



Greater Toronto industrial market report

Q1 2024

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Greater Toronto market fundamentals

3.5%

availability rate
across the GTA

785K

square feet (sf) net absorption
year-to-date
across the GTA

11.2M

sf under construction
43 buildings

\$18.23

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

2%

growth in asking net rental rates
year-over-year

\$367

average sale price psf
across the GTA

Greater Toronto industrial market trends

01

Availability rises for the fifth consecutive quarter

The overall GTA availability rate rose by 50 basis points (bps) in the first quarter to 3.5% (33 million sf). This is the highest rate since Q2 2016, when availability was 3.8%. Rates have steadily climbed from a historic low of 0.9% (8 million sf) in Q3 2022. This is a difference of 24 million sf that has come to market over the last 18 months.

During the first quarter, an additional 4.7 million sf became available. 733,000 sf of this space is within newly completed buildings. More opportunities are expected to come to market as tenants adjust to current economic conditions.

02

Rental rate growth stabilizing

Average rental rates declined by 1% during the quarter to \$18.23 psf. This marks the second consecutive quarter of decline. Rates have risen by an average of 28% per year from 2019 to 2024, compared to a total of 4% between 2012 and 2017.

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. More listings are coming to market with posted rents to entice interest as competition builds.

03

Sublease space gains greater prominence

Over the past five quarters, the amount of sublet space on the market has almost doubled. In the first quarter of 2023, sublets accounted for 8% of total available space across the GTA, but this figure has since grown to 14%.

Looking at the trend for each of the GTA's industrial markets over the past five quarters, sublet space as a proportion of total available space has risen from 10% to 13% in GTA West, 7% to 12% in GTA Central, 6% to 17% in GTA North and 14% to 26% in GTA East.

GTA overall

Asking rent growth levels off as leasing slows

The overall industrial availability rate across the GTA continued to rise in the first quarter of 2024, up 50 bps to 3.5% – a 190-bps increase year-over-year. Quarter-over-quarter, availability increased in all markets: GTA East (+90 bps to 3.4%), GTA West (+80 bps to 4.6%), GTA Central (+10 bps to 2.4%) and GTA North (+40 bps to 2.7%).

Top lease transactions signed during the first quarter of 2024 included Hewlett Packard's 412,000-sf renewal at 300 Courtneypark Drive West in Mississauga, Simard's 216,900-sf lease at 7400-7420 Bramalea Road in Brampton and Stallion Express' new lease of 126,200 sf at 1100 Courtneypark Drive East in Mississauga.

Demand in the GTA continues to centre around logistics and distribution, followed by manufacturing and food and grocery users. The average asking net rental rate in the GTA softened \$0.14 to \$18.23 psf during the first quarter of 2024. Nevertheless, average rents

represent an increase of 2% year-over-year, 74% in the past three years, and 139% in the past five years. The highest average net rents were found in GTA North at \$19.27 psf. The most affordable area was GTA East, with average net rents at \$16.31 psf.

First-quarter completions totaled 2.5 million sf across 11 buildings (71% leased) throughout the GTA. A further 43 buildings, totaling 11.2 million sf, were under construction at the end of the first quarter – with 28% preleased. Most of the buildings under construction were in GTA West (36%), while the East accounted for 33%, North 20% and Central 11%. An additional 63 buildings were in the pre-construction stage, with the potential to add almost 55 million sf (22% already leased) across the GTA.

Q1 2024

Quarter-over-quarter

936M sf
inventory



33M sf
available area



\$18.23 psf
average asking net rental rate



11.2M sf
43 buildings
under construction



GTA Central

Market continues to be top of the list for last-mile users

Available space in the Central market increased 10 bps quarter-over-quarter to 2.4%. Availability rates ranged from a high of 3.1% in Toronto to a low of 1.6% in East York. The average asking net rental rate decreased to \$16.60 psf – down 9% year-over-year – but has risen 60% in the last three years and 132% in the last five years. Toronto commands the highest rents at \$18.76 psf, and Etobicoke has the lowest at \$15.41 psf.

Significant lease transactions in the Central market were led by JP Enterprises Logistics' new deal for 93,200 sf at 2200 Islington Avenue in Etobicoke.

On the sales front, 1100 Arrow Road in North York was purchased by Burnham Property Holdings for \$22.6 million (\$477 psf), 190 Norseman Street in Etobicoke was acquired by a private investor for \$14.4 million (\$442 psf) and 225-237 Limestone Crescent in North York was purchased by BLH Property Holdings for \$11.4 million (\$395 psf).

In the Central market, one building was completed during the first quarter: 2340 Morningside Avenue (88,000 sf), a condominium project built by Beedie. Six buildings totaling 1.2 million sf were under construction (43% leased). Scarborough is home to 42% of the Central market's under-construction pipeline (by square footage), with the balance in Etobicoke (33%) and North York (25%). Meanwhile, there are 32 buildings at the pre-construction stage totaling 3.8 million sf. These are 50% leased – a mixture of design-build projects and those awaiting a tenant.

Q1 2024

Quarter-over-quarter

260M sf
inventory



6.1M sf
available area



\$16.60 psf
average asking net rental rate



1.2M sf
6 buildings
under construction



GTA East

East market continues to offer most affordable rents

Overall availability in the East market increased by 90 bps during the first quarter to 3.4%. Meanwhile, the average asking rental rate increased to \$16.31 psf – up 5% year-over-year, 101% in the last three years and 154% in the past five years. Some of the most economical rents in the GTA can be found in the East, where all nodes remain below the GTA average of \$18.23 psf.

