CBRE

Office recovery spreads with more relief to come in remainder of 2026

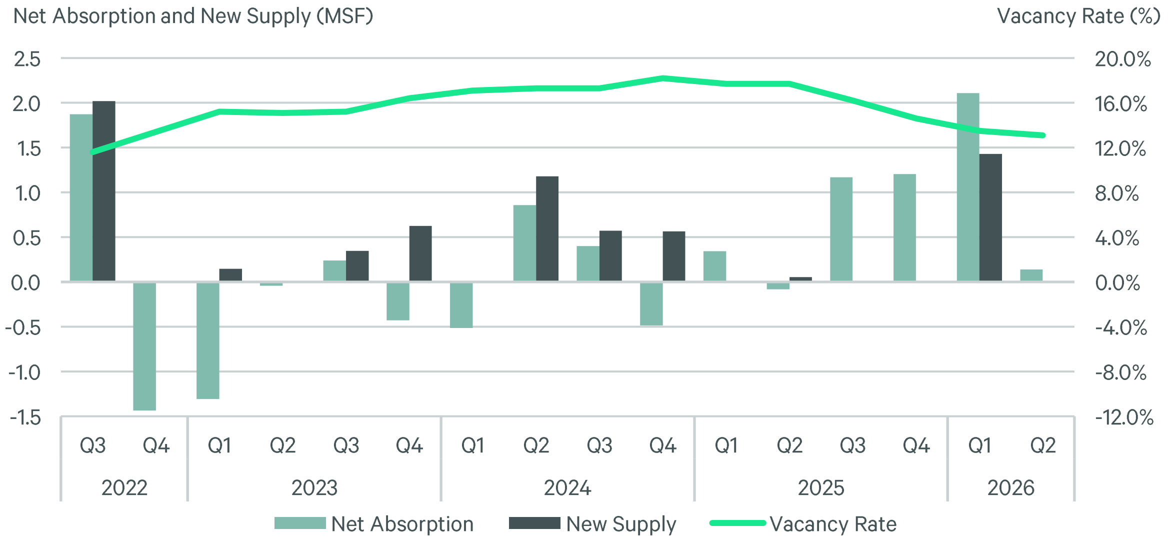
13.1%	140K	395K	$35.03
Vacancy Rate	SF Net Absorption	SF Under Construction	Avg. Net Asking Lease Rate ($PSF)

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

Executive Summary

- Overall vacancy decreased by 40 basis points (bps) to 13.1% as Downtown Toronto registered over 140,000 sq. ft. of net absorption in Q2 2026. This caps an all-time high of 4.6 million sq. ft. in net positive absorption over 12 months, over 1.7 million sq. ft more than the second highest period from Q3 2016 - Q2 2017.
- The overall office market is beginning to recover beyond the major core premium spaces with the predicted spread of flight-to-quality coming to pass. The combined vacancy for sub-premium product decreased by 130 bps to its lowest point since Q4 2023.
- Non-core markets continue to perform well as combined vacancy in these markets decreased to 20.5% its lowest point since Q3 2023. This capped off a 12-month period with over 800,000 sq. ft. of net positive absorption and a vacancy decrease of 400 bps, with 260 bps coming in Q2 2026 alone.
- Average net asking rents continue to surge in premium spaces amid persistent demand, but sub-premium space offer a reprieve for select budget sensitive tenants in the market.

FIGURE 1: Downtown Toronto Office Supply and Demand



Source: CBRE Research, Q2 2026.

