



Greater Toronto industrial market report

Q2 2023

**AVISON
YOUNG**

Greater Toronto market fundamentals

1.9%

availability rate
across the GTA

2.7M

net absorption year-to-date
across the GTA

18.7M

square feet (sf) under construction
74 buildings

\$18.12

average asking net rental rate per square foot (psf)
across the GTA

20%

growth in asking net rental rates
year-over-year

\$360

average sale price psf
across the GTA

Industrial market trends

01

Availability rises for the third consecutive quarter

The availability rate rose by 30 basis points (bps) in the second quarter to 1.9% (17.1 million sf). This is the highest rate since Q2 2020, when 1.9% was last recorded. Over the quarter, an additional 2.7 million sf became available.

Our take on this trend...

With tenants actively looking for space in advance of lease expiry due to tight market conditions, many landlords have responded by advertising large-block spaces well in advance of vacancy. This trend has influenced much of the rise in availability.

02

Rental rates rise despite growing availability

Average rental rates rose by 1% over the quarter to \$18.12 psf. Rates have risen by an average of 30% per year from 2018 to 2023, compared to a total of 4% between 2012 and 2017. When leases are up for renewal, tenants are facing sticker shock, with rents in some cases doubling or tripling.

Our take on this trend...

The most attractive blocks of space remain scarce as availability has remained just below 2% over the past five years. This has continued to place upward pressure on rents. However, the pace of rental rate growth is expected to moderate further over the next several quarters.

03

New supply will not dramatically shift availability

Q2 completions totaled 3 million sf across 16 buildings (39% leased). Over the past year, 13 million sf (56 buildings) were added to the inventory – of which 75% were leased prior to completion. Currently, there are 18.7 million sf under construction (74 buildings).

Our take on this trend...

Tenants desire to occupy more efficient spaces to combat rising business costs. Only 3.2 million sf of the 13 million sf of new supply delivered over the past year was available at the time of completion. With absorption averaging 2.6 million sf per quarter during the same period, the surplus space was quickly absorbed.

GTA overall

Availability rates likely to continue to rise

The overall industrial availability rate across the GTA increased 30 bps during the second quarter to 1.9% – a 100 bps increase year-over-year. Quarter-over-quarter, availability increased in all markets except for GTA East (which remained unchanged at 0.6%): GTA West (+40 bps to 2.3%), GTA Central (+30 bps to 1.9%) and GTA North (+20 bps to 1.3%).

Top lease transactions within the GTA signed during the second quarter of 2023 included Campbell Company's 437,000-sf lease extension at 255 Chrysler Drive in Brampton, Wesbell Logistics' 264,000-sf renewal at 6135 Kennedy Road in Mississauga and Riverside Natural Foods' lease of 194,700 sf at 2243 Sheppard Avenue W. in North York.

Demand in the GTA continues to centre around logistics and distribution, with an increased focus on manufacturing and consumer goods & services. Despite a rise in availability, rents continued to increase. The average asking net rental rate in the GTA

reached \$18.12 psf in the second quarter of 2023. This represents an increase of 20% year-over-year, 86% in the past three years, and 152% in the past five years. The highest average net rents were found in GTA North at \$18.48 psf. The most affordable area was GTA East, with average net rents at \$15.95 psf.

Q2 completions totaled 3 million sf across 16 buildings (39% leased) throughout the GTA. The largest completion of the quarter was a 458,500-sf speculative distribution centre developed by Pure Industrial at 20 Whybank Drive in Brampton. A further 74 buildings, totaling 18.7 million sf, were under construction at the end of the second quarter – with 31% preleased. Most of the buildings under construction were in GTA West (61%), while the North accounted for 23%, East 12% and Central 4%. An additional 157 buildings were in the pre-construction stage, with the potential to add almost 55 million sf (20% already leased) across the GTA.

Q2 2023

Quarter over quarter

920M sf

inventory



17.1M sf

available area



\$18.12 psf

average asking net rental rate



18.7M sf

74 buildings

under construction



GTA Central

New supply continues to centre around last-mile users

Available space in the Central market increased 30 bps quarter-over-quarter to 1.9%. Availability rates ranged from a high of 3% in Toronto to a low of 1% in North York. The average asking net rental rate decreased to \$17.87 psf – an increase of 17% year-over-year, 80% in the last three years and 137% in the last five years. Toronto commands the highest rents at \$18.94 psf, and East York has the lowest at \$16.25 psf.

