



Toronto Industrial

2022 Market Insight Report

Q1 2022

cresa 



Meadowvale Exchange, located at 2475 & 2425 Meadowpine Boulevard, Mississauga

Q1 2022 Market Trends

The Greater Toronto Area (GTA) industrial market continues to outperform all other asset classes and remains one of the hottest real estate markets in North America. Net rents continue to rise at unprecedented rates, increasing by an astonishing \$2.50 quarter over quarter. The GTA industrial market has seen a 30% year-over-year increase in net asking rates, and an approximate increase of 40% since the beginning of the COVID-19 pandemic. Since the first quarter alone, industrial rents have increased by 10% and are now ranging from \$13.75 to \$15.00 per square foot. Asking rates in large bay, class A properties are ranging from \$16.50 to \$18.50 per square foot. E-commerce, Third Party Logistics (3PL) and Warehousing/Distribution continues to drive rental rate growth.

Amidst growing rental rates, sale prices are also increasing significantly. Across the GTA, sale prices have increased approximately 20% year-over-year. The highlight of Q1 2022 was Pure Industrial Real Estate Investment Trusts acquisition of 13 industrial properties (900,000 square feet) from Northleaf Corporation for a total of \$312 million. Additionally, Walmart Canada recently announced that they will be investing \$3.5 billion to upgrade their e-commerce and grocery fulfillment operations.

Availability continues to remain at a historically low level, decreasing by another 0.2% quarter-over-quarter to 0.9%. For the GTA industrial market to return to an equilibrium of 5.0%, 50 million square feet would need to become available for lease. With that being said, the GTA market again experienced positive absorption of approximately 275,000 square feet, down from 2.5 million last quarter. This decrease in absorption is not indicative of the market slowing but is the result of the limited space available for lease. Some experts believe vacancy will be 0.0% by the end of 2022.

Large blocks of leasable space have become nearly impossible to find. In existing buildings, available spaces over 100,000 square feet dropped almost 30% since the end of 2021. There has also been higher demand for quality space. Tenants looking for over 200,000 square feet will be faced with longer search periods, as large bay space is being leased 2-3 years prior to delivery. With very limited new developments scheduled for 2022, there is concern that there will be a scarcity of available space over the coming years across the Toronto industrial markets.

Q1 2022 saw approximately 450,000 square feet of new supply delivered to the market. This is down from the approximately 2,000,000 square feet last quarter. This is expected, as Toronto has approximately 12 million square feet currently under construction; only an insignificant amount of that space is expected for 2022, with almost all being delivered in 2023 & 2024. Furthermore, as of mid-2021 64% of all GTA new developments were preleased; today, the GTA is 60% preleased for mid-sized (200,000-499,999 SF) properties and 100% preleased for large-sized (500,000-750,000 SF) properties.

The growth of e-commerce, third party logistics, and warehouse/distribution companies continue to be the main drivers in leasing activity. The three largest lease transactions in Q1 2022 were all logistics companies. Syncreon leased 375,000 square feet in Brampton, Nippon Express leased 236,000 square feet in Mississauga, and DSV leased 230,000 square feet in Caledon. Additionally, since the beginning of 2021, Amazon has leased approximately 3,500,000 square feet across the GTA.

With unprecedented levels of demand and limited supply, nearly every industrial market within the Toronto area will be completely exhausted of space in the upcoming quarters. The pandemic-driven e-commerce boom has absorbed nearly every large-bay property and is continuing to pre-lease new supply. Market relief is a must. The best way to do so is by finding ways to increase supply in a timely and efficient manner.

GTA Overview

Q1 2022



Supply

749,218,996 SF



Availability Rate

0.9%



Average Net Rent

\$14.69/SF



Net Absorption

272,779 SF

Arrows Indicate One Quarter Change

Availability Rate

	Q3	Q4	Q1	
GTA West	1.3%	0.9%	0.7%	▼
GTA North	0.7%	0.9%	0.6%	▼
GTA East	1.5%	1.0%	1.1%	▲
GTA Central	1.7%	1.6%	1.4%	▼
Overall	1.1%	1.1%	0.9%	▼

With unprecedented levels of demand from various industrial sectors, nearly every market within the GTA will be completely exhausted of space within one year.

