

# Toronto

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## New developments continue to break ground, potentially disrupting market conditions

Toronto saw a continued rise in asking rates with a 20% year-over-year climb. This, combined with a very modest vacancy increase, signals strong market fundamentals and a tough market for occupiers. Toronto remains an attractive hub for logistics, e-commerce and warehousing for access to eastern Canada. However, looking past these familiar metrics, a different picture of the industrial market arises.

### Net absorption hits five-year low

With a modest number of new deliveries in the market, Toronto has experienced a remarkably low net absorption for this quarter, falling by 98% year-over-year. This signals a general slowdown in leasing activity in the market. This could be a result of several factors, including increases in asking rental rates or the limited amount of high-quality vacant built-out space. A general market slowdown and uncertainty about future economic conditions globally also is weighing down occupiers and landlords alike.

### New construction boosts market activity

With global and economic uncertainty, Toronto remains in a unique position as developers continue to bet on the local market and continued high demand. While vacancy remains very low, there is a good chance the new space will be absorbed. Multiple large business parks comprising multi-million square feet of new space have begun construction recently. This includes the Milton North Business Park and the James Snow Business Park located outside the core of Toronto in the Halton submarket. These new developments will primarily provide high-quality warehouse and logistics space for large tenants.

These developments under construction will mean a substantial increase in new deliveries in the upcoming year. If the market demonstrates continued strong demand, net absorption will increase out of its current slump and asking rents and vacancy will remain roughly at their current levels. This would set Toronto apart from many similar markets regionally, which may struggle in 2023.

## Key Statistics

	Q1 2022	Q1 2023	Y-0-Y
Inventory	801.1 msf	806.5 msf	+5.4 msf
Vacancy Rate	0.9%	1.1%	+20 bps
Asking Rental Rate	\$13.54	\$16.54	+20.0%
Net Absorption	5.0 msf	0.1 msf	-4.9 msf
Under Construction	12.4 msf	26.7 msf	+14.3 msf
Deliveries	3.0 msf	0.8 msf	-2.2 msf

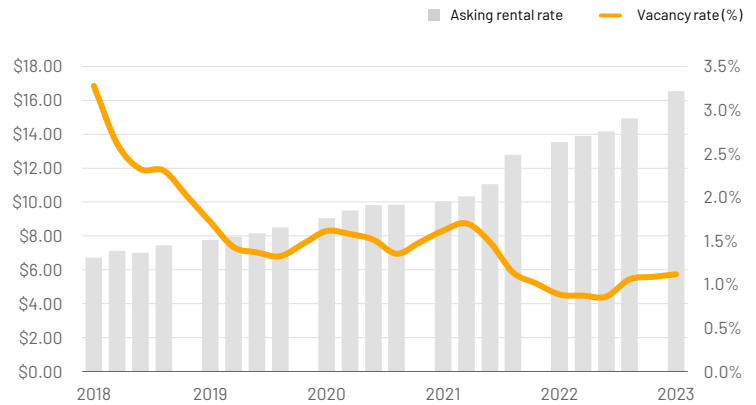
## Outlook

**01** Many large previously proposed new developments have begun construction this quarter

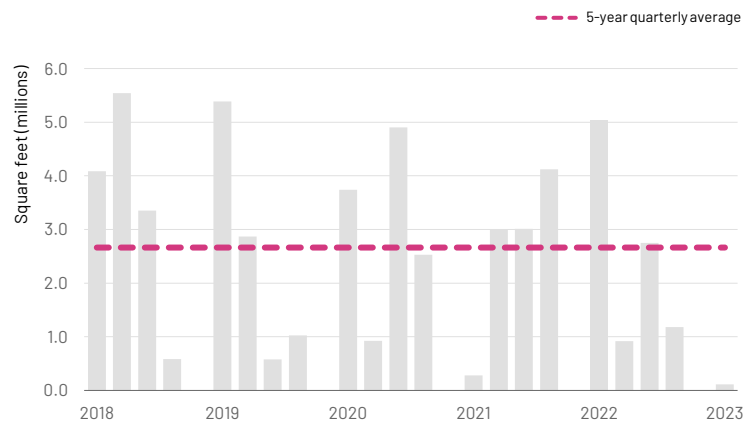
**02** Absorption is down significantly, signaling a general slowdown in leasing activity

**03** The trend of asking rates continuing to climb as vacancy remains low may be disrupted by a slowdown in the leasing activity and large quantities of new product entering the market

