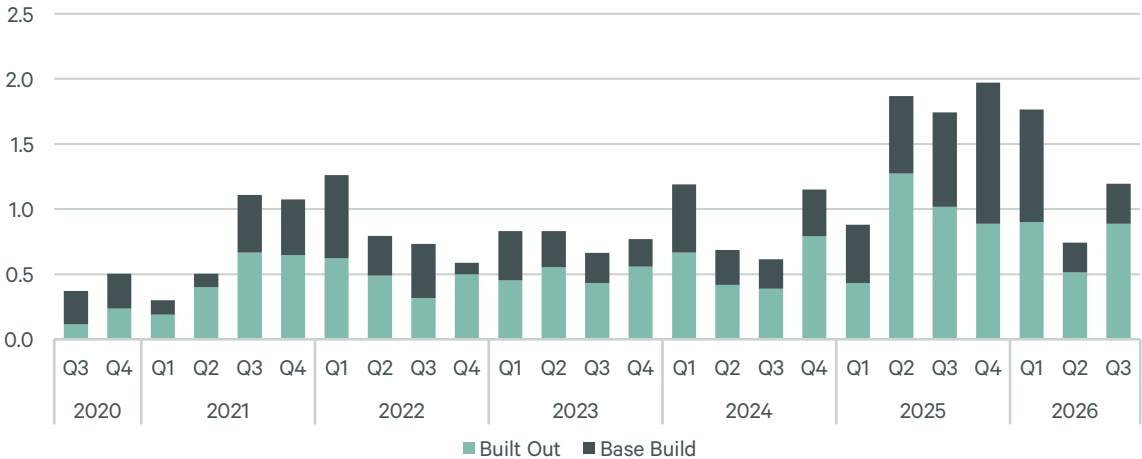
Q3 2026 was seemingly in line with Q2, recording more than 230,000 sq. ft. of positive net absorption and a 40 bps decline in vacancy. Beneath those headline figures, however, the office recovery continued to broaden. Average net asking rents increased by \$0.75 per sq. ft., boosted by Class AAA net asking rents increasing \$1.43 per sq. ft. but quietly supported by momentum in periphery markets and non-premium assets. Class B and RC net asking rents rose by \$0.28 and \$0.33 per sq. ft., respectively, marking a third consecutive quarter of growth for both segments. While this trend has been building throughout 2026, Q3 provided clearer evidence that office recovery is entering a new phase.

Leasing activity strengthened considerably, with net new leasing volumes increasing by approximately 450,000 sq. ft. compared with Q2. At the same time, the market recorded its largest influx of newly vacant space since Q2 2025, limiting the resulting improvement in net absorption. Had the pace of new vacancy remained consistent with the preceding 12 months, positive net absorption would have been approximately twice as high. Importantly, this new vacancy is a by-product of the recovery itself. Since Q3 2025, major tenants have increasingly expanded into larger, higher-quality spaces, leaving behind smaller premises that are now returning to market. This is creating a different vacancy landscape than that of 12 months ago and is increasingly defining the next phase of the recovery. Strong leasing activity is producing sharp improvements in vacancy, followed by periods of stabilization as space released through those same tenant movements subsequently return to the market.

Leasing environment changes

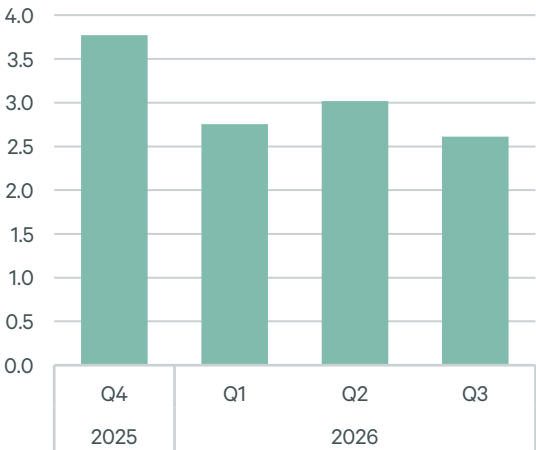
Following 12 months of increased leasing in base-build space, the market’s preference for quality built-out space has resurfaced, accounting for 69.3% of transactional activity in Q2 and 74.2% in Q3. Base-build activity had peaked amid strong demand for blocks over 100,000 sq. ft., but that supply has since contracted significantly, with seven blocks totaling more than 1.7 million sq. ft. coming off the market over the past 12 months. As a result, leasing activity is increasingly centered around the 50,000–100,000 sq. ft. range, where 2.4 million sq. ft. remains available and 37% of tenant demand is concentrated, making mid-sized blocks an increasingly important focus of the market.

