



Toronto Industrial

# 2021 Market Insight Report

Q4 2021

cresa 





Image: 840 York Mills – Developer: Nicola Wealtht

## Q4 2021 Market Trends

Greater Toronto Area (GTA) industrial properties continue to outperform all other asset types and this remains one of the hottest real estate markets in North America. Net rents continue to rise at unprecedented rates, increasing by another \$1.16 per square foot (PSF) quarter-over-quarter to \$12.14 PSF. Rents are changing significantly even on a month-by-month basis. They continue to increase with clear height and the 100-199k square foot properties are driving demand. The difference in rents when comparing size and clear heights is also continuing to shrink, with differences only ranging from \$0.20-0.30 PSF. Additionally, with growing rental rates, sale prices and land acquisition prices are increasing significantly.

With rental rates and sale prices continuing to rise, availabilities remain at a historically low level of 1.1%. This is the same level as Q3 2021. Furthermore, absorption is beginning to slow with only 2.5 million square feet leased this quarter. Down from the 3.2 million square feet leased in Q3 2021. This drop in absorption can be attributed to the limited space on market as availability is expected to drop well below 1% in the foreseeable future.

As the market continues to tighten, 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 last quarter. There has also been higher demand for quality space, with tenants desiring certain requirements that older buildings are being challenged to meet. 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, and even sometimes prior to planning. With almost no 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.

The fourth quarter of 2021 only saw 635,000 square feet of new supply delivered to the market. This is down almost 1,300,000 square feet compared to last quarter. This is expected, as Toronto has approximately 11.7 million square feet currently under construction, but an insignificant amount of that space is expected for 2022, with almost all being delivered in 2023 & 2024. The limited new supply that is being delivered in 2022 is coming fully pre-leased. Many expect industrial markets to fall well below 1% availability in the foreseeable future. This is a combination of demand significantly outpacing supply, expensive construction costs, and high land acquisition costs.

The continued growth of e-commerce, logistics, and supply chain companies is the main driver in leasing activity. The need for last-mile fulfillment facilities has reached new heights as the uncertainties surrounding the Covid-19 pandemic continue. This year, Amazon leased out almost 2 million square feet of warehouse and distribution space, most of which was pre-leased or design build projects. The highlight of Q4 2021 was the Swedish clothing company, H&M, leasing over 700,000 square feet of warehouse/distribution space in Ajax, Ontario. In addition to shipping and logistics companies, food and grocery tenants are also driving demand during the Covid-19 pandemic, as food subscriptions and delivery options have drastically increased over the past two years. This has caused significant increases in demand for refrigeration and cold storage space. Walmart Canada recently announced that they will be investing \$3.5 billion to upgrade their e-commerce and grocery fulfillment operations across the country, presumably with a focus on the Greater Toronto Area to service Canada's most populated region.

With unprecedented levels of demand and limited supply coming to market, 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 and future planned developments. Market relief is a must and the best way to do so is by finding ways to increase supply in a timely and efficient manner.

# GTA Overview

Q4 2021



Supply

749,407,966 SF



Availability Rate

1.1%



Average Net Rent

\$12.14/SF



Net Absorption

2,467,986 SF

Arrows Indicate One Quarter Change

## Availability Rate

	Q2	Q3	Q4	
GTA West	1.8%	1.3%	0.9%	▼
GTA North	0.9%	0.7%	0.9%	▲
GTA East	1.7%	1.5%	1.0%	▼
GTA Central	1.7%	1.7%	1.6%	▼
Overall	1.5%	1.1%	1.1%	►

