MARKET IN MINUTES
Savills Research

Q3 2022 - Industrial

Toronto

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In an uncertain macroeconomic environment, rental rates continue to rise in the Greater Toronto Area (GTA)

Despite the continuing uncertainty of the macroeconomic environment, Q3 2022 maintained historically low vacancy rates, while net asking rental rates continued to rise in the GTA. The narrative of the preceding quarters remained unchanged, with new construction projects progressing, while not yet providing upward pressure on vacancy rates. Tenants looking for space continued to encounter limited options, which is not expected to change anytime soon. In the industrial sales market, buyers and sellers alike are weary of interest rates forecasted to rise through the end of 2023. The impact of these monetary decisions and their ability to combat inflation remains unclear, but those with access to liquidity are expected to continue supporting development while increasing rental rates justify higher financing and construction costs.

Vacancy rates remain historically low as net rental rates reach new highs

Overall net asking rents in the GTA were $14.16 per square foot (psf) at the end of the quarter, a 26.7% increase compared to one year before. Vacancy rates held historic lows of 0.9%, a decrease of 60 basis points (bps) from 1.5% in Q3 2021 and flat quarter over quarter. Tenants focused on high clear height availabilities, predominantly found in new developments, should expect net rental rates ranging from the high $10s to low $20s psf. In the GTA overall, approximately 14.2 million square feet (msf) are under construction.

Notable leasing transactions spread across the GTA, Peel the focus of largest investment transactions, again in Q3

Notable leases in the quarter include Brimich Logistics and Packaging's lease of 568,000 square feet at 1330 Martin Grove Road in Etobicoke. Large sale transactions in the quarter include Pure Industrial's $92 million purchase of 153 Van Kirk Drive in Brampton and Summit Industrial Income REIT's $59 million purchase of 199 and 255 Longside Drive in Mississauga.

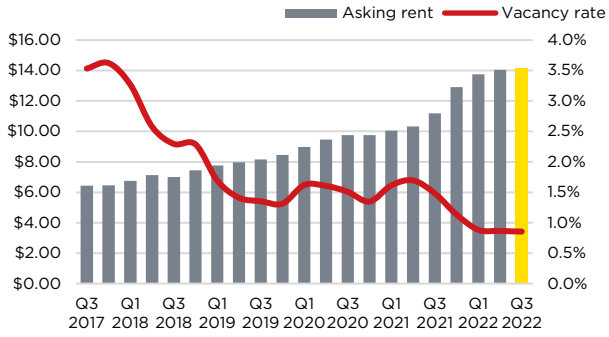
Outlook

- Rental rates are expected to continue rising in the near future as demand significantly outpaces supply
- The wave of new development, with 14.2 msf currently under construction, is not yet expected to provide meaningful rental rate relief for tenants
- As interest rates rise and liquidity becomes constrained, sales price growth is expected to slow in the mid-term as buyers reassess investment metrics

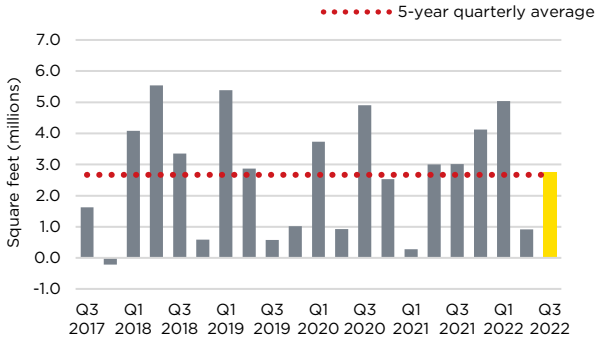
KEY STATISTICS

	Q3 2021	Q3 2022	y-o-y Change
Inventory	795.5 MSF	810.6 MSF	▲
Vacancy Rate	1.5%	0.9%	▼
Quarterly Net Absorption	3.0 MSF	2.7 MSF	▼
Under Construction	10.8 MSF	14.2 MSF	▲
Deliveries	1.4 MSF	2.5 MSF	▲
Asking Rental Rate	$11.17	$14.16	▲

