

Q1 2026

Toronto Commercial Real Estate Report

Multi-family | Office | Hotel | Retail | Industrial | Medical

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The GTA entered 2026 with selective resilience.

Capital is more liquid than a year earlier, but still disciplined around income certainty, capex and lease-up risk. Multi-family and industrial remain core long-term themes; near-term leasing assumptions need more stress-testing. Downtown office posted record absorption, but demand is concentrated in quality, transit, amenities and move-in readiness. Retail, hotel and medical are defensive in the right nodes, with performance determined by tenant mix, costs and access.

Q1 INVESTMENT VOLUME

\$3.8B

GTA transaction volume; -3% YoY

MULTI-FAMILY

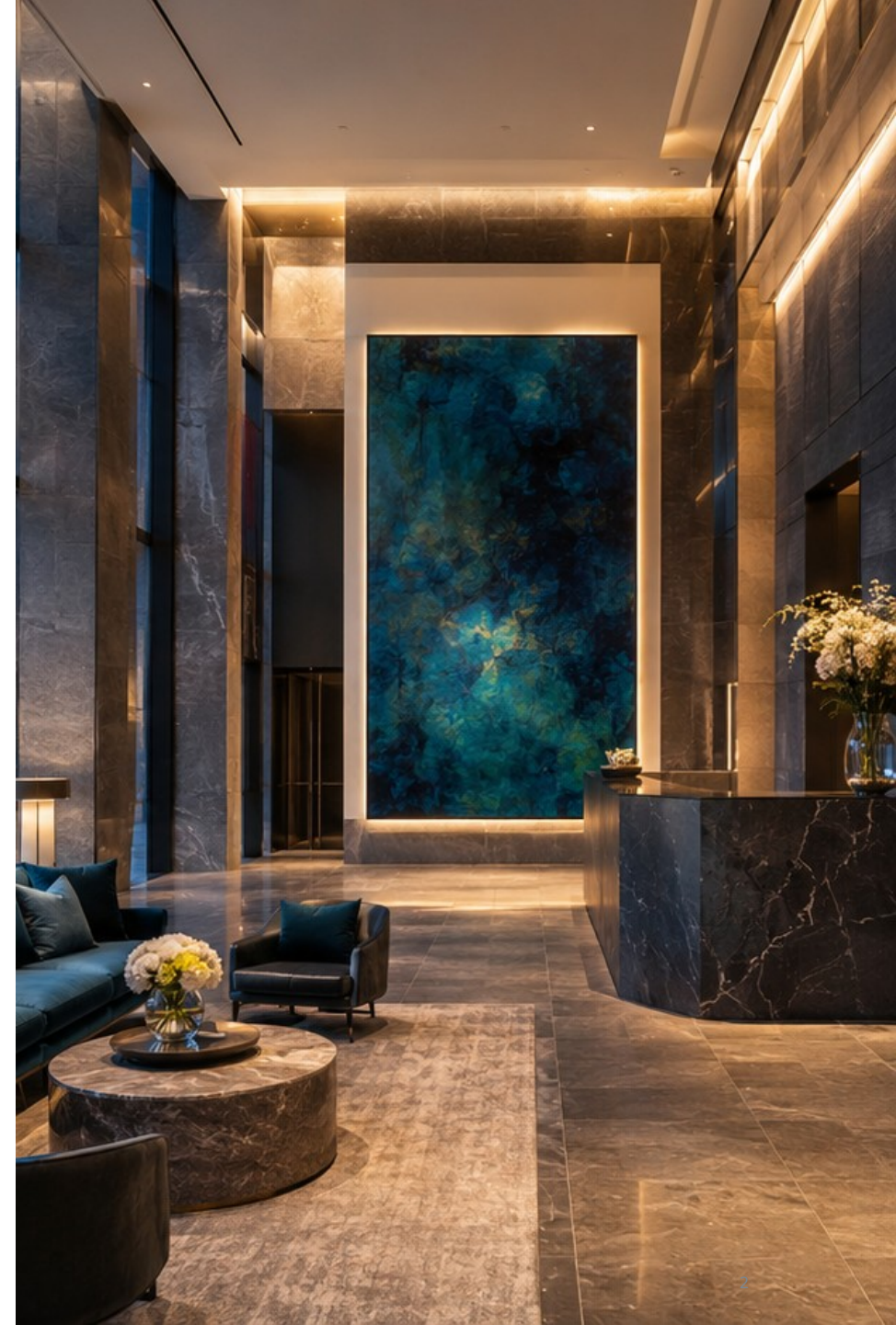
+232%

YoY investment volume growth

INDUSTRIAL

\$1.5B

Q1 dollar volume



Q1 2026 market dashboard

GTA CRE INVESTMENT VOLUME

\$3.8B

Altus Q1 2026; -3% YoY

MULTI-FAMILY INVESTMENT

\$675M

Altus Q1 2026; +232% YoY

STABILIZED RENTAL VACANCY

5.4%

Urbanation GTHA purpose-built buildings completed since 2000

RENTAL AVAILABILITY

8.0%

