

Q3 2023

Toronto

Industrial Market Report

Net Absorption

This Quarter

808K SF

Previous Quarter

1.6M SF

12-Month Absorption

8.6M SF

5-Year Quarterly Avg.

2.3M SF

Availability

This Quarter

1.8%

Year-over-Year

▲ 109 bps

Asking Net Rent

This Quarter*

\$18.57 PSF

Year-over-Year

▲ 10.7%

Development / Sales

Under Construction

20.0M SF

New Supply

3.6M SF

Sale Price Avg.

\$347 PSF

Year-over-Year

▲ 8.3%

Freestanding Sales

\$336 PSF

Condo Sales

\$441 PSF

*Weighted Average

Colliers Macaulay Nicolls Inc.

Accelerating success.

Market Outlook

As total available space grew by over 2 million square feet, the Greater Toronto Area (GTA) industrial availability rate reached 1.8% in Q3 of 2023; marking the 5th consecutive quarter of subtle increases in availability. The rise in total vacant space to 6.9 million square feet, its peak since 2017, and an increase in sublease availability also point to an uptick in available space in the coming quarters. This moderate growth in availability and vacancy are unsurprising in the wake of the record lows seen in 2021 and 2022 but are still relatively low compared to historical norms.

Q3 2023 saw absorption drop by half, from approximately 1.6 million square feet in Q2 to around 800,000 square feet this quarter. Year-to-date absorption for Q3 hit 2.6 million square feet compared to last year's 5.5 million and 2021's 11.3 million. This could be a signal that the record high absorption numbers of the last few years have begun to normalize and may potentially return to pre-pandemic levels, especially considering the moderate drop-off in space coming to market pre-leased.

Net rental rates in the GTA have continued to follow the pattern established within the last few quarters; conservative but steady growth quarter-over-quarter (QoQ). Rates rose from \$18.14 last quarter to \$18.57 in Q3 and increased 11% year-over-year, a notable downturn from the 43% year-over-year surge seen in Q3 2022. Despite continuously increasing rental rates and difficulties in acquiring capital due to high interest rates, some tenants remain bullish in terms of

economic outlook. This quarter has also ushered in a slight softening during deal negotiations with landlords adopting a more collective approach while working on leases.

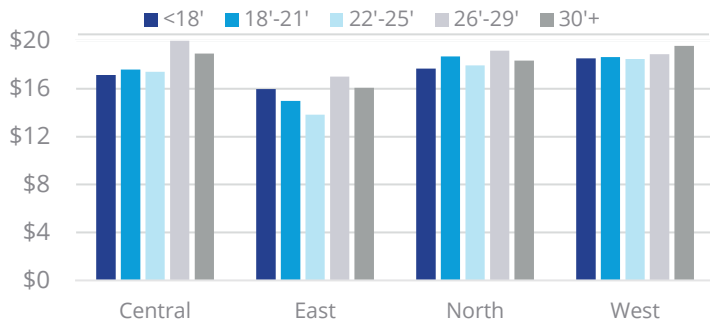
Approximately 3.6 million square feet of new supply was delivered within the GTA this quarter; not only is this an increase from the amount delivered during Q2 but it also coincides with a significant bump in the amount of square footage under construction. Q3 2023 has seen a record-high under-construction figure with over 20 million square feet projected to be built in the coming years. This rise in new supply helps to explain the slightly lower absorption numbers and is a healthy sign that space within the development pipeline is finally coming to market. We've seen a clear increase in the number of buildings under construction due to the recent demand but we're still under supplied relative to many major markets across Canada and the US.

Industrial investment activity in the GTA continues to weather high interest rates and difficulties in securing financing. The average industrial property sales price rose to over \$347 per square foot, resulting in 12% QoQ growth. Sale transaction volume, in terms of dollar value and square footage, also increased through the quarter. This growth is an indication of a bullish outlook from users - in spite of hesitancy in the investment market. After a period of drastic interest rate hikes, investors and users alike are now seeing a more stable financial future on the horizon and are beginning to regain confidence in underwriting.

