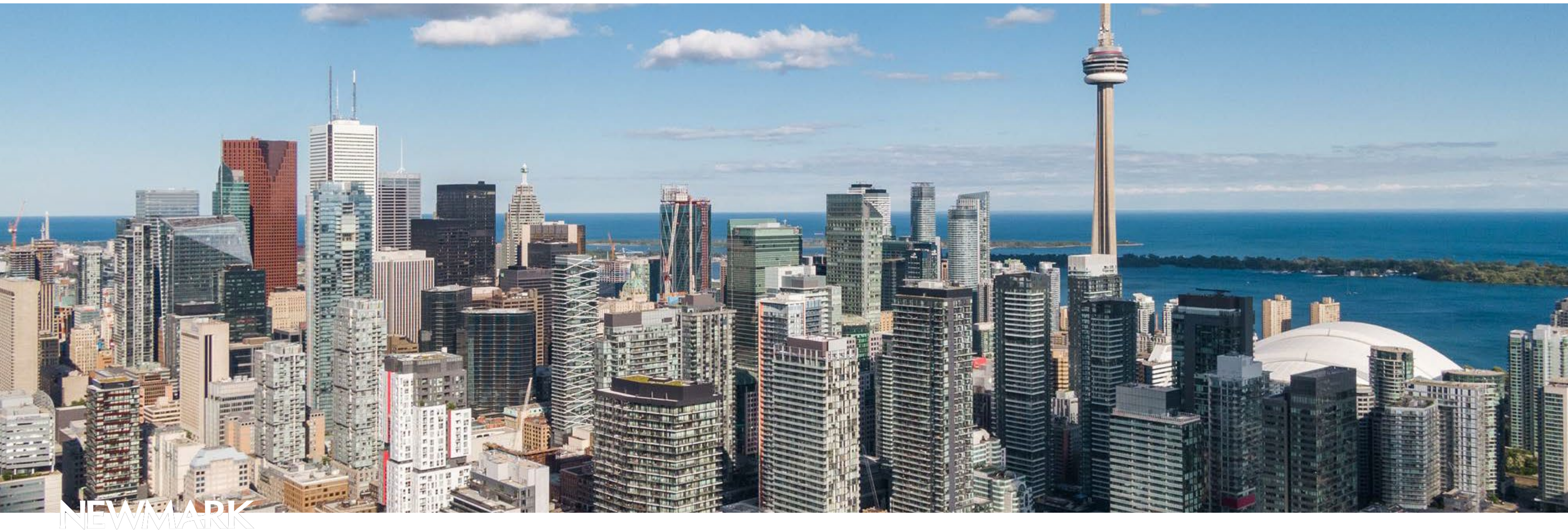


2Q25

Downtown Toronto Office Market Overview



NEWMARK

Downtown Toronto Office Market Observations

Downtown Toronto office vacancy hit 14.0% at mid-2025, up slightly from 13.8% the quarter previous but down from a year ago after peaking at 14.8% in the third quarter of 2024.

Absorption in the first six months of the year totalled ~960k sf, the most absorption recorded in the first half in Toronto's downtown office market since 2017 despite high economic volatility.

Leasing activity in the Financial Core led all downtown submarkets at mid-2025 with U.S. tariff threats and the associated economic uncertainty seeming to have little impact on activity.

The delta between availability and vacancy in the Financial Core tightened to 380 basis points at mid-2025, the smallest gap between the two indicators since the third quarter of 2020.



Overall sublease vacancy continued to decline downtown due in large part to the tightening of sublease vacancy in class B/C properties, one of the only sources of leasing activity occurring outside of class A assets.

With no large net new tenants making (pre) lease announcements in the Downtown core in the first half of 2025, vacancy, while declining, will remain elevated due to significant amounts of obsolete backfill space not being occupied.

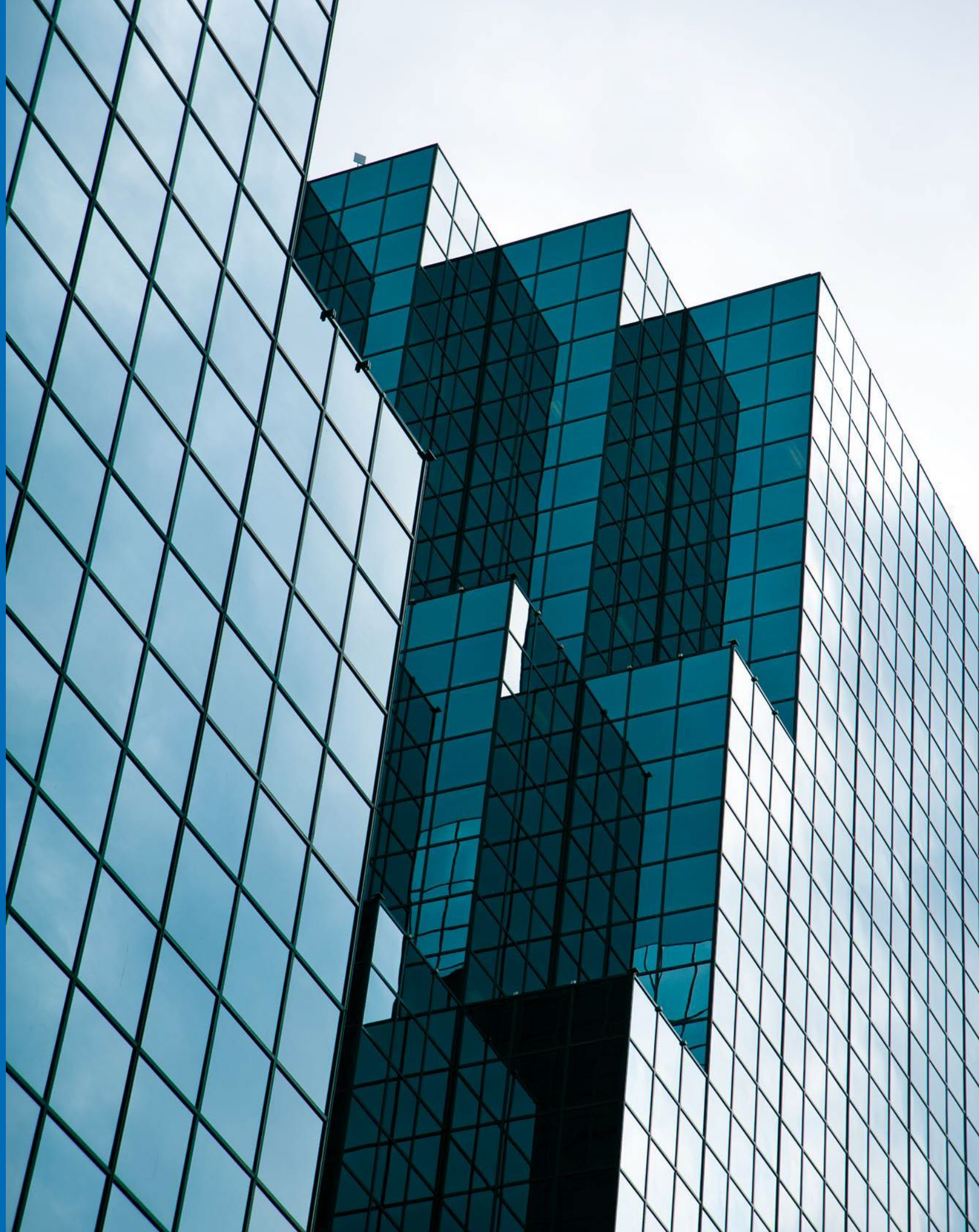
Four of five of Canada's 'Big Five' banks – BMO, Scotiabank, RBC and TD Bank - all announced new return to office policies commencing in the back half of 2025 that will have employees back in the office at least four days per week,

After 5+ years of rising vacancy and availability due to anemic leasing and an exodus of tenants, both Downtown North and East are increasingly likely to be subject to an intensification of redevelopment and/or demolition of dated inventory.

With phase two of CIBC Square the last large office tower under construction downtown, the ongoing pressure from tenant demand for trophy space may lead to an announcement of a new development, which would be a first since pre-COVID.

2Q25

Office Market Metrics



Downtown Toronto Office Submarket Statistics By Class | 2Q25

Submarket Statistics – By Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Annual Net Absorption (SF)	Direct Available Rate	Sublet Available Rate	Est. Gross Rent (\$/SF) incl. TMI
Downtown Toronto	82,129,846	1,489,556	14.0%	173,821	958,378	14.9%	3.1%	
Class A	58,838,947	1,489,556	12.5%	551,968	948,680	11.8%	3.5%	C\$60-\$98
Class B/C	23,290,899	0	18.0%	-378,147	9,698	20.6%	2.1%	C\$44.9
Financial Core	37,282,347	1,435,520	12.4%	333,932	754,589	13.7%	2.5%	
Class A	30,641,619	1,435,520	10.3%	382,828	643,149	11.4%	2.7%	C\$66-\$88
Class B/C	6,640,728	0	21.8%	-48,896	111,440	24.1%	2.0%	C\$48.1
Downtown West	14,283,012	0	19.0%	3,856	342,290	18.2%	4.3%	
Class A	8,755,045	0	19.6%	39,027	191,406	15.8%	6.1%	C\$60-\$72
Class B/C	5,506,426	0	18.1	-35,171	150,884	22.3%	1.5%	C\$43.9
Downtown North	13,852,908	0	15.4%	-220,005	-105,994	16.4%	2.4%	
Class A	6,774,318	0	13.2%	22,193	130,673	13.4%	2.2%	C\$63-\$72
Class B/C	7,078,590	0	17.5%	-242,198	-236,667	19.2%	2.7%	C\$45.6

See next page

Downtown Toronto Office Submarket Statistics By Class | 2Q25

Submarket Statistics – By Classes								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Annual Net Absorption (SF)	Direct Available Rate	Sublet Available Rate	Est. Gross Rent (\$/SF) incl. TMI
Downtown South	11,130,061	0	8.5%	-79,247	-43,572	6.3%	2.8%	
Class A	10,289,573	0	9.2%	-79,247	-58,772	6.8%	3.0%	C\$71-\$98
Class B/C	840,488	0	0%	0	15,200	0%	0%	C\$44.0
Downtown East	5,603,059	54,036	20.2%	135,285	11,095	18.8%	6.3%	
Class A	2,378,392	54,036	26.4%	187,167	42,224	18.2%	11.3%	C\$61-\$71
Class B/C	3,224,667	0	15.7%	-51,882	-31,159	19.3%	2.7%	C\$42.1

