2Q24

Greater Toronto Area Industrial Market Overview

NEWMARK

Newmark's Canadian Industrial Markets

A weakening economy and growing business uncertainty prompted underlying industrial demand to pull back across most major markets of the country. Rail and port traffic, while still elevated, eased across Canada during the first half of 2024, while output in the warehousing and storage segment of the economy is also down from all-time highs. As a result, Canadian industrial leasing volumes have commensurately softened compared with the record highs registered 12 months ago. Despite easing demand, overall market conditions are still healthy relative to historic metrics.

Greater Vancouver Area 2Q24

249 MSF
2.5% Vacancy
4.0% Availability
C$28.39 PSF

Greater Toronto Area 2Q24

937 MSF
2.3% Vacancy
4.0% Availability
C$22.93 PSF

Source: Newmark Research, Altus Data Solutions, CoStar

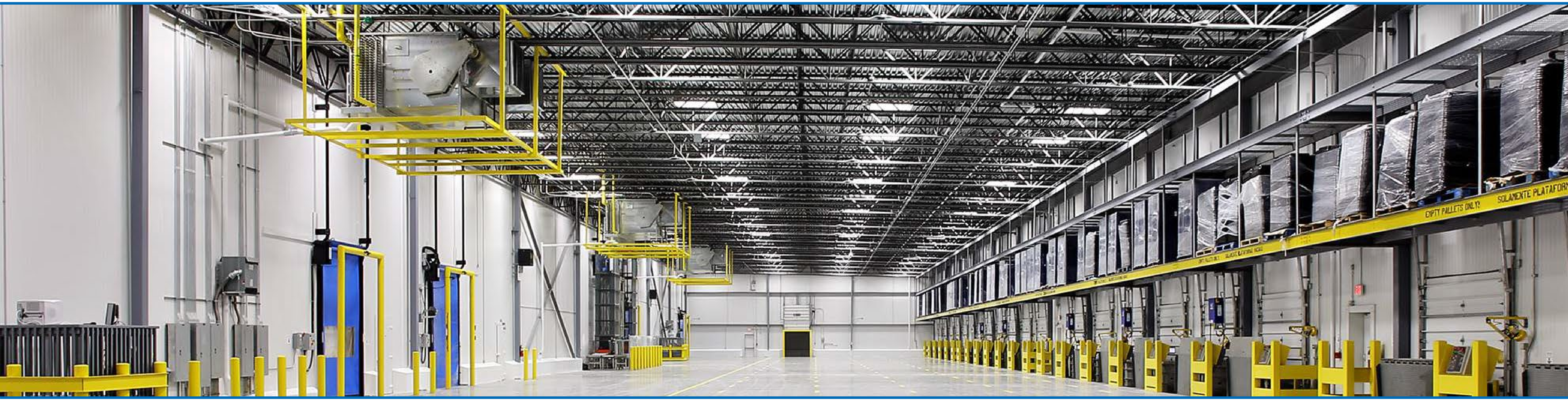
Greater Toronto Area (GTA) Industrial Market Observations

GTA industrial vacancy rose to 2.3% at mid-2024, which represented the most vacancy recorded in the GTA since late 2015. Regional vacancy had been less than 2% from mid-2017 through 2023.

Despite a strong start to the year, leasing volume in GTA's industrial market was muted through first-half 2024 with transactions consisting substantially of renewals.

Sublease space availability spiked to its highest level in eight years at mid-2024 as more tenants continued to right-size their requirements post-COVID and returned excess space.

While new deals tended to be fewer and smaller on average, those that occurred often involved tenants securing more suitable space in terms of size/location as options improved.



Halton had the highest industrial vacancy rate in the GTA at 4.9%, followed by Peel (2.7%) and Durham (2.3%). Toronto (1.4%) was the tightest submarket followed by York (1.5%).

Even after record amounts of new supply was delivered in 2023, more than 13.1 msf remained under construction in the GTA at mid-2024 with preleased rates at less than 25% in four of five submarkets.

Estimated asking rates for industrial space peaked at mid-2023 and has been in decline since, slipping 6.5% 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 mid-2024, spiking to almost 3.2 msf from slightly more than 500,000 sf just 12 months earlier.

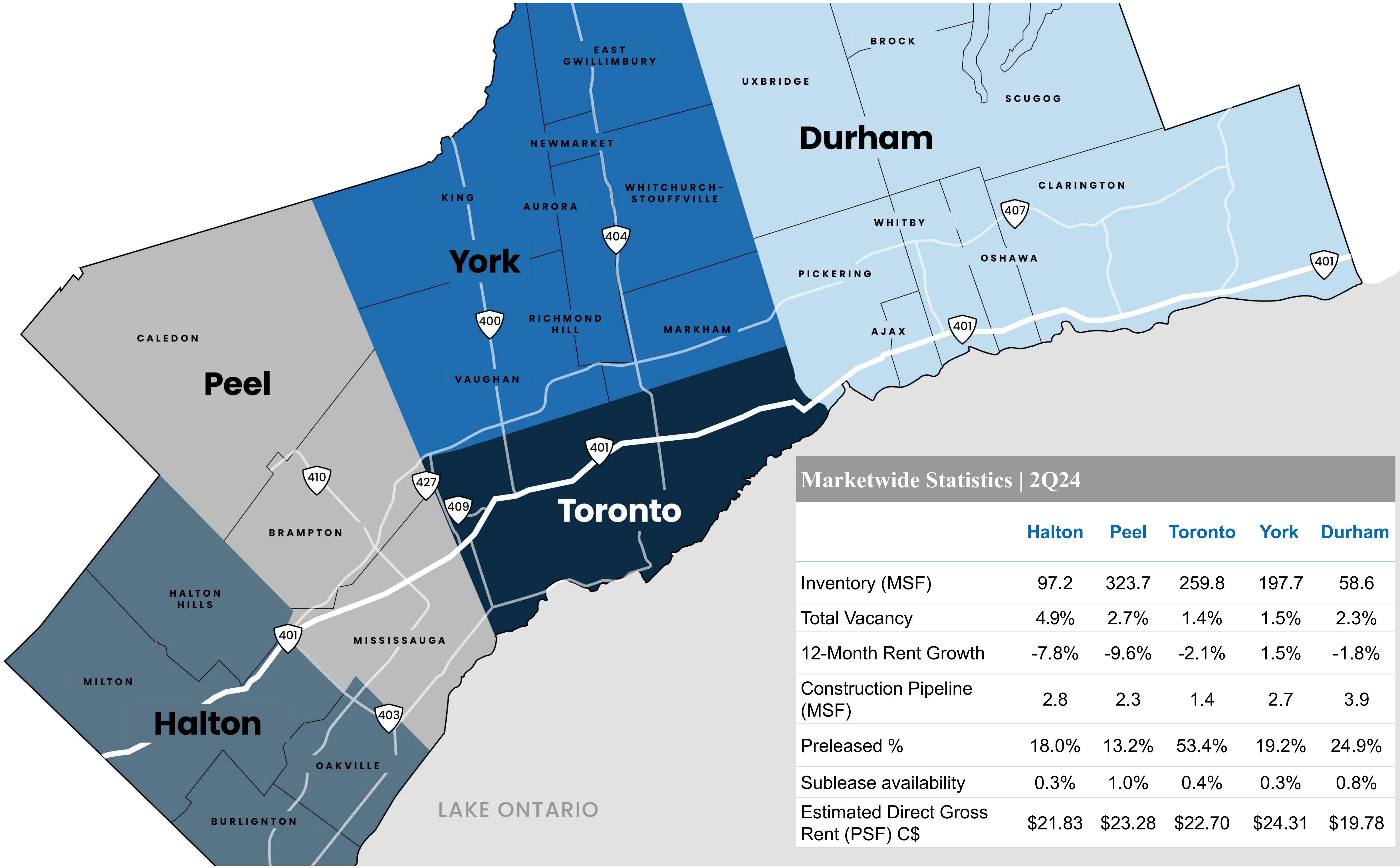
After a substantial run up in annual GTA industrial sales dollar volume starting in 2021 and peaking at more than $10 billion in 2023, sale proceeds returned to more historic levels at mid-2024.

Source: Newmark Research, Altus Data Solutions

2Q24

GTA Industrial Market Fundamentals

GTA Industrial Fundamentals | 2Q24



Marketwide Statistics | 2Q24

	Halton	Peel	Toronto	York	Durham
Inventory (MSF)	97.2	323.7	259.8	197.7	58.6
Total Vacancy	4.9%	2.7%	1.4%	1.5%	2.3%
12-Month Rent Growth	-7.8%	-9.6%	-2.1%	1.5%	-1.8%
Construction Pipeline (MSF)	2.8	2.3	1.4	2.7	3.9
Preleased %	18.0%	13.2%	53.4%	19.2%	24.9%
Sublease availability	0.3%	1.0%	0.4%	0.3%	0.8%
Estimated Direct Gross Rent (PSF) C$	$21.83	$23.28	$22.70	$24.31	$19.78

