



# Greater Toronto industrial market report

Q3 2023

**AVISON  
YOUNG**

# Greater Toronto market fundamentals

**2.2%**

availability rate  
across the GTA

**4.8M**

net absorption year-to-date  
across the GTA

**16.4M**

square feet (sf) under construction  
**64 buildings**

**\$18.38**

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

**14%**

growth in asking net rental rates  
year-over-year

**\$368**

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 third quarter to 2.2% (20 million sf). This is the highest rate since Q1 2018, when 2.5% was last recorded. Over the quarter, an additional 2.9 million sf became available.

#### Our take on this trend...

Following the record low availability experienced throughout 2021 and 2022, we are starting to trend towards a more balanced market. However, current conditions still tend to favour landlords.

## 02

### Rental rates rise despite growing availability

Average rental rates rose by 1% during the quarter to \$18.38 psf. Rates have risen by an average of 31% 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.

#### Our take on this trend...

More listings are being advertised with pricing than the unpriced listings we have typically experienced in recent history. This is closing the gap between average asking rents and market rents. The pace of rental rate growth is expected to moderate further over the next several quarters.

## 03

### New supply will not dramatically shift availability

Completions during Q3 totaled 4.1 million sf across 19 buildings (60% leased). Over the past year, 17 million sf (75 buildings) were added to the inventory – of which 71% was leased prior to completion. Currently, 16.4 million sf is under construction (64 buildings).

#### Our take on this trend...

New construction starts are expected to slow in the coming quarters as some landlords and developers are being more cautious and plan to pause on starting new projects until current projects are fully completed. New construction starts may be further constricted if availability rises rapidly.

# GTA overall

## Availability rates likely to continue to rise

The overall industrial availability rate across the GTA continued to rise in the third quarter, up 30 bps to 2.2% – a 130-bps increase year-over-year. Quarter-over-quarter, availability increased in all markets: GTA East (+70 bps to 1.3%), GTA West (+40 bps to 2.7%), GTA Central (+10 bps to 2.0%) and GTA North (+10 bps to 1.4%).

Top lease transactions within the GTA signed during the third quarter of 2023 included Best Buy's 978,000-sf lease renewal at 9200 & 9250 Airport Road in Brampton, Pepsi's 570,000-sf new lease at 1890 Reading Court in Milton and Hanon Systems' lease of 426,000 sf at 470 Anatolian Drive in Vaughan.

Demand in the GTA continues to centre around logistics and distribution, with an increased focus on food and grocery businesses. Despite a rise in availability, rents continued to increase. The average asking net rental rate in the GTA reached \$18.38 psf in the third quarter of 2023. This represents

an increase of 14% year-over-year, 88% in the past three years, and 153% in the past five years. The highest average net rents were found in GTA North at \$19.36 psf. The most affordable area was GTA East, with average net rents at \$15.66 psf.

Third-quarter completions totaled 4.1 million sf across 19 buildings (60% leased) throughout the GTA. The largest completion of the quarter was a 670,500-sf distribution centre developed by Orlando Corporation and tenanted by Pet Valu at 10750 Highway 50 in Brampton. A further 64 buildings, totaling 16.4 million sf, were under construction at the end of the third quarter – with 28% preleased. Most of the buildings under construction were in GTA West (54%), while the North accounted for 26%, East 16% and Central 3%. An additional 152 buildings were in the pre-construction stage, with the potential to add almost 53 million sf (20% already leased) across the GTA.

Q3 2023

Quarter over quarter

**924M sf**  
inventory



**20M sf**  
available area



**\$18.38 psf**  
average asking net rental rate



**16.4M sf**  
**64 buildings**  
under construction



# GTA Central

## New supply continues to centre around last-mile users

Available space in the Central market increased 10 bps quarter-over-quarter to 2%. Availability rates ranged from a high of 2.9% in Toronto to a low of 1% in East York. The average asking net rental rate decreased to \$17.61 psf – an increase of 8% year-over-year, 71% in the last three years and 147% in the last five years. Etobicoke commands the highest rents at \$18.53 psf, and Scarborough has the lowest at \$16.98 psf.

