

# Toronto

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## Industrial market metrics remain stable despite economic uncertainty

Despite continued economic uncertainty and concerns about a potential downturn, Toronto's industrial real estate market continues to show signs of good health. With new deliveries totaling 2.4 million square feet (msf), and only a minor climb of 10 basis points (bps) in vacancy to 1.5%, the market continues to demonstrate demand for new industrial space. This quarter has also seen an increase in asking rates, continuing an upward trend over the past 5 years. These metrics show that the outlook for the market is healthy, with continued high demand keeping vacancy low and rates increasing.

### Construction begins to slow as costs rise

The current space under construction has started to shrink from the market's all-time highs earlier this year. While this trend of decreasing construction has continued from the previous quarter, the 22.8 msf currently under construction is still significantly higher than last year's peak. This continued decline could result from many factors, but a crucial one is the increasing cost in terms of both labor and materials to build high-quality industrial space. Combined with sticky interest rates, many developers are having to reevaluate projects on a cost basis before starting work.

### Absorption remains positive but falls below 5-year average

While absorption has shrunk from last quarter, there may be a variety of reasons why this is the case. New product that delivers to the market is still regularly leasing before or right after completion as demand for new high-quality space remains high. This is the case with the 252,000-square-foot UPS lease in a new facility in Halton. This fall may come from negative absorption caused by downsizing and reduced demand for lower-quality space in higher-vacancy submarkets like Toronto East.

## Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	813.5 msf	818.3 msf	+ 4.8 msf
Vacancy Rate	1.1%	1.5%	+40 bps
Asking Rental Rate	\$14.93	\$17.54	+17.4%
Net Absorption	1.2 msf	1.7 msf	+0.5 msf
Under Construction	19.4 msf	22.8 msf	+3.4 msf
Deliveries	2.2 msf	2.4 msf	+0.2 msf

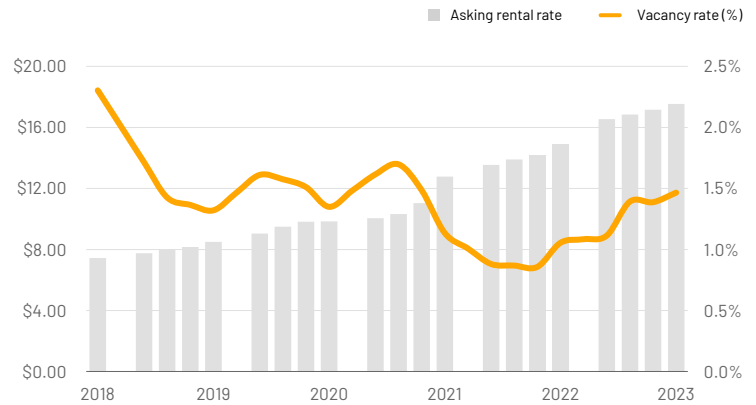
## Outlook

**01** Asking rates will likely continue to grow in the near term as demand remains strong despite economic headwinds

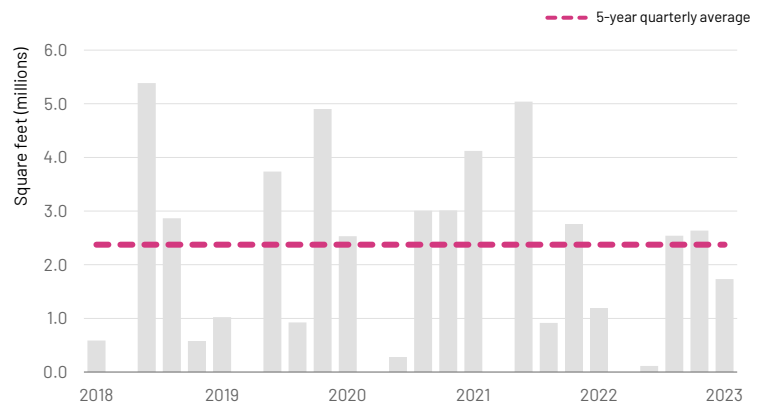
**02** New construction and deliveries may begin to slow as costs for developers continue climbing

**03** Absorption is likely to stabilize around the 5-year average as demand remains high for new quality industrial space

