Downtown Toronto

Office Market Overview

4Q25

Toronto Economic Forecast 2026: A Clouded Outlook As Manufacturing Drags

Uncertainty From U.S. Tariffs To Slow City Growth

- Growth in Toronto is forecast to slow in 2026 as it continues to grapple with the uncertainty permeating various parts of the economy.
- Sustained U.S.-imposed tariffs on steel, aluminium, and autos weigh on some of Toronto's main industries, namely manufacturing and transportation & warehousing.
- Consumer sentiment has also been lacklustre, with both consumer spending and disposable income expected to slow in 2026.
- Toronto's best hopes for growth will remain with its service sectors — finance and professional services — which will offset these losses.

Pressure On Manufacturing To Impact City Employment

- Toronto's manufacturing sector is likely to struggle in 2026 due to the ongoing political and economic tug-of-war in the industry.
- With U.S. tariffs on steel and some parts of the autos sector still in place, manufacturers — such as Honda, Toyota, and Ford — are feeling the pinch.
- Oxford Economics expects GDP in the sector to contract through H1 2026, while employment will contract q/q throughout the entire year.
- The upcoming renegotiations of the CUSMA in mid-2026 should hopefully relieve some of the pressure on the industry in H2 and 2027, although U.S.-Canada trade developments remain unpredictable.

City Population To Decline As Temporary Residents Reduced

- Population growth will slow this year to 0.2%, with the national Immigration Levels Plan seeking to reduce temporary resident volumes to 5% of the country's population by the end of 2026.
- This trend will reduce employment numbers in Toronto in the short term, with education and retail taking the largest losses in addition to manufacturing.
- Oxford Economics projects employment to remain stagnant in 2026 and average 0.9% y/y in the medium term.

Service Sectors Hold Best Hopes For City Growth

- Though many of Toronto's economic drivers are expected to slow in 2026, conditions are relatively less severe than in other, more-specialized metros.
- There are several positive signs for sustained growth in both the medium and long terms, such as a robust financial sector and broad appeal to young workers.
- Moreover, continued investment in the metro's transit infrastructure will drive gains in construction in coming years.
- Due to growth in a broad range of sectors, the city's attractiveness to skilled workers, and cosmopolitan amenities, Oxford Economics ranked Toronto first in its Canadian metro index.

Source: Oxford Economics

Downtown Toronto Office Market Observations

Downtown Toronto office vacancy fell to 13.0% at the close of 2025, down from 13.2% the quarter previous and from 13.6% a year ago after peaking at 14.8% in the third quarter of 2024.

Despite economic uncertainty, annual absorption in 2025 totalled ~1.6 msf, the most annual absorption recorded downtown since 2017, the vast majority of which occurred in trophy/class A premises.

Leasing activity in the Financial Core led all downtown submarkets at the end of 2025 due to a push from Canada's 'Big 5' banks to implement return-to-office mandates in primarily trophy/class A premises.

The delta between availability and vacancy in the Financial Core tightened to 310 basis points at year-end 2025, the smallest gap between the two since early 2020, a signal new construction may soon be required.

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 trophy and class A assets.

Overall vacancy, while declining, will remain elevated until the significant amounts of obsolete office space in fringe downtown submarkets, particularly Downtown North and East, are redeveloped, demolished or leased.

While tenants have largely remained drawn to the well-connected, central submarkets of Downtown South and the Financial Core, an increasing number are having to choose between location and quality of space in other submarkets.

The role of class B/C office space downtown, which remained impaired by elevated vacancy, will need to come into focus in 2026+ as either a relief valve for strong tenant demand or subject to redevelopment, demolition or conversion.

With phase two of CIBC Square the last large office tower under construction downtown fully preleased, the ongoing pressure from tenant demand for trophy space may lead to the announcement of a new development in 2026.

Source: Newmark Research, Altus Data Solutions

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Office Market Metrics

Downtown Toronto Office Submarket Statistics By Class | 4Q25

Submarket Statistics – By Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Annual Absorption (SF)	Direct Available Rate	Sublet Available Rate	Est. Gross Rent ($/SF) incl. TMI
Downtown Toronto	**83,027,270**	**1,489,556**	**13.0%**	**119,693**	**1,620,802**	**13.4%**	**2.4%**	
Class A	59,203,086	1,489,556	10.8%	313,339	1,874,712	10.9%	2.4%	C$50-$90
Class B/C	23,824,184	0	18.7%	-193,646	-253,910	19.6%	2.3%	C$47.2
Financial Core	**37,572,898**	**1,435,520**	**10.6%**	**139,745**	**1,373,649**	**11.9%**	**1.8%**	Class AAA rent: C$90-C$105
Class A	30,805,948	1,435,520	8.0%	156,740	1,317,985	9.4%	1.8%	C$75-$90
Class B/C	6,766,950	0	22.2%	-16,995	55,664	23.7%	2.0%	C$52.9
Downtown West	**14,326,491**	**0**	**21.9%**	**-95,068**	**-83,944**	**20.0%**	**4.1%**	
Class A	8,798,550	0	22.2%	85,594	-46,349	18.6%	6.1%	C$55-$75
Class B/C	5,527,941	0	21.5%	-180,662	-37,595	22.2%	1.0%	C$42.6
Downtown North	**14,148,327**	**0**	**14.2%**	**59,408**	**14,291**	**15.4%**	**2.0%**	
Class A	6,796,540	0	12.3%	-38,122	188,337	13.7%	1.4%	C$62-$75
Class B/C	7,351,787	0	16.0%	97,350	-174,046	17.0%	2.5%	C$46.1

Source: Newmark Research, Altus Data Studio

Downtown Toronto Office Submarket Statistics By Class | 4Q25

Submarket Statistics – By Classes

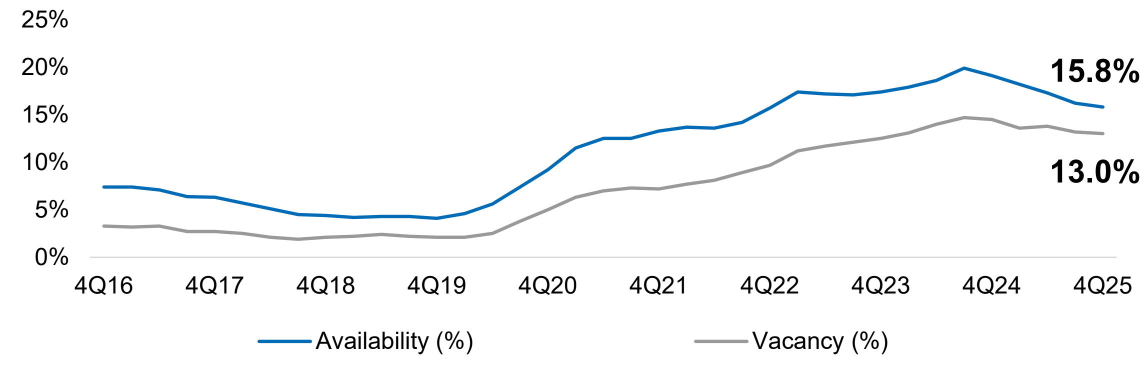
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Annual Absorption (SF)	Direct Available Rate	Sublet Available Rate	Est. Gross Rent ($/SF) incl. TMI
Downtown South	**11,209,874**	**0**	**6.6%**	**109,231**	**144,303**	**5.3%**	**2.0%**	
Class A	10,369,386	0	7.1%	109,231	129,103	5.7%	2.2%	C$70-$90
Class B/C	840,488	0	0%	0	15,200	0%	0%	C$44.0
Downtown East	**5,769,680**	**54,036**	**16.9%**	**-93,623**	**172,503**	**16.9%**	**4.0%**	
Class A	2,432,662	54,036	15.8%	-104	285,636	16.4%	1.8%	C$50-$60
Class B/C	3,337,018	0	17.6%	-93,519	-113,133	17.3%	5.6%	C$47.0

Source: Newmark Research, Altus Data Studio

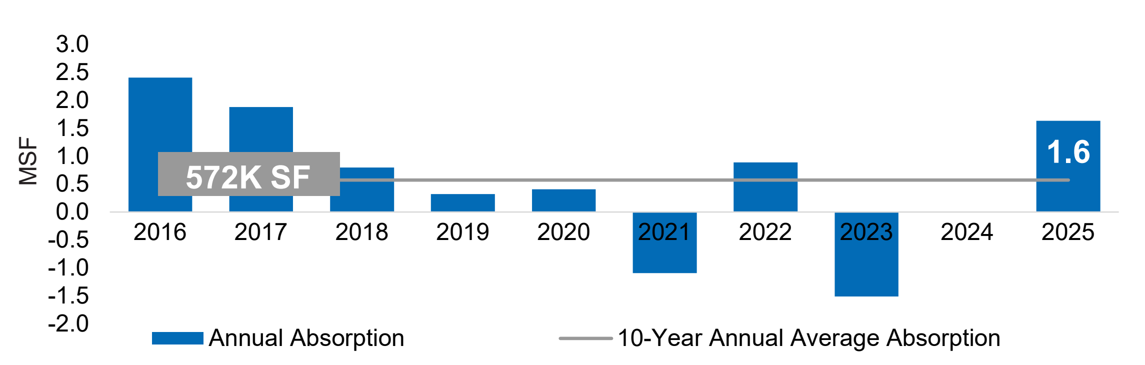
Downtown Toronto

Downtown Toronto* is at the core of Canada's biggest office market in the country's largest city, comprising 83.0 msf and consisting of five submarkets, including the Financial Core, Downtown North, Downtown West, Downtown South and Downtown East. Annual absorption of ~1.6 msf through 2025 was the most absorption recorded Downtown since the same period in 2017. Availability has been declining steadily since peaking in the third quarter of 2024 and had fallen to its lowest point since the back half of 2022 by the end of 2025.