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

## Vacancy & Availability

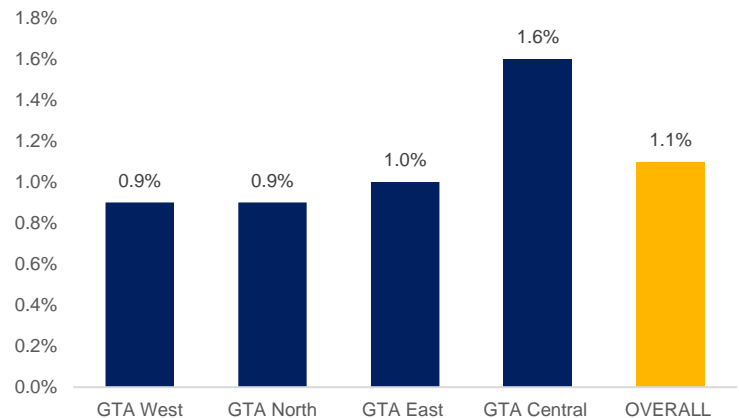
### Vacancy Rates

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.

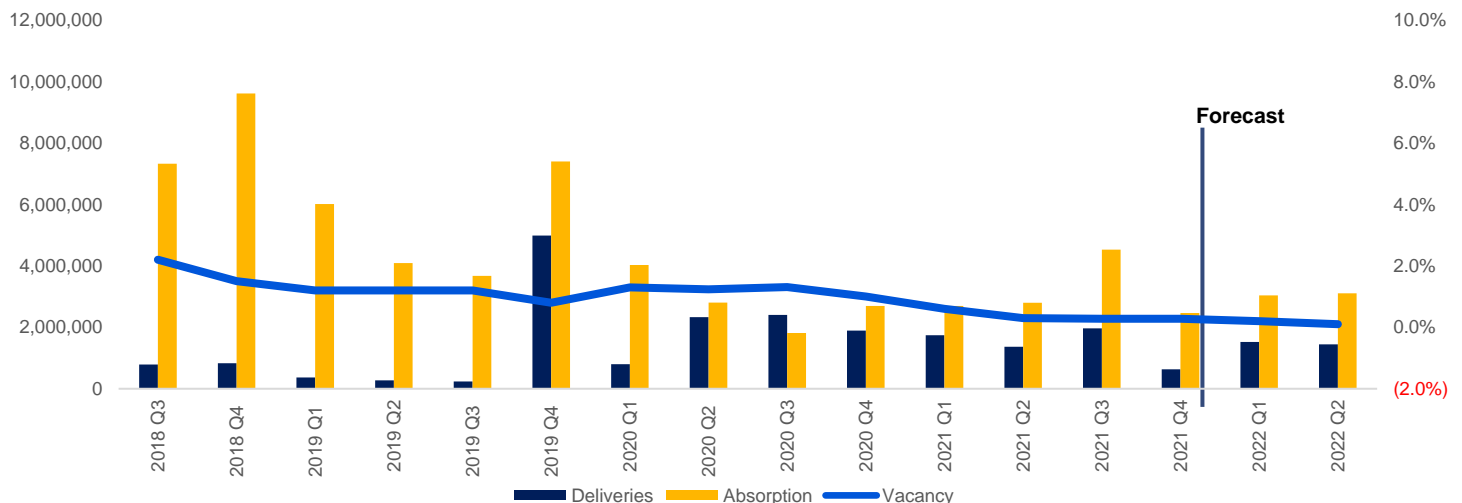
### Availability Rates

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 (%)