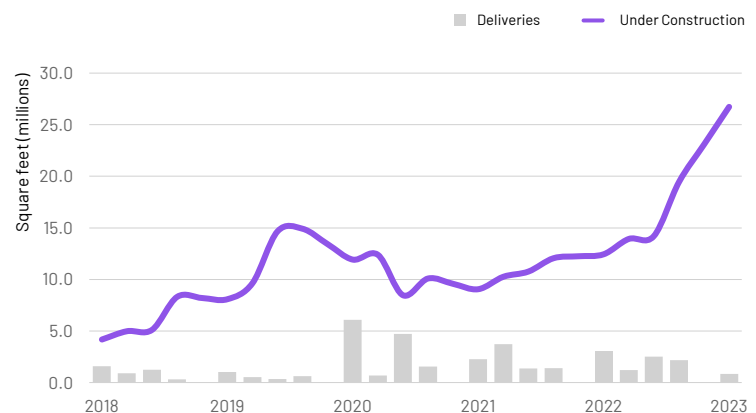
## Asking Rent and Vacancy



## Net Absorption



## Deliveries and Under Construction



## Top Leases

Source: Savills Research

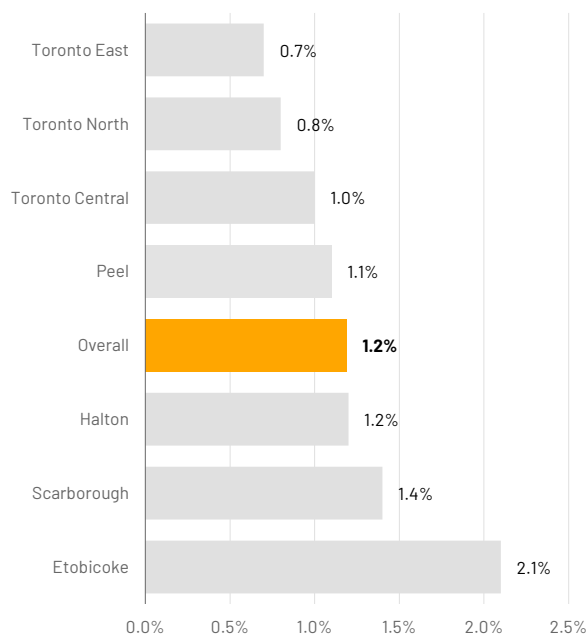
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Armour Transportation Systems	149,510	Peel	1965 Meadowvale Boulevard	New Lease	Logistics & Distribution/ 3PLs
Backyard Urban Farm Company	145,000	Etobicoke	10 North Queen Street	New Lease	Food Services
Confidential	127,000	Exit 7A/Trenton	65 Skyway Avenue	New Lease	Warehousing
Logistics Plus Inc.	107,000	Halton	65 Tyler Street	New Lease	Logistics & Distribution/ 3PLs
Floor Machine Store Inc.	103,166	Toronto North	325 Addison Hall Circle	New Lease	Retailer (Brick & Mortar)

## Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Dream REIT	8,277,640	Greater Toronto	63-Building Portfolio	\$3.9 B / \$474	Summit REIT
Crux Capital Corporation	231,311	Halton	1001 Corporate Drive	\$51.8 M / \$224	Associated Materials Inc.
Obsession Hardwood Floors	191,859	Peel	2150 Steele Avenue East	\$35.0 M / \$182	TD Asset Management
Imperial Manufacturing Group	123,000	Etobicoke	100 Guided Court	\$28.8 M / \$234	Norbel Metal
Sureflow Equipment Inc.	91,369	Halton	5010 North Service Road	\$20.8 M / \$228	1687817 Ontario Limited

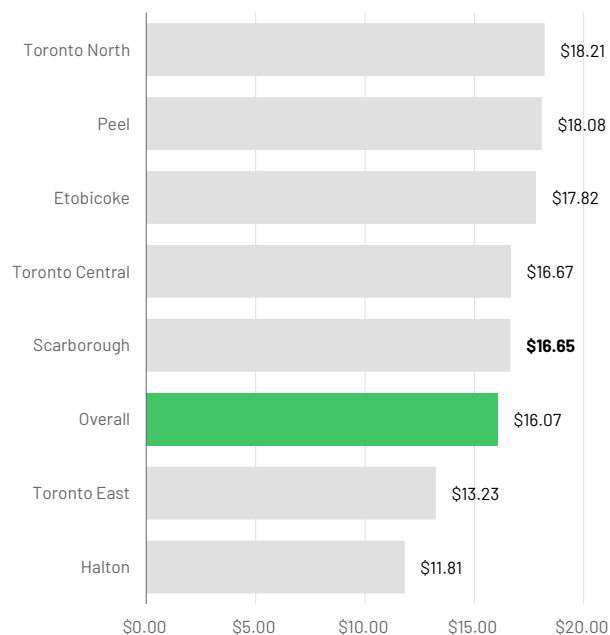
## Vacancy Rate Comparison (%)

TORONTO SUBMARKETS



## Rental Rate Comparison (\$/sf)\*

TORONTO SUBMARKETS



\*based on all classes of available inventory

## Toronto Q1 2023 - Industrial

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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 availability 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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