
3Q24

Greater Toronto Area Industrial Market Overview

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Newmark's Canadian Industrial Markets

While Canada's industrial vacancy remained low at the conclusion of the third quarter of 2024 compared with long-term historical averages, the market is showing signs of softening. Demand has moderated from COVID-era highs while new supply, particularly in the warehousing and storage sector, continues to come online at a pace that is inflating vacancy and availability, particularly in distribution hubs. Recent rapid population growth in Canada helped offset some of the decline in demand, but developers along with third-party logistics companies and large retailers have yet to determine what normalized demand looks like, which has led to excessive speculative space on the supply side.



Greater Toronto Area (GTA) Industrial Market Observations

GTA industrial vacancy rose to 3.0% at the third quarter of 2024, the most vacancy recorded in the GTA since mid-2015. Regional vacancy was less than 2% from mid-2017 through 2023.

GTA industrial leasing in the first nine months of 2024 has been muted, consisting mainly of renewals with modifications, highlighting the new importance of a renewal strategy.

Sublease space availability spiked to its highest level since 2016 at the third quarter of 2024 as tenants right-size requirements and limit speculative growth with an eye on the economy.

Tenants typically have the upper hand when it comes to negotiating with landlords with concessions at their highest point since before the pandemic arrived in early 2020.



Halton had the highest industrial vacancy rate in the GTA at 6.1%, followed by Durham (5.1%) and Peel (3.2%). York was the tightest submarket (1.8%) followed by Toronto at 2.0%.

Slightly less than 9.1 msf was under construction in the GTA at the third quarter of 2024, a notable decline from the 16.4 msf under construction after the first nine months of 2023.

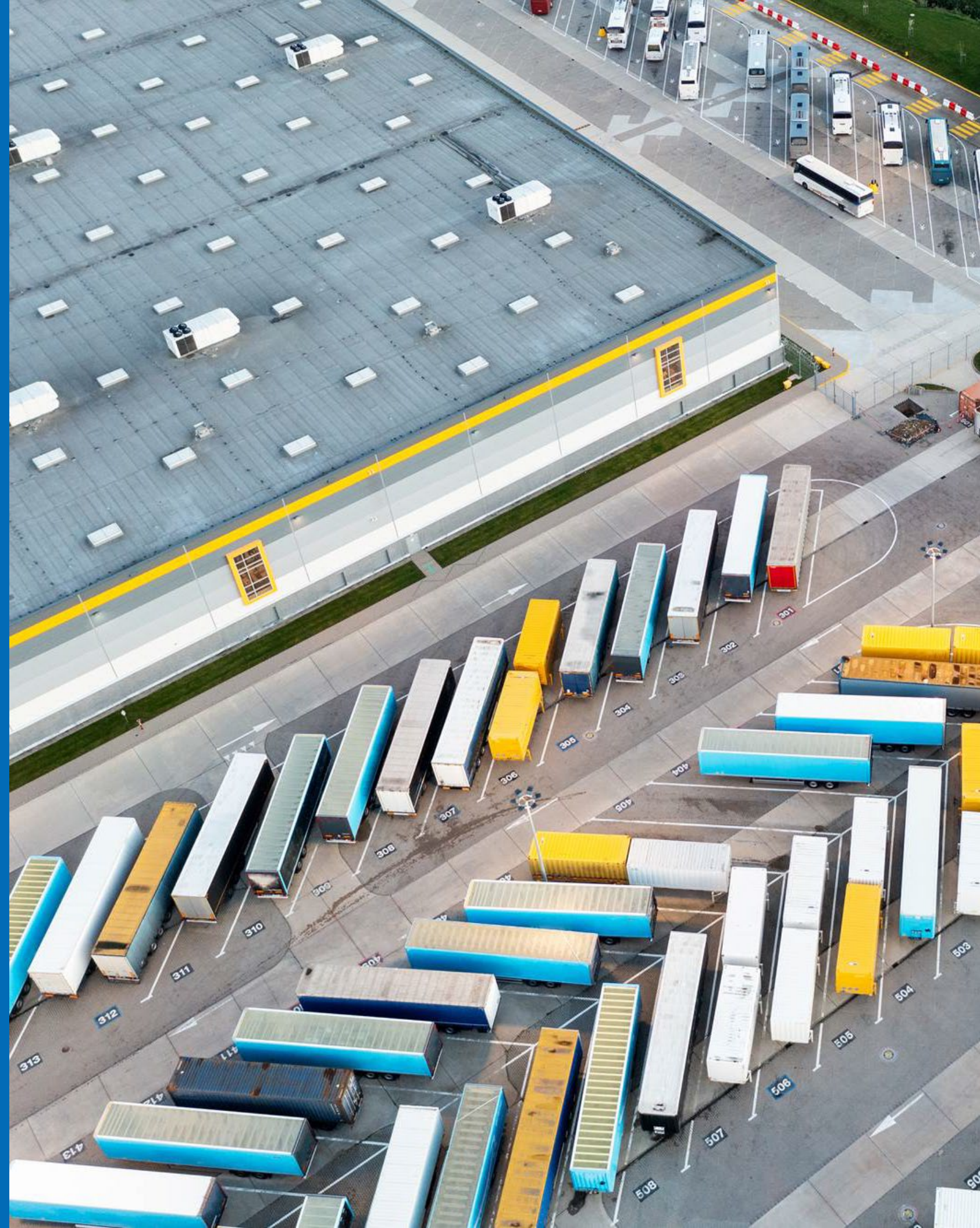
Estimated asking rates for industrial space peaked at mid-2023 and has been in decline since, slipping 5.8% overall with rents in Peel and Halton declining the most in the past 12 months.

Peel led the GTA market in terms of sublease space availability at the third quarter of 2024, growing to 3.9 msf from slightly less than 1.7 msf just 12 months earlier.

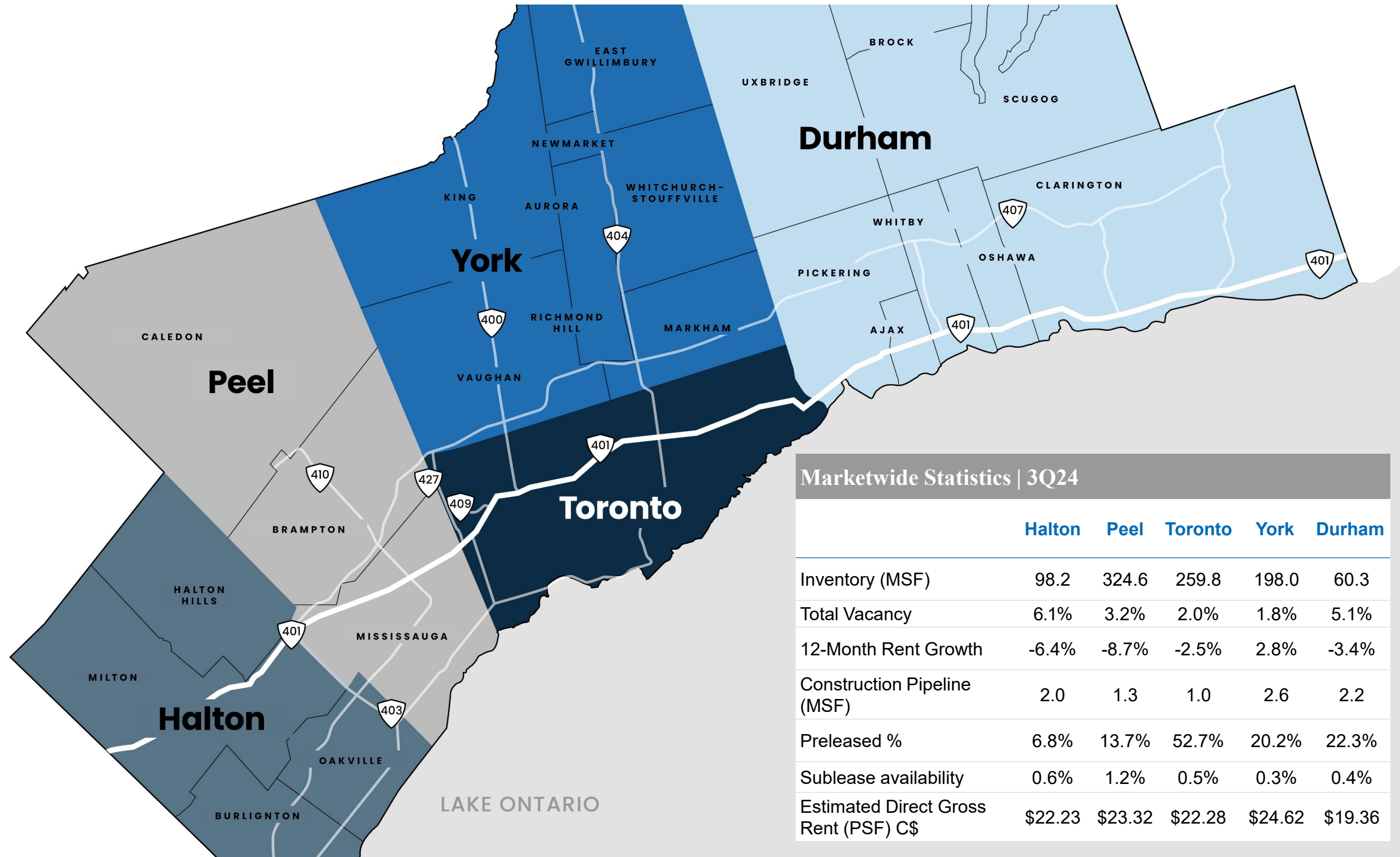
Sale proceeds of \$4.1B for GTA industrial assets in the first nine months of 2024 were the fourth highest in history following the same period in 2021 (\$5.5B), 2022 (\$5.5B) and 2023 (\$8.2B).