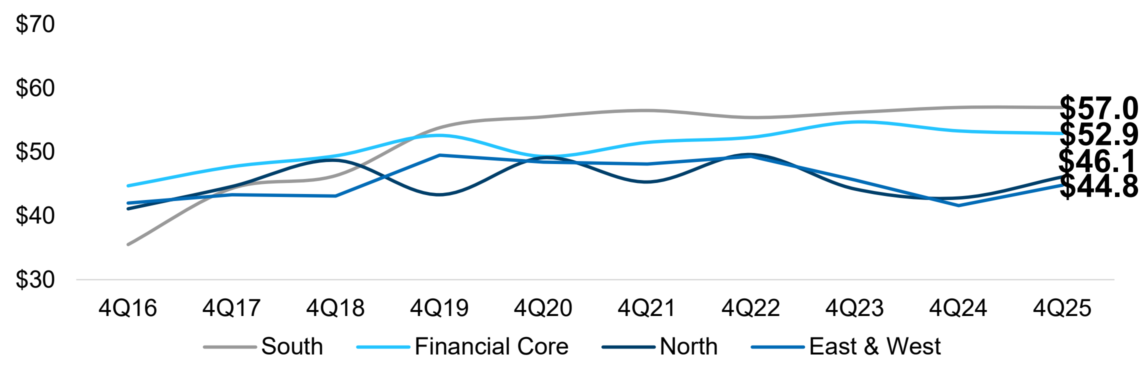
Overall Availability And Vacancy Rates – All Classes*



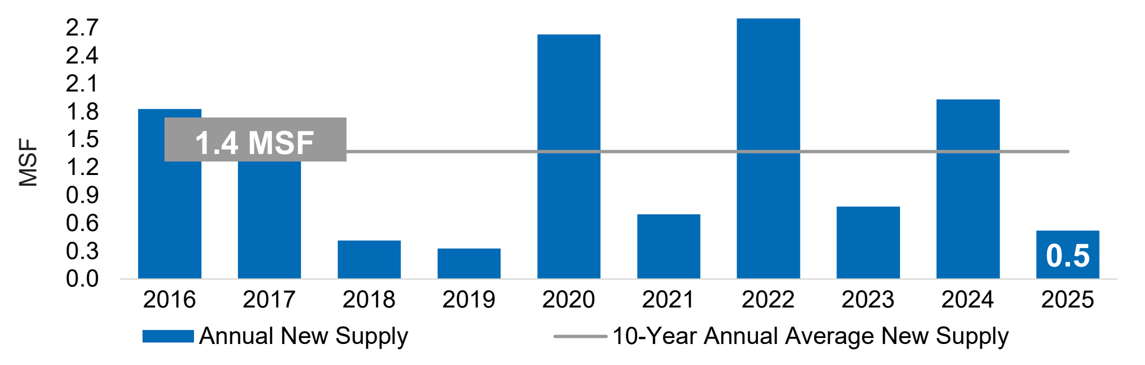
Annual Absorption – All Classes*



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



New Construction Deliveries*

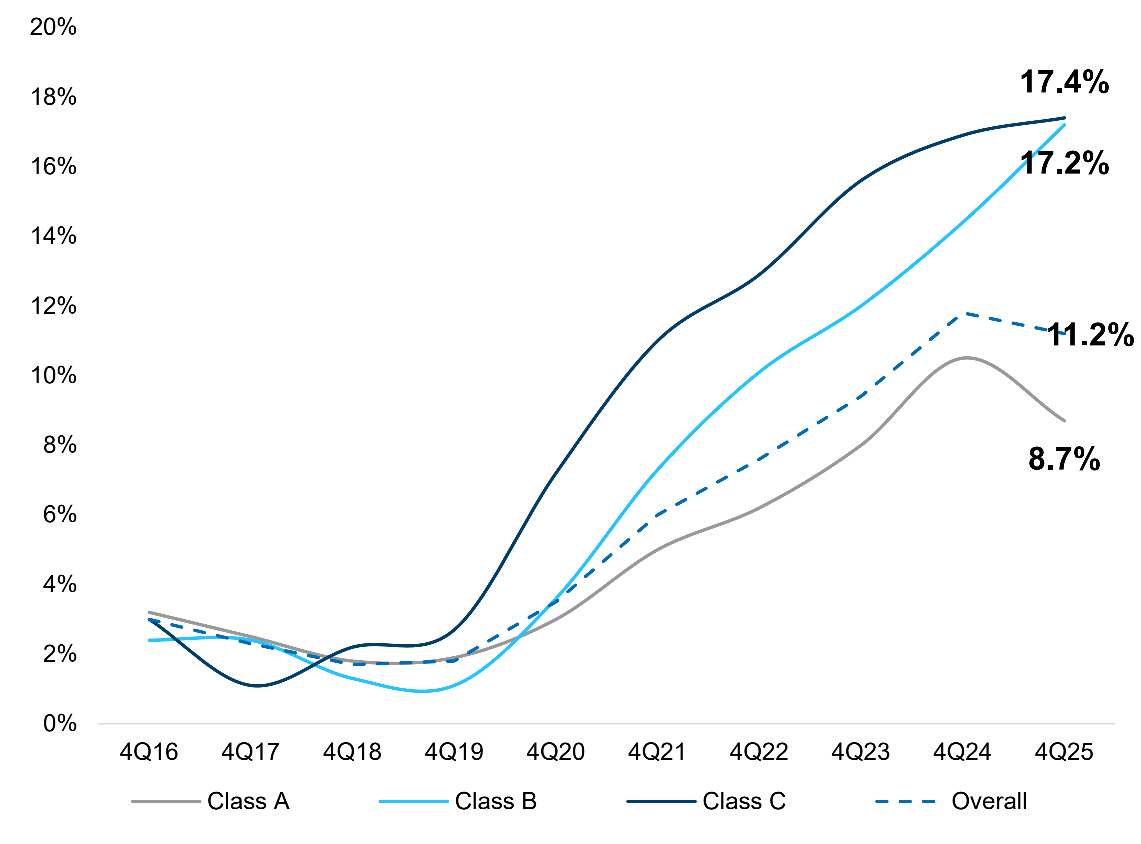


Source: Newmark Research, Altus Data Studio
* Not including King & Dufferin submarket

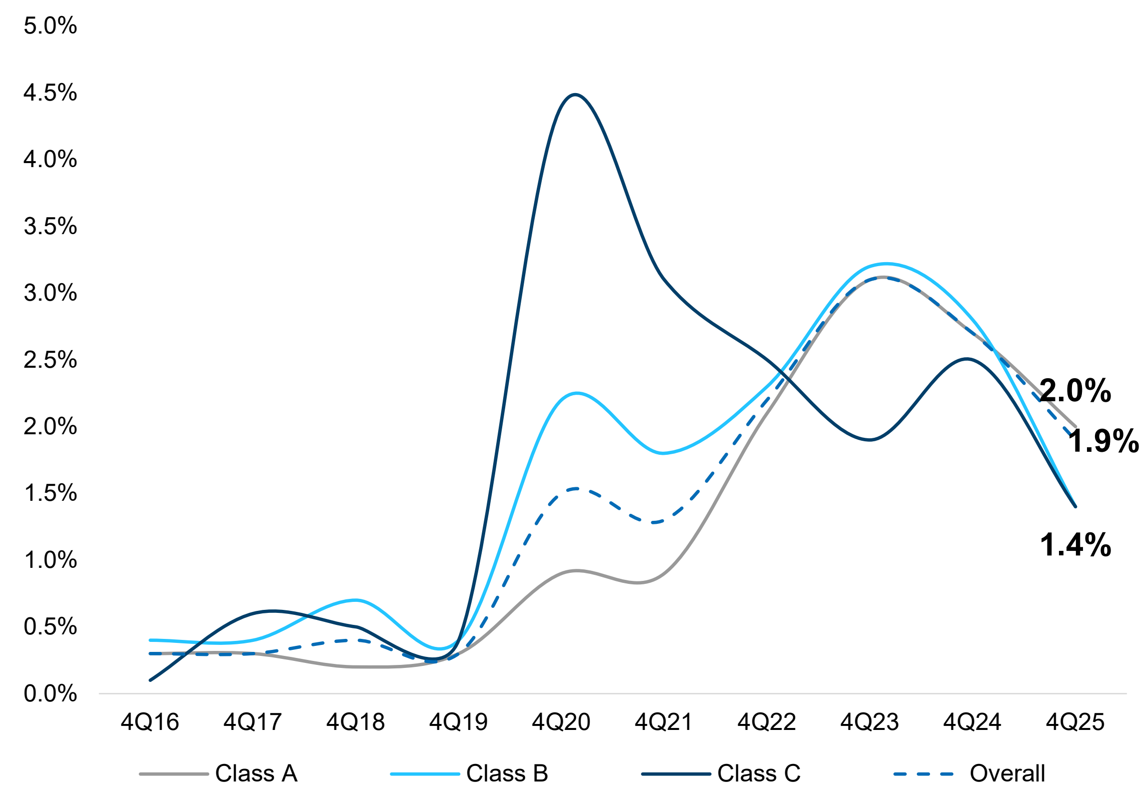
Class A Demand Driving Office Recovery While Market Still Unsure How Class B/C Fits

A rapid decline in class A headlease vacancy when compared with class B/C has started to have a meaningful impact on the downtown core's overall vacancy even as it remained at 11.2% at year-end 2025. The larger distinction moving forward remains what role will class B/C properties play in the downtown market with headlease vacancy in those buildings continuing to soar, particularly in class B space. About 72% of the total downtown inventory is considered class A space, which is benefiting from vast improvements in tenant leasing demand. What remains to be seen is whether demand will grow to include class B/C space as more than a quarter of downtown inventory remained in a distressed state at year-end.

