



**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>3.8%</b> Vacancy Rate	▲	▲
<b>-3.4 MSF</b> YTD Net Absorption, SF	▼	▼
<b>\$17.64</b> Asking Rent, PSF <i>(Overall, Direct Net Asking Rent)</i>	▼	—

**ECONOMIC INDICATORS**

	YOY Chg	12-Month Forecast
<b>3.8M</b> Greater Toronto Area Employment	▲	▼
<b>8.0%</b> Greater Toronto Area Unemployment Rate	▲	▲
<b>6.5%</b> Canada Unemployment Rate	▲	—

Source: Statistics Canada

**ECONOMY: LOWER INTEREST RATES EXPECTED TO BOOST GROWTH**

In June 2024, the policy interest rate was reduced by 75 basis points (bps) to 4.25%, prompted by easing inflation and the need to support economic growth. By September, inflation hit the 2% target, though further rate cut decisions will hinge on trends in consumer spending, hiring, and investment. While shelter costs remain elevated, they are gradually moderating. Ontario's employment grew by 0.5% in September, with 198,000 jobs added since late 2023, but softer hiring demand could push unemployment higher.

*(Source: Statistics Canada).*

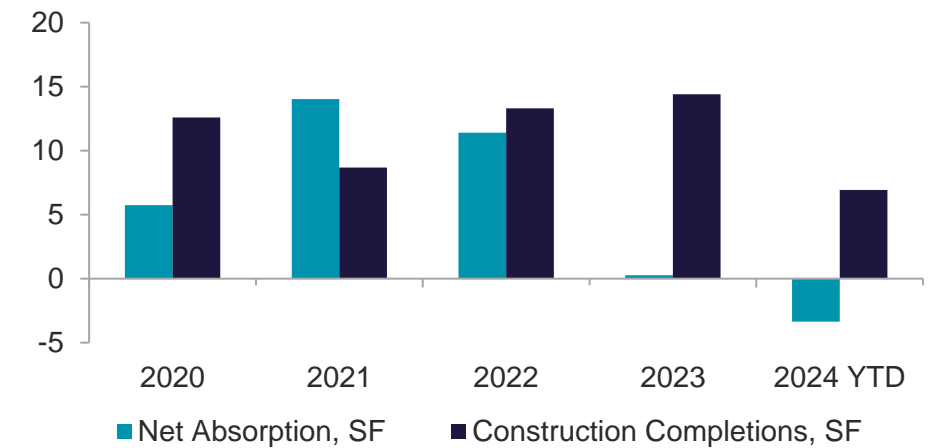
**PERSISTENT VACANCY HIKES RESHAPING THE INDUSTRIAL LANDSCAPE**

Q3 2024 stood out as one of the stronger quarters in the past year, with vacancy rates edging up by just 10 bps quarter-over-quarter (QOQ) to 3.8%—the smallest quarterly increase since the end of 2022. Sublease activity slowed as well, with an additional 62,000 square feet (sf) of available space, marking the lowest quarterly increase since mid-2023. A significant factor behind the vacancy uptick were spaces under 50,000 sf, with 133 new listings making up 38.5% of total new availability. Of these, 57.8% were in the GTA West, where vacancy climbed by 40 bps to 5.2%, putting the market in the lead across the GTA. Conversely, the GTA East and GTA North markets took a different trajectory, with the East dropping by 60 bps QOQ to 3.7% and the North down 30 bps to 2.3%, both comfortably below the 5% threshold. Meanwhile, vacancy in GTA Central held steady at 2.6%.