Source: Newmark Research

Greater Toronto Area (GTA) Industrial Submarket Statistics | 2Q24

Submarket Statistics – All Classes

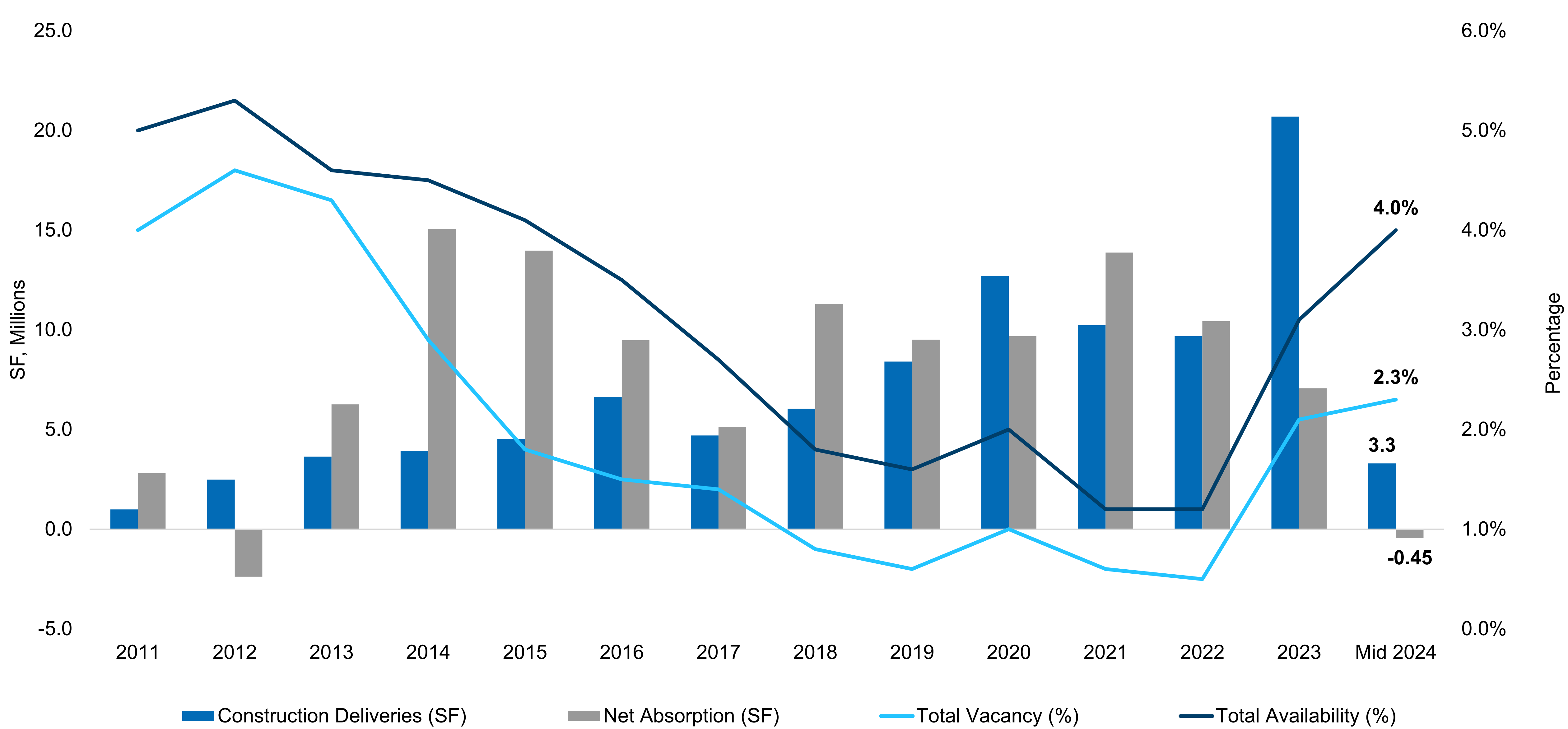
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct Available Rate	Sublet Available Rate	Total Est. Direct Gross Rent ($/SF)
Greater Toronto Area (GTA)	**937,011,898**	**13,166,556**	**2.3%**	**-752,750**	**-449,426**	**3.4%**	**0.6%**	**C$22.93**
Peel Region (Mississauga, Brampton, Caledon) – GTA West	323,691,573	2,299,155	2.7%	-646,602	-1,447,640	3.9%	1.0%	C$23.28
Toronto (Toronto, Etobicoke, Scarborough, York, East York, North York) – GTA Central	259,795,009	1,433,694	1.4%	-220,151	-1,706	2.5%	0.4%	C$22.70
York Region (Vaughan, Richmond Hill, Markham, Newmarket, King, Aurora, East Gwillimbury, Georgina, Whitchurch-Stouffville) – GTA North	197,733,208	2,696,256	1.5%	-287,363	1,088,126	2.7%	0.3%	C$24.31
Halton Region (Oakville, Burlington, Halton Hills, Milton) – GTA West	97,212,291	2,801,932	4.9%	374,076	189,273	5.9%	0.3%	C$21.83
Durham Region (Ajax, Oshawa, Pickering, Whitby, Brock, Clarington, Scugog, Uxbridge) – GTA East	58,579,817	3,935,519	2.3%	27,290	-277,479	2.9%	0.8%	C$19.78

Source: Newmark Research, Altus Data Studio

New Construction Far Exceeds Absorption, Brings Vacancy Back to 14-year Average

GTA's industrial market of more than 937 msf – Canada's largest – has 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 across the region in 2023 into an environment of fading demand notably impacted market dynamics for the first time since 2017.

GTA Historical Construction Deliveries, Net Absorption, Vacancy and Availability

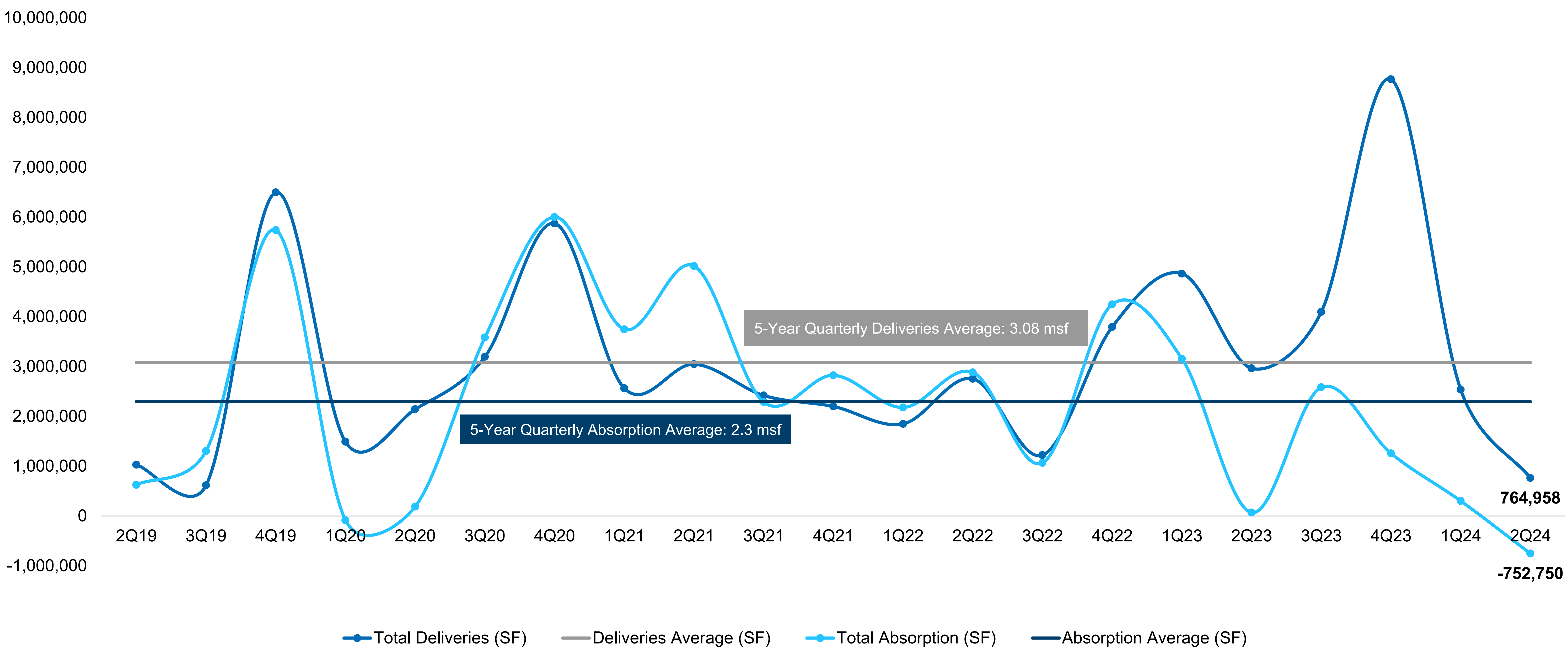


Source: Newmark Research, Altus Data Studio

Industrial Construction Deliveries Spiked in 2023 Amid Slumping Absorption Levels

A close correlation between new supply and quarterly absorption in GTA's industrial market from mid-2019 to the end of 2022 resulted in market vacancy remaining tight and largely unchanged until 2023. As industrial demand faded in 2023 and absorption declined, deliveries of new construction throughout the GTA accelerated and peaked at more than 8.7 msf in the fourth quarter of 2023 alone. A widening delta between new supply and absorption generated substantial upward momentum on vacancy and downward pressure on rental rates.

GTA Industrial Total Construction Deliveries and Absorption (MSF)

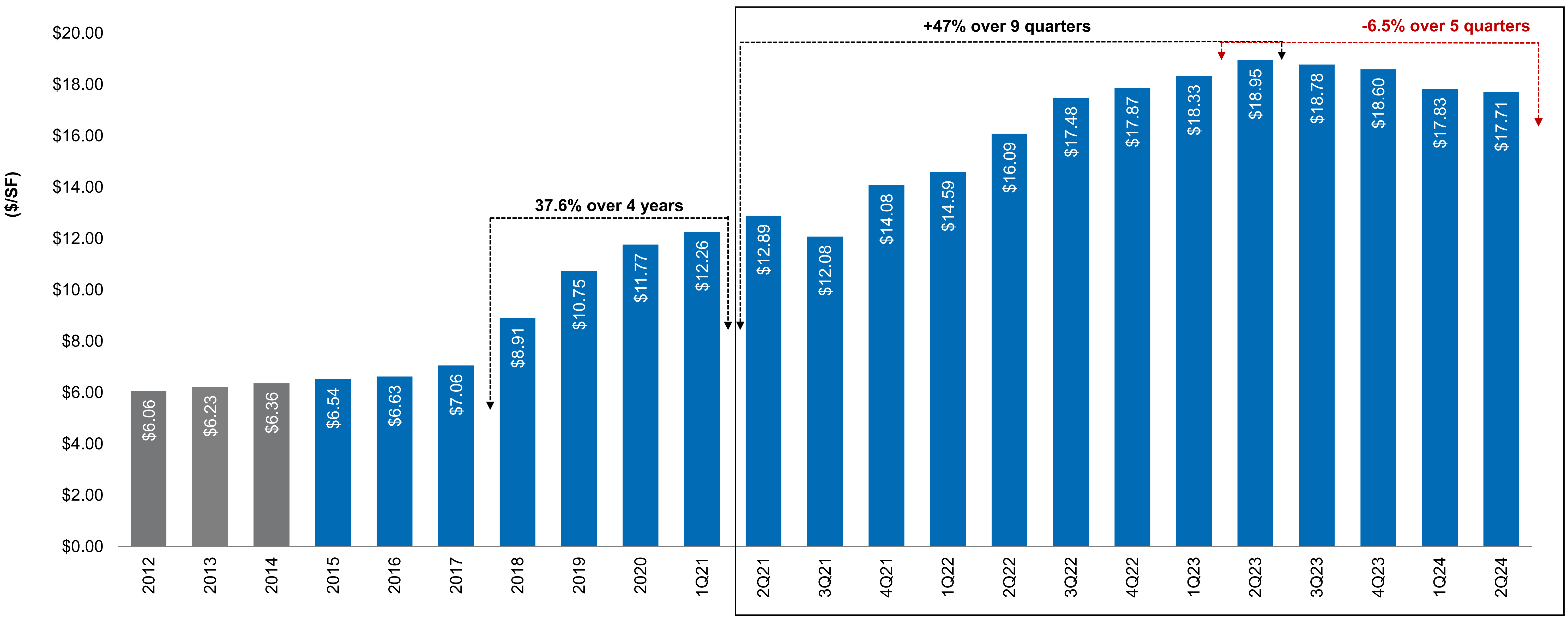


Source: Newmark Research, Altus Data Studio

GTA Estimated Asking Rents Finally Moderating After 47% Increase From 2021-2023

Average estimated asking rents in the GTA industrial market have been sliding since mid-2023 as once-fervent demand for industrial space has normalized. 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 washing over the market. In the 15 months since mid-2023, asking rents slipped 6.5% after climbing 47% in the 27 months from mid-2021 to mid-2023. In the past year, overall rents declined in all submarkets.