Leasing activity was led by Shandex, which signed a new lease for 90,600 sf within Crestpoint's new industrial park at 221 Church Street South in Ajax.

On the sales front, two of the quarter's three largest sale transactions in the GTA were completed in the East. The Fiera – Dream Portfolio in Pickering and Ajax sold for \$71.8 million (\$226 psf) at a reported capitalization rate of 4.9% – the portfolio was comprised of seven properties totaling 316,800 sf.

Meanwhile, 240 South Blair Street in Whitby, a 291,300-sf building on a 14.2-acre lot, sold for \$67 million (\$230 psf), while 170 Commercial Avenue in Ajax (a 101,300-sf building on a 3.3-acre lot) traded for \$12.5 million (\$123 psf).

There were no buildings completed during the first quarter. However, eight buildings totaling 3.8 million sf are currently under construction and are 17% leased. The majority of space under construction is in Ajax (74%), followed by Oshawa (16%) and Whitby (10%). Meanwhile, there are 20 buildings at the pre-construction stage totaling 4.9 million sf (28% leased).

Q1 2024

Quarter-over-quarter

59M sf

inventory



2.0M sf

available area



\$16.31 psf

average asking net rental rate



3.8M sf

8 buildings

under construction



GTA North

Largest concentration of new construction is in Vaughan

The availability rate in the GTA North industrial market increased 40 bps to 2.7% during the first quarter, while asking net rental rates averaged \$19.27 psf across submarkets. Rates have increased 7% year-over-year, 53% in the last three years and 136% in the past five years. Within GTA North, average rents in all municipalities range from \$17.24 psf in Aurora to \$19.38 psf in Vaughan.

One of the largest leases during Q1 was Wonder Berry signing a new lease for 58,000 sf at 12 Corrine Court in Vaughan. The single-tenant building will be utilized for the tenant's food distribution business.

On the sales front, White Owl Family Group purchased a 189,500-sf light industrial facility in Markham on eight acres from Belfield Investments for \$40 million (\$211 psf). At the time of sale, the property was fully tenanted by Miller Waste Systems. Separately, 240 Industrial Parkway South in Aurora traded for

\$17 million (\$291 psf). The 58,400-sf multi-tenant building has a 33% coverage ratio and was fully occupied at the time of sale.

In development news, five buildings were completed during the quarter – of which the largest was a design-build for Loblaws in East Gwillimbury (1.2 million sf). At the end of the quarter, 14 buildings totaling 2.2 million sf were under construction (33% leased). The majority of space under construction in GTA North continues to be centered in Vaughan (84%). There were also 45 buildings at the pre-construction stage with the potential to add 15 million sf to the market when completed – of which 23% has been leased.

Q1 2024

Quarter-over-quarter

197M sf
inventory



5.3M sf
available area



\$19.27 psf
average asking net rental rate



2.2M sf
14 buildings
under construction



GTA West

Rising availability widens options for tenants

The availability rate in the West market increased 80 bps to 4.6% during the first quarter of 2024. The last time availability was this high was in Q3 2016.

During Q1, average asking net rental rates dropped slightly to \$18.48 psf across the West's submarkets. Nevertheless, rates have increased 5% year-over-year, 77% in the last three years and 134% in the past five years. Within GTA West, average rents in all municipalities range from a high of \$19.34 psf in Brampton to a low of \$17.28 psf in Halton Hills.

On the leasing front, the most notable deals were led by Hewlett Packard renewing 412,000 sf at 300 Courtneypark Drive West in Mississauga. Meanwhile, Simard took 216,900 sf at 7400-7420 Bramalea Road in Brampton and Stallion Express signed for 126,200 sf at 1100 Courtneypark Drive East in Mississauga. On the investment front, JM Motors acquired 297 Rutherford Road South in Brampton (34,300 sf on 18 acres) for \$72.5 million.

The site is utilized as a cross dock facility (on approximately six acres), with the balance dedicated to outside storage uses. Elsewhere, Panattoni sold two prominent buildings in Mississauga to separate buyers. Brookfield Properties purchased the newly constructed 2385 Meadowpine Boulevard for \$44.6 million (\$342 psf), while ITD Industries acquired 910 Mid-Way Boulevard for \$42 million (\$244 psf). Both sites were fully occupied at the time of sale.

Five buildings totaling 756,800 sf were completed during Q1 (30% leased). The largest was a speculative 265,800-sf distribution centre built by Broccolini at 2100 Labrador Avenue in Milton – fully available at completion. Meanwhile, 4 million sf (31% leased) across 15 buildings were under construction at the close of the first quarter – accounting for 36% of the overall construction pipeline in the GTA. A further 66 buildings totaling 31.3 million sf are in the pre-construction phase.

