

Demand strong, rental rates rise as vacancy remains low in the Greater Toronto Area (GTA)

Despite an uncertain macroeconomic environment, Q2 2022 closed as it began, with historically low vacancy rates and increasing net asking rental rates in the GTA. New construction projects continue to progress, while not yet providing upward pressure on vacancy rates and tenants looking for space continued to encounter limited options. Expectations for the industrial leasing market in the short-to-midterm remain unchanged with net rental rates expected to continue moving higher for both new construction and existing space. Forecasts for the industrial sales market are characterized by uncertainty, as buyers assess the realities of rapidly rising interest in excess of cap rates that have yet to materially adjust.

Net rental rates continue rapid pace of increase year over year, vacancy rates remain historically low

Overall net asking rents in the Greater Toronto Area (GTA) were \$13.54 per square foot (psf) at the end of the quarter, a 32.0% increase compared to one year prior. Vacancy rates held historic lows of 0.9%, a decrease of 80 basis points (bps) from 1.7% in Q2 2021. In the GTA overall, approximately 14.0 million square feet (msf) are currently under construction. Broadly speaking, tenants focussing on new developments should expect to be faced with net asking rents well in excess of the overall rate in the GTA.

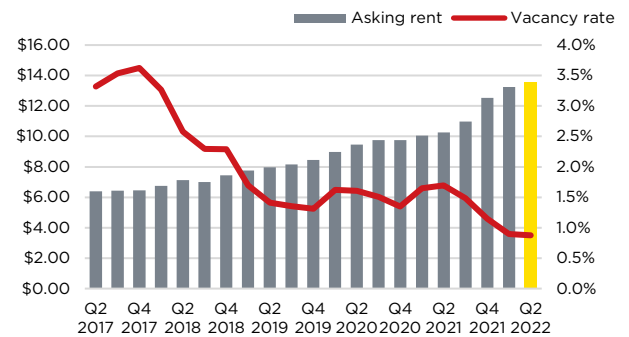
Notable leasing transactions spread across the GTA, Peel the focus of largest investment transactions in Q2

Notable leases in the quarter include Maersk's lease of 568,000 sf at Pure Industrial's 12333 Airport Road in Caledon and Global Industrial's lease of 333,600 sf at 2750 Morningside Avenue in Scarborough. Large sale transactions in the quarter include Crestpoint's \$244M purchase of 100 West Drive in Brampton and Triovest's \$53M purchase of 560 Hensall Circle in Mississauga, and Quadreal's \$48.8M purchase of 1590 South Gateway Road in Mississauga.

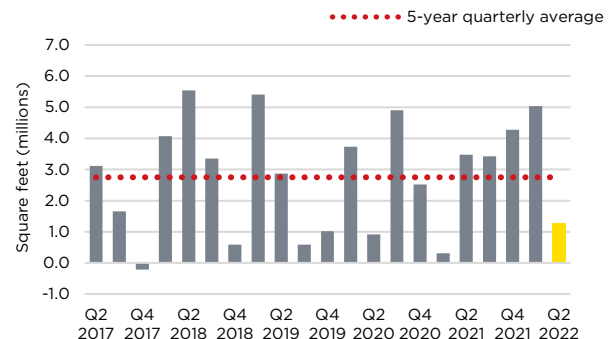
KEY STATISTICS

	Q2 2021	Q2 2022	y-o-y Change
Inventory	792.9 MSF	804.1 MSF	▲
Vacancy Rate	1.7%	0.9%	▼
Quarterly Net Absorption	3.5 MSF	1.3 MSF	▼
Under Construction	10.4 MSF	14.0 MSF	▲
Deliveries	3.7 MSF	1.2 MSF	▼
Asking Rental Rate	\$10.26	\$13.54	▲

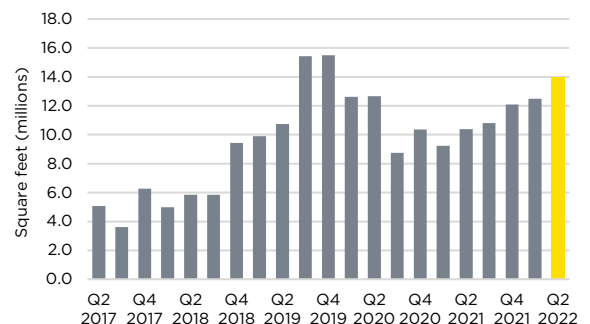
ASKING RENT AND VACANCY



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 14.0 msf currently under construction, is not yet expected to provide meaningful rental rate relief for tenants
- As interest rates continue to rise, sales price growth is expected to slow in the mid-term as buyers reassess investment metrics.

BY THE NUMBERS

14.0M

square feet under construction, as supply remains constrained

31.8%

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
Maersk	568,000	12333 Airport Road	New	Peel	Pure Industrial
Global Industrial	333,600	2750 Morningside Avenue	New	Scarborough	Oxford Properties
Kinectrics	301,600	800 Kipling Avenue	Renewal	Etobicoke	Ontario Power Generation Inc.
Canadian Hospital Specialties Limited	188,000	1213 International Boulevard	New	Halton	Fengate Asset Management
DHL	130,600	3825 McNicoll Avenue	New	Scarborough	Prologis

Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Crestpoint Real Estate Investment	884,000	100 West Drive	\$244,000,000	Peel	Owens Illinois Inc.
Divco	98,000	3350, 3360 & 3370 Wolfedale Road	\$53,800,000	Peel	Rockett Realty Limited
Triovest	211,000	560 Hensall Circle	\$53,000,000	Peel	C.J. Graphics Inc.
Forgestone Capital	411,000	144 & 155 First Avenue	\$52,500,000	Toronto East	First Oshawa Holdings Inc.
Quadreal	195,000	1590 South Gateway Road	\$48,800,000	Peel	Insurance Corporation of British Columbia

Source: Savills Research

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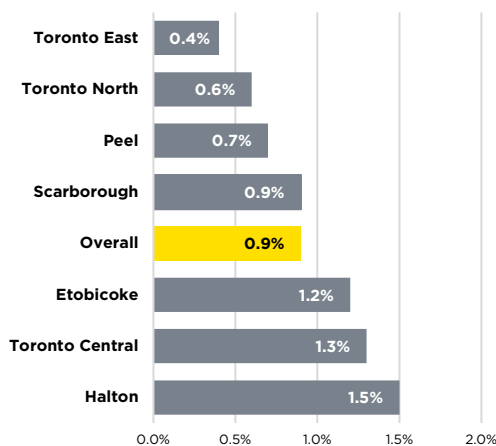
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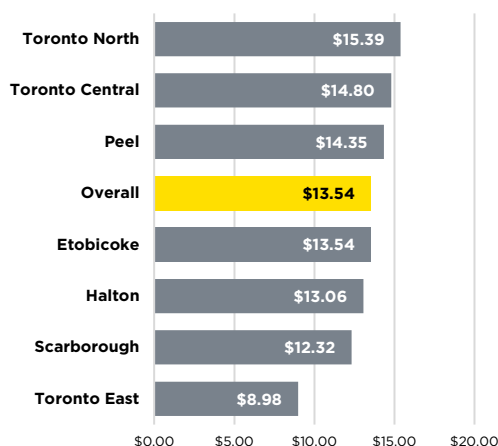
VACANCY RATE COMPARISON

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.

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