Notable Q2 lease transactions in the Central market included Riverside Natural Foods' new deal for 194,700 sf at 2243 Sheppard Avenue W. in North York, a logistics and distribution firm signing for 149,400 sf at 137 Horner Avenue in Etobicoke and Tesla subleasing 117,300 sf in Scarborough at 1251 Tapscott Road. On the sales front, the Apotex portfolio transaction contained the two largest deals of the second quarter, including 50 Steinway Boulevard, Etobicoke (\$248 million/\$372 psf) and 150 Signet Drive, North York (\$99 million/\$219 psf). Outside of the Apotex

portfolio, 1145 Bellamy Road, Scarborough sold for \$46 million (\$320 psf).

In the Central market, four buildings were completed between Etobicoke (two buildings/ 438,691 sf), North York (194,708 sf) and Scarborough (96,096 sf) throughout the quarter. Six buildings totaling 790,000 sf were under construction (27% leased) – including One Properties' speculative 541 Kipling Avenue (337,200 sf), expected to be ready for late 2023 occupancy.

Etobicoke is home to 74% of the Central market's under-construction pipeline (by square footage), with the balance in Scarborough (26%). Meanwhile, there are 33 buildings at the pre-construction stage totaling 4.5 million sf. These are 50% leased – a mixture of design-build projects and those awaiting a tenant.

Q2 2023

Quarter over quarter

259M sf
inventory



4.9M sf
available area



\$17.87 psf
average asking net rental rate



790,000 sf
6 buildings
under construction



GTA East

Most affordable rents in the GTA

Overall availability in the East market remained unchanged during the second quarter at 0.6%. Meanwhile, the average rental rate increased to \$15.95 psf – up 30% year-over-year, 108% in the last three years and 152% in the past five years. Some of the most economical rents in the GTA can be found in the East, where all nodes remain well below the GTA average of \$18.12 psf.

Leasing activity was led by Data Communications Management, which signed a sale-leaseback at 1100 Thornton Road S., Oshawa (143,300 sf), Atlantic Packaging inking a lease at 4680 Garrard Road, Whitby (125,000 sf) and Spectrum Supply subleasing 43,200 sf at 675 Harwood Avenue N. in Ajax. On the sales front, the aforementioned sale-leaseback of 1100 Thornton Road S. in Oshawa was the largest sale of Q2 – purchased by Crux Capital for \$24.1 million. Additionally, 280 South Blair Road E. in Whitby (70,500 sf, fully leased to Label Supply) was acquired by Mactac for \$16.5 million, and 200 Baseline Road E., Clarington

(116,200 sf) was acquired by user Priestly Demolition for \$14.3 million.

No buildings were completed during the second quarter. However, seven buildings totaling 2.2 million sf are currently under construction. Meanwhile, there are 23 buildings at the pre-construction stage totaling 7.4 million sf (14% leased).

In other news, construction has commenced on a 172,542-sf temperature-controlled facility for Martin-Brower at 650 Conlin Road W. in Oshawa. Situated near the Oshawa Executive Airport within Northwood Business Park, the building will service McDonald's restaurants and provide storage capability to McDonald's suppliers across the GTA.

Also of note, GM announced during the quarter that it will be investing an additional \$280-million in its Oshawa assembly plant to ramp-up for a next generation of full-sized pickup trucks.

Q2 2023

Quarter over quarter

57M sf
inventory



314,000 sf
available area



\$15.95 psf
average asking net rental rate



2.2M sf
7 buildings
under construction



GTA North

New supply concentrated in Vaughan

The availability rate in the GTA North industrial market increased 20 bps to 1.3% during the second quarter, while asking net rental rates averaged \$18.48 psf across submarkets. Rates have increased 20% year-over-year, 68% in the last three years and 132% in the past five years. Within GTA North, average rents in all municipalities range from \$16.23 psf in Newmarket to \$18.82 psf in Vaughan.

Significant leases during Q2 included Cardinal Health inking a deal for 163,800 sf at 300 Applewood Crescent in Vaughan, and two leases with undisclosed tenants at 27 Director Court (107,200 sf) and 50 Locke Street (53,900 sf), both also in Vaughan. On the investment front, Pontegadea Group (the property investment arm of Spanish businessman and Zara owner Amancio Ortega) purchased 45 Di Poce Way in Vaughan from Pure Industrial for \$198.2

million. The property contains a 422,400-sf design-built sorting facility for FedEx with 328 trailer parking stalls and ample excess land.

