

ECONOMY: INTEREST RATE CUT TO HELP TACKLE SLOW GROWTH

In December 2024, the Bank of Canada lowered the interest rate by 50 basis points (bps) to 3.25%, addressing weaker-than-expected Q3 growth of 1.0% due to declines in business investment, exports, and inventories. In Ontario, employment rose by 23,000 (+0.3%) in December, contributing to annual growth of 2.6% (+205,000), while the unemployment rate remained at 7.5%, up 1.2% over the course of the year. Despite the broader economic slowdown, consumer spending and housing activity showed signs of recovery, reflecting the impact of lower rates. The rate cuts are expected to support the inflation target of 2%. *(Source: Bank of Canada & Statistics Canada)*

SUPPLY DEMAND GAP WIDENS IN 2024

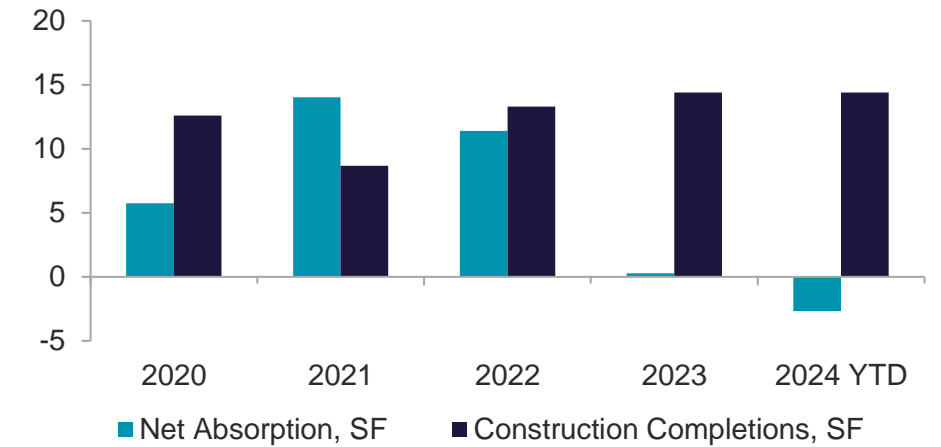
The Greater Toronto Area (GTA) industrial market experienced a whirlwind of activity over the past year, driven by a surge in new supply and shifting demand trends. In Q4 2024, 7.5 million square feet (msf) of new inventory was introduced to the market, bringing the year-to-date total to 14.4 msf—the second-highest annual figure in over 20 years. Of this, 4.9 msf remained vacant, driving a 70-bps quarter-over-quarter (QOQ) increase in the vacancy rate—the steepest jump in nearly three decades—pushing it to a nine-year high of 4.5%.

All major GTA markets were faced with rising vacancy rates, approaching 10-year highs. GTA East led the trend in the quarter, with 2.7 msf of new inventory—the most in nearly 24 years—propelling vacancy by 400 bps QOQ to a near 10-year high of 7.7%. GTA West followed, with a 30-bps uptick to 5.5%, its highest level in almost a decade. GTA North recorded a 90-bps quarterly spike to 3.2%, while vacancy in GTA Central climbed by 50 bps to reach 3.1%.