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



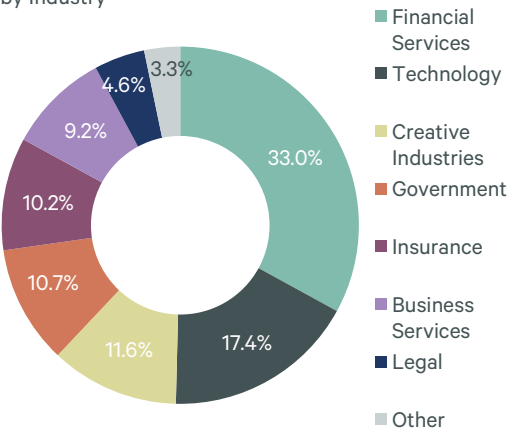
Source: CBRE Research, Q3 2026.

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



Source: CBRE Research, Q3 2026.

FIGURE 4: Downtown Toronto Tenants in the Market by Industry



Source: CBRE Research, Q3 2026.

More key trends remain despite the office shift

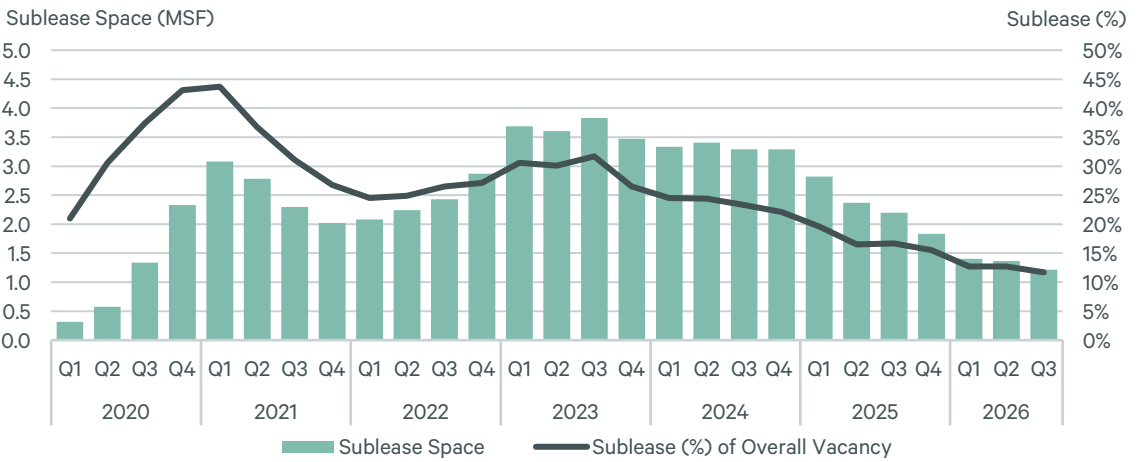
With the market shifting from previous quarters, it is important to recognize the strong pervasive fundamentals that anchor the office market’s continued recovery. Sublease vacancy has tightened considerably and has hit its lowest point since Q2 2020, and this trend is continuing beyond just the strong downtown core. Separate from the statistics in Figure 5, Midtown submarkets which historically trail behind downtown’s performance witnessed 450,000 sq. ft. of reoccupied sublease space in Q3 alone. This outlier performance is a symptom of the continued spread of demand beyond the periphery downtown product into the next adjacent submarkets. The core and periphery downtown submarkets are still seeing significant demand; notably the periphery saw an 80 bps decrease in vacancy in Q3 2026. The broad increase in tenant occupancy simply underscores the improving health of the broader office market.

Reignited trade tensions cause relatively low concern

Canada-U.S. trade tensions have once again intensified in recent months, adding renewed uncertainty to the broader economic environment. Despite this backdrop Downtown Toronto’s office market continues to demonstrate a notable degree of insulation. Since tariff uncertainty emerged as a key economic headwind in early 2025, the market has recorded 5.1 million sq. ft. of positive net absorption, suggesting that office leasing has remained resilient despite ongoing trade-related concerns.