Path to recovery continues as market sets 12-month record

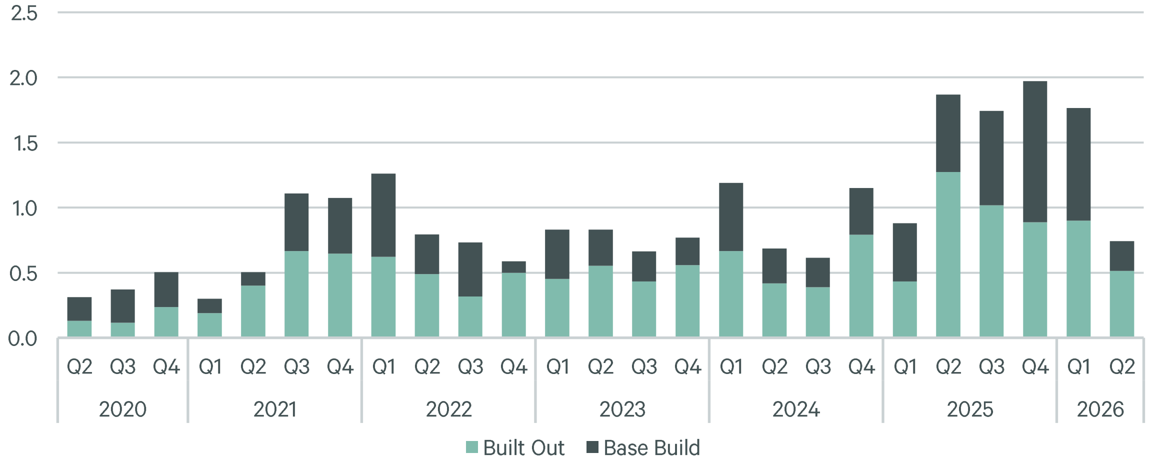
Q2 2026 marked a 12-month period that was unprecedented on many accounts. Over this time, a total headline figure of 4.6 million sq. ft. in positive absorption was reported, and while astounding, does not fully encompass the overall story. In that period overall vacancy dropped 460 bps, a precipitous fall after an agonizing climb in the post-COVID era. Current vacancy sits at its lowest point since Q3 2022, a period that featured high inflation and increased borrowing rates. In contrast, and despite economic issues prevalent in today's climate, the fundamentals for occupiers in Downtown Toronto remain strong, maintaining the market's positive trajectory. Upon summarizing this 12-month period it is clear to see that the key stories at play during quarterly discussion made tremendous impacts over an extended longer period.

Large block availability diminished by over 2 million sq. ft. in the last year. The much-acclaimed premium Class AAA product was a major benefactor of this activity as vacancy decreased an exceptional 340 bps to 2.6%, just 10 bps shy of the pre-pandemic three-year average. The Class A market followed closely behind as the catalyst behind the overall market's performance with intense recovery occurring in late 2025, decreasing by a total 660 bps. Overall activity has spread beyond AAA into the Class A market and will continue to define tenant demand in the remainder of 2026. Comparatively, sub-premium class space (Class B/C/RC) has experienced a more modest recovery of 130 bps in Q2 2026 alone. This recent change in trajectory indicates that demand has extended beyond premium assets.

Flight-to-quality demand spreads into the broader market

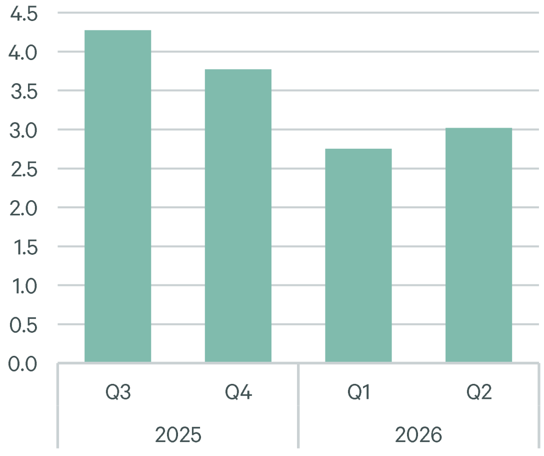
As competition has reached new heights in the Class AAA/A market, some tenants are taking advantage of a portion of the market that has yet to witness full recovery. Activity in Q2 2026 saw sub-premium vacancy hit 23.4%, its lowest point since Q4 2023, supported by tenants that are widening their building class options and looking to lock in at more competitive rents. Beyond building quality, the spread of demand is location relative. In 2025, market recovery was centered around the core submarkets while periphery submarkets remained relatively distant from those positive effects. In 2026, vacancy has dropped 260 bps in the periphery submarkets while boasting more absorption than the core in this quarter, rejuvenating optimism and demand.

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



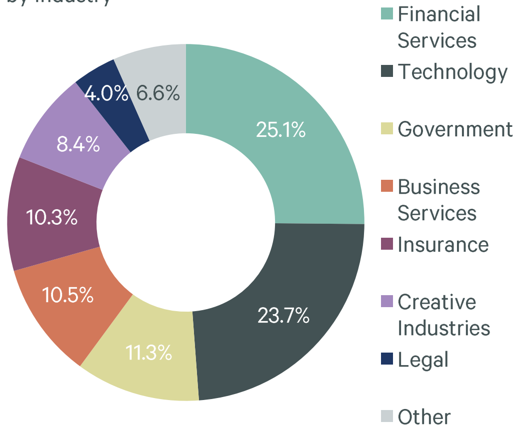
Source: CBRE Research, Q2 2026.