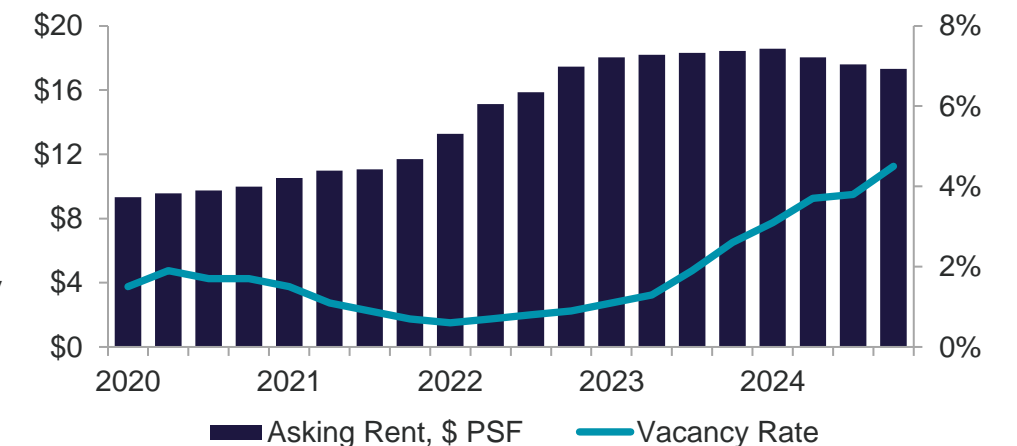
RISING VACANCY WEIGHS ON GTA RENTS

As the supply-demand gap widened, putting upward pressure on vacancy rates in 2024, the average quoted net asking rent adjusted downward. Except for Q1 2024, rents edged downward for three consecutive quarters—the longest streak in over 25 years. By Q4 2024, the year-over-year (YOY) drop of -6.0% brought the overall market average asking rent to a two-year low of \$17.33 per square foot (psf), marking the sharpest annual decline in 14 years. Although the shift in rent trends began in GTA West in Q4 2023, it quickly spread across all major regions in 2024. By year-end, GTA West recorded the largest annual drop, with the quoted rent falling -7.4% YOY to a two-year low of \$17.71 psf. GTA North followed closely with a -7.0% annual dip, bringing rents to a two-year low of \$17.59 psf. GTA East recorded the third-largest drop, down -6.4%—its sharpest dip in 10 years—ending the year at \$15.36 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



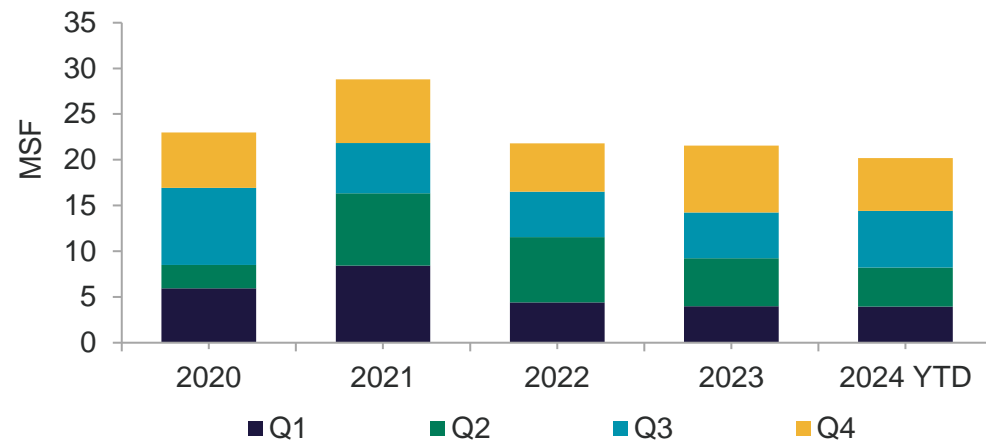
MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---------|---------|
| 4.5% Vacancy Rate | ▲ | ▲ |
| -2.7M YTD Net Absorption, SF | ▼ | ▼ |
| \$17.33 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i> | ▼ | ▬ |

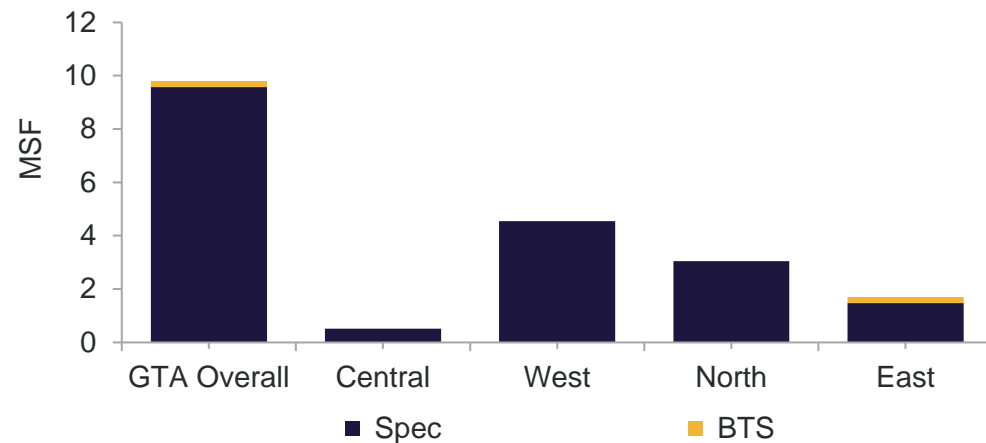
ECONOMIC INDICATORS

| | YOY Chg | Outlook |
|---|---------|---------|
| 3.8M Greater Toronto Area Employment | ▲ | ▼ |
| 8.4% Greater Toronto Area Unemployment Rate | ▲ | ▲ |
| 6.7% Canada Unemployment Rate <i>Source: Statistics Canada</i> | ▲ | ▬ |