3Q24

GTA Industrial Market Metrics



GTA Industrial Metrics | 3Q24



Source: Newmark Research

Greater Toronto Area (GTA) Industrial Submarket Statistics | 3Q24

Submarket Statistics – All Classes

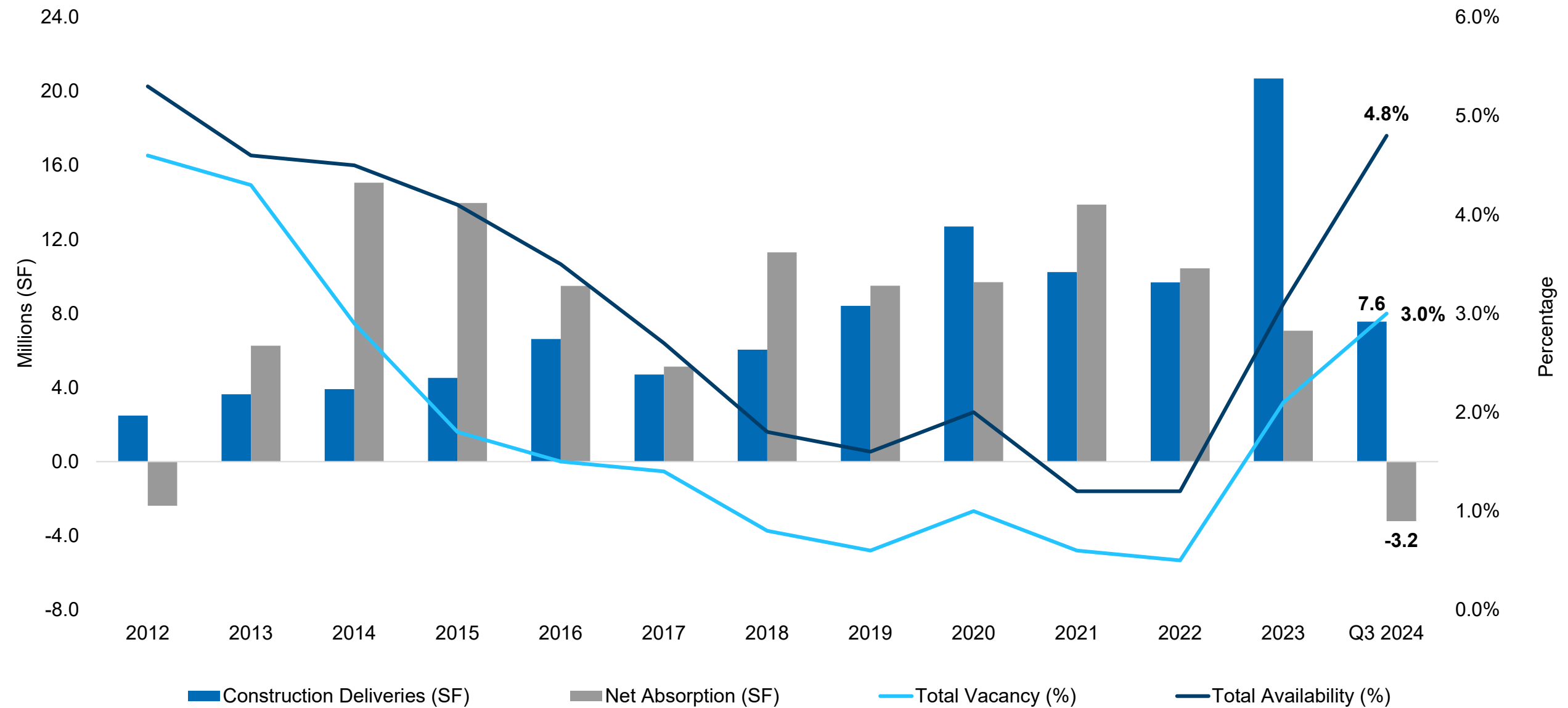
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct Available Rate	Sublet Available Rate	Total Est. Direct Gross Rent (\$/SF)
Greater Toronto Area (GTA)	940,862,558	9,083,908	3.0%	-2,843,035	-3,213,095	4.1%	0.7%	C\$22.89
Peel Region (Mississauga, Brampton, Caledon) – GTA West	324,584,090	1,322,236	3.2%	-753,422	-2,180,557	4.3%	1.2%	C\$23.32
Toronto (Toronto, Etobicoke, Scarborough, York, East York, North York) – GTA Central	259,776,106	989,323	2.0%	-1,157,741	-1,159,447	2.9%	0.5%	C\$22.28
York Region (Vaughan, Richmond Hill, Markham, Newmarket, King, Aurora, East Gwillimbury, Georgina, Whitchurch-Stouffville) – GTA North	197,986,570	2,584,360	1.8%	-571,673	575,314	3.1%	0.3%	C\$24.62
Halton Region (Oakville, Burlington, Halton Hills, Milton) – GTA West	98,224,349	2,002,774	6.1%	-354,239	-164,966	6.7%	0.6%	C\$22.23
Durham Region (Ajax, Oshawa, Pickering, Whitby, Brock, Clarington, Scugog, Uxbridge) – GTA East	60,291,443	2,185,215	5.1%	-5,960	-283,439	6.7%	0.4%	C\$19.36

Source: Newmark Research, Altus Data Studio

GTA Industrial Market Set To Return To Metrics Unseen In More Than a Decade

GTA's industrial market of 941 msf – Canada's largest – had been one of North America's tightest industrial markets for almost a decade with annual absorption frequently surpassing new supply since 2014. Annual absorption in the GTA has been declining since 2021 when it peaked at ~13.9 msf, slipping to ~7.1 msf by 2023. However, the record delivery of nearly 21 msf of new supply in 2023 into an environment in 2024 characterized by negative absorption resulted in notable spikes in availability and vacancy that are likely to remain into 2025.

GTA Historical Construction Deliveries, Net Absorption, Vacancy and Availability

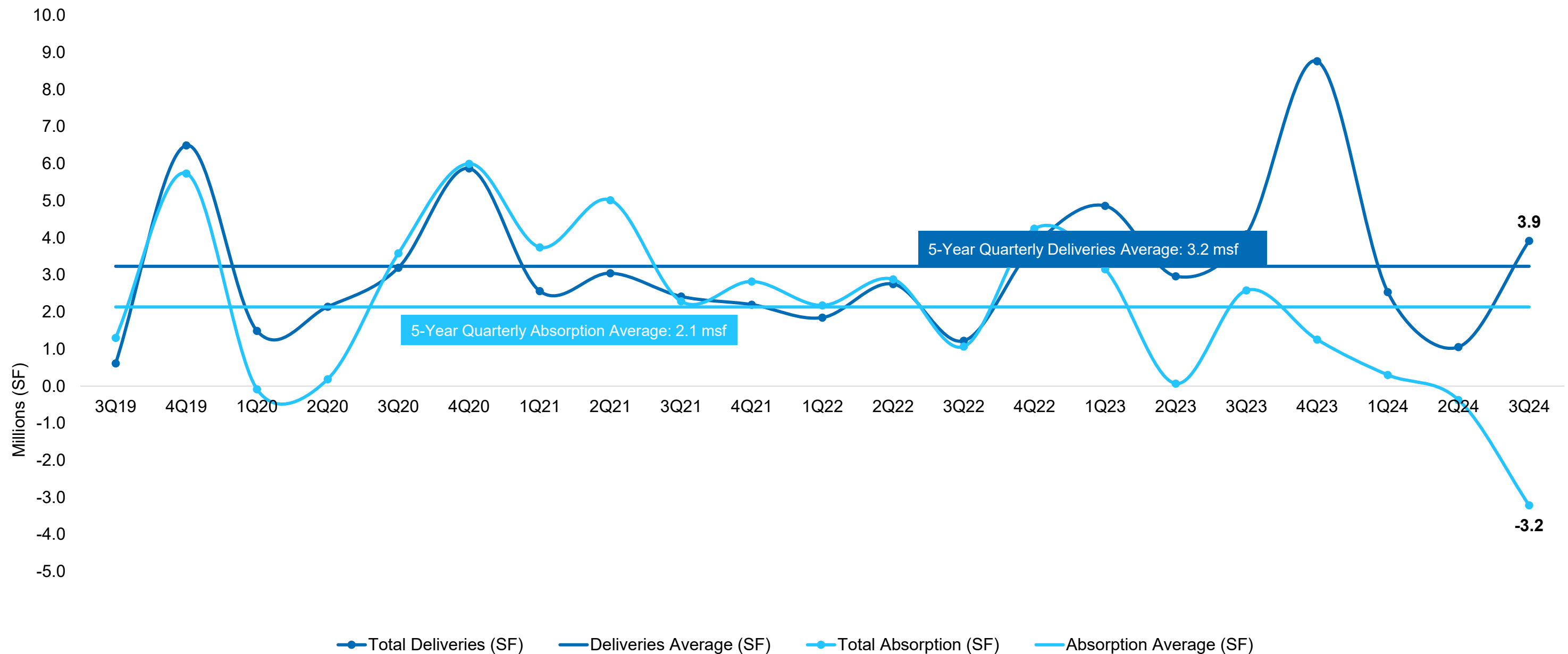


Source: Newmark Research, Altus Data Studio

Elevated Construction Deliveries Continue in 2024 As Negative Absorption Soared

After being closely matched from 2019 to 2022, the divergence between new supply and absorption accelerated in 2024 after a historic amount of new supply was delivered at the end of 2023. This widening delta is likely to increase into 2025 as more supply comes online. However, a decline in the amount of space under construction that manifested in 2024 as developers noted rising vacancy and availability rates should bring deliveries down in late 2025/early 2026 leading to less upward pressure on vacancy and availability in 2026.

GTA Industrial Total Construction Deliveries and Absorption

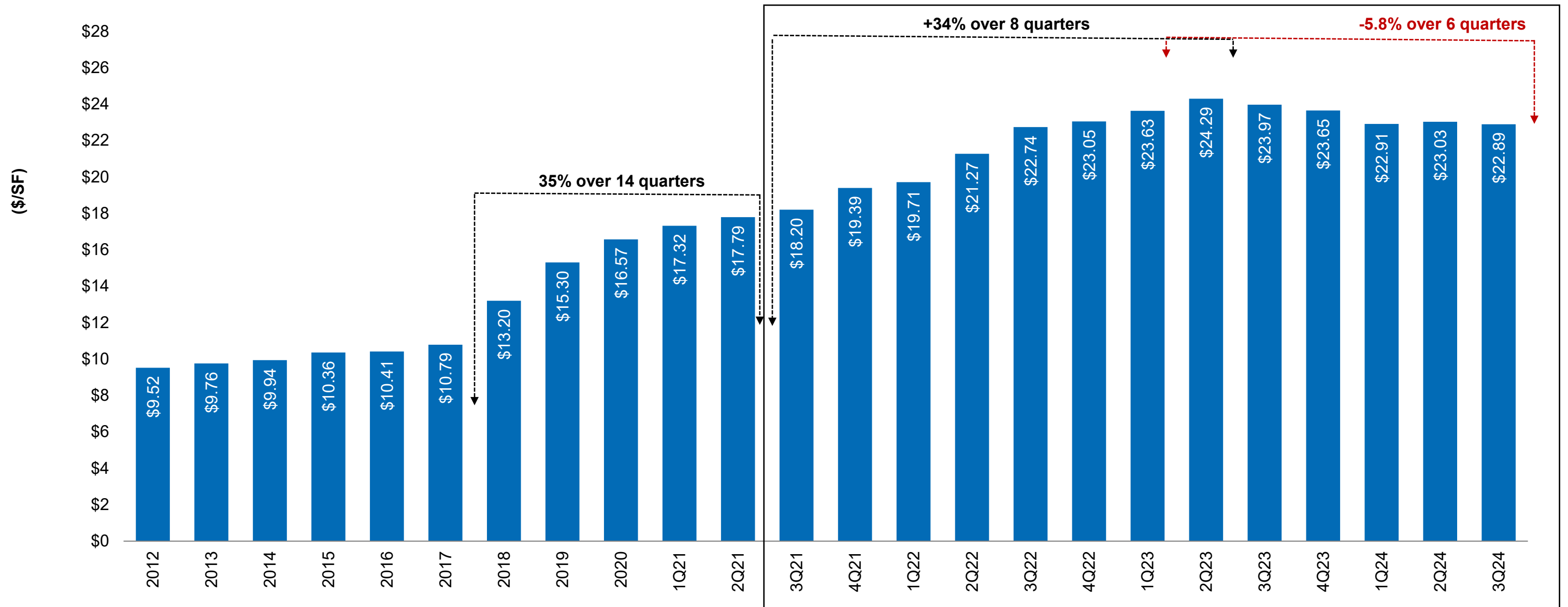


Source: Newmark Research, Altus Data Studio

GTA Asking Gross Rents Slipping In Heightened Vacancy Environment

Average asking gross rents in the GTA industrial market have been sliding since mid-2023 as once-fervent demand for industrial space has declined. Landlords are becoming more competitive to secure tenants in the face of not only significant amounts of new supply but also the rapidly rising volume of sublease space. Since mid-2023, asking rents have slipped 5.8% after climbing 34% from mid-2021 to mid-2023. Overall rents declined in all submarkets, a trend expected to continue as rising vacancy and availability characterize the market.

