

Toronto

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Market fundamentals remain strong despite continued uncertainty

With consistently increasing interest rates and vague fear of a recession on the horizon, the industrial sector in Toronto is remaining relatively resilient. With regularly rising asking rates and 19.5% year-on-year growth alongside low vacancy, the market remains very tight and landlord favored. Industries like logistics and e-commerce are seeing continued growth, and Toronto remains a desirable market for these businesses to be located. A slight slowdown is likely to come soon, but that may help open up the otherwise prohibitively expensive market to smaller businesses.

New deliveries keep absorption at average levels

This quarter saw many new deliveries in the market, far exceeding the average and almost reaching a five-year high. This is a result of much of the pandemic-demand-driven construction completing and reaching market. It's interesting to compare deliveries with absorption, which also grew from last quarter. This is a positive indicator of the strength of Toronto's market, showing that most of the new space being added to market is being leased quickly instead of sitting vacant.

Construction starts slowing as demand begins to be met

With global and economic uncertainty, it is not surprising to see long-term investments, such as developing new buildings, slow. While current market circumstances are favorable to developers, this is not a guarantee conditions will be the same in a couple of years when any newly started development would come to market. With multiple large developments, such as the Milton North Business Park and the James Snow Business Park located outside the core of Toronto in the Halton submarket, prospective developers may be waiting for these to complete to gauge the market. There is a very healthy development pipeline in the near term that will serve as a good signal for both prospective developers and tenants.

Key Statistics

	Q2 2022	Q2 2023	Y-0-Y
Inventory	802.2 msf	812.0 msf	+9.7 msf
Vacancy Rate	0.9%	1.4%	+50 bps
Asking Rental Rate	\$13.90	\$16.91	+19.54%
Net Absorption	0.9 msf	2.5 msf	+1.6 msf
Under Construction	13.9 msf	26.4 msf	+12.5 msf
Deliveries	1.2 msf	4.8 msf	+3.6 msf

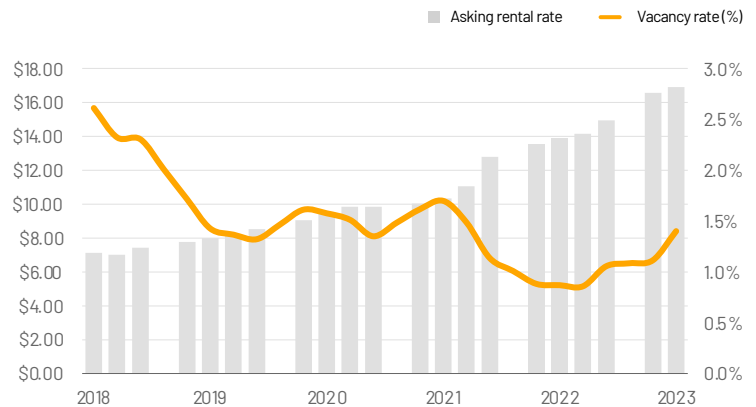
Outlook

01 Asking rates and vacancy rates will likely continue to see slowed growth or may begin to flatten in the next quarter due to economic uncertainty

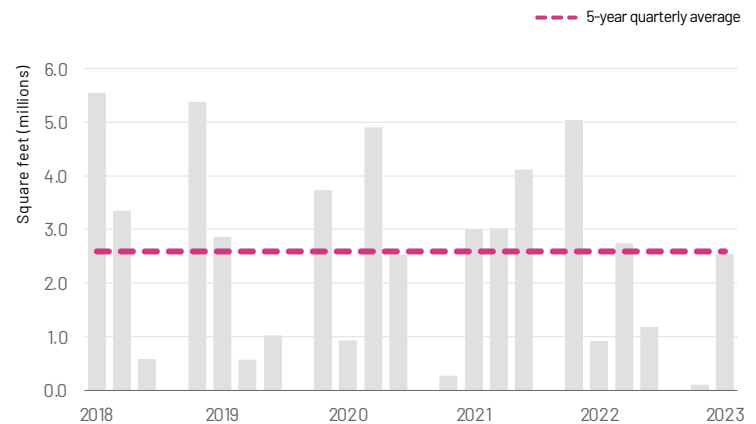
02 Absorption has climbed from a five-year low back to average levels this quarter and is likely to continue to remain high as large deliveries continue

03 The number of buildings under construction has begun to decrease due to increasing interest rates and construction costs and is likely to continue to fall as developers rethink their strategy