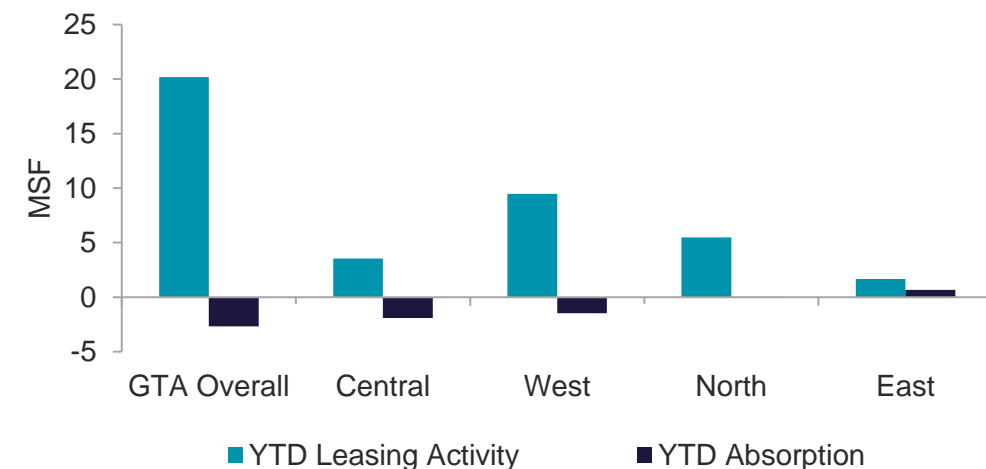
OVERALL LEASING ACTIVITY



UNDER CONSTRUCTION



YTD LEASING ACTIVITY AND ABSORPTION BY MARKET



NEW LEASING SLOWS AS SALES ACTIVITY HOLDS STEADY

Receding new leasing activity further underscored the market's ongoing transition in 2024. Total new leasing for the year reached 20.2 msf, a -16.0% decline from the annual 24.0 msf average of 2021-2023. GTA West registered new leasing of 9.5 msf, down 29.1% from the previous three-year annual average of 13.4 msf. Despite the slowdown, this market remained the focal point, accounting for 47.0% of total leasing activity. GTA North followed with 5.5 msf (27.2% of the total). The year's activity was driven by 42 leases over 100k square feet (sf) with the largest transaction closing in Q4 - a 316k-sf transaction at 10 Newkirk Court, a new development completed in Q3 2023.

Total sales activity fell by 4.4%, from 23.3 msf in 2023 to 22.2 msf. Despite the decline, the 2024 total still outpaced the five-year annual average of 21.1 msf, marking a 5.4% increase. This performance reflects continued investor confidence in the industrial market, despite prevailing headwinds.

GTA BUILDING BOOM COOLS WITH SHRINKING PIPELINE

Construction starts slowed sharply by year-end, with the under-construction pipeline shrinking to 9.8 msf in Q4 2024, down from 16.8 msf a year earlier—a return to levels last seen three years ago. In 2024, preleasing for newly delivered buildings averaged just 35.7% (2.6 msf), a significant decline from the 2021-2022 average of 84.9%. Speculative projects dominated the pipeline, accounting for 9.6 msf, or 97.8% of the total. GTA West retained its status as the GTA's development hub, with 4.5 msf (46.4%) under construction, concentrated in the Mississauga submarket, where 2.0 msf of new supply is anticipated. GTA North followed with 2.3 msf, driven by Markham, which captured a commanding 61.0% share of the region's activity. Meanwhile, the GTA East pipeline plunged to 1.4 msf from 3.8 msf a year earlier.

SLOW DEMAND DRAGS GTA ABSORPTION INTO NEGATIVE TERRITORY

Amid one of the most active development years in two decades and slowing market conditions, GTA absorption remained deep in the red throughout 2024, plunging to a 10-year low of -2.7 msf by Q4 2024. GTA Central bore the brunt of the decline, with year-to-date absorption staying negative for a second consecutive year and sinking to a 15-year low of -2.0 msf by year-end. The Etobicoke submarket played a major role in this downturn, driven by sluggish leasing activity and rising vacancy in older existing buildings.

GTA West recorded the second-lowest absorption level, plummeting to a 15-year low of -1.5 msf after spending much of the year in negative territory. While GTA Central's struggles were tied to increasing vacancy in older stock, GTA West faced challenges from unleased space in newly delivered developments.