Historical GTA Industrial Estimated Asking Rates

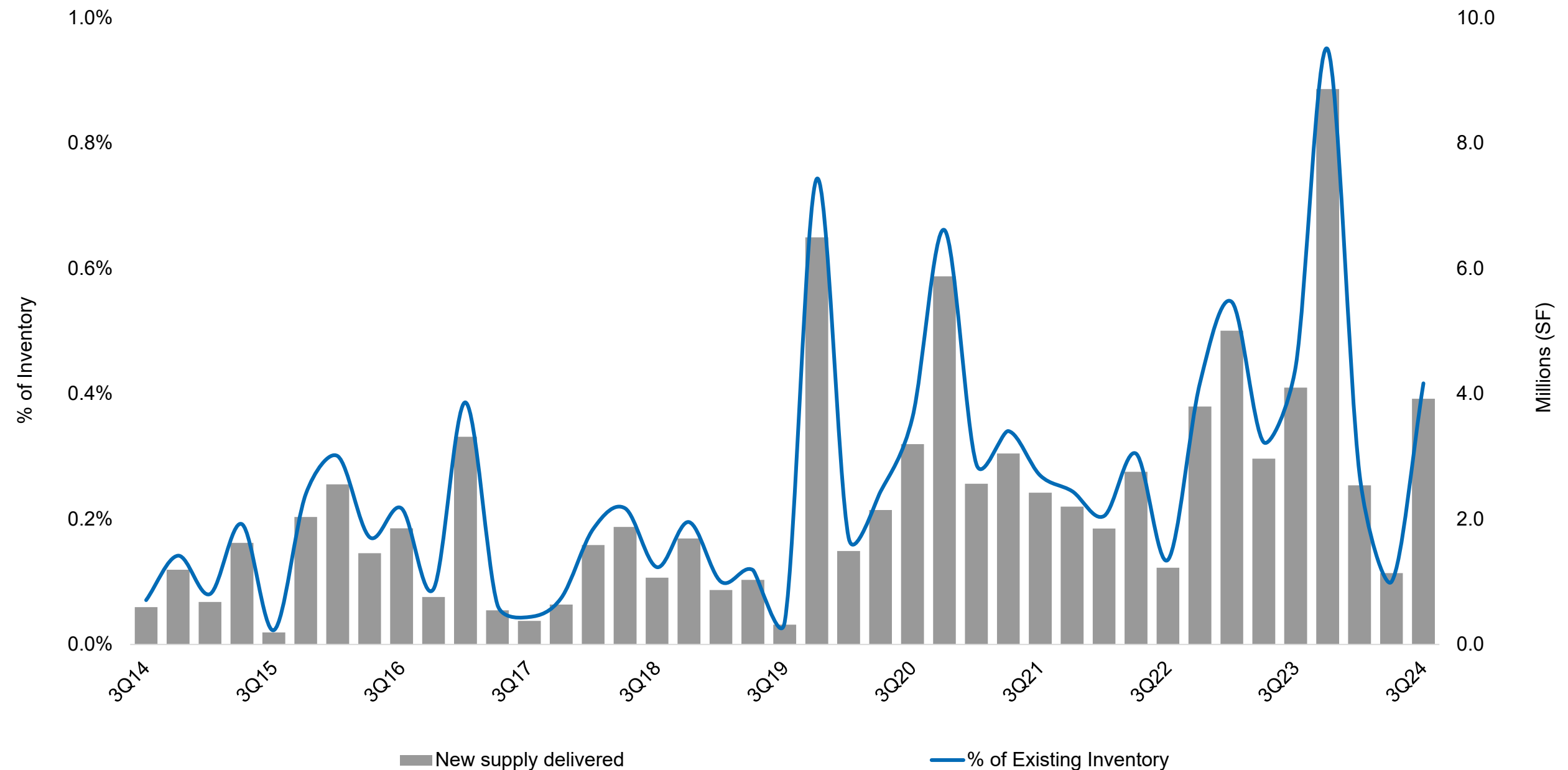


Source: Newmark Research, Altus Data Studio

Ratio Of New Supply From Late 2019 To 2024 Outpaced Previous Volume by Double

Elevated levels of new industrial development led to the doubling of the quarterly average of new supply delivered as a percentage of existing inventory (0.37%) from late 2019 to the third quarter of 2024. In comparison, the quarterly average of new supply as a percentage of existing inventory from the third quarter of 2014 to the third quarter of 2019 was 0.15%. With the amount of new space under construction trending downward, deliveries also subsequently decline and will reduce upward pressure on vacancy and headlease availability.

New Supply Delivered and % of Existing Inventory

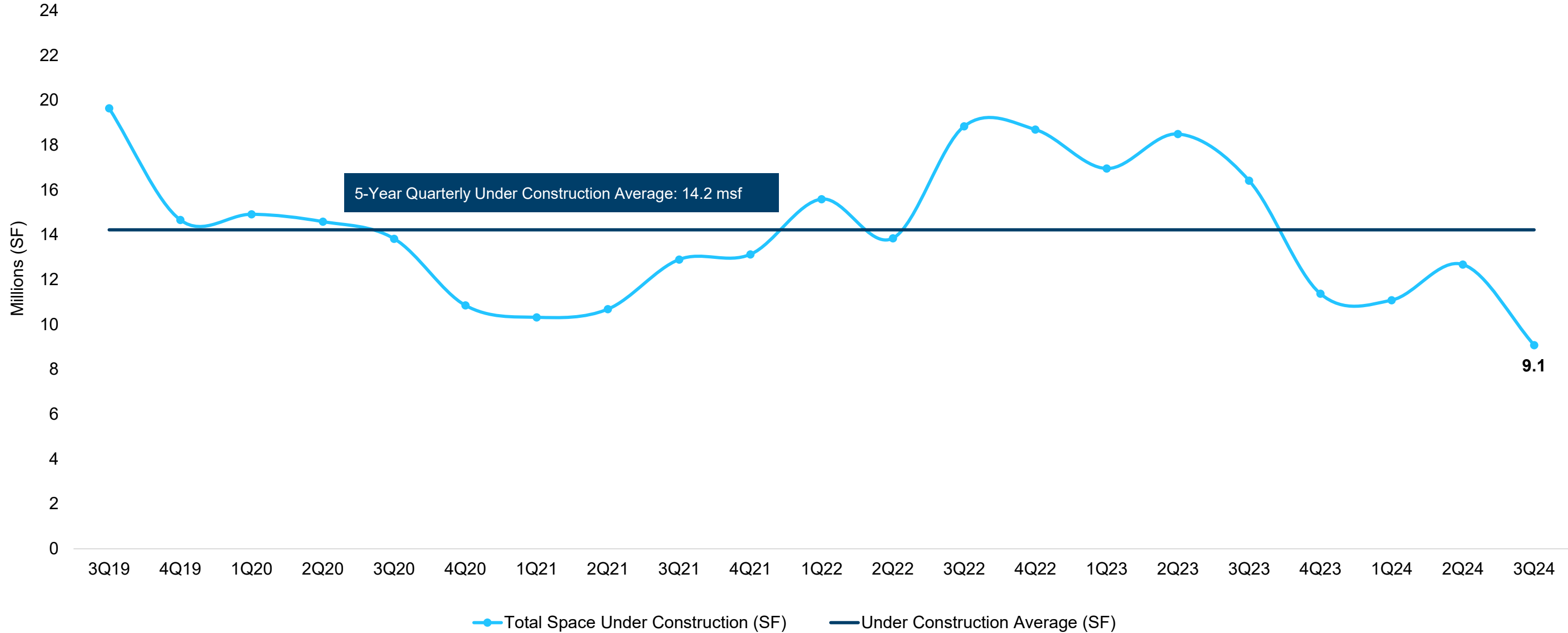


Source: Newmark Research, Altus Data Studio

Space Under Construction Continues Declining in 2024 After Building Surge in 2022/23

The amount of new industrial space under construction in the GTA at the third quarter of 2024 was at its lowest point since the end of 2018. Overall, the amount of new space under construction has been in general decline since mid-2023 (apart from a slight upward surge at mid-2024). The significant amount of new supply that was under construction from the third quarter of 2022 to the third quarter of 2023 has been delivered and, in most submarkets, has contributed substantial upward pressure on vacancy and availability rates in 2024.

GTA Industrial New Space Under Construction

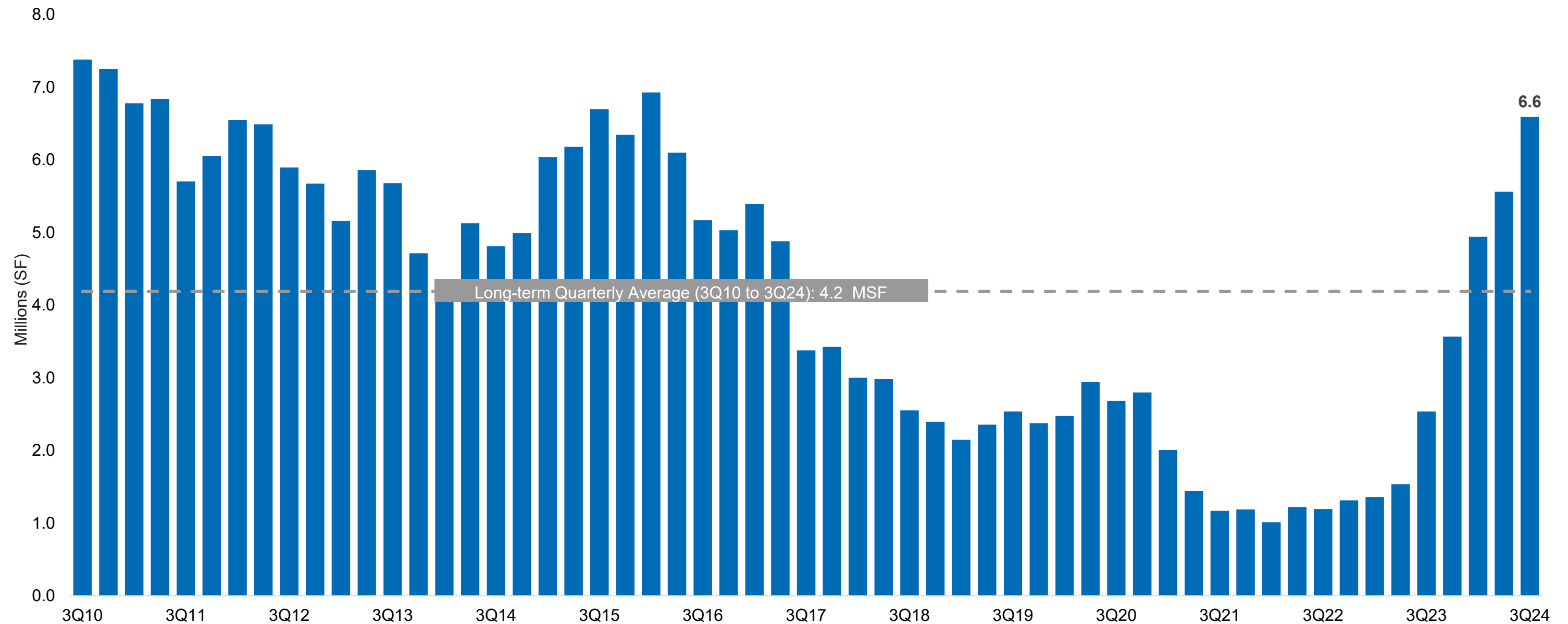


Source: Newmark Research, Altus Data Studio

GTA Industrial Sublet Availability Still Rising But Only Approaching Historic Levels

Sublease space availability has been rising rapidly since mid-2023 and surpassed the 15-year quarterly average of 4.2 msf starting in the first quarter of 2024. While sublease availability of ~6.6 msf at third-quarter 2024 marked the most available sublease space in the GTA since early 2016, it only represented 0.7% of GTA industrial inventory. The limited sublease availability from mid-2017 to the end of 2023 was anomalous in a market that routinely had more than 5.0 msf of sublease availability on a quarterly basis from 2010 to 2017.