Historical GTA Industrial Estimated Asking Rates

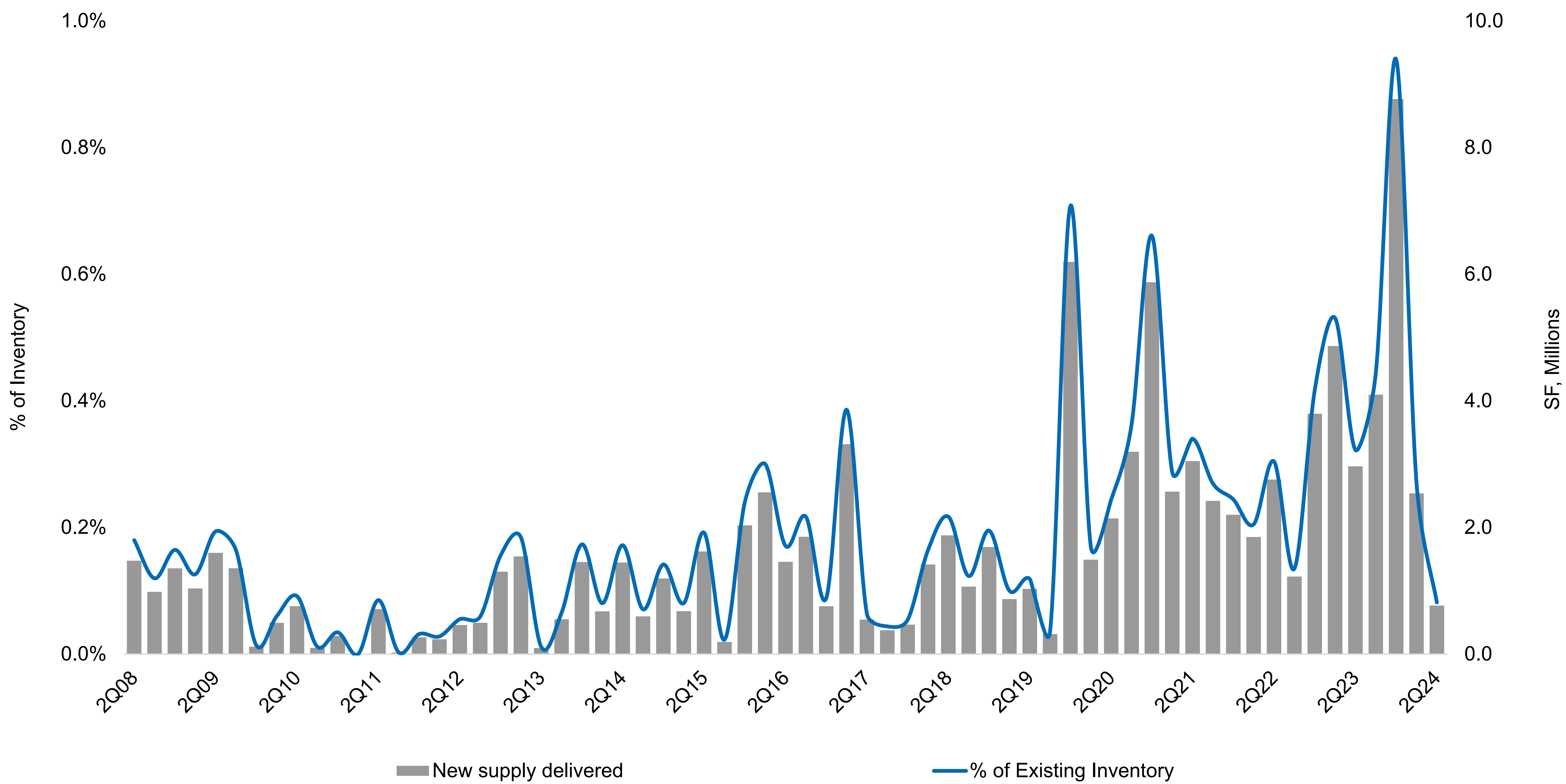


Source: Newmark Research, Altus Data Studio

Excessive New Supply Exerting Upward Pressure On Vacancy As Rents Moderate

Elevated levels of new supply, particularly in 2023, contributed to upward pressure on vacancy and availability as annual absorption has been in decline since 2021. Since the arrival of COVID-19 in the first quarter of 2020, the GTA industrial market had grown by 60.5 msf at mid-2024. The market previously took more than 12 years to add ~60 msf (2007-2019) to inventory. Delivery of new supply is expected to subside when compared with what was delivered in 2023 as availability and vacancy return to long-term average levels.

New Supply Delivered and % of Existing Inventory

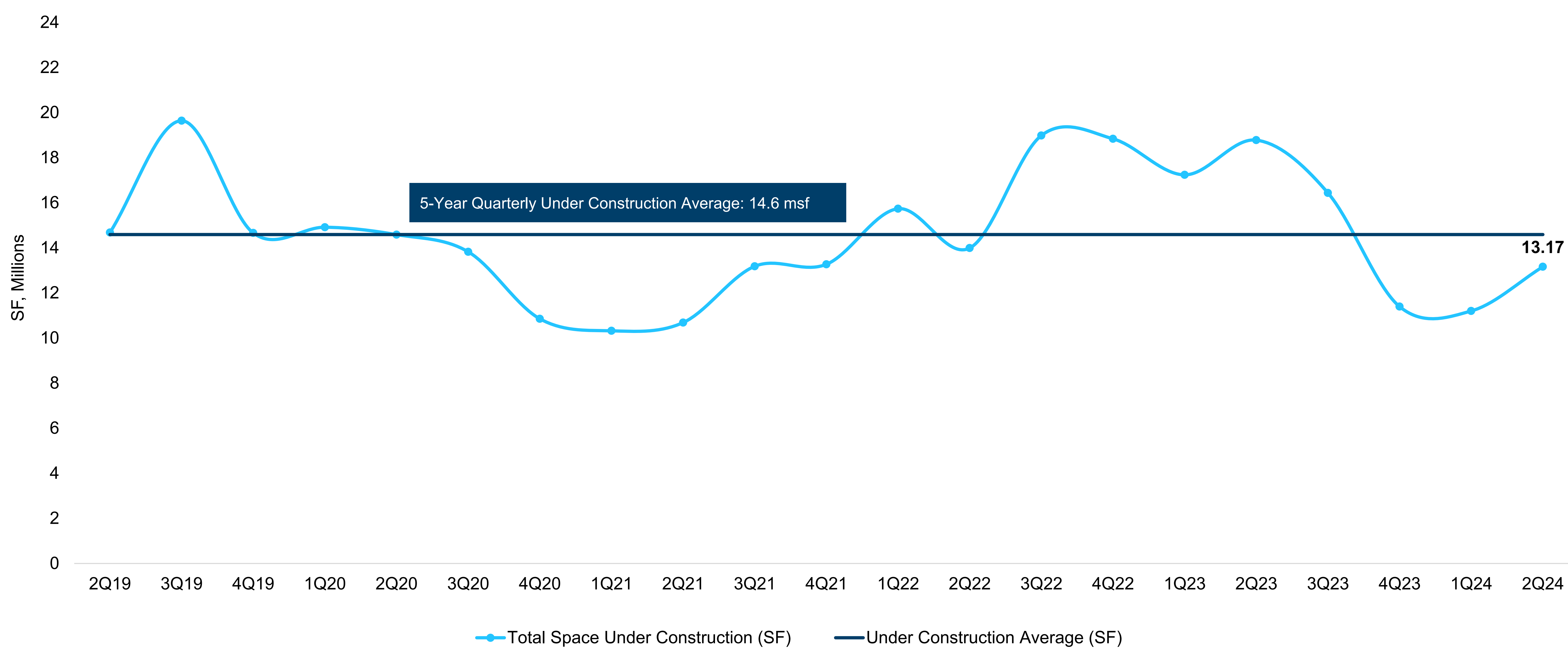


Source: Newmark Research, Altus Data Studio

Space Under Construction Falls Below 5-Year Average After Substantial Surge In 2023

New construction levels at mid-year 2024 in the GTA industrial market were elevated when compared with year-end 2023 but were well below the near-record amounts of space under construction through 2022 and most of 2023. While the addition of much of that new space in 2023 likely contributed to upward pressure on vacancy, a decline in the overall amount of new space under construction into 2024 – although it was trending upward again at mid-2024 – should drive market stabilization amid rising sublease availability and eroding rents.

GTA Industrial New Space Under Construction (MSF)

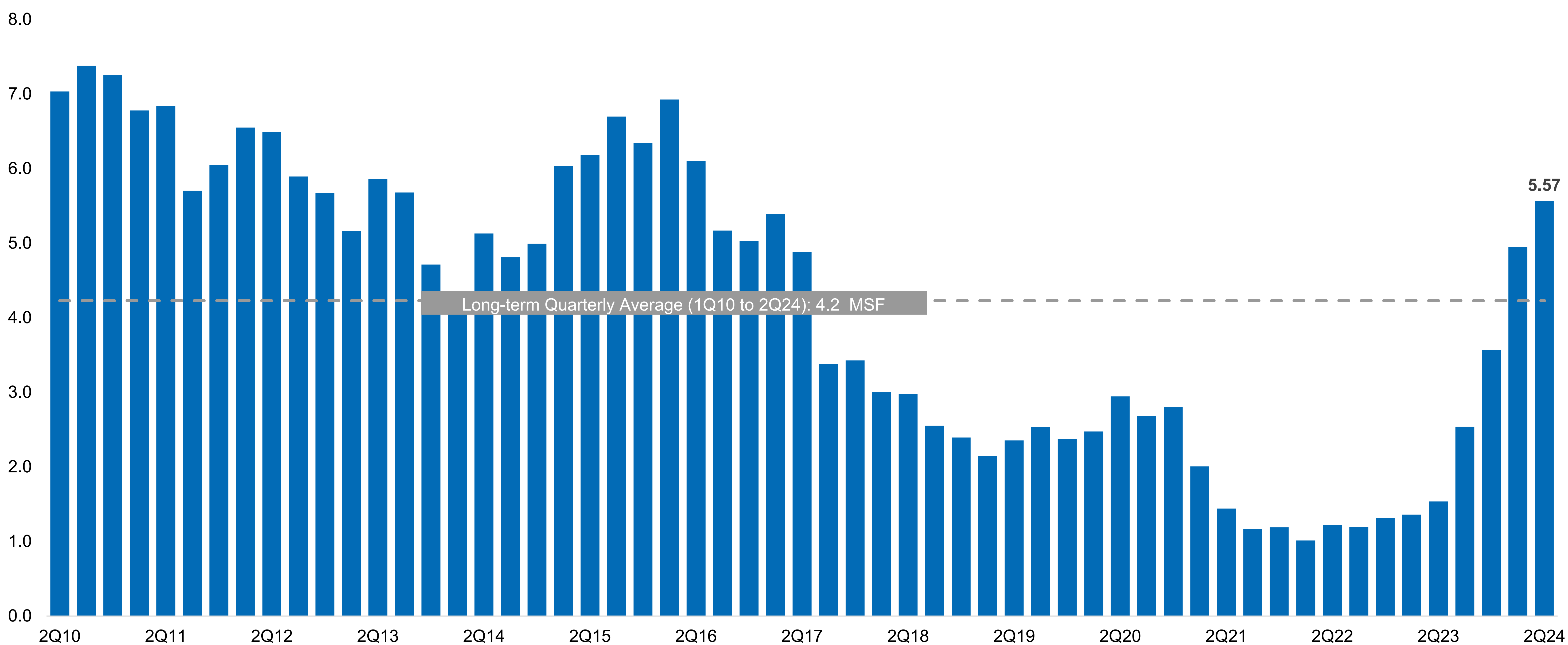


Source: Newmark Research, Altus Data Studio

GTA Industrial Sublet Availability Volume Above Long-Term Quarterly Average

Sublease space availability has been rising rapidly since mid-2023 and surpassed the 15-year average of 4.2 msf starting in the first quarter of 2024. While sublease availability of 5.57 msf at second-quarter 2024 marked the most available sublease space in the GTA since mid-2016, it only represented 0.6% of GTA industrial inventory. The highly limited amount of sublease availability from mid-2017 to the end of 2023 was anomalous in a market that regularly had more than 5.0 msf of sublease availability on a quarterly basis from 2010 to 2017.