Notable Q3 lease transactions in the Central market included J.P. Logistics' new deal for 119,000 sf at 60 Birmingham Street in Etobicoke, Campo Equipment signing for 86,000 sf at 123 Claireville Drive in Etobicoke and Wisacre Inc. leasing 57,000 sf in Etobicoke at 60 Birmingham Street. On the sales front, 1170 Martin Grove Road, a 196,000-sf facility in Etobicoke, traded for \$49.5 million (\$253 psf); the building was fully tenanted by Rona. 430 Flint Road in North York sold for \$15.8 million (\$285 psf), with the

purchaser intending to use the building for its own business. Meanwhile, 321 Humberline Drive in Etobicoke traded for \$10.4 million (\$370 psf) and had a coverage ratio of approximately 38%.

In the Central market, three buildings were completed throughout the quarter – two in Etobicoke (totaling 240,000 sf), and one building in Scarborough (113,600 sf). Three buildings totaling 573,000 sf were under construction (41% leased). Etobicoke is home to 59% of the Central market's under-construction pipeline (by square footage), with the balance in Scarborough (41%). Meanwhile, there are 33 buildings at the pre-construction stage totaling 4.3 million sf. These are 50% leased – a mixture of design-build projects and those awaiting a tenant.

Q3 2023

Quarter over quarter

**260M sf**  
inventory



**5.2M sf**  
available area



**\$17.61 psf**  
average asking net rental rate



**573,000 sf**  
**3 buildings**  
under construction



# GTA East

## Most affordable rents in the GTA

Overall availability in the East market increased by 70 bps during the third quarter at 1.3%. Meanwhile, the average rental rate decreased slightly to \$15.66 psf – although it was still up 11% year-over-year, 104% in the last three years and 151% 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 \$18.38 psf.

Leasing activity was led by Lactalis Canada, which signed a deal for a purpose-built, 380,000-sf facility to be built by Broccolini at 1680 Thornton Road in Whitby. This new building will consolidate several locations in Ontario and serve as the company's largest distribution centre globally (based on capacity). Avery Packaging renewed its lease for 104,300 sf at 240 South Blair Street in Whitby, while SkyRise Prefab inked a new deal (96,000 sf) at 689 Salem Road North in Ajax. On the sales front, 1840 Clements Road

in Pickering sold for \$40.2 million (\$238 psf) – the building is 170,300 sf and the coverage ratio is approximately 56%. 1095 Kingston Road in Pickering, a 92,000-sf building on a 4.7-acre lot, sold for \$27 million (\$293 psf), while 1940 Clements Road (a 31,000-sf building on a 2.1-acre lot, also in Pickering) traded for \$9.7 million (\$313 psf).

Two buildings were completed during the third quarter: one in Pickering (228,300 sf) and one in Ajax (181,300 sf). Eight buildings totaling 2.7 million sf are currently under construction and fully available. The majority of space under construction is in Ajax (42%), closely followed by Whitby (39%), with the balance of space in Oshawa (19%). Meanwhile, there are 20 buildings at the pre-construction stage totaling 6.5 million sf (16% leased).

Q3 2023

Quarter over quarter

**58M sf**  
inventory



**764,000 sf**  
available area



**\$15.66 psf**  
average asking net rental rate



**2.7M sf**  
**8 buildings**  
under construction



# GTA North

## New supply concentrated in Vaughan

The availability rate in the GTA North industrial market increased 10 bps to 1.4% during the third quarter, while asking net rental rates averaged \$19.36 psf across submarkets. Rates have increased 17% year-over-year, 65% in the last three years and 148% in the past five years. Within GTA North, average rents in all municipalities range from \$16.68 psf in Aurora to \$19.67 psf in Vaughan.

Significant leases during Q3 included Hanon Systems inking a deal for 426,000 sf at 470 Anatolian Drive in Vaughan, Legacy Logistics' 143,000-sf lease at 20 Graniteridge Road in Vaughan, and Stage Windows and Doors taking 127,000 sf at 140 Great Gulf Drive in Vaughan. On the sales front, 80 Royal Group Crescent in Vaughan sold for \$81.5 million (\$284 psf) – this was the highest-priced single asset sale of the quarter as the property was purchased by Alpa Lumber, which intends to use the building for its own business.

BentallGreenOak purchased a portfolio of three buildings from Woodbourne Capital Management for \$80.5 million (\$313 psf) – the properties total 263,000 sf and are located at 24, 50 and 116 Viceroy Road in Vaughan. 20 Casimir Court in Vaughan traded for \$20.5 million (\$285 psf) and was purchased by a user.