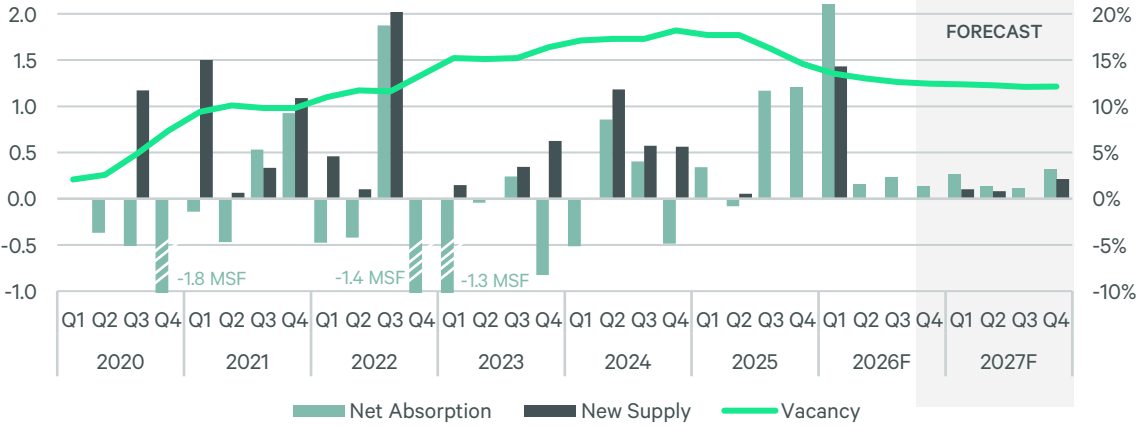
The insulation of Toronto’s office recovery is not the only reason to derive confidence in how the market is affected by trade-related uncertainty. Being the country’s largest economic hub, Toronto is primed for major spillover effects from new investment in Canada. The recent Canada Investment Summit hosted in Toronto promises an anticipated new wave of capital across the country. The decision to hold the meeting in Toronto underscores the city’s importance as an economic hub. Moreover, with \$500 billion in committed investment capital, Toronto is well positioned to capture a meaningful share of the resulting economic activity, reinforcing an optimistic outlook for the downtown office market. Canada’s ability to fortify its capital and become more insular as a nation should perfectly compliment the already insular and potent Toronto office market.

FIGURE 5: Downtown Toronto Sublease Vacancy



Source: CBRE Research, Q3 2026.

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



Source: CBRE Econometric Advisors, CBRE Research, Q3 2026.

FIGURE 7a: Office Market Statistics (Central)

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of vacancy)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Net Asking Rent (PSF)
Financial Core	27,426,732	7.7%	9.9%	40,512	239,869	0	0	\$45.42
Greater Core	22,973,838	13.6%	8.5%	80,228	1,886,799	0	0	\$34.04
Downtown South	9,605,714	8.2%	20.8%	21,858	-246,102	0	0	\$37.08
Downtown North	6,483,449	12.1%	15.1%	22,449	-28,180	0	211,589	\$27.24
Downtown East	3,667,656	19.6%	22.4%	51,397	358,680	0	80,966	\$34.61
Downtown West	9,342,843	25.0%	9.6%	15,443	195,682	0	103,334	\$33.35
Liberty Village	2,610,704	20.2%	13.4%	-1,280	89,013	0	0	\$27.14
Downtown	82,110,936	12.6%	11.7%	230,607	2,495,761	0	395,889	\$35.87
Bloor / Yonge	6,668,925	16.8%	7.9%	535,772	524,689	0	24,388	\$31.28
St. Clair / Yonge	2,194,054	13.5%	2.0%	21,310	-4,400	0	0	\$29.74
Eglinton / Yonge	4,392,093	15.8%	9.0%	3,414	-3,230	0	0	\$18.42
Midtown	13,255,072	15.9%	7.4%	560,496	517,059	0	24,388	\$27.45
Central	95,366,008	13.1%	11.0%	791,103	3,012,820	0	420,277	\$34.40

Source: CBRE Research, Q3 2026.

FIGURE 8: Q3 2026 Notable Downtown Lease Transactions

Submarket	Address	Tenant	Size (SF)	Class	Deal Type
Financial Core	95 Wellington Street W	*Financial Institution	147,000	A	New Lease
Greater Core	100 University Avenue	Wellington-Altus	73,291	A	New Lease
Greater Core	483 Bay Street	*Government Entity	81,124	A	New Lease
Financial Core	77 King Street W	JLL	22,959	AAA	New Lease
Greater Core	250 University Avenue	Epazz	20,478	B	New Lease

*Tenant name withheld; industry classification provided in lieu
Source: CBRE Research, Q3 2026.