Available Industrial Sublease Volume (MSF)

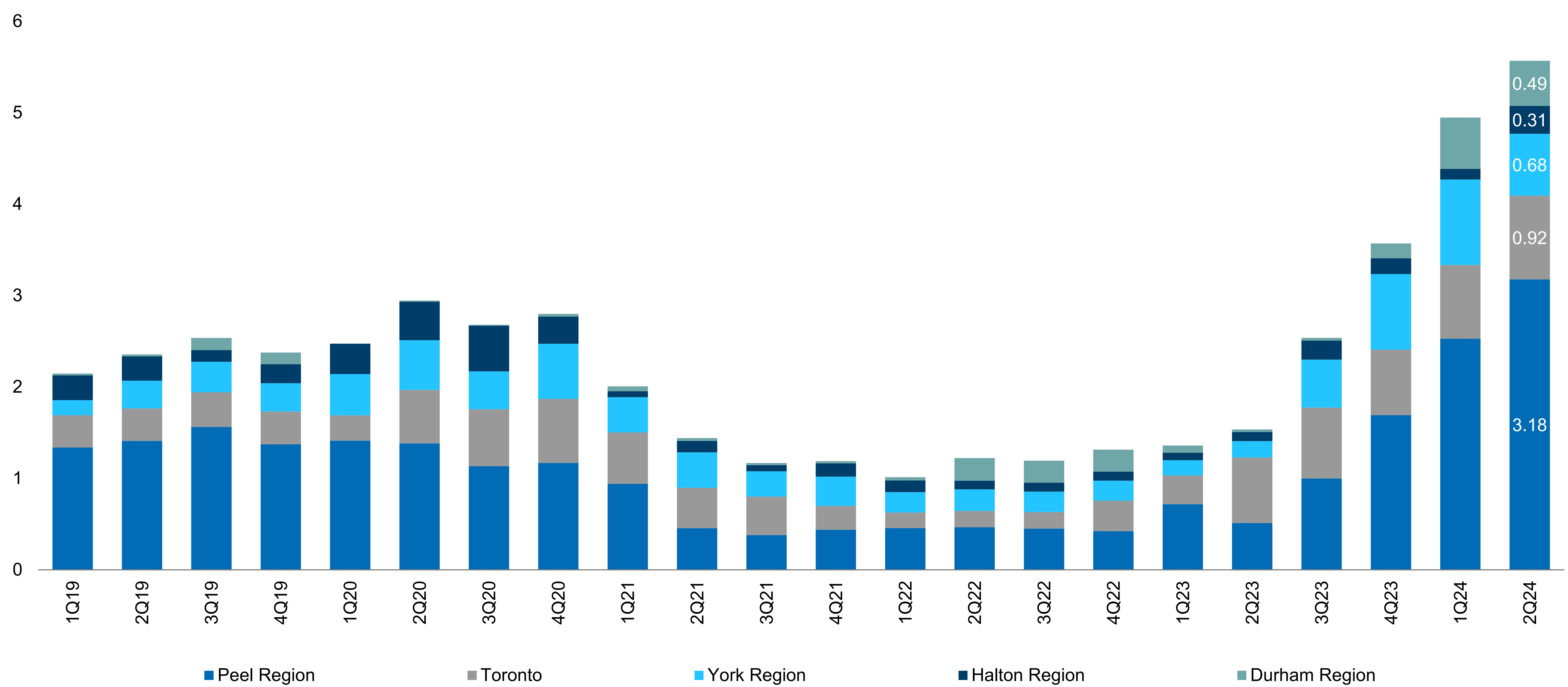


Source: Newmark Research, Altus Data Studio

Peel Region Home To 57% of GTA's Industrial Sublease Availability At Mid-2024

Despite comprising 35% of the GTA's 937-msf industrial market, Peel Region had 57% of the GTA's sublease availability at mid-2024. And while sublease availability has increased in all regions throughout the GTA since mid-2023, the increase in Peel Region has been the most substantial in terms of square footage. Since mid-2023, sublease availability in Peel Region, the GTA's largest submarket, increased to almost 3.2 msf (620%) while sublease availability in Durham, the GTA's smallest submarket, increased by 1,592% sf to 492k.

Available Sublease Space (MSF), By Region

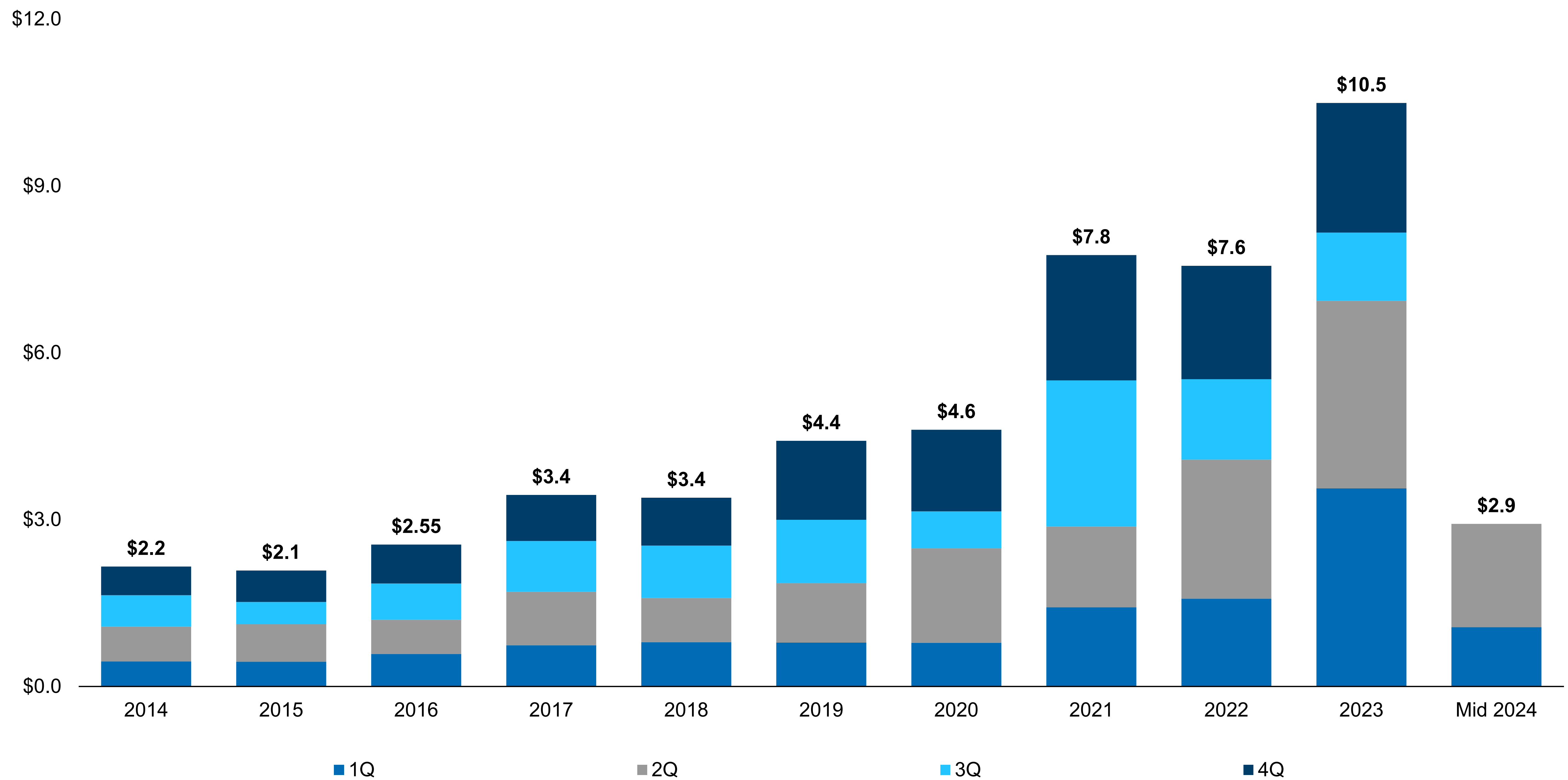


Source: Newmark Research, Altus Data Studio

GTA Industrial Sales Volume Trending Towards More Historic Norms After Record 2023

Industrial sales totalled $2.9 billion in the first half of 2024, down 58% 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 torqued rapidly upwards by the impacts of COVID-19 from 2021 to 2023 - begins to unwind as demand subsides and the bid-ask gap narrows. However, investors were still attracted to GTA industrial assets with sale proceeds marking the third strongest first half in the GTA's history following the first halves of 2022-23.

Greater Toronto Area: Industrial Sales Volume ($ in Billions) | By Quarter



Source: Newmark Research, Altus Data Studio

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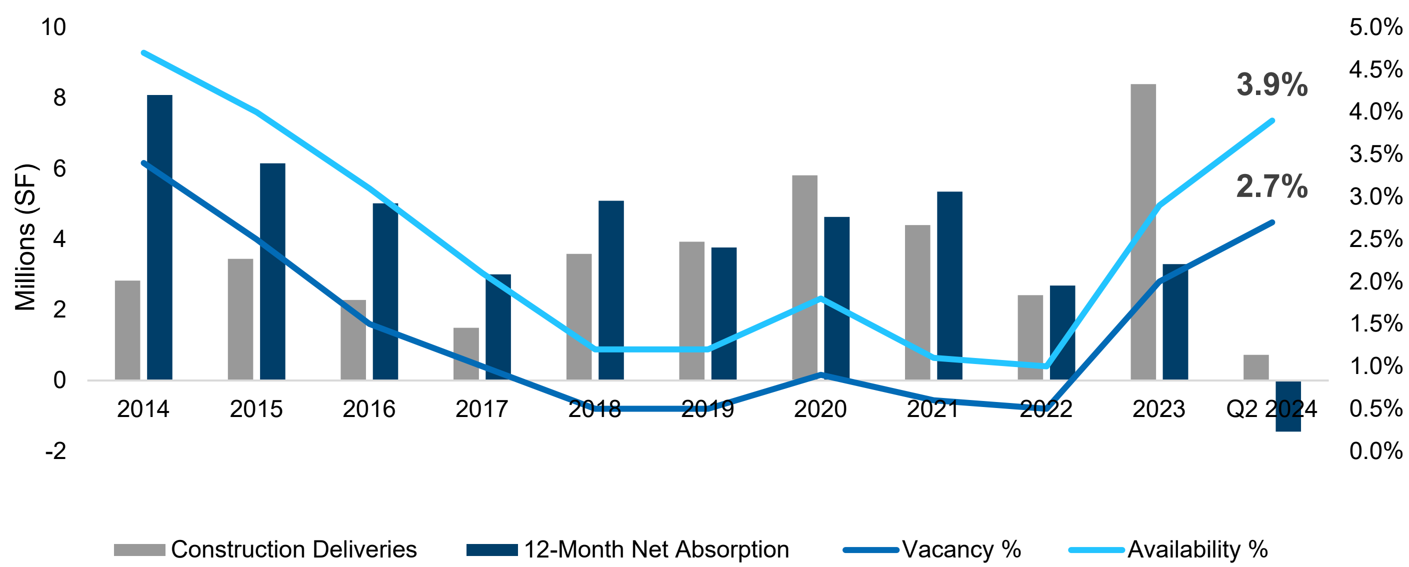
GTA Industrial Submarket Snapshots

