



Greater Toronto industrial market report

Q4 2023

**AVISON
YOUNG**

Greater Toronto market fundamentals

3%

availability rate
across the GTA

6.7M

net absorption year-to-date
across the GTA

11.3M

square feet (sf) under construction
44 buildings

\$18.37

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

7%

growth in asking net rental rates
year-over-year

\$343

average sale price psf
across the GTA

Industrial market trends

01

Availability rises for the fourth consecutive quarter

The availability rose by 80 basis points (bps) in the fourth quarter to 3% (28 million sf). This is the highest rate since Q2 2017, when availability was 3.2%.

Our take on this trend...

During the quarter, an additional 8.1 million sf became available. 72% of this space is within newly completed buildings. Given the current amount of competition, this space is expected to be slow to lease in the coming year.

02

Rental rate growth has plateaued

Average rental rates declined by \$0.01 during the quarter to \$18.37 psf. This marks the first time in 25 quarters that rental rate growth has stabilized. Rates have risen by an average of 30% per year from 2018 to 2023, compared to a total of 4% between 2012 and 2017.

Our take on this trend...

Rental rates are expected to hover around current levels as the explosive rental growth experienced in the past three years is not sustainable given the current rising availability rates. Some landlords are becoming more open to offering incentives to keep face rates intact.

03

Record new supply arrives on market

39 buildings were completed during Q4 – bringing 8.8 million sf (33% leased) to the market. This is the highest volume of completions recorded in one quarter for more than a decade. Currently, 11.3 million sf is under construction (44 buildings).

Our take on this trend...

Current under-construction inventory is at the lowest level since Q2 2021 (when 10.8 million sf was underway). The average size of buildings under construction is 260,000 sf. With demand for large-block space slowing over the last year, landlords are more likely to be open to demising new builds while offering incentives to attract tenants.

GTA overall

Asking rent growth slows for first time in six years

The overall industrial availability rate across the GTA continued to rise in the fourth quarter, up 80 bps to 3% – a 190-bps increase year-over-year. Quarter-over-quarter, availability increased in all markets: GTA East (+120 bps to 2.5%), GTA West (+110 bps to 3.8%), GTA Central (+30 bps to 2.3%) and GTA North (+90 bps to 2.3%).

Top lease transactions within the GTA signed during the fourth quarter of 2023 included National Logistics Services' 620,000-sf new lease at 5762 Mayfield Road in Caledon with the option to expand up to 911,300-sf, Proactive Logistics' 451,000-sf lease at 2315 Coleraine Drive in Caledon and J.D. Smith and Sons' renewal of 250,000 sf at 240 Racco Parkway in Vaughan.

Demand in the GTA continues to centre around logistics and distribution, with an increased focus on manufacturing and food and grocery. The average asking net rental rate in the GTA fell back \$0.01 to \$18.37 psf during the fourth quarter of 2023 – the first

time the market has had a pause in rental growth since Q2 2017. The average represents an increase of 7% year-over-year, 83% in the past three years, and 151% in the past five years. The highest average net rents were found in GTA North at \$19.97 psf. The most affordable area was GTA East, with average net rents at \$15.29 psf.

Fourth-quarter completions totaled 8.8 million sf across 39 buildings (33% leased) throughout the GTA. The largest completion of the quarter was a 1,092,600-sf distribution centre developed by Oxford Properties at 10725 Louis St. Laurent Avenue in Milton. A further 44 buildings, totaling 11.3 million sf, were under construction at the end of the fourth quarter – with 34% preleased. Most of the buildings under construction were in GTA West (37%), while the North accounted for 31%, East 21% and Central 11%. An additional 155 buildings were in the pre-construction stage, with the potential to add almost 54 million sf (21% already leased) across the GTA.

Q4 2023

Quarter over quarter

933M sf
inventory



28M sf
available area



\$18.37 psf
average asking net rental rate



11.3M sf
44 buildings
under construction



GTA Central

No new buildings delivered during fourth quarter

Available space in the Central market increased 30 bps quarter-over-quarter to 2.3%. Availability rates ranged from a high of 3% in Toronto to a low of 1.5% in East York. The average asking net rental rate decreased to \$16.85 psf – down 3% year-over-year – but has risen 67% in the last three years and 148% in the last five years. Toronto commands the highest rents at \$20.00 psf, and Etobicoke has the lowest at \$15.20 psf.