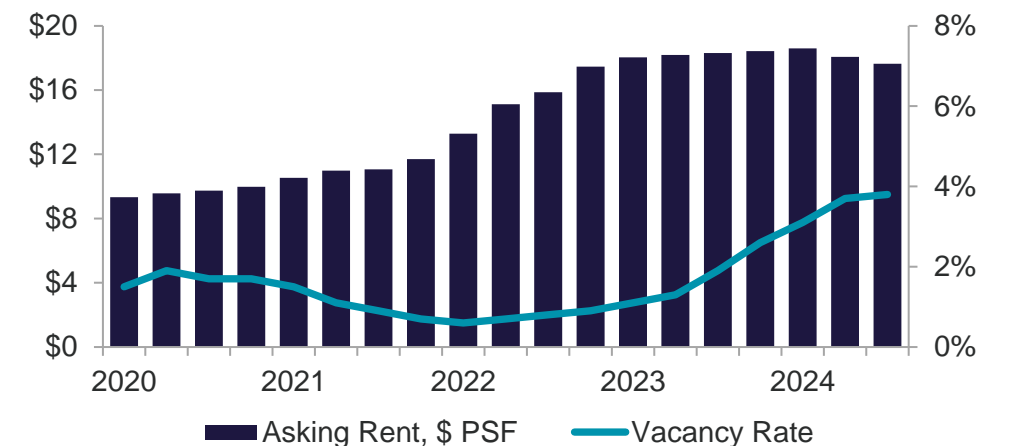
**RENT: SOFTENING RATES ACROSS MAJOR GTA MARKETS**

The rapid rent growth of 2021 and 2022, where the annual growth rate peaked at 49.3%, has gradually transitioned to a downward trend. In the past quarter, the average net asking rent fell by 2.4%, decreasing from \$18.07 per square foot (psf) to \$17.64 psf. This marked the second decline of the year pushing the year-over-year (YOY) change to -3.7%, a trend not recorded in over 14 years. Most of the downward pressure came from older buildings, primarily those constructed before 1990, while reductions in new properties built after 2000 were rare, with only three recorded instances. Softening rental rates were widespread across the GTA, with all four major markets posting quarterly declines, led by the West market, which has registered four consecutive quarters of falling rents.