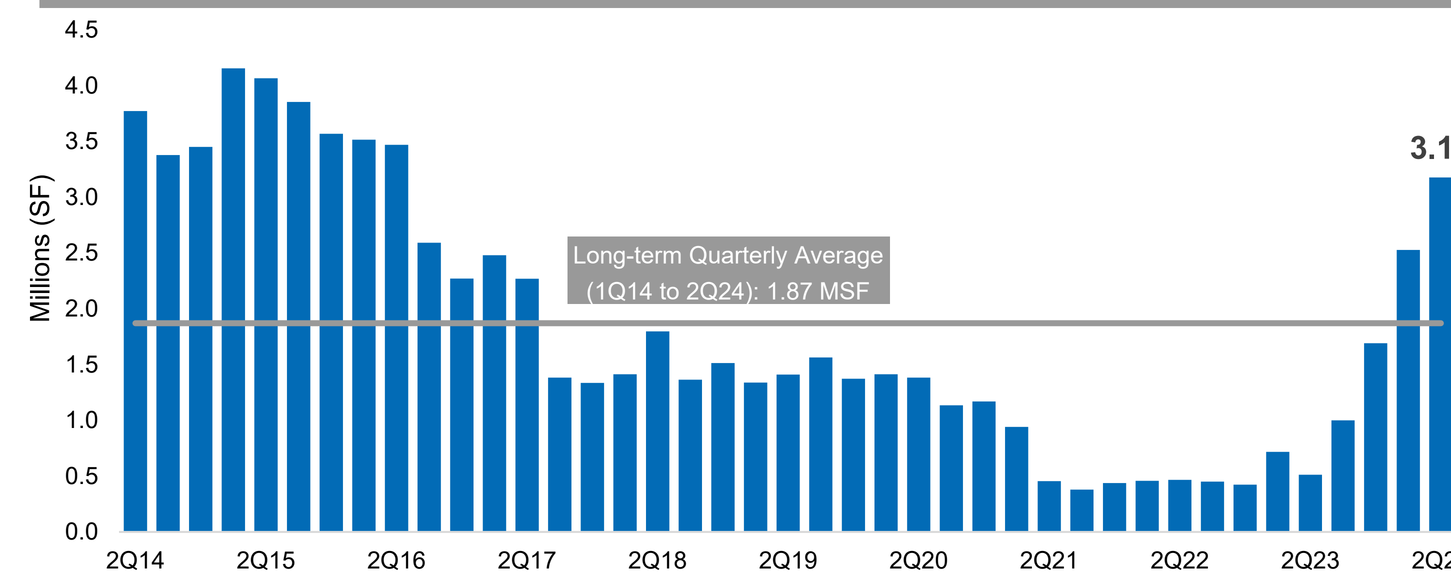
Peel Region

Vacancy in GTA's largest industrial submarket more than doubled to 2.7% at mid-year 2024 from 1.3% at second-quarter 2023. Sublease availability also spiked to almost 3.2 msf, the most recorded in Peel since mid-2016, and a significant increase compared with the 512,664 sf of sublease availability recorded at mid-2023. These rapid escalations, combined with more than 2.3 msf under construction, a preleased rate of just 18% and first-half absorption of -1.45 msf (the most in the region) saw rental rates slip by 9.6% in the past 12 months.

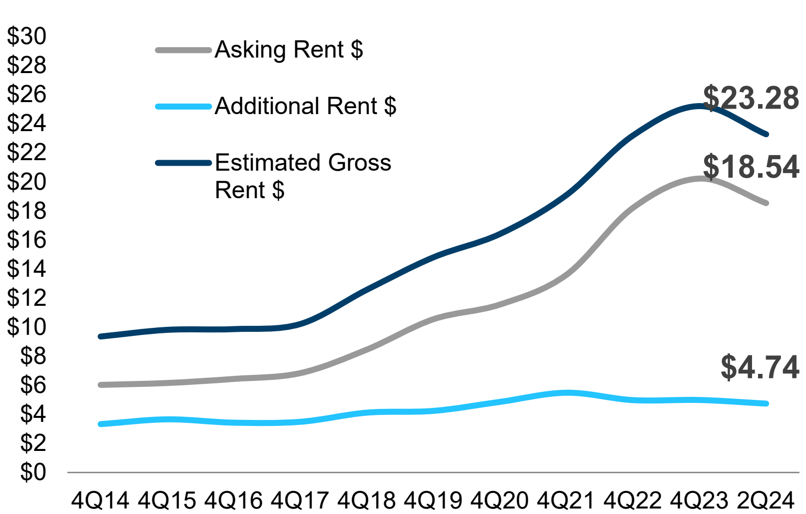
Peel Region Industrial Submarket Fundamentals



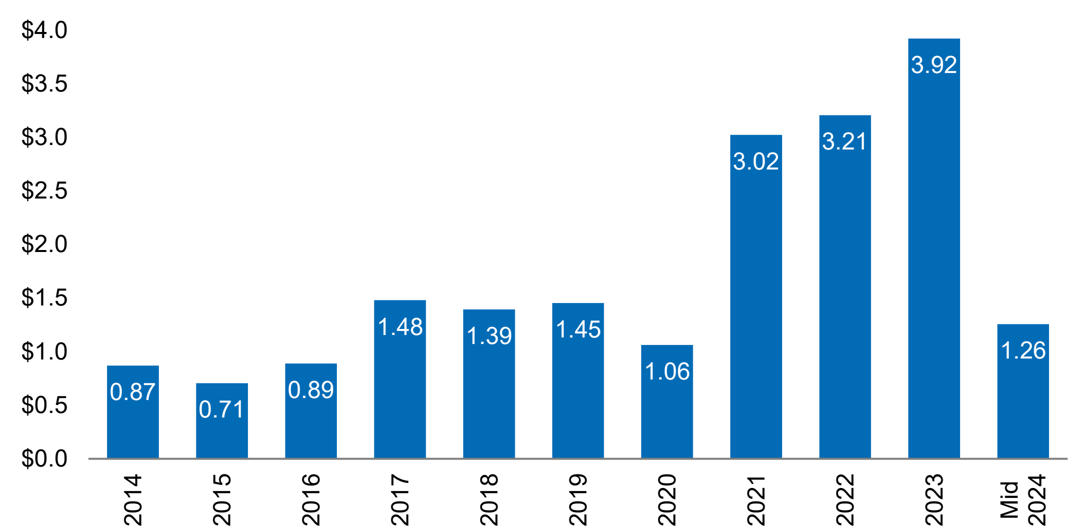
Peel Region Historic Sublease Availability (MSF)



Peel Region Historic Industrial Rents



Peel Region Industrial Investment Volume ($billions)*



Second Quarter Deals

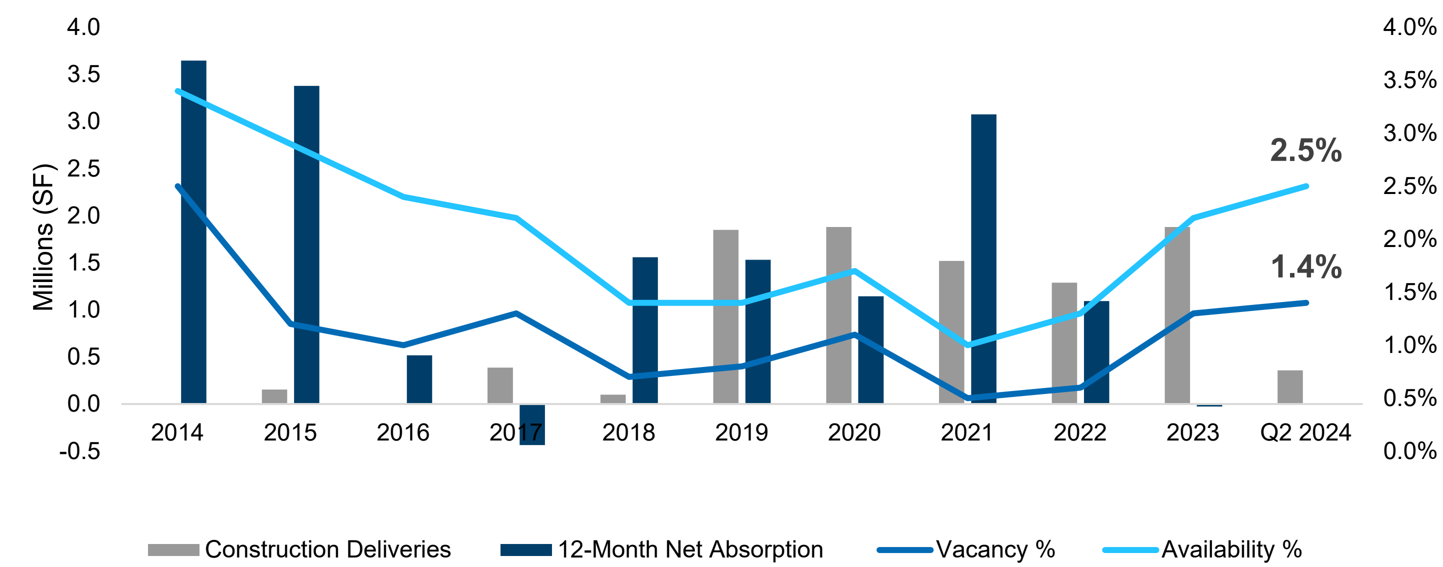
Tenant/Occupant	Building	Type	Square Feet
Neovia Logistics	150 Courtneypark Drive West, Mississauga	Renewal	120,050
GLS Logistics	18 Kenview Boulevard, Brampton	Lease	118,720
Acrocargo Express	300 Pendant Drive, Mississauga	Sublease	95,000
Eagle Dallas Spring Investors	1100 Courtneypark Drive West, Mississauga	Lease	82.830
Helix Impressions	6095 Ordan Drive, Mississauga	Lease	71,600

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

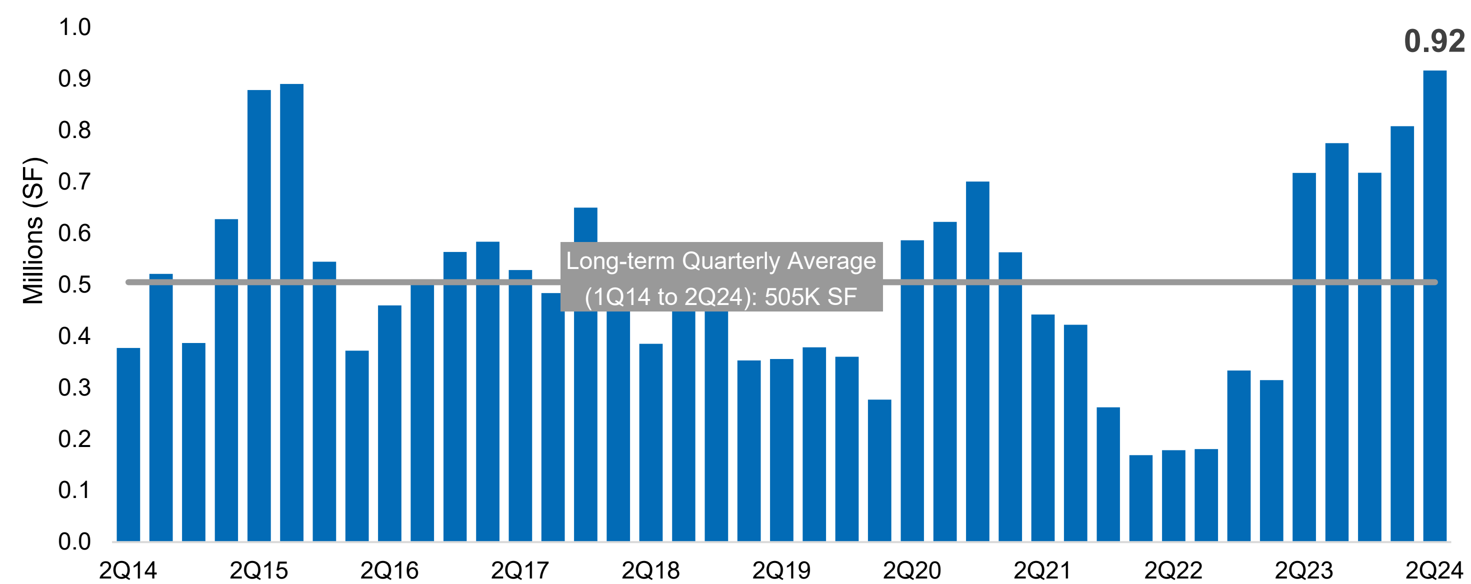
Toronto

Vacancy in the region's original industrial submarket remained relatively steady, rising to 1.4% at mid-year 2024 from 1.0% at second-quarter 2023. Sublease availability remained relatively limited in Toronto proper considering the submarket's size even as sublease availability surpassed 915,000 sf at mid-2024, the most recorded in the past decade. With low vacancy, flat absorption and 1.4 msf under construction (more than half preleased – the most of any GTA submarket), rents fell less in the past 12 months than in Halton or Peel.