Notable Q4 lease transactions in the Central market included Ready Spaces' new deal for 134,400 sf at 724 Caledonia Road in North York. On the sales front, the GTA portion of the Olympia Tile – Shelborne Capital National Industrial Portfolio included 334,000 sf traded for a total price of \$43 million (\$140 psf), consisting of two buildings at 980 Lawrence Avenue West (240,000 sf) and 22 Dufflaw Road (93,000 sf), both in North York. This was part of a larger portfolio sale (\$95 million) with assets in four provinces.

Meanwhile, 125 Nantucket Boulevard in Scarborough traded for \$18.3 million (\$257 psf) and had a coverage ratio of approximately 50%, while 136 The East Mall in Etobicoke (a 46,000-sf building on a 2.8-acre lot) traded for \$16.8 million (\$366 psf).

In the Central market, no buildings were completed throughout the fourth quarter; however, five buildings totaling 1.2 million sf were under construction (42% leased). Scarborough is home to 49% of the Central market's under-construction pipeline (by square footage), with the balance in Etobicoke (28%) and North York (23%). Meanwhile, there are 31 buildings at the pre-construction stage totaling 3.7 million sf. These are 49% leased – a mixture of design-build projects and those awaiting a tenant.

Q4 2023

Quarter over quarter

260M sf
inventory



6.0M sf
available area



\$16.85 psf
average asking net rental rate



1.2M sf
5 buildings
under construction



GTA East

East market offers most affordable rents in the GTA

Overall availability in the East market increased by 120 bps during the fourth quarter to 2.5%. Meanwhile, the average asking rental rate decreased slightly to \$15.29 psf – although it was still up 8% year-over-year, 101% in the last three years and 146% 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 \$18.37 psf.

Leasing activity was led by UPS, which signed a deal for a 185,500-sf facility with excess land for parking at 575 Harwood Avenue North in Ajax. SkyRise Prefab leased 90,600 sf at 689 Salem Road North in Ajax on a five-year term. On the sales front, 660 Monarch Avenue in Ajax sold for \$20.3 million (\$180 psf) – the building is 113,000 sf and the coverage ratio is approximately 25% on a 10-acre lot. 435 Finley Avenue in Ajax, a 58,000-sf building on a 3.2-acre lot, sold for \$14.6 million (\$252 psf), while 850 Wilson Road South in Oshawa (a 42,000-sf

building on a 4.9-acre lot) traded for \$11 million (\$260 psf).

Three buildings were completed during the fourth quarter, totaling 956,000 sf (33% leased). Six buildings totaling 2.4 million sf are currently under construction and are 26% leased. The majority of space under construction is in Ajax (40%), followed by Oshawa (22%) and Whitby (12%), with the balance of the space in Clarington. Meanwhile, there are 19 buildings at the pre-construction stage totaling 5.8 million sf (15% leased).

Q4 2023

Quarter over quarter

58M sf
inventory



1.5M sf
available area



\$15.29 psf
average asking net rental rate



2.4M sf
6 buildings
under construction



GTA North

New supply remains concentrated in Vaughan

The availability rate in the GTA North industrial market increased 90 bps to 2.3% during the fourth quarter, while asking net rental rates averaged \$19.97 psf across submarkets. Rates have increased 17% year-over-year, 69% in the last three years and 157% in the past five years. Within GTA North, average rents in all municipalities range from \$17.70 psf in Aurora to \$20.21 psf in Vaughan.

Significant leases during Q4 included J.D. Smith and Sons renewing 250,000 sf at 240 Racco Parkway in Vaughan, Process Products' 54,000-sf lease at 50 Locke Street in Vaughan, and Ka Wing Hong taking 50,000 sf at 225 Royal Crest Court in Markham. On the sales front, Dream Unlimited purchased two distribution facilities in Vaughan totaling 442,900 sf from Oxford Properties for \$120.7 million (\$273 psf). Properties included 30 Royal Group Crescent (289,700 sf, fully leased to Vision Dominion Extrusions) and 20 Royal

Group Crescent (153,200 sf, occupied by Trulite Glass & Aluminum Solutions). Separately, 830 Edgeley Boulevard, also located in Vaughan, traded for \$38.9 million (\$588 psf).