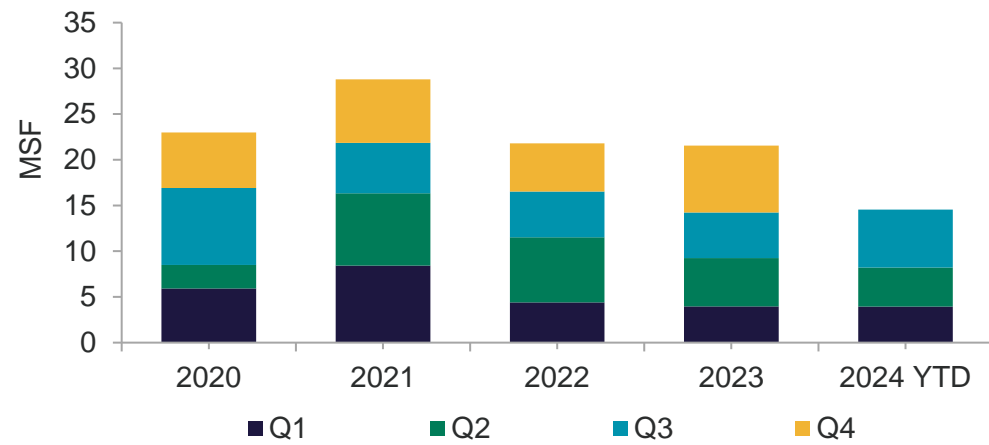
**SPACE DEMAND / DELIVERIES**



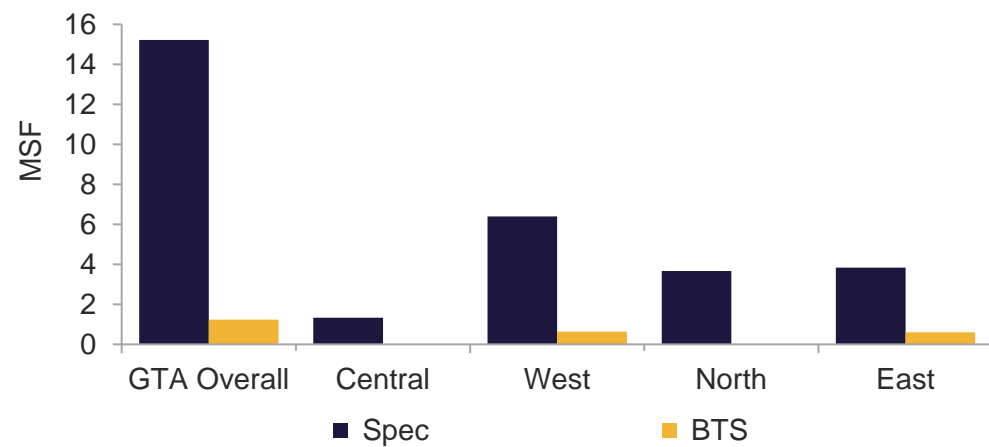
**OVERALL VACANCY & ASKING RENT**



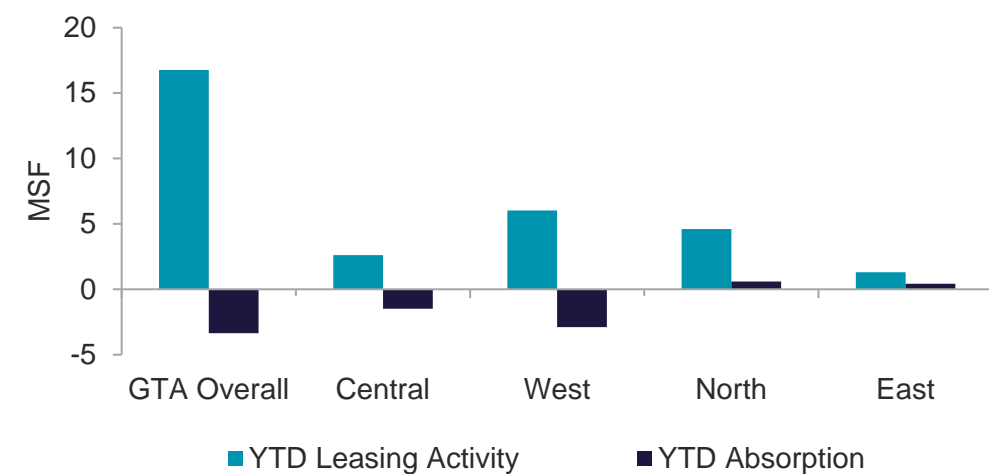
OVERALL LEASING ACTIVITY



UNDER CONSTRUCTION



YTD LEASING ACTIVITY AND ABSORPTION BY MARKET



STRONG LEASING AND SALES BOLSTER MARKET

This quarter, demand experienced a notable upswing as new leasing activity surged to 6.3 million square feet (msf), the second-highest result in two years. The 2.0 msf QOQ jump propelled the year-to-date total to 14.5 msf, surpassing last year's performance by 249,000 sf. It was an active quarter, especially in the larger market segment, where the top five transactions, each over 150,000 sf, accounted for nearly a quarter of all new leases. Sales activity also rebounded from a two-year low last quarter, reaching 5.2 msf by quarter end. The largest transaction in the quarter was a 650,000-sf deal completed by Kruger Packaging at 4680 Garrard Road, Building A, which pushed leasing activity in the GTA East market to a two-year high of 981,000 sf.

CONSTRUCTION PIPELINE EASING AS PRELEASING SLIPS

An additional 1.8 msf of new supply was added to the inventory this quarter, with 1.2 msf still vacant. Preleasing in the active construction pipeline remained below historic norms, currently at 32.6%, bringing the quarterly average of 36.0% this year, down sharply from 85.0% during the 2021-2022 boom.