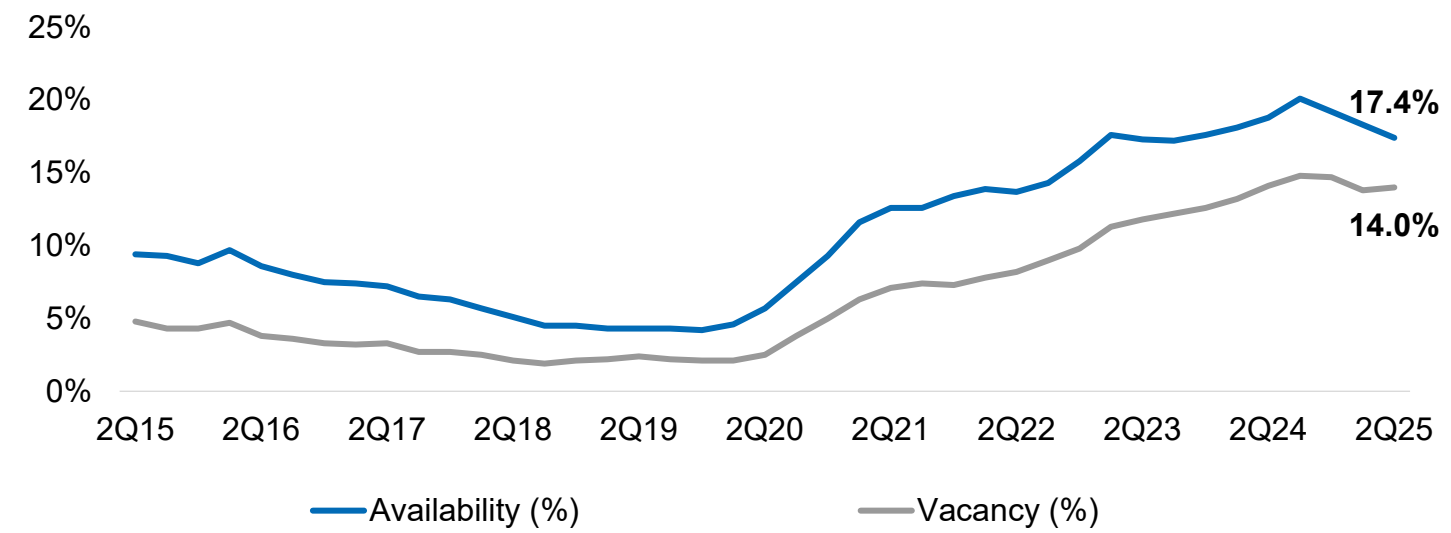


Source: Newmark Research, Altus Data Studio

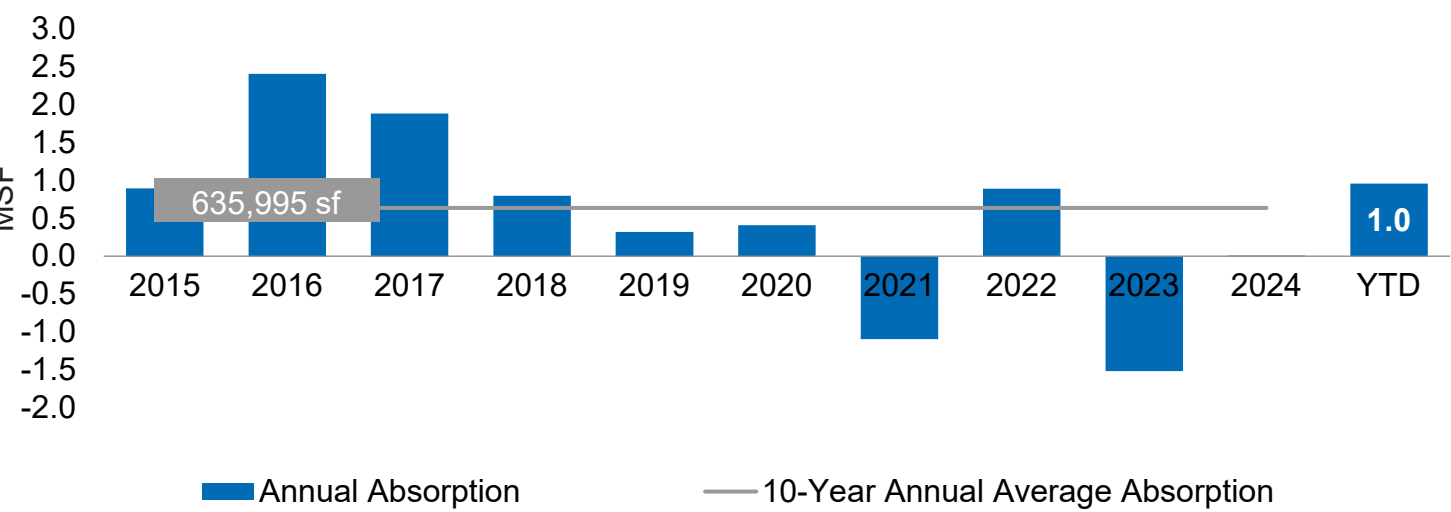
Downtown Toronto

Downtown Toronto* is at the core of Canada’s biggest office market in the country’s largest city, comprising 82.1 msf and consisting of five submarkets, including the Financial Core, Downtown North, Downtown West, Downtown South and Downtown East. First-half absorption of ~960k sf was the most absorption recorded Downtown since the first half of 2017. Availability has been declining steadily since the third quarter of 2024, dropping 270 basis points in the past 12 months as no new supply limits source of upward pressure on vacancy.

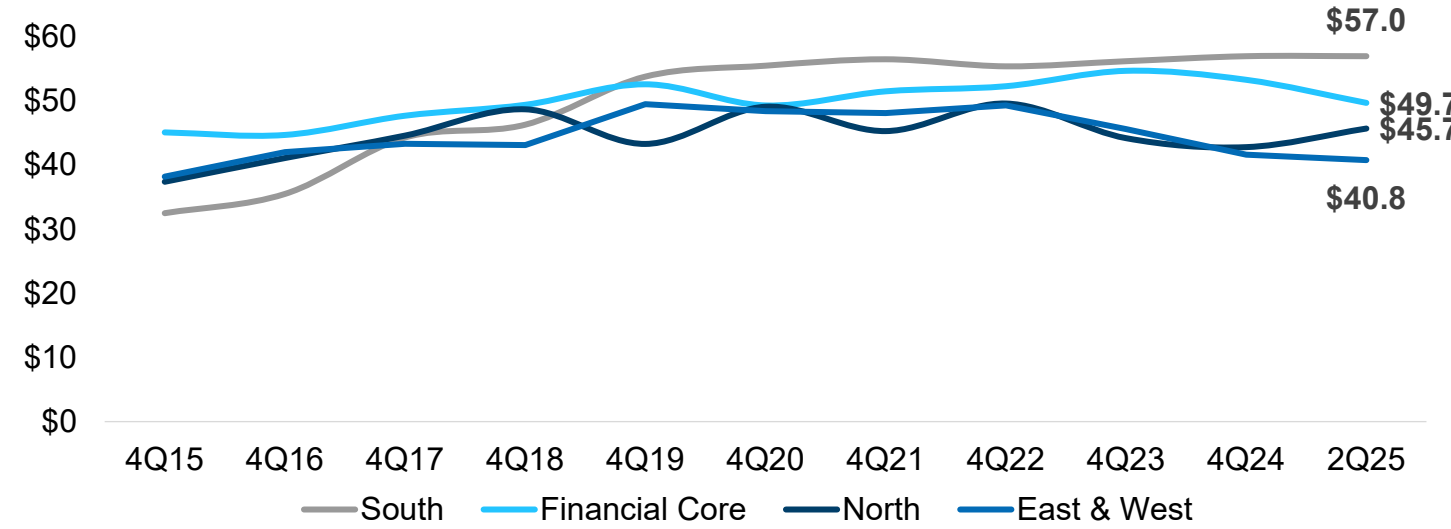
Overall Availability And Vacancy Rates – All Classes*



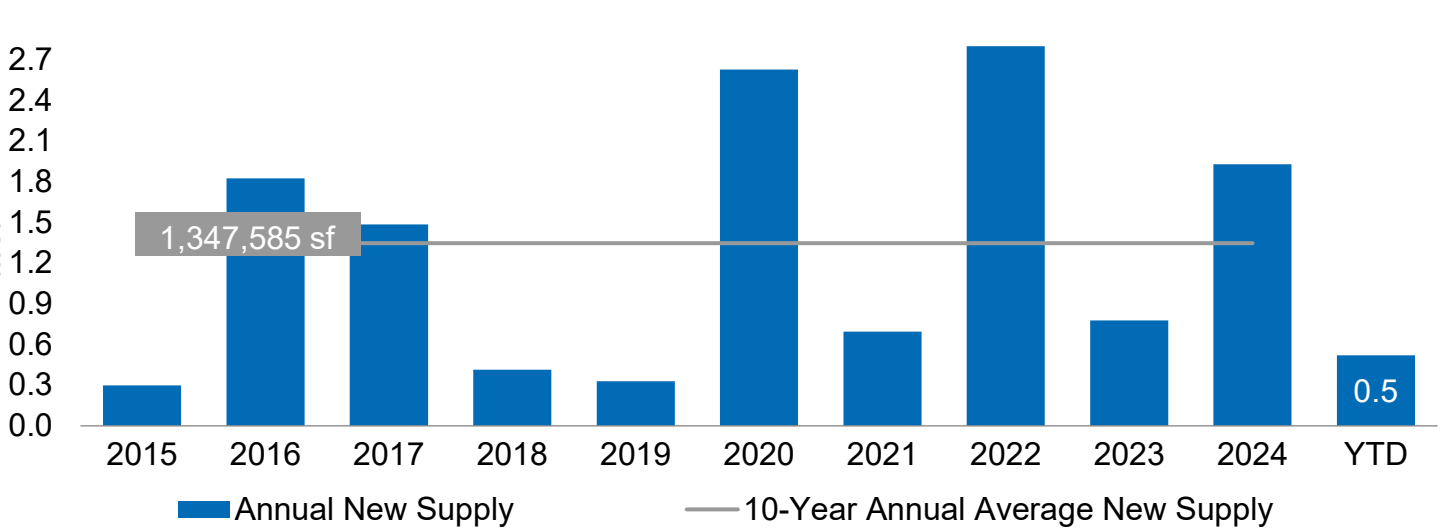
Annual Absorption – All Classes*



Total Direct Gross Rent Average by Downtown Submarket (C\$/sf)*



New Construction Deliveries*

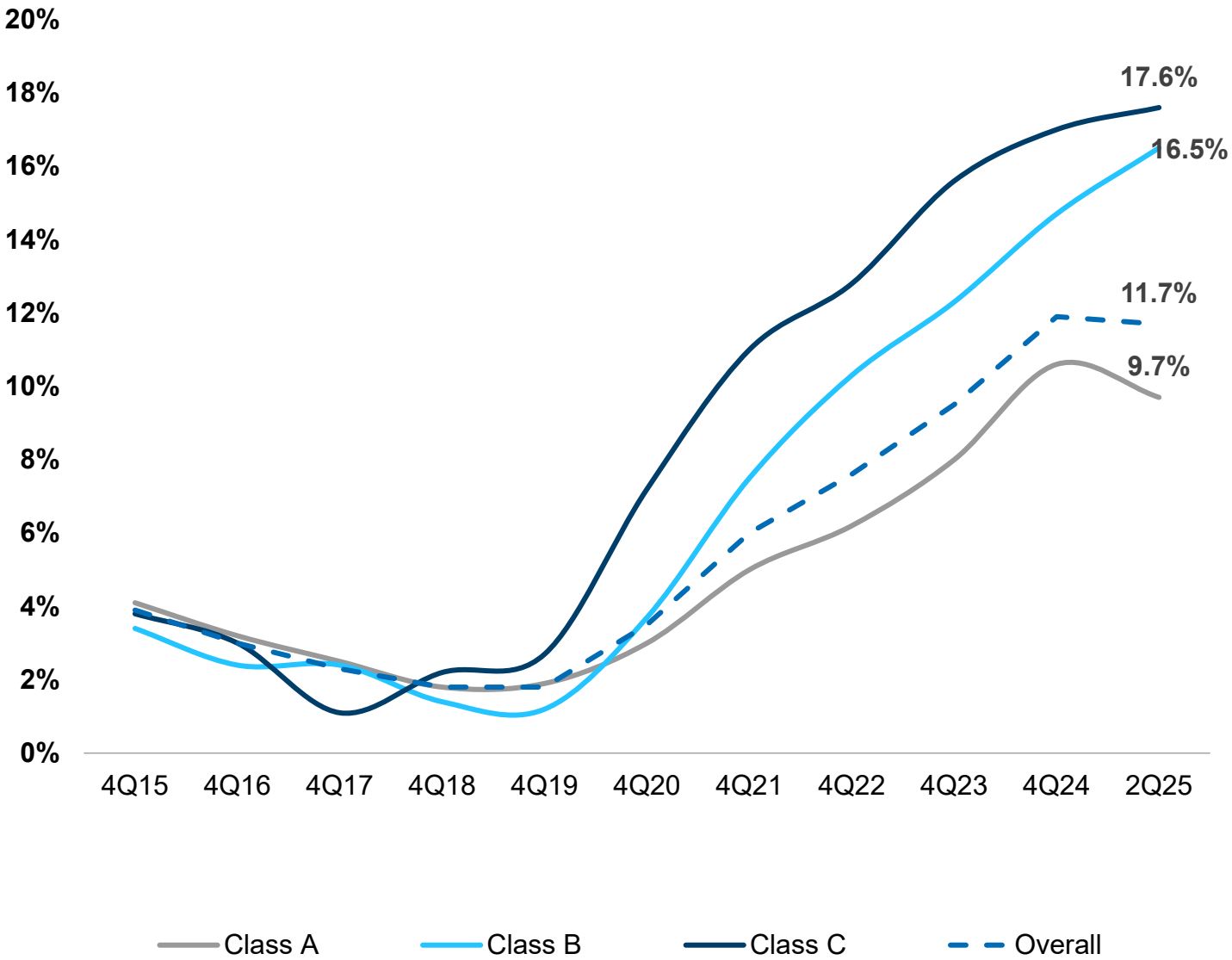


Source: Newmark Research, Altus Data Studio
* Not including King & Dufferin submarket