In development news, eleven buildings were completed during the quarter – of which seven were in Vaughan (1.7 million sf), three in Aurora (131,000 sf) and one in Keswick (369,500 sf). At the end of the quarter, 15 buildings totaling 3.5 million sf were under construction (41% leased). The majority of space under construction in GTA North continues to be centered in Vaughan (54%). There were also 41 buildings at the pre-construction stage with the potential to add 14.2 million sf to the market when completed – 24% had been leased prior to construction.

Q4 2023

Quarter over quarter

195M sf
inventory



4.5M sf
available area



\$19.97 psf
average asking net rental rate



3.5M sf
15 buildings
under construction



GTA West

Renewal activity dominates leasing activity

The availability rate in the West market increased 110 bps to 3.8% during the fourth quarter of 2023. The last time availability was this high was in Q2 2017.

During Q4, average asking net rental rates dropped slightly to \$18.60 psf across the West's submarkets. Nevertheless, rates have increased 8% year-over-year, 83% in the last three years and 146% in the past five years. Within GTA West, average rents in all municipalities range from a high of \$19.19 psf in Brampton to a low of \$13.50 psf in Halton Hills.

On the leasing front, the quarter was notable for new developments being leased by logistics providers – the most notable deal inked by National Logistics Services for 620,000 sf at 5762 Mayfield Road in Caledon. Meanwhile, Proactive Logistics took 451,000 sf at 12315 Coleraine Drive in Caledon and 18 Wheels Logistics signed for 114,200 sf at 2510 Royal Windsor Drive in Mississauga. On the investment front, The City of Brampton

acquired 175 Sandalwood Parkway West in Brampton (149,500 sf split between two flex industrial buildings) for \$77.9 million (\$521 psf). The buildings were formerly tenanted by Alectra Utilities, while the City will use the property for its own purposes. Elsewhere, Concert Properties purchased 2340 Winston Park Drive in Oakville from Morguard for \$67.1 million (\$332 psf). The 202,200-sf building is fully tenanted by three logistics-oriented tenants.

25 buildings totaling 5.6 million sf were completed during Q4 (20% leased). The largest was a speculative 1,092,600-sf distribution centre built by Oxford Properties at 10725 Louis St. Laurent Avenue in Milton – and fully available at completion. Meanwhile, 4.2 million sf (30% leased) across 18 buildings was under construction at the close of the fourth quarter – accounting for 41% of the overall construction pipeline in the GTA. A further 64 buildings totaling 30.5 million sf are in the pre-construction phase.