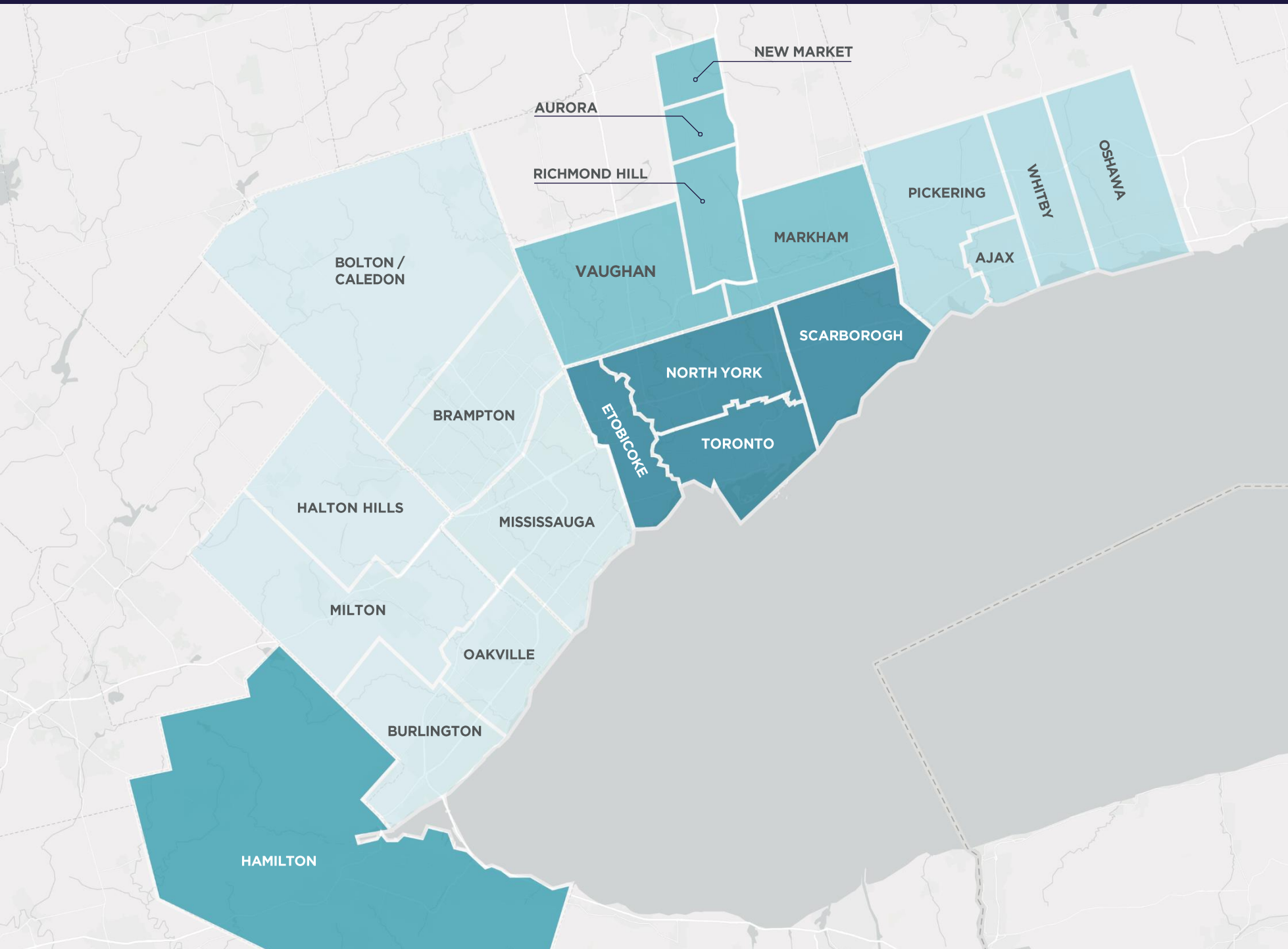
The construction pipeline has shown signs of slowing, with a quarterly average of 16.1 msf —down from 18.3 msf in 2022 and 19.2 msf in 2023. GTA West remains the most active development zone, with 7.0 msf currently underway, accounting for 42.7% of the pipeline. The GTA East follows, contributing 4.2 msf, or 26.9% of ongoing construction. Speculative projects dominate the market, representing 92.5% of developments.

ABSORPTION: OVERALL MARKET PICTURE REMAINS MIXED

Absorption made a significant comeback in Q3 2024, surging to 1.1 msf after plummeting to a 14-year low in the previous quarter and enduring four consecutive quarters of negative absorption. While this represented the strongest level since late 2022, the overall market picture remains mixed. Demand has softened since the second half of 2023, and with annual new supply nearing a 25-year high over the past two years, total absorption for 2024 has now reached just over a ten-year low of negative 3.3 msf. The quarterly rebound can be partly attributed to the recognition of preleasing in the 1.8 msf of new supply added, along with improved leasing fundamentals. Leading the charge, GTA East recorded a two-year high of 809,000 sf in net positive absorption, largely due to strong leasing activity, while GTA North followed with 586,000 sf.

OUTLOOK

As demand remains soft, preleasing activities decline, and new developments continue to flood the market, vacancy rates are expected to trend upward in the coming year. However, demand for modern, functional buildings will likely remain steady, driven by occupiers' preference for high-quality spaces that enable operational efficiencies. This sustained demand is expected to support higher asking lease rates for newer buildings, even as broader market trends show signs of softening.