Vacancy & Availability

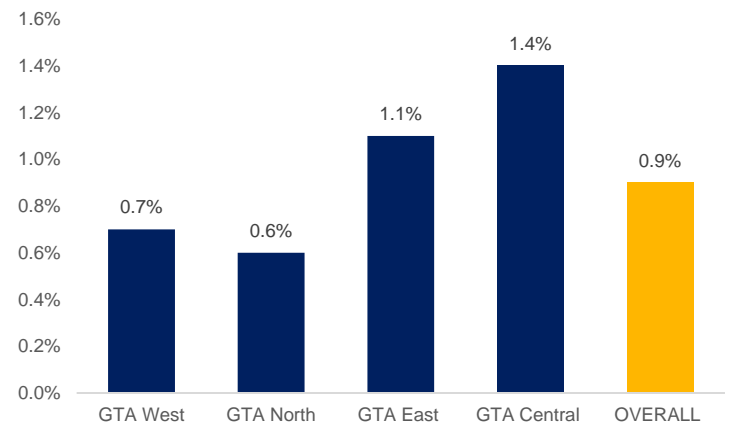
Vacancy Rates

Expressed as a percentage – it defines the amount of vacant New/Relet/Sublet space divided by the existing (RBA) Rentable Building Area. This statistic can be used to describe buildings and markets.

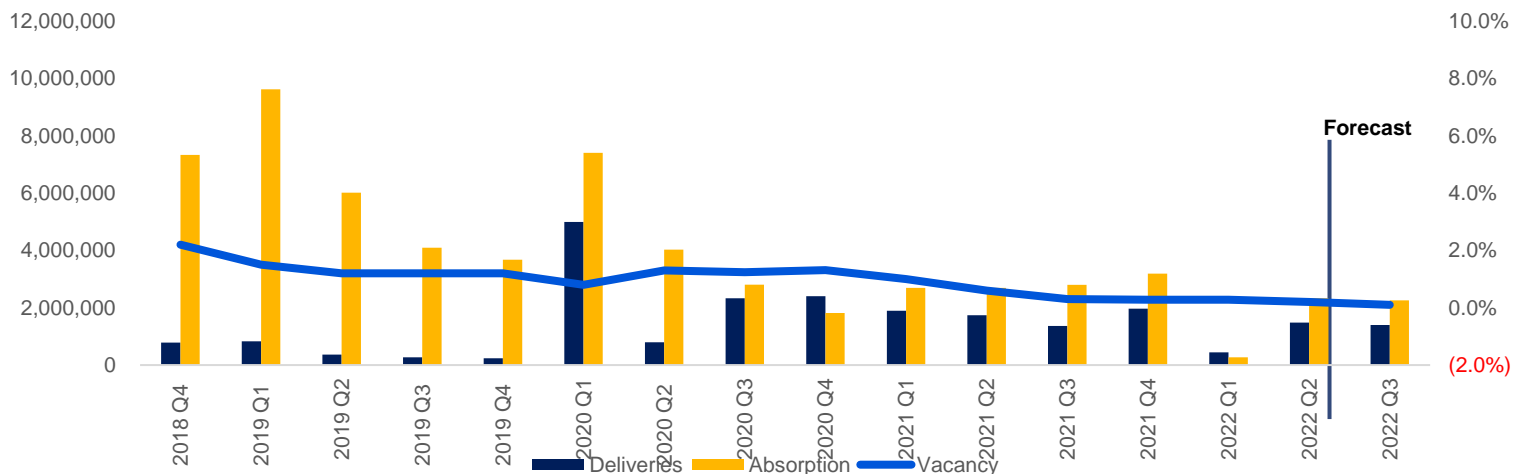
Availability Rates

The percent of space available on the last day of each quarter or the current date in the case of the current quarter. Total Available SF divided by the total RBA on the last day of each quarter.