Q4 2023

Quarter over quarter

419M sf

inventory



16.0M sf

available area



\$18.60 psf

average asking net rental rate



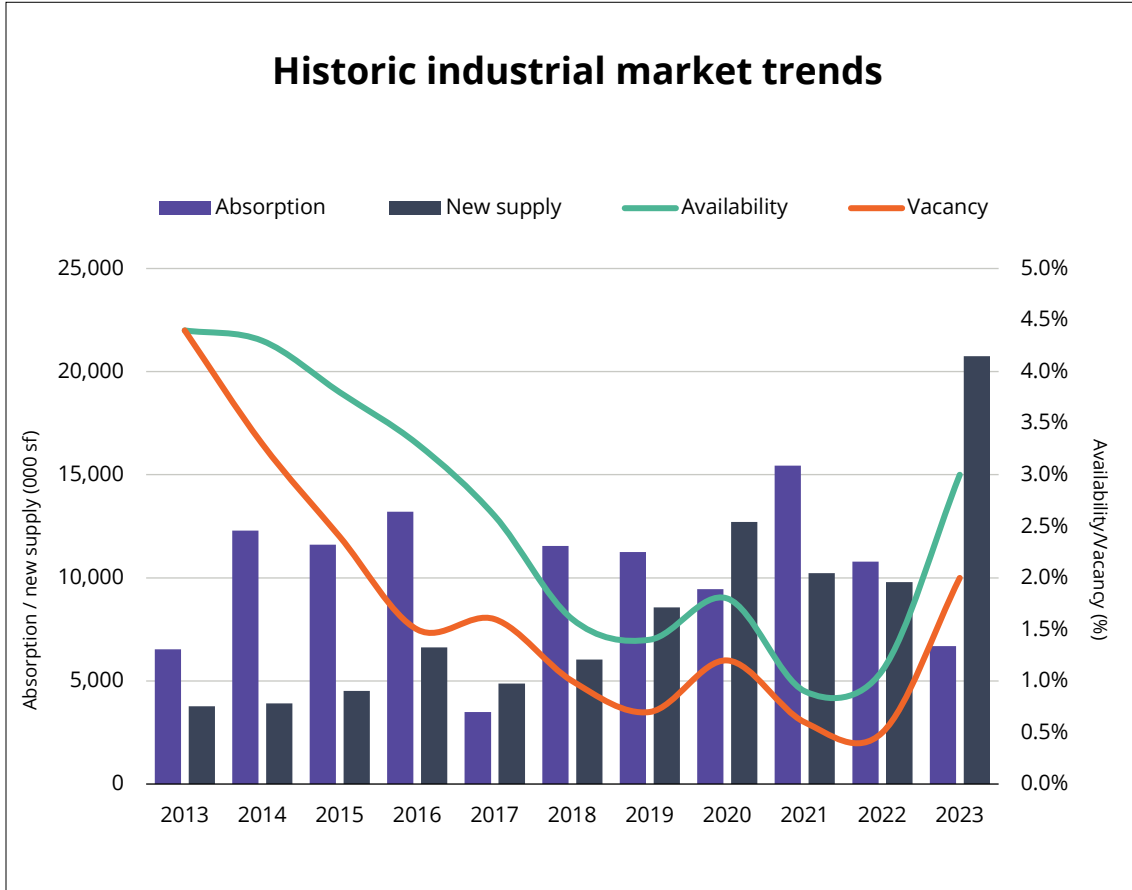
4.2M sf

18 buildings

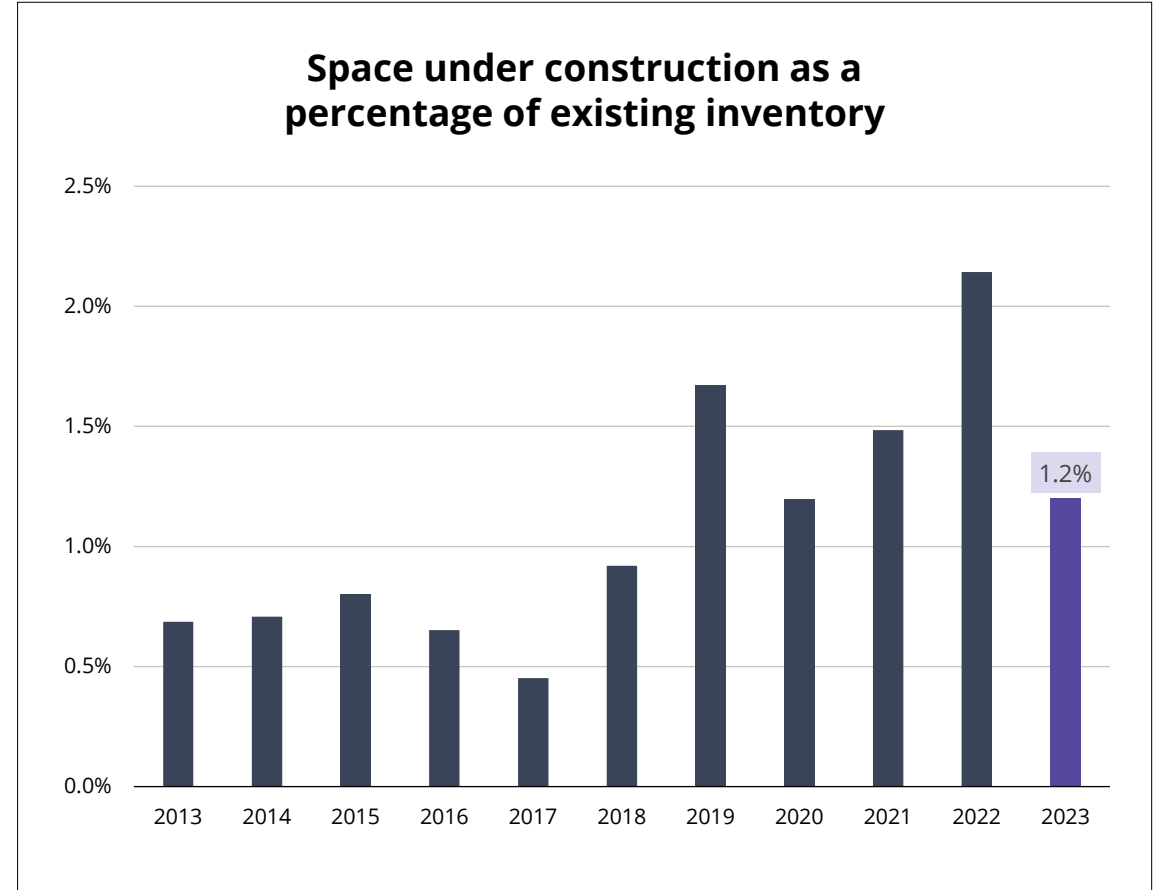
under construction



Greater Toronto industrial market indicators

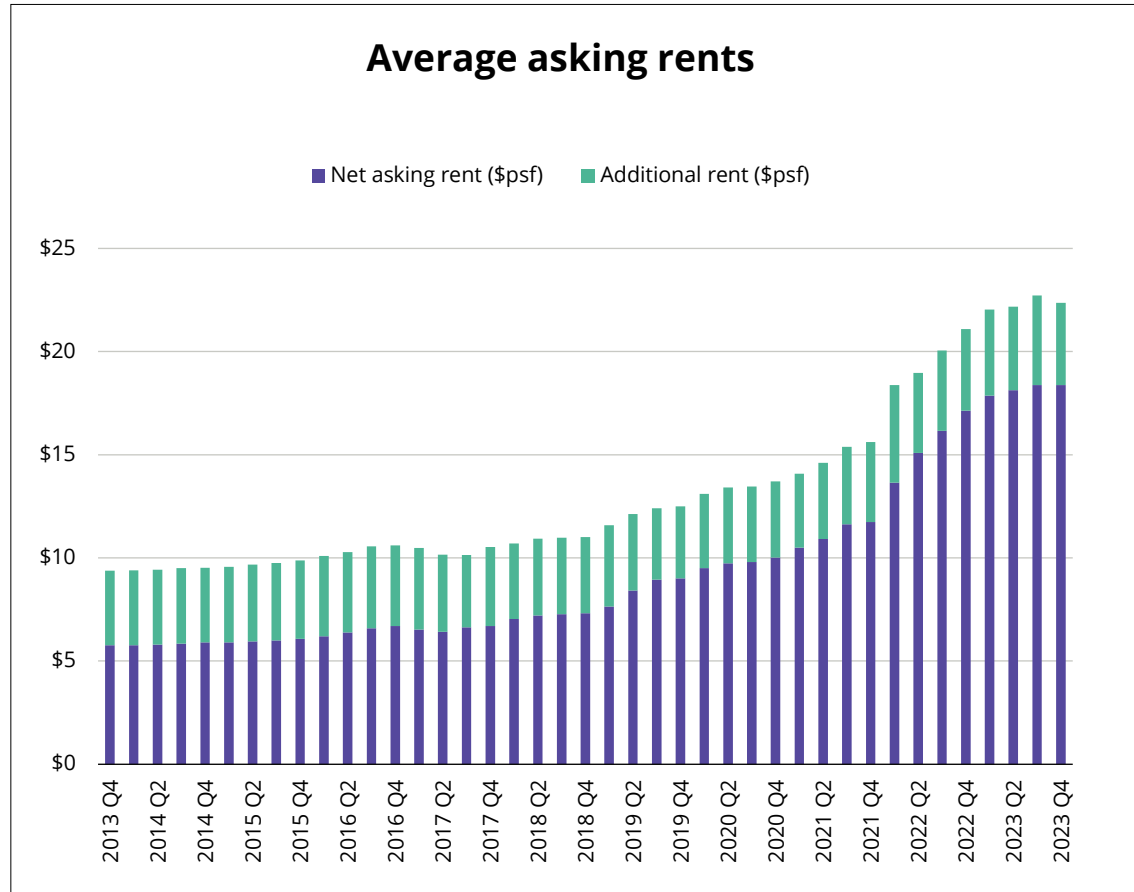


Source: Altus Data Studio

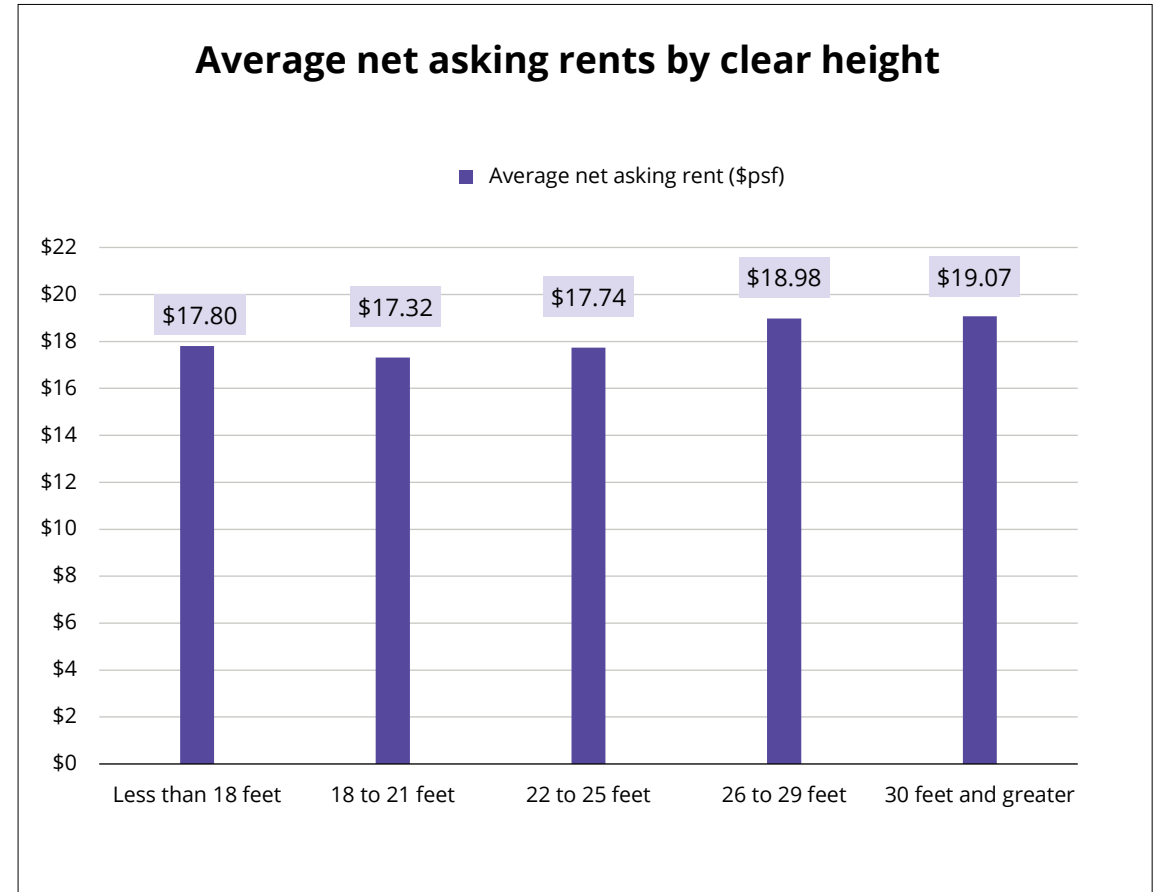


Source: Altus Data Studio

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
5762 Mayfield Rd., Caledon	West	National Logistics Services	620,000	New	Speculative
12315 Coleraine Dr., Caledon	West	Proactive Logistics	451,000	New	Speculative
240 Racco Pkwy., Vaughan	North	J.D. Smith and Sons	250,000	Renewal	Existing
575 Harwood Ave N., Ajax	East	UPS	185,500	New	Design Build
724 Caledonia Rd., North York	West	Ready Spaces	134,400	New	Existing

Significant sale transactions

Address	District	Sale price / \$psf	Buyer	Seller
Oxford Properties – TPG Portfolio (75% interest)	West & North	\$990,000,000 / \$194	TPG	Oxford Properties
Oxford Properties – Dream Portfolio	North	\$120,700,000 / \$273	Dream Unlimited	Oxford Properties
175 Sandalwood Pkwy. W., Brampton	West	\$77,900,000 / \$521	The City of Brampton	BVD Group
2340 Winston Park Dr., Oakville	West	\$67,100,000 / \$332	Concert Properties	Morguard
1 Woodslea Rd. & 5 Intermodal Dr., Brampton	West	\$62,600,000 / \$316	GIC / Dream Industrial REIT	GWL Realty Advisors

