

Greater Toronto Area

Shifting tenant preferences towards smaller product incentivized landlord flexibility

- Big-box leasing volume sat at 2.8 million s.f in Q1, down 58.3% from the high of 6.9 million s.f. seen in Q4 2022.
- Total vacancy rates reached 1.2%, a 10-basis point increase over Q4 2022.
- Rental rates reached \$18.26, a 28.0% increase YoY.

Q1 2023 was a quarter of tenant and buyer temperance as the GTA contended with towering rental rates and high interest rates. Big Box leasing activity sat at 2.8 million s.f., down a sizeable 58.3% from the high of 6.9 million seen in Q4 2022. Such changes partly stem from tenant demand shifting towards mid and small-bay industrial requirements and away from the region's biggest availabilities over 100,000 s.f. In response, landlords have continued to demise their largest products to accommodate prospective tenants, a concession which would have been inconceivable a year ago. Notable deals done included Legacy Logistics renewing their 410,975 s.f. site at 12203 Airport Road and Greenworks Tools subleasing 307,737 s.f. at 67 Toll Road.

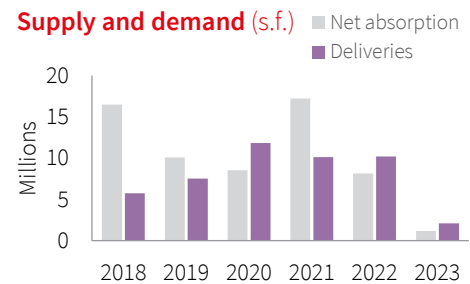
Declining interest in the GTA's largest product was also reflected in the region's construction pipeline. Although under construction numbers reached a cyclical high of 17.9M, only 30.7% was pre-leased in Q1 2023, a significant drop from the 55.5% seen in Q1 2022 and down from the 37.2% preleased in Q4 2022. Construction starts included the remainder of Phase 1 at Oxford's James Snow Business Park in Milton at a total of 1.5 million s.f. and Broccolini & BentallGreenOak's 970,610 s.f. site at the Fifth Line Business Park. The biggest quarterly completion was observed at Crestpoint's Building B at the GTA East Industrial Park, a 716,837 s.f. site pre-leased to H&M. 175,663 s.f. of unleased product delivered in the quarter, mostly from 6685 Langstaff Road Unit 3 at 109,100 s.f.

Rental rates continued their climb, albeit at a slowed rate. Highest rents were seen in the GTA West at \$18.64, largely driven by Brampton and Mississauga's sizeable possession of existing product with net guidance rates into the high \$20s p.s.f.

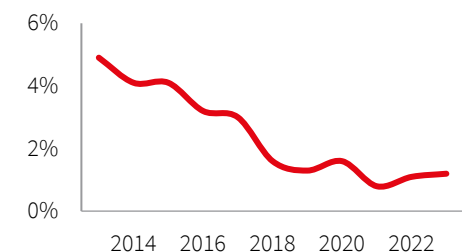
Outlook

Shifting preferences towards mid and small-bay product and a willingness to demise suggests a slight softening in what is otherwise a firmly landlord-favourable market. While rental rates remain at record highs, modest increases in vacancy partly stemming from a strong construction pipeline will serve as a small boon for future tenants in the market.

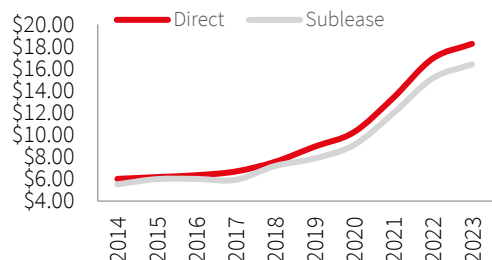
Fundamentals	Forecast
YTD net absorption	1,164,978 s.f. ▲
Under construction	17,949,191 s.f. ▲
Total vacancy	1.2% ▲
Sublease vacancy	1,048,991 s.f. ▲
Direct asking rent	\$18.26 p.s.f. ▲
Sublease asking rent	\$16.41 p.s.f. ▲
Concessions	Increasing ▲



Total Vacancy (%)



Average asking rent (\$ p.s.f.)





Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Direct average asking net rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
East York	4,667,545	-57,809	-57,809	-1.2%	1.5%	1.1%	\$14.95	0	0	0
Etobicoke	65,004,169	-141,352	-141,352	-0.2%	1.6%	2.5%	\$18.80	0	0	689,485
North York	66,280,561	-158,488	-158,488	-0.2%	1.5%	1.8%	\$18.17	80,174	80,174	298,377
Scarborough	60,502,242	-528,369	-528,369	-0.9%	2.5%	3.4%	\$16.88	26,000	26,000	423,720
Toronto	12,739,472	-38,795	-38,795	-0.3%	0.9%	0.9%	\$14.99	0	0	0
York	10,064,983	-206,244	-206,244	-2.0%	2.2%	3.9%	\$22.08	0	0	0
Greater Toronto Central	219,258,972	-1,131,057	-1,131,057	-0.5%	1.8%	2.5%	\$17.91	106,174	106,174	1,411,582
Ajax	9,547,226	669,797	669,797	7.0%	2.3%	2.6%	\$15.13	716,837	716,837	375,774
Pickering	11,027,829	-40,746	-40,746	-0.4%	0.5%	1.5%	\$16.36	0	0	233,000
Oshawa	15,159,050	188,169	188,169	1.2%	0.4%	0.7%	\$15.82	0	0	26,000
Whitby	10,780,708	21,844	21,844	0.2%	0.2%	1.1%	\$15.84	0	0	770,000
Outlying Durham	6,683,245	-19,150	-19,150	-0.3%	0.4%	0.4%	\$12.00	0	0	49,961
Greater Toronto East	53,198,058	819,914	819,914	0.8%	0.7%	1.3%	\$15.35	716,837	716,837	1,454,735
Aurora	5,877,643	19,035	19,035	0.3%	2.6%	0.7%	\$15.27	0	0	82,339
Markham	35,767,960	56,809	56,809	0.2%	0.9%	2.1%	\$17.72	0	0	279,516
Newmarket	7,781,125	32,463	32,463	0.4%	0.2%	0.1%	\$16.28	0	0	57,500
Richmond Hill	14,373,230	287,741	287,741	2.0%	0.6%	0.9%	\$17.94	223,889	223,889	0
Vaughan	102,677,961	-30,290	-30,290	0.0%	0.6%	1.2%	\$18.47	246,179	246,179	2,693,791
Outlying York	5,667,019	-5,840	-5,840	-0.1%	0.2%	0.3%	\$20.00	0	0	420,152
Greater Toronto North	172,144,938	359,918	359,918	0.2%	0.7%	1.3%	\$18.23	470,068	470,068	3,533,298
Brampton	98,456,180	-118,230	-118,230	-0.1%	1.6%	2.2%	\$19.89	0	0	4,104,317
Burlington	24,909,739	152,666	152,666	0.6%	1.6%	1.4%	\$14.86	141,399	141,399	503,665
Caledon	21,326,194	-32,746	-32,746	-0.2%	0.2%	0.2%	\$15.35	0	0	434,656
Milton / Halton Hills	35,373,049	943,498	943,498	2.7%	0.4%	1.9%	\$17.78	551,564	551,564	3,240,177
Mississauga	177,834,430	291,361	291,361	0.2%	1.1%	1.8%	\$18.23	130,016	130,016	2,575,439
Oakville	24,348,132	-120,346	-120,346	-0.5%	1.3%	2.1%	\$17.81	0	0	691,322
Greater Toronto West	382,247,724	1,116,203	1,116,203	0.3%	1.2%	1.8%	\$18.64	822,979	822,979	11,549,576
Greater Toronto Area Total	826,849,692	1,164,978	1,164,978	0.1%	1.2%	1.8%	\$18.26	2,116,058	2,116,058	17,949,191