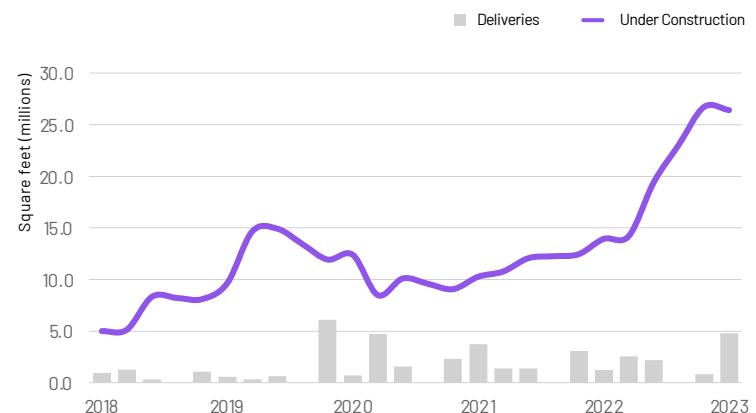
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

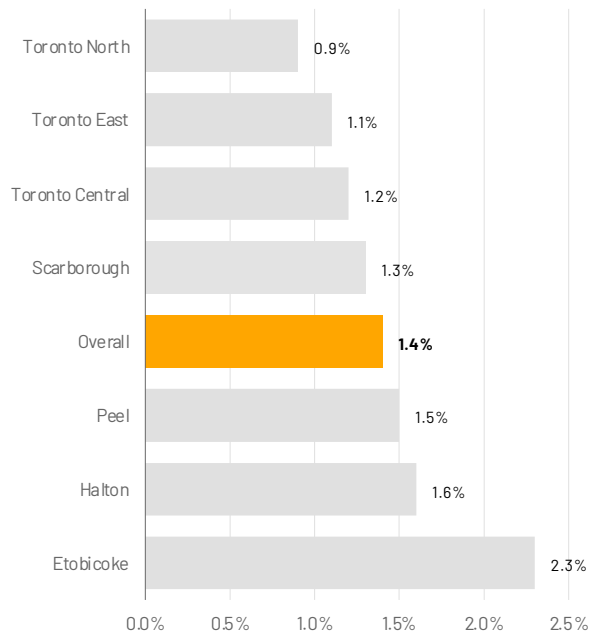
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Data Communications Management	143,281	Toronto East	1100 Thornton Road South	New Lease	Communications / Media / Tech
ICNT Logistics	82,252	Peel	1195 Clark Boulevard	New Lease	Logistics & Distribution / 3PLs
OEP Pioneer Holding Corp.	67,093	Halton	5280 Mainway Way	New Lease	Retailer
Ameri-Connect Freight Services	49,345	Peel	4 Kenview Boulevard	New Lease	Logistics & Distribution / 3PLs
Hoiman	32,337	Toronto North	50 Vogell Road	New Lease	Automotive

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Pure Industrial	754,704	Halton	8574 Boston Church Road	\$176.0 M / \$233.2	TD Asset Management
Canada Post	326,505	Halton	8020 Fifth Line N	\$73.0 M / \$233.6	IG Wealth Management
BVD Petroleum	131,420	Halton	8069 Lawson Road	\$54.2 M / \$412.4	G.A Masonry
Planet Paper Box	97,270	Toronto North	2821 Langstaff Road	\$30.2 M / \$310.5	Private Individual
Takol Real Estate Inc.	75,675	Etobicoke	1040 Martin Grove Road	\$24.5 M / \$323.75	Ben Walker Limited

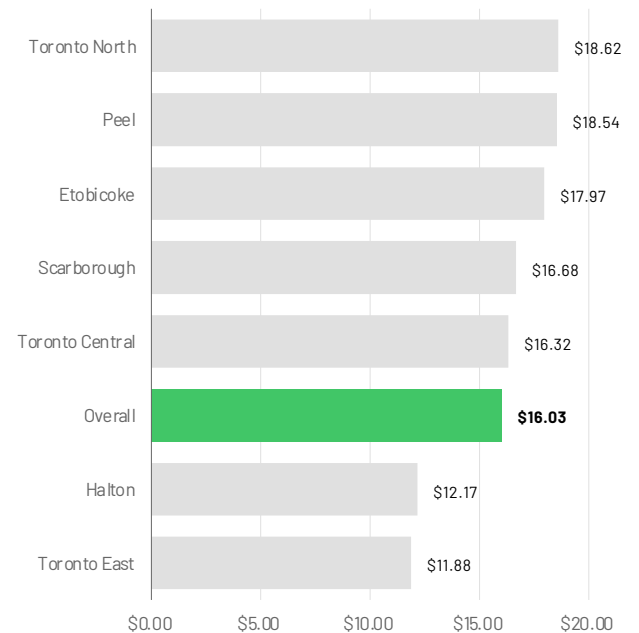
Vacancy Rate Comparison (%)

TORONTO SUBMARKETS



Rental Rate Comparison (\$/sf)*

TORONTO SUBMARKETS



*based on all classes of available inventory

Toronto Q2 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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