Available Industrial Sublease Volume, Greater Toronto

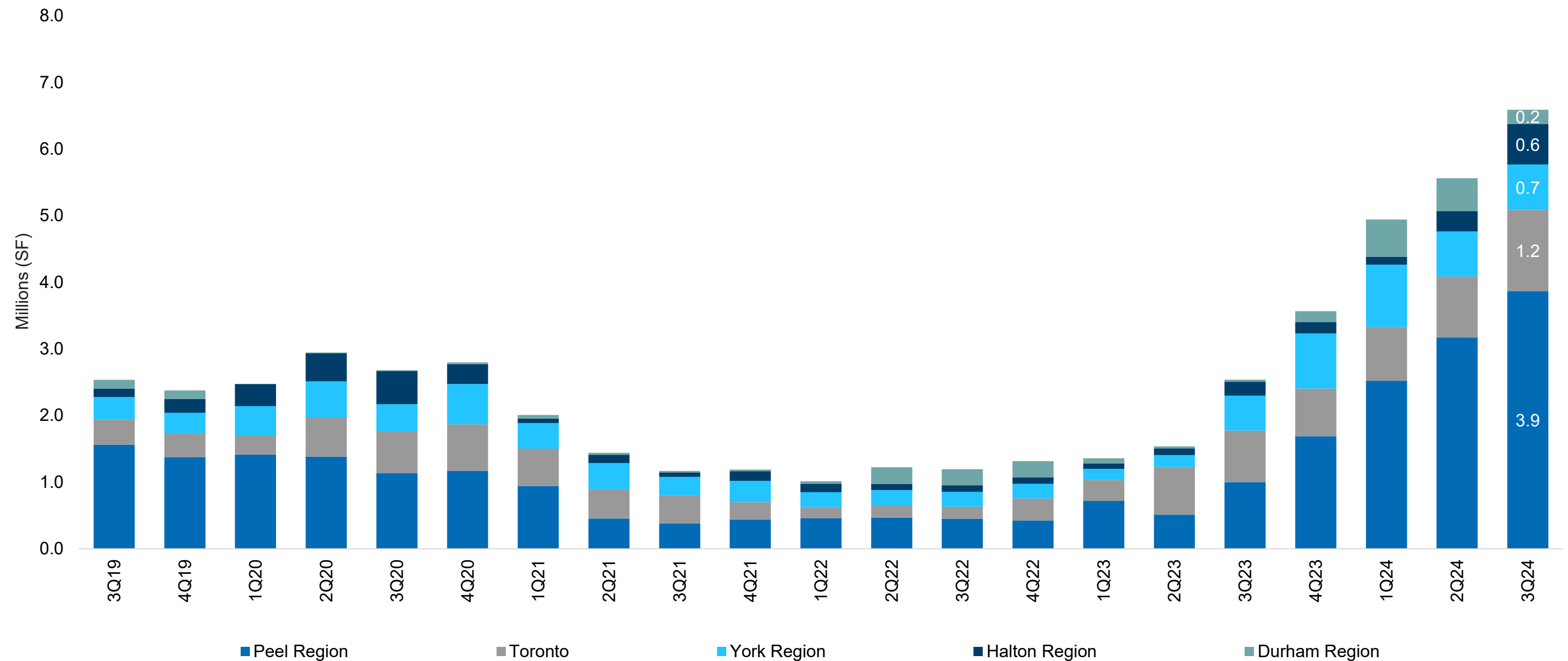


Source: Newmark Research, Altus Data Studio

Peel Region Home To 59% Of Rapidly Rising Industrial Sublease Availability in GTA

Despite comprising 34% of the GTA's 941-msf industrial market, Peel Region had 59% of the GTA's sublease availability after the first nine months of 2024. Sublease availability has increased in all regions in the GTA since mid-2023, but Peel Region has recorded the most substantial increase in terms of square footage. Since mid-2023, sublease availability in Peel Region, the GTA's largest submarket, increased to ~3.9 msf (+654%) while sublease availability in Durham, the GTA's smallest submarket, increased by +630% to ~212k.

Available Industrial Sublease Space, By Region

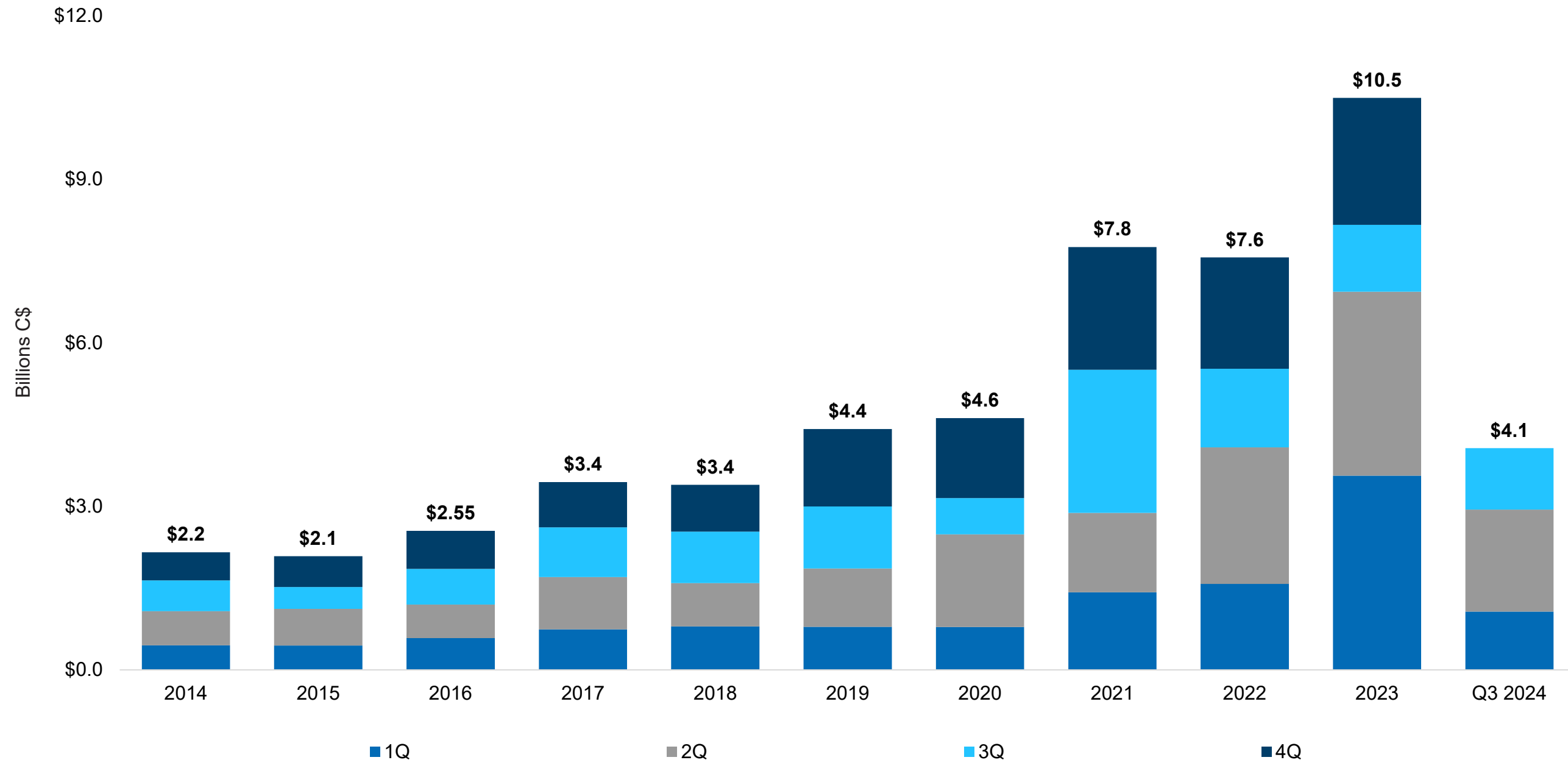


Source: Newmark Research, Altus Data Studio

GTA Industrial Sales Volume Returning To More Historic Norms After Record 2023

Industrial sales totalled ~\$4.1 billion in the first nine months of 2024, down 50% from the same period in 2023. GTA's industrial dollar volume is trending towards more historic norms as the market, which saw demand and pricing bid up rapidly by the impacts of COVID-19 from 2021 to 2023 - begins to unwind as demand subsides and the bid-ask gap narrows. However, investors remain attracted to GTA industrial assets with sale proceeds marking the fourth strongest first nine months of the year in the GTA's history following 2021 to 2023.

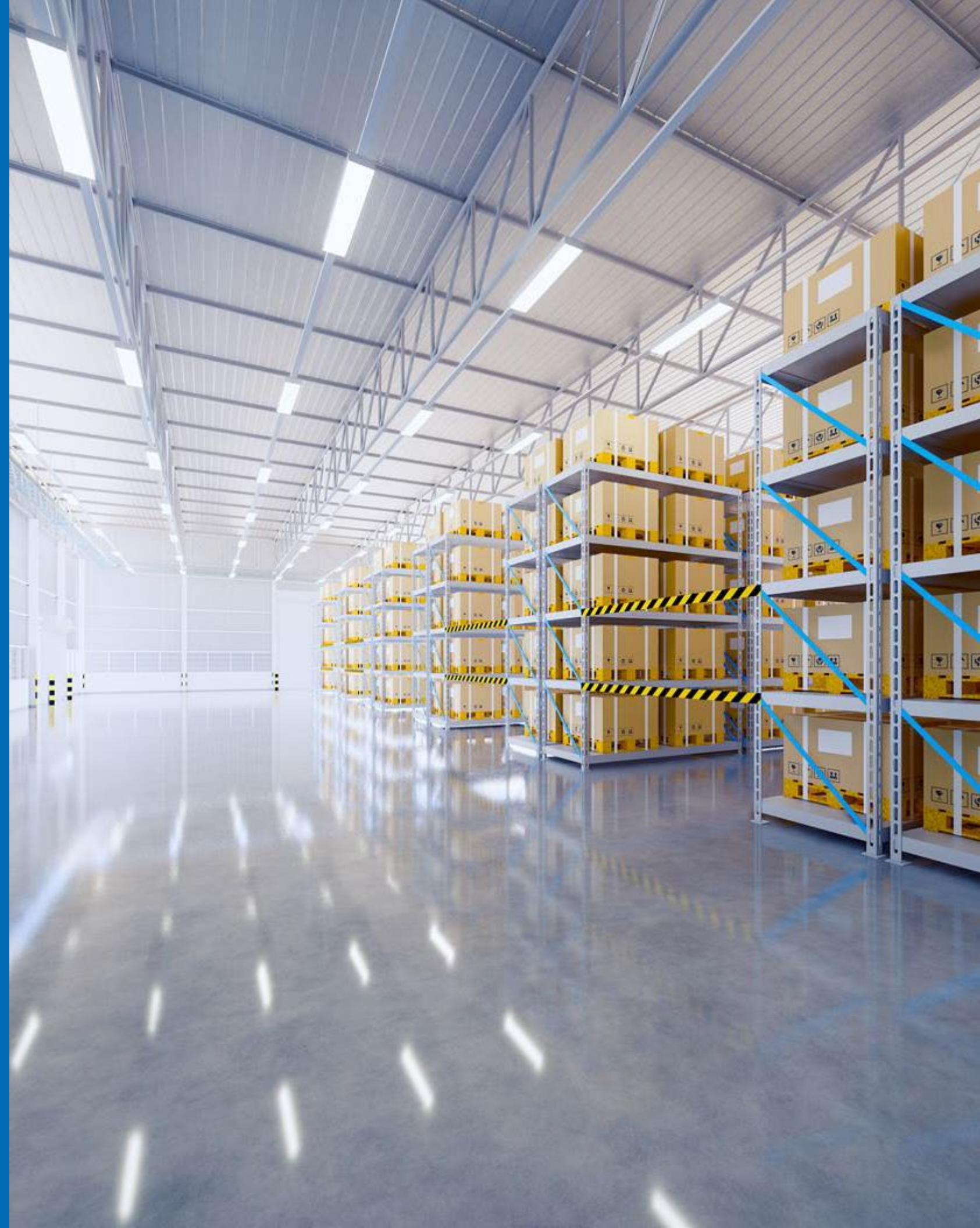
Greater Toronto Area: Industrial Sales Volume | By Quarter