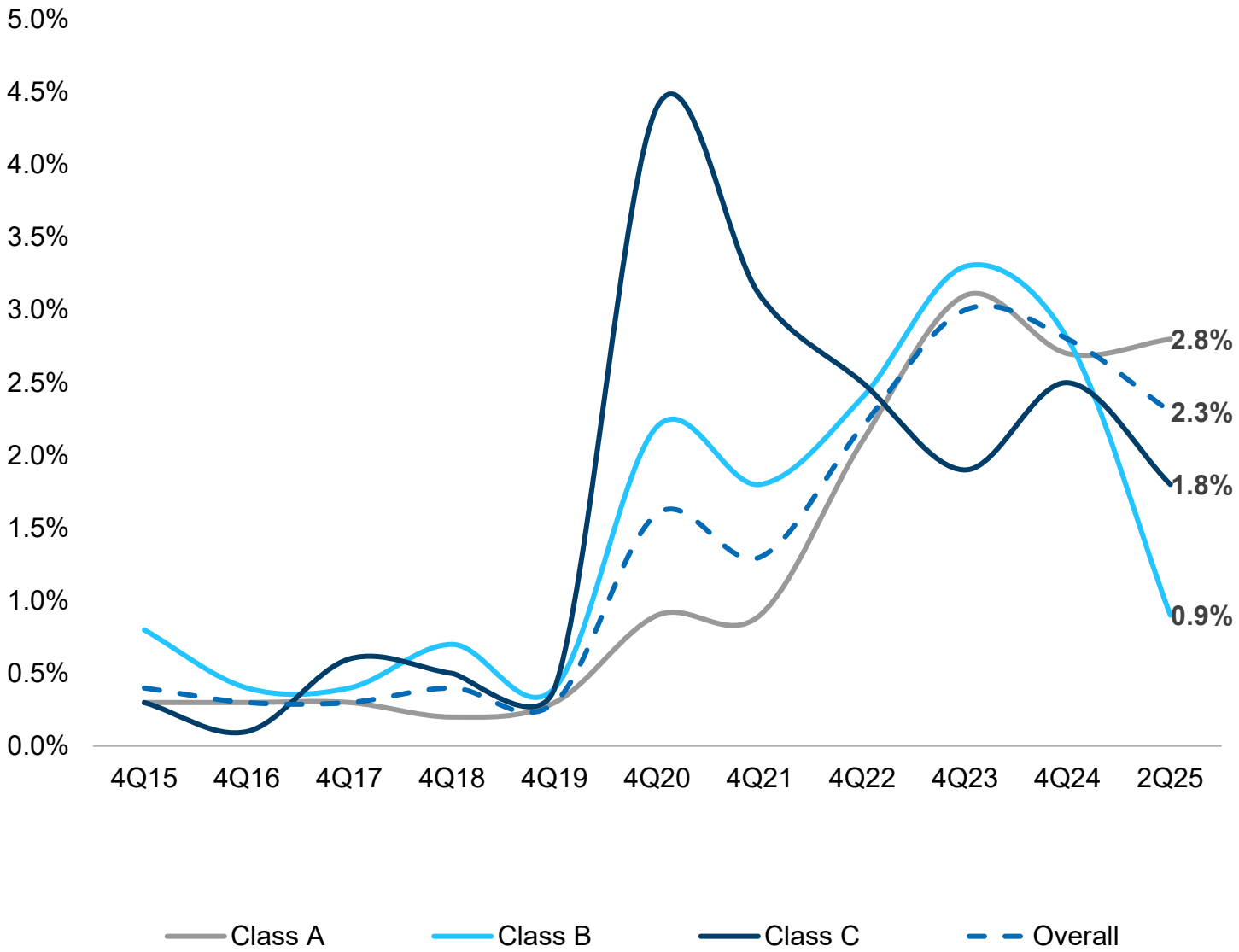
Class A Divergence Accelerates As Tenant Preferences Clearly Favour Quality Buildings

The ongoing divergence of vacancy in class A properties compared with class B/C assets has demonstrated that demand for new quality space is to become more acute in Downtown Toronto within the next 12 to 24 months. The unceasing rise of class B/C vacancy highlights a need for measures resolving the issue of excess outdated office space that is unlikely to be utilized in its current format. Overall inventory reductions need to be accompanied by a smaller but notable increase in the proportion of class A space comprising the overall market.

Downtown Office Headlease Vacancy by Class – 2015 to 2025



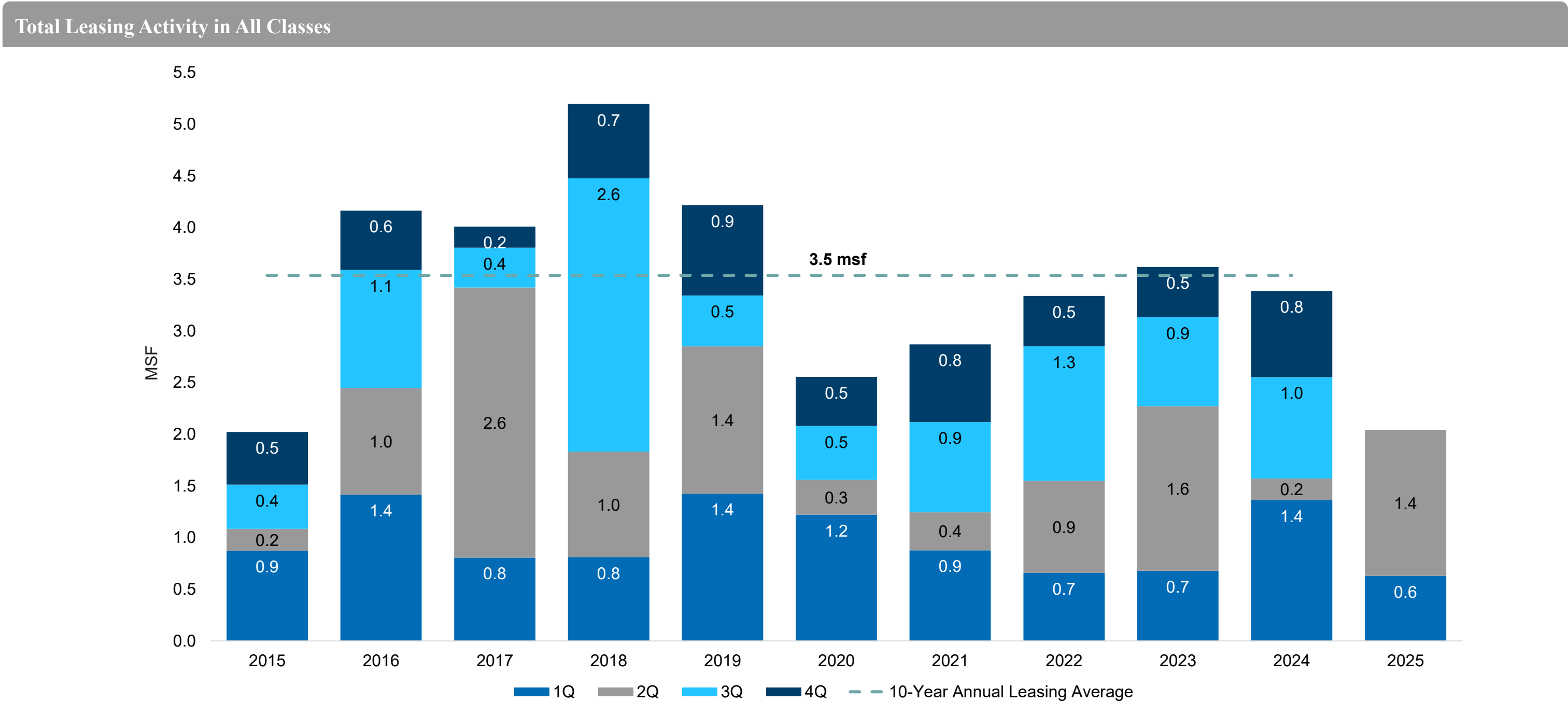
Downtown Office Sublease Vacancy by Class – 2015 to 2025



Source: Newmark Research, Altus Data Studio

Downtown Leasing Activity Primarily Generated By Tenants Return To Financial Core

Leasing activity in the Financial Core and Downtown West submarkets during the first half of 2025 helped offset a decline in demand in Downtown East. Activity in Downtown North also faltered notably in the second quarter after a positive start. The tightest submarket, Downtown South, remained highly limited in terms of availability; however, availability in the more active Financial Core tightened to its lowest point since late 2022. Economic uncertainty arising from U.S. tariff threats appeared to have had a muted impact on second-quarter leasing.

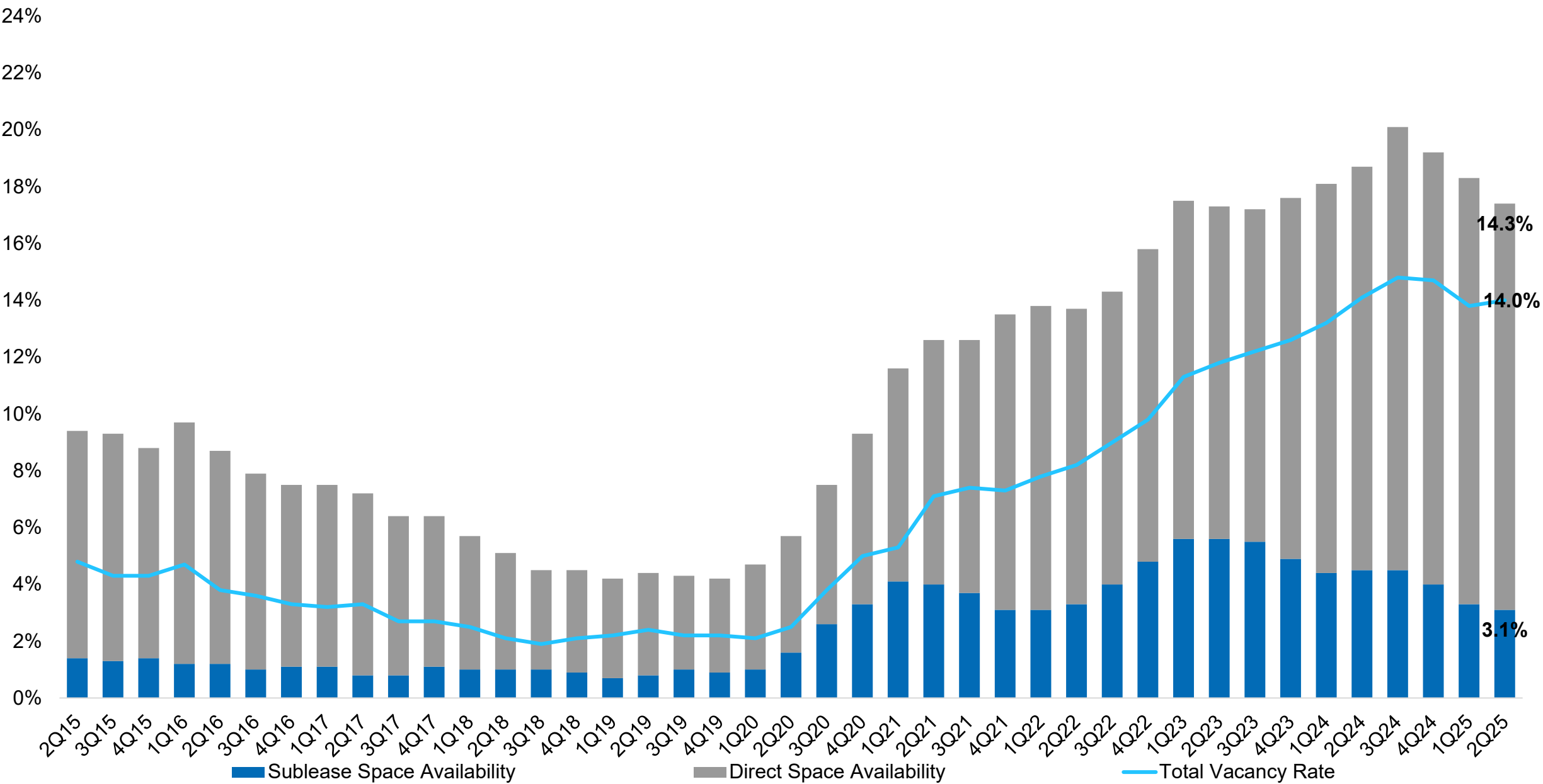


Source: Newmark Research, Altus Data Studio

Gap Between Vacancy And Overall Availability Narrows As Sublease Space Leased Up

Sublease availability in downtown Toronto fell to its lowest point at mid-2025 since the start of 2022 as vacancy continued trending downwards after peaking in the third quarter of 2024. The second quarter of 2025 also marked a quarter-over-quarter decline in direct head lease availability. An improvement in market sentiment combined with increased leasing along with the conversion and/or redevelopment of dated stock, particularly in Downtown East and North, will likely be required to return availability to a more balanced 8% to 10%.