Availability Rate (%)

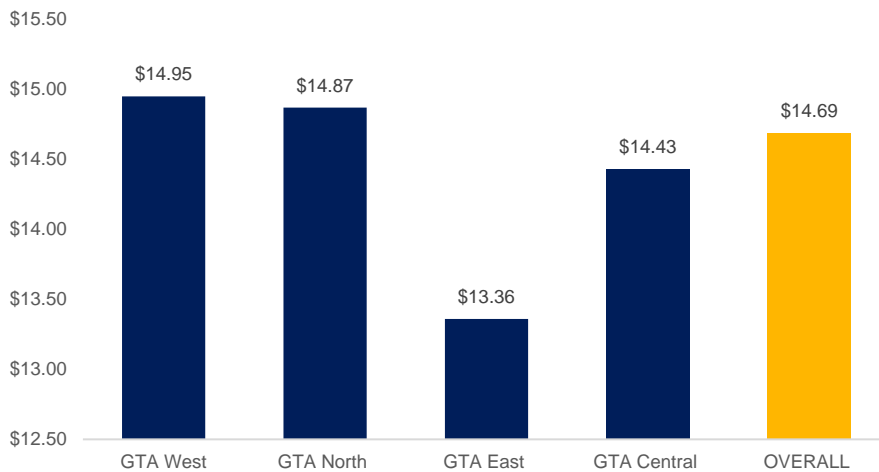


New Construction and Absorption

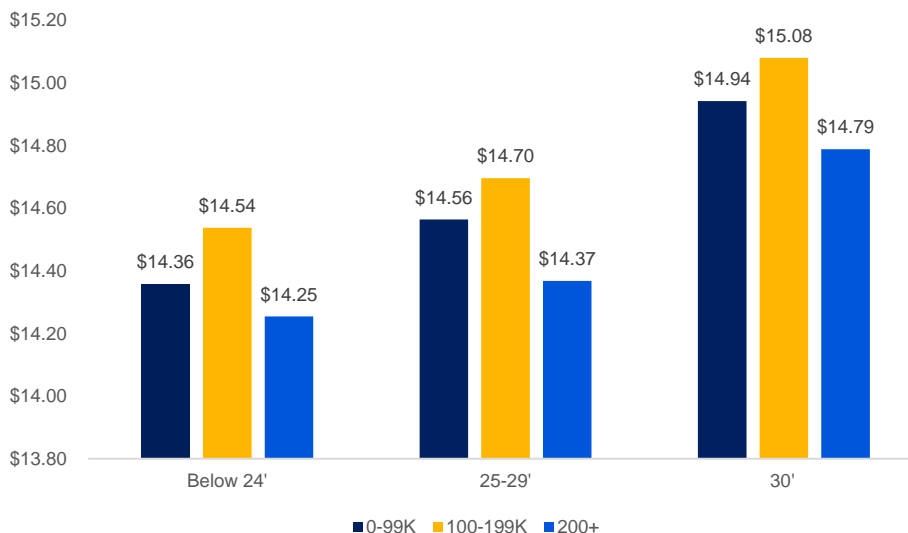


GTA Overview

Net Rate (PSF)



Net Rent by Clear Height



Notable Lease Transactions

Address	Size (SF)	Market
1. 15 Bramalea Road	373,757 SF	Brampton
2. 6250 Edwards Boulevard	236,000 SF	Mississauga
3. 12366 Coleraine Drive	230,151 SF	Caledon
4. 3825 McNicoll Avenue	130,562 SF	Scarborough
5. 6956 Columbus Road	112,880 SF	Mississauga

Industrial Market Insights

1. Net rents continue to rise at unprecedented rates, increasing by an astonishing \$2.50 quarter over quarter. The GTA industrial market has seen a 30% year-over-year increase in net asking rates, and an approximate increase of 40% since the beginning of the COVID-19 pandemic. Since the first quarter alone, industrial rents have increased by 10% and are now ranging from \$13.75 to \$15.00 per square foot.

2. The highlight of Q1 2022 was Pure Industrial Real Estate Investment Trusts acquisition of 13 industrial properties (900,000 square feet) from Northleaf Corporation for a total of \$312 million, over \$340 per square foot. The majority of these properties are located in Etobicoke, Mississauga, and Brampton.

3. With rental rates and sale prices continuing to rise, availability remains at a historically low level, decreasing by another 0.2% quarter-over-quarter to 0.9%. According to market experts, for the GTA industrial market to return to an equilibrium of 5.0%, 50 million out of 850 million square feet would need to become available for lease.

4. As of mid-2021 64% of all GTA new developments were preleased, today, the GTA is 60% preleased for mid-sized (200,000-499,999 SF) properties and 100% preleased for large sized (500,000-750,000 SF) properties. With demand outpacing supply experts believe that the industrial market will be near 0.0% vacancy in the foreseeable future.

