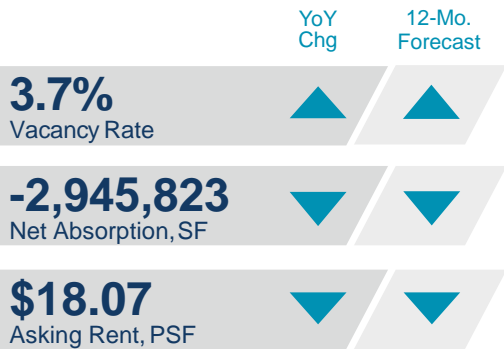
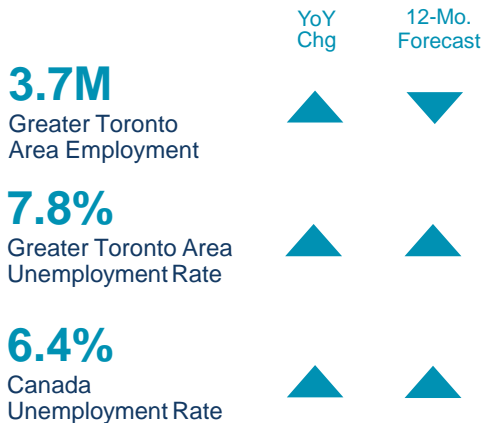


Industrial Q2 2024



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2024



Source: Statistics Canada June 2024

ECONOMY: Employment Growth

Ontario's employment rose by 50,000 (+0.6%) in May 2024, marking the fourth increase in five months, with cumulative job gains reaching 131,000 (+1.7%) from December to May. The employment rate in May climbed 0.2 percentage points to 60.8%, the first rise since June 2023. Despite stable employment, the province's unemployment rate as of May increased by 1.3% over the past year, the largest among provinces. The Bank of Canada implemented its first rate cut in over four years, reducing rates by 0.25% to provide initial relief for homeowners and buyers. However, TRREB polling suggests that a rate cut of at least 1.0% is necessary to significantly stimulate buyer activity. Despite anticipated further rate cuts totaling 0.75% in 2024, the Toronto housing market may still encounter demand challenges this year. (Source: Statistics Canada & TREB)

Supply/Demand: Vacancy Continues to Head Up Amid Softening Demand

The upward vacancy trend that started in Q1 2023 continued to dominate the headlines in the GTA's industrial market. A notable 50-basis point (bps) increase from Q1 2024 propelled the vacancy rate to 3.7%, the highest level in eight years when it stood at 4.0%. This uptick can be attributed to familiar factors, including rising sublet inventory, which hit an eight-year high of 5.0 million square feet (msf), and a pullback in pre-leasing levels in the steady flow of new supply, which averaged 37.8% this year.

New opportunities surfaced in all size ranges this quarter. Nineteen new large block options over 100,000 square feet (sf) came on the market, adding 4.0 msf of vacancy. Additionally, 1.5 msf of new vacancy was added from the smaller bay (<50,000 sf) cohort. The highest concentration of new vacant space was centered in the GTA West market, which accounted for 3.7 msf, or 44.3%, of the new 8.4 msf vacancy in the quarter. Unsurprisingly, the GTA West market now has the highest vacancy rate among the GTA's major markets, reaching an eight-year high of 4.8%. Submarkets in this region also held the highest vacancy rates across the GTA, with Milton/Halton Hills experiencing a 120-bps quarter-over-quarter (QOQ) increase to a six-year high of 10.3%. The GTA East market was the only other market where vacancy rose above the four percent ceiling, with a 50 bps QOQ uptick to 4.3%.

Amid softening demand, the robust new leasing activity of the previous five years was elusive in the first half of 2024. Although leasing activity edged up marginally this quarter to 4.3 msf, it was nearly 25% lower than the historical quarterly average of 5.7 msf. Sales activity also took a hit, plummeting by 64.7% to 3.0 msf from 8.5 msf. Against this backdrop, absorption remained in negative territory for a fourth consecutive quarter, reaching a 14-year low of negative 2.9 msf. The sharpest downturn in absorption occurred in the GTA West market, where absorption fell to a 15-year low of negative 1.4 msf, representing 49.1% of the GTA result in Q2 2024.