Q1 2024

Quarter-over-quarter

420M sf
inventory



19.4M sf
available area



\$18.48 psf
average asking net rental rate

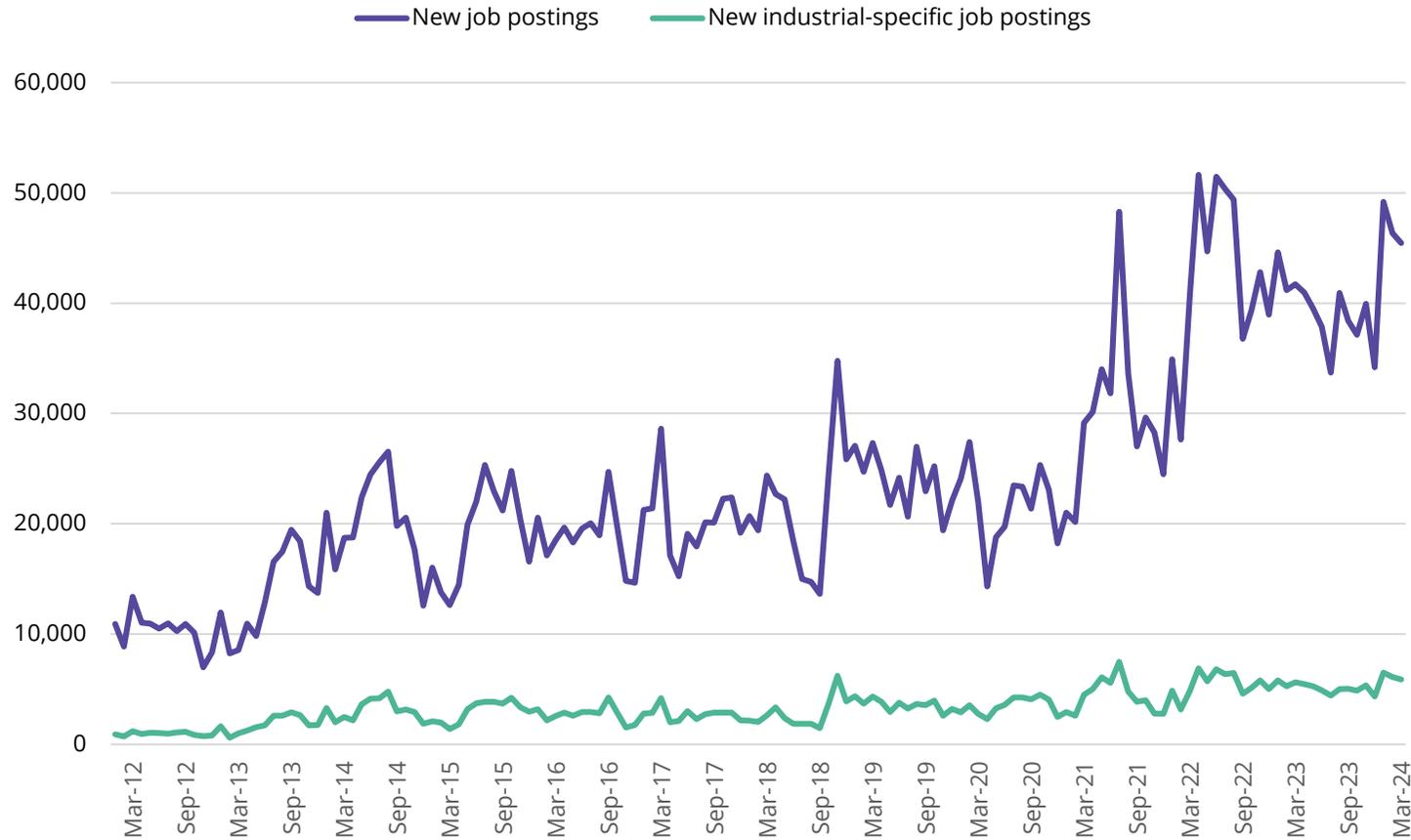


4.0M sf
15 buildings
under construction



Greater Toronto industrial market indicators

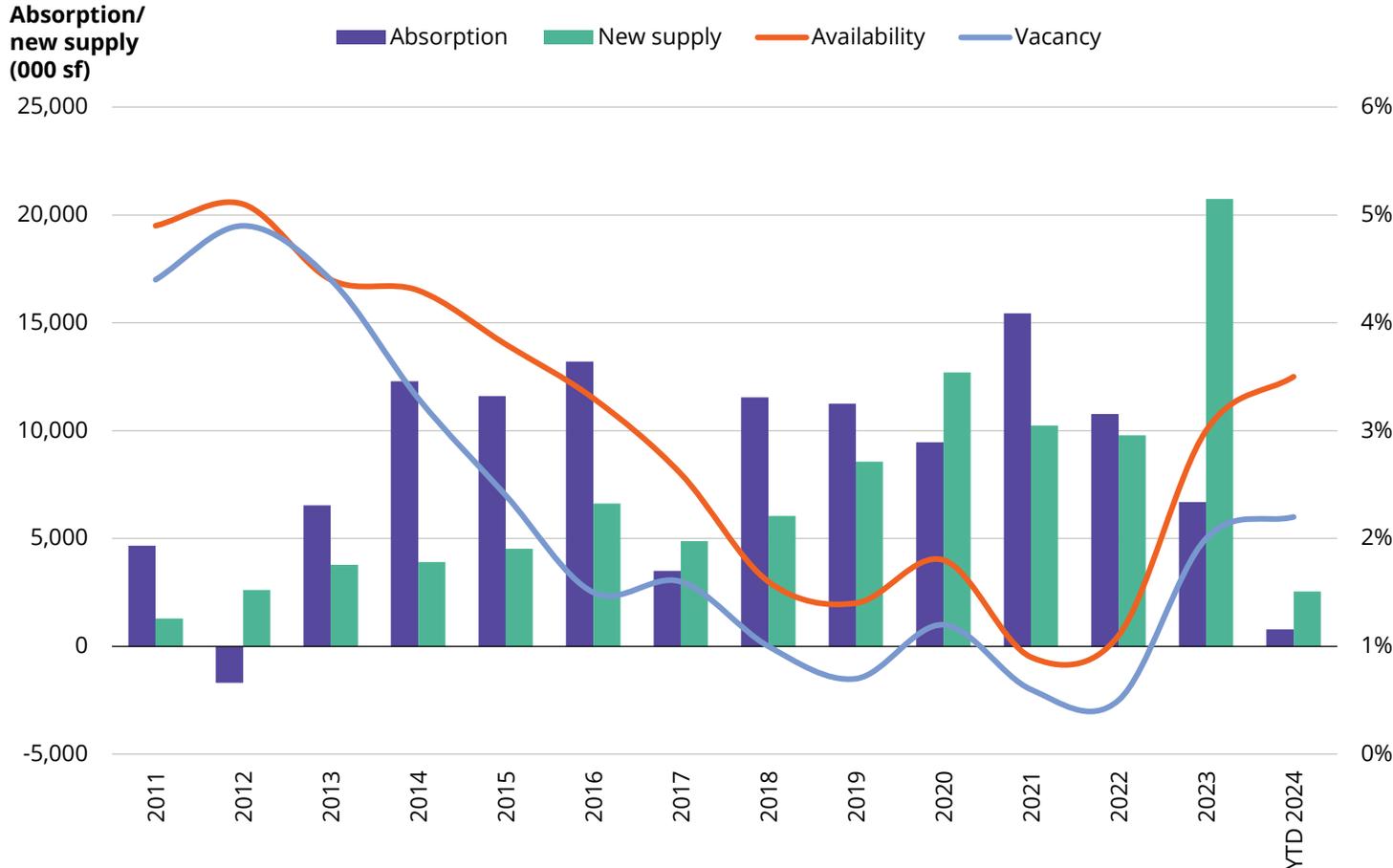
New job posting volumes



Demand for industrial-specific positions remains stable since the peak of the pandemic.

