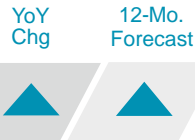


Industrial Q4 2023

2.6%

Vacancy Rate



-374,119

Net Absorption, SF



\$18.43

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

3.7M

Greater Toronto Area Employment



6.7%

Greater Toronto Area Unemployment Rate



5.8%

Canada Unemployment Rate



Source: Statistics Canada December 2023

ECONOMY: Employment Growth

In November 2023, Ontario's employment showed minimal change (6,500 or 0.1%), following a decline of 14,300 (-0.2%) in October. By year end, the total number of employed individuals in Ontario stood at 7,952,400. The Bank of Canada Business Outlook Survey in the fourth quarter of 2023 highlighted a softening economic backdrop, with a further contraction in consumer demand. Businesses' primary concerns shifted towards demand-oriented factors, including economic uncertainty, insufficient demand, and access to credit. Meanwhile, supply chain issues and labour shortages became less pressing. (Source: Statistics Canada & RBC Economics)

NEW SUPPLY GROWTH: A Transformative Year for GTA's Industrial Market

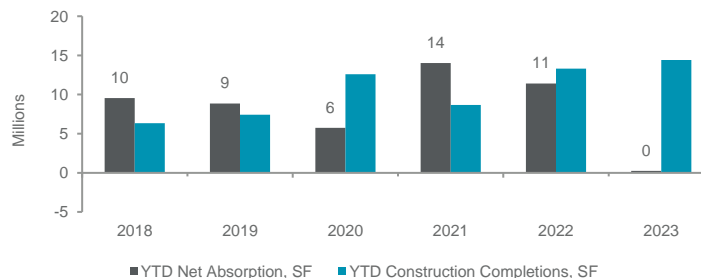
This year was a transformative year for GTA's industrial market. In the final quarter of 2022, the big headline was virtually zero vacancy as the rate held firm below one percent for a sixth straight quarter. Absorption had a standout performance, more than doubling the results from the fourth quarter of 2021, and year-over-year (YOY) rental rate growth hit an all-time high of 49.3%. Fast forward to 2023, and the once supercharged growth cycle started to moderate. Vacancy gradually inched up, capping off the year at a six-year high of 2.6%. The record-setting 70 basis point (bps) quarter-over-quarter (QOQ) uptick was propelled in part by 3.3 million square feet (msf) of vacant space coming on the market, resulting from the introduction of 5.4 msf of new speculative inventory in the fourth quarter, as well as a 1.8-msf jump in sublet space which brought the sublet space total to 3.5 msf, the highest level since at least 2015. The GTA East vacancy landscape underwent the biggest shift in the past year, with a 250-bps increase, capping off the year at a six-year high of 2.5%. The GTA West market followed closely, registering a 220-bps YOY uptick to just over a six-year high of 3.3%. Sublet space in the west market increased by 1.2 msf QOQ, accounting for 64% of the overall sublet upswing.

As vacancy rates edged up, creating more opportunities for occupiers, new leasing activity surged to a two-year high of 7.3 msf, bringing the annual total to 21.5 msf — just 255,000 square feet (sf) below the total leasing recorded in 2022. The demand for newer, modern buildings remained strong, with a significant portion of this activity (4.6 msf) attributed to preleasing commitments. At the same time, the introduction of 14.4 msf of new inventory, the highest annual total in 23 years, played a role in rebalancing the market. As demand eased and preleasing levels in newly introduced buildings retreated from a quarterly average of 88.4% over the previous four years to 53.1%, the annual absorption dipped to 259,184 sf from 11.4 msf in 2022 — marking the lowest annual total in the past decade.

