

0.9%

Vacancy Rate

YoY Chg



12-Mo. Forecast



6.6M

Net Absorption, SF



\$17.46

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

3.5M

Greater Toronto Area Employment

YoY Chg



12-Mo. Forecast



6.0%

Greater Toronto Area Unemployment Rate



5.0%

Canada Unemployment Rate



Source: Statistics Canada December 2022

ECONOMY: Interest Rate Hikes Cool Housing

The Bank of Canada raised the interest rate another 50 basis points (bps) on December 7th, 2022, the seventh-rate hike in 2022, to 4.25% from 0.25% earlier in 2022. The aggressive hike – the highest in 15 years – pushed up borrowing mortgage costs and cooled housing prices. The December average selling price at \$1,051,216 was down by 9.2% from the year before. Ontario employment rose again in November 2022 by 22,600 (0.3%) to 7.7 million, after an increase by 42,700 (0.6%) in October. The province's largest industry groups by jobs included wholesale and retail trade -- 1,082,400 or 14.1% of total employment.

(Source: Statistics Canada & TREB)

SUPPLY AND DEMAND: Build It and They Keep Coming

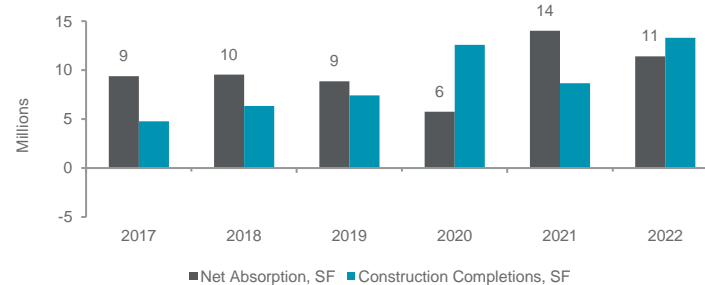
Despite growing economic uncertainty in 2022, the GTA industrial market powered forward and shattered new records. A record-setting 7.8 million square feet (msf) of new supply was completed in the fourth quarter alone, bringing the overall total for 2022 to 13.3 msf – the second-highest annual level since 2011. With new builds often the only option for occupiers, pre-leasing hit a high of 92%. At 3.7 msf, GTA West's new deliveries in the quarter exceeded 3.0 msf for only the third time in the past ten years and accounted for close to 50% of the GTA total. This was followed by the GTA East where completions reached a high watermark of 2.1 msf.

Against elevated levels of new supply, the overall vacancy needle barely budged, ticking up by a mere 10 bps to 0.9%, marking the sixth straight quarter that vacancy remained below one percent. Vacancy in the GTA West and North markets crept above one percent for the first time since 2021, with modest increases of 40 bps and 10 bps, respectively. Meanwhile, in GTA North and GTA East, vacancy eased back to astonishing lows of 0.4% and 0.3%, respectively following a marginal uptick in the third quarter of 2022. Not surprisingly, overall absorption skyrocketed to a new quarterly high of 6.6 msf, topping the 6.0 msf mark for only the second time in almost 25 years. This incredible performance can be attributed almost entirely to the recognition of pre-leasing in the inventory brought to market in the quarter. Although an additional 14.4 msf is slated for delivery by the end of 2023, tight market conditions are in the GTA industrial market crystal ball for the foreseeable future.

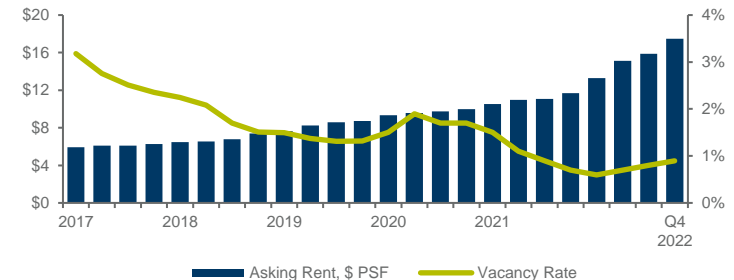
PRICING: Rents Continue to Reach New Heights

At \$17.46 per square foot (psf), the overall average asking rent inched closer to \$20.00 psf in the fourth quarter as single-digit deals faded into distant memory. Remarkably, the average rate jumped by 49.3% in the past year, setting yet another record-high annual increase. Historic increases were widespread across all GTA industrial markets and, save for GTA East, the average asking net rent broke \$17.00 psf ceiling for the first time. These new highs pushed many industrial rents above or in line with suburban quoted net office rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2022

GTA UNDER CONSTRUCTION



TOTAL UNDER CONSTRUCTION SF
17.8 MSF



TOTAL AVAILABLE SF
12.8 MSF

SPECULATIVE



TOTAL SF SPEC UNDER CONSTRUCTION
15.7 MSF



SPEC BUILDINGS ACCOUNT FOR
88% OF TOTAL CONSTRUCTION

BUILD TO SUIT



2.0 MSF
TOTAL SF BTS UNDER CONSTRUCTION



BTS BUILDINGS ACCOUNT FOR
12% OF TOTAL CONSTRUCTION



Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD ADJUSTED OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*	OVERALL WEIGHTED AVG TMI**	OVERALL WTD AVG ASKING SALE PRICE \$/SF
GTA Central	225,754,528	2,378,200	1.1%	279,358	533,235	1,232,368	579,291	\$17.65	\$4.03	\$424.58
GTA West	378,330,483	4,096,039	1.1%	2,312,808	4,953,104	12,656,575	3,707,761	\$17.52	\$4.13	\$442.78
GTA North	158,698,817	707,897	0.4%	1,422,833	3,127,511	1,702,991	1,381,162	\$17.26	\$4.27	\$557.30
GTA East	50,271,182	154,566	0.3%	2,591,384	2,794,129	2,174,226	2,156,024	\$14.63	\$3.56	n/a
SUBURBAN	587,300,482	4,958,502	0.8%	6,327,025	10,874,744	16,533,792	7,244,947	\$17.31	\$4.14	\$536.39
GTA TOTALS	813,055,010	7,336,702	0.9%	6,606,383	11,407,979	17,766,160	7,824,238	\$17.46	\$4.09	\$502.61
HAMILTON	52,932,978	1,389,428	2.6%	-293,944	-630,870	272,998		\$12.24	\$3.06	\$80.78

*Rental rates reflect weighted net asking \$psf/year.

** TMI – Taxes, Maintenance, Insurance

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
100 Edgeware Road	Brampton	FCA Canada Inc.	513,507	New Lease
100 Ace Drive	Brampton	Magna International	485,000	New Lease
8205 Parkhill Drive	Milton	DSV Solutions Inc	377,524	New Lease

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
800 Kipling Avenue	Etobicoke	Ontario Power Generation Inc. / Kinectrics Kipling Inc.	288,008	\$69,477,380 / \$241
400 Norris Glen Road	Etobicoke	Phil Trustee Limited / Dream Industrial REIT	214,000	\$66,500,000 / \$311
140 Wendell Avenue	North York	Mar-Risa Holdings Inc. / NCAP Nicola (Wendell) Ltd.	205,780	\$44,500,000 / \$216
383 Orenda Road	Brampton	Polynt Coatings Canada Limited / EP 383 Orenda Inc.	63,437	\$15,000,000 / \$236

KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
7095 Fifth Line	Milton	Lowes Canada	750,000	Broccolini
0 Kerrison Drive	Ajax	H & M	715,377	Crestpoint
5185 Garrard Road	Whitby	e-commerce	703,527	Broccolini

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