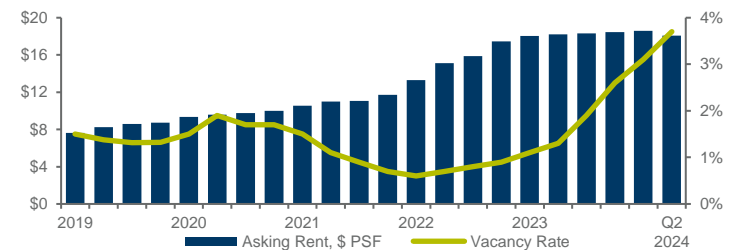
Rent Trends Shift After Eight-Year Run

Over the past year while vacancy rates steadily edged up, the average asking rent held course on an upward trajectory until this quarter. This marked the first downward shift in eight years, with the average asking rent declining by 2.9% QOQ and 0.7% year-over-year (YOY) to \$18.07 per square foot (psf). It is important to note that reductions in asking rent were not widespread and was primarily concentrated in the older stock of buildings, which are more vulnerable to fluctuations in demand due to outdated facilities and less efficient designs. In contrast, newer, modern buildings have generally maintained stable asking rents, benefiting from superior amenities, efficiency, and greater appeal to tenants seeking updated industrial spaces. All four major markets within the GTA experienced annual declines in rental rates this quarter. Notably, the GTA North market, which typically commands the highest average asking lease rates among the four markets, registered the most significant shift, dropping by 5.0% YOY to finish the quarter at \$18.03 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





/// GTA UNDER CONSTRUCTION



16.2 MSF
TOTAL UNDER
CONSTRUCTION SF



12.5 MSF
TOTAL
AVAILABLE SF

/// SPECULATIVE



14.9 MSF
TOTAL SF SPECULATIVE
UNDER CONSTRUCTION



SPEC BUILDINGS
ACCOUNT FOR
92.1%
OF TOTAL CONSTRUCTION

/// BUILT TO SUIT



1.3 MSF
TOTAL SF BTS
UNDER CONSTRUCTION



BTS BUILDINGS
ACCOUNT FOR
7.9%
OF TOTAL CONSTRUCTION

	GTA West	YoY*	GTA North	YoY*	GTA Central	YoY*	GTA East	YoY*	Hamilton	YoY*
Vacancy Rate	4.8%	↑	2.6%	↑	2.6%	↑	4.3%	↑	1.7%	↑
Absorption YTD	-2,564,736	↓	25,357	↑	-1,463,923	↓	-397,732	↓	41,261	↓
Asking Net Avg Rent	\$18.37	↓	\$18.03	↓	\$17.37	↓	\$16.24	↓	\$12.93	↑
New Supply YTD	3,486,544	↑	1,034,038	↑	157,710	↓	425,389	↑	0	→
Under Construction	7,302,077	↓	3,598,736	↑	1,154,152	↓	4,113,947	↑	665,598	↑

* YoY - Year over Year change from previous year's Q2 2023 to current Q2 2024

Industrial Q2 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD ADJUSTED OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*	OVERALL WEIGHTED AVG TMI**	OVERALL WTD AVG ASKING SALE PRICE \$/SF
GTA Central	222,251,444	5,697,208	2.6%	-1,034,425	-1,463,923	1,154,152	0	\$17.37	\$4.36	\$404.80
GTA West	387,868,301	18,597,525	4.8%	-1,446,973	-2,564,736	7,302,077	1,140,432	\$18.37	\$4.11	\$495.33
GTA North	161,884,028	4,128,756	2.6%	-176,174	25,357	3,598,736	731,964	\$18.03	\$4.20	\$616.41
GTA East	52,023,629	2,258,538	4.3%	-288,251	-397,732	4,113,947	0	\$16.24	\$4.69	\$457.13
SUBURBAN	601,775,958	24,984,819	4.2%	-1,911,398	-2,937,111	15,014,760	1,872,396	\$18.26	\$4.14	\$539.70
GTA TOTALS	824,027,402	30,682,027	3.7%	-2,945,823	-4,401,034	16,168,912	1,872,396	\$18.07	\$4.19	\$492.31
HAMILTON	54,088,866	934,022	1.7%	208,584	41,261	665,598	481,604	\$12.93	\$3.93	\$264.22

*Rental rates reflect weighted net asking \$psf/year.

** TMI – Taxes, Maintenance, Insurance

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
100 Ironside Drive	Brampton	DHL	439,899	New Lease
7171 Highway 50 South	Vaughan	Highlight Motor	247,739	New Lease
350 Hunter's Valley Road	Vaughan	TOC Logistics	163,262	New Lease

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2600 North Park Drive	Brampton	0932053 B.C. Ltd / 1000144109 Ontario Inc.	331,027	\$110,000,000 / \$332.30 (has extra land)
6975 Pacific Circle	Mississauga	Bugle Construction Company Limited / 6975 Pacific Circle Inc.	121,038	\$35,000,000 / \$289.17
625-635 Hood Road	Markham	2572461 Ontario Incorporated / 1977158 Ontario Inc.	77,267	\$32,250,000 / \$417.38

KEY CONSTRUCTION COMPLETIONS 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
625 Bronte Road/Bldg A	Oakville	Vacant	291,325	First Gulf
2100 Labrador Avenue/Bldg 1	Milton	Vacant	265,803	Broccolini
6750 Fifth Line/Ph 1 Bldg 2	Milton	Vacant	233,453	BentallGreenOak

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