Source: Newmark Research, Altus Data Studio

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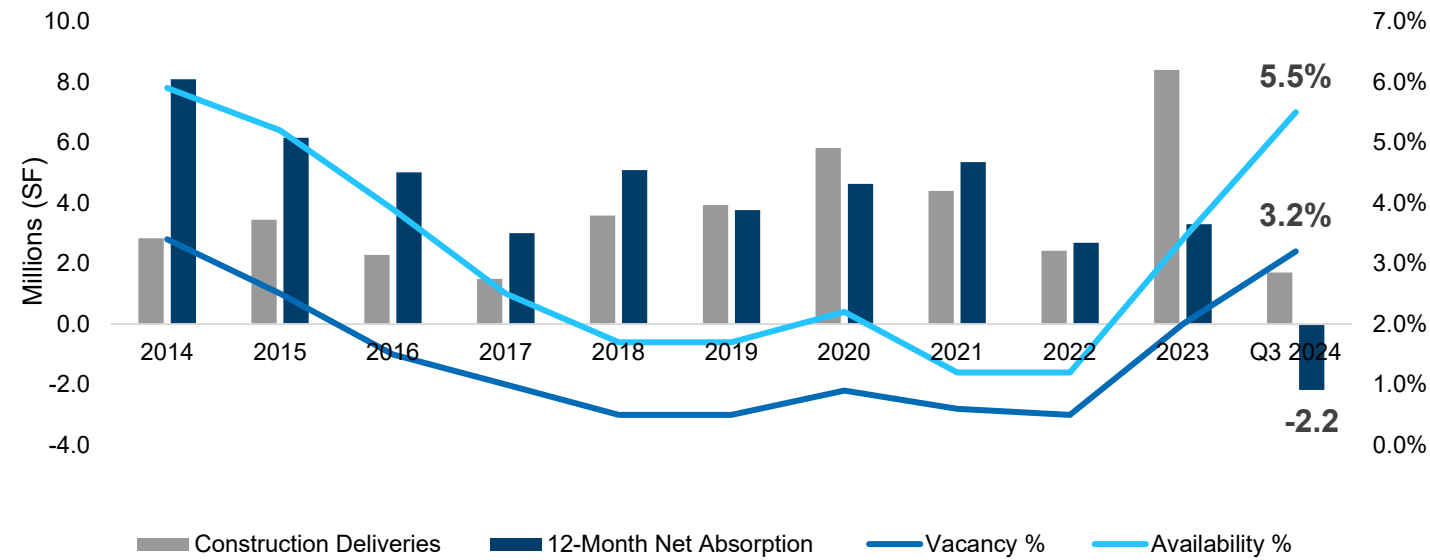
GTA Industrial Submarket Snapshots



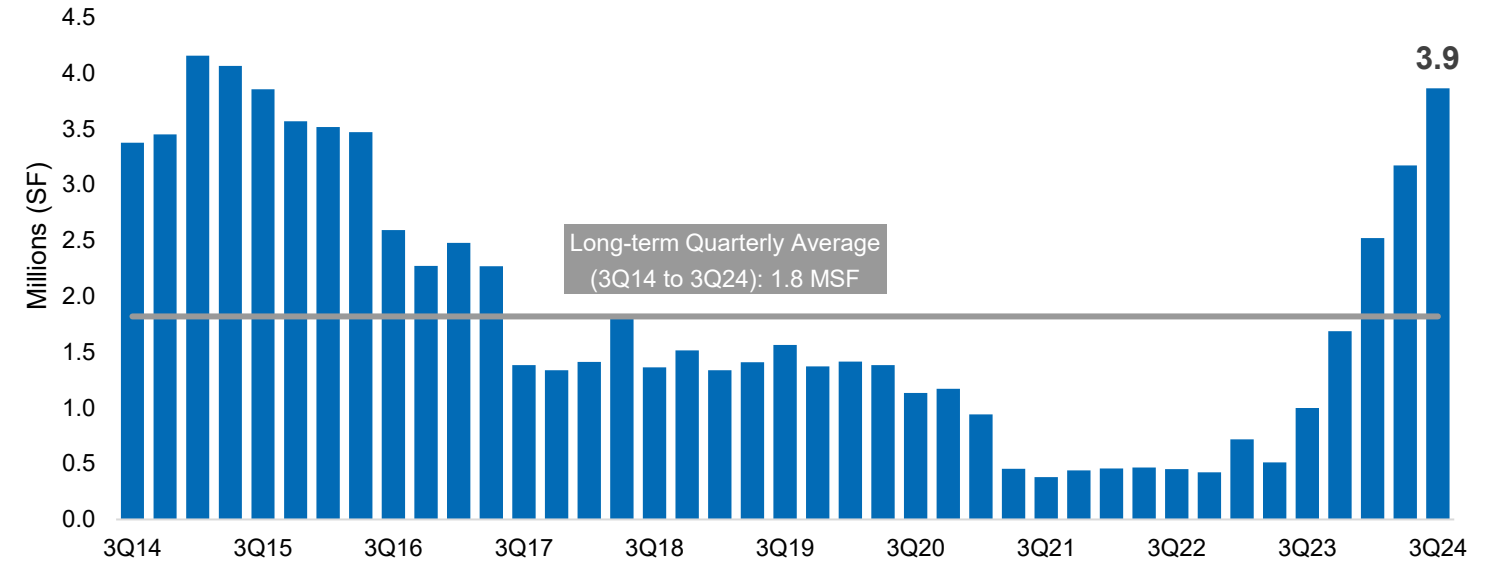
Peel Region

Vacancy in GTA's largest industrial submarket hit 3.2% at the third quarter of 2024, more than double the 1.5% recorded at third-quarter 2023. Sublease availability also spiked to ~3.9 msf, the most recorded in Peel since mid-2015, and a significant increase compared with the ~1 msf of sublease availability recorded at the third quarter of 2023. Most of the negative absorption in the GTA during the first nine months of 2024 occurred in Peel. A notable decline in new supply delivered in 2024 has somewhat reduced upward pressure on vacancy.

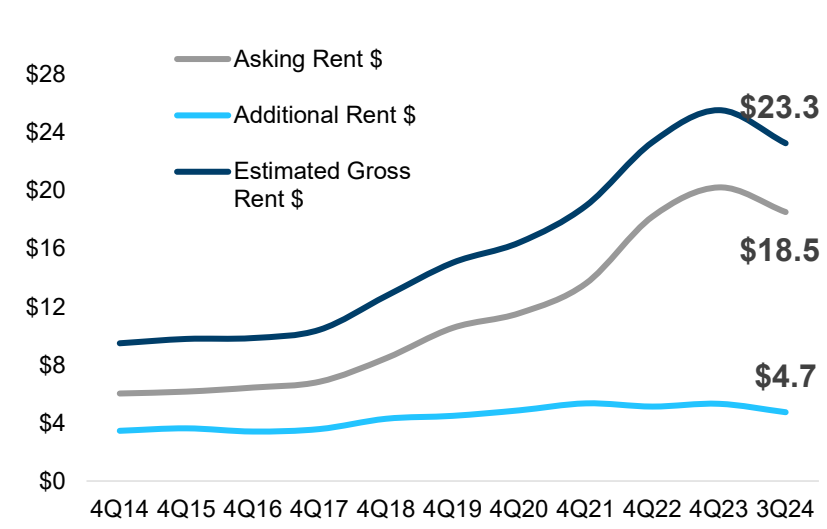
Peel Region Industrial Submarket Fundamentals



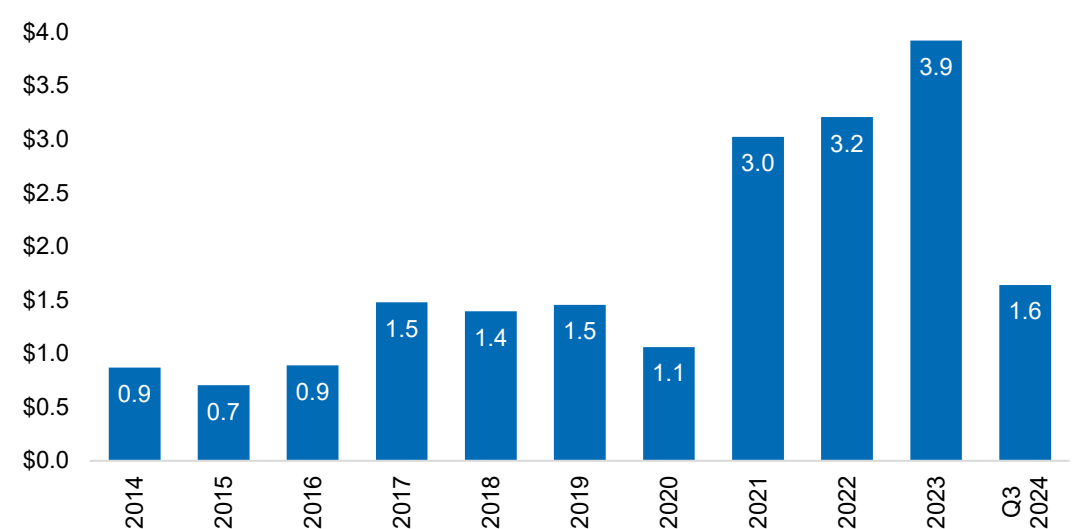
Peel Region Historic Sublease Availability



Peel Region Historic Industrial Rents – C\$/SF



Peel Region Industrial Investment Volume (C\$billions)*



Third Quarter Deals

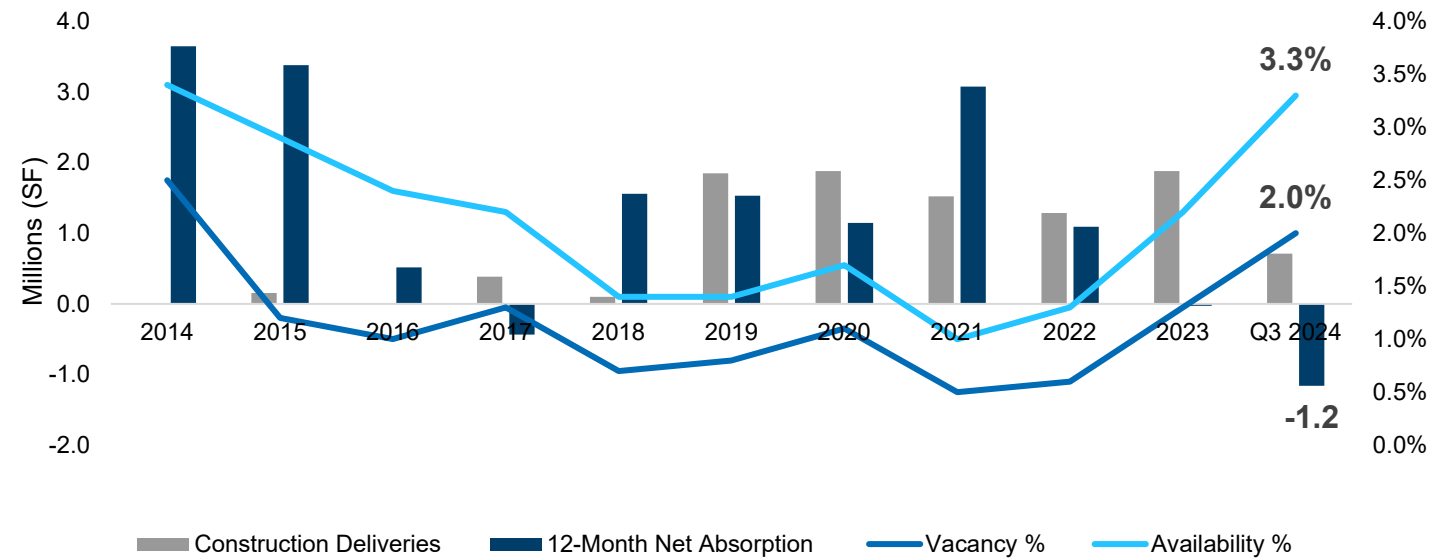
Tenant/Occupant	Building	Type	Square Feet
Trillium Supply Chain	100 Ironside Drive, Brampton	Lease	439,900
Berlin Packaging	1352 Tonolli Road, Mississauga	Lease	133,590
Avantor	6040 Cantay Road, Mississauga	Lease	95,500
Tubs	100 Kennedy Road South, Brampton	Renewal	75,950
DH Supply Chain	400 Parkhurst Square, Brampton	Lease	68,300

Source: Newmark Research, Altus Data Studio, CoStar
* excluding non-arms length transactions