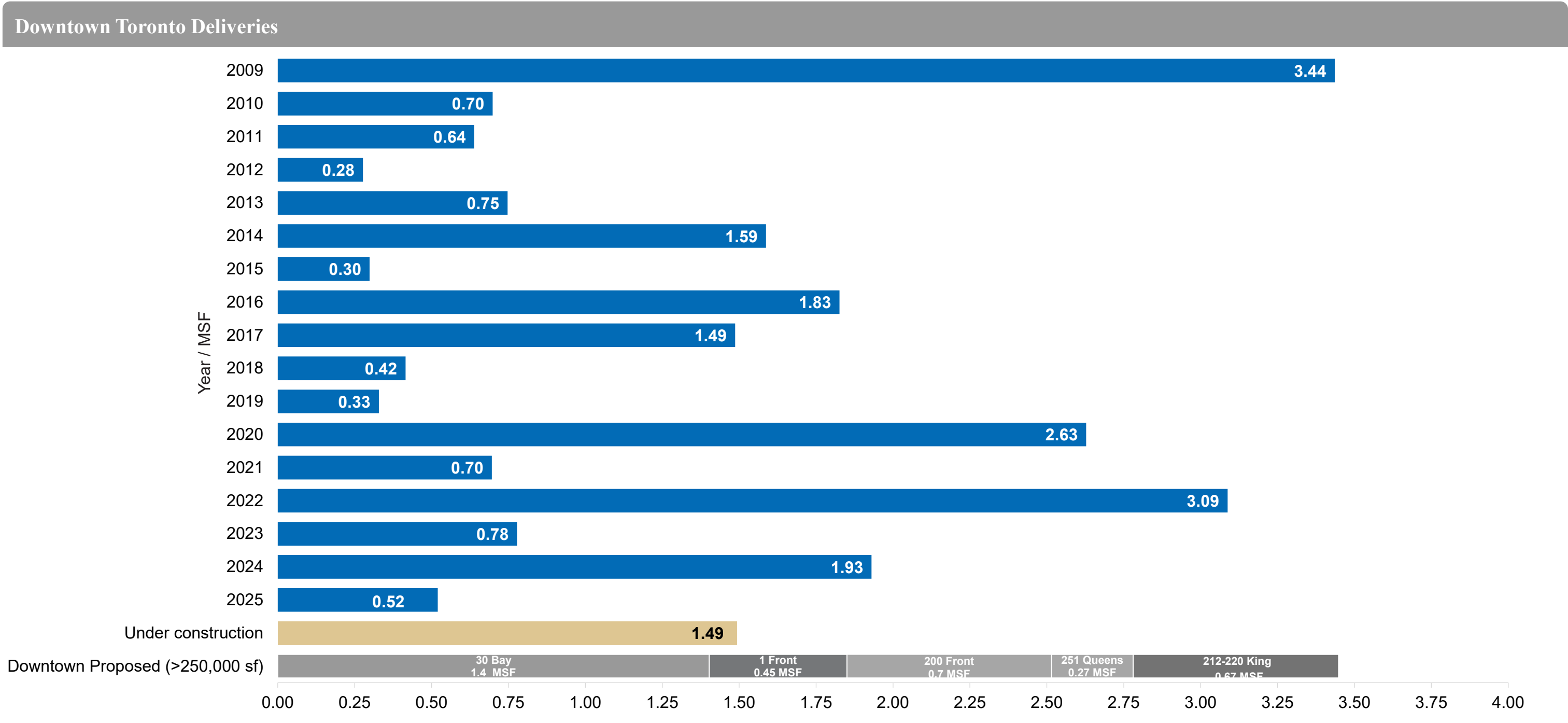
Available Space as Percent of Overall Market



Source: Newmark Research, Altus Data Studio

Downtown Toronto Construction Velocity

New office construction in Downtown Toronto has developed space on a consistent albeit expanding basis during the past 15 years with cycles delivering exponentially more square footage each time. The current development cycle that commenced in 2020 and runs through 2025 is set to deliver more than 9.7 msf with ~1.5 msf still under construction. The current prolonged pause in new construction starts may end in the next 12 months with indications that Oxford Properties may be readying to launch The HUB at 30 Bay Street.



Source: Newmark Research, Altus Data Studio

2Q25

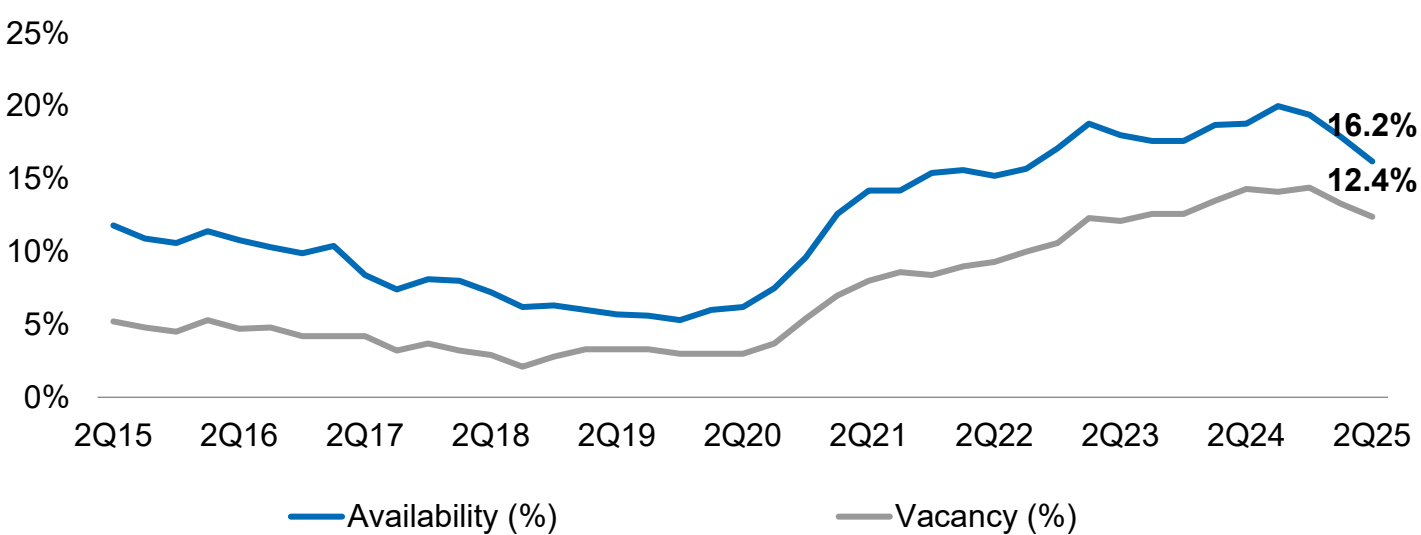
Financial Core



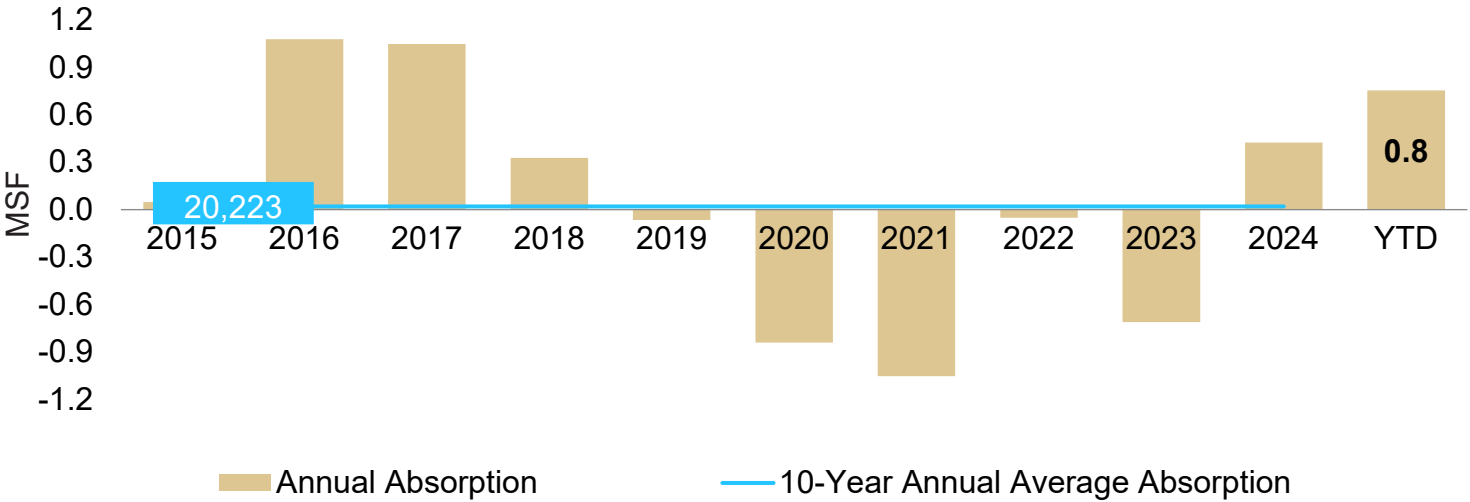
Financial Core

The 37.3-msf Financial Core led all Downtown Toronto submarkets with more than 750,000 sf of absorption in the first half of 2025, which led to vacancy declining to 12.4%. Class A (and increasingly class B) vacancy is in decline as tenants, including four of Canada’s ‘Big Five’ banks, return to the office in greater numbers, particularly in top tier properties with PATH and transit access. The delta between availability and vacancy tightened to 380 basis points at mid-2025, the smallest since the third quarter of 2020. The contraction of Downtown’s construction pipeline has signalled a coming class A supply crunch that would not be resolved by delivery of new space until 2029/30 even if kicked off within the next year.

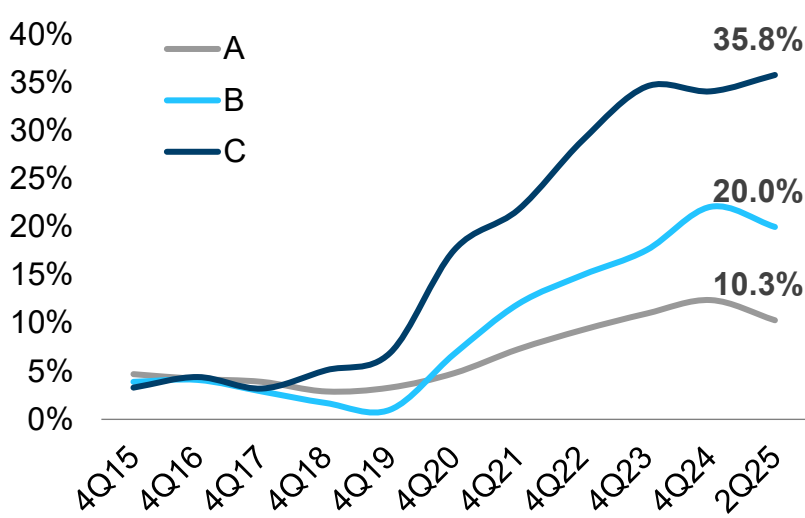
Overall Availability & Vacancy Rates – All classes