Urbanation record-high availability rate

DOWNTOWN OFFICE VACANCY

13.4%

CBRE; -120 bps QoQ

DOWNTOWN OFFICE ABSORPTION

2.1M+ sf

CBRE largest quarterly absorption on record

INDUSTRIAL AVAILABILITY

5.0%

CBRE GTA Q1 2026

INDUSTRIAL ASKING NET RENT

\$16.32/sf

CBRE; -\$0.06 QoQ

RETAIL VACANCY

2.4%

Lee & Associates Q1 2026

RETAIL ASKING NNN RENT

\$35.41/sf

Lee & Associates Q1 2026

MEDICAL CLINIC COST BENCHMARK

\$460-\$800/sf

Altus 2026 GTA hard-cost benchmark

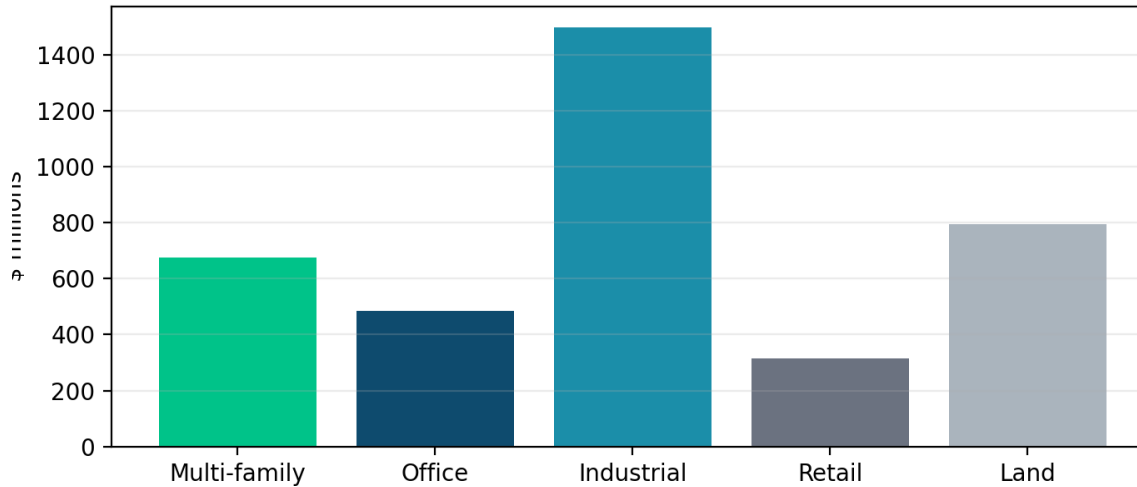
HOTEL COST BENCHMARK

\$365-\$565/sf

Altus 2026 GTA four-star full-service hard cost

Macro and capital-market context

GTA Q1 2026 Investment Volume by Sector



Altus reported nearly \$3.8B in GTA CRE transaction volume in Q1 2026, down 3% year-over-year. Sector performance diverged: multi-family +232%, office +103%, industrial +11%, retail -66% and land -29% year-over-year by dollar volume. Market participants are prioritizing liquidity, proven cash flow, tenant durability and lower construction exposure.

CAPITAL BIAS

Quality + income

Flight-to-quality is visible across office, industrial, retail and rental housing.