Downtown Office Headlease Vacancy by Class – 2016 to 2025



Downtown Office Sublease Vacancy by Class – 2016 to 2025

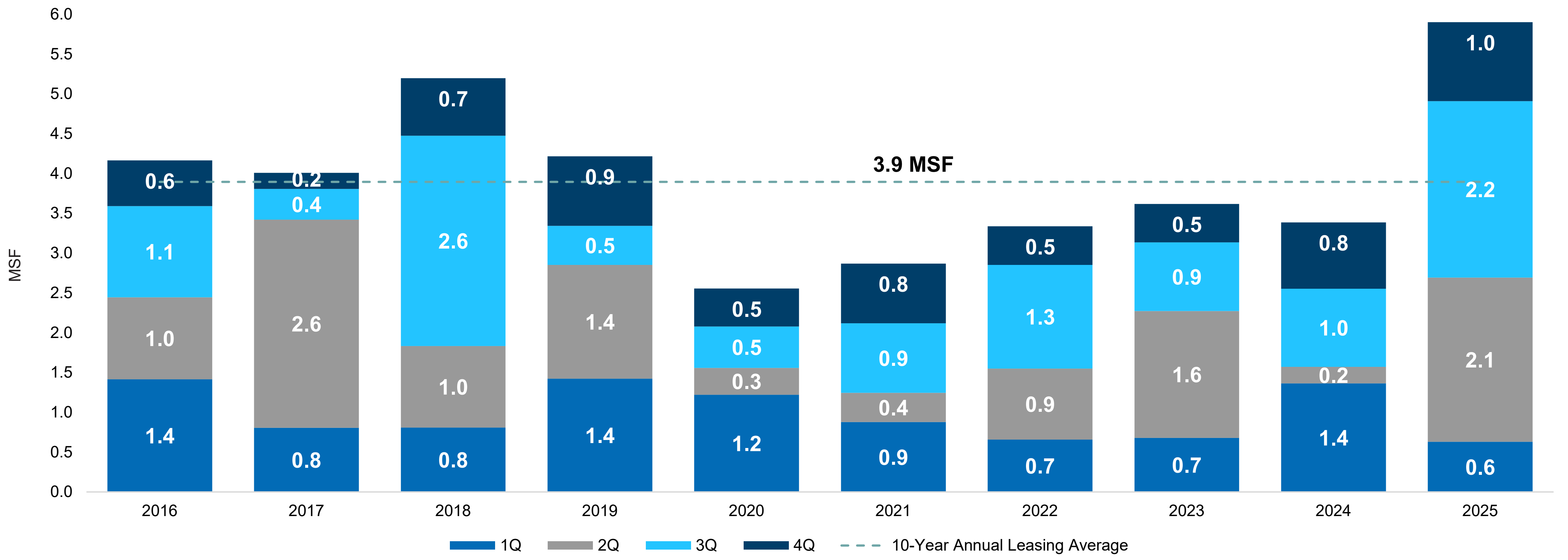


Source: Newmark Research, Altus Data Studio

Strongest Leasing Environment In Past Decade As Office Demand Surges On Banks RTO

Annual downtown leasing activity blew past the 10-year average and set a record for this past decade with ~5.9 msf of leasing in 2025. Tenants leasing space in the Financial Core made up ~3.6 msf or 61% of that total. While activity in Downtown North has improved with class A demand compensating for rising class B/C vacancy, Downtown South remained static due to highly limited availability and the tightest vacancy in the downtown core. New supply in Downtown West has benefited from a surge in leasing activity in the back half of 2025 although overall vacancy in the submarket remained the highest in the downtown core due primarily to elevated vacancy in existing class A/B properties.

Estimated Total Leasing Activity in All Classes

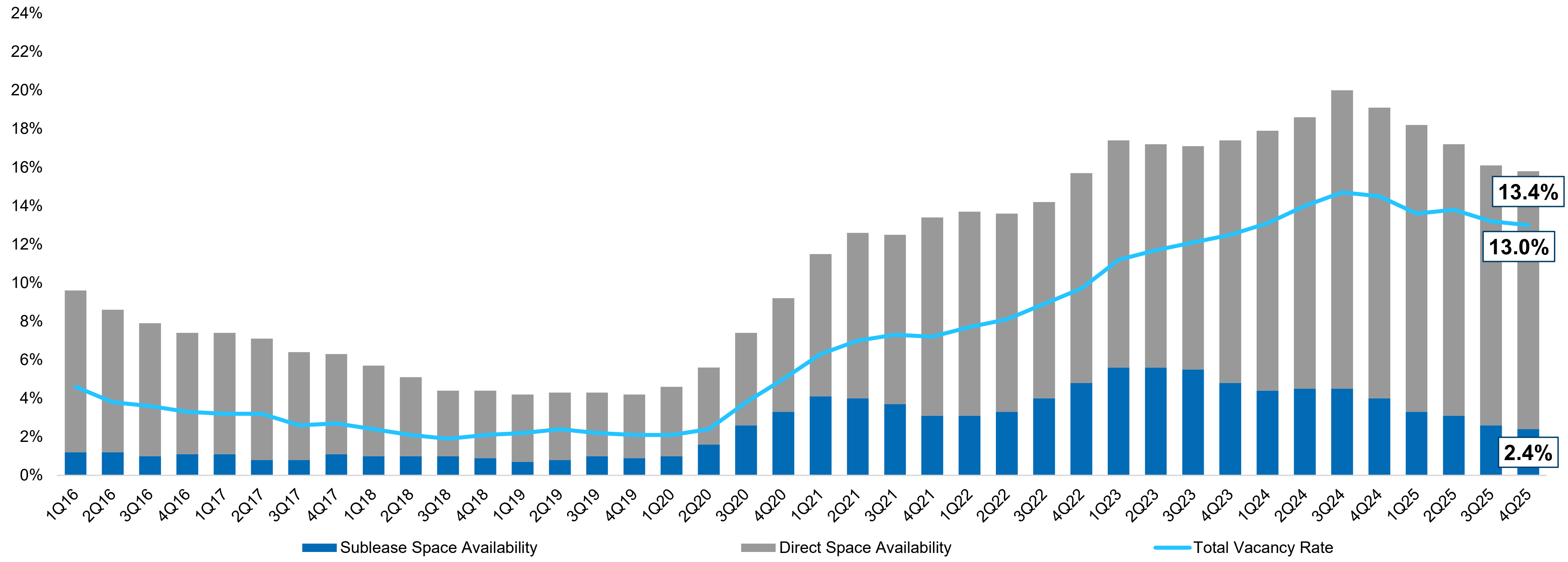


Source: Newmark Research, Altus Data Studio

Downtown Toronto Office Fundamentals Highlight Ongoing Market Recovery Post-COVID

Sublease availability in downtown Toronto fell to its lowest point at the end of 2025 since mid-2020 as vacancy continued to decline after peaking in the third quarter of 2024. While overall vacancy continues to fall, the pace of decline is not as rapid as the elevation in leasing activity and subsequent absorption would suggest should be occurring. The office recovery is not occurring across all building classes with most class B/C properties, which make up ~28% of the downtown core, remaining in serious distress due to elevated vacancy. The current office recovery is limited to trophy and class A assets with tenants having little appetite for much else. It remains to be seen if the surge in demand will extend beyond that.