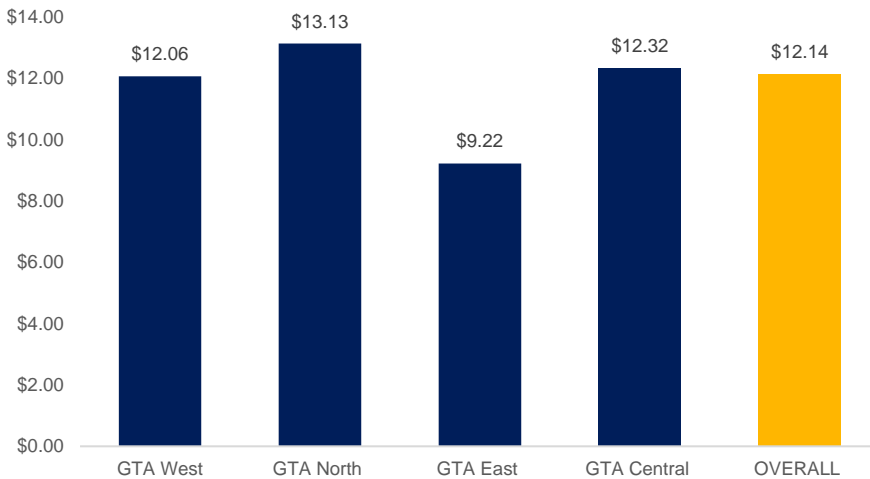


## New Construction and Absorption

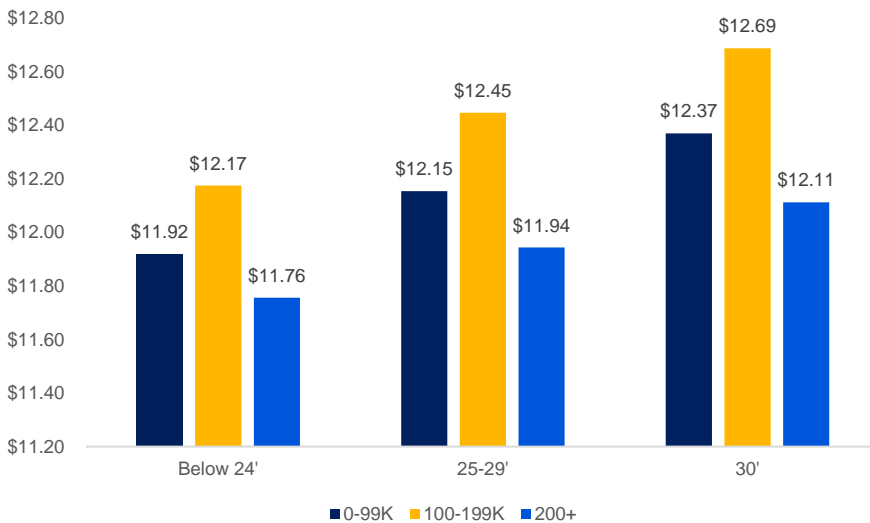


# GTA Overview

## Net Rate (PSF)



## Net Rent by Clear Height



## Notable Lease Transactions

Address	Size (SF)	Market
1. 789 Salem Road North	716,646 SF	Ajax
2. 27 Director Court	216,100 SF	Vaughan
3. 1590 South Gateway Road	195,038 SF	Mississauga
4. 915 Lake Shore Boulevard East	148,000 SF	Toronto
5. 8811 Huntington Road	138,989 SF	Vaughan

## Industrial Market Insights

1. Greater Toronto Area (GTA) industrial properties continue to outperform all other asset types and remain one of the hottest real estate markets in North America. Net rents continue to rise at unprecedented rates, increasing by another \$1.16 per square foot (PSF) quarter-over-quarter to \$12.14 PSF.

2. 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 last quarter. There has also been higher demand for quality space, with tenants desiring certain requirements that older buildings are being challenged to meet. Those 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.

3. The fourth quarter of 2021 only saw 635,000 square feet of new supply delivered to the market. This is down almost 1,300,000 square feet compared to last quarter. Many expect industrial markets to fall well below 1% availability in the foreseeable future. This is a combination of demand significantly outpacing supply, expensive construction costs, and high land acquisition costs.

4. This year, Amazon leased out almost 2 million square feet of warehouse and distribution space, most of which was pre-leased or design build projects. The highlight of Q4 2021 was the Swedish clothing company, H&M, leasing over 700,000 square feet of warehouse / distribution space in Ajax, Ontario. Walmart Canada recently announced that they will be investing \$3.5 billion to upgrade their e-commerce and grocery fulfillment operations across Canada.