In development news, one building was completed during the quarter: 6685 Langstaff Road in Vaughan, a 330,477-sf speculative development by Zzen Group with the majority leased by Tremco (220,400 sf). At the end of the quarter, 16 buildings totaling 4.3 million sf were under construction (55% preleased). There were also 39 buildings at the pre-construction stage with the potential to add 11.5 million sf to the market when completed – 33% had been leased prior to construction.

In other news, Buttonville Airport in Markham officially closed over the quarter. The owner, Cadillac Fairview, plans to develop an industrial park offering up to 2.8 million sf.

Q2 2023

Quarter over quarter

193M sf
inventory



2.5M sf
available area



\$18.48 psf
average asking net rental rate



4.3M sf
16 buildings
under construction



GTA West

Renewal activity dominates leasing activity

The availability rate in the West market increased 40 bps to 2.3% during the second quarter of 2023. The last time availability was this high was in Q2 2020. The uptick is attributed in part to several large listings coming to market during the quarter. However, most of these large blocks of space are currently tenanted and not available for occupancy until late 2023 and early 2024.

During Q2, average asking net rental rates rose to \$18.34 psf across the West's submarkets. Rates have increased 24% year-over-year, 88% in the last three years and 164% in the past five years. Within GTA West, average rents in all municipalities range from \$15.78 psf in Burlington to \$19.86 psf in Brampton.

On the leasing front, the quarter was led by renewal activity – the most notable inked by Campbell Company for 437,300 sf at 255 Chrysler Drive in Brampton, Wesbell Logistics

for 264,000 sf at 6135 Kennedy Road, Mississauga and Rhenus Logistics for 140,000 sf at 350 Pendant Drive in Mississauga.

On the investment front, TD Greystone Asset Management aquired 8574 Boston Church Road in Milton, a 754,700-sf distribution centre, for \$176 million (\$233 psf). The building will continue to be fully tenanted by Whirlpool Canada.

Ten buildings totaling 1.9 million sf were completed during Q2 (32% leased). The largest was a speculative 458,500-sf distribution centre built by Pure Industrial at 20 Whybank Drive in Brampton. Meanwhile, 11.5 million sf (27% leased) across 45 buildings was under construction at the close of the second quarter – accounting for 61% of the overall construction pipeline in the GTA. A further 62 buildings totaling 31.3 million sf are in the pre-construction phase.

Q2 2023

Quarter over quarter

411M sf
inventory



9.6M sf
available area



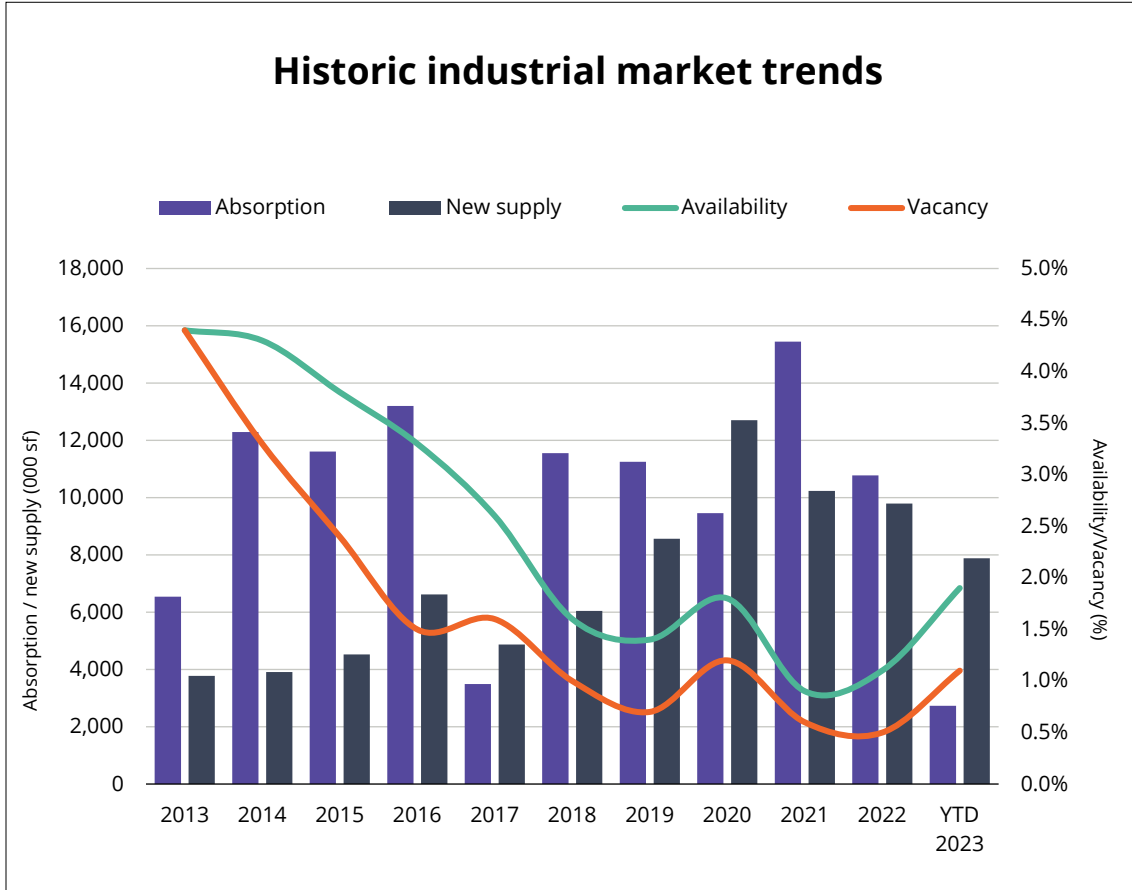
\$18.34 psf
average asking net rental rate