In development news, three buildings were completed during the quarter – two buildings in Vaughan (198,500 sf) and one in Markham (80,000 sf). At the end of the quarter, 16 buildings totaling 4.2 million sf were under construction (53% leased). The majority of space under construction in GTA North continues to be centred in Vaughan (52%). There were also 37 buildings at the pre-construction stage with the potential to add 11.3 million sf to the market when completed – 32% had been leased prior to construction.

Q3 2023

Quarter over quarter

**193M sf**

inventory



**2.7M sf**

available area



**\$19.36 psf**

average asking net rental rate



**4.2M sf**

**16 buildings**

under construction





# GTA West

## Renewal activity dominates leasing activity

The availability rate in the West market increased 40 bps to 2.7% during the third quarter of 2023. The last time availability was this high was in Q2 2018.

During Q3, average asking net rental rates rose to \$18.75 psf across the West's submarkets. Rates have increased 18% year-over-year, 92% in the last three years and 159% in the past five years. Within GTA West, average rents in all municipalities range from a high of \$19.43 psf in Brampton to a low of \$16.46 in Halton Hills.

On the leasing front, the quarter was led by renewal activity – the most notable inked by Best Buy for 978,000 sf at 9200 & 9250 Airport Road in Brampton. Meanwhile, Pepsi took 570,000 sf at the newly completed 1890 Reading Court in Milton and KOITI Tractors signed for 252,000 sf at 6750 Fifth Line in Milton. On the investment front, Melchior

Management acquired 6740 Professional Court in Mississauga, a 104,500-sf distribution centre, for \$50 million (\$483 psf). The building is fully tenanted by Home Depot. Nexus REIT purchased 3430 Harvester Road in Burlington from BMO Capital Markets for \$48.4 million (\$342 psf). The 141,500-sf building is fully tenanted by Portside Warehousing & Distribution.

11 buildings totaling 3 million sf were completed during Q3 (63% leased). The largest was a speculative 670,500-sf distribution centre built by Orlando Corporation at 10750 Highway 50 in Brampton, which is fully occupied by Pet Valu. Meanwhile, 8.9 million sf (23% leased) across 37 buildings was under construction at the close of the third quarter – accounting for 54% of the overall construction pipeline in the GTA. A further 62 buildings totaling 31.3 million sf are in the pre-construction phase.