Greater Toronto industrial market indicators

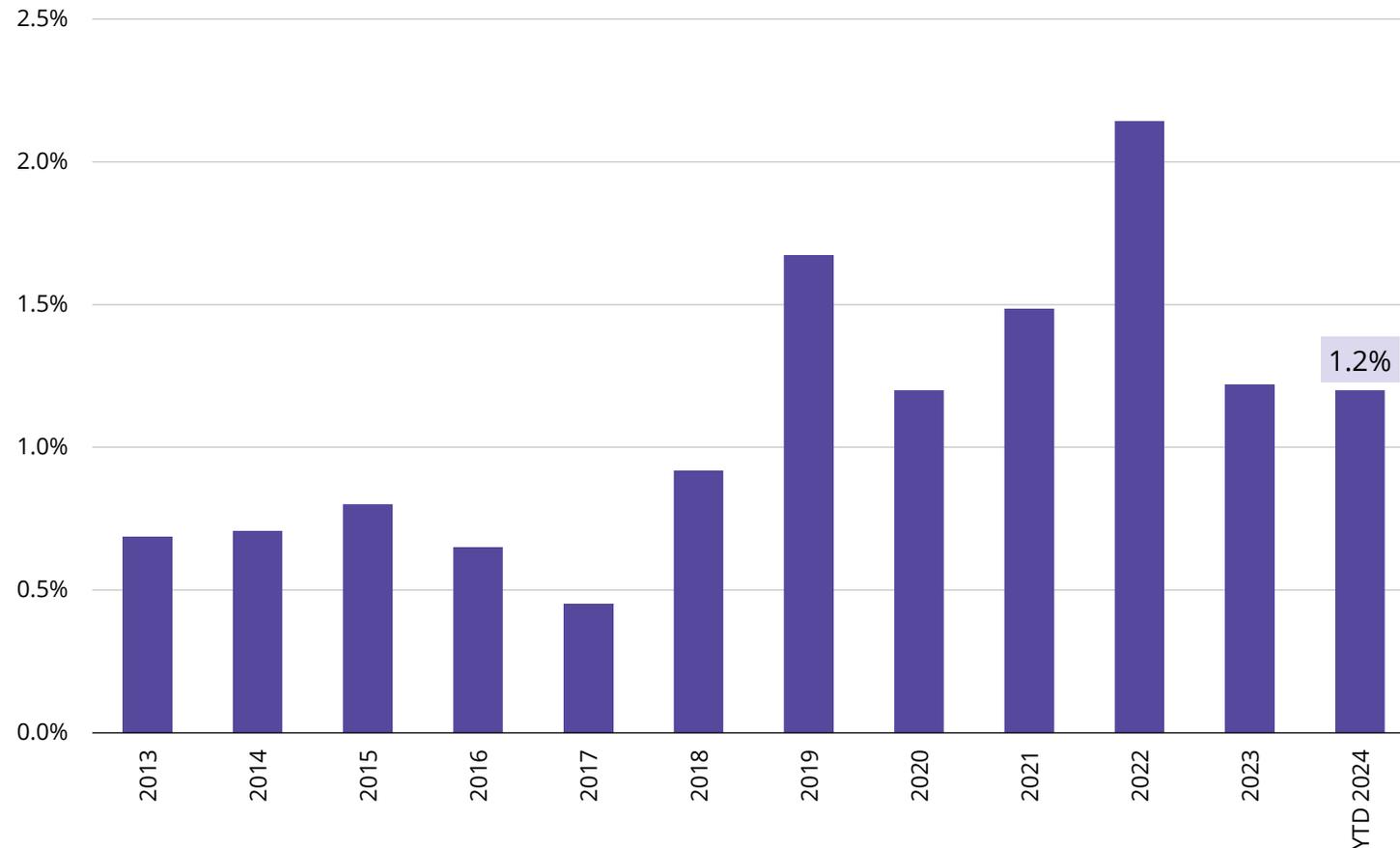
Historic industrial market trends



In 2024, the market is on pace to reach just half of 2023's record new supply volume.

Greater Toronto industrial market indicators

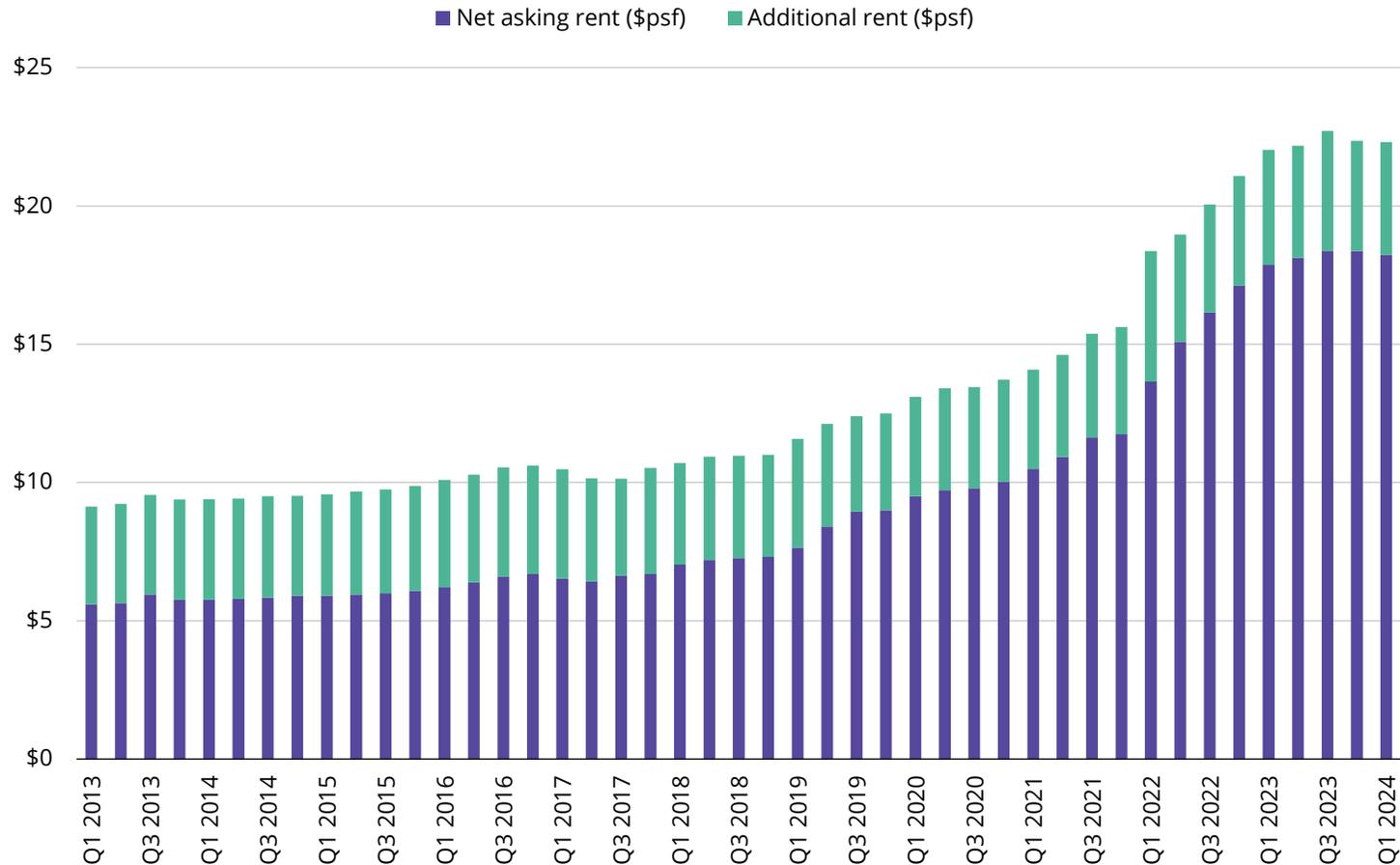
Space under construction as a percentage of existing inventory



11.2 million sf was under construction at the end of Q1 – equal to 1.2% of existing GTA inventory.

Greater Toronto industrial market indicators

Average asking rents



Average asking rents have increased 2% year-over-year, 74% in the past three years, and 139% in the past five years.