# GTA West

Q4 2021



**Supply**  
**353,906,781 SF**



**Availability Rate**  
**0.9%**



**Average Net Rent**  
**\$12.06/SF**



**Net Absorption**  
**865,228 SF**

Arrows Indicate One Quarter Change

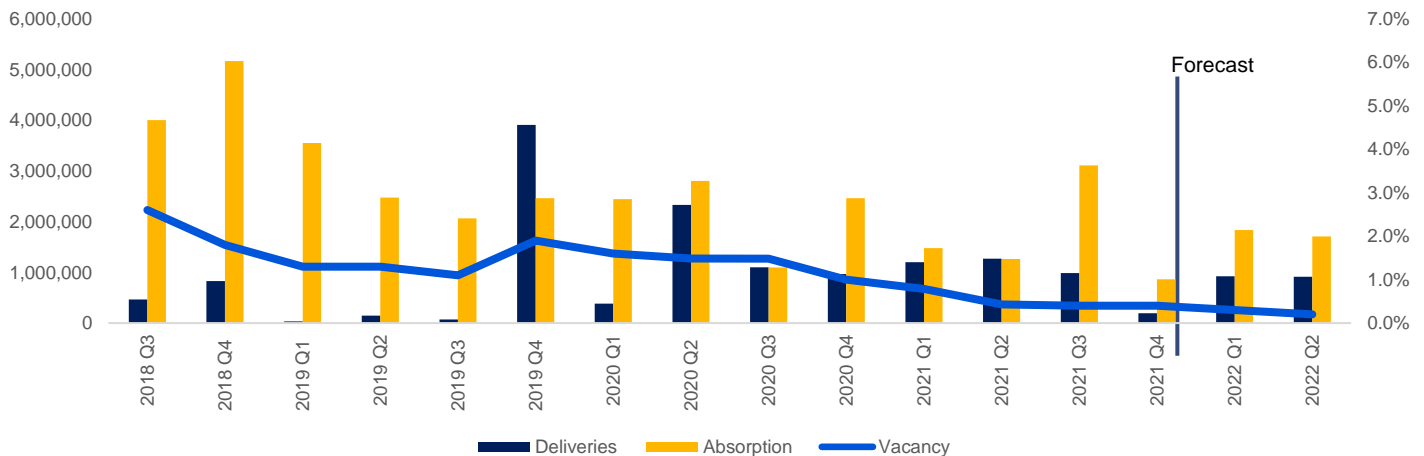
## Availability Rate

	Q2	Q3	Q4	
Brampton	1.4%	1.4%	1.1%	▼
Burlington	2.2%	1.4%	1.8%	▲
Caledon	1.8%	2.8%	0.4%	▼
Halton Hills	0.8%	0.4%	0.0%	▼
Milton	1.2%	0.8%	1.0%	▲
Mississauga	2.3%	1.6%	1.7%	▲
Oakville	1.5%	1.0%	1.7%	▲
Overall	1.8%	1.3%	0.9%	▼

## Notable Lease Transactions

Address	Size (SF)	Market
1. 1590 South Gateway Road	195,038 SF	Mississauga
2. 2585 Meadowpine Boulevard	104,597 SF	Mississauga
3. 12 Cleve Court	92,075 SF	Halton Hills