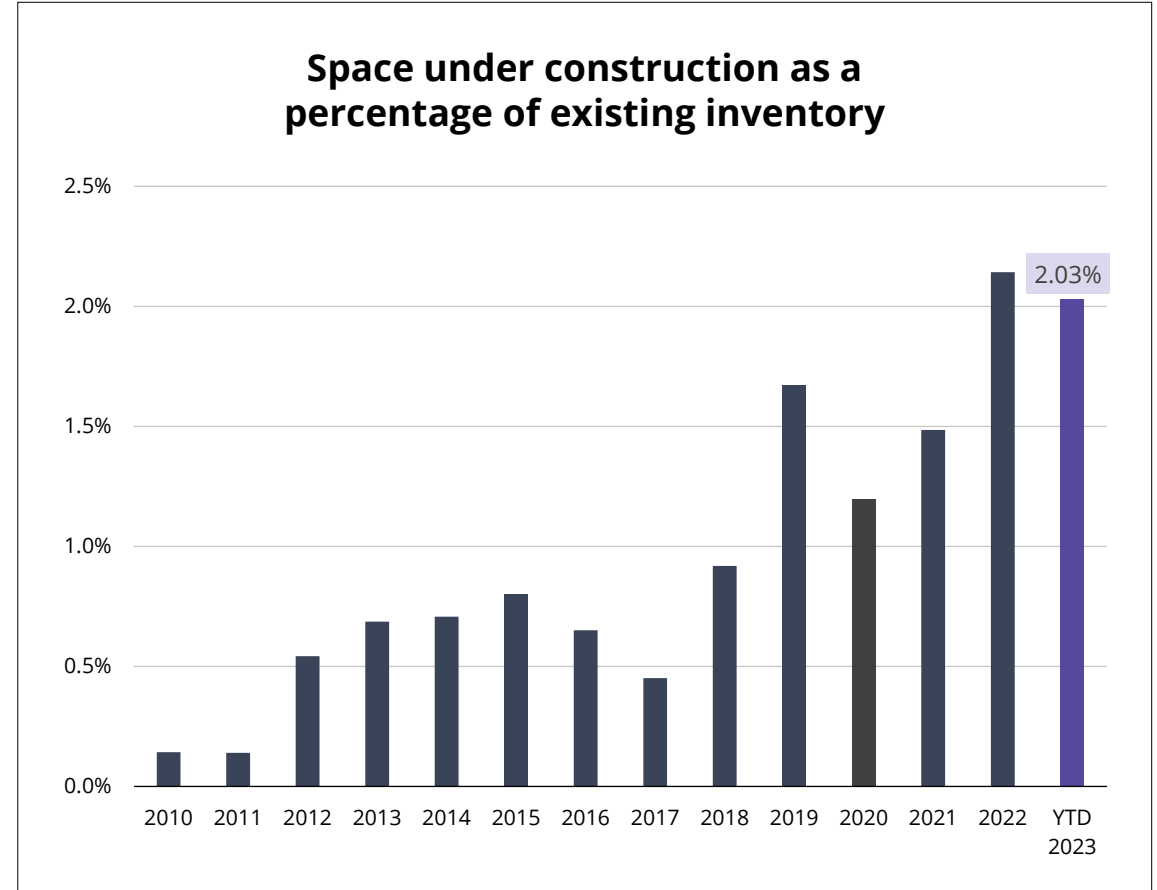
11.5M sf
45 buildings
under construction