Market Overview

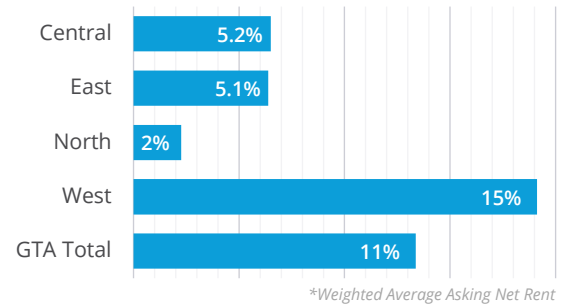
01 Rental Rates by Clear Height

Weighted Average Asking Net Rates (PSF)



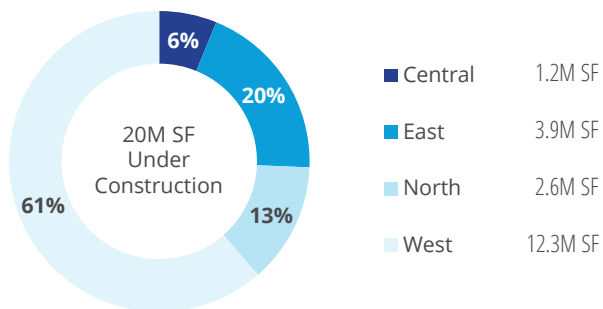
02 Rental Rate Growth*

By Market | Q3 2022 – Q3 2023



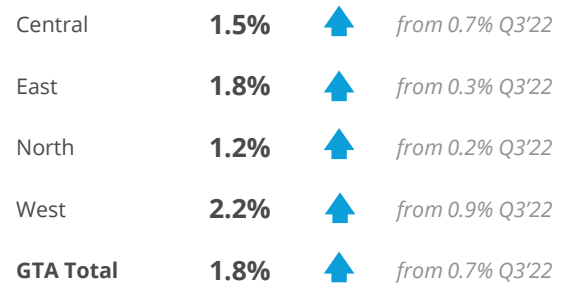
03 Under Construction by Market

By Building Area (SF)