Greater Toronto industrial market indicators

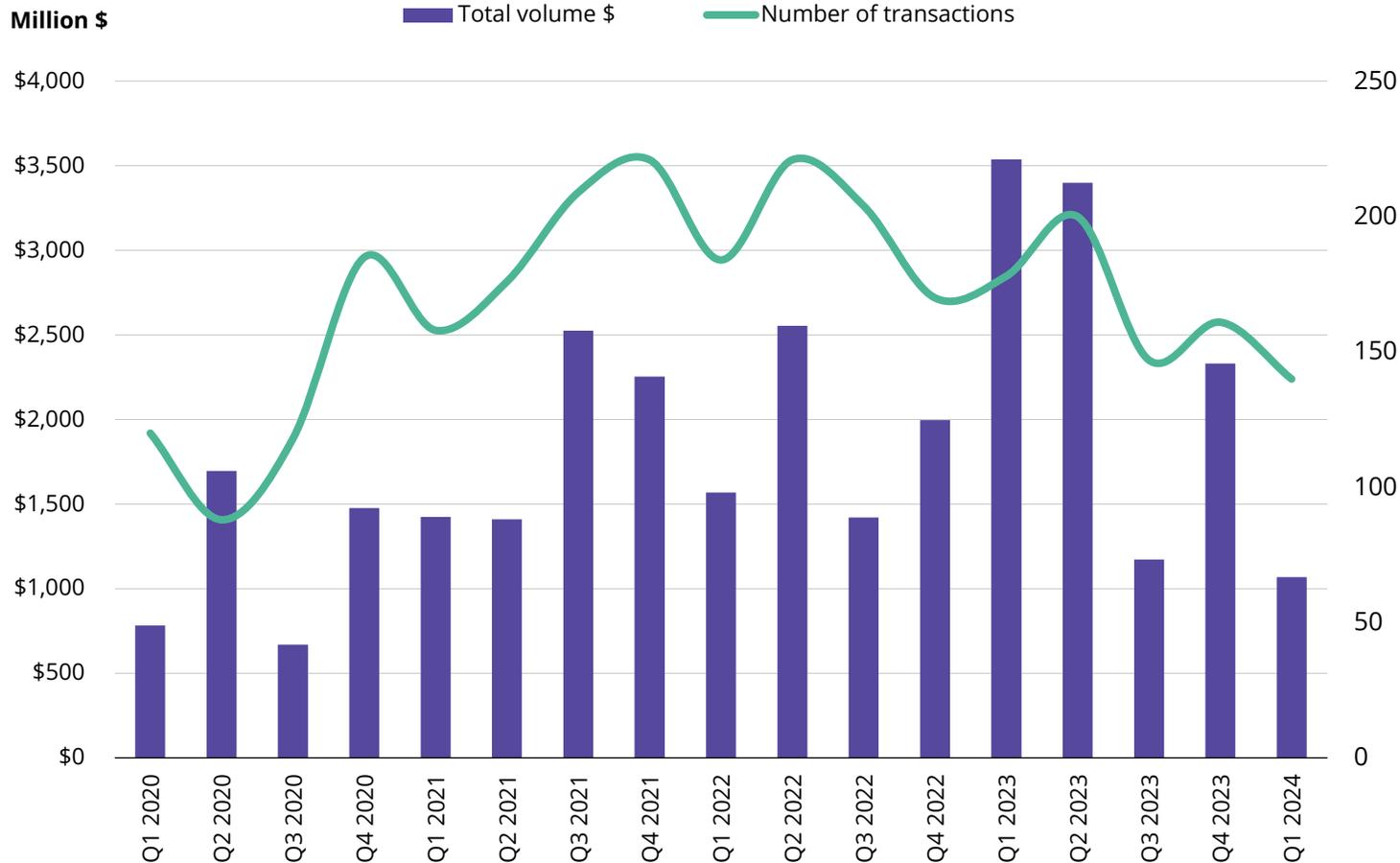
Average net asking rents by clear height



Premium product with 30-foot-plus ceiling heights continues to command the highest net asking rents.

