

INVESTMENT FORECAST

Industrial
Toronto

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2022

Online Shopping Growth a Catalyst for Exceptionally Tight Conditions in the GTA

Expanding logistics firms trim availability to a historic low. As e-commerce sales climb within the GTA, logistics firms and distributors are broadening operations in the region. This has placed additional downward pressure on vacancy in a market that already recorded sub-2 per cent availability prior to the pandemic. Entering this year, more space was under construction than available in Toronto, contributing to very strong pre-leasing amid a lack of existing options. The high probability of new builds leasing quickly has led to a spike in industrially zoned land prices, which has pressured some developers into expanding existing sites upward, rather than build new space in more outlying areas. Meanwhile, the expanding East Toronto corridor is reporting the strongest rent growth figures and lowest availability of the GTA submarkets, due to the area's connectivity to other eastern Canadian and American markets. H&M recently signed a lease to fill roughly 700,000 square feet in the eastern city of Ajax, highlighting retailer interest in large-scale facilities here, as a disrupted global supply chain prompts stores to hold more stock.

Toronto Industrial Investment Trends

- Outstanding fundamentals have strengthened investor interest, supporting a fast rise in pricing to an average of \$300 per square foot and cutting the mean cap rate to 4.0 per cent.
- Investors pursuing a value-add strategy could target smaller, outmoded spaces near strategic locations. Incentives offered for these types of projects aid in keeping redevelopment costs feasible.

2022 Industrial Trends


**4.2 MILLION
SQUARE FEET**
will be completed

CONSTRUCTION:

The annual completion total will fall short of the trailing five-year average of nearly 5.8 million square feet finalized, despite a shortage of available space and extremely tight conditions.


**30
BASIS POINT**
decrease in vacancy

VACANCY:

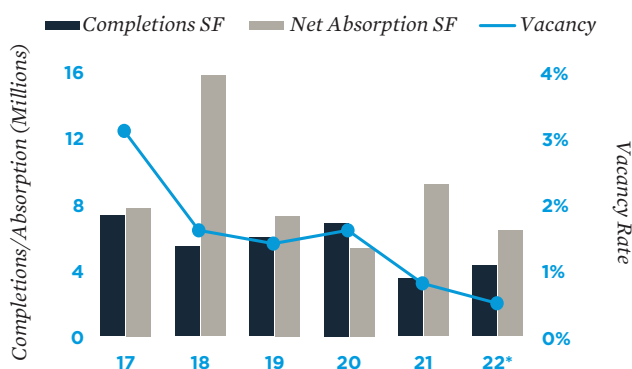
Robust demand, indicated by a heavily pre-leased pipeline, will drive net absorption ahead of completions by more than 2 million square feet, shrinking vacancy to 0.5 per cent.


**12.4%
INCREASE**
in asking rent

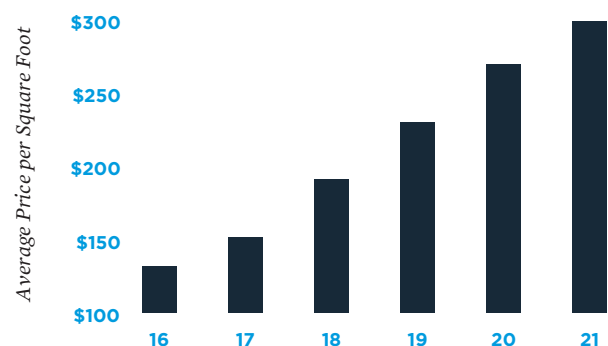
RENT:

After jumping 15.8 per cent in the prior year, strong tenant demand and a general under supply in the GTA allow the average asking rent to surge to \$12.80 per square foot.

Supply and Demand



Sales Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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