OUTLOOK

- As industrial demand in the GTA slows, reflected in reduced pre-leasing and leasing activity, the vacancy rate is expected to continue rising through 2025. In response, landlords are likely to adjust asking rents and offer incentives to attract tenants, fostering a more competitive market. A decline in construction starts signals that developers are taking a more cautious approach to new projects, a trend likely to persist as the market rebalances.
- To adapt to the shifting landscape, landlords have been increasingly willing to subdivide larger industrial spaces to meet specific business needs. Meanwhile, as interest rates decline and smaller spaces and industrial condos become more affordable, developers are focusing on building industrial condos for sale as an alternative investment strategy. This trend is expected to continue in the near future, driven by growing demand for flexible, cost-effective solutions.

MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD CNSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT PSF | OVERALL WEIGHTED TMI PSF | OVERALL WEIGHTED ASKINGSALE PRICE PSF |
|-------------------|--------------------|---------------------|----------------------|---|---------------------------------|------------------|----------------------------|-----------------------------------|--------------------------|---------------------------------------|
| GTA Central | 223,344,513 | 6,920,364 | 3.1% | -429,740 | -1,907,545 | 513,242 | 974,652 | \$16.91 | \$4.42 | \$404.52 * |
| GTA West | 392,751,187 | 21,601,769 | 5.5% | 1,363,422 | -1,479,393 | 4,548,182 | 7,666,658 | \$17.71 | \$3.89 | \$448.46 * |
| GTA North | 163,272,123 | 5,186,856 | 3.2% | -570,390 | 22,521 | 3,038,367 | 2,127,787 | \$17.59 | \$4.14 | \$478.56 * |
| GTA East | 54,884,565 | 4,215,203 | 7.7% | 235,212 | 674,237 | 1,696,142 | 3,630,518 | \$15.36 | \$3.69 | \$435.48 * |
| Hamilton | 54,997,893 | 1,538,230 | 2.8% | 213,972 | 272,852 | 216,353 | 1,317,403 | \$14.18 | \$3.92 | \$271.33 |
| SUBURBAN TOTALS | 610,907,875 | 31,003,828 | 5.1% | 1,028,244 | -782,635 | 9,282,691 | 13,424,963 | \$17.43 | \$3.92 | \$457.74 * |
| GTA TOTALS | 834,252,388 | 37,924,192 | 4.5% | 598,504 | -2,690,180 | 9,795,933 | 14,399,615 | \$17.33 | \$4.01 | \$442.08 * |

*Rental rates reflect weighted direct net asking \$psf/year ** Asking sale price based primarily on industrial condos \$psf

KEY LEASE TRANSACTIONS Q4 2024

| PROPERTY | SUBMARKET | TENANT | SF | TYPE* |
|--------------------------------|-------------|------------------------------|---------|----------|
| 10 Newkirk Court/Phase 1 | Brampton | LECANGS Fulfillment Inc. | 316,452 | Direct |
| 20 Ironside Drive | Brampton | Hello Fresh | 279,243 | Direct |
| 20 Hereford Street | Brampton | Alliance Labelling Inc. | 240,121 | Sublease |
| 550 Matheson Boulevard East | Mississauga | Club Coffee | 209,702 | Sublease |
| 221 Church Street South/Bldg B | Ajax | Ontario Power Generation Inc | 198,946 | Direct |

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

| PROPERTY | SUBMARKET | SELLER/BUYER | SF | PRICE / \$ PSF |
|-----------------------|-----------|--|---------|--------------------------|
| 7900 Airport Road | Brampton | Airport Road (UCI) Portfolio Inc. / Unilever Canada Inc. | 744,413 | \$121,367,855 / \$163.04 |
| 261 Abbotside Way | Caledon | The Canada Life Assurance Company / DH Management | 138,617 | \$48,545,000 / \$350.21 |
| 1531 Creditstone Road | Vaughan | 1355902 Ontario Limited / MultiTech Trades Corp. | 84,242 | \$32,200,000 / \$382.23 |

KEY CONSTRUCTION COMPLETIONS YTD 2024

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|---------------------------------|-----------|--------------|-----------|-----------------------|
| 537 Kingston Road East | Ajax | Vacant | 1,200,000 | Ivanhoe Cambridge Inc |
| Countryside Drive/Bldg 1 | Brampton | Lululemon | 928,607 | Prologis |
| 221 Church Street South /Bldg A | Ajax | Vacant | 698,30 | Crestpoint |