5. The three largest lease transactions in Q1 2022 were all logistics companies. Syncreon leased 375,000 square feet in Brampton, Nippon Express leased 236,000 square feet in Mississauga, and DSV leased 230,000 square feet in Caledon. Additionally, since the beginning of 2021, Amazon has leased approximately 3,500,000 square feet across the GTA.

GTA West

Q1 2022



Supply
354,351,852 SF



Availability Rate
0.7%



Average Net Rent
\$14.95/SF



Net Absorption
85,332 SF

Arrows Indicate One Quarter Change

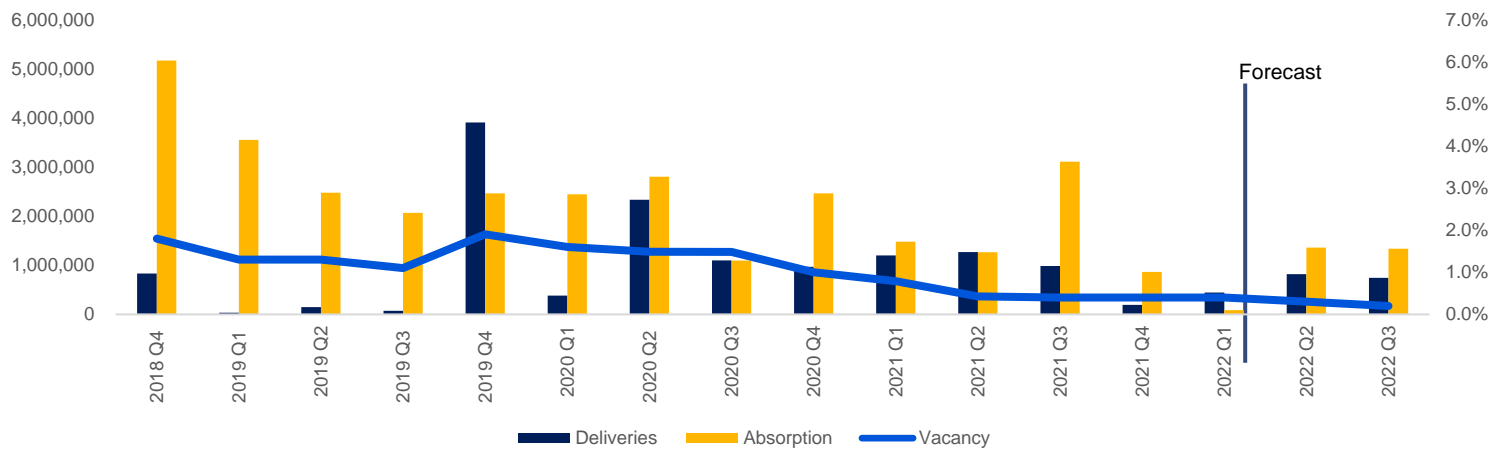
Availability Rate

	Q3	Q4	Q1	
Brampton	1.4%	1.1%	0.8%	▼
Burlington	1.4%	1.8%	1.4%	▼
Caledon	2.8%	0.4%	0.4%	►
Halton Hills	0.4%	0.0%	0.0%	►
Milton	0.8%	1.0%	0.6%	▼
Mississauga	1.6%	1.7%	1.2%	▼
Oakville	1.0%	1.7%	1.3%	▼
Overall	1.3%	0.9%	0.7%	▼