Q3 2023

Quarter over quarter

**414M sf**

inventory



**11.3M sf**

available area



**\$18.75 psf**

average asking net rental rate



**8.9M sf**

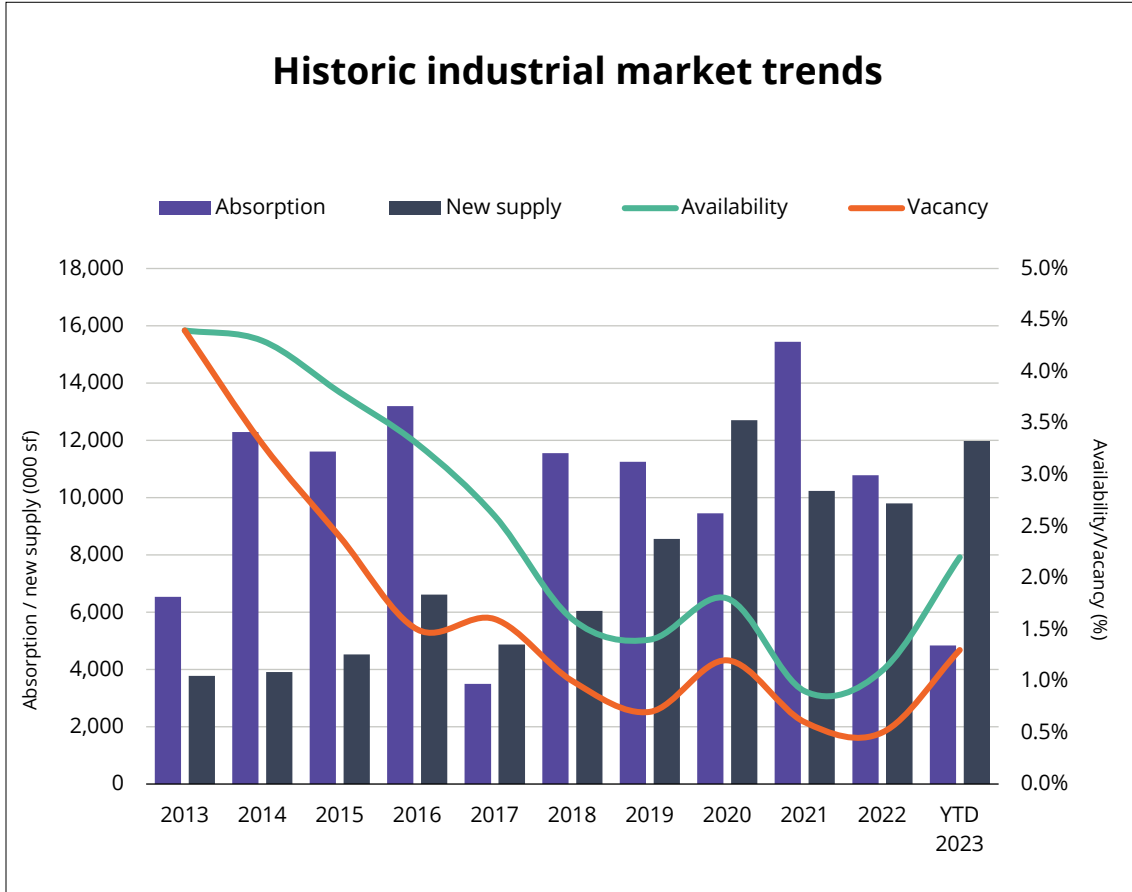
**37 buildings**

under construction

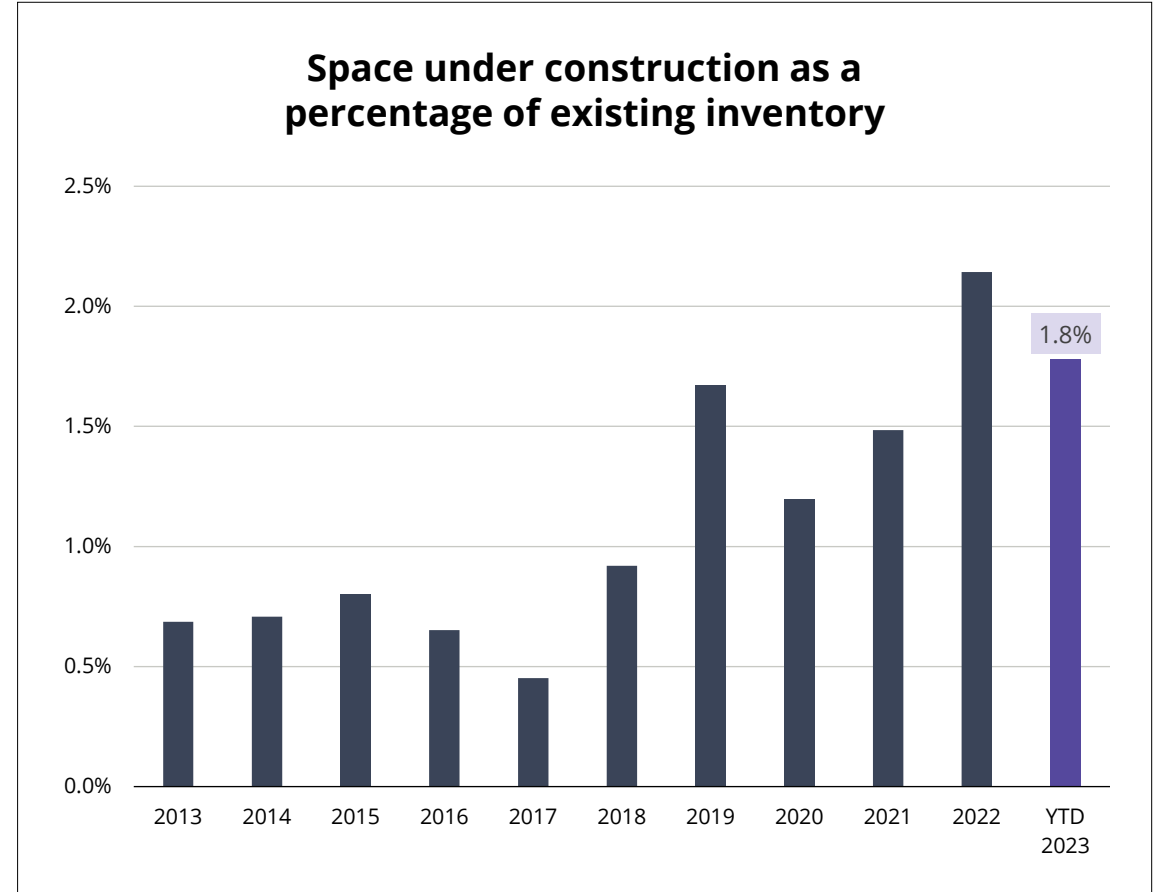




# Greater Toronto industrial market indicators

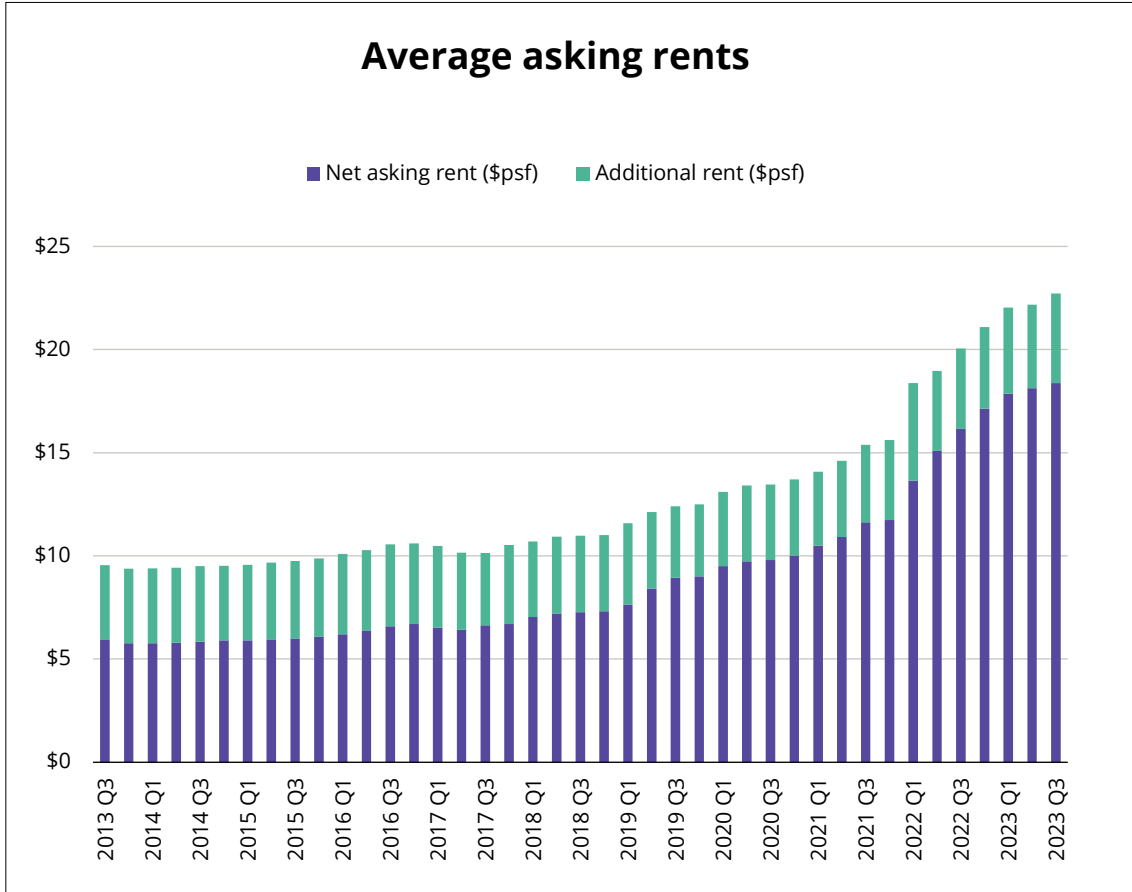


Source: Altus Data Studio

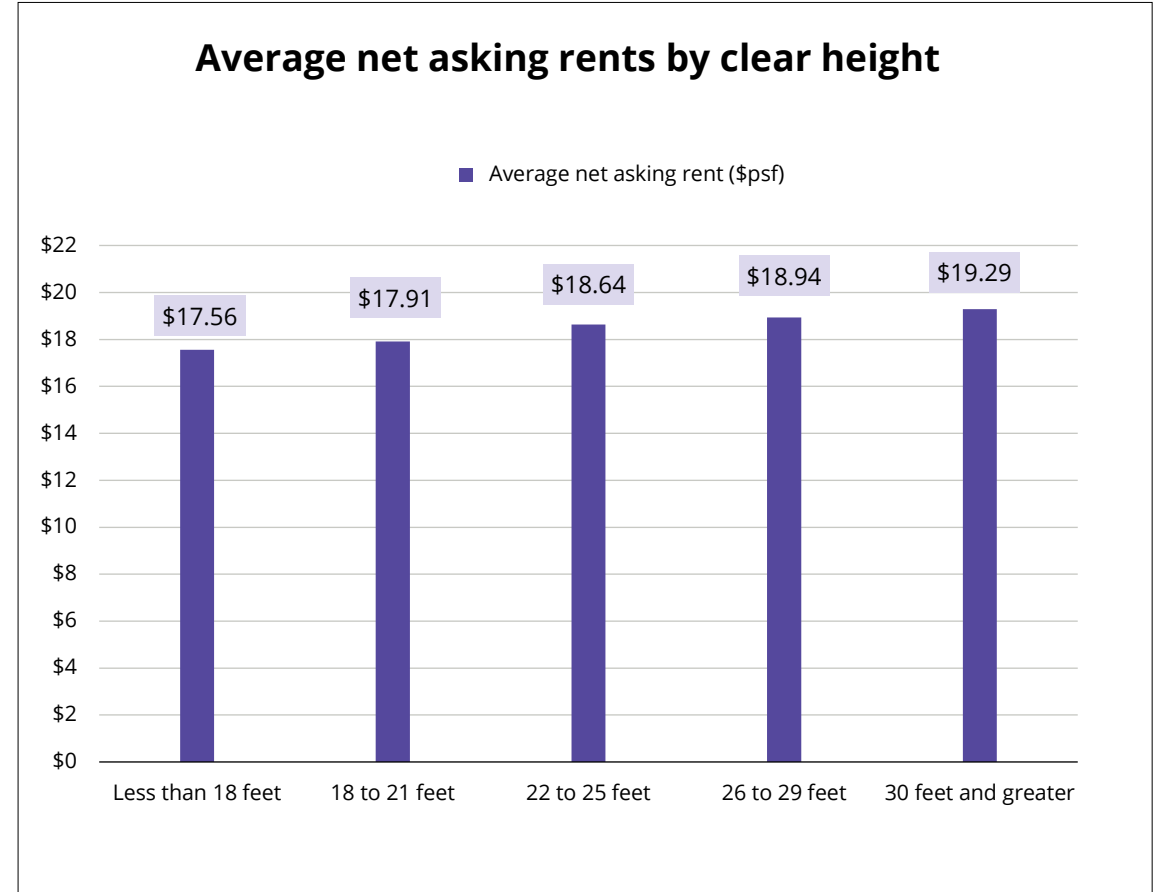


Source: Altus Data Studio

# 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
9200 & 9250 Airport Rd., Brampton	West	Best Buy	978,000	Renewal	Existing
1890 Reading Ct., Milton	West	Pepsi	570,000	New	Speculative
470 Anatolian Dr., Vaughan	North	Hanon Systems	426,000	New	Speculative
1680 Thornton Rd., Oshawa	East	Lactalis	380,000	New	Design Build
6750 Fifth Ln, Milton	West	KOITI Tractors	252,000	New	Speculative

## Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
81 Royal Group Cres., Vaughan	North	\$81,500,000 / \$284	Alpa Lumber	Oxford Properties Group
BentallGreenOak – Woodbourne Capital Management Portfolio	North	\$80,500,000 / \$306	Woodbourne Capital Management	BentallGreenOak
6740 Professional Ct., Mississauga	West	\$50,500,000 / \$483	Melchior Management	Tridel
1170 Martin Grove Rd., Etobicoke	Central	\$49,475,000 / \$253	1170 Martin Grove Nominee Ltd.	1170 Martingrove Inc.
3430 Harvester Rd., Burlington	West	\$48,369,683 / \$342	Nexus REIT	BMO Capital Markets