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



Source: CBRE Research, Q2 2026.

FIGURE 4: Downtown Toronto Tenants in the Market by Industry



Source: CBRE Research, Q2 2026.

Excellent indicators for remainder of 2026

The market has undoubtedly had an unprecedented year of activity, however Q2 2026's lighter absorption figure may raise concerns that market recovery has stalled. Despite this, there are a myriad of indicators that could quell those concerns and point towards continued positive momentum.

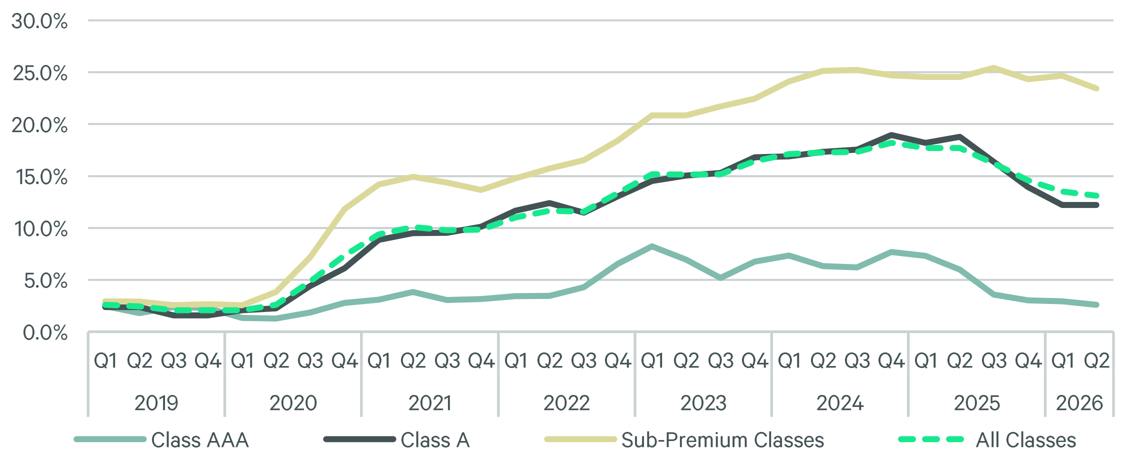
Firstly, major tenant requirements increased by over 250,000 sq. ft. in Q2 2026 showing that demand remains strong despite all the activity that has occurred in the last 12 months. In addition, major renewing tenants in 2026 have expanded with a diverse range of industries needing to meet new space requirements. This follows the significant expansion activity noted across the major banks in 2025.

Second, office buildings as an asset class have seen renewed investor confidence, particularly in quality downtown product. Major landlords like BGO have backed up their belief by investing directly into the market, with the reported sale of 95 Wellington Street W and 26 Wellington Street E. Other major core office trades were reported at 1 Queen Street E and 212 King Street W. This follows major deals that closed in 2025 at 70 York Street and 141 Adelaide Street W. This activity underscores both its resilience as an asset class and its capacity to recover from the challenges of the post-pandemic environment. Market participants increasingly recognize that conditions have improved significantly from where they stood last year, with continued momentum expected in the near term.

Expect an excellent second half of 2026

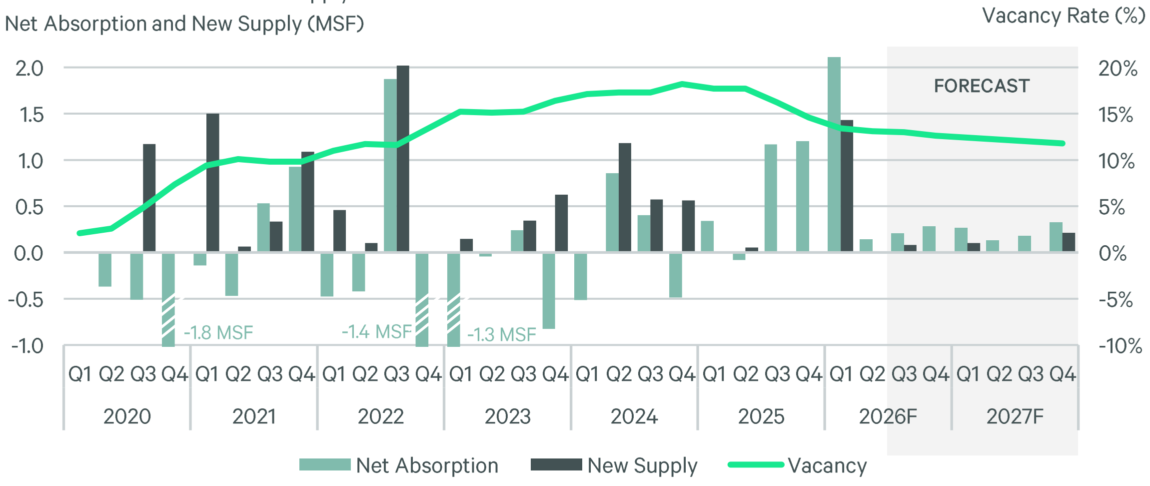
The first half of 2026 is already well ahead of typical annual performances, with activity levels and strong fundamentals pointing to an even stronger second half. The long predicted main trends for this market have come to pass as flight-to-quality is spreading out into the market recovery beginning the reunification of the bifurcated market. Tenants continue to find value in built-out space with 69.3% of new transactions in Q2 2026. Most importantly, while the banks may have carried significant weight in 2025, activity is diversifying from all directions,. 2026 is where other occupiers are stepping up, becoming key contributors, furthering the recovery and success of the Downtown Toronto office market.