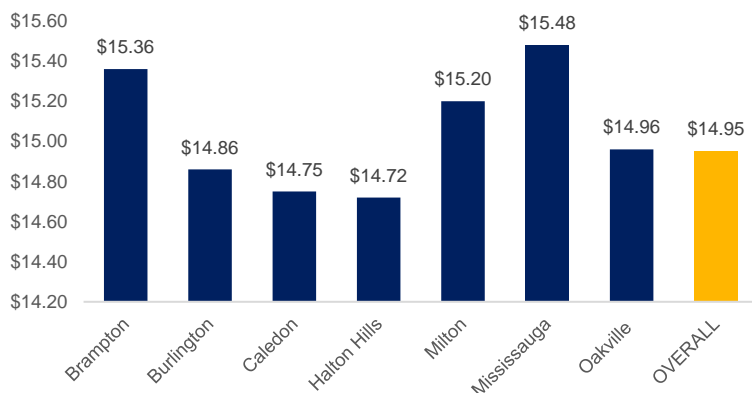
Notable Lease Transactions

Address	Size (SF)	Market
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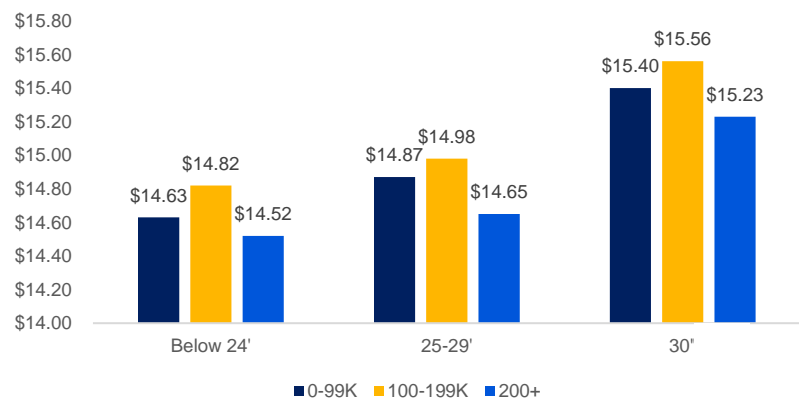
New Construction and Absorption



Net Rate (PSF)



Net Rent by Clear Height



GTA North

Q1 2022



Supply

140,423,987 SF



Availability Rate

0.6%



Average Net Rent

\$14.87/SF



Net Absorption

69,080 SF

Arrows Indicate One Quarter Change

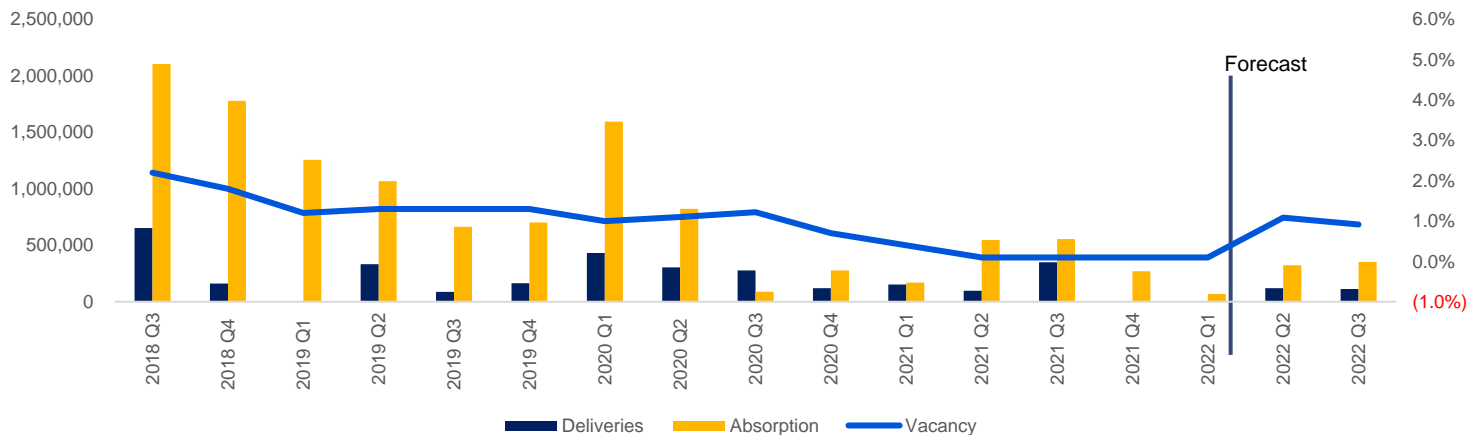
Availability Rate

	Q3	Q4	Q1	
Aurora	0.2%	0.3%	0.2%	▼
Markham	1.3%	2.6%	1.6%	▼
Newmarket	0.7%	0.8%	0.4%	▼
King	0.4%	0.4%	0.4%	►
Outlying York	0.5%	0.5%	0.6%	▲
Whitchurch-Stouff	1.3%	1.3%	1.1%	▼
Richmond Hill	2.1%	0.8%	0.9%	▲
Vaughan	0.8%	0.9%	0.7%	▼
Overall	0.7%	0.9%	0.6%	▼