GTA UNDER CONSTRUCTION



**16.4 MSF**

TOTAL UNDER CONSTRUCTION SF



**12.9 MSF**

TOTAL AVAILABLE SF

SPECULATIVE



**15.2 MSF**

TOTAL SPECULATIVE UNDER CONSTRUCTION SF



SPEC BUILDINGS ACCOUNT FOR

**92.5%** OF TOTAL CONSTRUCTION

BUILT-TO-SUIT



**1.2 MSF**

TOTAL SF BTS UNDER CONSTRUCTION



BTS BUILDINGS ACCOUNT FOR

**7.5%** OF TOTAL CONSTRUCTION

	HAMILTON	GTA WEST	GTA NORTH	GTA CENTRAL	GTA EAST
VACANCY RATE	2.6%	5.2%	2.3%	2.6%	3.7%
ABSORPTION YTD	58,880 SF	-2,897,166 SF	591,016 SF	-1,482,749 SF	426,351 SF
ASKING NET AVG RENT (PSF)	\$14.42	\$18.10	\$17.91	\$16.87	\$14.96
NEW SUPPLY YTD	964,508 SF	4,675,894 SF	1,178,868 SF	157,710 SF	914,493 SF
UNDER CONSTRUCTION	569,248 SF	7,025,626 SF	3,663,351 SF	1,330,184 SF	4,428,543 SF

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT PSF*	OVERALL WEIGHTED TMI PSF	OVERALL WEIGHTED ASKINGSALE PRICE PSF
GTA Central	222,383,053	5,694,224	2.6%	-33,138	-1,482,749	1,330,184	157,710	\$16.87	\$4.26	\$407.12 **
GTA West	389,394,500	20,055,778	5.2%	-301,644	-2,897,166	7,025,626	4,675,894	\$18.10	\$4.04	\$534.26 **
GTA North	162,175,759	3,680,612	2.3%	586,095	591,016	3,663,351	1,178,868	\$17.91	\$4.25	\$523.98 **
GTA East	52,337,401	1,923,549	3.7%	809,455	426,351	4,428,543	914,493	\$14.96	\$4.04	\$444.27 **
Hamilton	54,620,007	1,399,307	2.6%	17,619	58,880	569,248	964,508	\$14.42	\$4.05	\$294.47
<b>SUBURBAN TOTALS</b>	<b>603,907,660</b>	<b>25,659,939</b>	<b>4.2%</b>	<b>1,093,906</b>	<b>-1,879,799</b>	<b>15,117,520</b>	<b>6,769,255</b>	<b>\$17.84</b>	<b>\$4.07</b>	<b>\$520.52 **</b>
<b>GTA TOTALS</b>	<b>826,290,713</b>	<b>31,354,163</b>	<b>3.8%</b>	<b>1,060,768</b>	<b>-3,362,548</b>	<b>16,447,704</b>	<b>6,926,965</b>	<b>\$17.64</b>	<b>\$4.11</b>	<b>\$475.53 **</b>

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

\*\* Asking sale price based primarily on industrial condos \$psf

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
4680 Garrard Road/Bldg A	Whitby	Kruger Packaging	650,484	Direct
270 Spinnaker Way	Vaughan	Lucid Corp.	216,377	Direct
7939 Keele Street	Vaughan	Priority Wire and Cable	203,690	Direct
95 Bridgeland Avenue	North York	Motorcade Industries Ltd	185,846	Sublease
121 Thirtieth Street	Etobicoke	Purolator Inc.	173,714	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
8450 Boston Church Road	Milton	SP Copper Property Buyer Inc. / Prologis Canada	1,335,030	\$361,000,000 / \$270.41
1 Van Der Graaf Court	Brampton	1 Vdg Inc. / 2303573 Ontario Inc	102,205	\$36,850,000 / \$360.55
40 Commander Boulevard	Scarborough	Dream Summit Industrial / EM Dynamics	50,526	\$17,178,840 / \$340.00

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
6750 Campbellville Road/Bldg 1	Milton	Vacant	295,764	Mesa Properties Inc
3560 Wyecroft Road/Bldg 2	Oakville	Vacant	208,000	Burloak-Wyecroft Road LP
469 Great Lakes Boulevard/Ph 2	Oakville	Vacant	179,062	Michigan 2 Nominee Inc

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