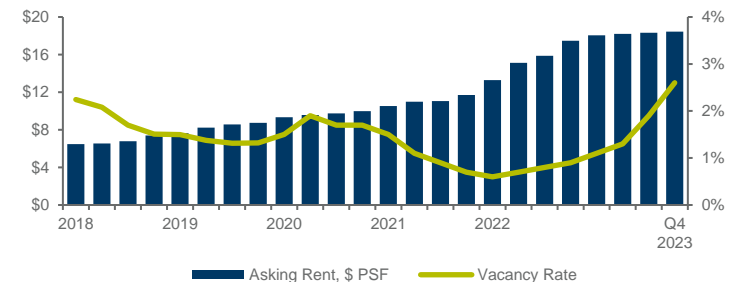
PRICING: Rental Growth Levelling

While the overall asking net rate in the GTA continued along its upward trajectory, reaching \$18.43 per square foot (psf), the 5.5% YOY growth rate marked the lowest in the past seven years. On a quarterly basis, the average increase was 1.4% in 2023. This stands in contrast to the 10.6% average QOQ acceleration recorded in 2022, signaling that the explosive growth rates of the previous three years are likely in the rearview and a more measured pace of growth can be anticipated in 2024. GTA West emerged as the only market in the GTA to record a modest decrease of 80 bps to \$19.12 psf. This decline can be attributed to a shift in older assets, where rents have been adjusted downward in previously listed spaces.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2023

GTA UNDER CONSTRUCTION



TOTAL UNDER CONSTRUCTION SF
16.8 MSF



TOTAL AVAILABLE SF
13.6 MSF

SPECULATIVE



TOTAL SF SPEC UNDER CONSTRUCTION
15.9 MSF



SPEC BUILDINGS ACCOUNT FOR
95% OF TOTAL CONSTRUCTION

BUILD TO SUIT



885,000 SF
TOTAL SF BTS UNDER CONSTRUCTION



BTS BUILDINGS ACCOUNT FOR
5% OF TOTAL CONSTRUCTION



Industrial Q4 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	222,303,483	4,006,412	1.8%	334,473	-446,769	994,642	868,955	\$16.99	\$4.23	\$417.68
GTA West	385,209,696	12,764,929	3.3%	-1,098,562	982,650	9,385,614	2,955,809	\$19.12	\$4.03	\$460.08
GTA North	160,871,975	3,064,140	1.9%	-106,594	-525,837	2,549,228	981,358	\$18.92	\$4.35	\$538.03
GTA East	51,561,132	1,436,193	2.8%	496,564	249,140	3,846,283	942,445	\$16.41	\$4.48	n/a
SUBURBAN	597,642,803	17,265,262	2.9%	-708,592	705,953	15,781,125	4,879,612	\$19.03	\$4.10	\$490.25
GTA TOTALS	819,946,286	21,271,674	2.6%	-374,119	259,184	16,775,767	5,748,567	\$18.43	\$4.14	\$455.76
HAMILTON	53,256,418	515,283	1.0%	183,365	1,105,919	1,003,905	100,693	\$11.87	\$3.70	\$390.15

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

** TMI – Taxes, Maintenance, Insurance

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
5762 Mayfield Road/Ph1/Bldg A	Caledon	Loblaws	1,200,000	New Lease
5762 Mayfield Road/Ph2/Bldg H	Caledon	Novolex	911,300	New Lease
12315 Coleraine Drive	Caledon	Proactive Supply Chain Solutions	450,867	New Lease

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
114 East Drive	Brampton	Velcro Canada Inc / Taro Pharmaceuticals Inc.	128,138	\$40,000,000 / \$312.16
151 East Drive	Brampton	NBL Group Limited / Premium Brands Holding Corporation	110,376	\$31,500,000 / \$285.39
1 Woodslea Road	Brampton	The Canada Life Assurance Company / GIC & Dream Industrial REIT	110,148	\$34,806,768 / \$316.00
1 Van Der Graaf	Brampton	The Canada Life Assurance Company / Highlight Motor Group	102,205	\$31,000,000 / \$303.31

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4680 Garrard Road/Bldg A	Whitby	Vacant	645,000	Panattoni
587 Avonhead Road/Ph 1	Mississauga	Vacant	362,248	Carttera Private Equities Inc.
400 Parkhurst Square/Bldg 1	Brampton	Vacant	326,579	Rathcliffe Properties Limited

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