

Toronto



Greater Toronto Area (GTA) industrial market continues to exude strength amidst ongoing uncertainty of COVID-19.



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Through Q3 2020, the industrial asset class has continued to prove the most robust. Asking rents have continued higher, vacancy has remained low, and leasing activity has increased following a slow second quarter. All market participants, however, do not agree on the direction of market fundamentals. A gap in pricing expectations between tenants and buyers and landlords and sellers persisted in Q3 2020, as COVID-19 continues to cloud visibility into the future. As vacancy remains at historically low levels and aggregate demand is not yet deterred by an unclear future, it is expected that rental rate growth will continue its positive trajectory.

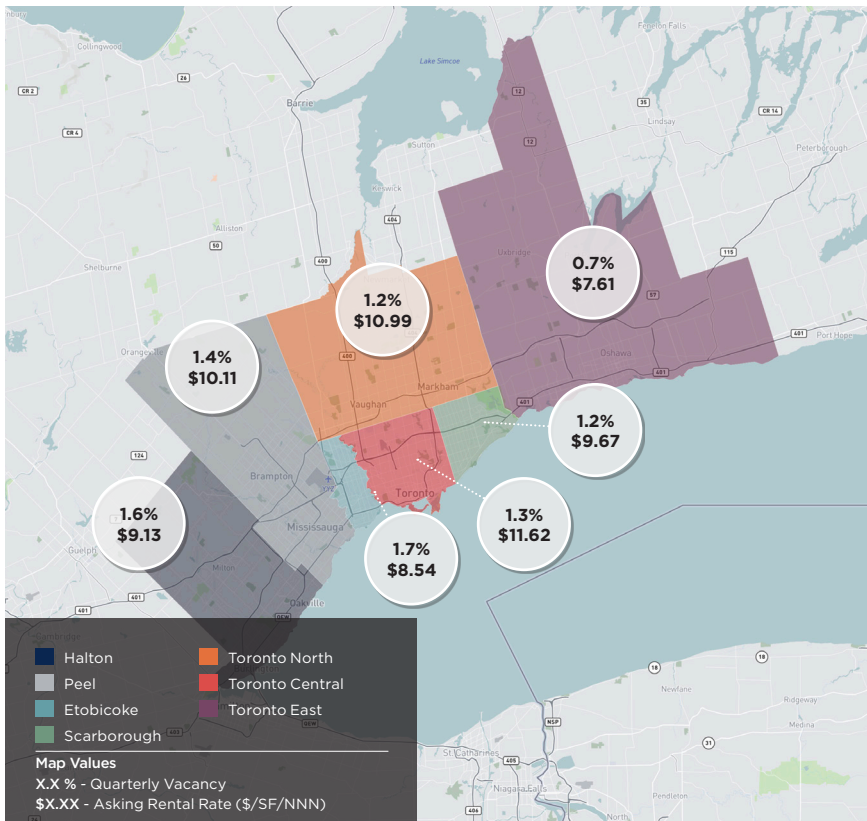
Overall net asking rents in the Greater Toronto Area (GTA) were \$9.96 per square foot (psf) at the end of quarter, a 16.6% increase compared to Q3 2019 and a 3.3% increase compared to Q2 2020. Vacancy rates remained low, at 1.4%, an increase of 20 bps from 1.2% in Q3 2019. Leasing activity picked up in Q3 2020, totaling 4.4 million square feet (msf) following a lull

KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	822.2 MSF	834.1 MSF	▲
Vacancy Rate	1.20%	1.40%	▲
Net Absorption	1.3 MSF	1.7 MSF	▲
Under Construction	15.7 MSF	10.5 MSF	▼
Overall Asking Rent (NNN)	\$8.54	\$9.96	▲

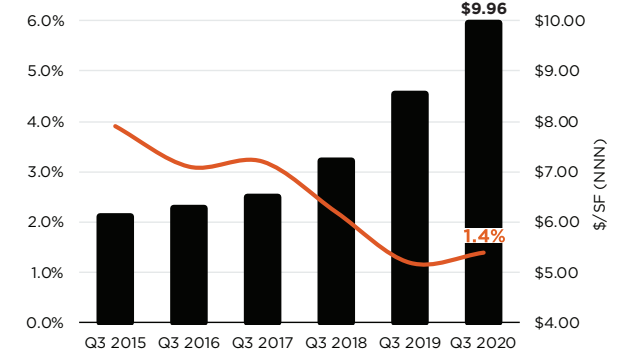
one quarter prior, but remains 28% below Q3 2019 levels.

Amazon remained a dominant presence leasing 295,000 square feet (sf) at 75 Venture Drive and 195,000 sf at 50 Keyes Court. Not to be outdone, Walmart leased 550,000 sf at 11110 Jane Street in Vaughan. Sales activity staged a sharp reversal of Q2 2020 trends, with total transaction amount increasing by 92% quarter over quarter to \$662M, in step with a 47% increase in the number of transactions. Notable sales in the quarter include Granite REIT's \$22.2M purchase of 8995 Airport Road from Gamestop Corporation and \$19.5M purchase of 5600-5630 Timberlea Road from Investors Group, both located in the Peel region.