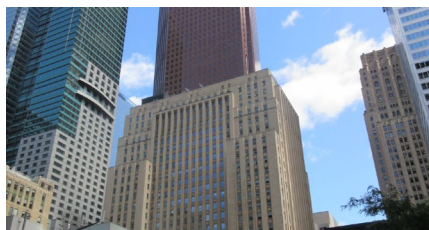



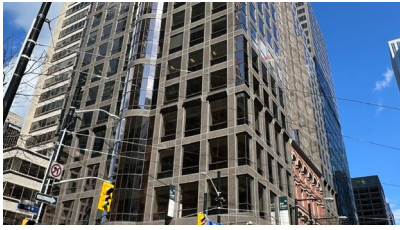
Annual Absorption – All classes



Vacancy by Class – 2015 to 2025



Second Quarter Deals

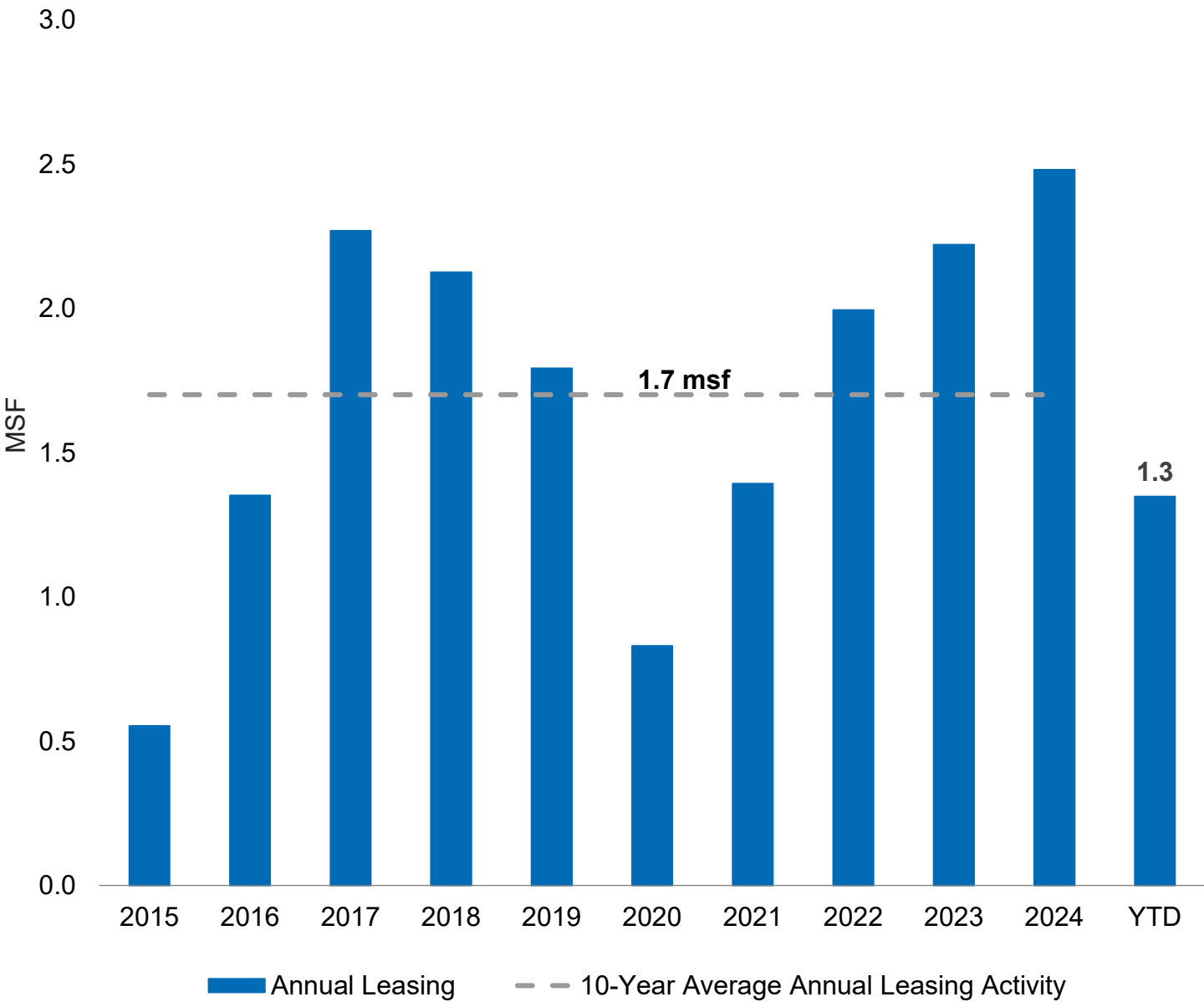
				
Scotia Plaza 40 King Street West	TD Bank Tower 77 King Street West	TD Bank Tower 66 Wellington Street West	TD Bank Tower 77 King Street West	70 York Street
Scotiabank	Fidelity	Amazon	WeWork	Questrade
480,000 SF	155,300 SF	75,000 SF	66,560 SF	40,000 SF
Renewal	Direct New	Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

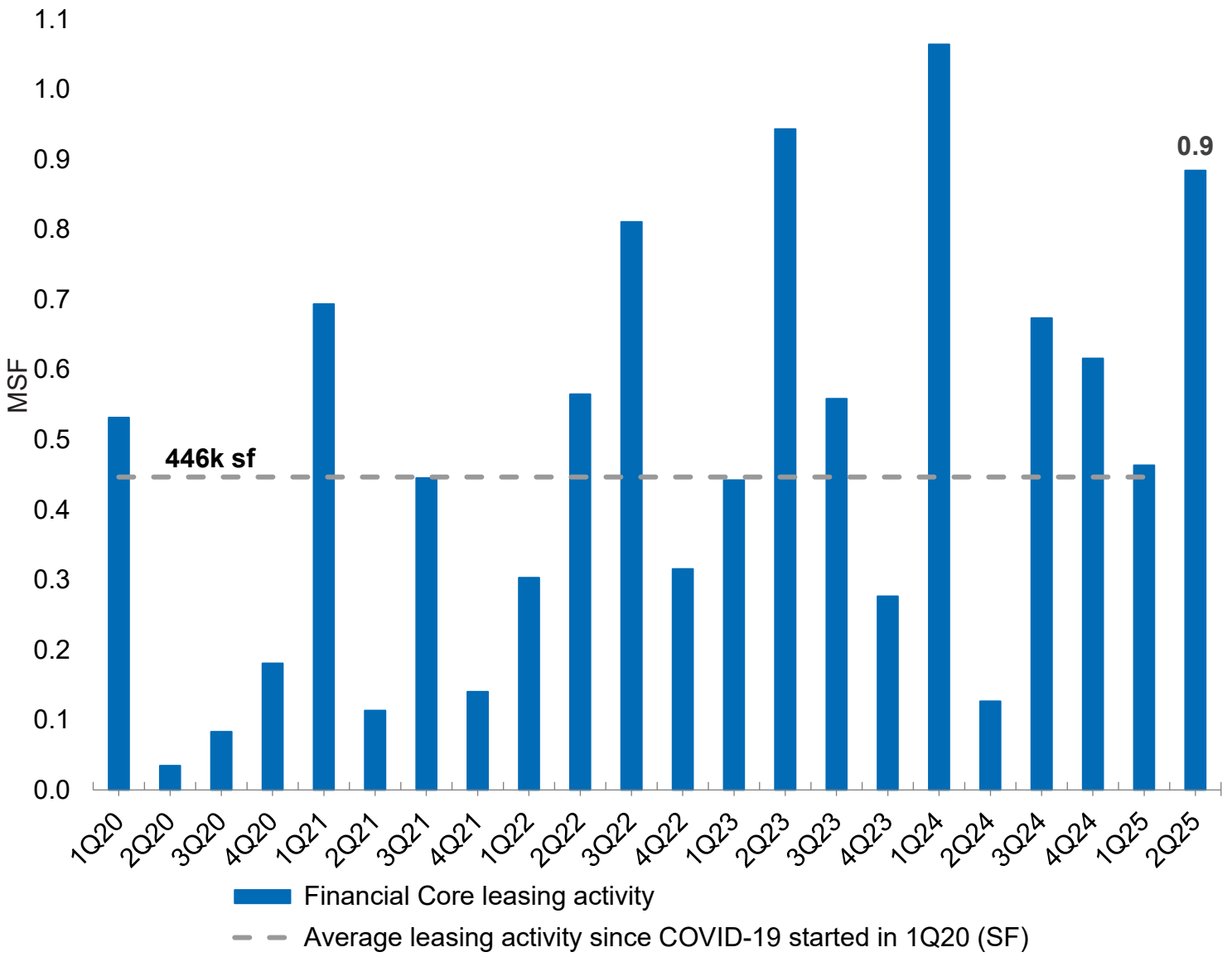
Leasing Activity In Financial Core Showing Resilience Despite Economic Uncertainty

A lack of opportunities to prelease new supply in the first half of 2025 did little to dampen leasing activity as tenants continued to take up office space in the Financial Core despite the economic uncertainty arising from U.S. tariff threats. Leasing activity in the second quarter of 2025 was the second-most space leased in a quarter since 2020 and is surpassed only by the preleasing completed in CIBC Square in the first quarter of 2024. Any slowing of leasing velocity due to heightened economic uncertainty appeared to be minimal at mid-2025.

Annual Financial Core Leasing Activity – All classes



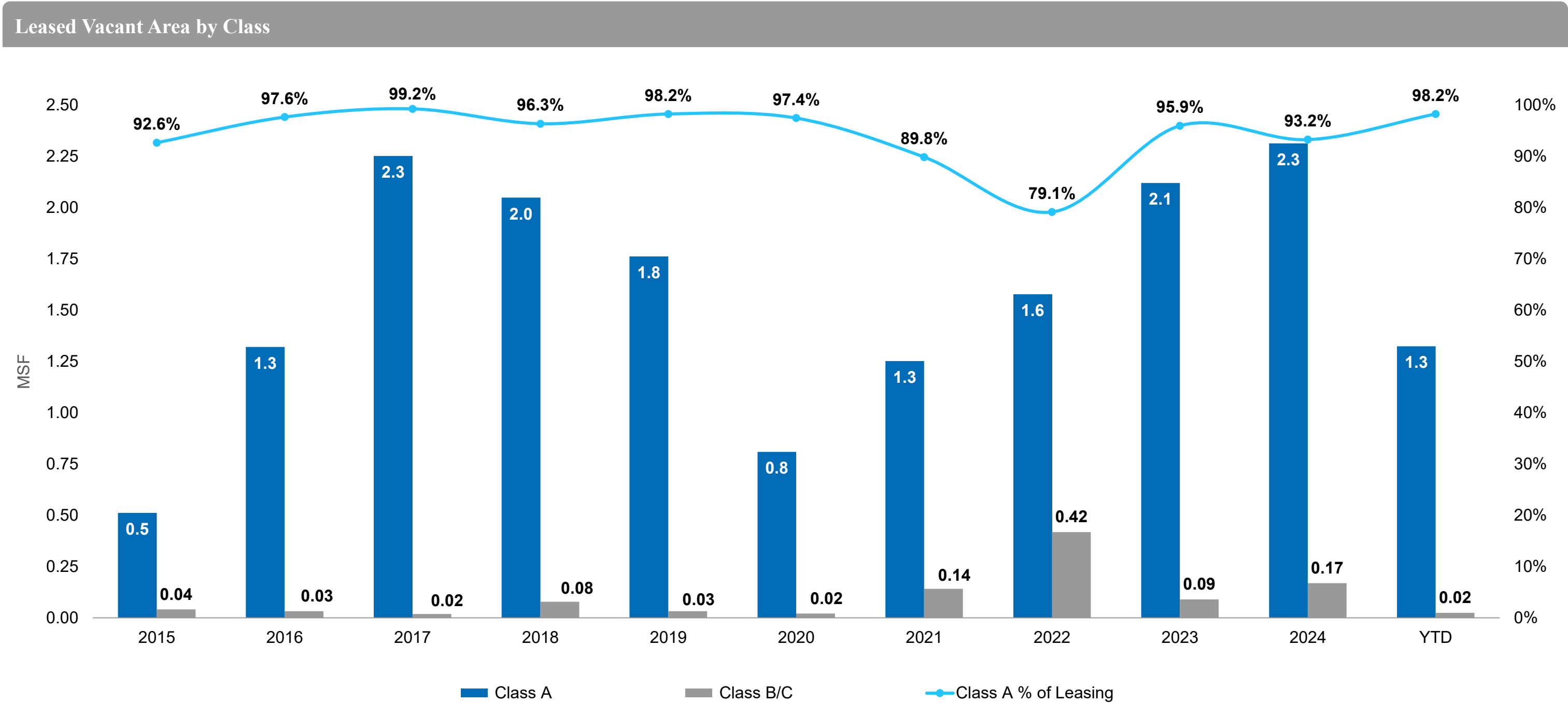
Financial Core Quarterly Leasing Activity – All classes



Source: Newmark Research, Altus Data Studio

All Class A All The Time For Downtown Tenants | Financial Core Leasing Activity

The percentage of class A space being leased annually has risen rapidly since 2020 and hit a decade high of ~2.3 msf in 2024. Class A buildings represent just half of the submarket’s building inventory (class B buildings comprise 39%) but 98% of the square footage leased in the first half of 2025 occurred in class A space. With most of the leasing activity focused in just 50% of inventory, the case for new supply in the Financial Core continues to build along with the likely need demolish or repurpose of older class B/C office space.