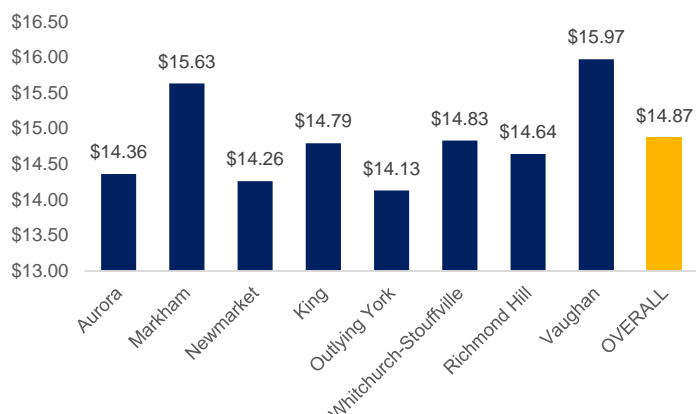
Notable Lease Transactions

Address	Size (SF)	Market
1. 20 Canfield Drive	80,127 SF	Markham
2. 490 Elgin Mills Road	55,000 SF	Richmond Hill
3. 615 Bowes Road	48,160 SF	Concord

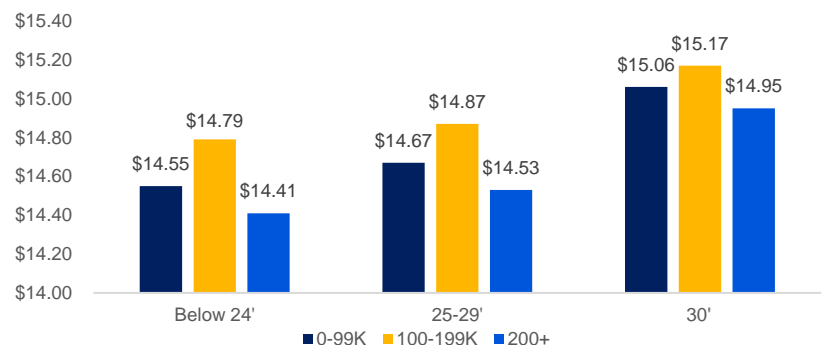
New Construction and Absorption



Net Rate (PSF)