Greater Toronto industrial market indicators

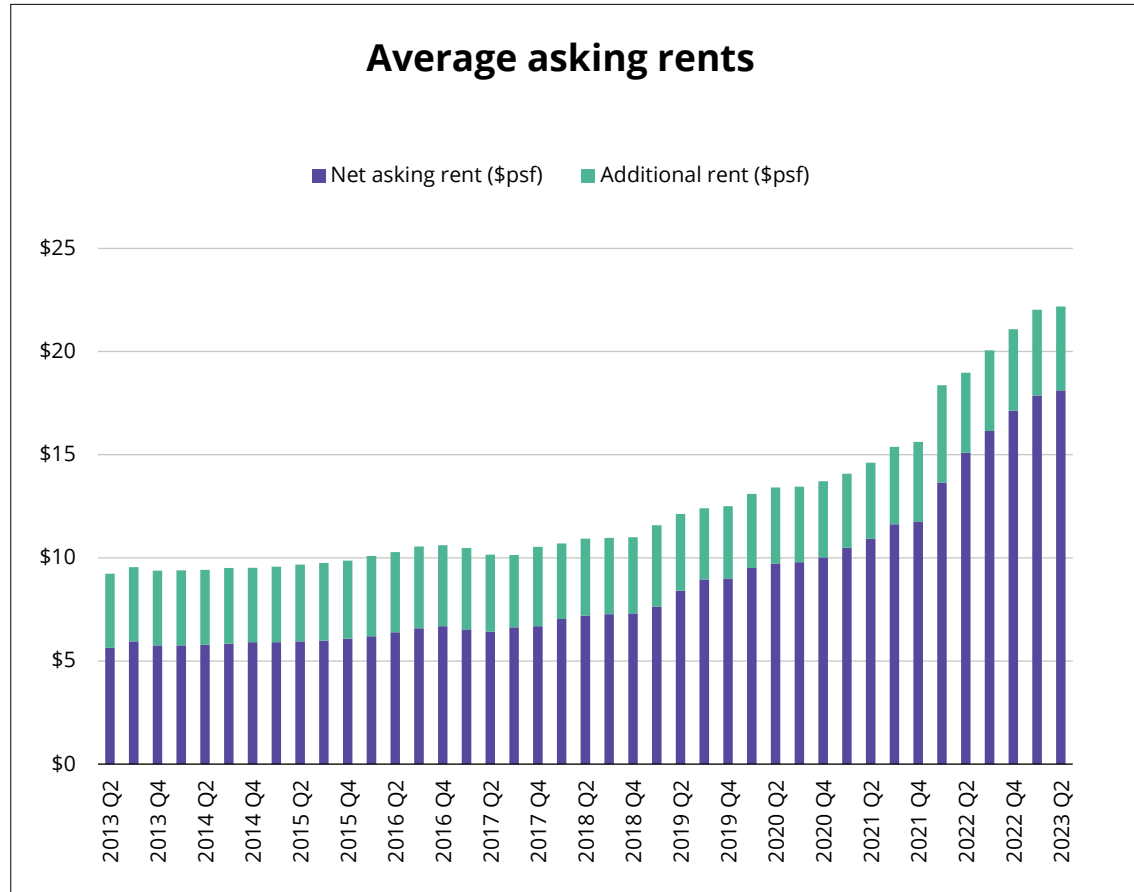


Source: Altus Data Studio

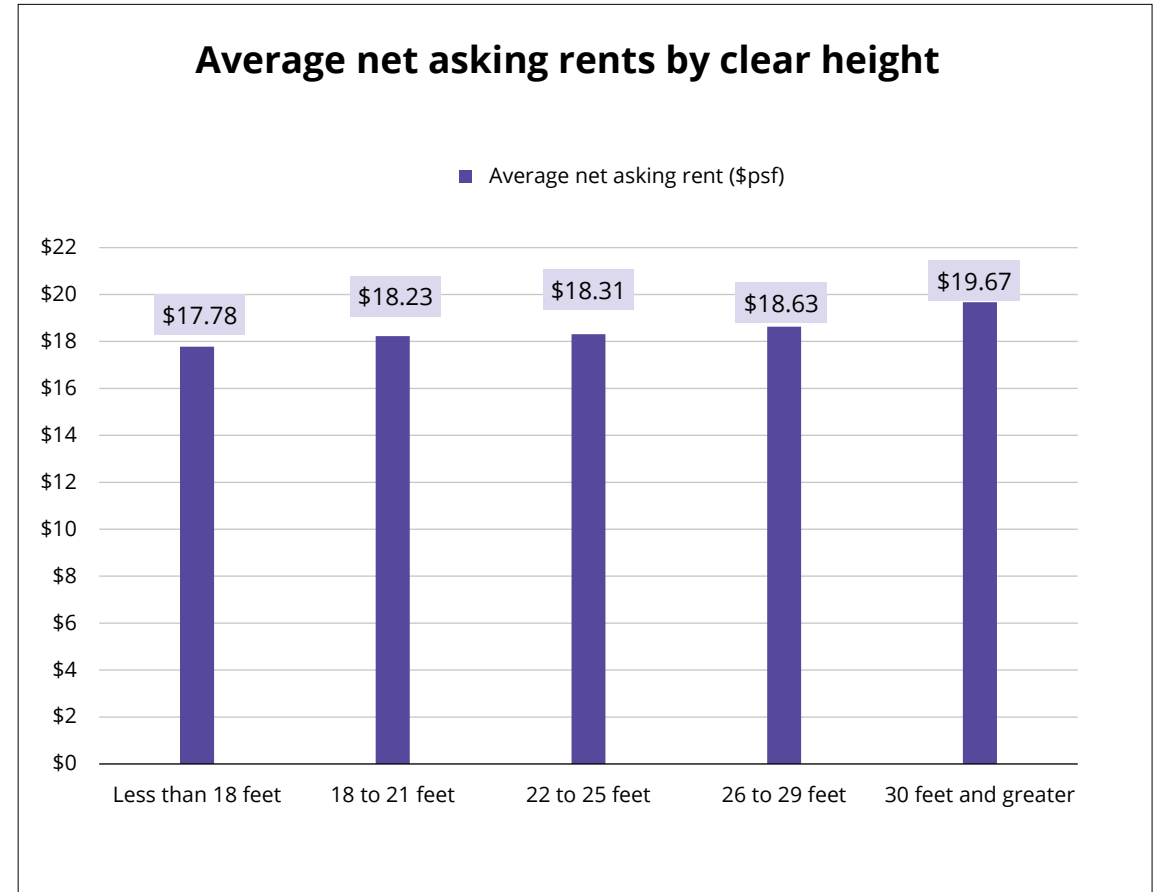


Source: Altus Data Studio

Greater Toronto industrial market indicators



Source: Altus Data Studio and Avison Young



Source: Altus Data Studio and Avison Young. 10,000 sf and greater available listings

Greater Toronto industrial market activity

Significant leasing transactions

Address	District	Tenant name	Size (sf)	Lease type	Product type
255 Chrysler Dr., Brampton	West	Campbell Company	437,300	Extension	Existing
6135 Kennedy Rd., Mississauga	West	Wesbell Logistics	264,000	Renewal	Existing
2243 Sheppard Ave. W., North York	Central	Riverside Natural Foods	194,700	New	Speculative
300 Applewood Cres., Vaughan	North	Cardinal Health	163,800	New	Existing
4680 Garrard Rd., Whitby	East	Atlantic Packaging	125,000	New	Speculative

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
Apotex - W.P. Carey Ontario Industrial Portfolio 2023	Central/North	\$595,884,822 / \$291	W.P. Carey	Apotex Pharmaceutical Holdings Inc.
45 Di Poce Way, Vaughan	North	\$198,200,000 / \$469*	Pontegadea Group	Pure Industrial
8574 Boston Church Rd., Milton	West	\$176,000,000 / \$233	Pure Industrial	TD Greystone Asset Management
BentallGreenOak - Pure Industrial Peel Industrial Portfolio 2023	West	\$138,500,000 / \$315	Pure Industrial	BentallGreenOak
55 Hereford St., Brampton	West	\$82,000,000 / \$650	Grain Management & Stratcap	Choice Properties