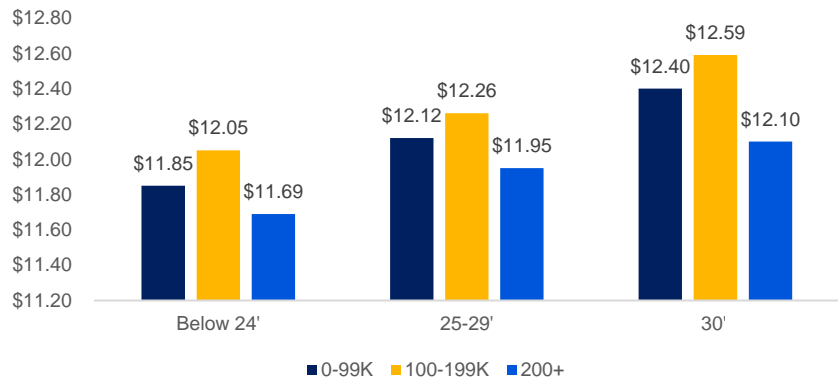
## New Construction and Absorption



## Net Rate (PSF)



## Net Rent by Clear Height



# GTA North

Q4 2021



Supply

140,423,987 SF



Availability Rate

0.9%



Average Net Rent

\$13.13/SF



Net Absorption

270,840 SF

Arrows Indicate One Quarter Change

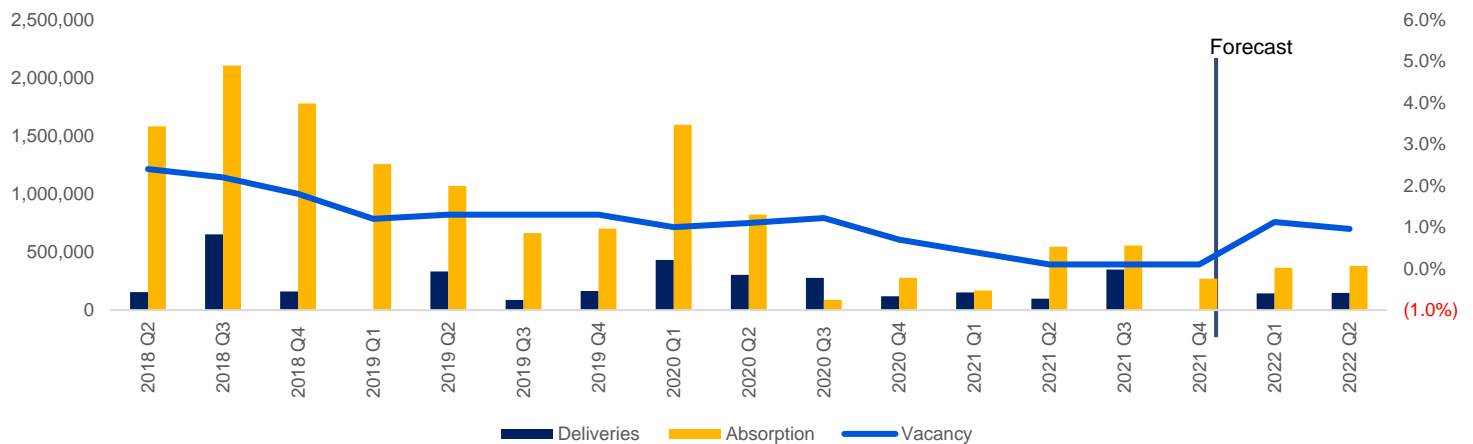
## Availability Rate

	Q2	Q3	Q4	
Aurora	0.4%	0.2%	0.3%	▲
Markham	0.8%	1.3%	2.6%	▲
Newmarket	1.2%	0.7%	0.8%	▲
King	0.4%	0.4%	0.4%	►
Outlying York	0.5%	0.5%	0.5%	►
Whitchurch-Stouff	1.5%	1.3%	1.3%	►
Richmond Hill	1.6%	2.1%	0.8%	▼
Vaughan	1.3%	0.8%	0.9%	▲
Overall	0.9%	0.7%	0.9%	▲

## Notable Lease Transactions

Address	Size (SF)	Market
1. 27 Director Court	216,100 SF	Vaughan
2. 8811 Huntington Road	138,989 SF	Vaughan
3. 7900 Huntington Road	56,153 SF	Vaughan