Available Space as Percent of Overall Market

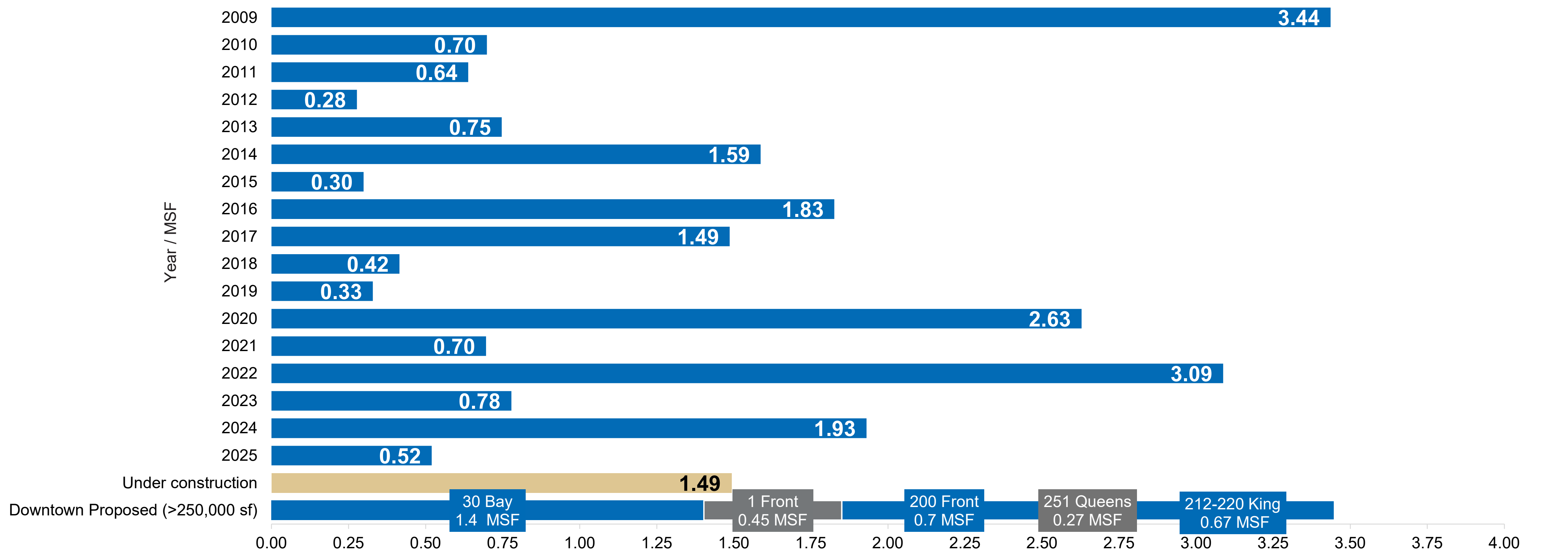


Source: Newmark Research, Altus Data Studio

New Office Space In Downtown Toronto Increasingly Likely To Break Ground In 2026

New office construction in Downtown Toronto has delivered space on a consistent basis during the past 16 years with cycles delivering exponentially more square footage each time. The current development cycle that commenced in 2020 and runs into 2026 is set to deliver more than 9.7 msf with ~1.5 msf still under construction but mostly preleased. Demand for trophy space and other market indicators show that new construction, potentially The HUB at 30 Bay Street, may kick off with a bank prelease in 2026. The absence of new supply currently under construction means that any new development kicking off in 2026 would likely not be delivered until 2029/30, a delivery gap that has not occurred since at least 2009.

Downtown Toronto Deliveries



Source: Newmark Research, Altus Data Studio

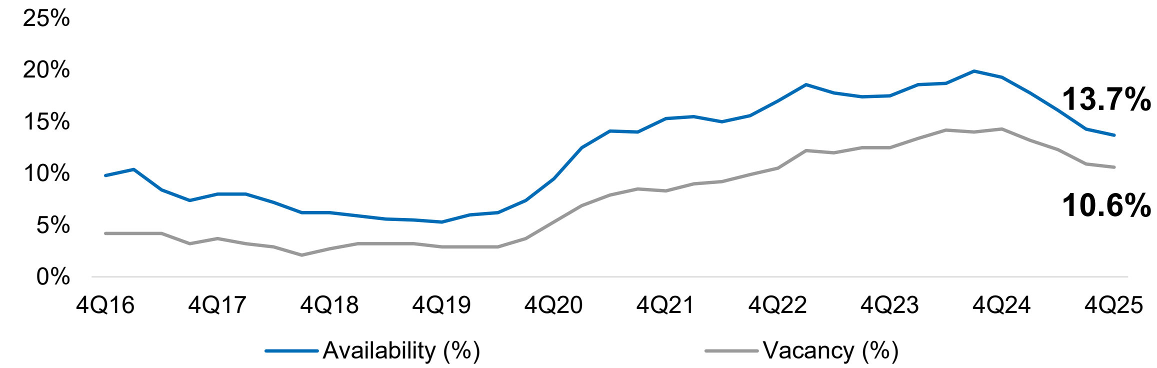
02

Financial Core

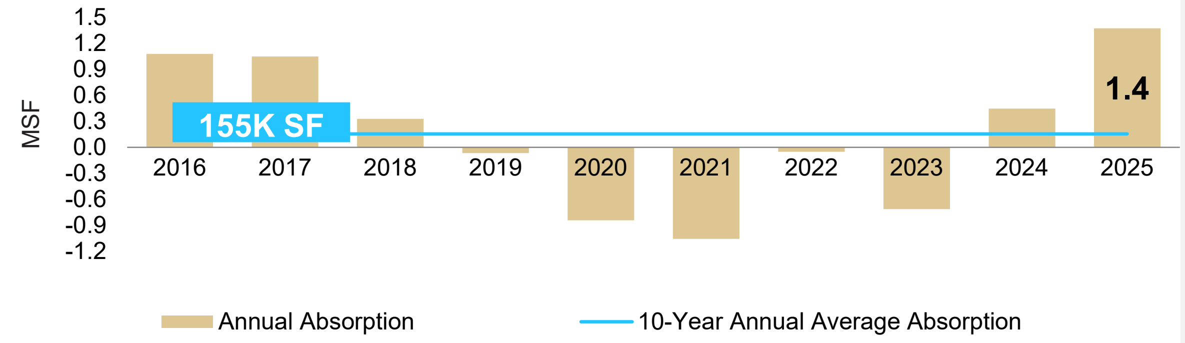
Financial Core

The 37.6-msf Financial Core led all Downtown Toronto submarkets with almost 1.4 msf of annual absorption in 2025, the most recorded in at least the past decade and pushed vacancy down to its lowest point since the back half of 2022. Class A (and increasingly class B) vacancy tightened as tenants, particularly Canada's 'Big Five' banks, lease and/or sublease most any large space in top-tier properties. The delta between availability and vacancy tightened to 310 basis points, the smallest since early 2020, and one indicator that new supply is necessary to keep the market balanced between landlords and tenants. The ongoing absence of new construction in the development pipeline will likely result in a trophy/class A supply crunch that may not be resolved until 2029/30 even if new development broke ground in 2026, a prospect that seems increasingly likely within the next six to 12 months.

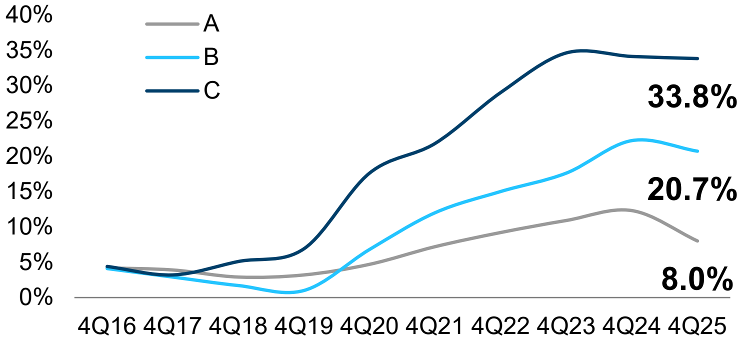
Overall Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes



Vacancy by Class – 2016 to 2025



Fourth Quarter Deals

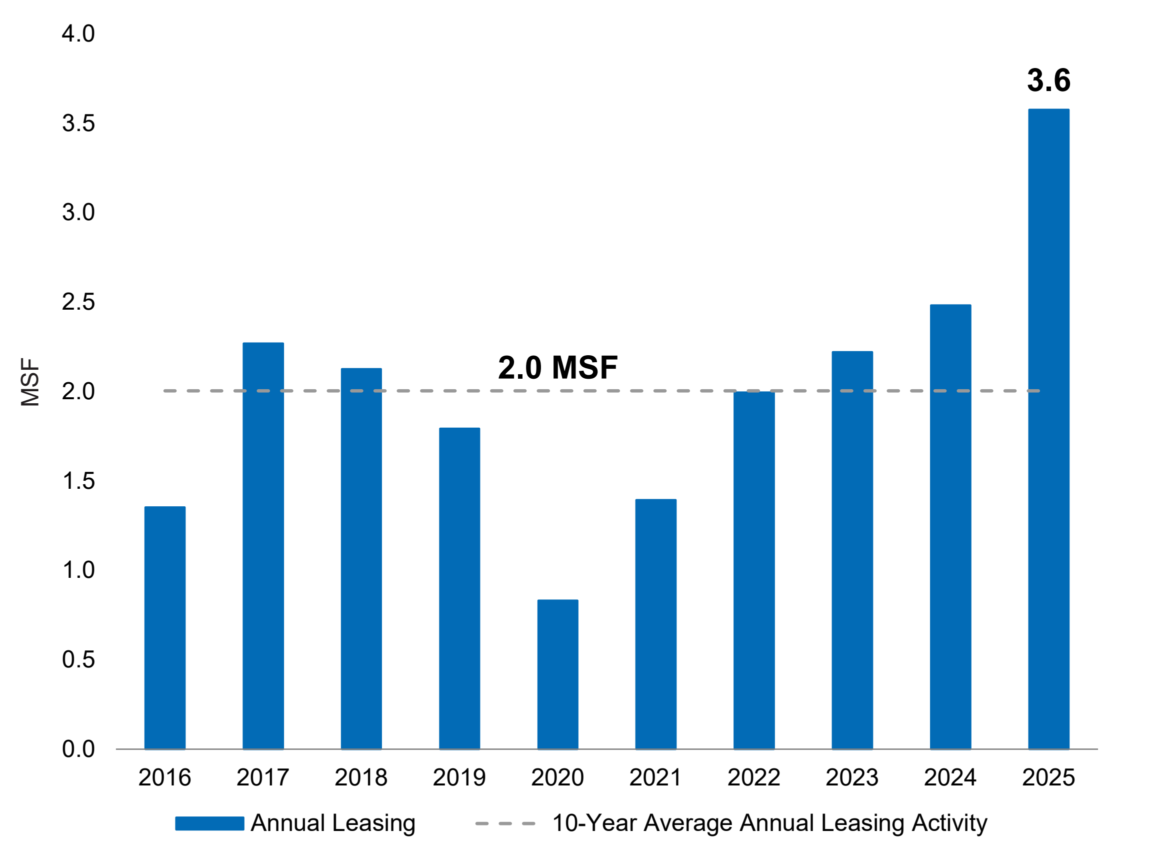
				
Royal Bank Plaza 200 Bay Street	**Scotia Plaza 40 King Street West**	**TD Bank Tower 66 Wellington Street West**	**TD Bank Tower 66 Wellington Street West**	**Bay-Adelaide Centre (West Tower) - 333 Bay Street**
RBC	Scotiabank	RSM Canada	RGA Reinsurance	The Mastercard Foundation
200,000 SF	150,000 SF	68,020 SF	43,000 SF	36,730 SF
Expansion	Renewal	Direct New	Direct New	Sublease

Source: Newmark Research, Altus Data Studio, CoStar

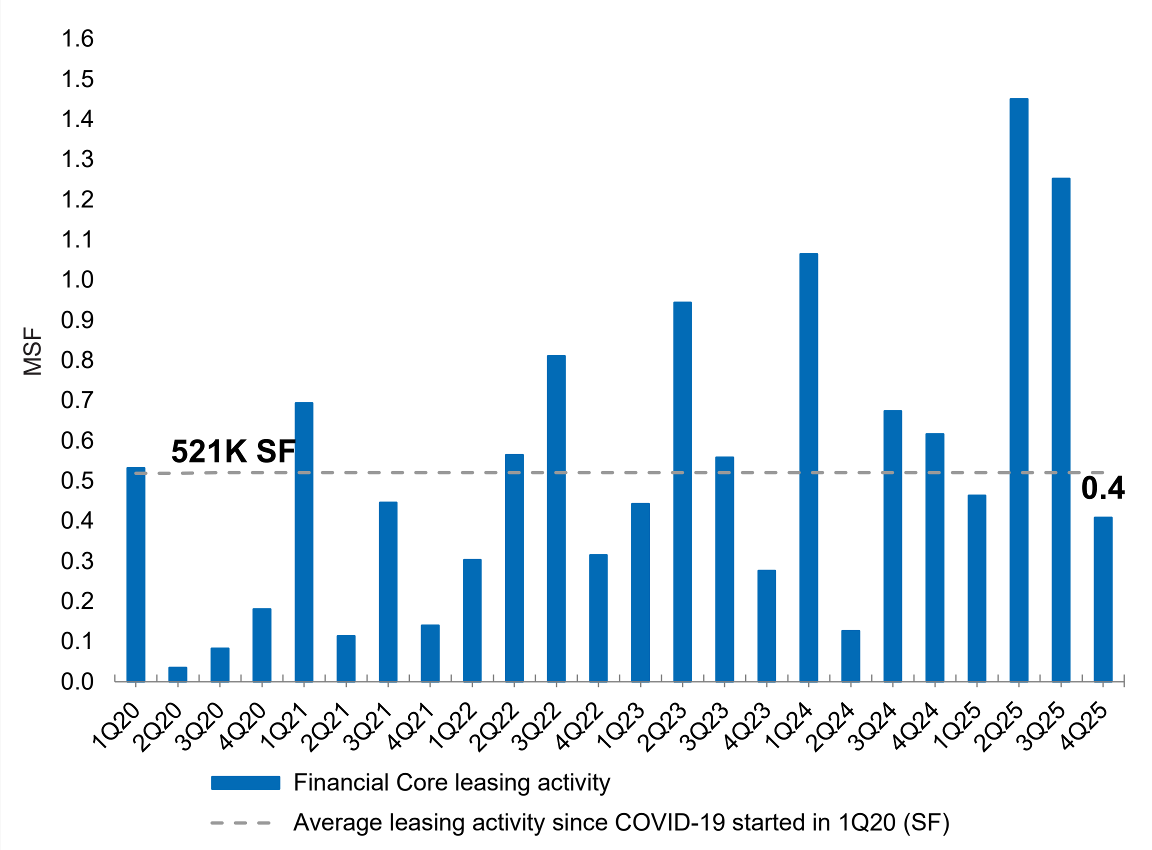
Financial Core Leasing Activity At 10-Year High As Banks Bring Workers Back Downtown

More office space was leased in the Financial Core in 2025 than occurred in any other year in the past decade with ~3.6 msf under contract. Return-to-office mandates publicly announced at Canada's largest five banks this past summer combined with a lack of new supply led tenants to increasingly take office leasing decisions throughout the spring and summer of 2025. This sharp and sudden uptake was largely focused in class A premises, which comprises 82% of the Financial Core building inventory. Leasing activity has remained almost non-existent in class B/C properties; however, a slight dip in class B vacancy at year-end 2025 may be an indication smaller tenants prioritize remaining in the submarket.

Annual Financial Core Leasing Activity – All classes



Financial Core Quarterly Leasing Activity – All classes

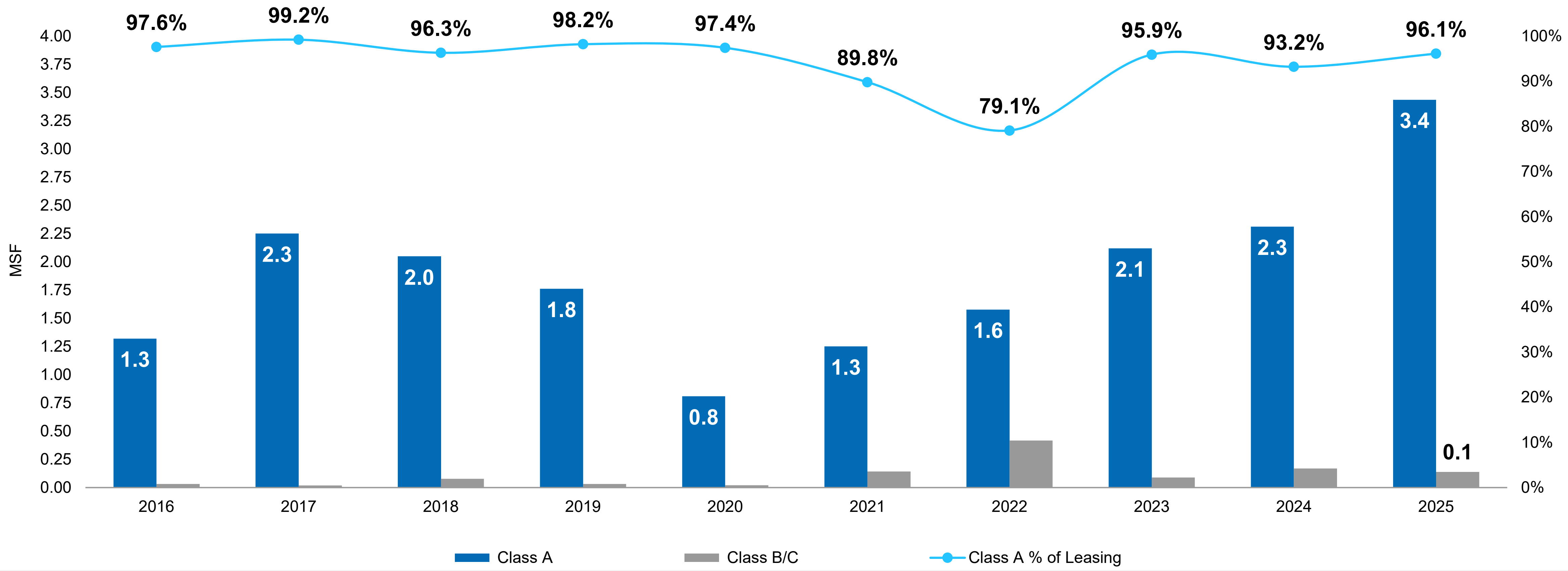


Source: Newmark Research, Altus Data Studio

Class A Space Remained Only Option For Tenants In ‘25 | Financial Core Leasing Activity

The percentage of class A space leased annually in the Financial Core hit a decade high in 2025 with ~3.4 msf under contract, surpassing the record of ~2.3 msf set in 2024. Class A buildings contain 82% of the submarket’s office space (class B/C comprises 18%) but 95.9% of the square footage leased in 2025 occurred in class A space. With virtually all leasing activity occurring in four-fifths of the inventory, the case for new supply in the Financial Core strengthens further along with the need to demolish or repurpose class B/C office space. Rising demand for space outside of class A has yet to meaningfully materialize as tenants continue to vacate class B/C space with little to no appetite to do a deal for similar settings.