FIGURE 5: Downtown Toronto Vacancy by Class (%)



Source: CBRE Research, Q2 2026.

FIGURE 6: Downtown Toronto Supply & Demand Forecast



Source: CBRE Econometric Advisors, CBRE Research, Q2 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	7.8%	11.3%	27,686	199,357	0	0	$44.20
Greater Core	23,054,710	14.1%	8.2%	-12,998	1,790,762	0	0	$32.50
Downtown South	9,605,714	8.5%	23.9%	-26,998	-267,960	0	0	$37.11
Downtown North	6,483,449	13.8%	18.0%	-22,884	-50,629	0	211,589	$26.63
Downtown East	3,667,656	21.0%	20.9%	15,829	307,283	0	80,966	$34.43
Downtown West	9,332,916	25.2%	10.6%	112,719	180,239	0	103,334	$33.49
Liberty Village	2,610,704	20.2%	17.6%	46,906	90,293	0	0	$26.90
Downtown	82,181,881	13.1%	12.7%	140,260	2,249,345	0	395,889	$35.03
Bloor / Yonge	6,666,758	24.8%	33.1%	-36,124	-11,083	0	24,388	$27.43
St. Clair / Yonge	2,194,054	14.5%	1.2%	19,406	-25,710	0	0	$29.61
Eglinton / Yonge	4,392,093	15.9%	9.0%	-25,577	-6,644	0	0	$18.87
Midtown	13,252,905	20.2%	23.0%	-42,295	-43,437	0	24,388	$25.93
Central	95,434,786	14.1%	14.8%	97,965	2,205,908	0	420,277	$33.15

Source: CBRE Research, Q2 2026.

FIGURE 8: Q2 2026 Notable Downtown Lease Transactions

Submarket	Address	Tenant	Size (SF)	Class	Deal Type
Financial Core	66 Wellington Street W	Weirfoulds LLP	79,800	AAA	Renewal/Expansion
Greater Core	155 Wellington St W	Paliare Roland	32,067	A	Renewal
Financial Core	11 King Street W	Beard Winter LLP	28,870	A	New Lease
Downtown West	134 Peter Street	Open Table	24,585	A	New Lease
Downtown West	134 Peter Street	Pager Duty	24,577	A	Renewal/Expansion

Source: CBRE Research, Q2 2026.