Source: Altus Data Studio

# 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	84,535	1.0%	54,617	0.6%	9,117	\$17.52	\$4.38	\$274	0	0
Etobicoke	76,012,182	1,912,938	2.5%	1,432,450	1.9%	257,082	\$18.53	\$4.51	\$368	240,064	337,210
North York	68,205,945	895,288	1.3%	424,538	0.6%	-219,156	\$17.59	\$4.50	\$387	0	0
Scarborough	68,013,483	1,287,607	1.9%	836,639	1.2%	-149,771	\$16.98	\$4.45	\$264	113,568	88,016
Toronto	33,714,195	972,786	2.9%	414,819	1.2%	59,036	\$18.49	\$5.65	\$485	0	0
<b>GTA Central Overall</b>	<b>259,562,408</b>	<b>5,219,343</b>	<b>2.0%</b>	<b>3,217,804</b>	<b>1.2%</b>	<b>-44,537</b>	<b>\$17.61</b>	<b>\$4.59</b>	<b>\$352</b>	<b>353,632</b>	<b>573,357</b>
Ajax	10,195,437	341,825	3.4%	303,001	3.0%	40,901	\$15.92	\$4.41	\$302	181,281	1,129,910
Oshawa	17,820,086	94,228	0.5%	23,115	0.1%	5,935	\$16.99	\$5.19	\$344	0	511,072
Pickering	12,131,586	197,681	1.6%	191,834	1.6%	142,934	\$16.13	\$4.53	\$281	228,367	0
Whitby	10,831,516	100,475	0.9%	5,993	0.1%	-3,048	\$15.24	\$4.33	\$254	0	1,063,251
<b>GTA East Overall</b>	<b>57,510,336</b>	<b>763,878</b>	<b>1.3%</b>	<b>544,146</b>	<b>0.9%</b>	<b>176,119</b>	<b>\$15.66</b>	<b>\$4.50</b>	<b>\$290</b>	<b>409,648</b>	<b>2,704,233</b>
Aurora	6,721,240	32,698	0.5%	55,603	0.8%	68,617	\$16.68	\$4.29	\$384	0	131,870
Markham	40,631,992	657,838	1.6%	429,471	1.1%	-106,081	\$18.82	\$4.50	\$428	80,000	0
Newmarket	9,173,093	83,009	0.9%	83,009	0.9%	-47,078	\$17.35	\$4.90	\$290	0	0
Richmond Hill	14,862,443	135,917	0.9%	74,627	0.5%	-38,823	\$18.99	\$4.71	\$318	0	0
Vaughan	115,951,804	1,746,202	1.5%	929,812	0.8%	24,186	\$19.67	\$3.94	\$324	198,496	2,189,550
<b>GTA North Overall</b>	<b>193,328,682</b>	<b>2,675,363</b>	<b>1.4%</b>	<b>1,589,585</b>	<b>0.8%</b>	<b>-4,622</b>	<b>\$19.36</b>	<b>\$4.09</b>	<b>\$342</b>	<b>278,496</b>	<b>4,244,518</b>
Brampton	104,199,233	4,661,156	4.5%	2,594,388	2.5%	752,287	\$19.43	\$4.24	\$440	1,491,515	1,491,515
Burlington	27,699,748	243,559	0.9%	233,905	0.8%	69,875	\$16.69	\$4.60	\$277	611,674	611,674
Caledon	21,738,812	898,233	4.1%	384,566	1.8%	16,520	\$16.98	\$3.97	\$345	0	0
Halton Hills	8,838,790	56,000	0.6%	56,000	0.6%	-4,688	\$16.46	\$4.73	\$352	141,000	141,000
Milton	27,268,604	887,953	3.3%	434,745	1.6%	558,483	\$19.18	\$3.65	\$103	3,495,529	3,495,529
Mississauga	194,801,973	4,262,678	2.2%	2,699,865	1.4%	430,668	\$18.77	\$4.62	\$454	2,206,221	2,206,221
Oakville	29,180,347	328,236	1.1%	96,692	0.3%	161,265	\$17.70	\$4.92	\$453	970,759	970,759
<b>GTA West Overall</b>	<b>413,727,507</b>	<b>11,337,815</b>	<b>2.7%</b>	<b>6,500,161</b>	<b>1.6%</b>	<b>1,984,410</b>	<b>\$18.75</b>	<b>\$4.25</b>	<b>\$407</b>	<b>3,055,320</b>	<b>8,916,698</b>
<b>GTA Overall</b>	<b>924,288,039</b>	<b>19,996,399</b>	<b>2.2%</b>	<b>11,851,696</b>	<b>1.3%</b>	<b>2,111,370</b>	<b>\$18.38</b>	<b>\$4.33</b>	<b>\$368</b>	<b>4,097,096</b>	<b>16,438,806</b>

Source: Altus Data Studio, Avison Young

For more market insights  
and information visit  
**avisonyoung.com**

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