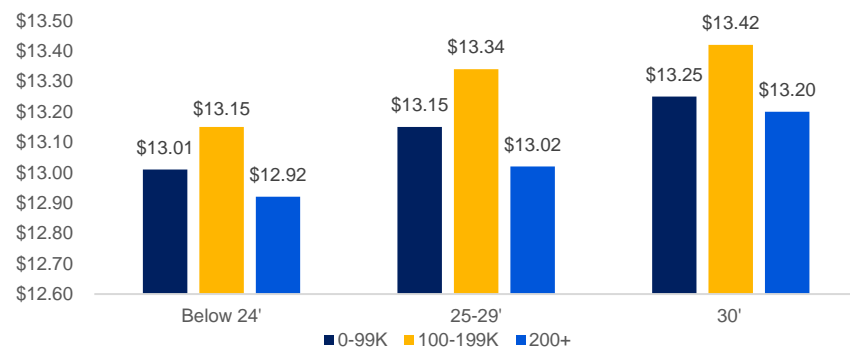
## New Construction and Absorption



## Net Rate (PSF)



## Net Rent by Clear Height



# GTA East

Q4 2021



Supply  
**51,023,610 SF**



Availability Rate  
**1.0%**



Average Net Rent  
**\$9.22/SF**



Net Absorption  
**361,049 SF**

Arrows Indicate One Quarter Change

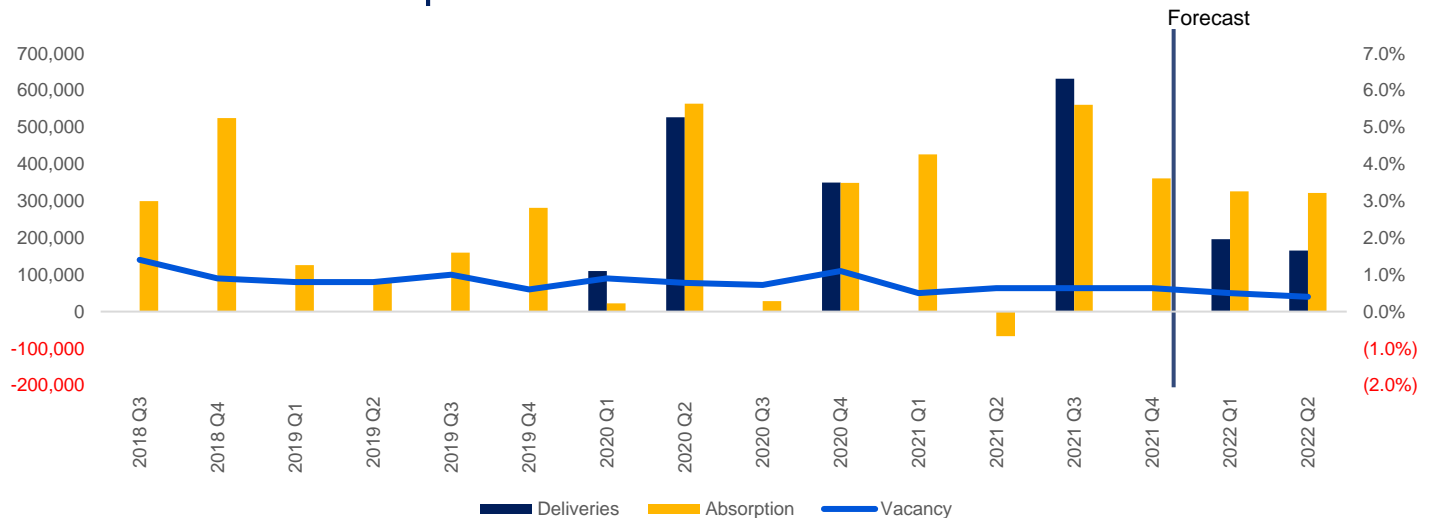
## Availability Rate

	Q2	Q3	Q4	
Ajax	2.4%	1.1%	1.5%	▲
Oshawa	1.4%	1.7%	1.2%	▼
Pickering	1.2%	2.5%	0.8%	▼
Outlying Durham	0.7%	0.4%	0.0%	▼
Whitby	3.8%	1.0%	1.5%	▲
Overall	1.7%	1.5%	1.0%	▼