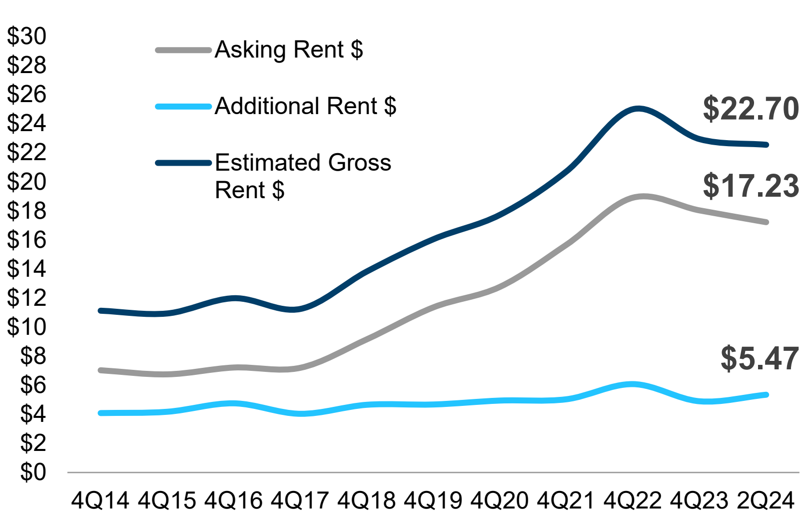
Toronto Industrial Submarket Fundamentals



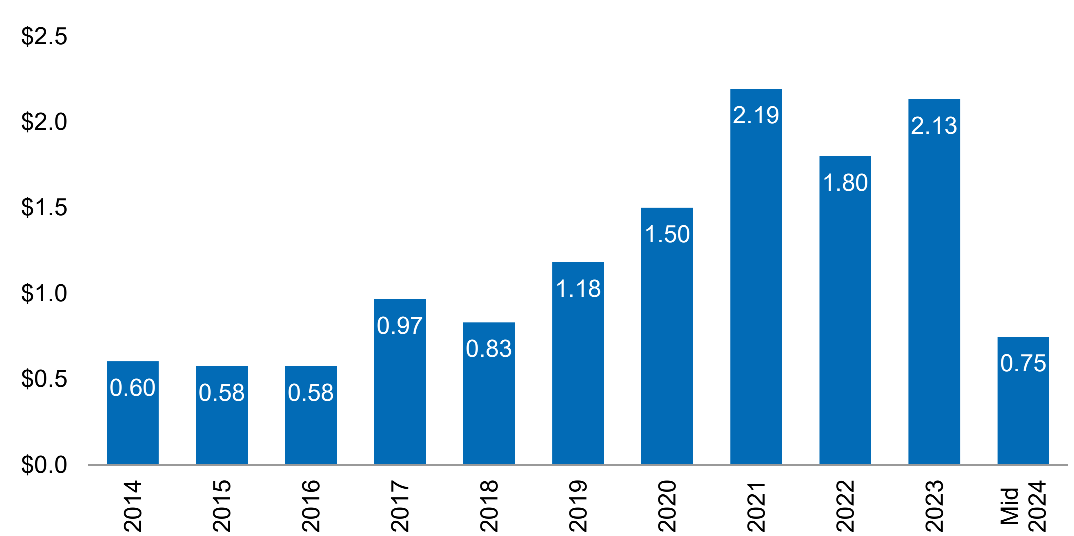
Toronto Historic Sublease Availability (MSF)



Toronto Historic Industrial Rents



Toronto Industrial Investment Volume ($billions)*



Second Quarter Deals

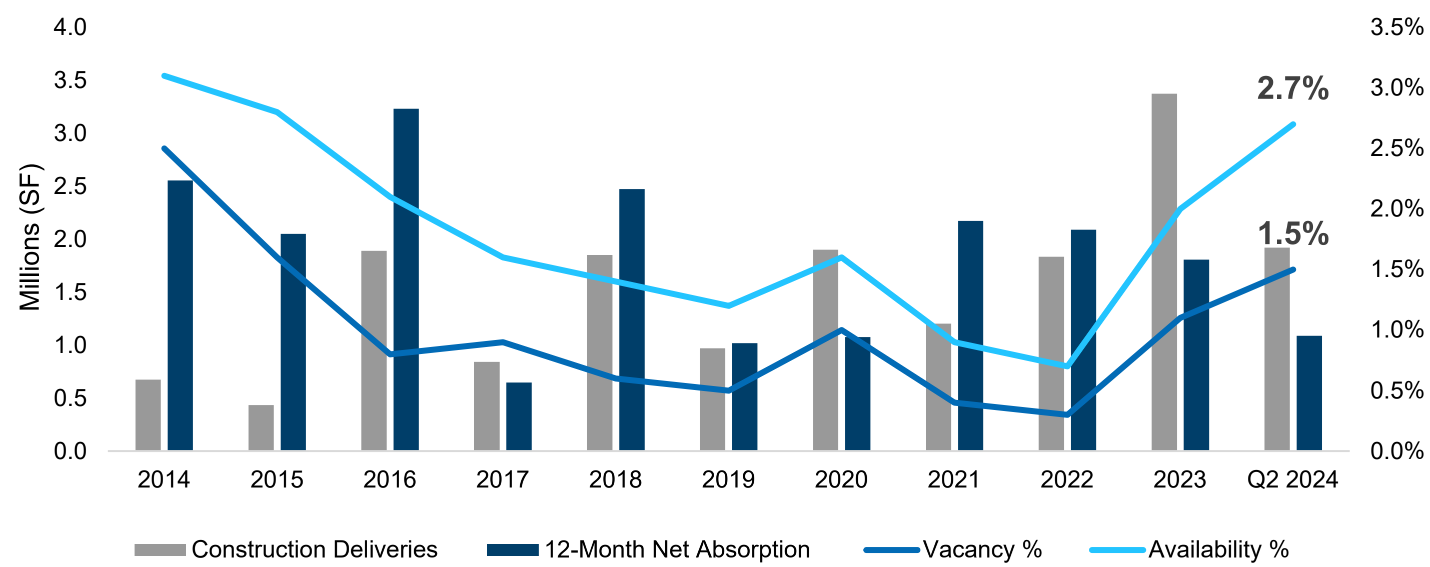
Tenant/Occupant	Building	Type	Square Feet
AdMill Group	1860 Midland Avenue, Toronto	Lease	99,000
Undisclosed	480-488 Carlingview Drive, Toronto	Lease	62,880
Vision Badminton	1020 Birchmont Road North, Toronto	Lease	55,000
F.G.I. Precision Works	475 Fenmar Drive, Toronto	Lease	52,050
Volpe Recycling	56 Torlake Crescent, Toronto	Lease	20,570

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

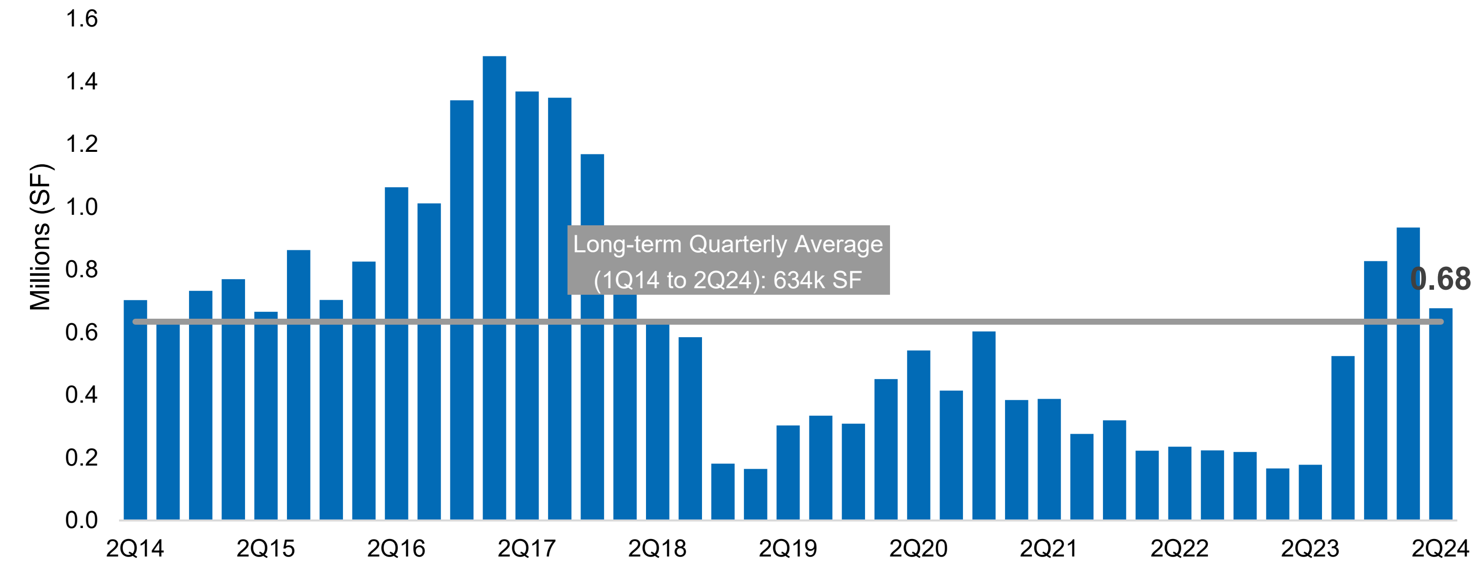
York Region

While vacancy more than doubled to just 1.5% at mid-2024 from 0.6% at second-quarter 2023, it was still the most vacancy recorded in the submarket since the third quarter of 2015. York's ongoing popularity has resulted in subdued sublease availability as well as the highest average rents in all the GTA and was the only submarket where rental rates increased from 12 months ago. York recorded the most positive first-half absorption in the region with almost 1.1 msf even with 2.7 msf still under construction (of which 19.2% preleased).