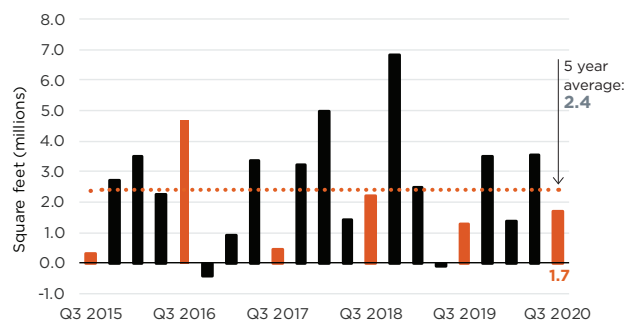
VACANCY AND ASKING RENT TRENDS

Toronto



NET ABSORPTION

Toronto



“Despite weakness in the fundamentals of other classes of real estate, the industrial market in the Greater Toronto Area (GTA) continues to show strength. Until vacancy rates rise from the historically low figures that characterize the market today, we do not expect upward pressure on rental rates to subside. Competition amongst tenants for industrial space remains high and landlords are not yet incentivized to reduce rental rates.”

– Allen Grinberg, Senior Vice President

SUBMARKET OVERVIEW

Submarket	Existing Inventory		Vacancy			YTD Net Absorption (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Halton	1,603	84,190,937	1,183,646	1,319,981	1.6%	2,474,554	1,763,180	1,257,957	\$9.13
Peel	5,113	296,890,673	3,767,412	4,192,233	1.4%	2,846,783	2,810,307	4,882,909	\$10.11
Etobicoke	1,658	68,038,316	912,019	1,181,151	1.7%	-545,016	0	0	\$8.54
Scarborough	1,509	62,022,769	697,337	769,961	1.2%	908,972	1,023,359	0	\$9.67
Toronto North	3,490	170,482,795	1,874,592	2,083,750	1.2%	1,273,761	1,356,688	2,711,949	\$10.99
Toronto Central	2,617	98,279,634	1,264,465	1,309,610	1.3%	-952,181	20,357	0	\$11.62
Toronto East	1,104	54,180,784	398,464	405,211	0.7%	618,497	637,000	1,606,262	\$7.61
Overall	17,094	834,085,908	10,097,935	11,261,897	1.4%	6,625,370	7,610,891	10,459,077	\$9.96

MAJOR TRANSACTIONS

Sales

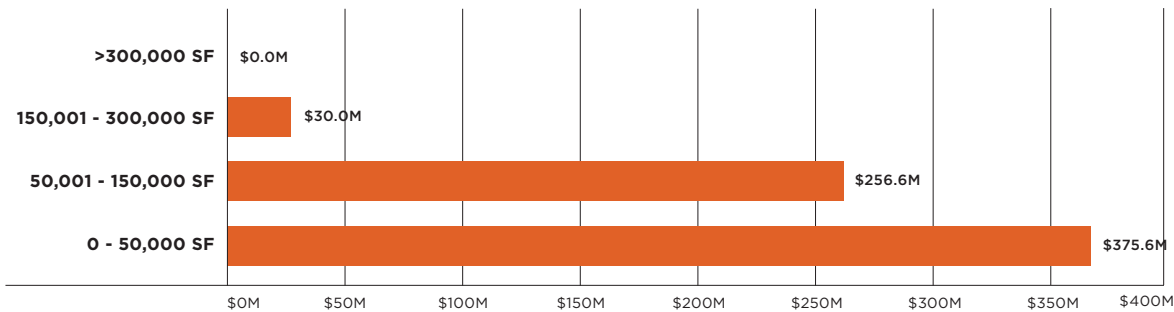
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Compass Datacenters	Horner Developments. Mantella & Sons	Jul 20	75 & 77 Fima Crescent	215,000	1966	7.82	\$30,000,000	Etobicoke
Granite REIT	Gamestop Corp.	Sept 20	8995 Airport Road	126,000	2000	5.52	\$22,174,000	Peel
Granite REIT	Investors Group	Sept 20	5600-5630 Timberlea Road	119,000	1989	6.10	\$19,450,000	Peel
Dream Unlimited	Ironwood Bay Ventures	Sept 20	6701 Financial Drive	116,000	1996	5.53	\$23,900,000	Peel
BT Parkhill Inc.	Choice Properties REIT	Sept 20	8100 Parkhill Drive	102,000	1998	6.29	\$22,613,000	Halton

Leases

Tenant	Square Feet	Address	Submarket	Landlord
Walmart	550,000	11110 Jane Street	Toronto North	Condor Properties/Fengate Capital Management
Metro Logistics	310,000	2260 Matheson Boulevard East	Peel	Panattoni
Amazon	295,000	75 Venture Drive	Scarborough	PIRET
Amazon	195,000	50 Keyes Court	Toronto North	Squire Down Investments
UNFI Canada	180,000	8755 Keele Street	Toronto North	Parsoncorp Investments

TRANSACTION VOLUME

By Building Size (Q3 2020)



Source Savills Research

Market Trends



Vacancy Rises

Q3 2019: 1.2% | Today: 1.4%



Asking Rent Growth (NNN)

Year-Over-Year Change - 17%

Q3 2019: \$8.54 | Q3 2020: \$9.96



Under Construction

Year-Over-Year Change - -34%

Q3 2019: 15.7 MSF

Q3 2020: 10.5 MSF

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