Leased Vacant Area by Class



Source: Newmark Research, Altus Data Studio

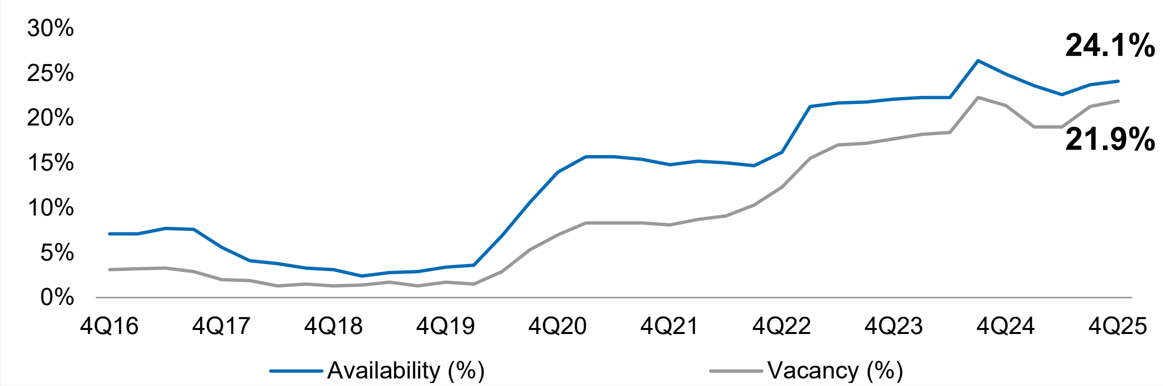
03

Downtown Toronto Office Submarkets

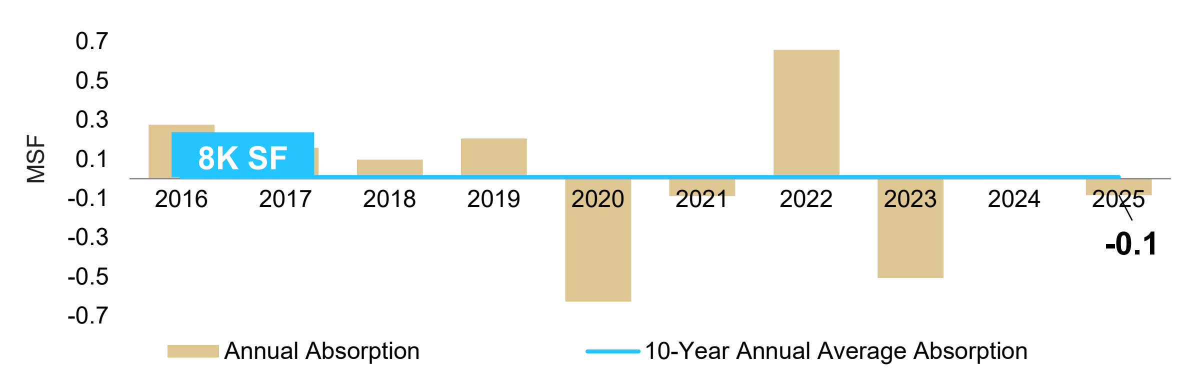
Downtown West

Downtown West, the second largest core submarket at 14.3 msf, remained well positioned to capture spillover tenant demand from the increasingly tight submarkets of the Financial Core and Downtown South as leasing activity has largely exhausted the availability of most trophy and class A space in those submarkets with no new supply in the pipeline. The relocation of the Ontario government's Workplace Safety and Insurance Board (WISB) from 200 Front Street West to London, Ontario was largely behind an upturn in class A vacancy and availability in the third quarter of 2025. Annual absorption was negative for the third year in a row with vacancy and availability rates the highest found in the Downtown core.

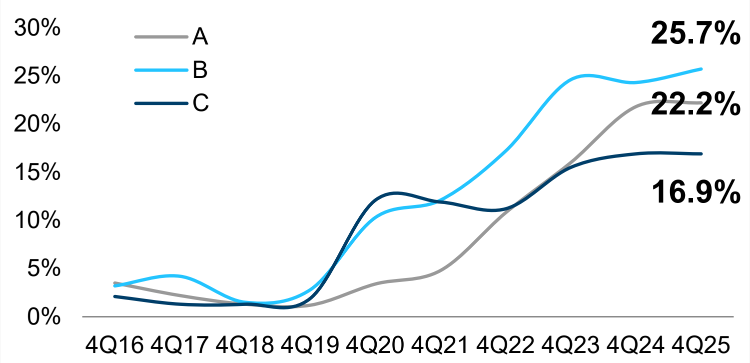
Overall Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes

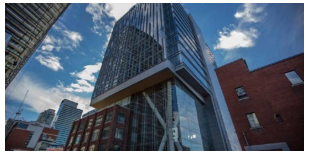


Vacancy by Class – 2016 to 2025



Fourth Quarter Deals



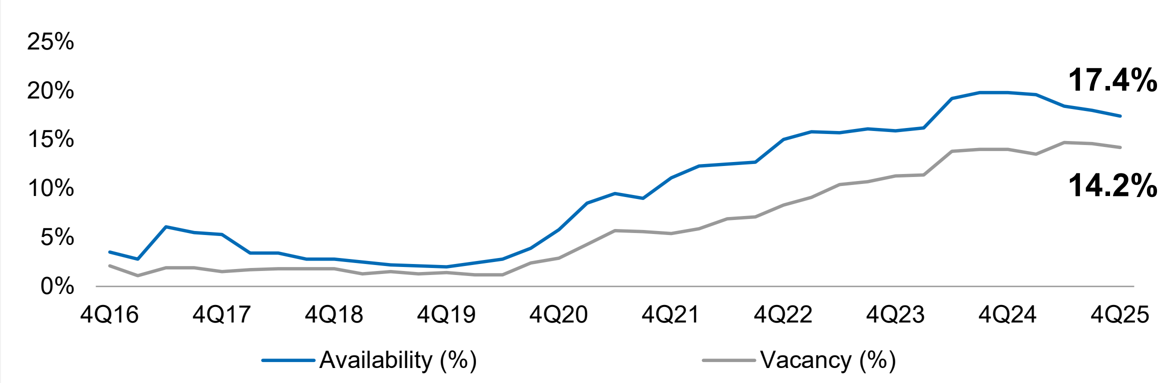

The Well 8 Spadina Avenue	The Well (Bldg. E) 460 Front Street West	The Well (Bldg. E) 460 Front Street West	Queen Richmond Centre West 134 Peter Street	Steele-Briggs Building 49 Spadina Avenue
CIBC	Wealthsimple	Netflix	PagerDuty	DEPT
258,200 SF	124,235 SF	22,000 SF	14,400 SF	10,150 SF
Expansion	Direct New	Expansion	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

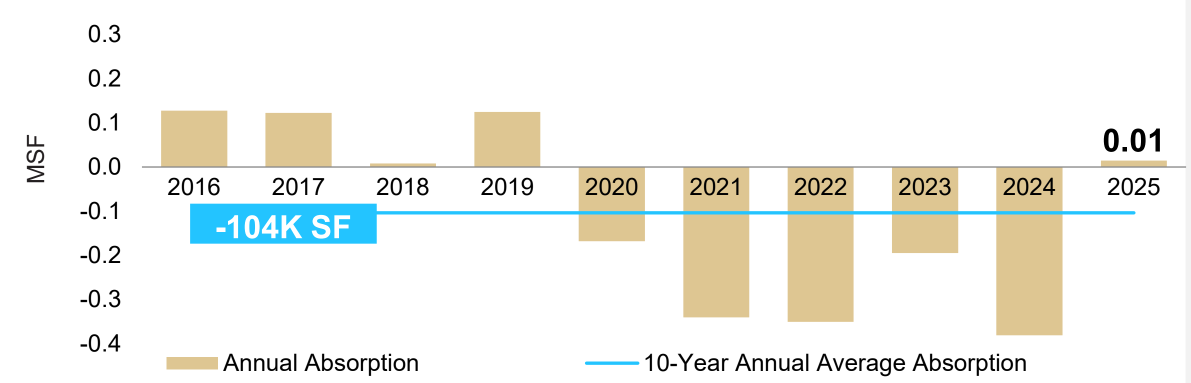
Downtown North

Downtown North, the 14.1-msf submarket with one of downtown's highest concentrations of class B/C buildings, recorded very moderate positive annual absorption in 2025 for the first time since 2019. While five years of substantial negative annual absorption had hollowed out much of the previous tenant base, positive absorption in class A premises in 2025 helped offset tenants who continued vacating class B space. This respite is likely a partial result of a spillover in leasing activity from other submarkets as tenants are increasingly unable to secure class A premises in the Financial Core or Downtown South. Conversion/redevelopment of obsolete space will be necessary to support a renewal in tenant demand.

