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News & Information

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What's Happening in… Toronto?

Located along the Northwestern shore of Lake Ontario, Toronto is one of Canada's most famous cities, and a bustling hub of diverse activity. The city holds the honor of being named "most multicultural city in the world" by the UN, and hosts one of the world's largest film festivals, making it a celebrity hotspot and perennially popular with the artistic crowd.

On the commercial front, the city's urban core has historically been a stronghold for finance, law and insurance firms, but, as with the rest of Canada's real estate markets, Toronto has certainly taken some hits over the last few years.

Despite this, there are strong pockets of resilience in Toronto's commercial real estate (CRE) market, so here's what you need to know about historical and current deal action in Canada's melting pot city.

2021 by the Numbers

The first two quarters of 2021 were exceptionally promising for CRE in the Greater Toronto Area. Canada's Real Estate News Exchange reported a record-breaking $13.2 billion in commercial real estate transactions in the first half of the year, saying:

"There were 1,417 transactions during the period, including 13 valued at more than $100 million. All asset classes experienced increased volume."

Following broader CRE trends, Toronto's market showed a strong uptick in industrial transactions and made tenacious gains in retail as well. The sole low performer in the first half of the year was office space, as companies continue to negotiate the shift to remote work, leaving the future of this asset class uncertain.

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These numbers held up for Q3 as well, according to the Toronto Regional Real Estate Board (TRREB) commercial report, which highlighted some strong gains. The report, which measured changes in year-over-year per square foot lease rates, noted an 18.4 percent increase for industrial and a 38.3 percent for commercial/retail. Meanwhile, office saw a 2.4 percent decline.

Office Still Struggling

Toronto's office woes are fuelled, in part, by the city's strong ties to the financial industry, with many finance institutions still on the fence about returning to work. Another factor driving lower demand for office space is a negative outlook by many private equity investors.

Andrew Moffs, Senior VP at Vision Capital summed up the trend, stating: "We are negative on office." He added that many companies no longer provide individual workspaces, leading to lower square footage needed per worker and lower demand.

Moffs also pointed out that office use by some of Toronto's key sectors, like law firms, has changed:

"Law firms don't need law libraries anymore, for example."

Instead, Vision Capital joined the general optimism around industrial assets, considering these a far more promising investment.

A Stronger 2022

The evidence suggests that their optimism is spot on as we head into 2022, and what is shaping up to be an excellent year for Toronto's industrial market. The 2022 PwC Canada Emerging Trends in Real Estate report, for example, indicates that industrial is set for an even bigger boom. The main driver of this trend is increasing demand for warehouse space in the area, as the appetite for e-commerce continues to surge.

Overall, PwC notes that Toronto remains "a top market to watch", and that the "Greater Toronto Area's real estate market is a key source of strength as the region's economy kicks into gear after multiple lockdowns."