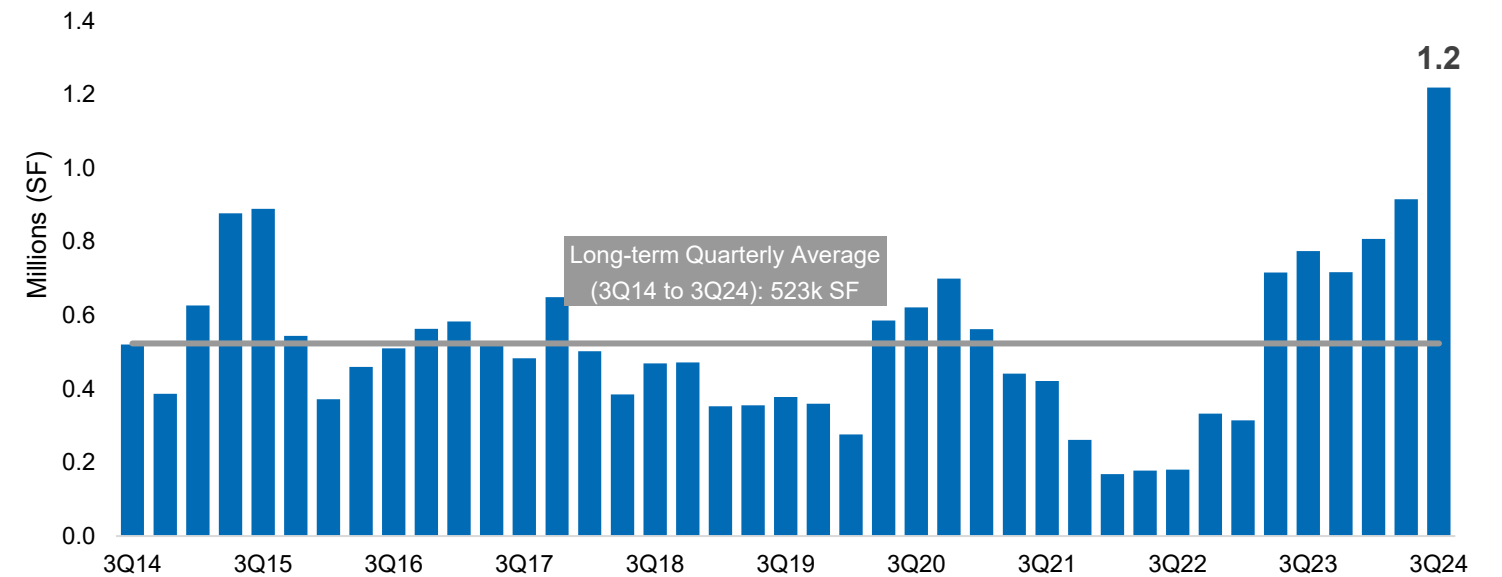
Toronto

Vacancy in the region's original industrial submarket rose to 2% at the third quarter of 2024, almost double the 1.1% recorded at third-quarter 2023. Sublease availability spiked in Toronto proper with ~1.2 msf noted at third-quarter 2024, the most such availability recorded since mid-2013. With the second-most negative absorption in the GTA through September 2024, Toronto's share of that negative absorption jumped notably in the third quarter of 2024. Limited new supply in 2024 is tempering rising vacancy and availability trends.

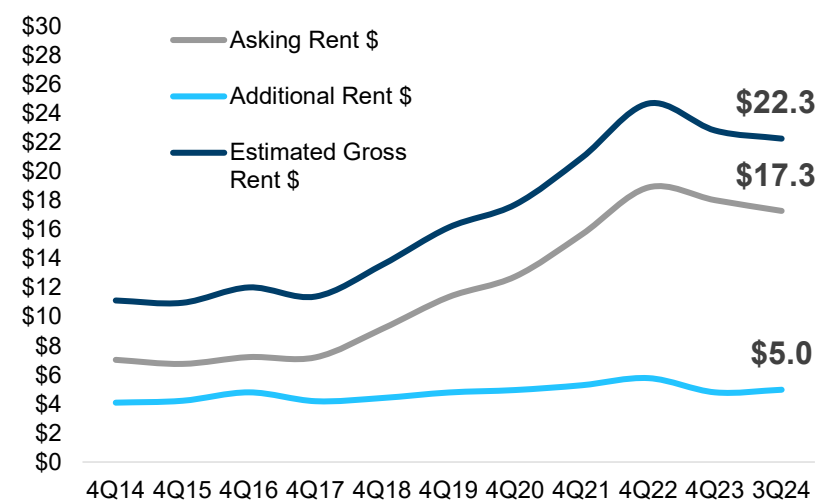
Toronto Industrial Submarket Fundamentals



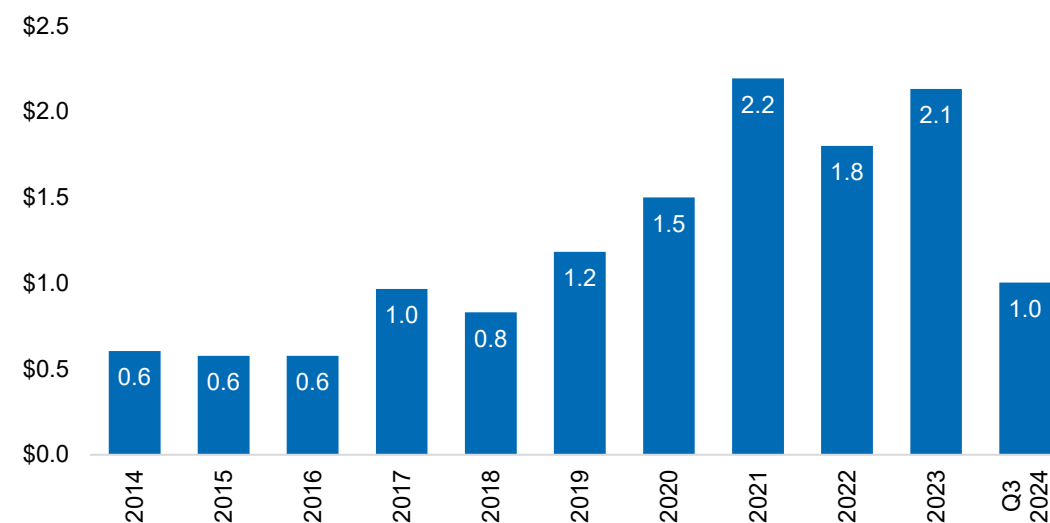
Toronto Historic Sublease Availability



Toronto Historic Industrial Rents – C\$/SF



Toronto Industrial Investment Volume (C\$billions)*



Third Quarter Deals

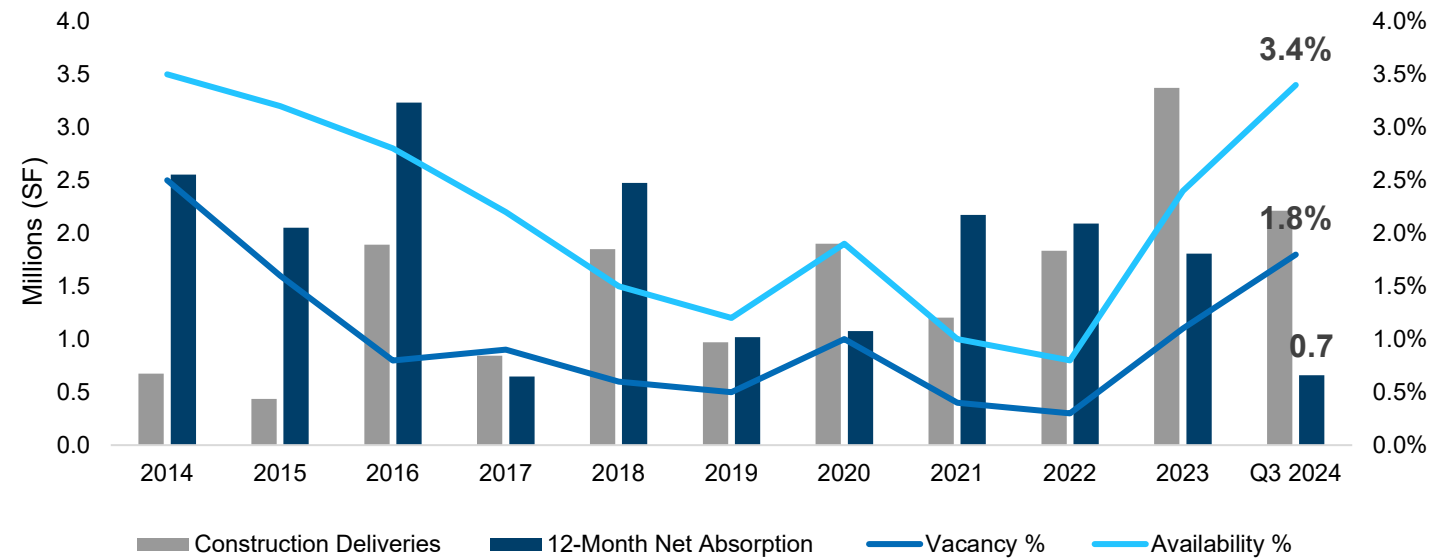
Tenant/Occupant	Building	Type	Square Feet
Undisclosed	10 Tempo Avenue, Toronto	Lease	65,000
Undisclosed	33 Kern Road, Toronto	Lease	26,860
Undisclosed	40 Saint Regis Crescent North, Toronto	Lease	21,320
Hercules Moving	71 Huxley Road, Toronto	Lease	12,650
City Electric Supply Corp.	6 Carlow Avenue, Toronto	Lease	4,670

Source: Newmark Research, Altus Data Studio, CoStar
* excluding non-arms length transactions

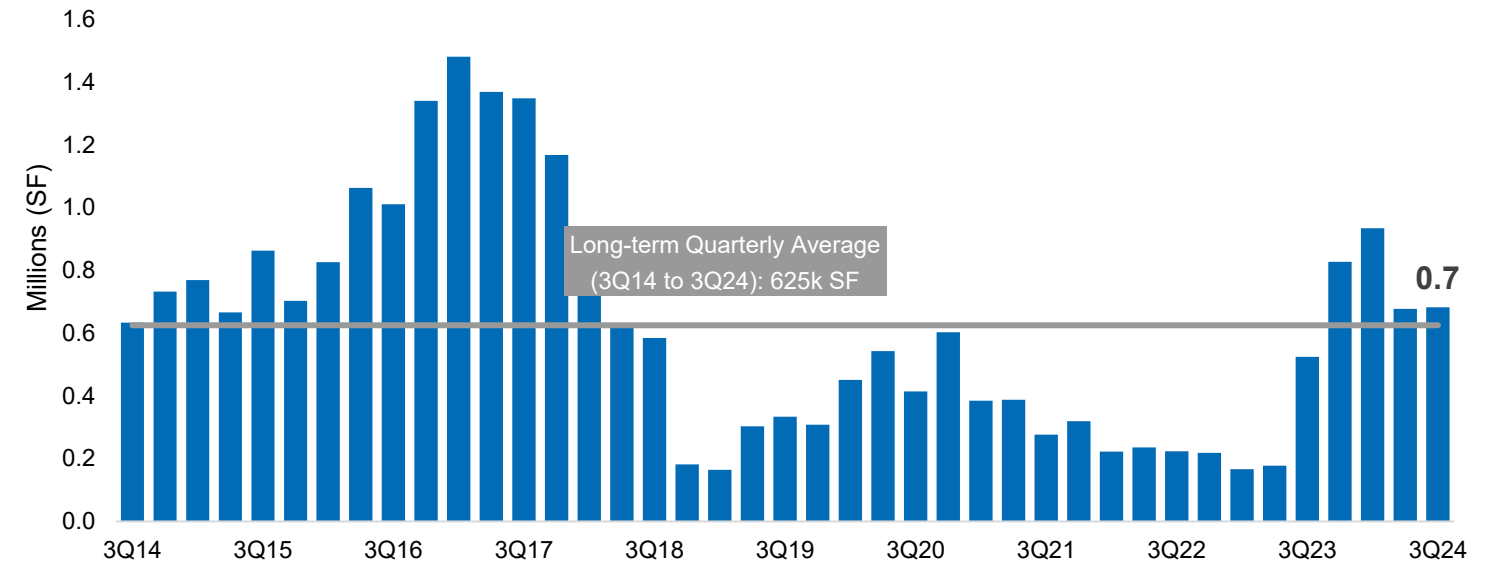
York Region

York Region has remained one of the more stable submarkets in the GTA with vacancy rising to just 1.8% and is the only submarket to record positive absorption year-to-date through September 2024. York's ongoing popularity resulted in sublease availability remaining close to the 10-year quarterly average while maintaining the GTA's highest average rents. While York recorded overall positive absorption after the first nine months of 2024, negative absorption in the second and third quarters have been offsetting a strong start in the first quarter.