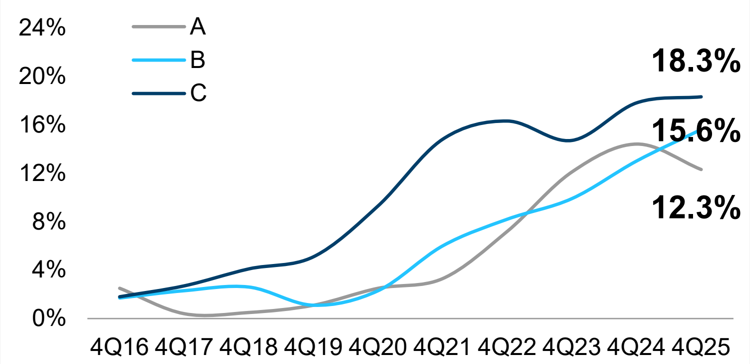
Overall Availability And Vacancy Rates – All Classes



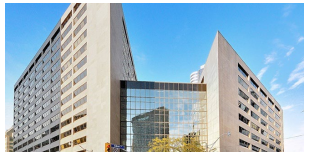
Annual Absorption – All Classes

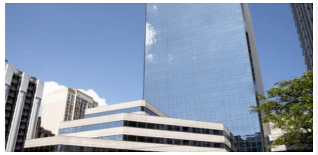


Vacancy by Class – 2016 to 2025



Fourth Quarter Deals





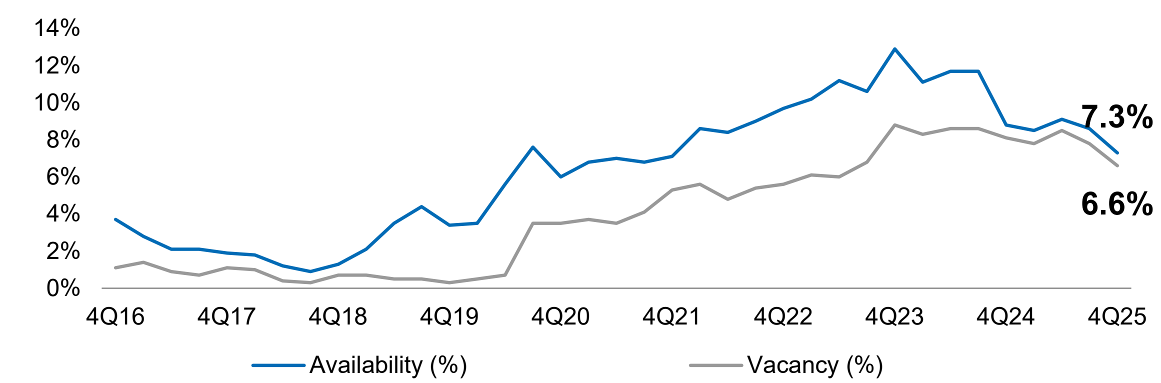
Bell Trinity Square 483 Bay Street	655 Bay Street	Carlton Tower 2 Carlton Street
Hydro One	International Business University	Street Haven
150,000 SF	43,400 SF	4,030 SF
Renewal	Sublease	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

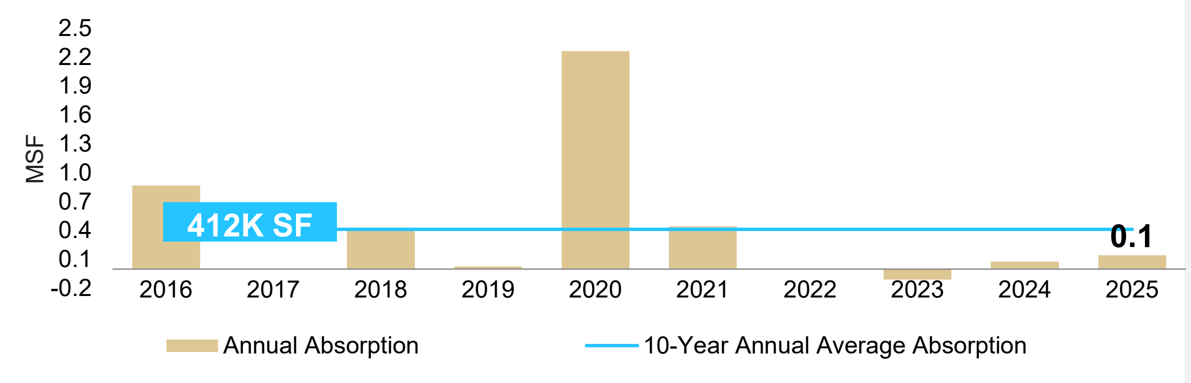
Downtown South

The 11.2-msf Downtown South submarket was the tightest in the core with vacancy at 6.6% at the end of 2025. With class B/C vacancy at 0% as there are virtually no class B/C buildings in inventory, the submarket benefits from an ongoing 'fight-for-quality' among tenants seeking proximity to a key public transit hub at Union Station and superior views and building amenities. Class A vacancy of 7.1% (while comprising 92% of the submarket inventory) was the lowest in the core. The gap between vacancy and availability – 70 bps at year-end 2025 – is negligible with very limited tenant movement due to a lack of new supply amid ongoing strong demand hence the minimal levels of annual absorption since 2022.

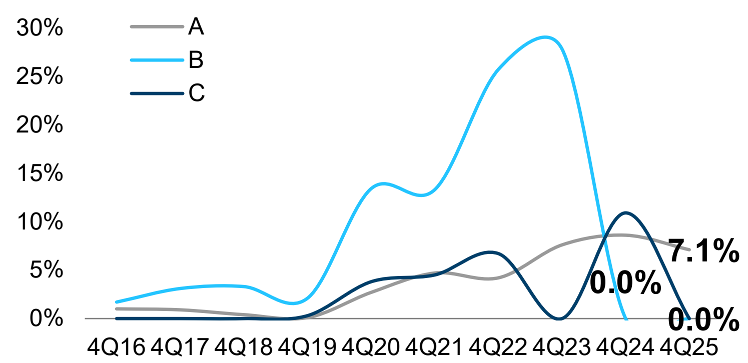
Overall Availability And Vacancy Rates – All Classes



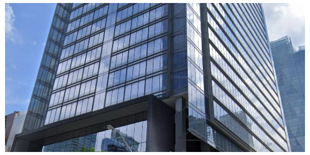
Annual Absorption – All Classes



Vacancy by Class – 2016 to 2025



Fourth Quarter Deals



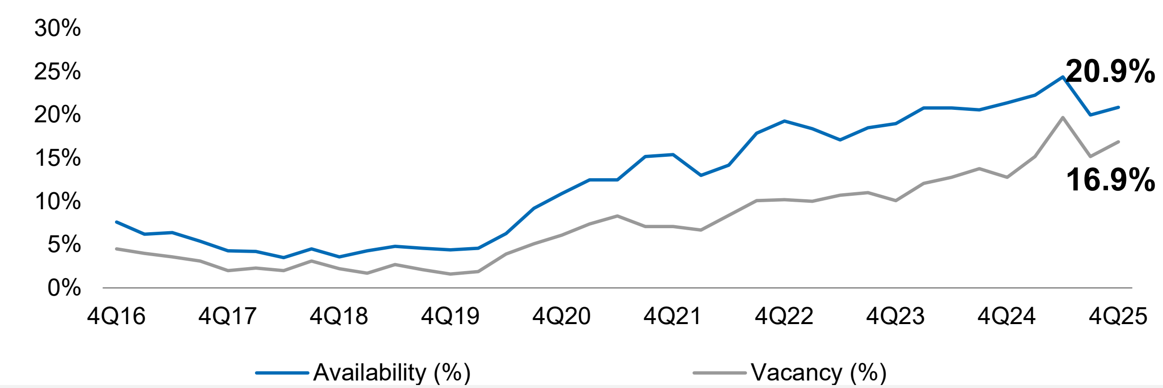
CIBC Square (phase 2) 141 Bay Street	Telus Harbour 25 York Street	Citigroup Place 123 Front Street West
CIBC	Desjardins	Undisclosed
128,050 SF	27,470 SF	18,390 SF
Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

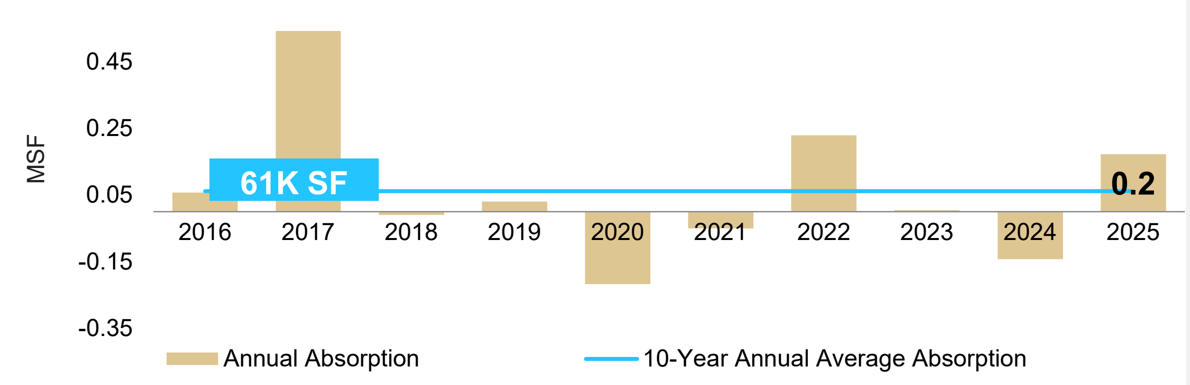
Downtown East

Vacancy in the 5.8-msf Downtown East grew to 16.9% through 2025, up 410 basis points from the end of 2024. Class A vacancy climbed notably in 2025 largely due to the delivery of the 476,000-sf EQ Bank Tower, which was subsequently partially occupied by EQ Bank, which led to reductions in overall vacancy and availability in third-quarter 2025. Annual absorption was positive in 2025 for the first time since 2022; however, tepid leasing demand for office space and an ongoing decline in class B/C occupancy contributed to undermine the recovery occurring in other downtown submarkets. With almost 60% of office space located in class B/C buildings, Downtown East will face further market turbulence in 2026.