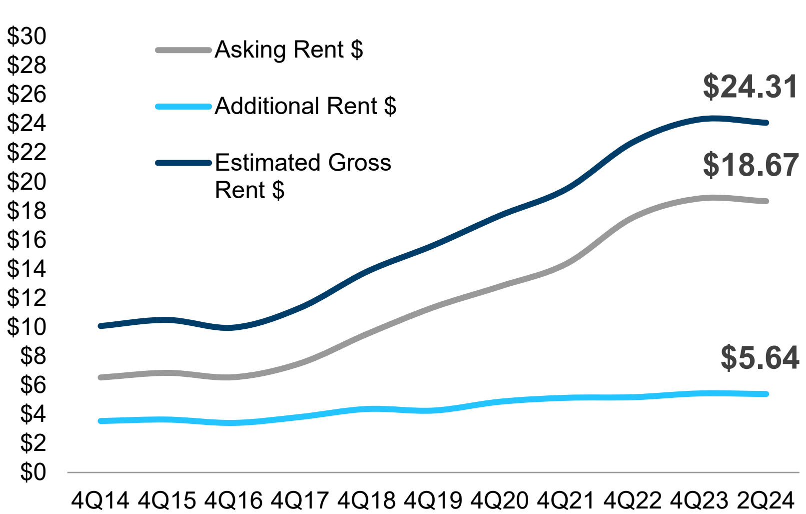
York Region Industrial Submarket Fundamentals



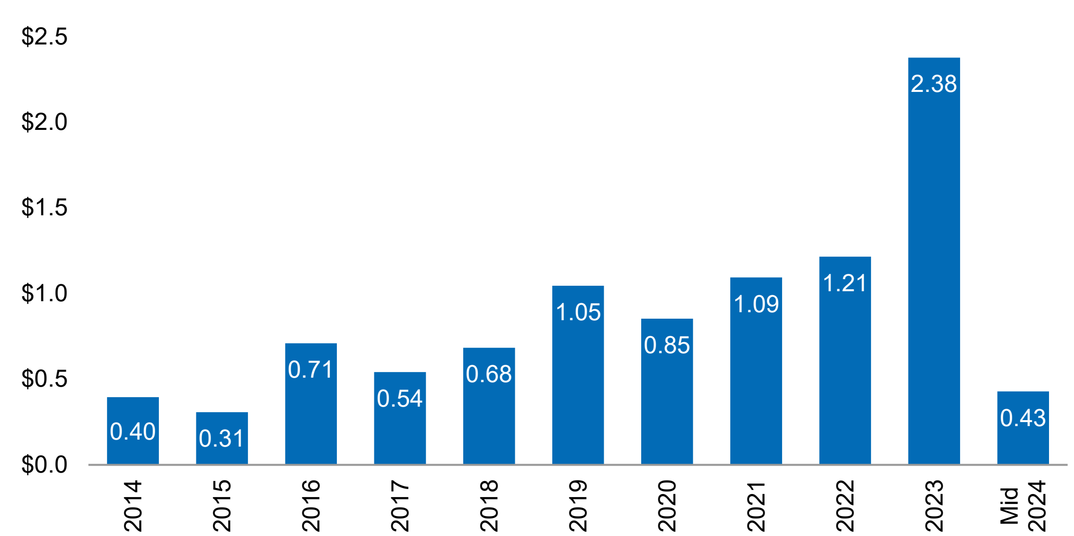
York Region Historic Sublease Availability (MSF)



York Region Historic Industrial Rents



York Region Industrial Investment Volume ($billions)*



Second Quarter Deals

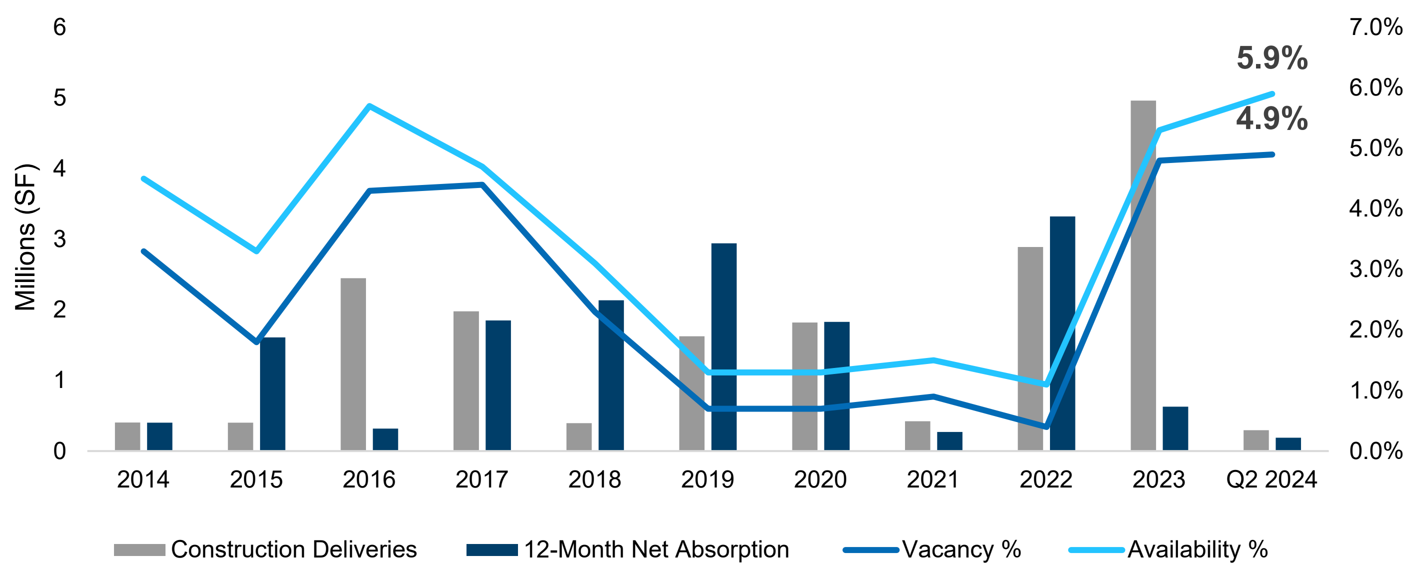
Tenant/Occupant	Building	Type	Square Feet
Undisclosed	350 Hunter's Valley Road, Vaughan	Lease	170,000
Agrocrop Foods	865 Gibraltar Road, Vaughan	Lease	168,750
Undisclosed	111 Creditview Road, Vaughan	Lease	76,810
Undisclosed	501 Applewood Crescent, Vaughan	Lease	76,540
ND Packaging and Distribution Inc.	140 Fernstaff Court, Concord	Lease	27,630

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

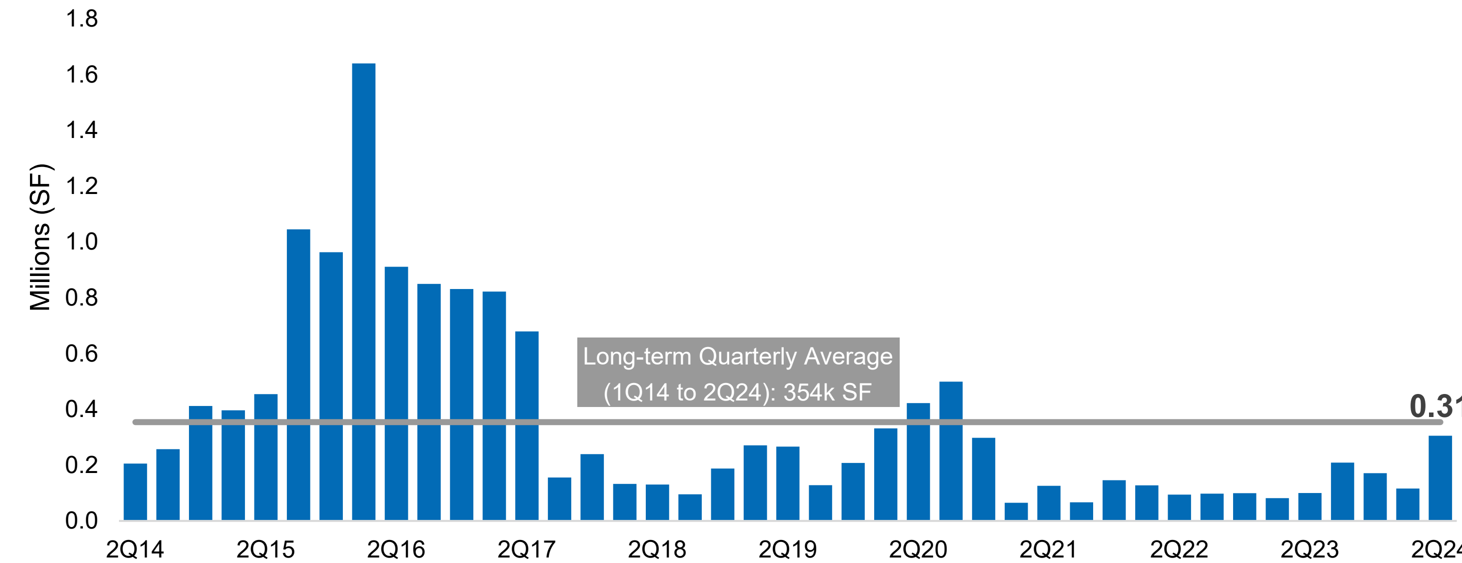
Halton Region

Halton posted the highest industrial vacancy rate in all the GTA (4.9%) at mid-2024, marking a notable increase from the 1.4% recorded at second-quarter 2023. Despite the rapid rise in vacancy, sublease availability remained limited albeit slightly elevated from a year earlier. While rents in Halton eroded by almost 8% during the past 12 months (setting the region up as the second least expensive in the GTA), Halton also recorded the second-most positive absorption in the first half of 2024, one of only two submarkets in the GTA to do so.

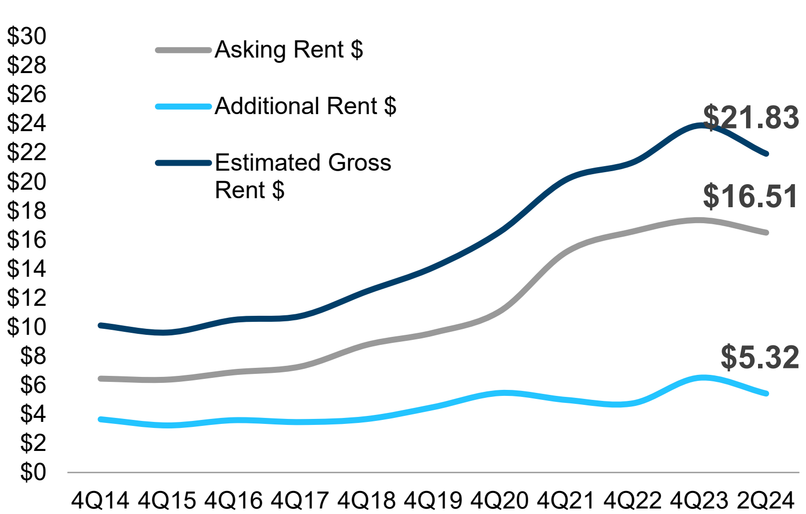
Halton Region Industrial Submarket Fundamentals