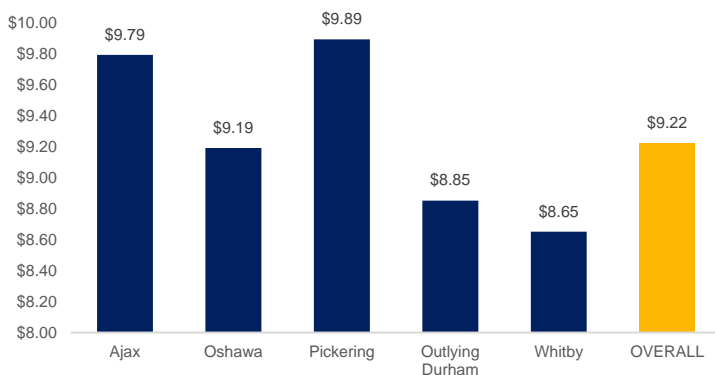
## Notable Lease Transactions

Address	Size (SF)	Market
1. 789 Salem Road North	716,646 SF	Ajax
2. 1005 Copperstone Drive	126,291 SF	Pickering
3. 165 Harwood Avenue North	77,742 SF	Ajax

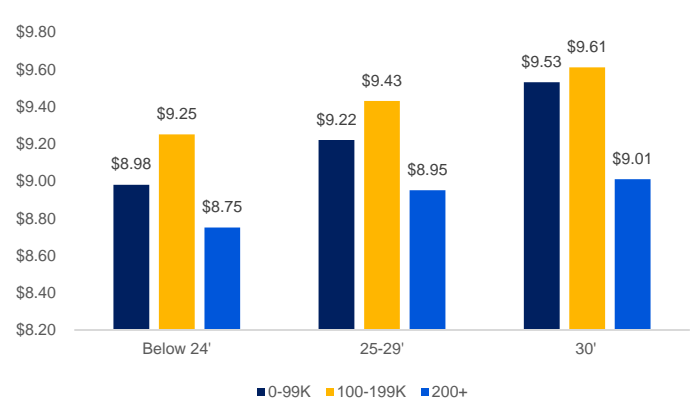
## New Construction and Absorption



## Net Rate (PSF)



## Net Rent by Clear Height



# GTA Central

Q4 2021



Supply

204,053,588 SF



Availability Rate

1.6%



Average Net Rent

\$12.32/SF



Net Absorption

970,869 SF

Arrows Indicate One Quarter Change

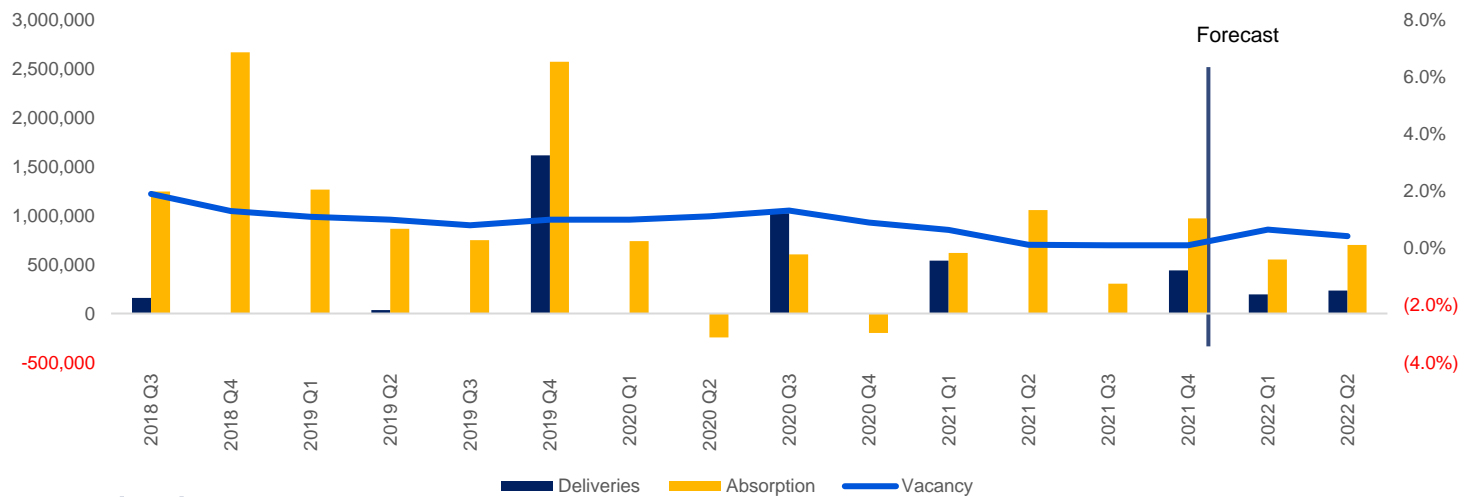
## Availability Rate

	Q2	Q3	Q4	
East York	1.3%	0.7%	0.1%	▼