Net Rent by Clear Height



GTA East

Q1 2022



Supply
51,023,610 SF



Availability Rate
1.1%



Average Net Rent
\$13.36/SF



Net Absorption
79,758 SF

Arrows Indicate One Quarter Change

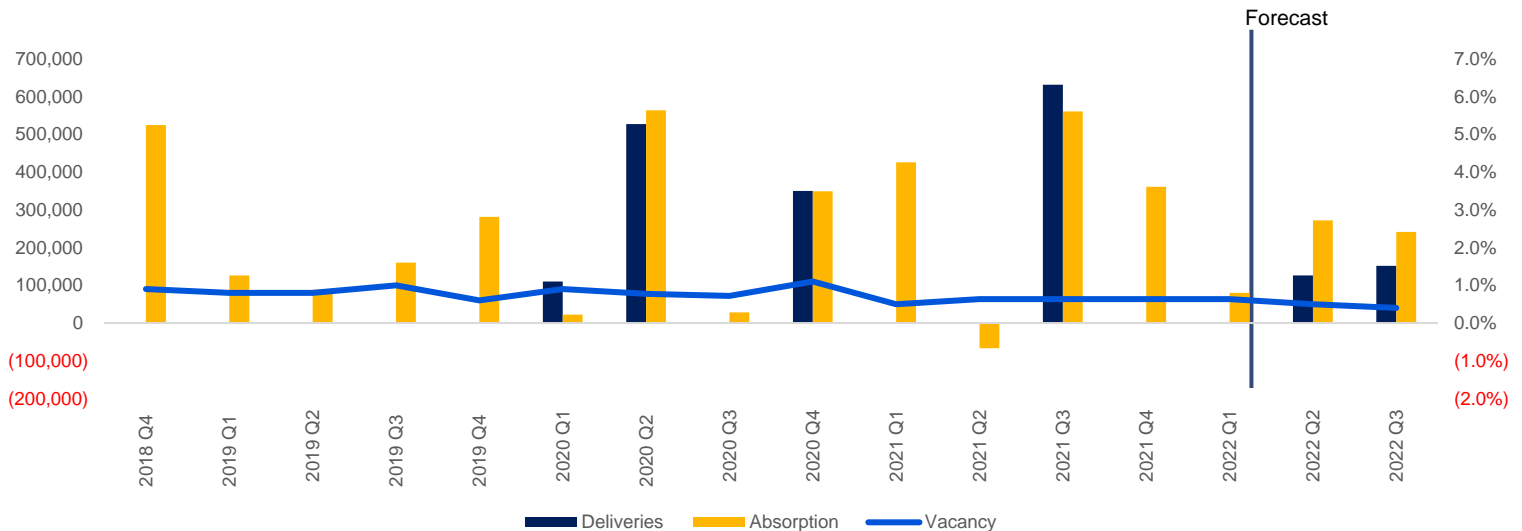
Availability Rate

	Q3	Q4	Q1	
Ajax	1.1%	1.5%	1.2%	▼
Oshawa	1.7%	1.2%	1.2%	►
Pickering	2.5%	0.8%	0.9%	▲
Outlying Durham	0.4%	0.0%	0.0%	►
Whitby	1.0%	1.5%	1.9%	▲
Overall	1.5%	1.0%	1.1%	▲

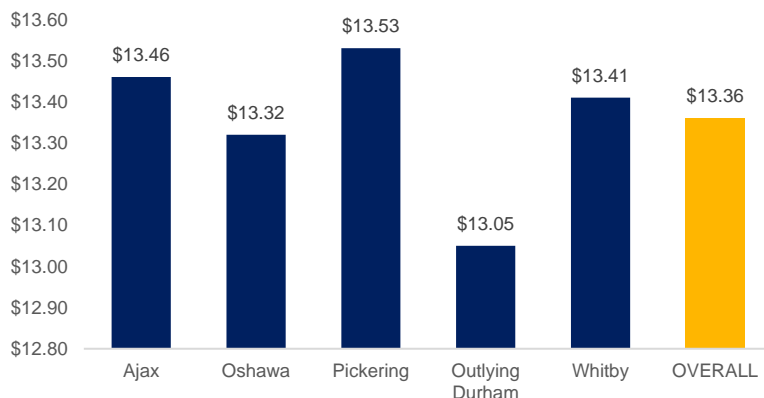
Notable Lease Transactions

Address	Size (SF)	Market
1. 1155 Boundary Road	41,200 SF	Oshawa

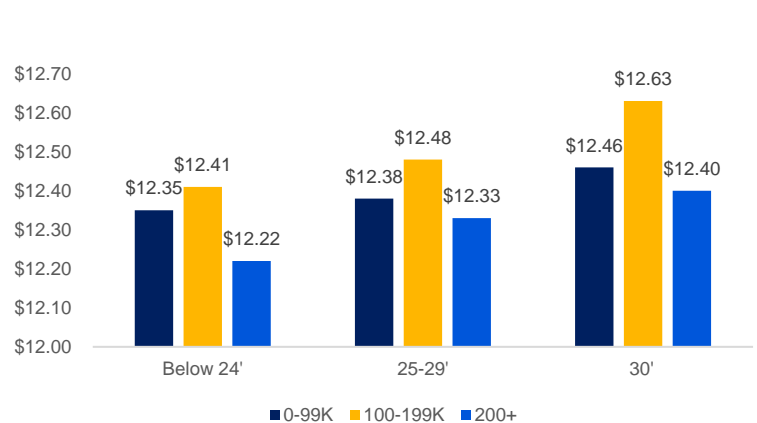
New Construction and Absorption



Net Rate (PSF)