DEVELOPMENT HURDLE

Cost + approvals

Large speculative projects require stronger pre-leasing and funding certainty.

PRECEDENT VIEW

Disciplined re-entry

Pursue assets where market demand, design and capital structure reinforce each other.

Sources: S1

Multi-family: reset, not retreat

Altus reported nearly \$675M of Q1 multi-family investment volume, up 232% YoY.

Urbanation reported 5.4% vacancy and record 8.0% availability in newer GTHA purpose-built rental buildings.

Incentives are a critical underwriting input: 66% of projects offered incentives, with two months free rent the most common.

Long-term housing scarcity remains attractive, but 2026 underwriting should stress-test concessions and lease-up velocity.

VACANCY

5.4%

Stabilized GTHA buildings completed since 2000

AVAILABILITY

8.0%

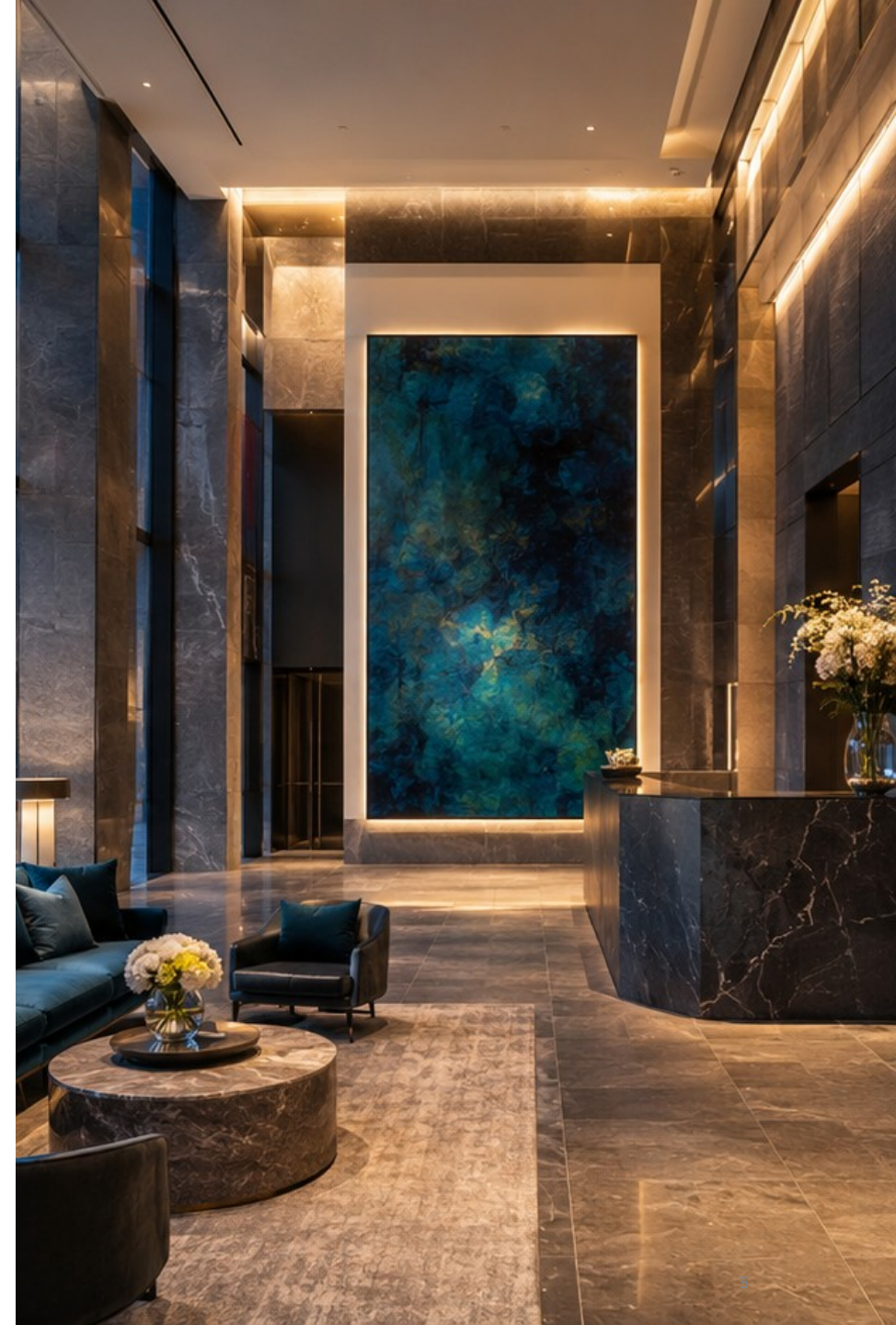
Record high in Q1 2026

NET RENT

\$3.52/sf

After incentives; down 3.0% YoY

Sources: S1; S6; S11; S12



Office: record absorption, quality-led recovery

CBRE reported Downtown vacancy decreased 120 bps to 13.4% in Q1 2026. Downtown recorded more than 2.1M sf of net absorption, the largest quarterly absorption figure in recorded history. Class AAA and A accounted for most leasing; recovery is spreading beyond the Financial Core as top options tighten. CIBC Square II reached full occupancy and the pipeline is limited, with only 396k sf of new office space expected by 2030.

DOWNTOWN VACANCY

13.4%

CBRE Q1 2026

NET ABSORPTION

2.1M+ sf

Largest quarterly absorption on record

PIPELINE

396k sf

Expected through 2030



Industrial: stabilization after the rental reset

CBRE reported 2.0M sf of positive absorption in Q1 and 8.1M sf across the last three quarters.

Availability held at 5.0% after two consecutive declines, while average asking net rent slipped only \$0.06 QoQ to \$16.32/sf.

The under-construction pipeline has fallen to its lowest level since 2018, which should help rebalance market leverage.

Functional buildings with clear height, loading, power, yards and highway access remain better insulated.