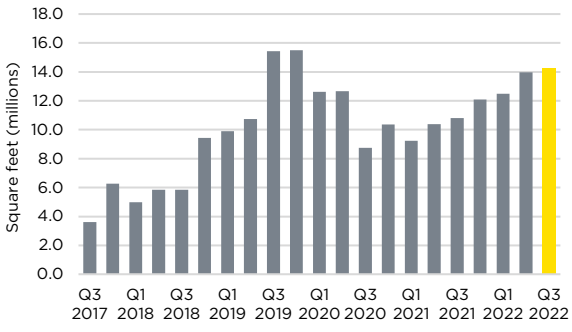
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

14.2M
square feet under construction, as supply remains constrained

26.7%
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
Brimich Logistics & Packaging	367,000	1330 Martin Grove Road	New	Etobicoke	Carttera Private Equities
Advantech Supply Chain Solutions	314,000	2175 Cornwall Road	New	Halton	H&R Real Estate Investment Trust
Lindstrom Solutions Group	105,000	34 Speirs Giffen Ave	New	Peel	H&R Real Estate Investment Trust
Weston Forest	101,000	1485 Speers Road	New	Halton	Parkit Enterprise
Swegon Inking	90,000	3 Keensford Court N	New	Toronto East	Triovest Realty Advisors

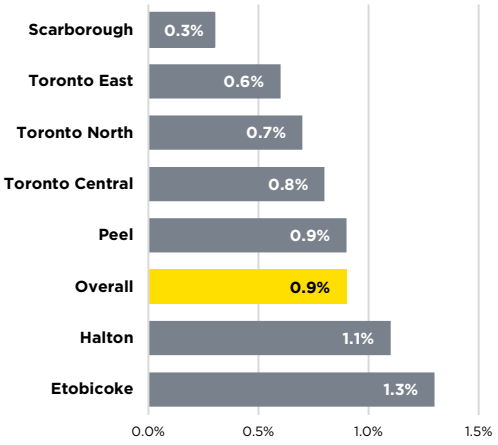
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Pure Industrial	248,000	153 Van Kirk Drive	$92,000,000	Peel	ITPDS Limited
Summit Industrial Income REIT	175,000	199 & 255 Longside Drive	$59,300,000	Peel	Mantoria Inc.
Northbridge Capital	241,000	140 Wendell Avenue	$44,500,000	Toronto Central	Mar-Risa Holdings Inc.
Private Investor	122,000	35 Precidio Court	$42,500,000	Peel	BentallGreenOak
Private Investor	160,000	6515 Kitimat Road	$31,200,000	Peel	The Pearl Group

Source: Savills Research

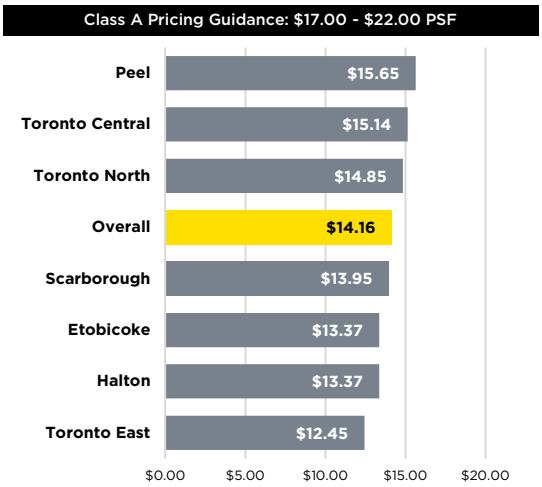
VACANCY RATE COMPARISON

Toronto Industrial Submarkets



RENTAL RATE COMPARISON ($/SF)*

Toronto Industrial Submarkets



*Based on all classes of available inventory

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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