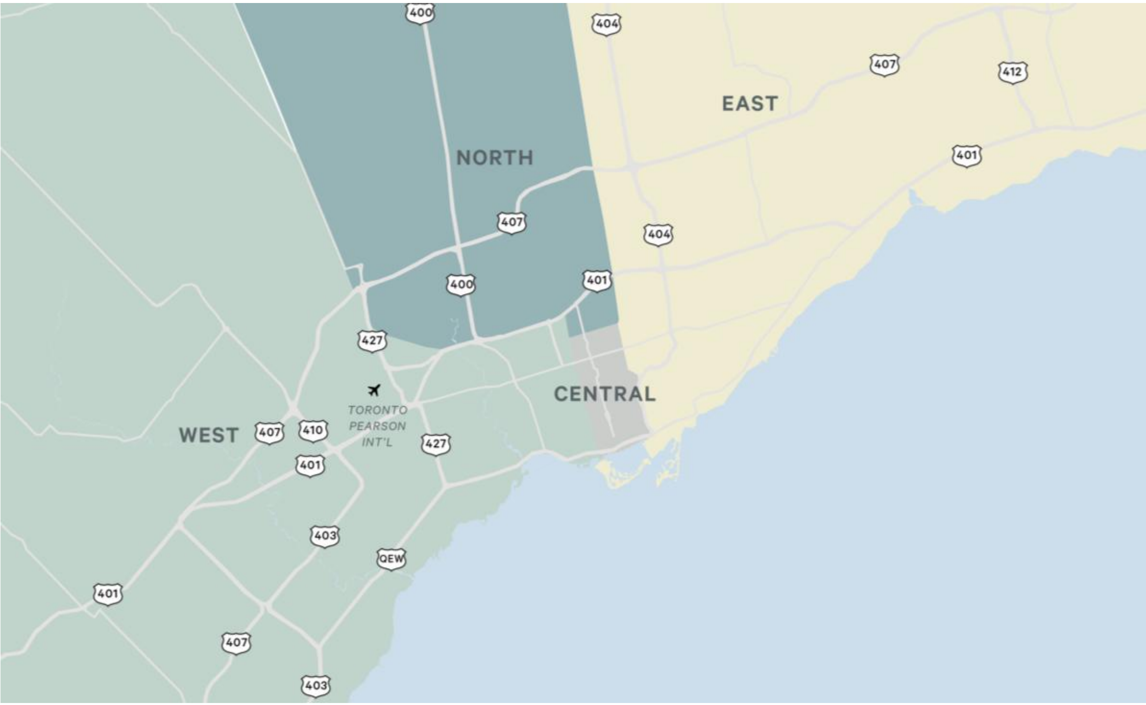
FIGURE 7b: Office Market Statistics (Suburban & Total)

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	21.6%	9.7%	10,952	-123,675	0	0	$20.79
427 Corridor	1,856,618	25.6%	3.9%	17,426	-15,258	0	0	$17.04
Airport Strip	3,443,255	22.7%	2.9%	62,659	1,662	0	0	$14.18
Airport Corp. Centre	7,321,241	21.1%	21.2%	11,924	22,818	0	0	$19.20
Mississauga South	1,462,158	5.6%	22.7%	9,256	-1,946	0	0	$14.51
City Centre	3,752,801	22.2%	3.4%	-32,346	37,153	0	0	$18.33
Hwy 10 / Hwy 401	4,303,077	12.2%	12.8%	47,618	7,915	0	0	$20.34
Meadowvale	4,474,354	20.0%	7.7%	115,821	133,485	0	0	$19.37
Brampton	1,049,000	7.5%	39.5%	3,094	-27,450	0	0	$22.26
Oakville	4,644,086	13.2%	21.8%	15,900	82,739	0	27,662	$18.11
Burlington	3,791,691	19.7%	16.5%	-52,469	-70,972	0	0	$16.02
West	37,849,052	18.4%	12.6%	209,835	46,471	0	27,662	$18.02
Scarborough	3,544,513	24.2%	10.7%	102,124	106,967	0	0	$16.09
Markham N. / R. Hill	8,068,046	17.5%	4.4%	87,347	170,837	0	0	$18.98
Markham South	4,092,334	17.7%	3.4%	1,627	-12,804	0	0	$17.07
E. York / D. Mills S.	2,552,330	31.2%	1.8%	-11,195	-15,120	0	0	$15.89
Don Mills North	2,792,656	32.6%	0.0%	-35,749	-269,168	0	0	$17.59
Consumers Road	3,632,790	25.2%	11.8%	43,786	202,936	0	0	$15.82
G. Baker / Vic. Park	1,510,904	21.8%	0.0%	12,251	25,629	0	0	$18.18
East	26,193,573	22.7%	5.1%	200,191	209,277	0	0	$17.27
North Yonge	7,760,524	28.7%	6.0%	-16,143	-9,355	0	175,000	$22.40
North York West	2,166,759	8.1%	1.0%	23,404	34,959	0	0	$13.90
Vaughan	3,195,743	9.1%	22.7%	40,997	48,765	0	0	$19.52
North	13,123,026	20.5%	7.5%	48,258	74,369	0	175,000	$21.74
Suburban	77,165,651	20.2%	8.8%	458,284	330,117	0	202,662	$18.38
GTA TOTAL	172,600,437	16.8%	11.6%	556,249	2,536,025	0	622,939	$27.40

Source: CBRE Research, Q2 2026.

Statistics as of June 4th, 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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