

Toronto

Powered by Savills Research & Data Services

Industrial market rebalances as vacancy hits five-year high and construction slows

The Toronto industrial market is undergoing a rebalancing following two years of robust development. Vacancy rates rose for the ninth consecutive quarter, reaching a five-year high of 3.1% by year-end—a 160-basis-point (bps) increase compared to the previous year. Year-end deliveries exceeded 18.9 million square feet (msf), nearly 7.2 msf above the five-year average. However, this growth cycle appears to be winding down, as the Toronto construction pipeline has contracted by over 58.5% compared to last year, leaving just 9.4 msf still under development. This reduction places the current pipeline below the five-year average level of 14.7 msf, signaling the end of the pandemic-era construction boom.

Rents stabilize amid new supply but tenant demand remains steady
Rents stabilized this quarter as the influx of new supply entered the market, declining 2.0% from their five-year peak of \$17.67 in the first quarter to \$17.32 at year-end. Tenant demand remained moderate, 2024 recorded over 6.4 msf of positive net absorption, strong performance considering net absorption has been slowing over the past few years. Peel stood out this quarter among retailers and third-party logistics firms, securing notable leases, including a 680,000-square-foot (sf) renewal by Winners at the American Distribution Center and a new 316,000-sf lease by Lecangs at the Heart Lake Business Park.

Prologis strengthens presence in Toronto with high-value sale-leaseback acquisitions
Prologis' significant capital markets activity in Toronto this year highlights the increasing investor focus on high-quality, fully leased industrial assets. In Q4, Prologis acquired a 1.6-msf facility in Brampton from Canadian Tire for approximately \$260 million through a sale-leaseback transaction. This followed their Q3 acquisition of a 1.3-msf Class A facility, also via sale-leaseback, from Sycamore Partners for \$361 million following their \$400 million acquisition of RONA's Canadian operations from Lowe's in Q1 2023.

Key Statistics

	Q4 2023	Q4 2024	Y-0-Y
Inventory	818.8 msf	839.1 msf	+20.3 msf
Vacancy Rate	1.5%	3.1%	+160 bps
Asking Rental Rate	\$17.54	\$17.32	-1.2%
Net Absorption	1.6 msf	0.0 msf	-1.6 msf
Under Construction	22.5 msf	9.4 msf	-13.2 msf
Deliveries	2.4 msf	4.5 msf	+2.1 msf

Outlook

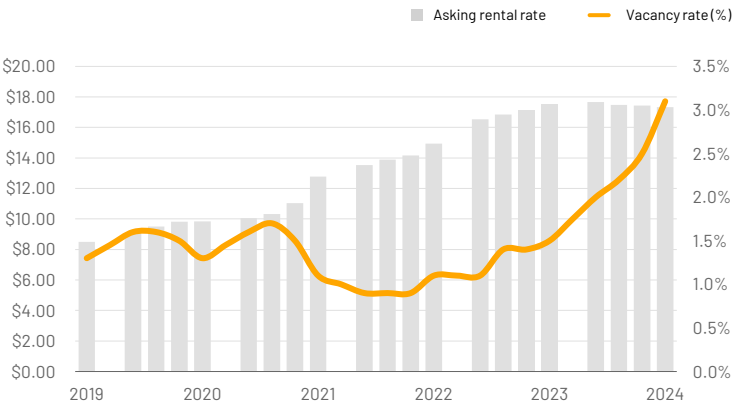
- 01

With a construction pipeline of over 9.4 msf and a five-year average net absorption of 9.0 msf, vacancy is expected to remain elevated but should not increase further in 2025
- 02

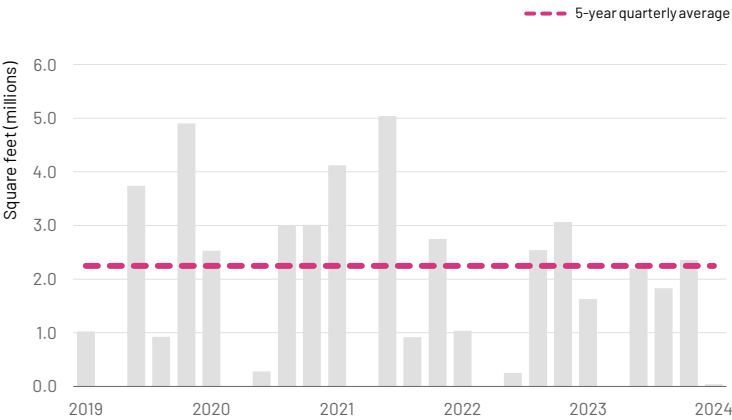
Given recent supply trends rent growth is unlikely in 2025, occupiers will take advantage of an expanded range of space options on the market
- 03

Uncertainty surrounding the potential imposition of a 25.0% tariff on Canadian goods by the Trump Administration could dampen leasing demand in the short term