AVAILABILITY

5.0%

CBRE Q1-Q1 2025

ASKING NET RENT

\$16.32/sf

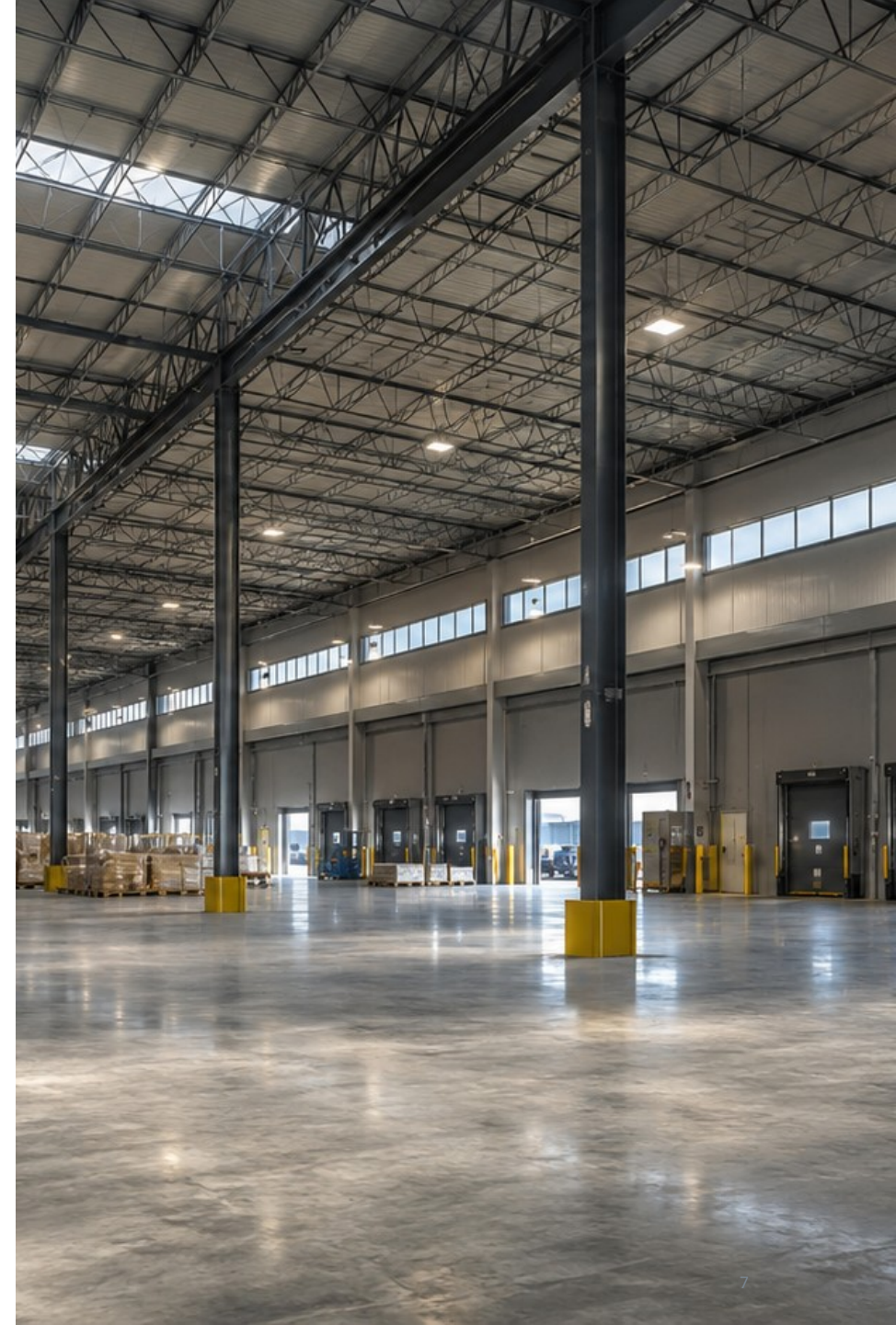
Down only \$0.06 QoQ

Q1 ABSORPTION

2.0M sf

Positive absorption

Sources: S3; S5; S8; S12



Retail: tight but more selective

Lee & Associates reported Q1 retail vacancy of 2.4% and average NNN asking rent of \$35.41/sf.

Large anchor closures and slower population growth are adding more space back to the market, weakening absorption in select nodes.

Daily-needs, grocery, service, fitness, food and beverage, wellness and transit-adjacent retail remain the most defensive formats.

Value-add retail opportunities require careful backfill, tenant mix, incentives and operating expense underwriting.

VACANCY

2.4%

Lee & Associates Q1 2025

NNN ASKING RENT

\$35.41/sf

Average Q1 asking rate

TTM ABSORPTION

-1.46M sf

Trailing 12-month net absorption

Sources: S1; S7; S10; S12



Hotel: event-supported, margin-sensitive

Toronto benefits from corporate travel, conventions, urban leisure, sports and FIFA World Cup 2026 demand support. Cushman & Wakefield noted Canadian hotel RevPAR reached a historic high in 2025, with Toronto and Vancouver expected to receive a FIFA 2026 boost. Operating costs, labour availability, FF&E reserves, brand standards, insurance and taxes remain key NOI risks. Underwriting should normalize post-event demand rather than capitalize temporary peaks.

DOWNTOWN FULL-SERVICE CAP

5.25%-6.50%

CBRE Q1 2026 Toronto range

4-STAR HARD COST

\$365-\$565/sf

Altaia 2024 CCA benchmark; FF&E excluded

2026 CATALYST

FIFA

Citywide event demand support

Sources: S9; S10; S12



Medical: defensive demand, higher build-out complexity

Medical real estate is driven by needs-based demand, outpatient care, diagnostics, specialists, wellness and aging demographics. Toronto's hospital and specialty-care ecosystem supports long-term demand for clinics and health-service real estate near accessible nodes. Clinical users require specialized plumbing, HVAC, electrical, accessibility, elevators, parking and licensing considerations. The best product fit is transit-accessible, elevator-served, clinically adaptable space close to residential catchments and health corridors.