Greater Toronto industrial market indicators

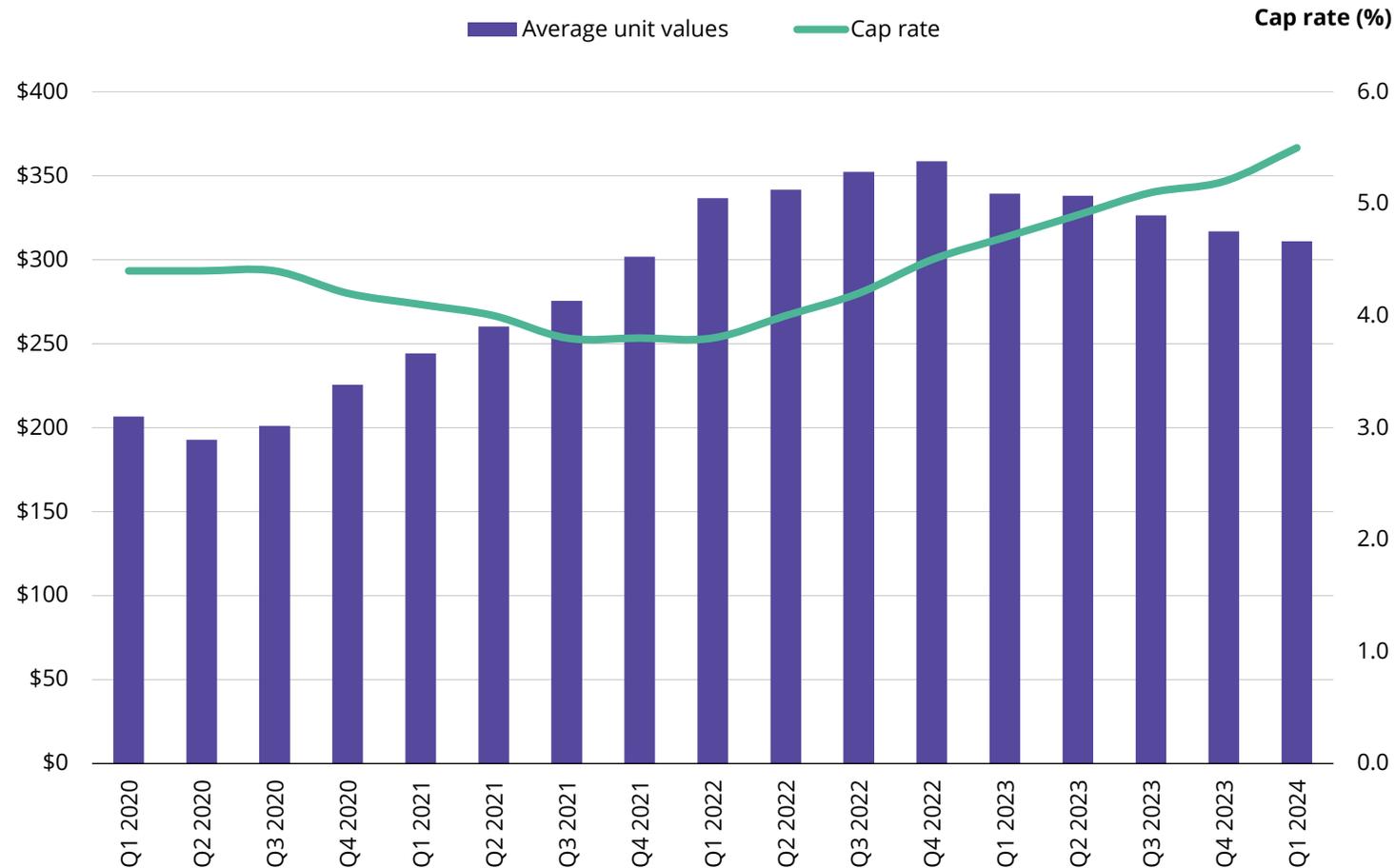
Investment sales volume



Current interest rates have curtailed sales volume, which was down 70% compared with Q1 2023.

Greater Toronto industrial market indicators

Unit values and cap rate trends (single tenant)



Average capitalization rates have risen for the past two years to 5.5% in Q1, while unit values have compressed to \$311 psf.

Greater Toronto industrial market activity

Notable leasing transactions

| Address | Tenant | Size (sf) | Lease type | Transaction type | Landlord |
|---------------------------------------|--------------------------|-----------|------------|------------------|----------------------------|
| 300 Courtneypark Dr. W., Mississauga | Hewlett Packard | 412,000 | Direct | Renewal | Prologis |
| 7400-7420 Bramalea Rd., Brampton | Simard | 216,900 | Direct | New lease | Pure Industrial |
| 1100 Courtneypark Dr. E., Mississauga | Stallion Express | 126,200 | Direct | New lease | Dream Unlimited |
| 2200 Islington Ave., Etobicoke | JP Enterprises Logistics | 92,200 | Direct | New lease | Rice Group |
| 12 Corrine Crt., Vaughan | Wonder Berry | 58,000 | Direct | New lease | Zentil Property Management |

Major industrial building transactions

| Address | Buyer | Sale date | Sale price | Sale price (psf) | Seller |
|------------------------------------|----------------------------------|---------------|------------|------------------|--------------------------------|
| 297 Rutherford Rd S., Brampton | JM Motors | March 2024 | \$72.5M | N/A | BentallGreenOak |
| Fiera – Dream Portfolio, GTA East | Dream Unlimited | February 2024 | \$71.8M | \$226 | Fiera Real Estate |
| 240 S. Blair St., Whitby | Rainbow Capital Investments Ltd. | January 2024 | \$67.0M | \$230 | Manulife Investment Management |
| 2385 Meadowpine Blvd., Mississauga | Brookfield Properties | January 2024 | \$44.6M | \$342 | Panattoni Development Company |
| 910 Mid-Way Blvd., Mississauga | ITD Industries Inc. | February 2024 | \$42.0M | \$244 | Panattoni Development Company |

Major industrial land transactions

| Location | Buyer | Sale date | Sale price | Sale price (per acre) | Seller |
|---------------------------------|---|---------------|------------|-----------------------|--------------------------------|
| 41 Aviva Park, Dr., Vaughan | 41 Aviva Park Holdings Inc. | January 2024 | \$13.0M | \$4.3M | Aviva Park Property Inc. |
| 1833 Buckhorn Gate, Mississauga | Black Dog Development & FAX Real Estate | February 2024 | \$12.3M | \$2.5M | Triovest |
| Champlain Ave., Whitby | Champlain Industrial GP Inc. | January 2024 | \$14.8M | \$1.5M | Ontario Motor Sales |
| 1515 Thornton Rd. N., Oshawa | Romspen | January 2024 | \$10.3M | \$663K | Wet Thornton Rd Inc. |
| 1156 Cardiff Blvd., Mississauga | Mohanpur Transport | January 2024 | \$5.9M | \$5.7M | The Buffalo Group of Companies |

