

Challenges continue for tenants seeking industrial space in Greater Toronto Area (GTA)

Q1 2022 closed with historically low vacancy rates and increasing net asking rental rates in the GTA. A brief reprieve in momentum for retail and office real estate asset classes partially attributed to lockdown measures at the beginning of 2022 was not present in the industrial asset class. Tenants looking for space continued to encounter limited options. For many approaching near-term lease expiries, compromising on desired facility specifications has become a necessity. Expectations for the industrial market in the short-to-midterm remain unchanged. Increasing land costs are expected to push net rental rates higher for new construction, while the supply-demand imbalance allows landlords to press rates higher for existing space in the short-to-mid term.

Net rental rates continue rapid pace of increase year over year, vacancy rates hit historic lows

Overall net asking rents in the Greater Toronto Area (GTA) were \$12.17 per square foot (psf) at the end of the quarter, a 18.6% increase compared to one year prior and a 4.1% increase compared to Q4 2021. Vacancy rates held historic lows of 0.9%, a decrease of 70 basis points (bps) from 1.6% in Q1 2021. In the GTA overall, approximately 13.2 million square feet (msf) are currently under construction, however this is not yet expected to have an impactful near-term effect on market fundamentals.

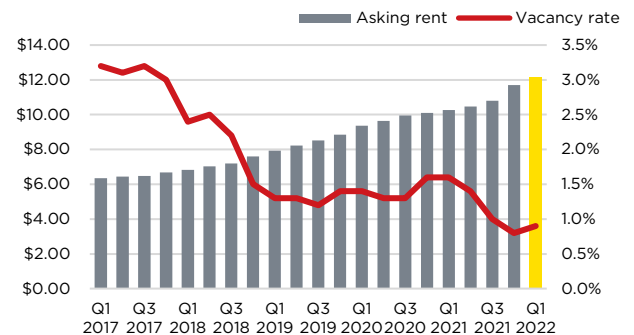
Third-Party Logistics continues to drive leasing demand, Soneil Investments an active buyer in the quarter

Notable leases in the quarter include logistics companies Syncreon leasing of 374,000 sf at Carterra's 15 Bramalea Road in Brampton and Bolt Logistics' lease of 287,000 sf at 51 Mobis Drive in Markham. In sale transactions, Soneil Investments was an active purchaser in the quarter, with the approximately \$60M purchase of 275,000 sf at 8301 Keele Street and \$43.25M purchase of 205,000 sf at 1055 Clark Boulevard.

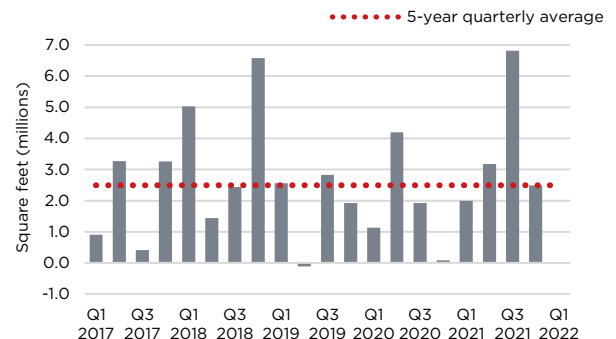
KEY STATISTICS

	Q1 2021	Q1 2022	y-o-y Change
Inventory	844.7 MSF	850.7 MSF	▲
Vacancy Rate	1.6%	0.9%	▼
Quarterly Net Absorption	2.0 MSF	0.0 MSF	▼
Under Construction	12.7 MSF	13.2 MSF	▲
Deliveries	2.3 MSF	0.4 MSF	▼
Asking Rental Rate	\$10.26	\$12.17	▲

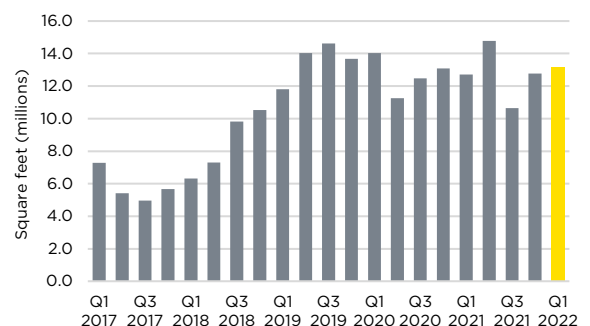
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Rental rates are expected to continue to rise in the short-to-midterm as demand significantly outpaces supply
- The wave of new development, with 13.2 msf currently under construction, is not yet expected to provide meaningful rental rate relief for tenants
- Fierce competition for space will continue to require decisive and creative tenants and tenant representation in effectively satisfying tenants' real estate needs through the tightening market

BY THE NUMBERS

13.2M

square feet under construction, as supply remains constrained

18.6%

asking rent growth over the past 12 months

0.9%

overall vacancy, maintaining a historic low

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Syncreon	374,000	15 Bramalea Road	New	Peel	Carttera
Bolt Logistics	287,000	51 Mobis Drive	New	Toronto North	Fiera Properties, Berkshire Axis
D&H Distributing	253,000	6370 Belgrave Road	New	Peel	Orlando Corporation
Nippon Express Canada	236,000	6250 Edwards Boulevard	Renewal	Peel	Orlando Corporation
Ship Hero Fulfilment	236,000	5900 14 th Avenue	New	Toronto North	Summit Industrial Income REIT

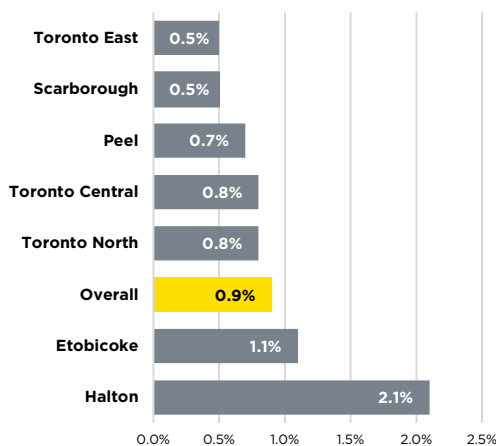
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Hullmark, BentallGreenOak	265,000	250 Bowie Avenue, 670 & 680 Caledonia Road	\$100,000,000	Toronto Central	Reznick Carpets, 250 Bowie Holdings Inc.
Soneil Investments	275,000	8301 Keele Street	\$59,590,000	Toronto North	8301 Keele Street Holdings Inc.
Dass Metal Products	196,000	370-372 New Enterprise Way	\$45,000,000	Toronto North	Private Investor
Pure Industrial	220,000	1120 Birchmount Road	\$44,700,000	Scarborough	New-Can Realty
Soneil Investments	205,000	1055 Clark Boulevard	\$43,250,000	Peel	Private Investor

Source: Savills Research

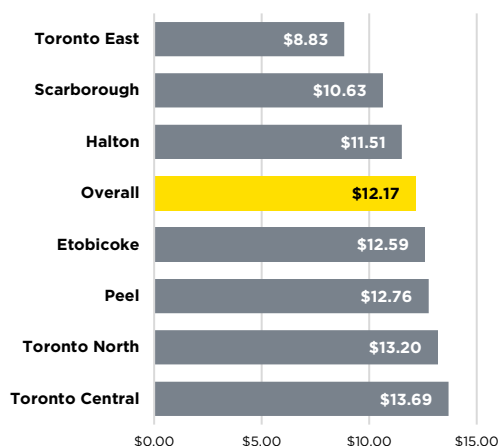
VACANCY RATE COMPARISON

Toronto Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)

Toronto Industrial Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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