Source: Altus Data Studio *Property includes excess land

Greater Toronto industrial market stats

Market / submarket	Inventory (sf)	Total available area (sf)	Availability rate (%)	Total vacant area (sf)	Vacancy rate (%)	Net absorption (sf)	Weighted average asking net rental rate (\$psf)	Weighted average TMI (\$psf)	Average sold price (\$psf)	Total completed area (sf)	Total under construction (sf)
East York	8,733,902	106,393	1.2%	85,660	1.0%	-21,926	\$16.25	\$4.78	\$274	0	0
Etobicoke	75,787,907	1,985,117	2.6%	1,519,986	2.0%	-57,822	\$18.66	\$4.16	\$371	438,691	588,004
North York	68,220,596	682,114	1.0%	262,686	0.4%	-58,388	\$17.08	\$4.38	\$372	194,708	0
Scarborough	67,913,012	1,017,558	1.5%	608,595	0.9%	-30,669	\$16.49	\$4.08	\$419	96,096	201,584
Toronto	33,714,321	996,007	3.0%	484,875	1.4%	-10,010	\$18.94	\$5.29	\$485	0	0
GTA Central Overall	259,252,439	4,857,476	1.9%	3,015,698	1.2%	-178,815	\$17.87	\$4.19	\$374	729,495	789,588
Ajax	9,956,306	133,450	1.3%	116,942	1.2%	-12,171	\$16.22	\$3.89	\$302	0	367,244
Oshawa	17,798,120	77,239	0.4%	30,615	0.2%	-1,350	\$16.00	\$4.88	\$286	0	511,072
Pickering	11,903,219	91,734	0.8%	89,989	0.8%	16,412	\$16.10	\$3.86	\$289	0	228,367
Whitby	10,830,971	2,400	0.0%	2,400	0.0%	0	\$15.55	\$3.69	\$254	0	1,063,251
GTA East Overall	57,039,774	314,423	0.6%	249,546	0.4%	2,891	\$15.95	\$3.89	\$283	0	2,169,934
Aurora	6,730,622	29,610	0.4%	20,565	0.3%	103,655	\$17.70	\$4.69	\$242	0	131,870
Markham	40,495,471	462,030	1.1%	246,633	0.6%	-3,243	\$18.34	\$4.65	\$303	0	80,000
Newmarket	9,141,862	24,700	0.3%	4,700	0.1%	0	\$16.23	\$4.72	\$246	0	0
Richmond Hill	14,862,339	151,653	1.0%	88,090	0.6%	-52,390	\$18.80	\$5.38	\$318	0	0
Vaughan	115,884,193	1,806,413	1.6%	828,078	0.7%	170,718	\$18.82	\$3.94	\$380	330,477	2,139,282
GTA North Overall	193,000,097	2,492,305	1.3%	1,197,186	0.6%	218,740	\$18.48	\$4.17	\$346	330,477	4,274,250
Brampton	102,807,609	3,636,700	3.5%	2,034,112	2.0%	54,493	\$19.86	\$3.85	\$337	1,262,588	2,878,686
Burlington	27,592,468	258,690	0.9%	181,101	0.7%	4,610	\$15.78	\$4.76	\$320	0	602,690
Caledon	21,698,113	870,991	4.0%	416,924	1.9%	-15,810	\$16.98	\$3.87	\$332	153,791	0
Halton Hills	8,842,099	51,312	0.6%	51,312	0.6%	0	\$16.70	\$3.58	\$304	0	141,000
Milton	27,273,918	1,368,804	5.0%	993,563	3.6%	0	\$18.98	\$3.18	\$263	0	3,495,529
Mississauga	193,461,497	3,118,882	1.6%	1,881,694	1.0%	-155,539	\$18.08	\$3.94	\$404	413,389	3,253,517
Oakville	29,021,700	248,254	0.9%	86,960	0.3%	0	\$17.53	\$4.31	\$301	75,999	1,096,770
GTA West Overall	410,697,404	9,553,633	2.3%	5,645,666	1.4%	-112,246	\$18.34	\$3.98	\$365	1,905,767	11,468,192
GTA Overall	920,156,516	17,080,200	1.9%	10,108,096	1.1%	-69,430	\$18.12	\$4.06	\$360	3,016,430	18,701,964

Source: Altus Data Studio, Avison Young

For more market insights
and information visit
avisonyoung.com

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