Greater Toronto industrial market statistics

| 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 | 8,789,200 | 138,510 | 1.6% | 23,900 | 0.3% | (4,090) | \$17.67 | \$4.88 | \$274 | 0 | 0 |
| Etobicoke | 76,005,850 | 2,199,830 | 2.9% | 1,084,900 | 1.4% | 183,370 | \$15.41 | \$4.72 | \$494 | 0 | 347,940 |
| North York | 68,066,040 | 1,219,850 | 1.8% | 594,200 | 0.9% | 17,950 | \$17.17 | \$3.94 | \$451 | 0 | 269,670 |
| Scarborough | 68,195,670 | 1,456,940 | 2.1% | 893,300 | 1.3% | 302,280 | \$16.78 | \$4.70 | \$411 | 88,020 | 444,370 |
| Toronto | 33,725,940 | 1,045,350 | 3.1% | 601,000 | 1.8% | (144,130) | \$18.76 | \$5.29 | \$465 | 0 | 0 |
| GTA Central | 259,665,400 | 6,121,660 | 2.4% | 3,237,900 | 1.2% | 333,200 | \$16.60 | \$4.44 | \$450 | 88,020 | 1,210,110 |
| Ajax | 10,431,370 | 270,760 | 2.6% | 19,700 | 0.2% | 19,350 | \$17.62 | \$4.35 | \$203 | 0 | 2,342,890 |
| Oshawa | 17,801,350 | 392,510 | 2.2% | 382,100 | 2.1% | (302,270) | \$15.52 | \$4.53 | \$269 | 0 | 511,070 |
| Pickering | 12,152,270 | 550,720 | 4.5% | 225,500 | 1.9% | 8,720 | \$15.32 | \$5.10 | \$226 | 0 | 0 |
| Whitby | 11,664,180 | 770,720 | 6.6% | 680,400 | 5.8% | 32,110 | \$15.69 | \$3.80 | \$329 | 0 | 293,250 |
| GTA East | 58,573,350 | 2,017,180 | 3.4% | 1,337,400 | 2.3% | (242,100) | \$16.31 | \$4.46 | \$272 | 0 | 3,772,130 |
| Aurora | 6,853,110 | 119,200 | 1.7% | 33,800 | 0.5% | 10,120 | \$17.24 | \$4.26 | \$364 | 0 | 64,480 |
| Markham | 40,474,150 | 737,330 | 1.8% | 395,300 | 1.0% | (21,260) | \$19.07 | \$5.19 | \$396 | 0 | 252,010 |
| Newmarket | 9,173,090 | 36,980 | 0.4% | 36,000 | 0.4% | 44,240 | \$18.86 | \$5.25 | \$290 | 0 | 0 |
| Richmond Hill | 14,854,130 | 361,540 | 2.4% | 93,000 | 0.6% | (44,240) | \$18.99 | \$4.51 | \$286 | 0 | 0 |
| Vaughan | 118,172,670 | 3,548,260 | 3.0% | 1,580,500 | 1.3% | 226,830 | \$19.38 | \$4.01 | \$387 | 361,310 | 1,707,650 |
| GTA North | 197,217,390 | 5,265,340 | 2.7% | 2,710,700 | 1.4% | 1,361,070 | \$19.27 | \$4.17 | \$353 | 1,693,980 | 2,220,690 |
| Brampton | 104,931,040 | 5,871,040 | 5.6% | 3,328,300 | 3.2% | (524,440) | \$19.34 | \$3.62 | \$376 | 0 | 1,340,650 |
| Burlington | 28,306,190 | 1,095,530 | 3.9% | 890,200 | 3.1% | (111,760) | \$17.60 | \$3.87 | \$223 | 0 | 81,620 |
| Caledon | 21,731,460 | 664,060 | 3.1% | 538,500 | 2.5% | 2,280 | \$18.25 | \$4.35 | \$548 | 0 | 0 |
| Halton Hills | 8,979,310 | 159,620 | 1.8% | 163,400 | 1.8% | 24,150 | \$17.28 | \$4.50 | \$286 | 0 | 0 |
| Milton | 30,055,160 | 3,404,640 | 11.3% | 3,368,800 | 11.2% | 289,640 | \$18.16 | \$3.40 | \$553 | 265,800 | 1,128,950 |
| Mississauga | 196,467,680 | 7,054,520 | 3.6% | 4,447,000 | 2.3% | (305,330) | \$18.36 | \$4.13 | \$365 | 460,010 | 1,104,370 |
| Oakville | 29,880,900 | 1,128,080 | 3.8% | 906,100 | 3.0% | (41,900) | \$17.31 | \$4.64 | \$353 | 30,950 | 345,230 |
| GTA West | 420,351,740 | 19,377,490 | 4.6% | 13,642,100 | 3.2% | (667,350) | \$18.48 | \$3.92 | \$371 | 756,760 | 4,000,820 |
| Greater Toronto | 935,966,990 | 32,807,430 | 3.5% | 20,928,100 | 2.2% | 784,820 | \$18.23 | \$4.08 | \$367 | 2,538,760 | 11,203,750 |

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

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