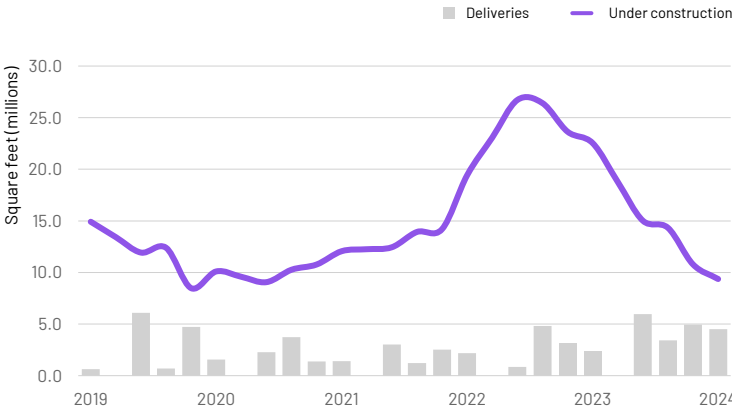
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

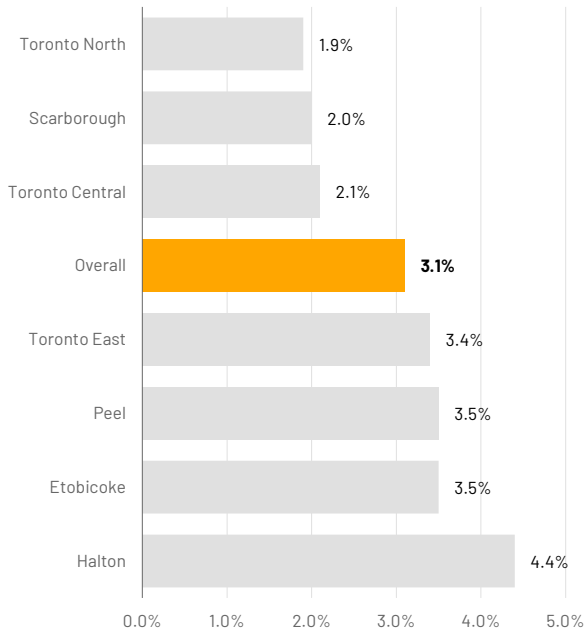
Tenant	Size (sf)	Submarket	Address	Transaction Type	Industry
Winners	679,142	Peel	3185 American Drive	Renewal	Retailer (Brick & Mortar)
Kimberly-Clark	514,345	Halton	2994 Peddie Road	Renewal	Consumer Goods
Lecangs	316,452	Peel	10 Newkirk Court	New Lease	Logistics & Distribution/3PLs
Hello Fresh	279,243	Peel	20 Ironside Drive	New Lease	E-commerce
Alliance Labeling	240,121	Peel	20 Hereford Street	Sublease	Paper & Packaging

Top Sales

Owner/Buyer	Size (sf)	Submarket	Address	Price / \$/sf	Seller
Prologis	1,615,407	Peel	2111 Steeles & 10-12 Melanie Drive	\$258.1M / \$160	Canadian Tire
TAS	290,000	Scarborough	1500 Birchmount Road	\$60.5 M / \$322	Ontario Superior Court
Shashi Foods Inc	128,235	Toronto North	210 Great Gulf Drive	\$48.7 M / \$380	Dream Industrial REIT
United Group of Companies	92,634	Peel	3210 Airway Drive	\$41.0 M / \$443	Ironwood Bay
Beswick Group of Companies	84,266	Toronto North	1531 Creditstone Road	\$32.2 M / \$382	Matcom

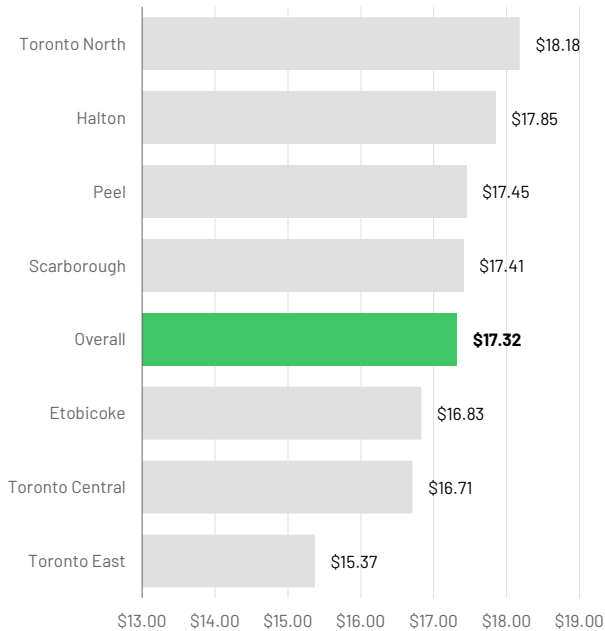
Vacancy Rate Comparison (%)

TORONTO SUBMARKETS



Rental Rate Comparison (\$/sf)*

TORONTO SUBMARKETS



*based on all classes of available inventory

Toronto Q4 2024 - Industrial

For more information, please contact us:

savills.ca

Savills Toronto
181 Bay Street
Suite 2810
Toronto, ON M5J 2T3
+1 416 480 0745

James Cataldo
Research Analyst,
Industrial
jcataldo@savills.us

Mark Russo
Vice President,
Industrial Research
mrusso@savills.us

Gregg Healy
Executive Vice President,
Head of Industrial Services
ghealy@savills.us

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.

Copyright © 2025 Savills