Etobicoke	1.6%	1.9%	1.8%	▼
North York	1.8%	1.9%	2.0%	▲
Scarborough	3.2%	3.2%	2.9%	▼
Toronto	0.4%	0.2%	0.2%	►
Outlying Toronto	1.4%	2.4%	1.4%	▼
York	1.3%	0.7%	1.3%	▲
Overall	1.7%	1.7%	1.6%	▼

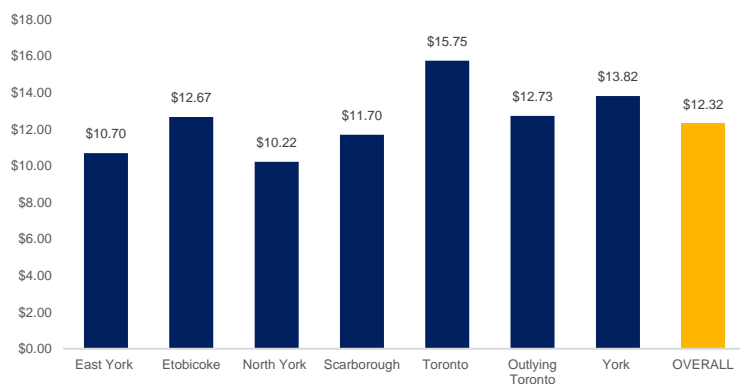
## Notable Lease Transactions

Address	Size (SF)	Market
1. 915 Lake Shore Boulevard East	148,000 SF	Toronto
2. 55-61 Milner Avenue	130,691 SF	Scarborough
3. 39 Kodiak Crescent	73,706 SF	North York

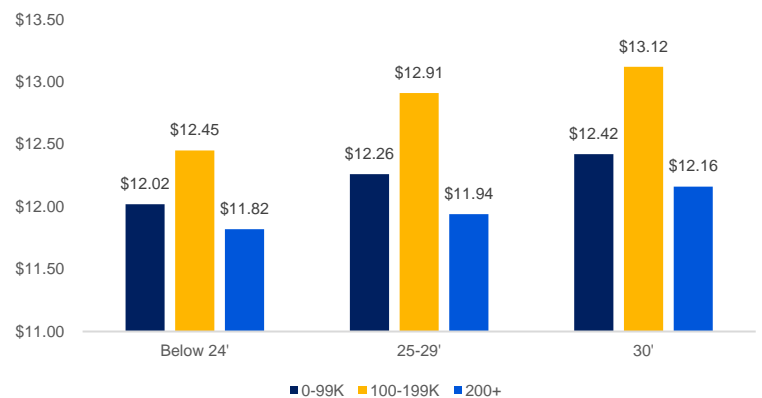
## New Construction and Absorption



## 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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