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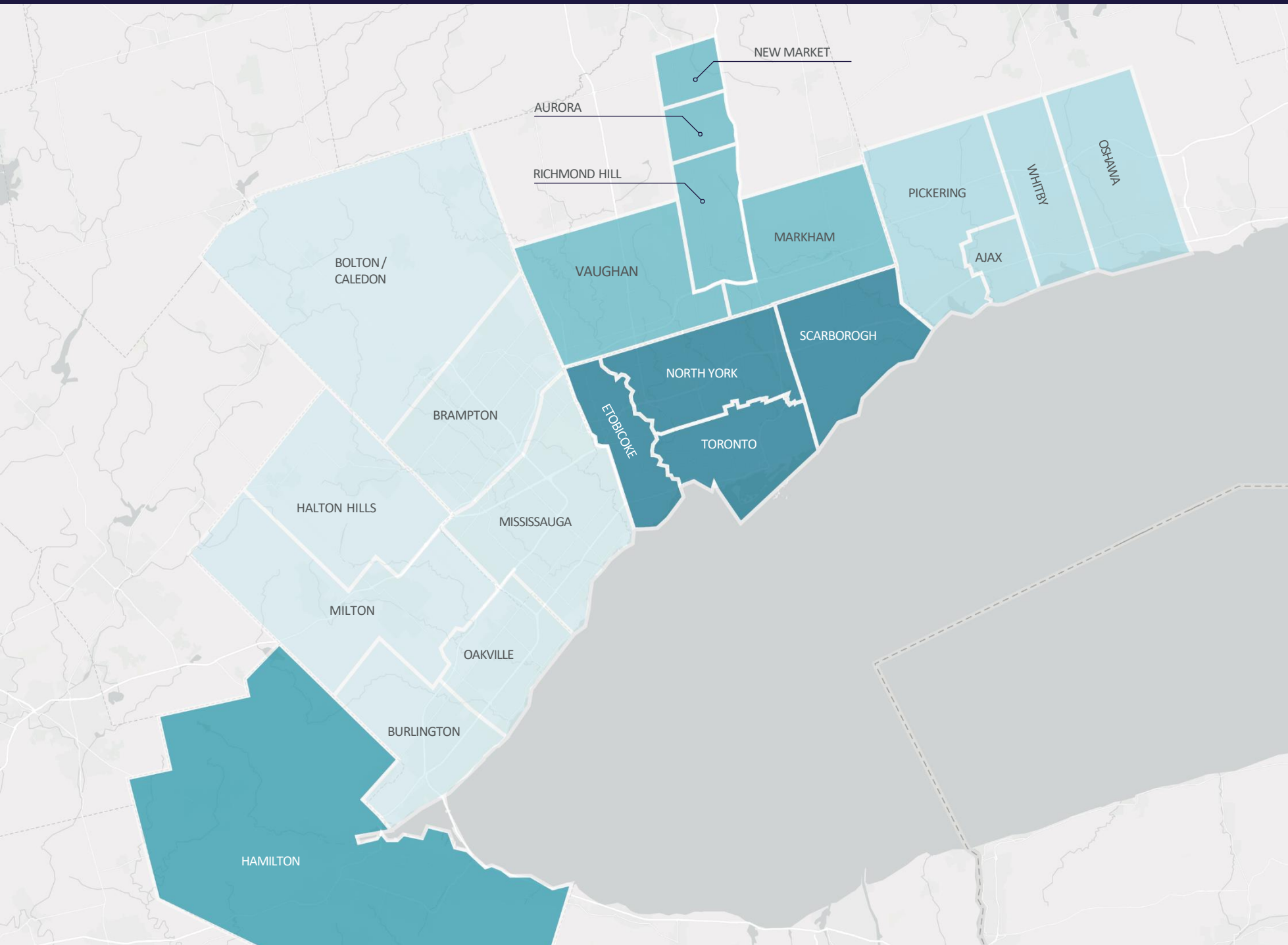
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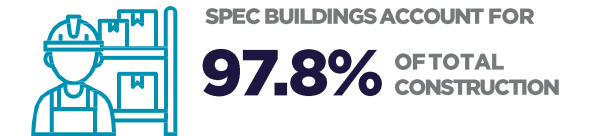
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GTA UNDER CONSTRUCTION



SPECULATIVE



BUILT-TO-SUIT



| | HAMILTON | GTA WEST | GTA NORTH | GTA CENTRAL | GTA EAST |
|---------------------------|--------------|------------|-----------|-------------|-----------|
| VACANCY RATE | 2.8% | 5.5% | 3.2% | 3.1% | 7.7% |
| ABSORPTION YTD | 272,852 SF | -1,479,393 | 22,521 | -1,907,545 | 674,237 |
| ASKING NET AVG RENT (PSF) | \$14.18 | \$17.71 | \$17.59 | \$16.91 | \$15.36 |
| NEW SUPPLY YTD | 1,317,403 SF | 7,666,658 | 2,127,787 | 974,652 | 3,630,518 |
| UNDER CONSTRUCTION | 216,353 SF | 4,548,182 | 3,038,367 | 513,242 | 1,696,142 |