Source: Newmark Research, Altus Data Studio

2Q25

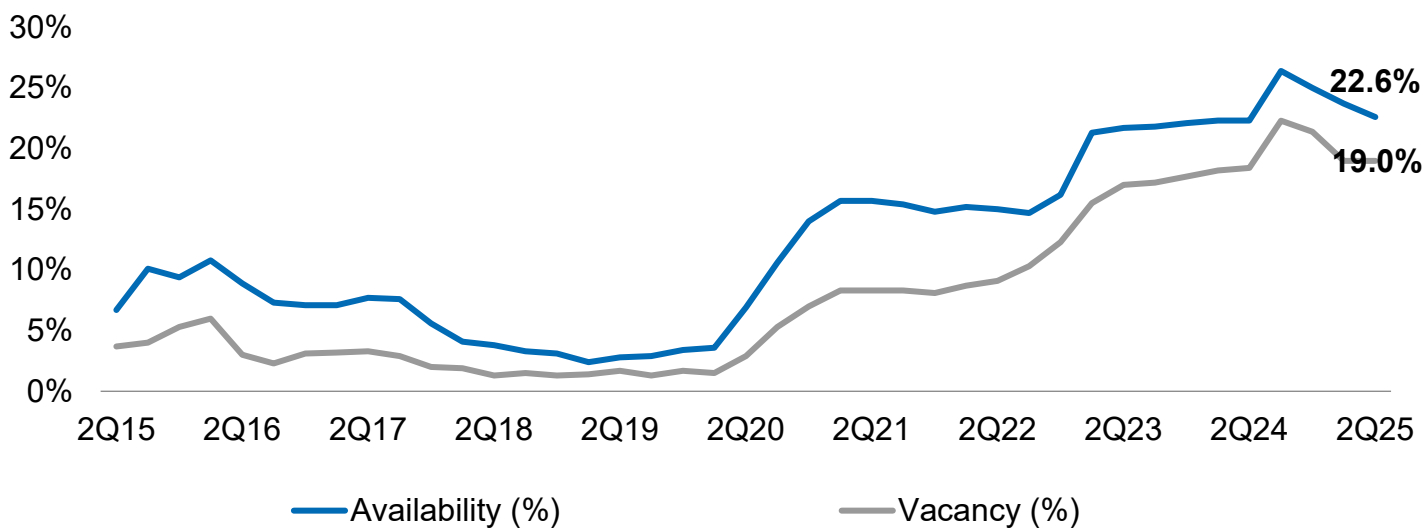
Downtown Toronto Office Submarkets



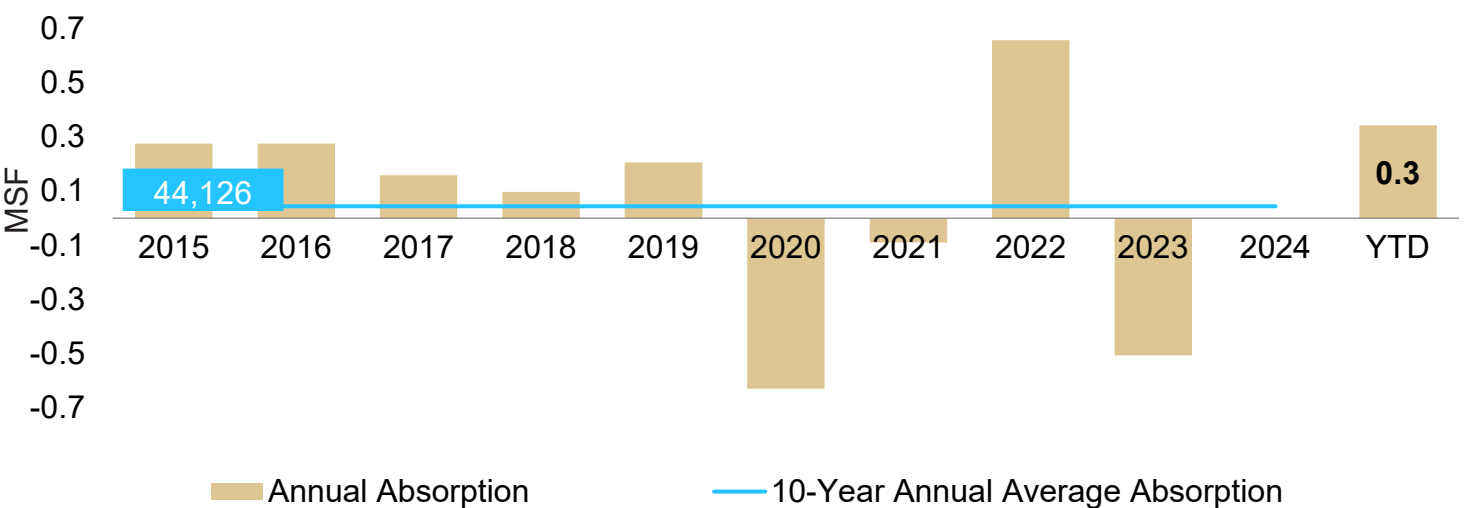
Downtown West

Downtown West, the second largest core submarket at 14.2 msf, had struggled with inconsistent leasing velocity and demand since 2020 but may be starting to stabilize with positive absorption posted in the first half of 2025 for the first time since 2019. Despite vacancy remaining elevated at 19%, Downtown West no longer held the highest vacancy rate downtown as Downtown East claimed that dubious distinction at mid-2025. Tenants leasing space in Downtown West again would support the ongoing recovery of the downtown office market.

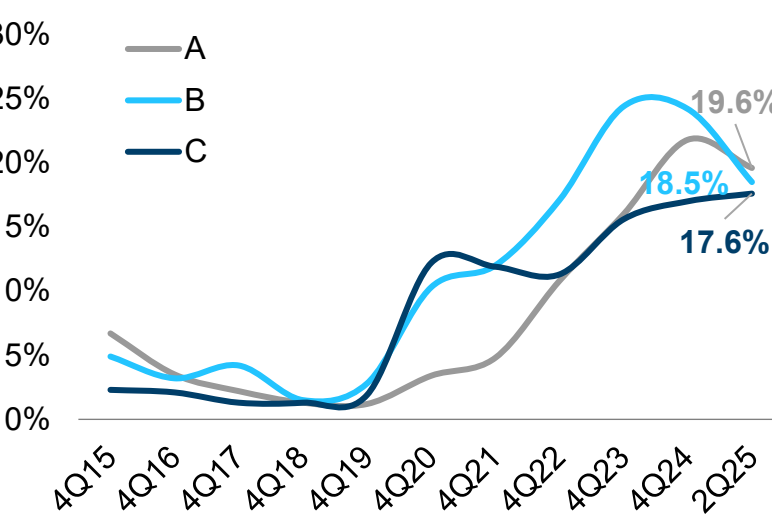
Availability And Vacancy Rates – All Classes



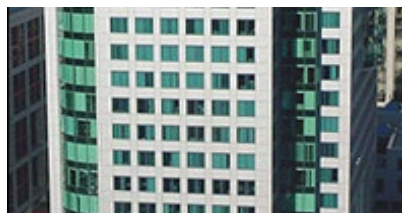
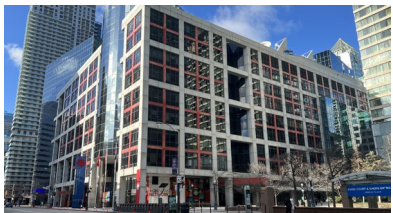
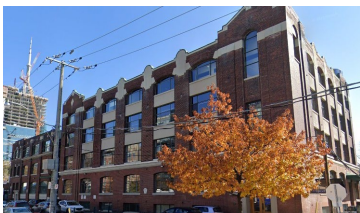
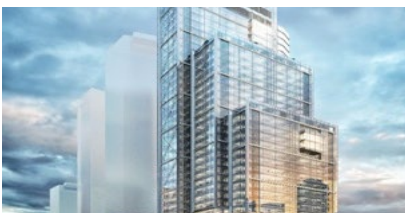

Annual Absorption – All Classes



Vacancy by Class – 2015 to 2025



Second Quarter Deals

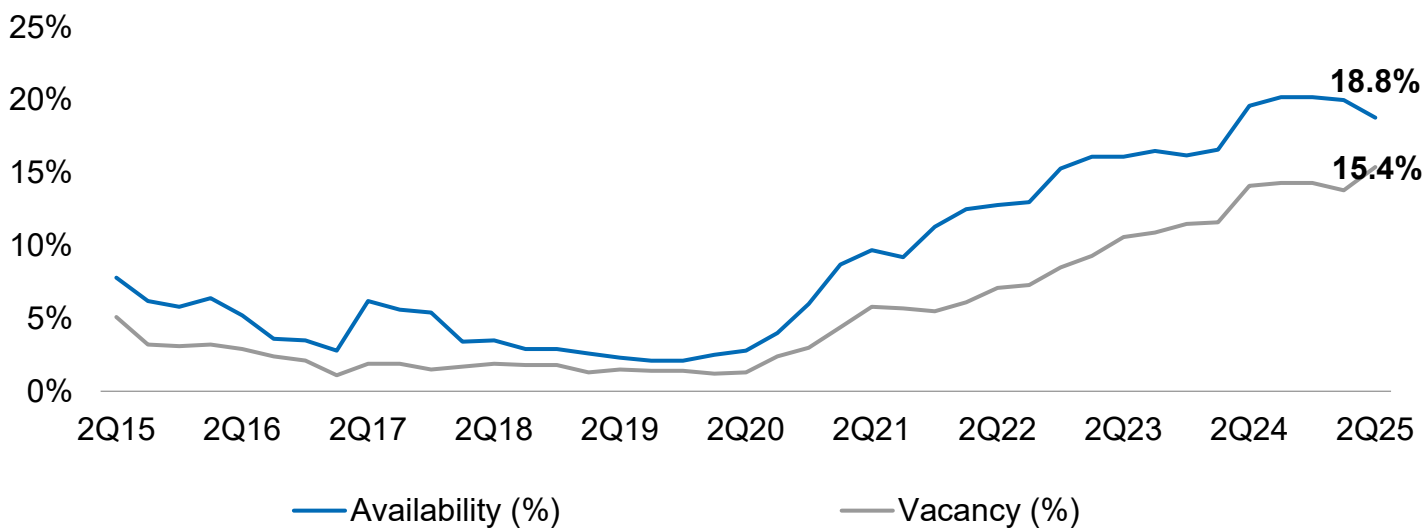
				
MetroCentre - Wellington Tower 200 Wellington Street West	CBC Broadcast Centre 250 Front Street West	Publishing House 495-517 Wellington Street West	The Well 486 Front Street West	379 Adelaide Street West
Undisclosed	Undisclosed	Undisclosed	Undisclosed	Kotn
23,580 SF	21,870 SF	18,200 SF	15,030 SF	7,450 SF
Sublease	Direct New	Direct New	Sublease	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

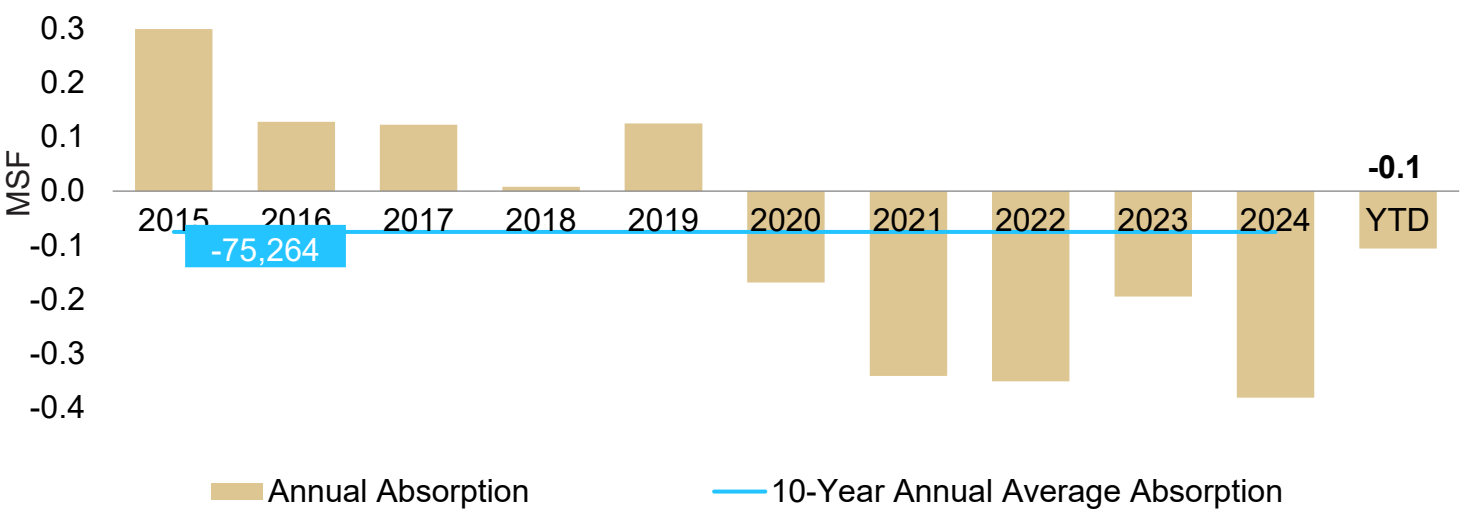
Downtown North

Downtown North, the 13.8-msf submarket comprised by one of downtown’s highest concentrations of class B/C buildings, continued to struggle with rising vacancy in its dated inventory at mid-2025 as years of negative absorption takes its toll. While class A vacancy slipped to 13.2% at mid-2025, overall vacancy rose to 15.4% thanks in large part to rapidly rising class B vacancy and elevated class C vacancy. Office conversion/redevelopment may increasingly make sense for the obsolete but well-located office space in Downtown North.