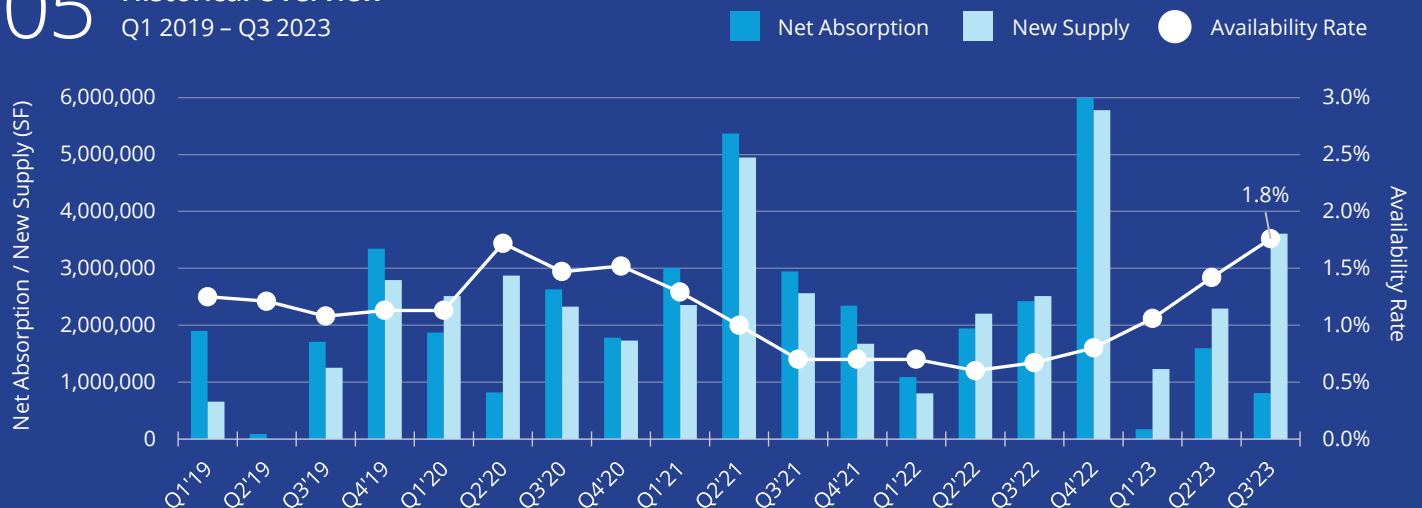
04 Availability Rate by Market

Q3 2022 – Q3 2023



05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics

Market	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (PSF)	Wgt. Avg. Asking Net Rent (PSF)	Avg. Sale Price (PSF)
Don Mills	9,884,535	0	0.0%	19,339	0	19,339	0.2%	0	0	0	\$13.50	-
Downsview	26,452,172	303,479	1.1%	460,292	0	460,292	1.7%	-45,510	0	0	\$18.56	\$386.57
East York	8,291,350	46,609	0.6%	68,535	0	68,535	0.8%	-11,149	0	0	\$16.17	\$298.42
North Etobicoke	41,832,395	146,177	0.3%	347,328	112,575	459,903	1.1%	30,769	0	0	\$18.56	\$312.43
North York South	11,470,067	152,691	1.3%	213,321	127,631	340,952	3.0%	-123,585	0	0	\$16.94	\$330.11
Scarborough East	15,974,627	0	0.0%	107,066	0	107,066	0.7%	116,354	116,354	583,147	\$17.72	\$256.22
Scarborough South	26,930,877	418,634	1.6%	709,229	55,000	764,229	2.8%	-137,888	0	0	\$15.63	\$322.04
Scarborough West	20,925,183	28,914	0.1%	155,912	0	155,912	0.7%	-28,914	0	148,888	\$18.25	\$521.24
South Etobicoke	30,273,359	418,526	1.4%	737,515	106,556	844,071	2.8%	222,516	521,045	506,443	\$18.33	-
Toronto	19,333,063	0	0.0%	32,378	0	32,378	0.2%	0	0	0	\$14.95	-
Weston	23,449,380	81,429	0.3%	141,022	0	141,022	0.6%	-81,429	0	0	\$18.87	\$345.54
Willowdale	3,668,613	0	0.0%	0	0	0	0.0%	0	0	0	-	-
York	5,076,176	134,467	2.6%	134,467	0	134,467	2.6%	-134,467	0	0	-	-
Central	243,561,797	1,730,926	0.7%	3,126,404	401,762	3,528,166	1.4%	-193,303	637,399	1,238,478	\$17.52	\$319.69
Ajax	10,921,160	382,664	3.5%	382,664	0	382,664	3.5%	86,271	367,664	2,293,100	\$16.67	-
Oshawa	11,684,493	0	0.0%	43,093	0	43,093	0.4%	0	0	60,000	\$17.00	\$198.40
Pickering	10,587,497	180,577	1.7%	264,521	0	264,521	2.5%	90,753	241,330	0	\$14.99	\$236.34
Whitby	9,433,031	0	0.0%	94,482	0	94,482	1.0%	0	0	1,536,892	\$13.72	\$233.43
East	42,626,181	563,241	1.3%	784,760	0	784,760	1.8%	177,024	608,994	3,889,992	\$15.77	\$221.97
Aurora	6,576,040	17,101	0.3%	17,101	0	17,101	0.3%	-17,101	0	257,735	\$16.00	\$337.16
Markham East	35,053,281	236,406	0.7%	486,341	0	486,341	1.4%	-97,680	0	384,580	\$17.79	\$376.50
Markham West	1,793,263	0	0.0%	0	0	0	0.0%	0	0	0	-	\$279.82
Newmarket	7,654,498	31,219	0.4%	51,219	0	51,219	0.7%	-31,219	0	0	\$16.28	-
Richmond Hill	13,340,515	18,395	0.1%	128,223	0	128,223	1.0%	-18,395	0	0	\$18.42	\$364.07
Vaughan	99,163,023	669,115	0.7%	1,273,331	71,500	1,344,831	1.4%	244,662	91,261	1,952,609	\$18.00	\$357.42
Whitchurch/Stouffville	1,119,055	0	0.0%	0	0	0	0.0%	0	0	0	-	\$472.39
North	164,699,675	972,236	0.6%	1,956,215	71,500	2,027,715	1.2%	80,267	91,261	2,594,924	\$17.91	\$355.20
Brampton East	59,074,466	883,765	1.5%	2,015,894	389,257	2,405,151	4.1%	52,856	626,405	1,199,564	\$20.21	\$335.85