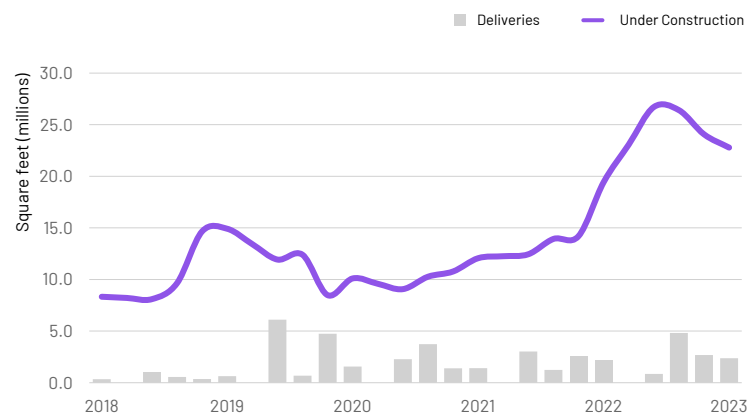
## Asking Rent and Vacancy



## Net Absorption



## Deliveries and Under Construction



## Top Leases

Source: Savills Research

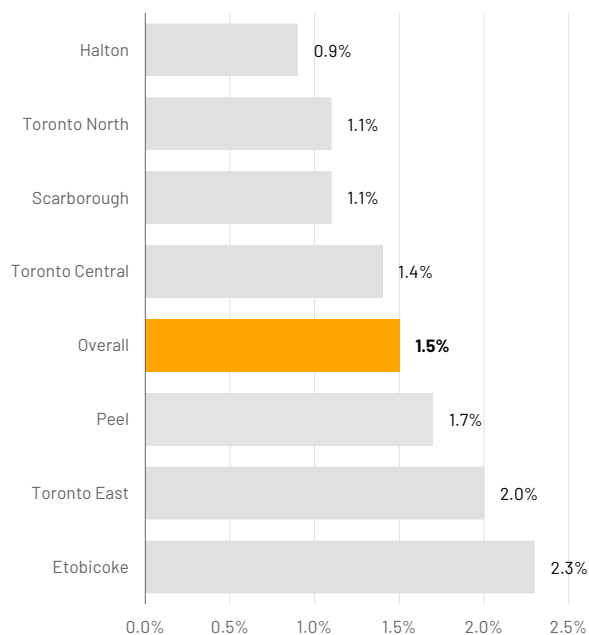
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Pepsi Co.	570,000	Halton	1890 Reading Crescent	New Lease	Food & Beverage
KOITI Tractors	252,000	Halton	6750 Fifth Lane	New Lease	Industrial Machinery & Supplies
United Postal Services (UPS)	252,000	Halton	6710 Fifth Line	New Lease	Logistics & Distribution/3PLs
Lear Corp Canada	108,500	Toronto East	660 Monarch Avenue	New Lease	Automotive
Process Products Limited	52,000	Toronto North	50 Locke Street	New Lease	Manufacturing

## Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Dream Industrial REIT	431,995	Toronto North	OMERS Canada Portfolio (2 Buildings)	\$88.9M / \$206	OMERS
Dream Industrial REIT	197,256	Peel	GWL Realty Portfolio (2 Buildings)	\$46.1M / \$234	GWL Realty Advisors
6380 Vipond Inc.	136,559	Peel	255 Biscayne Crescent	\$34.2M / \$251	Alpa Lumber
Shelborne Capital	336,178	Toronto Central	Olympia Tile Portfolio (2 Buildings)	\$31.0M / \$92	Olympia Tile
MATALCO Canada	120,000	Peel	850 Intermodal Drive	\$29.5M / \$246	Private

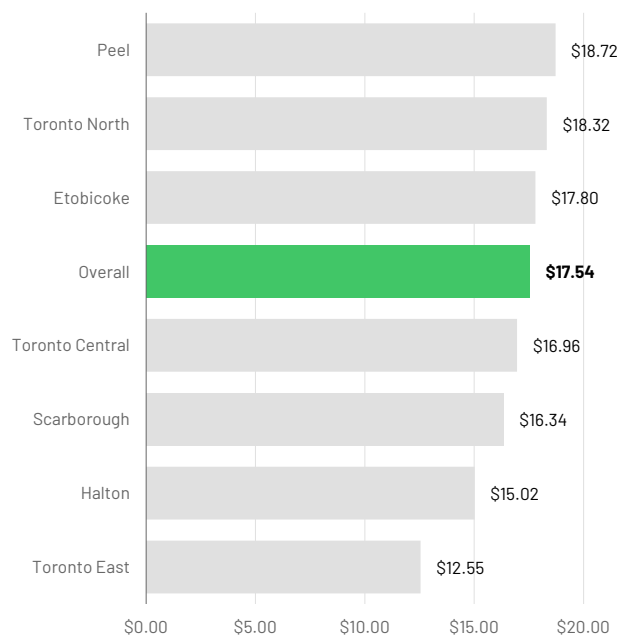
## Vacancy Rate Comparison (%)

TORONTO SUBMARKETS



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

TORONTO SUBMARKETS



\*based on all classes of available inventory

## Toronto Q4 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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