MEDICAL CLINIC COST

\$460-\$800/sf

Alta 2025 GTA hard cost range

DEMAND PROFILE

Defensive

Needs based services

BEST USE

Outpatient

Diagnostics, dental, rehab, wellness, medical



Notable Q1 2026 transactions and signals

ASSET	PROPERTY / LOCATION	TYPE	PRICE	READ-THROUGH
Office	Yonge Corporate Centre & North American Centre, North York	Two office assets	\$140M each	Largest Q1 office transactions; investor conviction in suburban transit-oriented office
Industrial	2777 Langstaff Road, Vaughan	Former Toys R Us GTA HQ / logistics asset	\$134.7M	Large-format industrial demand remains resilient
Industrial	Sobeys distribution centre, GTA	Distribution facility	\$115M	Food logistics and essential distribution remain defensive
Retail	1068 & 1070 Pape Avenue, East York	Food Basics + Burger King retail	\$17.4M	Transit-oriented retail with future Cosburn LRT upside
Multi-family	Starlight East York / Scarborough portfolio	408-unit apartment portfolio	\$126.4M	Scale apartment capital active despite softer operating conditions
Multi-family	Starlight North York / Etobicoke / Mississauga portfolio	481-unit apartment portfolio	\$134M	Long-term rental conviction across suburban nodes

Interpretation: Q1 activity favoured scale apartment portfolios, large-format logistics, food/service retail and transit-oriented income assets.

Sources: S1

Construction cost and feasibility context

MULTI-FAMILY

Up to 12: \$245-\$390/sf; 13-39: \$280-\$350/sf; 40-60: \$320-\$410/sf; 60+: \$350-\$480/sf

OFFICE

Base building: \$260-\$510/sf by class/height; fit-out: \$110-\$265/sf

RETAIL

Strip plaza: \$220-\$295/sf; supermarket: \$165-\$260/sf; enclosed mall: \$260-\$480/sf

HOTEL

Budget: \$235-\$325/sf; suite: \$325-\$420/sf; 4-star: \$365-\$565/sf; FF&E excluded

INDUSTRIAL

Warehouse: \$75-\$180/sf; distribution: \$170-\$480/sf; urban storage: \$90-\$195/sf

MEDICAL

Clinic/treatment centre: \$460-\$800/sf; hospital: \$1,030-\$1,620/sf

PARKING

Underground: \$165-\$285/sf; unusual underground premium up to \$220/sf

Precedent view: feasibility is less about proving long-term demand and more about aligning land basis, approvals, operating costs, financing, tenant demand and construction pricing.

2026 outlook and strategic implications

SECTOR	2026 OUTLOOK	PRIORITY
Multi-family	Constructive long term; supply-sensitive near term	Stress-test concessions, absorption, turnover and condo-rental competition.
Office	Quality-led recovery	Prioritize Class A/AAA, transit, amenities and tenant-ready capital programs.
Hotel	Event-supported but margin-sensitive	Normalize post-FIFA demand and underwrite labour, FF&E, insurance and taxes.
Retail	Tight but selective	Focus on grocery, service, fitness, food, wellness and transit-adjacent formats.
Industrial	Stabilizing after reset	Prioritize clear height, loading, trailer parking, power, highway access and tenant credit.
Medical	Defensive and service-driven	Seek accessible clinical-ready space near health nodes and growing catchments.

Recommendation: prioritize income-secure, location-defensible and execution-disciplined opportunities. Avoid underwriting that relies solely on generic rent growth or cap-rate compression.

Source notes and disclaimer

S1 Altus Group - Toronto CRE Market Update Q1 2026
S2 CBRE - Toronto Downtown Office Figures Q1 2026
S3 CBRE - Toronto Industrial Figures Q1 2026
S4 Colliers - Toronto Office Market Report Q1 2026
S5 Colliers - Toronto Industrial Market Report Q1 2026
S6 Urbanation - GTHA Rental Vacancy Q1 2026
S7 Lee & Associates - Q1 2026 Toronto Retail Overview
S8 Cushman & Wakefield - Toronto MarketBeat Reports
S9 Cushman & Wakefield - Canadian Lodging Industry Overview
S10 CBRE - Q1 2026 Canadian Cap Rates & Investment Insights
S11 IPA / Marcus & Millichap - Toronto Multifamily 1Q 2026
S12 Altus Group - 2026 Canadian Cost Guide
S13 Infrastructure Ontario - North York General Hospital project profile
S14 University Health Network - Toronto Western Hospital surgical tower
S15 PwC / ULI - Emerging Trends 2026 Medical Office Outlook

Sources: Full URLs in Word report

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