Net Rent by Clear Height



GTA Central

Q1 2022



Supply

204,053,588 SF



Availability Rate

1.4%



Average Net Rent

\$14.43/SF



Net Absorption

38,609 SF

Arrows Indicate One Quarter Change

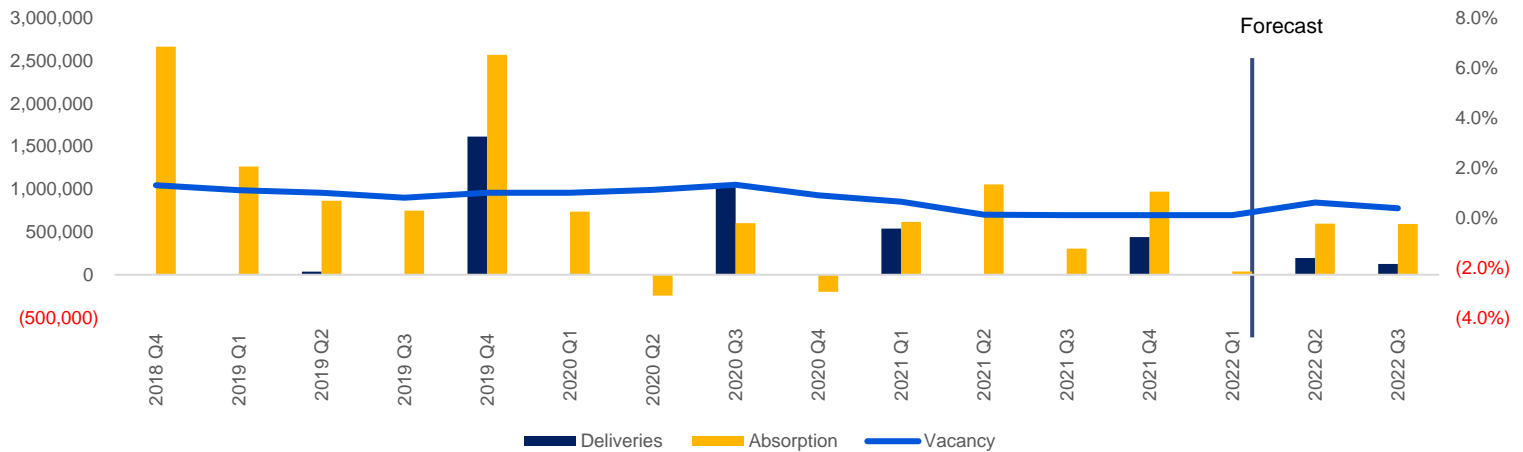
Availability Rate

	Q3	Q4	Q1	
East York	0.7%	0.1%	0.3%	▲
Etobicoke	1.9%	1.8%	1.6%	▼
North York	1.9%	2.0%	1.5%	▼
Scarborough	3.2%	2.9%	2.4%	▼
Toronto	0.2%	0.2%	0.1%	▼
Outlying Toronto	2.4%	1.4%	1.6%	▲
York	0.7%	1.3%	1.7%	▲
Overall	1.7%	1.6%	1.4%	▼

Notable Lease Transactions

Address	Size (SF)	Market
1. 3825 McNicoll Avenue	130,562 SF	Scarborough
2. 2480 Lawrence Avenue East	62,330 SF	Scarborough
3. 130 Claireville Drive	54,940 SF	Etobicoke

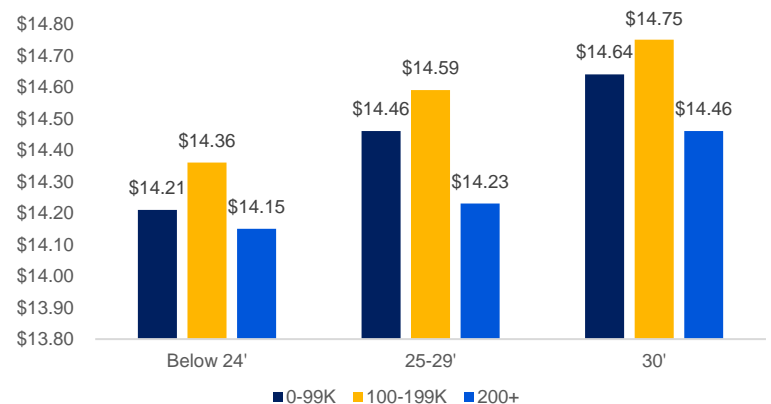
New Construction and Absorption



Net Rate (PSF)



Net Rent by Clear Height



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For the last 30+ years, Cresa's Toronto office has worked alongside our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money. Our integrated team of real estate advisors, project managers, designers, and analysts, listen to occupiers' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions. And it's this relentless focus on our clients that has earned us numerous industry awards along the way.

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