Brampton West	43,535,672	624,464	1.4%	1,920,126	127,543	2,047,669	4.7%	399,739	976,534	316,922	\$19.87	\$399.23
Burlington	23,662,413	153,753	0.6%	198,598	20,000	218,598	0.9%	38,400	0	387,498	\$16.27	\$297.70
Caledon	20,842,760	143,524	0.7%	594,391	0	594,391	2.9%	163,884	153,791	4,492,765	\$18.71	\$550.05
Halton Hills	7,805,646	50,000	0.6%	50,000	0	50,000	0.6%	0	0	0	\$13.50	-
Milton	25,534,017	375,241	1.5%	506,661	16,157	522,818	2.0%	0	0	2,535,088	\$17.83	-
Miss. Central East	19,356,974	163,865	0.8%	274,640	0	274,640	1.4%	-146,891	0	250,000	\$17.59	\$430.97
Miss. Central West	18,407,134	35,655	0.2%	110,338	34,843	145,181	0.8%	0	0	0	\$18.74	\$586.58
Mississauga East	21,500,683	0	0.0%	102,790	0	102,790	0.5%	0	0	0	\$18.68	\$405.47
Miss. / Meadowvale	23,545,270	123,180	0.5%	396,935	0	396,935	1.7%	193,321	0	607,539	\$21.13	\$370.38
Mississauga South / E	13,708,246	745,422	5.4%	868,490	62,148	930,638	6.8%	-176,525	516,375	0	\$18.77	\$440.93
Mississauga South / W	20,532,607	220,562	1.1%	246,054	54,995	301,049	1.5%	57,508	0	1,618,436	\$19.54	\$276.62
Mississauga West	71,512,123	77,204	0.1%	387,741	183,593	571,334	0.8%	137,868	0	0	\$20.17	\$464.80
Oakville	20,192,934	0	0.0%	27,500	0	27,500	0.1%	23,403	0	853,288	\$17.00	-
Oakville Winston Park	6,013,161	0	0.0%	0	0	0	0.0%	0	0	22,062	-	-
West	395,224,106	3,596,635	0.9%	7,700,158	888,536	8,588,694	2.2%	743,563	2,273,105	12,283,162	\$19.41	\$369.97
Greater Toronto Area Total	846,111,759	6,863,038	0.8%	13,567,537	1,361,798	14,929,335	1.8%	807,551	3,610,759	20,006,556	\$18.57	\$347.03
Hamilton Area Total	45,543,291	88,143	0.2%	176,692	130,512	307,204	0.7%	19,775	0	333,540	\$11.15	\$268.64

Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Best Buy	9200 & 9250 Airport Road	Brampton East	Renewal	978,000
Lactalis Canada	1680 Thornton Road	Oshawa	Head Lease	379,000
DCM	9195 Torbram Road	Brampton East	Renewal	269,000
Prolift Rigging Canada	96 Inspire Boulevard	Brampton East	Head Lease	162,500
Stage Windows and Doors	140 Great Gulf Drive	Vaughan	Head Lease	127,000

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
45 Di Poce Way	Vaughan	422,433	\$198,200,000	Pontegadea Group	Private Investor - Foreign
55 Hereford Drive	Brampton	127,000	\$82,500,000	Grain Management & Strat Cap	Private Investor - Foreign
81 Royal Group	Vaughan	286,585	\$81,500,000	Alpa Lumber	User
7525 & 7535 Financial Drive	Brampton	270,016	\$76,550,000	DH Property Management	Private Investor - Canadian
6740 Professional Court	Mississauga	104,491	\$50,500,000	Melchior Management	Private Investor - Canadian
19 Esander Drive	East York	167,550	\$50,000,000	SmartStop Self Storage	Private Investor - Foreign



Leased
9200 & 9250 Airport Road,
Brampton East
978,000 SF

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