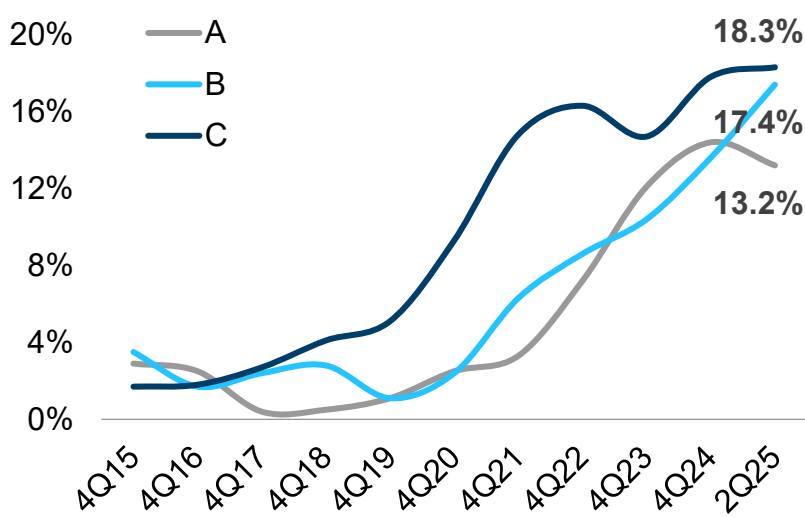
Availability And Vacancy Rates – All Classes



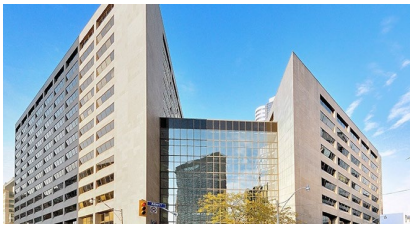
Annual Absorption – All Classes



Vacancy by Class – 2015 to 2025



Second Quarter Deals



Bell Trinity Square
483 Bay Street

Infrastructure Ontario
327,780 SF
Direct New



522 University Avenue

Undisclosed
17,140 SF
Direct New



20 Edward Street

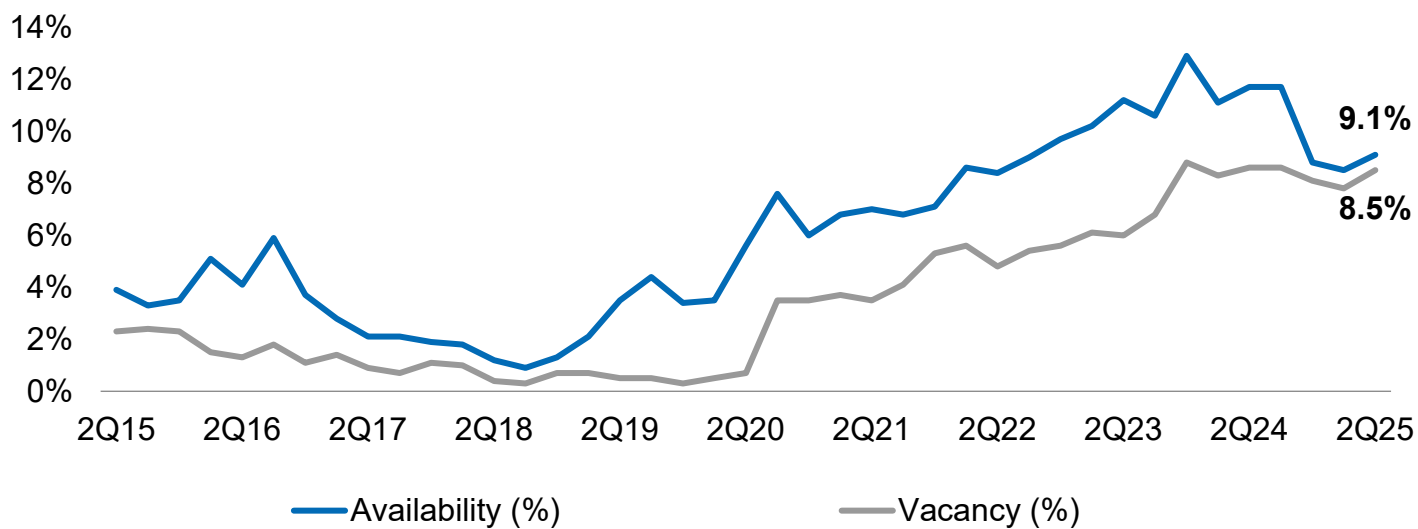
Government
26,000 SF
Direct New

Source: Newmark Research, Altus Data Studio, CoStar

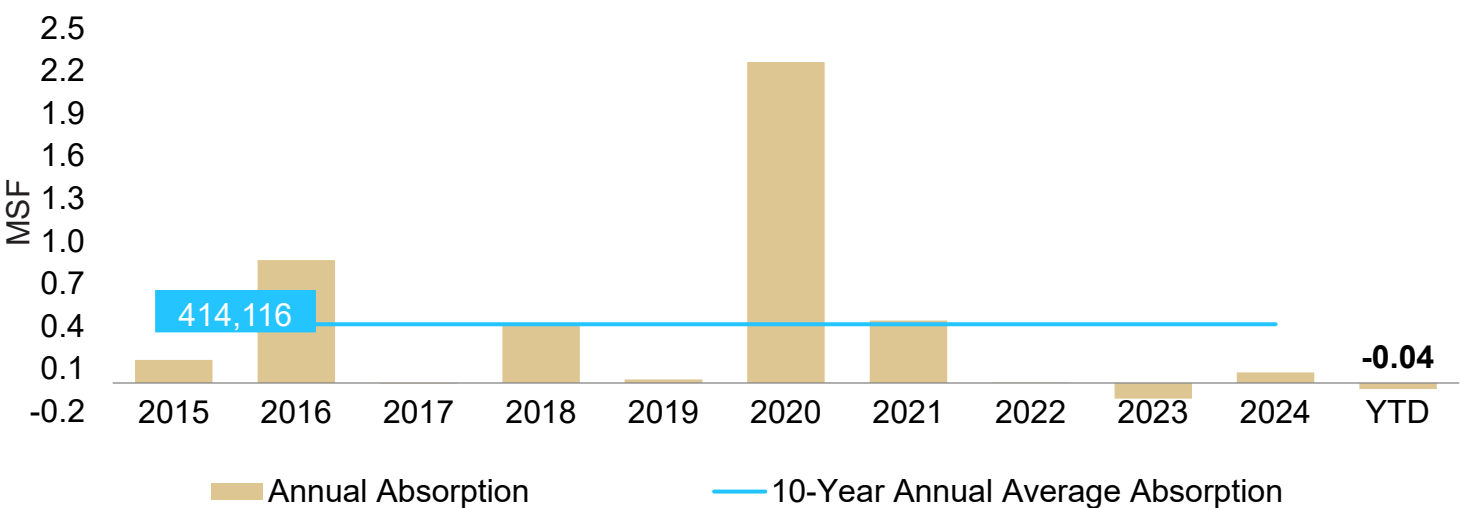
Downtown South

The 11.1-msf Downtown South submarket was the tightest in the core with vacancy at 8.5% after the second quarter of 2025. With class B/C vacancy at 0% (the only submarket where vacancy in any class hit zero), the submarket benefits from an ongoing flight to quality, proximity to a key public transit hub at Union Station and superior views and building amenities. Class A vacancy of 9.2% (while comprising 92% of the submarket inventory) was the lowest in the core with limited tenant movement. Basically, what comes vacant is what is available.

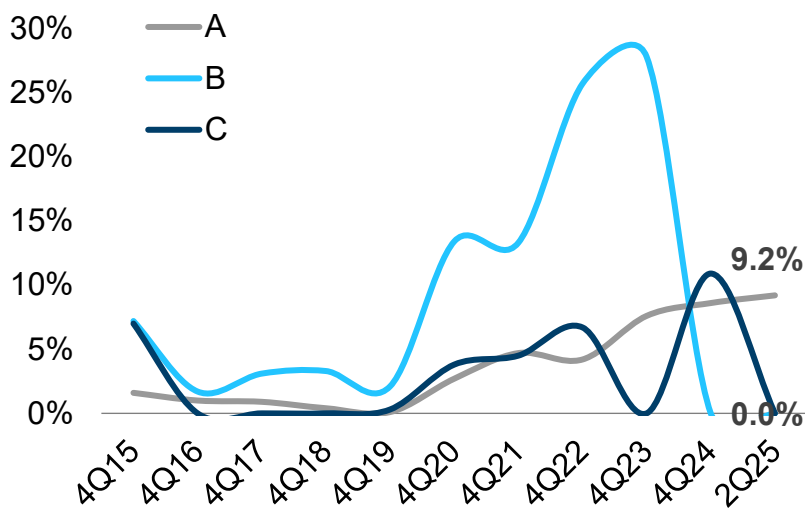
Overall Availability And Vacancy Rates – All Classes



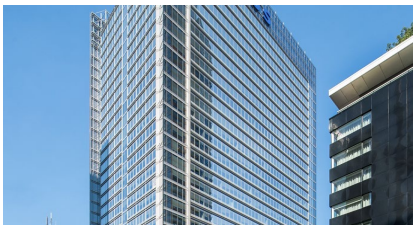

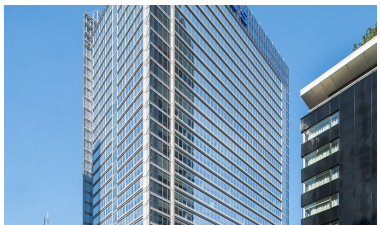
Annual Absorption – All Classes



Vacancy by Class – 2015 to 2025



Second Quarter Deals

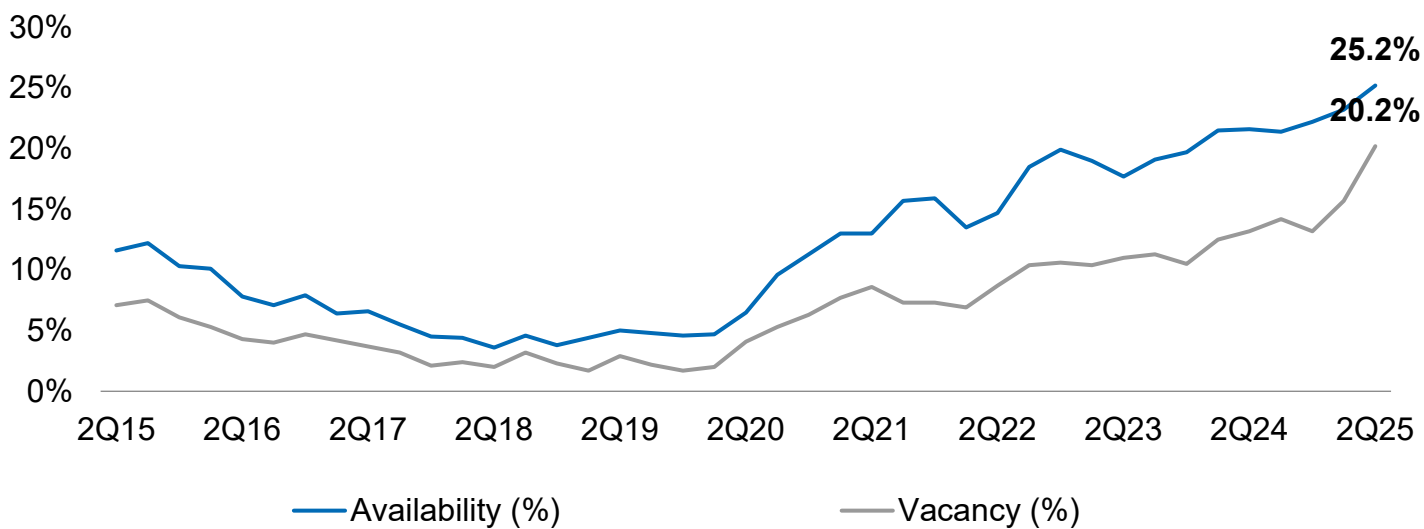
		
Telus House 25 York Street	Queens Quay Terminal 207 Queens Quay West	Telus House 25 York Street
Robinhood	Labatt Brewing	Nasdaq
56,000 SF	50,000 SF	43,000 SF
Direct New	Renewal	Expansion/Renewal