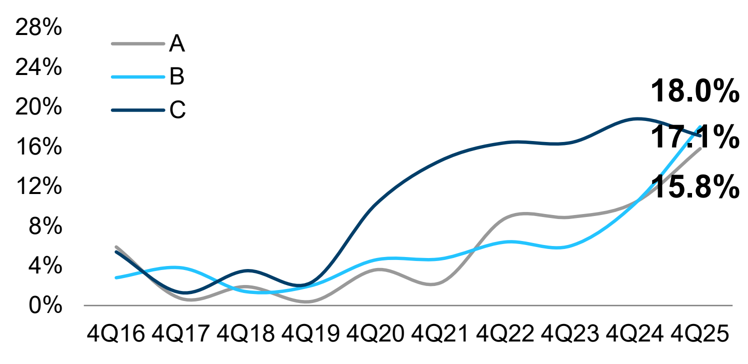
Overall Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes



Vacancy by Class – 2016 to 2025



The new 23-storey EQ Bank Tower was occupied in 2025.

Fourth Quarter Deals



The Globe and Mail Centre 351 King Street East	T3 Bayside (bldg. 1) 251 Queens Quay East	489 Queen Street East
Scotiabank	Undisclosed	Undisclosed
28,750 SF	6,310 SF	5,790 SF
Sublease	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

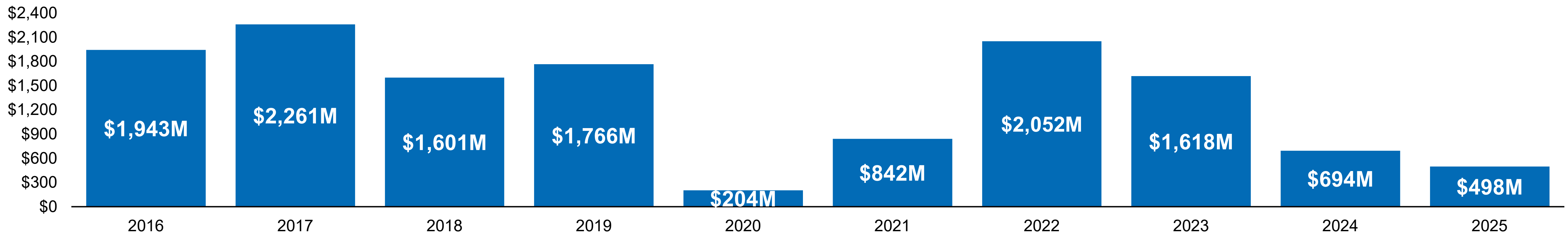
04

Office Sales Activity

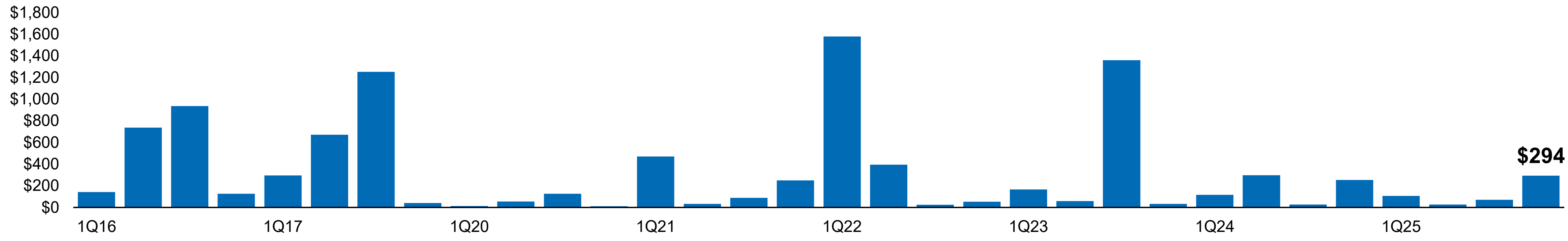
Downtown Toronto Core and Periphery Office Sales Volume Key Takeaways

Downtown office sales* (excluding strata) remained constrained in 2025 with the fourth-quarter sale of 70 York St. to Desjardins for $135M topping the list in terms of value. Dollar volume from the sale of Downtown office properties has been in freefall since 2022; however, fourth-quarter 2025 sales of $293M were the highest since the second quarter of 2024. Renewed investor interest in office in late 2025 saw the sales of 141 Adelaide St. W. ($95M), 339 Queen St. E. ($26M) and 252-264 Adelaide St. E. ($12M) all close in the fourth quarter as demand for office space continued to recover. No trophy assets transacted as just two sales surpassed $100M in 2025: 70 York St. and 438 University Ave. ($106M).

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



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



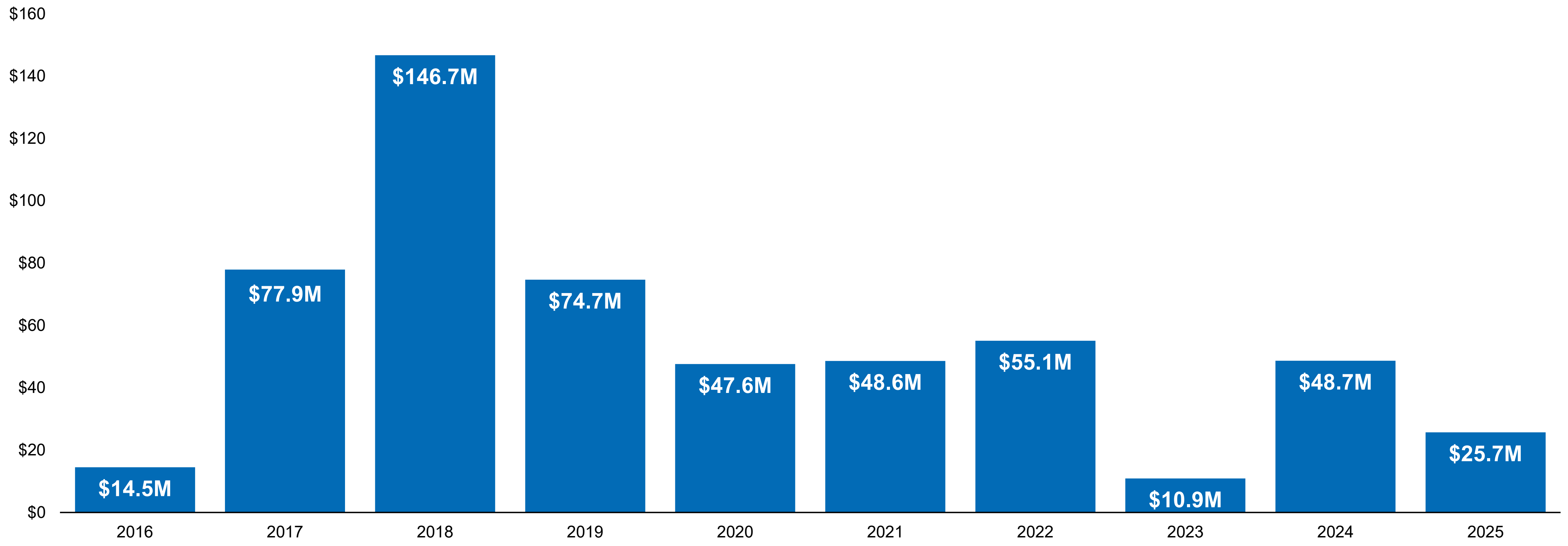
Source: Newmark Research, Altus Data Studio, CoStar

* 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. Office sales were stable in the early 2020s but dropped drastically in 2023 due to elevated interest rates. Lower capital costs saw demand resurge in 2024, but sales remained muted through 2025 with just 12 units transacting, including four at 7 St. Thomas. While demand for strata remained muted in 2025, fewer quality options for lease in key desired submarkets in 2026+ due to tightening vacancy may support some business owners to consider ownership opportunities rather than leasing.

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



Source: Newmark Research, Altus Data Studio

* Excluding non-arms transactions

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