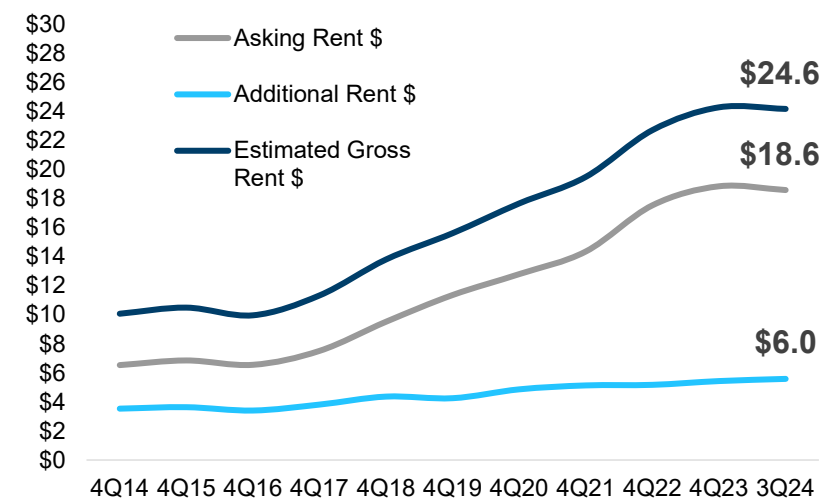
York Region Industrial Submarket Fundamentals



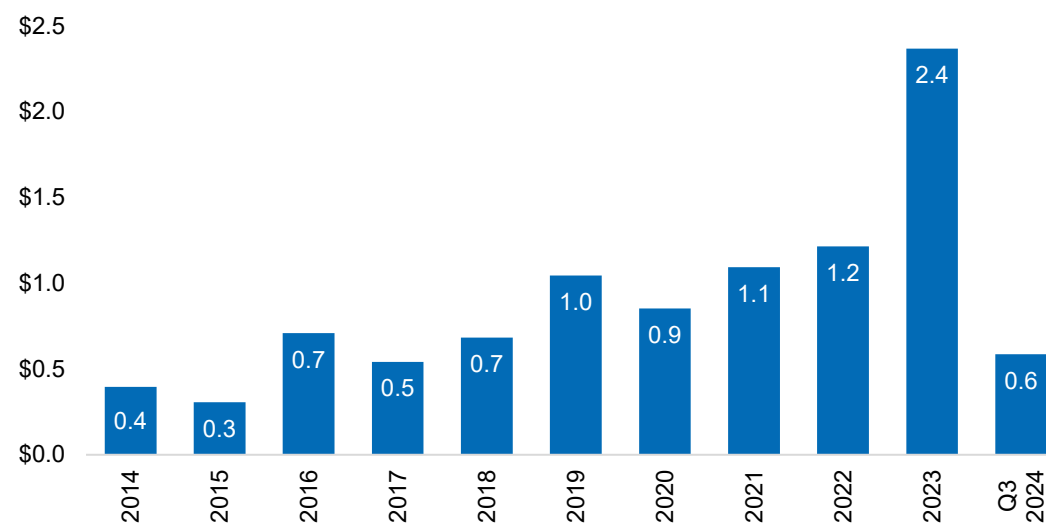
York Region Historic Sublease Availability



York Region Historic Industrial Rents – C\$/SF



York Region Industrial Investment Volume (C\$billions)*



Third Quarter Deals

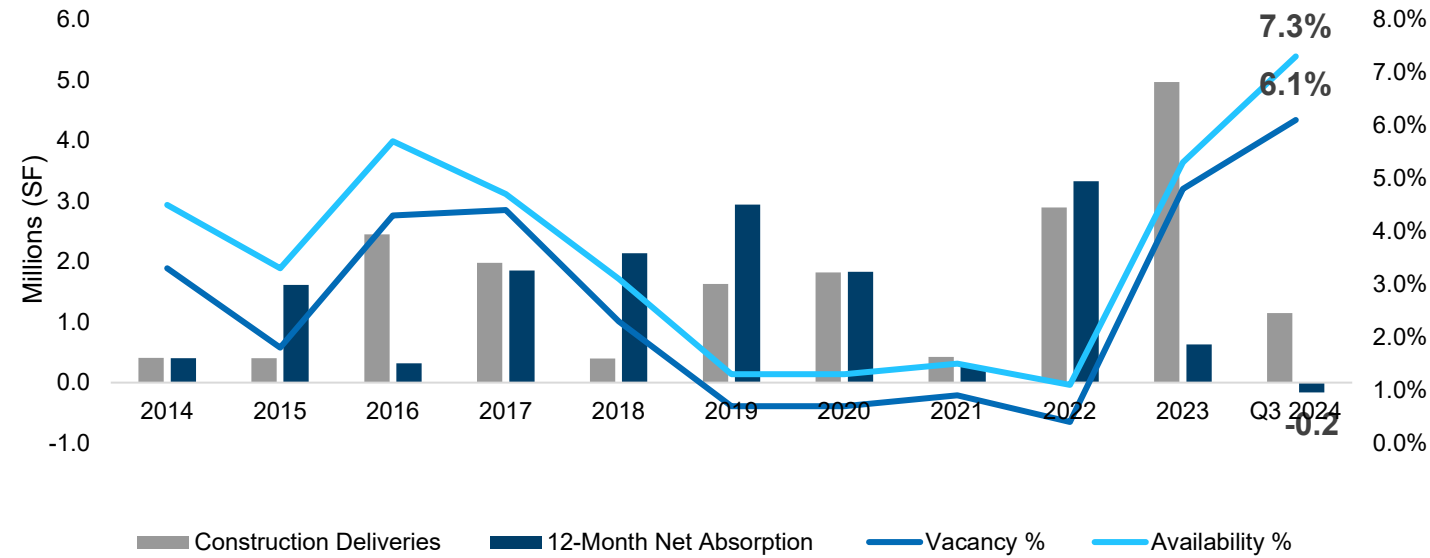
Tenant/Occupant	Building	Type	Square Feet
Lucid Corp.	270 Spinnaker Way, Concord	Lease	216,380
Priority Wire & Cable	7939 Keele Street, Concord	Lease	202,230
Undisclosed	1300 Stackhouse Road, Newmarket	Lease	180,520
Stormtech Performance Apparel	1 Steelcase Road West, Markham	Lease	169,390
CES Transformers	5900 14th Avenue, Markham	Lease	99,140

Source: Newmark Research, Altus Data Studio, CoStar
* excluding non-arms length transactions

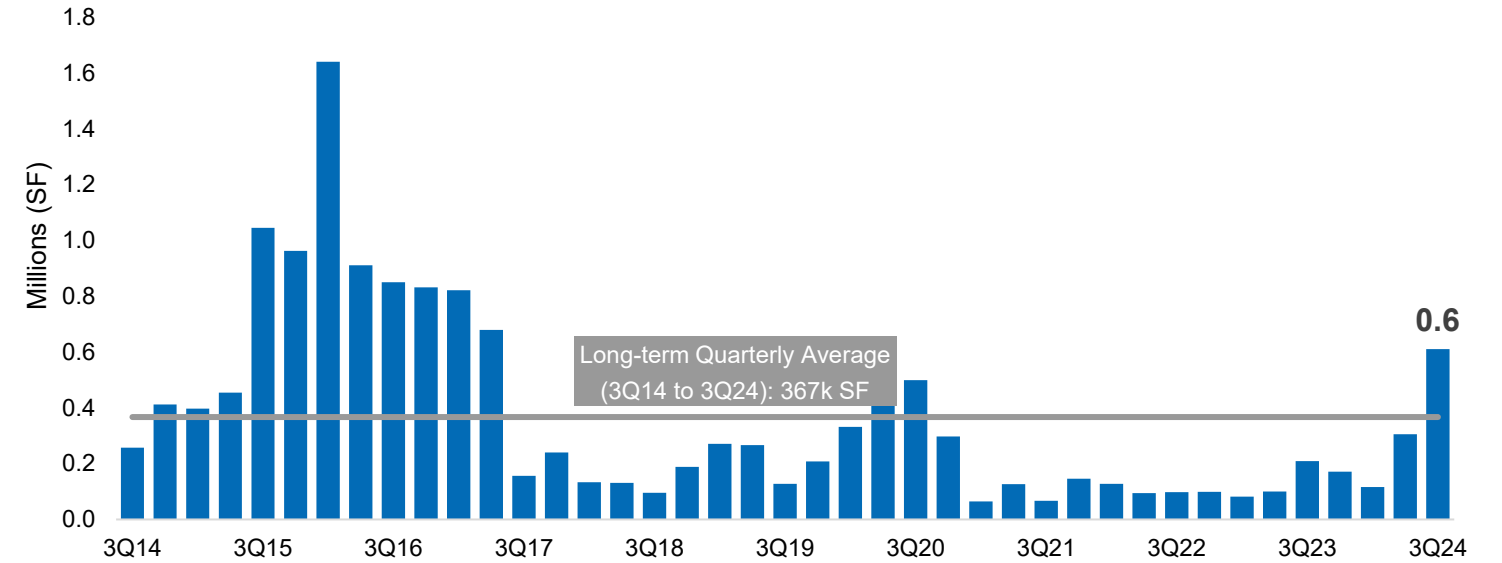
Halton Region

Halton posted the highest industrial vacancy rate in the GTA at the third quarter of 2024, an astonishing 530-bps increase from third-quarter 2023. Despite the rapid rise in vacancy, sublease availability had remained limited until the third quarter of 2024 when it more than doubled quarter-over-quarter. Substantial new supply combined with tepid annual absorption in 2023 followed by limited new supply and negative absorption in the first nine months of 2024 pushed overall availability to 7.3%, the most recorded in the GTA industrial market.

