

1.9%

Vacancy Rate

YoY Chg



12-Mo. Forecast



-0.2 M

Net Absorption, SF



\$18.31

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

3.7M

Greater Toronto Area Employment

YoY Chg



12-Mo. Forecast



6.5%

Greater Toronto Area Unemployment Rate



5.5%

Canada Unemployment Rate



Source: Statistics Canada
September 2023

ECONOMY: Employment Growth

In September 2023, Canadian employment grew by 64,000, building on August's addition of 40,000 jobs. Notably, Ontario played a significant role in this employment surge, accounting for 36,000 jobs. A significant portion of these gains was in the services sector, including educational services, healthcare, and industrial transportation and warehousing. Like much of the country, Ontario has benefited from a substantial influx of international immigrants, which has had a positive impact on its labour market. While wages continued to rise at a rapid pace, businesses have found some relief from the alleviation of skilled worker shortages and improvements in operational processes.

(Source: Statistics Canada/RBC)

SUPPLY AND DEMAND: A New Day for GTA's Industrial Market

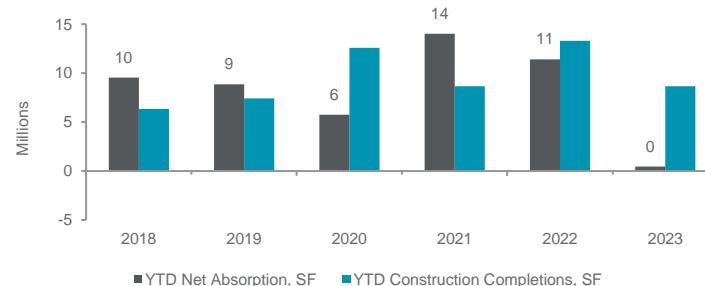
After an impressive streak of uninterrupted growth, all indicators this year have pointed to a shift towards a more balanced and stable market. Amid one of the most active development cycles in approximately five years, the vacancy rate has steadily edged up throughout 2023. While another increase in the vacancy rate was expected, the 60-basis point (bps) quarter-over-quarter (QoQ) uptick to 1.9% exceeded expectations and marked the most substantial quarterly increase in over a decade. The primary factor exerting upward pressure on the vacancy rate was the addition of 2.9 million square feet (msf) to the vacancy pool, courtesy of 4.6 msf of new supply delivered this quarter. In the GTA West market, where 85% of the new inventory was added, vacancy surged by 90 bps QoQ to a five-year high of 2.3%; representing the highest quarterly uptick in just over two decades. Meanwhile, GTA East was another market where vacancy reached the two percent threshold with a 100-bps jump to a two-year high of 2.0%.

New leasing activity also showed signs of softening, declining to 5.0 msf this quarter, marking a modest 19.2% contraction compared to the three-year average of 6.2 msf. Most activity took place in the GTA West market, where 2.3 msf, or 46% of the total, was leased. Notably, transactions in the under 50,000-square foot (sf) category dominated, accounting for 78% of the overall leasing. In addition, sales activity increased by five percent to reach a total of 4.8 msf. Most of these transactions were investor acquisitions, with 76% of the spaces purchased falling below the 50,000-sf threshold. The average selling price for spaces under 20,000 sf reached \$439.00 per square foot (psf), while sales in the 20,000-50,000-sf range achieved an average of \$322.00 psf.

PRICING: Rental Growth Softening

The quarterly pace of growth for the overall average net asking rent in the GTA decelerated, with a marginal uptick of 60 bps QoQ bringing it to \$18.31 psf. This growth rate was a notable departure from the quarterly average increase of 5.6% recorded over the past three years. Among the four major markets, three experienced slight rent declines, while in GTA West the average remained on an upward trajectory surpassing the \$19.00-psf threshold. This boost was primarily propelled by vacancies in new inventory quoting higher asking rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 2023

GTA UNDER CONSTRUCTION



TOTAL UNDER CONSTRUCTION SF
17.7 MSF



TOTAL AVAILABLE SF
15.4 MSF

SPECULATIVE



TOTAL SF SPEC UNDER CONSTRUCTION
16.8 MSF



SPEC BUILDINGS ACCOUNT FOR
94% OF TOTAL CONSTRUCTION

BUILD TO SUIT



0.9 MSF
TOTAL SF BTS UNDER CONSTRUCTION



BTS BUILDINGS ACCOUNT FOR
6% OF TOTAL CONSTRUCTION



Industrial Q3 2023

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	221,176,222	3,523,232	1.6%	-42,742	-820,324	1,526,387	214,160	\$16.84	\$4.51	\$377.69
GTA West	382,364,776	8,798,684	2.3%	216,012	2,060,375	11,029,226	3,889,377	\$19.27	\$4.20	\$428.72
GTA North	159,787,990	1,990,512	1.2%	-212,397	-433,567	1,930,222	107,200	\$18.81	\$4.71	\$552.64
GTA East	50,628,682	991,155	2.0%	-150,781	-360,712	3,240,085	367,642	\$15.55	\$4.80	\$199.99
SUBURBAN	592,781,448	11,780,351	2.0%	-147,166	1,266,096	16,199,533	4,364,219	\$18.99	\$4.34	\$439.77
GTA TOTALS	813,957,670	15,303,583	1.9%	-189,908	445,772	17,725,920	4,578,379	\$18.31	\$4.40	\$412.11
HAMILTON	53,164,402	698,955	1.3%	191,351	821,554	694,473	141,582	\$10.47	\$3.57	\$282.55

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

** TMI – Taxes, Maintenance, Insurance

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1890 Reading Court	Milton	PepsiCo, Inc.	569,083	New Lease
470 Anatolian Drive/Ph 1 Bldg B	Vaughan	Hanon Systems	426,430	New Lease
1680 Thornton Road North	Oshawa	Lactalis Group	379,000	New Lease

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
8964 Highway 27	Vaughan	Pure Industrial / Pontegadea Group	422,433	\$198,200,000/ \$469.19
81 Royal Group Crescent	Vaughan	Oxford Properties / Alpa Lumber	286,585	\$81,500,000/ \$284.38
7525-7535 Financial Drive	Brampton	Crestpoint Real Estate / DH Property Management	270,016	\$76,550,000/ \$283.50
1840-1842 Clements Road	Pickering	Kingsett Capital / Édifice 1840-1842 Clements Inc.	170,302	\$40,250,000/ \$236.34

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
20 Whybank Drive/Bldg B	Brampton	Vacant	458,496	Pure Industrial
6670 Fifth Line/Bldg 4	Milton	Vacant	328,958	BentallGreenOak
10 Newkirk Court	Brampton	Vacant	315,691	Fiera Real Estate & Berkshire Axis Development

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