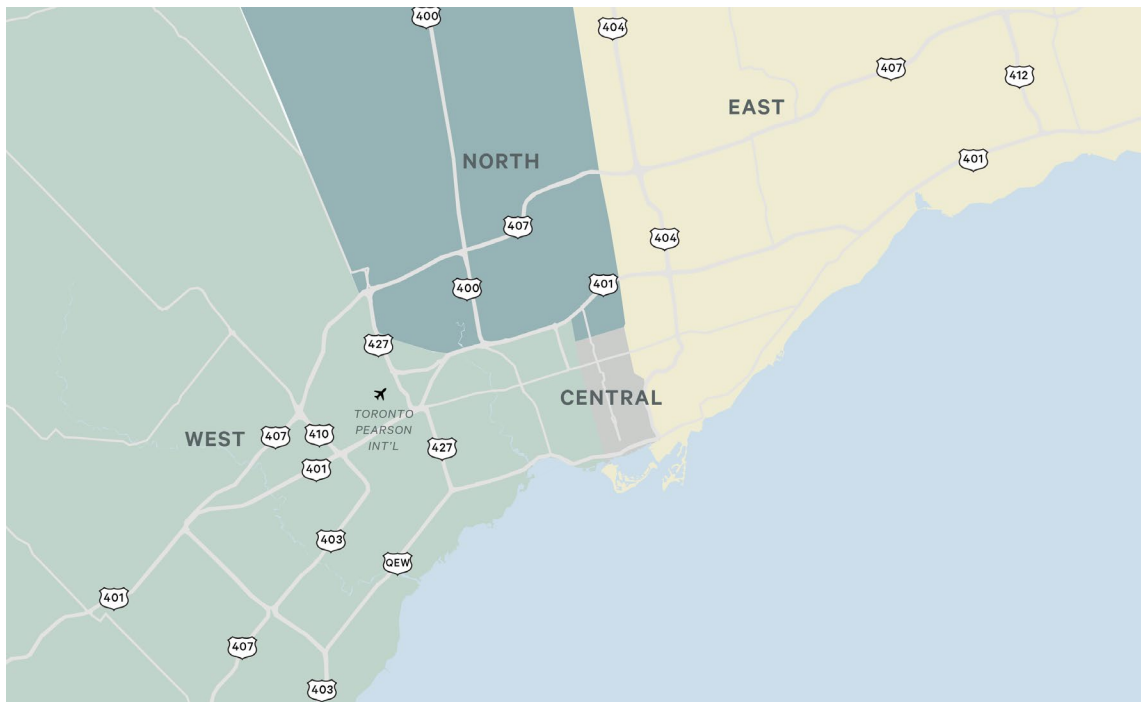
FIGURE 7b: Office Market Statistics (Suburban & Total)

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of vacancy)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Net Asking Rent (PSF)
Bloor / Islington	1,750,771	20.7%	10.1%	15,384	-108,291	0	0	\$20.82
427 Corridor	1,856,618	25.3%	4.9%	6,565	-8,693	0	0	\$17.04
Airport Strip	3,443,255	22.9%	2.9%	-7,952	-6,290	0	0	\$14.23
Airport Corp. Centre	7,082,265	19.0%	19.4%	179,905	202,723	0	0	\$19.23
Mississauga South	1,462,158	6.3%	20.0%	-11,034	-12,980	0	0	\$16.51
City Centre	3,752,801	23.5%	3.2%	-52,008	-14,855	0	0	\$18.44
Hwy 10 / Hwy 401	4,303,077	12.1%	15.8%	2,374	15,496	0	0	\$20.33
Meadowvale	4,474,354	19.4%	8.2%	28,855	162,340	0	0	\$19.33
Brampton	1,049,000	8.5%	34.6%	-10,943	-38,393	0	0	\$21.89
Oakville	4,644,086	12.5%	14.5%	31,799	114,538	0	27,662	\$18.22
Burlington	3,791,691	19.8%	16.9%	-1,815	-72,787	0	0	\$16.06
West	37,610,076	18.0%	11.6%	181,130	232,808	0	27,662	\$18.04
Scarborough	3,544,513	28.9%	27.2%	-167,111	-60,144	0	0	\$15.61
Markham N. / R. Hill	8,068,046	15.6%	5.5%	131,736	319,350	0	0	\$18.76
Markham South	4,092,334	17.0%	3.5%	8,706	-4,098	0	0	\$16.23
E. York / D. Mills S.	2,416,961	28.3%	1.4%	-18,931	-34,051	0	0	\$15.73
Don Mills North	2,636,230	28.7%	2.8%	-11,163	-239,708	0	0	\$17.22
Consumers Road	3,632,790	24.0%	10.6%	43,752	246,688	0	0	\$15.68
G. Baker / Vic. Park	1,510,904	21.3%	0.0%	7,615	33,244	0	0	\$18.15
East	25,901,778	21.7%	8.8%	-5,396	261,281	0	0	\$16.99
North Yonge	7,760,524	27.2%	5.3%	113,381	104,026	0	175,000	\$22.36
North York West	2,166,759	8.1%	1.0%	1,602	36,561	0	0	\$13.39
Vaughan	3,195,743	10.8%	34.9%	-53,576	-4,811	0	0	\$19.71
North	13,123,026	20.0%	8.9%	61,407	135,776	0	175,000	\$21.61
Suburban	76,634,880	19.6%	10.1%	237,141	629,865	0	202,662	\$18.25
GTA TOTAL	172,000,888	16.0%	10.5%	1,028,244	3,642,685	0	622,939	\$28.25

Source: CBRE Research, Q3 2026.

Statistics as of September 11th, 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.

Core submarket: Comprised of Financial Core, Greater Core and Downtown South submarkets.

Periphery submarket: Comprised of Downtown North, East, West and Liberty Village submarkets.

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