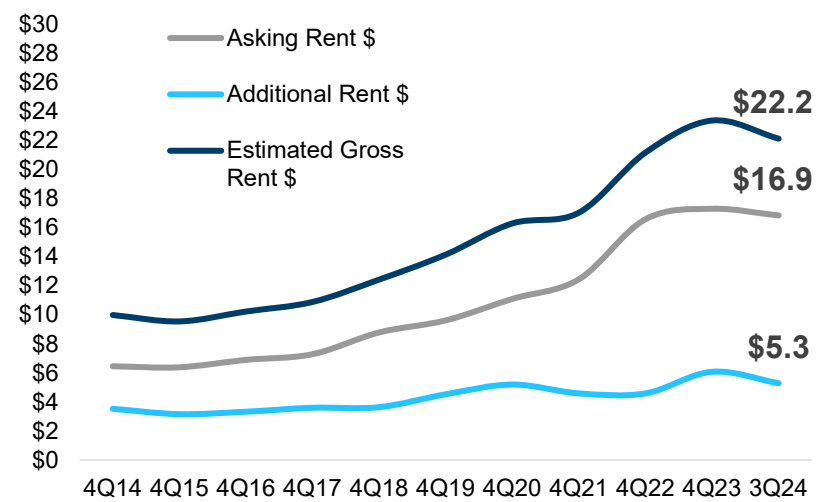
Halton Region Industrial Submarket Fundamentals



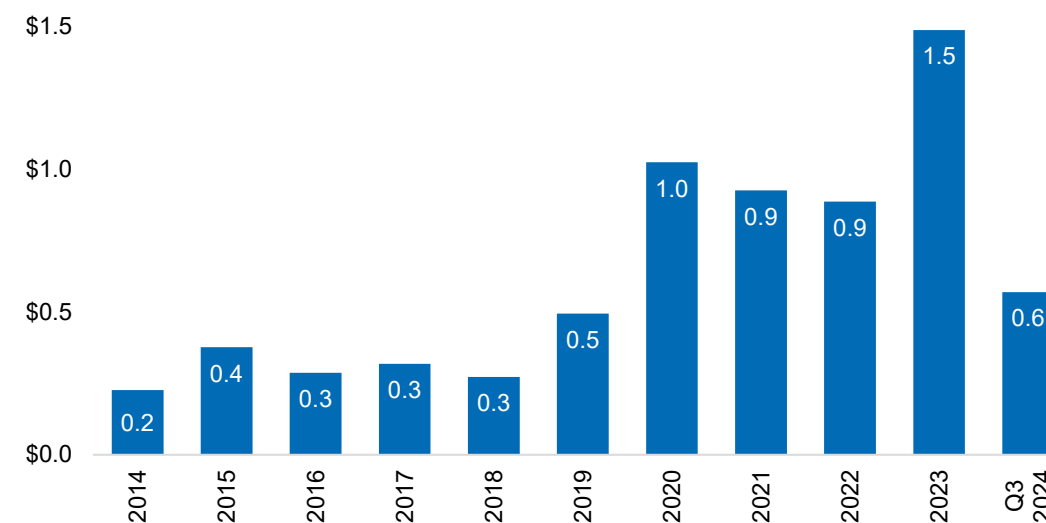
Halton Region Historic Sublease Availability



Halton Region Historic Industrial Rents – C\$/SF



Halton Region Industrial Investment Volume (C\$billions)*



Third Quarter Deals

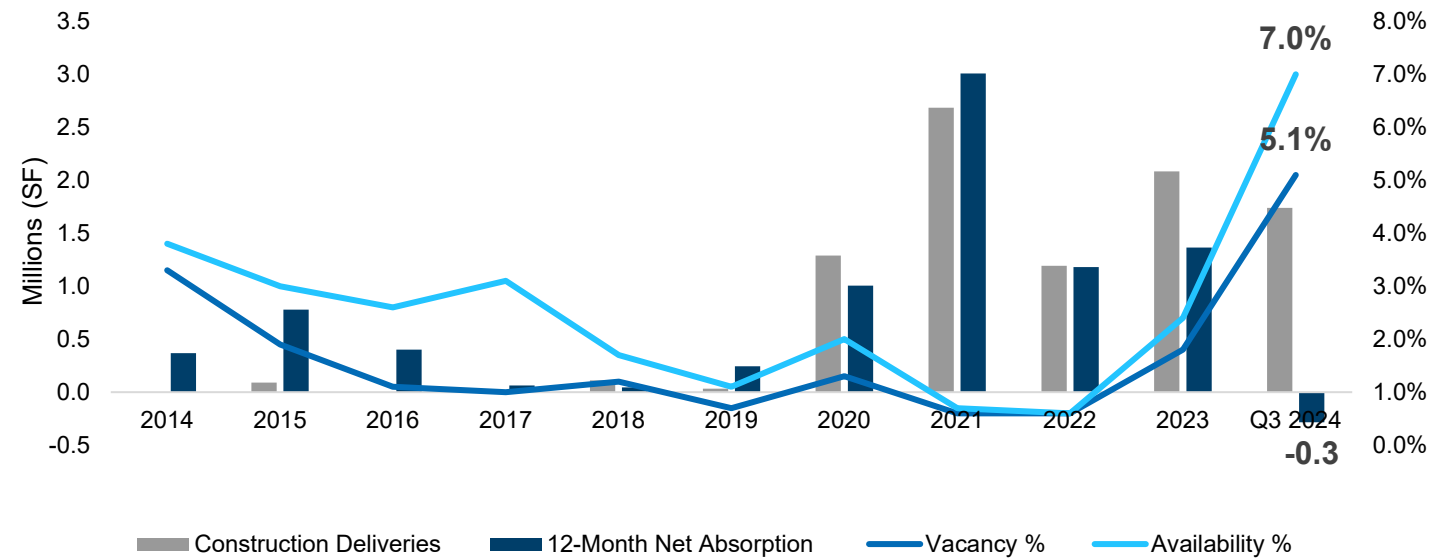
Tenant/Buyer	Building	Type	Square Feet
RONA	8450 Boston Church Road, Milton	Lease	1,335,030
Undisclosed	6790 5th Line, Milton	Lease	93,590
Mary Kay Cosmetics	29 Brownridge Road, Halton Hills	Lease	45,680
JFE Shoji Power	3518 Wyecroft Road, Oakville	Lease	30,950
Undisclosed	2538 Speers Road, Oakville	Lease	7,630

Source: Newmark Research, Altus Data Studio, CoStar
* excluding non-arms length transactions

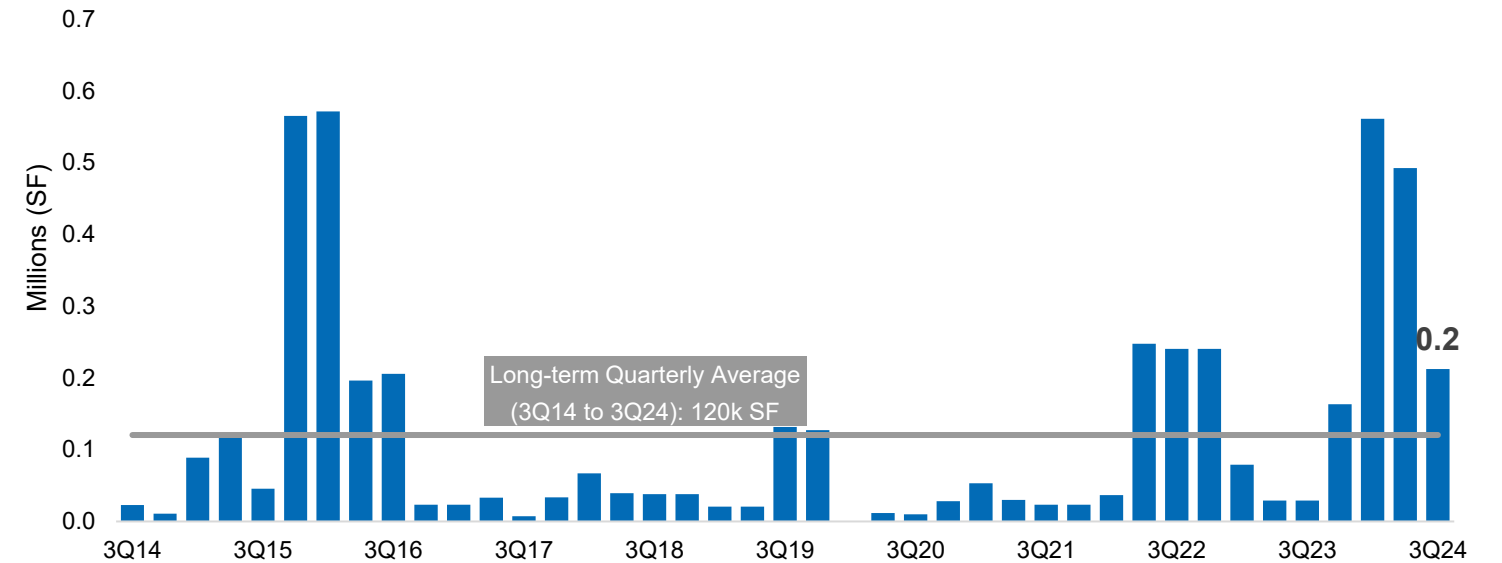
Durham Region

An overhang of new supply delivered in 2023/24 combined with negative absorption of ~280,000 in the first nine months of 2024 pushed vacancy to 5.1% at third-quarter 2024, the highest recorded since research coverage of the submarket was initiated in 2008. Availability, which reached 7.0%, was also at a historic high. While Durham was the only GTA region where sublease availability declined notably from the second quarter, rental rate erosion still befell the region's least expensive submarket as vacancy and headlease availability spiked.

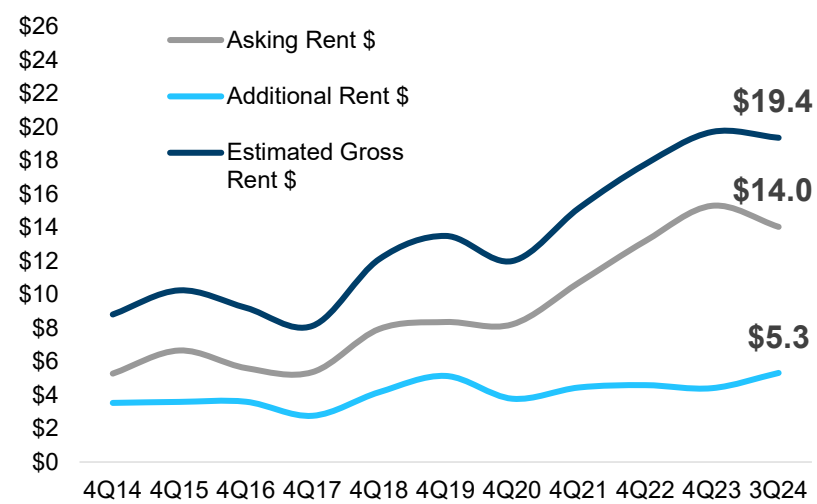
Durham Region Industrial Submarket Fundamentals



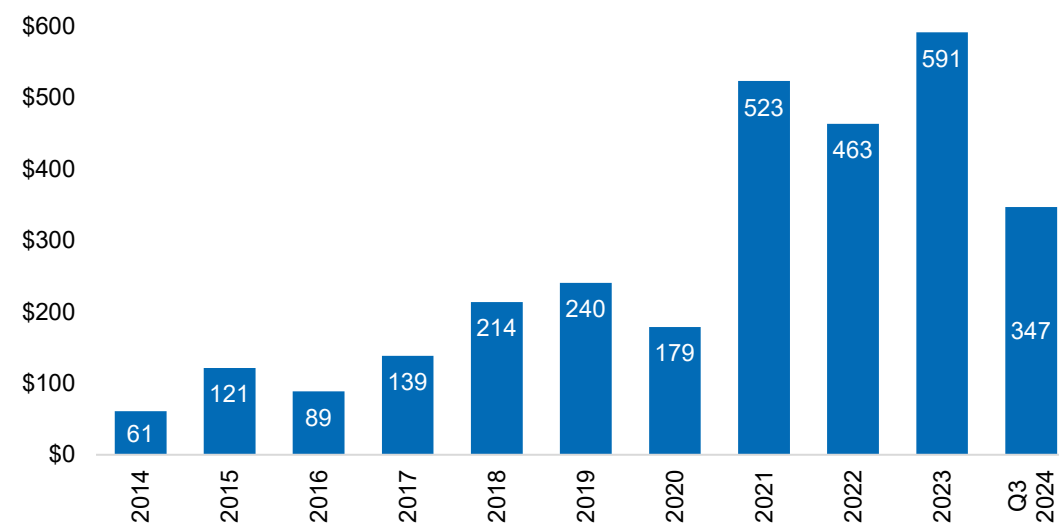
Durham Region Historic Sublease Availability



Durham Region Historic Industrial Rents – C\$/SF



Durham Region Industrial Investment Volume (C\$millions)*



Third Quarter Deals

Tenant/Buyer	Building	Type	Square Feet
Kruger	4680 Garrard Road, Whitby	Lease	650,480
Undisclosed	1651 Stellar Drive, Whitby	Lease	109,900
Pine Valley Packaging	1 Parratt Road, Uxbridge	Lease	89,340
Black & McDonald	575 Granite Court, Pickering	Sublease	17,100
National Hose and Equipment Ltd.	1601 Tricont Avenue, Whitby	Lease	16,340

Source: Newmark Research, Altus Data Studio, CoStar
* excluding non-arms length transactions

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