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	8,793,291	136,009	1.5%	23,937	0.3%	105,680	\$17.84	\$4.89	\$274	0	0
Etobicoke	76,003,113	2,059,802	2.7%	1,267,778	1.7%	149,215	\$15.20	\$4.52	\$459	0	337,210
North York	68,071,196	1,478,232	2.2%	620,780	0.9%	-208,515	\$17.63	\$4.17	\$298	0	269,670
Scarborough	68,072,263	1,323,048	1.9%	1,028,451	1.5%	-140,752	\$16.98	\$4.20	\$384	0	586,147
Toronto	33,723,184	1,011,523	3.0%	450,621	1.3%	-45,345	\$20.00	\$6.00	\$202	0	0
GTA Central	259,545,748	6,049,227	2.3%	3,409,932	1.3%	-103,341	\$16.85	\$4.48	\$356	0	1,193,027
Ajax	10,416,390	266,415	2.6%	24,059	0.2%	464,905	\$17.64	\$3.70	\$226	185,963	943,947
Oshawa	17,818,312	65,785	0.4%	79,858	0.4%	-58,517	\$12.49	\$3.86	\$269	0	511,072
Pickering	12,133,742	425,295	3.5%	234,216	1.9%	-40,226	\$15.23	\$5.10	\$284	0	0
Whitby	11,601,516	680,791	5.9%	649,823	5.6%	126,170	\$14.53	\$4.00	\$254	770,000	293,251
GTA East	58,499,832	1,467,955	2.5%	1,017,625	1.7%	481,027	\$15.29	\$4.28	\$251	955,963	2,373,185
Aurora	6,853,110	103,703	1.5%	43,899	0.6%	143,574	\$17.70	\$4.80	\$243	131,870	64,476
Markham	40,474,149	640,027	1.6%	374,042	0.9%	55,429	\$19.93	\$5.12	\$487	0	0
Newmarket	9,173,093	173,651	1.9%	80,274	0.9%	2,735	\$18.70	\$5.50	\$290	0	0
Richmond Hill	14,862,443	288,127	1.9%	48,783	0.3%	25,844	\$19.12	\$5.30	\$334	0	0
Vaughan	117,654,843	2,804,979	2.4%	1,366,353	1.2%	1,284,176	\$20.21	\$3.83	\$322	1,727,207	1,913,520
GTA North	195,375,209	4,484,708	2.3%	2,298,075	1.2%	1,522,169	\$19.97	\$4.10	\$330	2,228,538	3,531,633
Brampton	104,711,577	4,726,076	4.5%	2,713,971	2.6%	395,731	\$19.19	\$3.53	\$376	514,596	1,095,643
Burlington	28,309,727	990,196	3.5%	778,409	2.7%	67,117	\$17.76	\$4.42	\$305	611,674	81,617
Caledon	21,730,649	517,053	2.4%	531,453	2.4%	-146,887	\$18.85	\$4.50	\$345	0	0
Halton Hills	8,979,790	141,000	1.6%	188,000	2.1%	9,000	\$13.50	\$4.50	\$352	141,000	0
Milton	29,788,490	2,999,799	10.1%	3,391,779	11.4%	-437,148	\$18.48	\$3.42	\$553	2,519,886	1,394,751
Mississauga	195,938,200	5,649,116	2.9%	3,692,704	1.9%	123,279	\$18.54	\$3.94	\$380	1,121,589	1,293,646
Oakville	29,849,953	1,095,989	3.7%	833,243	2.8%	-63,505	\$17.53	\$4.54	\$254	673,046	376,177
GTA West	419,308,386	16,119,229	3.8%	12,129,559	2.9%	-52,413	\$18.60	\$3.79	\$370	5,581,791	4,241,834
Greater Toronto	932,888,281	28,121,119	3.0%	18,855,191	2.0%	1,847,442	\$18.37	\$3.99	\$343	8,766,292	11,339,679

Source: Altus Data Studio, Avison Young

For more market insights
and information visit
avisonyoung.com

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