Toronto

Industrial | Q2 2024 Market Report

Quarterly Snapshot

↓ Average Rent
$18.11/SF

↑ Vacancy
2.1%

↓ Net Absorption
-5,406,709 SF

Occupier's Perspective

With vacancies on the rise, many tenants now have increased leverage when dealing with land-lords. This shift in the market gives them a stronger position to negotiate better rental terms, such as reduced rent or improved lease conditions.

The industrial market is waiting on additional cuts by the Bank of Canada to follow its rate cut in June. Doing so might boost confidence in sectors and may increase investments translating into increased activity and propelling developers to start their prospective industrial developments.

The rise in the unemployment rate and lower inflation, coupled with weak GDP growth, have caused many tenants to delay their decisions. They are adopting a wait-and-see approach, hoping to under-stand market trends better before making significant commitments, leading to a cautious stance among tenants regarding their next steps.

In the second quarter of 2024, the Greater Toronto Area (GTA) industrial vacancy rates increased from 1.4 percent to 2.1 percent, approaching levels last seen in the fourth quarter of 2018. Vacancy rates are projected to continue rising over the coming quarters. Availability rates also surged from 2.8 percent to 3.7 percent. The average net rate has started to decline quarter-over-quarter, now standing at $18.11 per square foot.

In the second quarter, new supply of 2.5 million square feet was delivered. As the availabilities rise, numerous national developers are pausing their plans to start new construction. Discrepancies between tenant and landlord expectations persist and widen, with tenants feeling the current market rents and their escalations are not indicative of market conditions. Occupiers are finding this to be the right time to make their real estate decisions, creating pressure on some landlords to be more creative in their offerings. All signs point to a potential shift from an entirely landlord-centric market to a more balanced one. However, for the market to become tenant-favorable, vacancy and availability rates need to be at a higher level.

Looking ahead, the market is expected to remain challenging but still hold significant opportunities. The Bank of Canada recently reduced interest rates, however, it remains to be seen if this will result in more activity. The current flux can be used as an advantage by the occupiers to negotiate better terms.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Confidential	176,535 SF	GTA North	Renewal	Industrial
Confidential	63,966 SF	GTA Central	New Lease	Industrial
Confidential	57,582 SF	GTA West	Renewal	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent ($/SF)	Submarket
2.6%	▲	$16.59	GTA East
1.9%	▲	$17.96	GTA Central
1.8%	▲	$18.09	GTA North
2.3%	▲	$18.44	GTA West

cresa

Cresa © 2024