



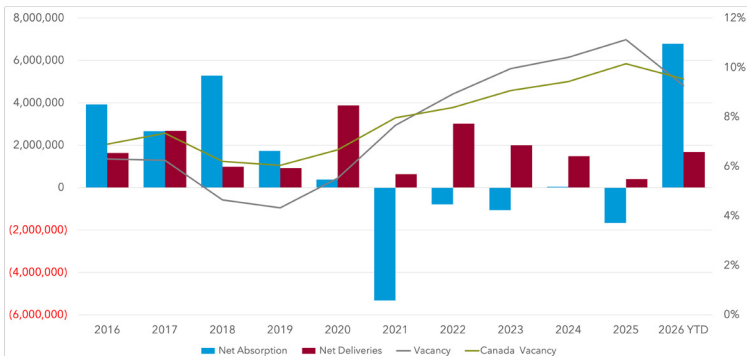
OFFICE MARKET OVERVIEW

LEE & ASSOCIATES TORONTO, *Real Estate Intelligence Department*

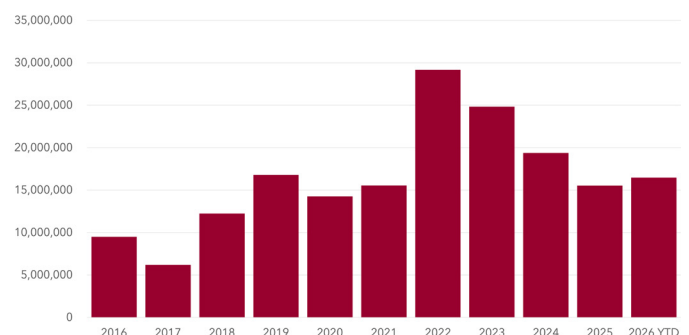
Toronto's office market is showing signs of stabilization, with vacancy and availability easing despite the delivery of its final major pre-pandemic development. Strong preleasing helped absorb new supply and support confidence in the downtown market. Declining sublet availability suggests fewer tenants are looking to shed space, while broader leasing activity points to improving demand from smaller occupiers. Net effective rents are beginning to recover, particularly in high-quality buildings, as landlords reduce incentives and regain pricing power. With new construction subdued and investor interest strengthening, Toronto's office market appears to be entering an early phase of recovery.

MARKET INDICATORS	Q3 2026	Q2 2026	Q1 2026	Q4 2025	Q3 2025
▲ 12 Mo. Net Absorption SF	6,439,643	5,853,172	1,963,797	(1,664,675)	(2,603,519)
▼ Vacancy Rate	9.53%	9.98%	10.31%	11.13%	11.25%
▲ Avg NNN Asking Rate PSF	\$42.54	\$42.51	\$42.32	\$42.17	\$42.15
▲ Sale Price PSF	\$389.90	\$384.27	\$381.63	\$377.31	\$366.30
▼ Cap Rate	6.73%	6.76%	6.80%	6.83%	6.91%
▼ Under Construction SF	1,312,913	1,511,062	3,252,035	3,354,529	3,423,874
▲ Inventory SF	286,360,807	286,264,867	284,542,941	284,675,405	284,626,942

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
25 Sheppard Ave W Toronto	390,277 SF	\$81,500,000 \$208.83 PSF	Infrastructure Ontario H&R REIT	Class A
123 Front St W Toronto	344,393 SF	\$243,622,000 \$707.40 PSF	GWL Realty Advisors Inc. Oxford Properties Group	Class A
26-32 Wellington St E Toronto	176,360 SF	\$75,500,000 \$428.10 PSF	BGO H&R REIT	Class A

*All numbers shown are in Canadian dollars (CAD)

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
483 Bay St Toronto	81,124 SF	Northam Realty	The Ministry of the Attorney General	Legislative Bodies
8133 Warden Ave Markham	33,758 SF	The Remington Group	BrokerLink	Insurance Agencies and Brokerages
1855 Buckhorn Gate Mississauga	27,817 SF	BGO	Undisclosed	Undisclosed

The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy. Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information.

The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: CoStar Group, Inc., The Economist, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Congressional Budget Office, European Central Bank, GlobeSt.com, CoStar Property, and Lee & Associates Proprietary Data. ©

© Copyright 2026 Lee & Associates all rights reserved. Third-party Image sources: sorbis/shutterstock.com, shutterstock.com, pixabay.com, istock.com