Source: Newmark Research, Altus Data Studio, CoStar

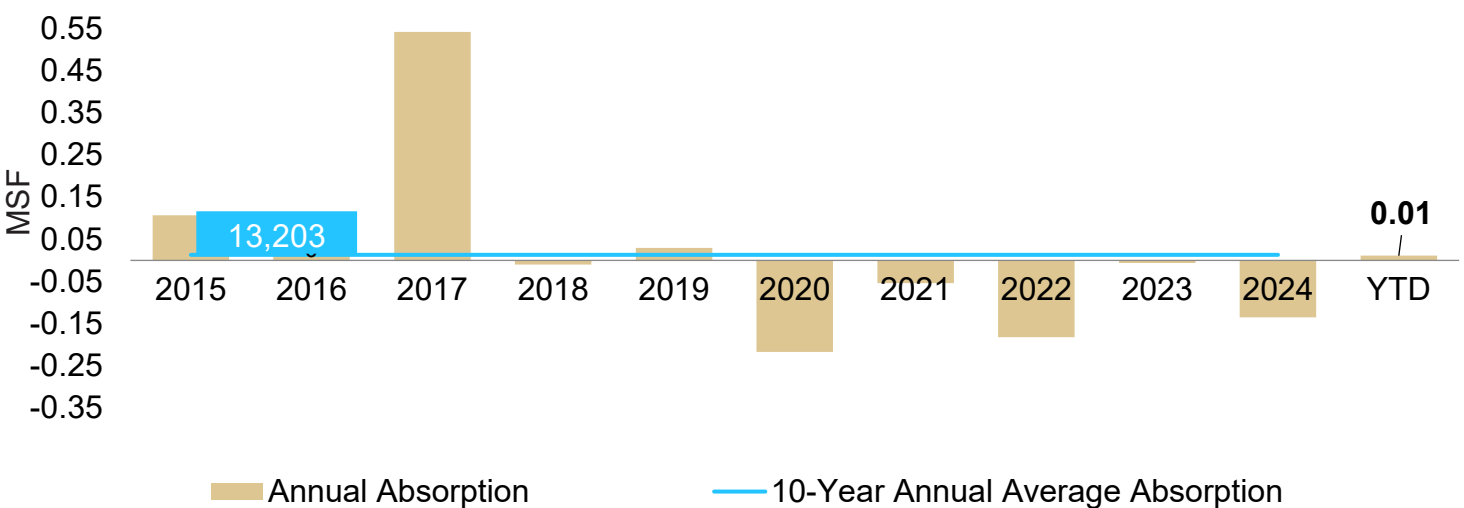
Downtown East

Vacancy in the 5.6-msf Downtown East reached 20.2% at mid-2025, climbing from 15.5% in the first quarter of 2025 and up an eye-opening 700 basis points from a year ago. Class A vacancy spiked to 26.4%, largely because of the completion of the 476,000-sf EQ Bank Tower, which was ~42% vacant upon delivery, but also stemming from a mix of large tenants leaving class A properties and previously unlisted space now being openly marketed. New supply has done little to slow an exodus of tenants from the increasingly challenged market.

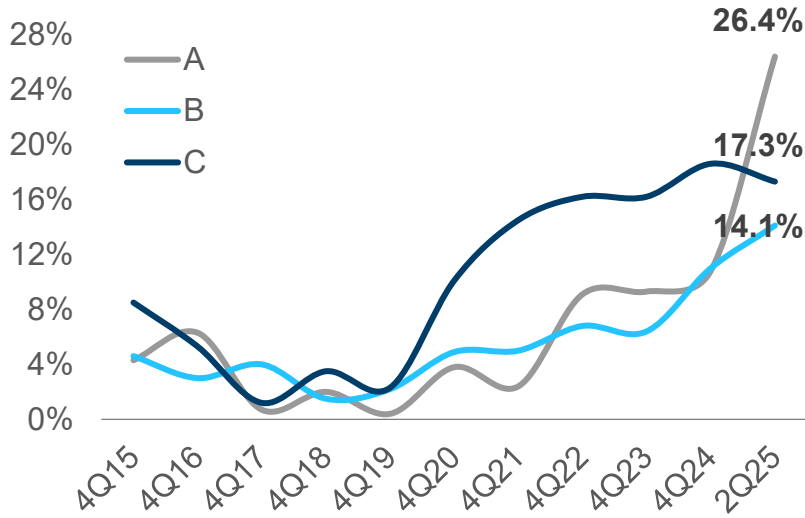
Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes



Vacancy by Class – 2015 to 2025



The new 23-storey EQ Bank Tower opened in 2Q25.

Second Quarter Deals

		
252-264 Adelaide Street East	252-264 Adelaide Street East	252-264 Adelaide Street East
Undisclosed	Undisclosed	Undisclosed
4,250 SF	3,930 SF	3,070 SF
Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

2Q25

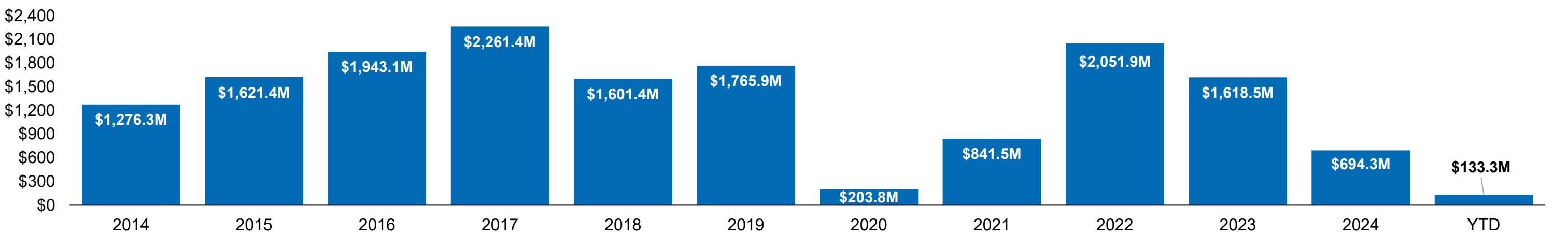
Office Sales Activity



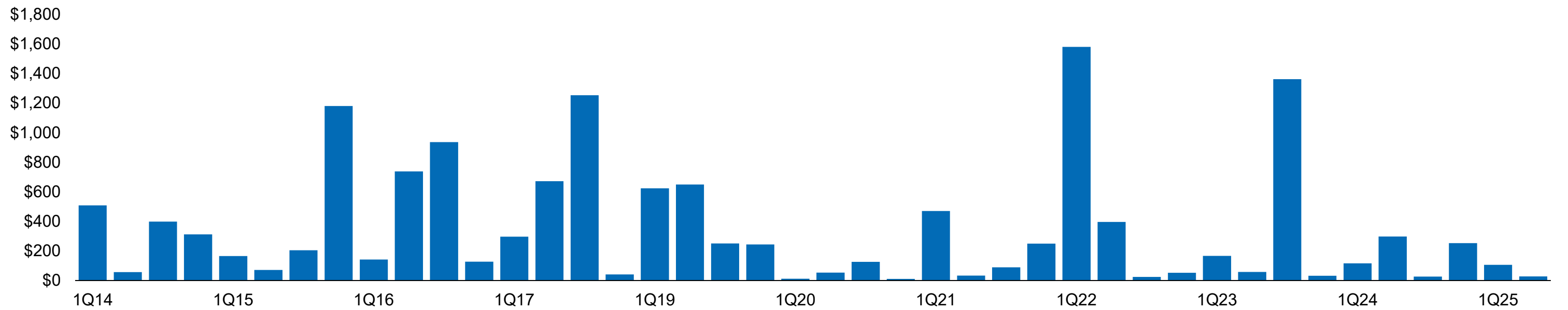
Downtown Toronto Core and Periphery Office Sales Volume Key Takeaways

Downtown office sales* (excluding strata) had a very slow start in 2025 with just the single sale of 438 University Avenue to Infrastructure Ontario by Dream Office REIT recorded in the first quarter of the year followed by four smaller sales in the second quarter for a total of \$133.3M. Dollar volume from the sale of Downtown office properties has been in freefall since 2022 when investment recovered to a near-decade high of C\$2.05B after collapsing to \$204M in 2020. Investor demand for downtown office properties will likely remain tepid in 2025.

Downtown Toronto Core and Periphery Annual Sales Volume (\$ in Millions)



Downtown Toronto Core and Periphery Quarterly Sales Volume (\$ in Millions)

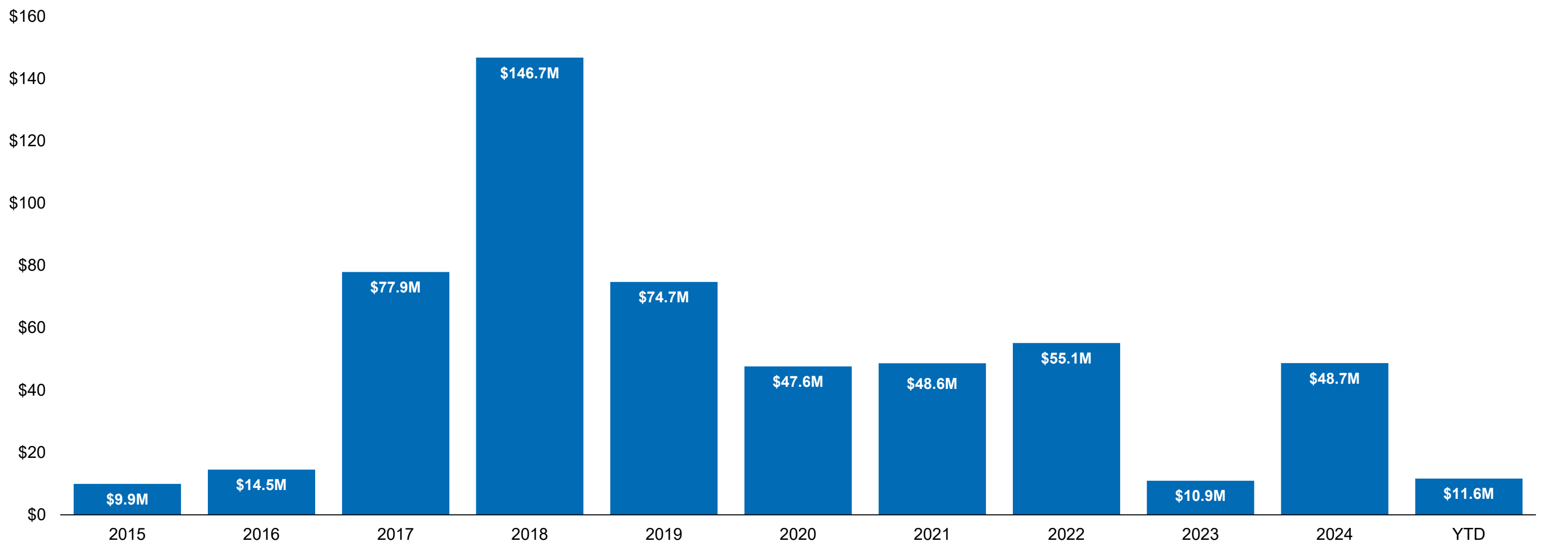


Source: Newmark Research, Altus Data Studio, CoStar
* Excluding non-arms transactions; annual sale totals recalculated at year-end 2024 due to database omissions

Downtown Toronto Core and Periphery Office Condo Sales Volume Key Takeaways

Condo (or strata) office sales* peaked in 2018 in terms of total dollar volume as owner-occupiers and investors purchased presales during the period of record-low office vacancy recorded downtown between 2016 and early 2020. Condo office sales remained stable – albeit notably reduced from the peak – through the early 2020s but dropped drastically in 2023 due to high interest rates. Lower capital costs saw demand resurge in 2024, but sales plunged in the first half of 2025 with just seven units transacting – three in 7 St. Thomas.

Downtown Toronto Core and Periphery Condo Office Annual Sales Volume (\$ in Millions)



Source: Newmark Research, Altus Data Studio
* Excluding non-arms transactions; annual sale totals recalculated at year-end 2024 due to database omissions.

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