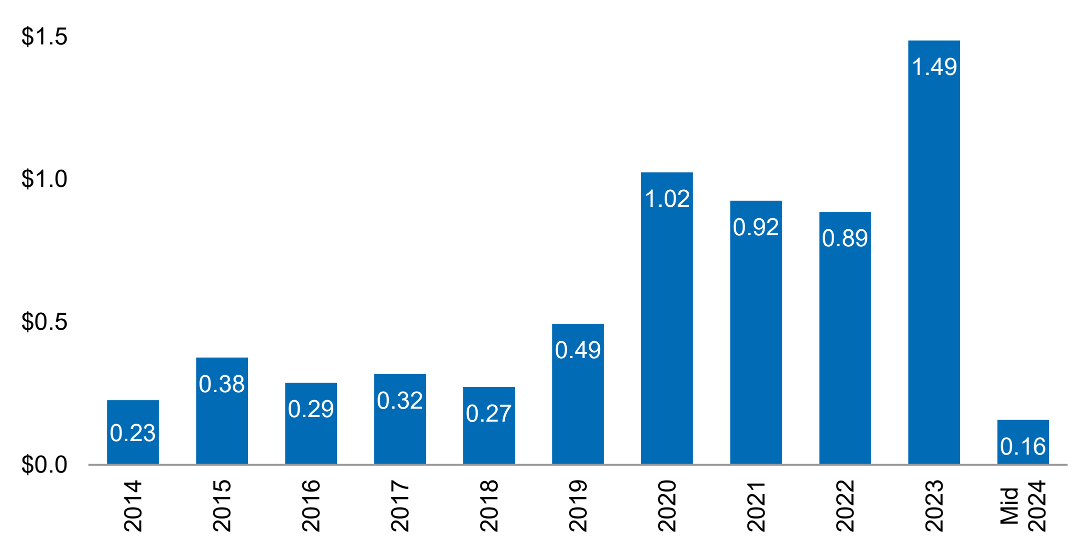
Halton Region Historic Sublease Availability (MSF)



Halton Region Historic Industrial Rents



Halton Region Industrial Investment Volume ($billions)*



Second Quarter Deals

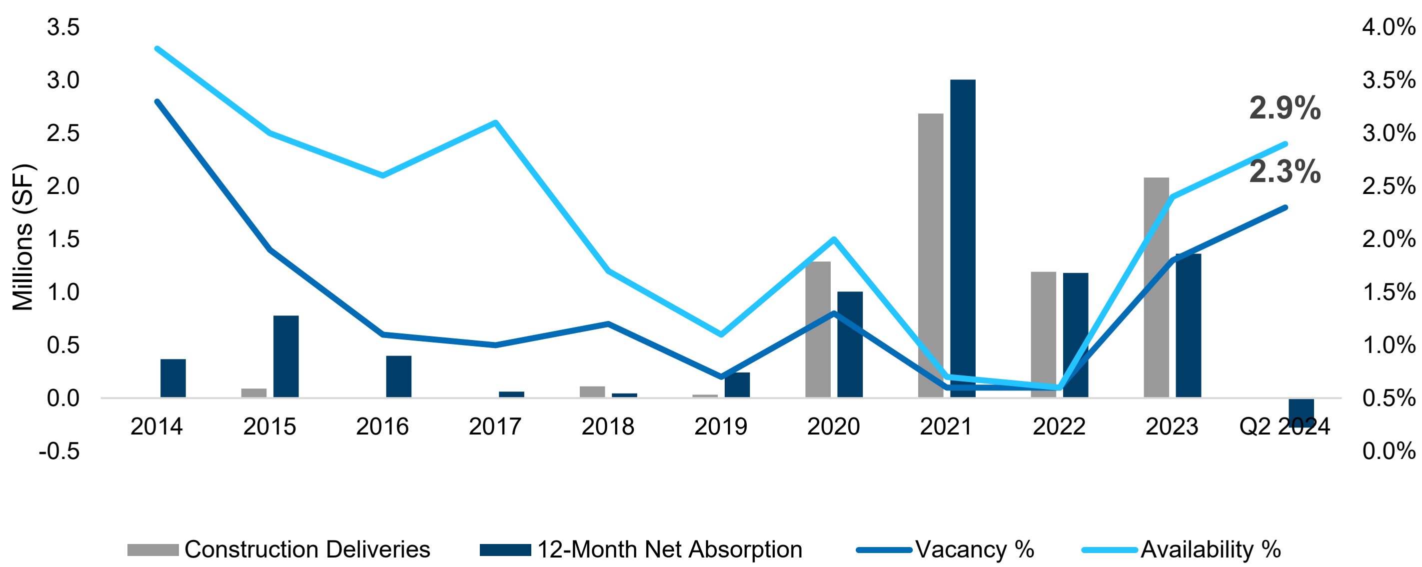
Tenant/Buyer	Building	Type	Square Feet
FedEx	2750 Peddie Road, Milton	Lease	91,000
Foundation Building Materials	4216 South Service Road (building A), Burlington	Lease	75,000
Undisclosed	8620 Escarpment Way (building D), Milton	Lease	23,140
IRCO Automation	1435 Norjohn Court, Burlington	Lease	8,980
Psycap Pharmaceuticals	1435 Norjohn Court, Burlington	Lease	8,980

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

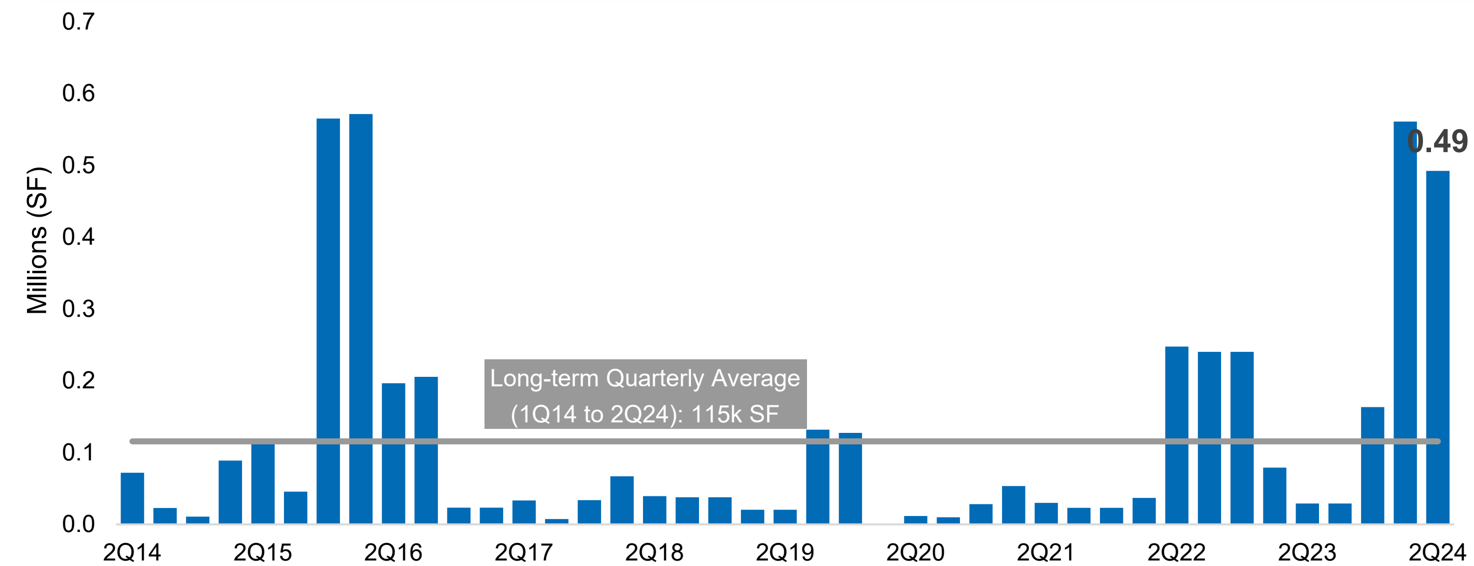
Durham Region

Durham has begun reverting to more historical norms after the elevated levels of activity recorded since 2020. While vacancy notably rose to 2.3% at mid-2024, up from 0.4% at second-quarter 2023, the substantial increase in sublease availability during the same period is more remarkable. First-half 2024 absorption of -277,479 sf was the second worst in the GTA while Durham also had the most space (3.9 msf) under construction. Already the least expensive market in the GTA, Durham's rental rates slipped 1.8% in the past 12 months.

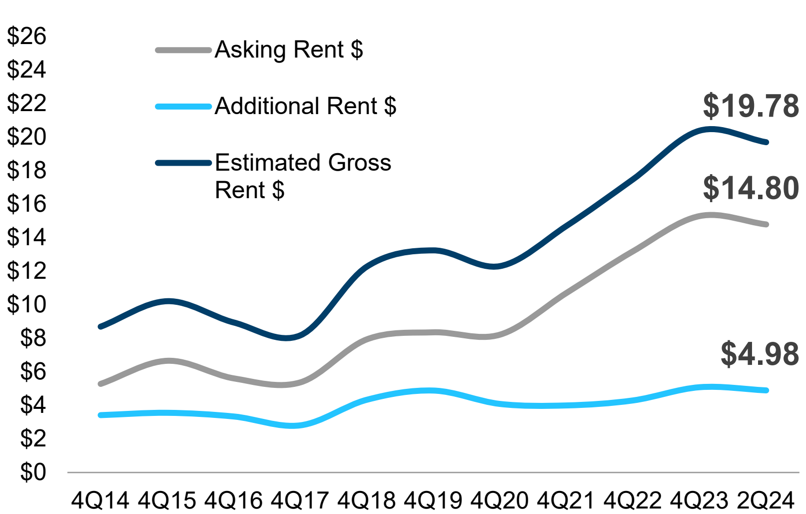
Durham Region Industrial Submarket Fundamentals



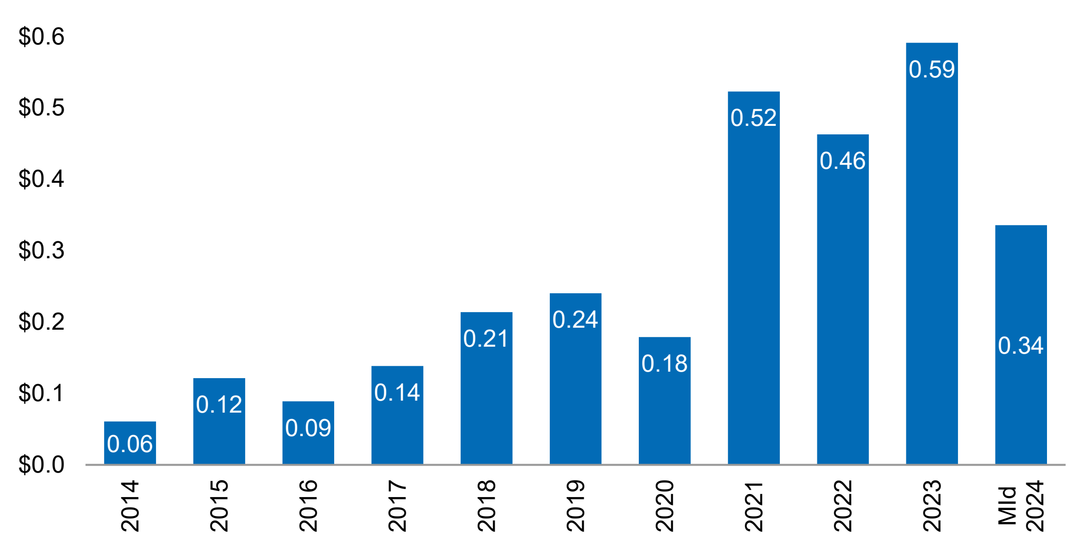
Durham Region Historic Sublease Availability (MSF)



Durham Region Historic Industrial Rents



Durham Region Industrial Investment Volume ($billions)*



Second Quarter Deals

Tenant/Buyer	Building	Type	Square Feet
Elogistics	1055 Flagship Way, Pickering	Lease	102,770
Undisclosed	1279 Simcoe Street North,	Lease	32,500
K Elevator Cabs	202 S Blair Street, Whitby	Lease	23,620
Undisclosed	202 S Blair Street, Whitby	Lease	9,210
Undisclosed	1734-1736 Orangebrook Court, Pickering	Lease	7,970

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

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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